ANNUAL REVIEW AND SUMMARY FINANCIAL STATEMENTS 2005

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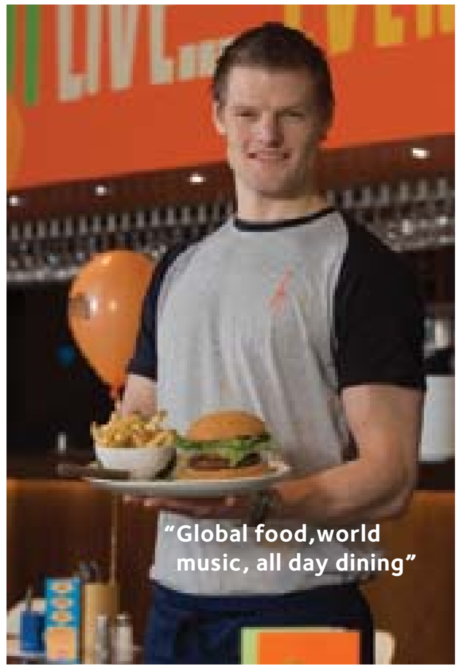
Hammerson

Annual Review and Summary Financial Statements 2005

SANDRINE LEGRAND, H&M

IKRAAM HASSAN, WHITE COMPANY



BERNARD ANNUSCHAT, GIRAFFE

AGATA LEWANDOWSKA, 4 YOU FLOWERS

JANA FRISTAKOVA, T.M. LEWIN

TIM REES, EVANS CYCLES

LILY SONG, GOLDSMITHS

CECILE JOBARB, O+CO

ESTELLE GUNDOGBU, FRANCK PROVOST

PERFORMANCE IN 2005

"Hammerson is a leading European real estate company operating principally in the retail sector. It owns an outstanding portfolio and has a proven track record of successful property development."

"Hammerson achieved a return on shareholders' equity of 34.0% in 2005."

Net rental income	Adjusted earnings per share	Total dividend per share	Adjusted net asset value per share
£210.3m	**31.2p**	**19.71p**	**£12.37**
↑ 11.0%	↑ 8.7%	↑ 10.0%	↑ 30.9%

Return on shareholders' equity

34.0%

CONTENTS

Pages 33 to 36 contain summary financial statements for the year. Financial information relating to any large group is complex and the aim here is to present the key data on Hammerson's financial performance. All the information has been extracted from the Directors' Report and Financial Statements. The summary financial statements do not present the detail that is included in the Directors' Report and Financial Statements and which would permit a comprehensive analysis of Hammerson's performance.

Copies of the Directors' Report and Financial Statements are available from the Company Secretary, Hammerson plc, 100 Park Lane, London W1K 7AR and are also shown on the Company's website, www.hammerson.co.uk.

The terms in the commentary contained in the Annual Review and Summary Financial Statements are defined in the glossary on page 40.

QUEENSGATE, PETERBOROUGH

PORTFOLIO ALLOCATION

> Capital expenditure totalled over £600 million.

> Disposals raised £224 million.

> 50% interest in the Queensgate Shopping Centre, Peterborough acquired for £156 million.

> Villebon 2 retail park near Paris acquired for £105 million.

> Retail weighting increased to 72% of the portfolio.

VILLEBON 2, VILLEBON-SUR-YVETTE

FINANCIAL

> Generated a portfolio total return of 22.5%.

> Dividend increased by 10%.

> Achieved a return on shareholders' equity of 34.0%.

> Signed a £370 million five year syndicated revolving credit facility.

> Gearing reduced to 66%.

BISHOPS SQUARE, LONDON E1

ASSET MANAGEMENT

> Carried out almost 100 rent reviews.

> Signed 265 new leases with annual rents of over £41.9 million.

> Leased nearly 30,000 m^2 of office space in London and Paris.

> Net rental income from the investment portfolio increased by 6.0% on a like-for-like basis.

MERCHANTS QUARTER, BRISTOL

DEVELOPMENT

> Bishops Square, Spitalfields, London E1 completed showing a surplus of £157 million.

> Completed retail park developments in Merthyr Tydfil and Gloucester.

> Major retail schemes started in Bristol and Leicester.

> Advanced other major retail-led city centre regeneration projects.

> Major lettings achieved at 9 place Vendôme, Paris.

NEW SHIRES, LEICESTER

BUSINESS AND FINANCIAL HIGHLIGHTS

	2005 £m	2004 £m	change
Financial Highlights 2005			
Net rental income	**210.3**	189.5	+11.0%
Profit before tax	**698.6**	413.4	+69.0%
Adjusted profit before tax(1)	**89.4**	83.2	+7.5%
Property assets	**5,732**	4,603	+24.5%
Equity shareholders' funds	**3,126**	2,410	+29.7%

	2005 pence	2004 pence	change
Per Share Data 2005			
Basic earnings per share	**198.0**	156.2	+26.8%
Adjusted earnings per share, EPRA basis(2)	**31.2**	3.1	n/a
Adjusted earning per share(3)	**31.2**	28.7	+8.7%
Dividend per share	**19.71**	17.92	+10.0%
Adjusted net asset value per share, EPRA basis(2)	**£12.37**	£9.45	+30.9%

	2005	2004
Return on shareholders' equity(4)	**34.0%**	21.7%
Interest cover	**1.9x**	1.9x
Dividend cover	**1.6x**	1.6x

Notes

(1) Excluding gains on investment properties and changes in the fair value of interest rate swaps totalling £609.2 million (2004: £330.2 million).

(2) The European Public Real Estate Association ('EPRA') has issued recommended bases for the calculation of certain adjusted data. Further details of these calculations are provided in note 10 to the accounts in the 2005 Directors' Report and Financial Statements. The EPRA adjusted earnings per share figure for 2004 included the current tax charge in respect of entry into the SIIC regime in France.

(3) Excluding gains on investment properties, the change in the fair value of interest rate swaps, deferred tax and related minority interests. The figure for 2004 also excluded the effects of entry into the SIIC regime in France.

(4) Excluding deferred tax and, in 2004, the effects of entry into the SIIC regime.

"In 2005 net asset value per share increased by 31% to £12.37."

AT A GLANCE

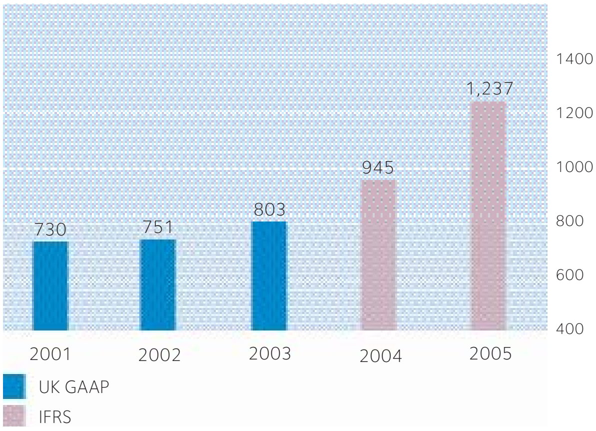
OBJECTIVE

The group invests in property to create value for shareholders by achieving financial returns above its cost of capital.

INVESTMENT PROPOSITION

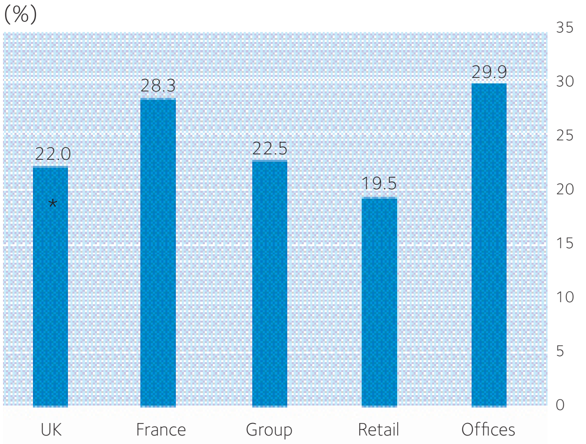
> Focus on prime shopping centres and retail parks in the UK and France.
> Excellent income growth potential from high quality £5.7 billion portfolio.
> Outstanding retail and office development programme and pipeline.
> Experienced teams in UK and France.
> Strong balance sheet and financial resources.
> Record of good financial performance.

Adjusted net asset value per share
(pence)



Adjusted earnings per share
(pence)

Portfolio total returns
(%)



*IPD 2005 UK All Property Benchmark: 19.4%

Total shareholder return (relative)

HAMMERSON'S TEN HIGHEST VALUE PROPERTIES AT 31 DECEMBER 2005

	Ownership interest %	Area m²	Value £m	Passing rent £m	% let by income
WESTQUAY, Southampton	100	76,300	520	22.8	99
BISHOPS SQUARE, London E1	75	75,900	401*	25.4*	99
BRENT CROSS, London NW4	41	81,600	370*	16.2*	100
BULLRING, Birmingham	33	124,900	297*	14.5*	99
THE ORACLE, Reading	50	71,100	266*	13.2*	99
ITALIE 2, Paris 13ème	100	56,600	242	12.7	99
LIBERTY SHOPPING CENTRE, Romford	100	48,600	229	11.6	99
LES TROIS QUARTIERS, Paris	100	29,900	195	8.8	79
PARINOR, Aulnay-sous-Bois	100	84,100	178	8.1	96
THE SHIRES, Leicester	60	49,200	173*	8.5*	100

*Hammerson's share

CURRENT DEVELOPMENT PROJECTS

SHOPPING CENTRES	Ownership interest %	Area m²	Cost at 31 December 2005 £m	Estimated total development cost £m	Projected annual income £m	Amount let or under offer by income at 31 December 2005 %	Anticipated completion date
MERCHANTS QUARTER, Bristol	50	140,000	33*	230*	16*	35	Sep 2008
NEW SHIRES, Leicester	60	60,000	16*	190*	12*	26	Sep 2008
RETAIL PARKS							
THE AVENUE RETAIL PARK, Cardiff	100	4,500	23	25	2	79	Jan 2006
DALLOW ROAD, Luton	100	8,700	24	28	2	100	Mar 2006
WESTWOOD & EAST KENT, Thanet	100	8,400	11	17	2	80	Jun 2006
OFFICES							
9 PLACE VENDÔME, Paris 1er	50	27,700	79*	90*	7*	83	Apr 2006

*Hammerson's share

BOARD OF DIRECTORS

1. JOHN NELSON FCA, CHAIRMAN
John Nelson (58), a Chartered Accountant, was appointed Chairman with effect from 1 October 2005. He is Deputy Chairman of Kingfisher plc and a non-executive director of BT Group plc.

2. JOHN RICHARDS BSC, FRICS, CHIEF EXECUTIVE
John Richards (50), a Chartered Surveyor, joined the Company in 1981 as a development surveyor. He was appointed a director of the Company in 1990. He was responsible for Hammerson's UK operations from 1993 to 1998 and then took responsibility for the group's international operations. He was appointed Chief Executive of Hammerson in 1999.

3. JOHN BARTON CA, MBA
John Barton (61) was appointed a non-executive director of Hammerson in 1998. He is the Senior Independent Director. He is Chairman of the Remuneration Committee and a member of the Nomination Committee. He is Chairman of Wellington Underwriting plc and, from May 2006, Next plc and a non-executive director of WH Smith Group plc.

4. JOHN BYWATER FRICS
John Bywater (58), a Chartered Surveyor, joined Hammerson as an executive director in 1998 having previously been a partner of Donaldsons. He is Chairman of Hammerson's UK Management Board. In addition, he is responsible for insurance and Corporate Responsibility throughout the group. He is a non-executive director of Workspace Group plc and Land Management Limited.

5. JOHN CLARE CBE, BSC
John Clare (55) was appointed a non-executive director of Hammerson in 1999. He is a member of the Audit, Nomination and Remuneration Committees. He is Chief Executive of DSG International plc.

6. PETER COLE BSC, MRICS
Peter Cole (47), 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 1993. He was appointed an executive director of Hammerson in 1999 and is Managing Director Group Investment and Development. He is President of the City Property Association.

7. GERARD DEVAUX HEC, FRICS

Gerard Devaux (57) was appointed an executive director of Hammerson in 1999. He is Chairman of Hammerson's Continental Europe Management Board. He joined the Company in 1986 as general manager and a director of the group's operations in France, assuming responsibility for operations in continental Europe in 1999. He is a director of the National Council of Shopping Centres in France.

8. DAVID EDMONDS CBE, D.Litt, BA

David Edmonds (62) was appointed a non-executive director of Hammerson in 2003 and is a member of the Audit Committee. He is a non-executive director of Wincanton plc and William Hill plc, Chairman of NHS Direct and a member of the Legal Services Commission.

9. JOHN HIRST BA, FCA, ACT, CCMI

John Hirst (53), a Chartered Accountant, joined the Board as a non-executive director in 2004 and is Chairman of the Audit Committee. He was formerly Group Chief Executive of Premier Farnell plc and is Chairman of the Trustees of the Fund for Epilepsy.

10. SIMON MELLISS BA, FCA

Simon Melliss (53), a Chartered Accountant, joined the Company in 1991 as group financial controller, having worked in various financial positions for other companies. He 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 Associated British Ports Holdings PLC.

11. TONY WATSON BSC (Econ), Barrister at Law, ASIP

Tony Watson (60) was appointed as a non-executive director on 1 February 2006. He is a member of the Remuneration Committee. He was formerly Chief Executive of Hermes Pensions Management. He is Chairman of the Strategic Investment Board (Northern Ireland), a member of the Financial Reporting Council and a non-executive director of Witan Investment Trust PLC. He will be appointed as Chairman of Marks and Spencer Pension Trust with effect from 1 April 2006 and as a non-executive director of Vodafone Group plc from 1 May 2006.

"The Board is recommending a total dividend for 2005 of 19.71 pence per share, an increase of 10% on last year."

I am very pleased to be able to report an excellent set of results for 2005 in this, my first statement to you as Chairman. Net asset value per share increased by 30.9% to £12.37, due to a further strong performance from the group's portfolio, which showed a capital return of 17.6%. For 2005, Hammerson achieved a return on shareholders' equity of 34.0%.

Adjusted earnings per share increased by 8.7% to 31.2 pence per share in 2005. The group's rental income will increase substantially over the next three years, principally as a result of new contracted income from completed developments. Against this background, the Board is recommending a final dividend of 13.91 pence per share, making a total for 2005 of 19.71 pence per share, an increase of 10.0% on last year.

Hammerson's Position

I have been a non-executive director of Hammerson since May 2004 and Chairman now for some five months. Hammerson is a fine company with an outstanding management team and excellent prospects. I believe there are a number of features of Hammerson which differentiate us from our competitors and which will enable the group to continue to perform well in the future.

First, Hammerson has a strong presence in two of Europe's largest and most liquid real estate markets, the UK and France. This broadens the range of investment opportunities available to the group and diversifies risk.

Second, the group has an exceptionally strong portfolio of properties, particularly of major regional shopping centres and retail parks. Notwithstanding the more challenging conditions faced by retailers in the UK, these types of asset provide a secure income, generate good risk-adjusted returns, and are anticipated to show consistent growth over the medium term, gaining market share from weaker retail locations.

Third, the current development programme and substantial pipeline of future developments provide excellent potential to add shareholder value. Hammerson is playing a leading role in regenerating key towns and cities by creating some of the most exciting retail and office environments. This reflects the relationships Hammerson has fostered with local authorities and city councils in many major towns and cities.

Progress in 2005

Hammerson invested over £600 million during 2005, whilst £224 million was raised from recycling fully exploited assets. There was an increase in the retail weighting in the portfolio from 69% to 72%. Acquisitions during the year included a 50% interest in the Queensgate Centre, Peterborough, for £156 million and Villebon 2, a retail park near Paris, for £105 million.

HAMMERSON INVESTED OVER **£600 MILLION** DURING 2005.

JOHN NELSON, CHAIRMAN

The major office development, Bishops Square, in the City of London was completed at an estimated total cost to Hammerson of £290 million and showed a development surplus of £157 million at the year end. The group also completed its first two retail park developments, Cyfarthfa in Merthyr Tydfil and St Oswald's in Gloucester, to show aggregate development surpluses of £75 million. These are good examples of the way in which the group adds value by development.

Excellent progress was made during 2005 on the major office and retail development at 9 place Vendôme in Paris, where completion is due shortly. Hammerson also commenced the mixed-use redevelopment of Merchants Quarter in Bristol, a project being carried out in a joint venture known as the Bristol Alliance and in which the group's 50% share of the costs will amount to around £230 million. Since the year end, construction work has started on a major expansion of The Shires shopping centre in Leicester, known as New Shires. Hammerson continues to work closely with a number of local authority partners in progressing other major retail-led urban regeneration schemes, including projects in Kingston-upon-Thames, Leeds, London, Peterborough and Sheffield.

In June 2006, we shall be relocating our head office to 10 Grosvenor Street, London W1. This will provide the group with modern, efficient office space in a building developed by Hammerson and provide the flexibility for future expansion of the business. Contracts for the sale of the leasehold on 100 Park Lane, our existing headquarters, were exchanged in December.

PROPERTY MARKETS AND OUTLOOK

Retail Property

UK consumer spending grew more slowly in 2005 than in recent years leading to more challenging trading conditions for retailers. Despite this, rental growth for prime retail property remained good. Looking forward, it is anticipated that prime regional shopping centres and retail parks will see stronger tenant demand than either the high street or secondary centres.

French retail sales continued to grow during 2005, though consumers remained cautious. Demand from retailers for additional space was concentrated in the best locations, supporting higher rents. Retail sales and rents are expected to increase further in 2006, driven by growth in the overall economy.

In Germany, economic activity slowed in 2005, though there was some improvement in retail sales growth. A more robust recovery in spending is likely to be dependent on faster economic growth resulting in a sustained fall in unemployment and stronger consumer confidence.

Office Property

In central London, take up of office space was similar to that in the previous year. Combined with a very low level of new office completions, this led to a reduction in the overall market vacancy rate from 12% to 9%. Lower availability of space translated into a shortening of rent-free periods and an improvement in headline rents. Continuing demand for space and a further reduction in the vacancy level should lead to higher headline rents in 2006.

In central Paris, although more space was let during 2005 than in the previous year, tenants' decisions were motivated mainly by consolidation or cost cutting. As a result, there was little increase in the overall amount of space occupied and rents remained broadly stable. Faster economic growth anticipated over the next few years should support higher employment and lead to an increase in rents.

Investment Market

The strong demand from investors for property in recent years continued during 2005, boosting transaction levels in both the UK and France and leading to further valuation increases. Following several years of declining property yields, it is anticipated that future capital growth will be driven more by underlying rental growth than by a further fall in yields. This trend should favour prime property over secondary assets.

Taxation and REITs

In the UK, the Government has published draft legislation for the introduction of Real Estate Investment Trusts ("REITs"). REITs will be exempt from tax on property income and capital gains, subject to them paying an initial entry charge and thereafter being subject to minimum dividend distribution requirements.

Hammerson already benefits from its tax exempt status in France and the introduction of REITs in the UK could provide an opportunity to grow shareholder value at a faster rate than would otherwise be the case. There are, however, some issues in the draft legislation which need to be resolved. Hammerson is continuing to play a leading role in the industry's efforts to resolve these matters and the Board is monitoring developments closely.

EXCITING NEW RETAIL UNITS AT BISHOPS SQUARE.

THE BOARD AND MANAGEMENT

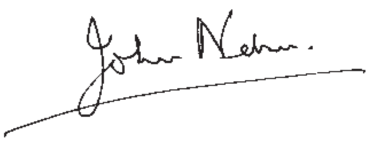
I would like to pay tribute to Ron Spinney who retired as Chairman on 30 September 2005. Ron joined Hammerson in 1993 at a time when the Company's fortunes were at a low ebb. Under his leadership, Hammerson has been transformed into the successful and respected company it is today. On behalf of the Board and all our shareholders, I would like to thank Ron for his outstanding contribution to Hammerson.

Graham Pimlott stood down from the Board on 31 December 2005. Graham was appointed a non-executive director in September 1993, becoming Deputy Chairman in January 2000. I would like to place on record the Board's appreciation to Graham for his wise counsel over many years. Tony Watson joined the Board as a non-executive director on 1 February 2006. Tony was formerly Chief Executive of Hermes Pensions Management. He has had an outstanding career in the investment management industry and I am sure that the Board will benefit from his considerable experience.

On behalf of the Board and shareholders, I would also like to thank Hammerson's skilled and dedicated team for their continuing enthusiasm and commitment.

CONCLUSION

Hammerson has shown an excellent performance in 2005. Whilst the recent rate of growth in capital values is unlikely to be sustained, demand for prime property investments remains strong. The group has a high quality investment property portfolio and an outstanding development programme and pipeline. We have a strong balance sheet, access to finance on attractive terms and we anticipate substantial growth in the Company's rental income over the next three years, providing the potential for continuing dividend increases.



John Nelson, Chairman
10 March 2006

THE CURRENT DEVELOPMENT PROGRAMME AND SUBSTANTIAL PIPELINE OF FUTURE DEVELOPMENTS PROVIDE EXCELLENT POTENTIAL TO ADD SHAREHOLDER VALUE.

BUSINESS REVIEW

JOHN RICHARDS, CHIEF EXECUTIVE

The allocation of capital between real estate markets and between our investment and development activities is fundamental to Hammerson's performance. Since 2000, we have increased the retail content in the portfolio from 58% to over 70% and have stepped up our development activities. Today, Hammerson has investments in eight of the top thirty shopping locations in the UK and six major shopping centres in France.

There are a number of features of the retail sector which make it very attractive. First, prime retail property has shown consistent growth over the long term, with rents rising broadly in line with GDP. Second, the restrictive planning environment, both in the UK and much of continental Europe, underpins shopping centre and retail park values. Third, the cost and 'reputational hurdle' for entry into this sector are high, so competition is limited, particularly for higher value assets. Fourth, the spread of tenants diversifies risk. Finally, and perhaps most importantly, we have a very experienced team, which has established excellent relationships with retailers, a good reputation amongst city councils and an unrivalled pipeline of future retail development opportunities.

The office sector, from which Hammerson has generated very good returns in the past, has somewhat different attributes. Office rents and values are more volatile than those of retail property and I anticipate that rents in both the UK and Paris will show good growth this year and next. Our approach is to unlock the value inherent in our office development landbank by phasing developments to exploit the market cycles. We intend to apply our expertise principally to larger and more complex projects, leveraging our skills and building on the relationships we have forged with local authorities and The City of London Corporation.

During 2005, three major schemes were completed, showing development surpluses at the year end of some £232 million on the group's costs of £331 million. We have recently started two major retail-led regeneration projects, in Bristol and in Leicester, and the redevelopment of the former London Stock Exchange. In the longer term, I am confident that further value will be created from the excellent pipeline of development opportunities our team has secured, both in the UK and France.

Over the next few pages, we explain Hammerson's strategy, business and performance in more detail.

Our objective is to provide attractive returns to Hammerson's shareholders and I believe we are well placed to continue to achieve this.

John Richards, Chief Executive
10 March 2006

"There was a further strong performance from Hammerson's portfolio, which showed a total return of 22.5%."

OBJECTIVES

Financial

Hammerson's primary financial objective is to achieve an annual return on shareholders' equity greater than its cost of equity, whilst maintaining a sound financial structure.

Corporate

Hammerson aims to exploit its position as one of Europe's most successful property companies. It is achieving this by building on its outstanding retail portfolio, its strong relationships with occupiers and by capitalising on its portfolio management and development skills.

BUSINESS STRATEGY

Hammerson's strategy is to invest, manage and develop property in the retail and office sectors, in key European markets. This strategy enables the group to maximise returns by taking advantage of different market cycles, whilst diversifying risk.

By investing in retail property in more than one country, Hammerson benefits from its excellent relationships with retailers, many of whom operate in both the UK and France.

The quality of the portfolio continues to be enhanced through active management. Management carries out rigorous reviews of each property in the portfolio, selling properties when the proceeds can be redeployed in new investments or developments anticipated to generate enhanced returns.

Hammerson maintains an active development programme with the objectives of achieving good returns and creating high quality properties of a type not often available on the open market. The group continues to build on its excellent reputation for its approach to urban regeneration, its ability to forge strong relationships with local authorities and its skills in delivering complex development projects.

FINANCIAL STRATEGY

Hammerson invests in property to create value for shareholders by achieving financial returns above its cost of capital. The group's target return on shareholders' equity is 9%. In order to achieve this return, hurdle rates are set to evaluate new investment. These hurdle rates are based on a minimum five year internal rate of return and are adjusted according to risk and to reflect the lower cost of borrowings in continental Europe. The hurdle rates for 2006 range from 8% to 13%.

The business is financed by an appropriate mix of shareholders' equity and borrowings to enhance the return to shareholders. The group's financial structure is monitored against guidelines, which currently include interest cover of at least 1.8 times and gearing no greater than 85% for an extended period.

The return of capital to shareholders, including the purchase of the Company's own shares, is evaluated against alternative investment opportunities and takes account of the share price compared with net asset value per share.

LAST YEAR SAW THE COMPLETION OF THREE MAJOR SCHEMES, SHOWING DEVELOPMENT SURPLUSES OF SOME **£232 MILLION** ON OUR COSTS OF **£331MILLION**.

DURING 2005 GOOD PROGRESS WAS MADE IN SETTLING THE FIRST RENT REVIEWS AT WESTQUAY, SOUTHAMPTON.

HAMMERSON'S NEW HEAD OFFICE AT 10 GROSVENOR STREET IN LONDON, W1.

RISK MANAGEMENT

The management of risk is integral to Hammerson's approach to running its business. Set out below are some of the key risks and how these are managed.

Market risk

The group follows a policy of investing in politically stable, sound economies in the UK and continental Europe in the retail and office sectors. It is therefore diversified both by country and sector. The group uses research to help it to identify future market trends and profitable opportunities and to avoid adverse changes.

Property risk

Hammerson's properties are of high quality and in prime locations. Hammerson has therefore been able to attract as tenants large businesses, professional firms and major retail chains. The Company's policy is to continue to invest in its properties, ensuring they remain attractive to occupiers.

With a large portfolio, the group's leases have varying expiry dates, reducing the risk of having to attract new tenants or renegotiate rents for a substantial part of the portfolio at any one time.

Hammerson's retail properties are usually afforded some protection from competitor action by restrictive planning regulations.

Development risk is managed by phasing the development programme, by rigorous project management and procurement, and by timely marketing and letting of major developments. The balance within the portfolio between investment and development is monitored so as to control the overall development risk. In the case of very large projects Hammerson may reduce its exposure by entering into joint ventures.

Treasury risk

Hammerson operates a centralised treasury function with clear authorities for the implementation of the treasury objectives and policies established by the Board.

In order to maintain operational flexibility, Hammerson's policy is to borrow on an unsecured basis on the strength of the group's covenant. Borrowings are arranged to maintain short term liquidity, ensure an appropriate maturity profile and a balance between fixed and floating rate debt.

Further information about treasury risk management is given in note 19 to the accounts in the 2005 Directors' Report and Financial Statements.

Human resources

Attracting and retaining the right people is vital to Hammerson's business. The group employs skilled local teams with good experience of their markets. Hammerson encourages staff to build on their skills, through appropriate training and regular performance appraisals, enabling them to contribute to the growth of the group.

Reputation

Hammerson has an excellent reputation for its property management and development skills. To enhance its reputation, Hammerson aims to communicate clearly with its customers, suppliers, local communities and other stakeholders and acknowledges their views and opinions.

MARKET OVERVIEW

Economic Environment

Economic growth in the UK was lower in 2005 than the previous year. France and Germany also saw a slowdown in activity. Economic growth in all three countries is projected to pick up in 2006.

UK Retail

Consumer spending grew more slowly in 2005 than has been the case for a number of years. Sales for non-food retailers were 1.5% up on the previous year, compared to an increase of 7.2% in 2004. Nevertheless, rental growth in prime shopping centres and retail parks remained good. Sales growth for non-food retailers is forecast to improve in 2006. In this environment, the strong trading performance of prime shopping centres and lower costs of retail parks are expected to lead to stronger tenant demand than for the high street or secondary shopping centres.

London Offices

The central London office market saw a similar level of take-up during 2005 to the previous year. Reflecting the slowdown in office development during 2003 and 2004, the amount of new space completed during 2005 was lower than at any point in the past twenty years. The combination of sustained demand and little additional supply led to a reduction in the overall market vacancy rate from 12% to 9% during 2005, mainly driven by a large fall in vacancy in the City of London. The improvement in market conditions led to a shortening in rent-free periods and an increase of around 5% in prime

IN DECEMBER 2005 THE FOOTFALL AT HAMMERSON'S UK SHOPPING CENTRES WAS 15 MILLION, EQUIVALENT TO ALMOST A QUARTER OF THE UK POPULATION.

LAURENT SANTIAGO, HAMMERSON, AND ERIC SIZAIRE, GTM, ON SITE AT 9 PLACE VENDÔME, PARIS 1ER.

ADDITIONAL DEMAND FOR OFFICE SPACE AND FURTHER REDUCTIONS IN VACANCY ARE ANTICIPATED TO LEAD TO HIGHER HEADLINE RENTS IN 2006 IN CENTRAL LONDON.

headline rents in both the City and the West End. Additional demand for space and further reductions in vacancy are anticipated to lead to higher headline rents in 2006.

French Retail

Indexation of French leases, which is linked to the cost of construction, increased rents generally by 5.4% from 1 January 2005. During the course of 2005, non-food retail sales continued to grow. However, in an environment where consumers remained cautious, growth was somewhat lower in 2005, at 2.2% compared to 3.7% in 2004. Demand from retailers for additional space was concentrated in the best locations, supporting higher rents. Driven by growth in the overall economy, retail sales and rents for new leases are expected to increase further in 2006. Index-linked income will rise by 0.7% from 1 January 2006.

Paris Offices

In the central Paris office market, there was a substantial increase in leasing activity in 2005 over the previous year. However, this was primarily motivated by firms seeking increased efficiencies by consolidating into a single location to reduce costs rather than expansion. As a result, there was little increase in the overall amount of space occupied and the vacancy rate was unchanged at around 5%. Headline rents were broadly stable, with landlords offering substantial incentives to attract occupiers. Anticipated faster economic growth over the next few years should support higher employment and demand for office space leading to an increase in rents.

German Retail

Economic growth slowed in 2005. However, retail sales are estimated to have grown by around 1.5% compared to broadly flat retail sales in 2004. A more robust retail recovery is likely to be dependent on faster economic growth delivering a sustained fall in unemployment and an increase in consumer confidence.

Property Investment Markets

The strong demand from investors for property seen in recent years continued during 2005, boosting transaction levels in both the UK and France above those seen the previous year and leading to further valuation increases. This positive sentiment was driven by favourable financial conditions as well as an appreciation of the role that real estate can play in a mixed-asset portfolio. Following several years of declining property yields, it is anticipated that future capital growth will be driven more by underlying rental growth than a further fall in yields. This trend should favour prime property over secondary assets.

CORPORATE RESPONSIBILITY


CHRIST CHURCH, IN ITS SETTING ADJACENT TO BISHOPS SQUARE, LONDON, E1.

HAMMERSON IS A MAJOR SPONSOR OF THE SPITALFIELDS FESTIVAL, WITH MANY EVENTS TAKING PLACE IN THE RENOWNED CHURCH DESIGNED BY HAWKSMOOR.

Hammerson shapes the environments in which people live, work and spend their leisure time. What we build and how it is built have a lasting impact on the environment and local communities.

Hammerson provides the accommodation for its customers, the retail and office occupiers of the group's properties, to operate and expand their own businesses, generating wealth, creating jobs and contributing to the local economy. We seek to understand our customers and be responsive to their needs.

We work with many business partners and supplier organisations. We aim to ensure that they understand our objectives and share our vision of creating and managing sustainable buildings.

We have a responsibility to our providers of finance, our shareholders, bondholders and bankers who, between them, have over £5 billion of capital invested in Hammerson's business. We keep these groups well informed about the Company to support their investment decisions and, through the Company's endeavours and enterprise, to provide them with an attractive return.

Hammerson has a skilled and committed staff of over 200 people. To them the group has a responsibility to provide an attractive and safe working environment, equal opportunities, appropriate remuneration and the potential for training and career progression.

Finally, by running the business successfully, Hammerson is able to put something back into society by its support to local communities and charitable causes.

Hammerson's Corporate Responsibility report, outlining its approach to Corporate Responsibility and its commitment to continuous improvement in this area, is available on the Company's website www.hammerson.co.uk. The group's policies and procedures, which are supported by appropriate targets and performance measures, are also reported on the Company's website.

PORTFOLIO REVIEW

PROPERTY PORTFOLIO AND ALLOCATION

Hammerson owns and manages 16 major shopping centres and 14 retail parks providing 1.2 million m^2 of retail space, primarily in the UK and France. The group's office portfolio consists of 11 prime buildings, located principally in central London and central Paris, and provides 260,000m^2 of accommodation.

Hammerson's property portfolio was valued at £5.7 billion at 31 December 2005, with the investment portfolio accounting for £4.9 billion and developments £0.8 billion. Capital expenditure during 2005, principally on property acquisitions and the development programme, totalled £616 million, whilst valuation increases amounted to £773 million. Property disposals reduced the value of the portfolio by £193 million.

During 2005, the retail component of the portfolio increased by three percentage points to 72%. Over the same period, the UK component of the portfolio increased by two percentage points to 71%.

CAPITAL RETURN

The group's property portfolio showed a capital return of 17.6% for the year ended 31 December 2005. The investment portfolio showed a capital return of 14.6%, whilst the capital return from developments was 42.2%.

A table of property valuations and the capital returns for the year to 31 December 2005 is shown below:

	SHOPPING CENTRES		RETAIL PARKS		OFFICES		TOTAL	
	Value £m	Capital return %	Value £m	Capital return %	Value £m	Capital return %	Value £m	Capital return %
UK	2,221	13.1	703	18.8	1,169	25.1	4,093	17.4
France	948	20.8	104	–	443	27.5	1,495	22.2
Germany	144	(15.1)	–	–	–	–	144	(15.1)
Total	**3,313**	**13.4**	**807**	**17.3**	**1,612**	**26.3**	**5,732**	**17.6**

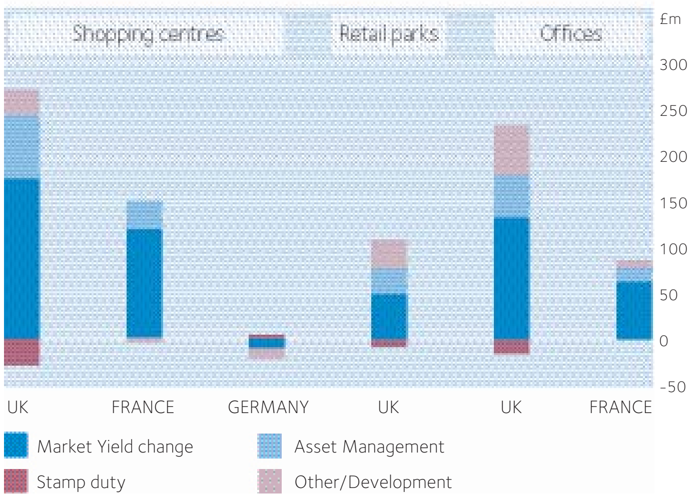
During 2005 the retail and office portfolios showed capital returns of 14.1% and 26.3% respectively.

The capital return in the UK was 17.4%. The strong investment market reduced yields generally and around two thirds of the increase in value of Hammerson's UK portfolio can be attributed to this factor. A further one tenth of the uplift in value arose from increased rental values, whilst the balance reflected property specific factors, development surpluses, management initiatives and a reduction in values resulting from the withdrawal of stamp duty relief from properties in disadvantaged areas.

In France, the capital return was 22.2%. The majority of the growth in value was due to lower yields which reflected favourable investment market conditions. The balance reflected higher rental values at the shopping centres.

In Germany, weak consumer markets caused rental values to decline and an increase in investment yields also contributed to the reduction in values.

Analysis of valuation movements in 2005



THE INVESTMENT PORTFOLIO INCREASED BY £876 MILLION OVER THE YEAR TO 31 DECEMBER 2005.

INVESTMENT PORTFOLIO AT 31 DECEMBER 2005

The group's investment portfolio is summarised in the table below:

	Net rental income £m	Property valuation £m	Capital return %	Total return %	Reversionary/ (Over-rented) %	Average unexpired lease term years
United Kingdom						
Retail: Shopping centres	85.4	2,134	12.1	17.4	11.9	11.9
Retail parks	26.0	690	18.9	24.1	11.0	17.1
	111.4	2,824	13.7	18.9	11.7	13.1
Office: City	19.3	362	12.7	18.5	(15.8)	10.8
West End	0.5	95	36.0	36.5	11.7	10.8
Docklands and other	9.0	173	7.7	13.6	(18.1)	8.4
	28.8	630	14.9	19.9	(12.2)	10.1
Total United Kingdom	140.2	3,454	13.9	19.1	5.8	12.4
Continental Europe						
France						
Retail	46.6	1,038	19.0	25.7	10.9	5.2
Office	16.1	322	22.1	27.5	(1.8)	5.1
Total France	62.7	1,360	20.4	26.8	7.9	5.2
Germany						
Retail	5.2	144	(15.1)	(11.9)	(1.0)	4.6
Total Continental Europe	67.9	1,504	16.5	22.0	6.7	5.1
Group						
Retail	163.2	4,006	13.6	19.1	10.8	10.5
Office	44.9	952	18.0	23.2	(9.2)	8.7
Total Investment Portfolio	208.1	4,958	14.6	20.0	6.1	10.1

THE TOTAL RETURN FROM THE UK INVESTMENT PORTFOLIO IN 2005 WAS **19.1%**, WHILST IN FRANCE IT WAS **26.8%**.

The investment portfolio increased by £876 million over the year to 31 December 2005. During the year, capital expenditure of £462 million, transfers from developed properties of £96 million and a revaluation surplus of £576 million were partially offset by property disposals of £193 million and exchange and other movements of £65 million.

In April, Hammerson acquired Fife Central Retail Park, Kirkcaldy for £75 million. Generating current annual passing rent of £3.4 million, it provides significant reversionary potential and opportunities to increase value through active asset management and expansion.

In July 2005, Hammerson acquired its first retail park in France. Villebon 2, located in Villebon-sur-Yvette, 20 kilometres to the southwest of Paris, provides 41,000m^2 of retail accommodation and currently generates an annual passing rent of £5.3 million.

The total cost of the acquisition was £105 million and this was partly financed by a share-for-share exchange. In February 2006 work started on a 5,500m^2 extension.

The group purchased a 50% interest in the freehold of Queensgate Shopping Centre, in Peterborough, in November for £156 million. Comprising 81,100m^2 of retail accommodation, the centre is anchored by a John Lewis department store, and Hammerson's share of the passing rent is £8.7 million per annum. Hammerson, together with Norwich Union, which owns the remaining 50% of the property, is advancing plans for a refurbishment of the existing scheme and a major extension, North Westgate, which will provide additional space of 60,000m^2. Following completion, the Queensgate centre will be one of the largest retail schemes in the UK.

INVESTMENT PORTFOLIO

CONTINUED

In December, Hammerson acquired the freehold of 54-60 rue du Faubourg Saint-Honoré in Paris for £38 million. Located in a prestigious part of the eighth arrondissement, the buildings consist of six blocks of multi-let properties, some of which retain their original 17th and 19th century facades. The properties provide 2,500m² of retail space, 1,100m² of offices and 3,400m² of residential accommodation and generate a rent of £1.9 million per annum, three-quarters of which is in respect of retail occupiers.

Two properties were sold during 2005. Néo, 14 boulevard Haussmann, Paris 9ème, realised net cash proceeds of £185 million in June, 19% more than its value at 31 December 2004. Sittingbourne Industrial Estate was sold for £34 million in March, having been acquired in February 2003 for £17 million.

Since the year end, 100 Park Lane, which is currently Hammerson's head office, has been sold. The property was held by Hammerson under a leasehold from Grosvenor, the freeholder. The interests of both parties were combined to facilitate the sale and Hammerson received approximately £15 million, or 40%, of the £37 million proceeds. In June 2006, Hammerson will relocate to 10 Grosvenor Street, an office building it developed in a 50:50 joint venture with Grosvenor.

FROM LEFT: DUNCAN BEARDSLEY, GROUP TREASURER, HAMMERSON, WANDA TOMASZEK, ASSOCIATE LAWYER, HERBERT SMITH, BRENDAN JARVIS, EXECUTIVE DIRECTOR, BARCLAYS CAPITAL.

DURING MAY 2005, HAMMERSON SIGNED A NEW £370 MILLION FIVE YEAR REVOLVING CREDIT FACILITY WITH A GROUP OF SIXTEEN LEADING INTERNATIONAL BANKS. THE FACILITY WAS SIGNIFICANTLY OVERSUBSCRIBED, REFLECTING HAMMERSON'S EXCELLENT CREDIT STATUS.

INCOME QUALITY

The group's property portfolio generates a secure and high quality income stream. At 31 December 2005, the rents passing from the investment portfolio amounted to £244 million, whilst the average unexpired lease term was ten years. Within the retail portfolio, the average unexpired lease term was nine years for shopping centres and 17 years for retail parks. The equivalent lease terms for the office portfolio were ten years in the UK and five years in Paris.

During 2005, there was an underlying increase in the group's rents from the investment portfolio of 6.0% compared with the previous year. The group agreed almost 100 rent reviews and renewed over 220 leases following expiry.

In view of the wide spread of tenants in the retail portfolio, the overall risk to Hammerson of individual tenant default is considered low. The group's five largest retail tenants accounted for 9.6% of the passing rent from the investment portfolio at the year end: Kingfisher 2.9%; H&M Hennes 2.2%; Arcadia 1.9%; Pinault Printemps Redoute 1.3%; and DSG 1.3%.

Rents passing from the group's two largest office occupiers, Deutsche Bank and HVB Bank, represented 4.7% and 1.2% respectively of the total passing rent from the investment portfolio at 31 December 2005. Rent from Allen & Overy, a leading international law firm, will commence in June 2007 with Hammerson's annual share being £25 million. This would be equivalent to 9% of the group's passing rent at 31 December 2005.

AT 31 DECEMBER 2005 THE RETAIL PORTFOLIO WAS **10.8%** REVERSIONARY OVERALL.

RENT REVIEWS

In 2005, rent reviews in the UK were agreed in respect of leases with passing rents of £9.6 million, giving rise to an increase in annual rents of £1.9 million. Reviews remaining to be settled from 2005 are anticipated to increase rents by a further £7 million.

Shopping centre leases in France are indexed annually according to a construction cost index. The level of indexation, applicable from 1 January 2005, was 5.4%, which led to an increase in retail rents of £1.9 million. The index applicable from 1 January 2006 is 0.7%.

The initial rent reviews at The Oracle in Reading are now substantially complete and the first rent reviews at WestQuay in Southampton are in progress. On completion, it is anticipated that the rent roll from these two schemes will be some 25% higher than the previous rents passing.

At 31 December 2005, the UK shopping centre portfolio was 11.9% reversionary and the retail parks 11.0% reversionary. The office portfolio was over-rented by 12.2%, principally accounted for by two office buildings, 99 Bishopsgate and Exchange Tower. In France, the retail portfolio was 10.9% reversionary and the offices 1.8% over-rented.

In the UK, leases subject to rent review in the years 2006 to 2008 have current rents passing of £62 million. Management estimates that, on review, rents receivable in respect of these leases would increase by £5 million to £67 million by 2008 if reviewed at current rental values. This is not a forecast and takes no account of increases or decreases in rental values before the relevant review dates.

RENT REVIEWS	Outstanding £m	2006 £m	2007 £m	2008 £m	Total 2006-8 £m
Rents passing from leases subject to review	32	26	14	22	**62**
Projected rent after review at current ERV	39	28	16	23	**67**
Potential rent increases	**7**	**2**	**2**	**1**	**5**

LEASE EXPIRIES AND BREAKS

The year ended 31 December 2005 saw the expiry of leases with rents passing of £15.7 million. Most of the leases were renewed or the tenants replaced and, because the expired leases were at rents below market levels, additional annual income of £1.0 million was secured.

In the UK shopping centre portfolio, 14 units became vacant during 2005 and a further 37 units were occupied by retailers which went into administration. Of these 51 units, new leases have been signed in respect of 49, giving rise to an increase in rents of £0.7 million per annum.

Over the three years 2006 to 2008, leases with current rents passing of £38 million are subject either to expiry or tenants' break clauses. Management estimates that, assuming renewals at current rental values, additional annual rents from this part of the portfolio would total £5 million by 2008. This is not a forecast and takes no account of void periods, tenants' incentives, or possible changes in rental values before the relevant lease expiry dates.

LEASE EXPIRIES AND BREAKS	2006 £m	2007 £m	2008 £m	Total 2006-08 £m
Rents passing from leases subject to expiries or breaks	17	10	11	**38**
Current ERV	20	12	11	**43**
Potential rent increases	**3**	**2**	**–**	**5**

FROM LEFT: MICHAEL LEMNER, NEW LOOK, JEAN-PHILIPPE MOUTON, HAMMERSON, MARIE-FRANÇOISE CHOLIN, HAMMERSON.

NEW LOOK IS EXPANDING IN CONTINENTAL EUROPE AND WILL OPEN ITS FRENCH FLAGSHIP STORE AT HAMMERSON'S PARINOR SHOPPING CENTRE IN JUNE 2006.

VACANCY

The overall vacancy rate in the investment portfolio decreased by 2.5 percentage points during the year to 6.8% at 31 December 2005. The vacancy rate in the retail portfolio was 1.7%, compared with 2.2% at the end of 2004. The vacancy rate in the office portfolio reduced from 30.3% to 26.0% as lettings were achieved at office properties developed in recent years.

One London Wall, London, EC2, is now 88% let, reflecting lettings in 2005 and lettings agreed since the end of the year, including 1,500m² to Bowne. At Moorhouse, London, EC2, 9,300m² was leased to HVB Group during 2005. Since the year end, leases in respect of a further 10,150m² have been signed or are in solicitors' hands. This means that 63% of the building is now let or under offer.

Hammerson's West End office portfolio is now only 5.3% vacant, compared with 64.6% at 31 December 2004. This is due to lettings at 18 and 19 Hanover Square, London W1 at annual rents of £1.0 million and £1.4 million respectively.

NEW CONTRACTED INCOME

As at 27 February 2006, the group has secured a substantial and rising income stream, reflecting the leasing activity referred to above and leases which have been signed in respect of recently completed and current developments, as shown in the adjacent table.

RENTS PASSING	Ownership interest %	2006 £m	2007 £m	2008 £m	2009 £m
Bishops Square, London E1	75	0.4	13.2	25.4	25.4
Other completed offices	50-100	1.4	4.8	9.6	10.3
Retail parks	41-100	9.7	11.8	12.4	12.4
9 place Vendôme, Paris, 1er	50	0.3	1.0	4.2	4.7
Total – cash flow		**11.8**	**30.8**	**51.6**	**52.8**
– SIC 15 basis		**28.3**	**50.2**	**49.9**	**49.9**

Notes
(1) The figures include Hammerson's share of income in respect of joint ventures.
(2) Income is included according to when rent payments commence, with the allocation to rent free periods, as required by SIC 15, also shown.

HAMMERSON'S BISHOPS SQUARE DEVELOPMENT IN LONDON E1 HAD A YEAR END VALUATION SURPLUS OF £157 MILLION.

DEVELOPMENTS

Hammerson's objective from development is to create assets that provide attractive returns at a cost substantially below the price of acquiring completed and income-producing assets on the open market. The group continues to build on its excellent reputation for its approach to urban regeneration, its ability to forge strong links with local authorities and its skills in delivering complex development projects.

At 31 December 2005 the value of the group's development portfolio was £774 million, compared with a cost of £512 million. Capital expenditure, including interest, during 2005 on the development portfolio totalled £154 million.

Bishops Square, a 75,900m² building in Spitalfields, London E1 was completed in July and the 71,900m² of offices were handed over to Allen & Overy for fitting out works. The scheme also includes 4,000m² of retail space, nearly all of which is now let. Bishops Square is a 75:25 joint venture with the City of London. The group's share of the rents passing following rent free periods is £25.4 million per annum and, at the year end, the valuation surplus was some £157 million.

Two retail park projects were finished during 2005 and transferred to the investment portfolio. In January, Cyfarthfa Retail Park in Merthyr Tydfil was completed at a total development cost of £35 million. The park will produce an annual net rental income of £4.0 million when fully let and, at 31 December 2005, the scheme was valued at £48 million above cost. St Oswald's in Gloucester, a mixed-use development of 22,500m², incorporating a retail park, and leisure facilities, was completed in September. It will generate an annual net rental income of £4.1 million when fully let. Hammerson is working with a residential developer on a further phase of the project. At the year end, the scheme was valued at £27 million above cost.

The group currently has six developments underway and these are shown in the table below.

CURRENT DEVELOPMENT PROJECTS

	Ownership interest %	Area m²	Cost at 31 December 2005 £m	Estimated total development cost £m	Projected annual income £m	Amount let or under offer by income at 31 December 2005 %	Anticipated completion date
Shopping centres							
Merchants Quarter, Bristol	50	140,000	33*	230*	16*	35	Sep 2008
New Shires, Leicester	60	60,000	16*	190*	12*	26	Sep 2008
Retail parks							
The Avenue Retail Park, Cardiff†	100	4,500	23	25	2	79	Jan 2006
Dallow Road, Luton†	100	8,700	24	28	2	100	Mar 2006
Westwood and East Kent, Thanet†	100	8,400	11	17	2	80	Jun 2006
Offices							
9 place Vendôme, Paris 1er	50	27,700	79*	90*	7*	83	Apr 2006

*Hammerson's share
†Held as investment properties at 31 December 2005

DEVELOPMENTS CONTINUED

At the year end, the development surplus in respect of these six schemes totalled £95 million. The group's developments are shown at a valuation which is discounted for the estimated costs to complete them, including interest, and a profit margin that a potential purchaser might apply. Hammerson does not intend to dispose of any of its developments prior to their completion, which should give rise to additional surpluses when the buildings are completed and let. Management estimates that, if these developments were complete and let at 31 December 2005, a further surplus of approximately £120 million would arise.

In Bristol, remaining planning consents for a major retail-led regeneration of the Broadmead area were secured and a start on site was made in the autumn. Known as Merchants Quarter, this 140,000m^2 scheme includes 93,000m^2 of retail and leisure space and is being developed by the Bristol Alliance, a 50:50 joint venture between Hammerson and Land Securities Group PLC. House of Fraser and Harvey Nichols have signed leases to take major stores and some 35% of the forecast property rental income has been secured, or is in solicitors' hands. Hammerson's estimated total development cost is £230 million and the group's share of the projected total income is approximately £16 million per annum.

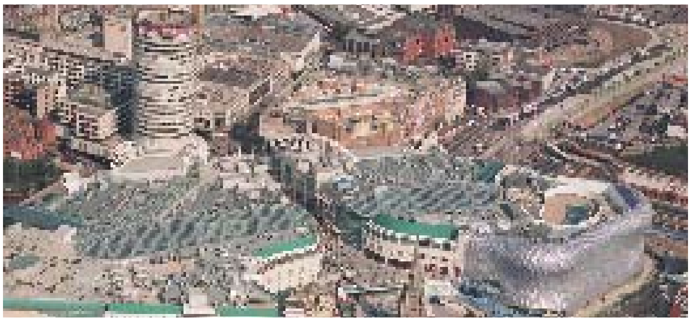
In Leicester, the group is working with Hermes in a 60:40 joint venture to carry out a major expansion of the existing shopping centre, The Shires. The new scheme, provisionally called New Shires, includes 60,000m^2 of additional retail space, anchored by a John Lewis department store, leisure facilities and residential units. Construction work started in January 2006. Hammerson's 60% share of the estimated total development cost of New Shires is £190 million and its share of the projected income is approximately £12 million per annum. The total development cost includes £11 million to be spent on refurbishing and improving the existing centre.

In Cardiff, The Avenue Retail Park has undergone a 4,500m^2 extension and refurbishment, which has been completed since the end of 2005 at a total cost of £25 million. Leases representing 79% of the forecast rental income have been signed.

Two other retail park developments are due to complete in the first six months of 2006. A new 8,700m^2 store is being built for B&Q at Dallow Road, Luton, at a cost of £28 million. In Thanet, Kent, at the Westwood and East Kent Retail Parks, Hammerson's existing 16,600m^2 property is being extended by 8,400m^2 at an estimated total development cost of £17 million. Around 80% of the projected rental income for the extension has been secured with lettings to Homebase, Sportsworld and Argos.

In Paris, Hammerson has a 50:50 joint venture with AXA and is creating 22,200m^2 of high quality office accommodation at 9 place Vendôme and 5,500m^2 of prime retail space in the adjacent Faubourg St Honoré. Completion is scheduled for April 2006 and Hammerson's share of the estimated total development cost is £90 million. During 2005, 14,800m^2 was let to Clifford Chance and, in February 2006, a further 3,500m^2 has been leased to Proskauer Rose. Six of the eight retail units have been let or are in lawyers' hands, so that overall the property is now 83% let in terms of income.

CYFARTHFA RETAIL PARK, MERTHYR TYDFIL, OPENED IN FEBRUARY 2005 AND WILL PRODUCE AN ANNUAL NET INCOME OF £4 MILLION. AT THE YEAR END, THE SCHEME WAS VALUED AT £48 MILLION ABOVE COST.



OVER THREE MILLION PEOPLE VISIT THE BULLRING, BIRMINGHAM EVERY MONTH.

POTENTIAL DEVELOPMENTS 2006

PROJECT	Scheme outline	Ownership interest %	Size m²	Indicative total development costs £m
Retail				
Union Square, Aberdeen	Development	50	50,000	80*
West Berkshire Retail Park, Theale	Development	100	11,100	23
Fife Central Retail Park, Kirkcaldy	Extension	100	10,400	25
Parinor, Phase 1, Aulnay-sous-Bois	Redevelopment	100	24,000	75
Offices				
125 Old Broad Street, London EC2	Development	100	30,700	160
60 Threadneedle Street, London EC2	Development	100	20,600	110
Opéra Capucines, Paris 2ème	Refurbishment	50	10,300	32*
Total				**505**

*Hammerson's share

Seven further development schemes could start in 2006, although the timing of some of these projects will be dependent upon site assembly, planning and letting markets. The indicative total development costs to Hammerson of these projects is £505 million and the potential annual rent roll when the schemes are fully let is of the order of £47 million. At 31 December 2005, the cost of these developments was £132 million and their value £182 million.

The group has a 50% interest in the proposed Union Square development at Aberdeen. The scheme has planning consent for 50,000m² of mixed-use space, incorporating a retail park, shopping mall and leisure facilities. Leasing is progressing well with 23% of the scheme pre-let and an additional 16% in solicitors' hands. The estimated total development cost to Hammerson of the project is £80 million.

At Theale near Reading, contracts have been exchanged with ILVA, the furniture retailer, for the development of the West Berkshire Retail Park to provide an 11,100m² two level store. A start on site is anticipated later in 2006, dependent on planning consent.

Heads of terms have been agreed with the local authority for an extension to Fife Central Retail Park, Kirkcaldy, which was acquired in 2005. The scheme will provide an additional 10,400m² of retail space at an estimated cost of £25 million and leases in respect of 29% of the projected rental income are in solicitors' hands.

In France, Hammerson has plans to carry out a major expansion and restructuring of its existing shopping centre, Parinor, to the north west of Paris. The scheme involves the creation of two medium sized stores, 69 unit shops and 600 additional car parking spaces. Planning consent has been applied for and works could start in late 2006 with completion in 2008. The 24,000m² redevelopment will increase the size of Parinor to 90,000m², making it the largest shopping centre serving the north of Paris.

In Paris, construction of 5,800m² of offices and 4,500m² of retail space is due to start in April 2006 at Opéra Capucines, a prime central Paris location. The development is held in a 50:50 joint venture with MAAF. The group's share of the estimated total development cost is

£32 million and leases have been signed in respect of 42% of the anticipated rental income.

Since purchasing the freehold of the former London Stock Exchange buildings in 2004, which had planning consent for 45,500m² of office and retail accommodation, Hammerson has successfully expanded and enhanced the potential schemes. The group has planning consent for the refurbishment of the 26-storey tower building at 125 Old Broad Street to provide 30,100m² of office accommodation and 600m² of retail space. Demolition work has been completed and construction work started in 2006. At 60 Threadneedle Street, Hammerson has planning consent for a 20,600m² nine-storey building, incorporating 900m² of retail space.

FROM LEFT: DAVID ATKINS, HAMMERSON, ANN HUMPHRIES, JOHN LEWIS, VANESSA FORSTER, HAMMERSON.

THE JOHN LEWIS PARTNERSHIP ANCHORS SEVERAL HAMMERSON SHOPPING CENTRES INCLUDING BRENT CROSS AND WESTQUAY.

DEVELOPMENT PIPELINE

Hammerson has a talented development team, which has demonstrated its skills in identifying and acquiring future development opportunities. These are often long term projects, which involve close working relationships with city councils, local authorities and other landowners.

To date, Hammerson has invested approximately £140 million in the pipeline. The projects, which currently generate an interim income of around £4 million per annum fall into four principal categories: major retail-led, mixed-use schemes; extensions to existing shopping centres; retail parks; and offices.

Firstly, the group is working in partnership with local authorities and councils to advance several major retail-led city centre schemes. These include developments in Kingston-upon-Thames, Leeds, London, Peterborough and Sheffield.

Secondly, within Hammerson's retail portfolio there are opportunities to extend and enhance a number of its shopping centres. In the UK, these include Brent Cross in north London, WestQuay in Southampton and The Oracle in Reading. In France, there are plans to carry out expansion schemes at another three of the group's shopping centres near Paris: Italie 2; Espace St Quentin; and Les 3 Fontaines.

Thirdly, Hammerson has a number of opportunities to develop and expand its existing retail parks portfolio and a proposed scheme in Nice, France.

Fourthly, Hammerson has the potential to expand its commercial portfolio in London by around 310,000m^2, including 160,000m^2 of offices. Hammerson is currently progressing a project to the north of Bishopsgate, London EC1, having entered into an option agreement with Hackney Council to acquire land adjoining the group's existing Norton Folgate site. Hammerson intends to submit a planning application during 2006 for a mixed-use development of 79,000m^2, incorporating 43,000m^2 of offices. The group is also advancing major mixed-use schemes at Shoreditch High Street, Bishopsgate Goodsyard and Paddington.

Potentially, construction of the schemes within the group's current development pipeline could add significantly to the group's portfolio over the next seven to ten years, with individual projects targeted to show a yield on cost of between 6% and 9%. It is anticipated that the group would enter into joint ventures in respect of certain of the larger developments.

FINANCIAL REVIEW

International Financial Reporting Standards ('IFRS')

In common with all companies listed on European Union stock exchanges, Hammerson adopted IFRS with effect from 1 January 2005. The group issued its 2004 full year financial statements restated under IFRS on 26 April 2005, complete with reconciliations to, and explanations of the differences from, the figures as they were reported under UK GAAP. The 2005 interim report, published in September, was also prepared under IFRS. These reports are available on the Company's website, www.hammerson.co.uk. Further details of the impacts of the change on reported profits and equity shareholders' funds are provided in note 27 to the accounts in the 2005 Directors' Report and Financial Statements.

The main changes to Hammerson's financial statements have been the recognition of the revaluation changes of investment properties and certain derivatives in the income statement rather than the statement of recognised income and expense, and the inclusion in the balance sheet of the tax that may arise on the disposal of all properties in the portfolio.

The adoption of IFRS has changed the presentation and format of the financial statements. However, it has no impact on the cash flows of the business or its underlying performance.

Results and Dividend

In 2005 net rental income was £210.3 million, compared with £189.5 million in 2004. The increase principally reflected the contribution from recently acquired properties, rent reviews at The Oracle Shopping Centre, indexation in France and the receipt of surrender premiums. On a like-for-like basis, net rental income from the investment portfolio increased by 6.0%. For the portfolio as a whole the year on year movements may be analysed as follows:

Net Rental Income Reconciliation	2005 £m	2004 £m
Properties owned throughout 2005 and 2004	**185.2**	174.0
Acquisitions	**20.7**	3.2
Properties sold	**1.2**	12.5
Developments	**3.2**	0.3
Exchange translation and other	**–**	(0.5)
Net rental income	**210.3**	189.5

During the year, net rental income included £4.8 million related to retail tenants' turnover and net income of £8.1 million from car parks at the group's shopping centres. Rent receivable of £5.6 million has been accrued and allocated to rent free periods in 2005.

Administration expenses in 2005 rose by £4.8 million to £31.4 million, primarily due to increased staff costs and a reduction in asset management and development management fees receivable. Provision for the performance related annual bonuses and the cost of other share-based remuneration, the latter also requiring performance criteria to have been met before vesting, totalled £4.4 million in 2005, compared with £3.8 million in 2004.

Net finance costs in 2005, excluding the change in fair value of interest rate swaps, increased by £9.8 million compared with 2004 as a result of increased borrowings drawn to fund acquisitions and the development programme, although the effect was partly offset by lower interest rates. The average cost of borrowing for 2005 was 5.8% and interest cover was 1.9 times in both 2004 and 2005.

Profit before tax was £698.6 million, compared with £413.4 million in 2004. Adjusted profit before tax, which excludes gains on investment properties and certain other items, rose by £6.2 million in 2005 to £89.4 million.

Analysis of Profit Before Tax	2005 £m	2004 £m
Profit before tax	**698.6**	413.4
Less:		
Profit on sale of investment properties	**32.1**	40.3
Revaluation gains on investment properties	**575.5**	283.7
Negative goodwill	**–**	6.2
Movement in fair value of interest rate swaps	**1.6**	–
Adjusted profit before tax	**89.4**	83.2

The current tax credit of £1.0 million in 2005 reflected the write back of prior year tax relating to Germany, whilst profits in the year were sheltered from tax by the French tax exemption, UK capital allowances and capitalised interest. The 2004 charge of £80.9 million included the one-off entry charge to the French SIIC regime. The deferred tax charge in 2005 mainly reflected the increase in the value of the investment property portfolio.

Results and Dividend (continued)

Adjusted earnings per share in 2005 increased by 2.5 pence, or 8.7%, to 31.2 pence. Full details of the calculations for earnings per share are provided in note 10 to the accounts in the 2005 Directors' Report and Financial Statements.

The Directors have proposed a final dividend of 13.91 pence per share which, together with the interim dividend of 5.80 pence per share, makes a total of 19.71 pence per share for the year. This represents an increase of 10.0% over the total dividend for 2004.

Cash Flow

Cash flow from operating activities was £45 million in 2005, compared with £61 million in the previous year. The decrease arose principally because the first annual interest payment on the £300 million sterling bond issued in February 2004 was made in February 2005. This more than offset additional rent receipts during the year.

Disposals in 2005 raised £224 million, whilst property acquisitions and capital expenditure amounted to £538 million. After the net cash inflow of £236 million from financing activities, there was a net decrease in cash and short term deposits over the year of £8 million.

Balance Sheet

Hammerson's property portfolio was valued at £5,732 million at 31 December 2005, compared with £4,603 million at the end of 2004. The revaluation surplus accounted for £773 million of the increase, with additions, including capitalised interest, accounting for a further £616 million. These increases were partly offset by exchange translation losses of £41 million, the sale of properties with a book value of £193 million and transfers to owner occupied properties of £26 million.

At the year end, net asset value per share, calculated in line with the recommendations of EPRA, was £12.37, an increase of 292 pence per share or 30.9% during 2005. The revaluation surplus contributed 271 pence to the increase, with the remainder primarily accounted for by retained profits.

Analysis of Net Asset Value	2005 £m	2005 £ per share	2004 £m	2004 £ per share
Basic	**3,125.8**	**10.97**	2,410.2	8.69
Effect of dilution:				
On exercise of share options	**8.5**	**–**	8.8	–
Diluted	**3,134.3**	**10.97**	2,419.0	8.69
Adjustments:				
Fair value of interest rate swaps	**(7.3)**	**(0.02)**	–	–
Deferred tax on revaluation surpluses and other items	**370.3**	**1.30**	187.9	0.67
Deferred tax on capital allowances	**36.1**	**0.12**	25.5	0.09
EPRA, diluted	**3,533.4**	**12.37**	2,632.4	9.45
Basic shares in issue used for calculation (million)	**285.0**		277.3	
Diluted shares used for calculation (million)	**285.7**		278.5	

Borrowings

At 31 December 2005, Hammerson's borrowings totalled £2,095 million. With cash and deposits of £46 million, net debt amounted to £2,049 million. The weighted average maturity of debt at 31 December 2005 was approximately nine years.

Unsecured borrowings represented 97% of total debt at the year end; secured debt of £70 million was principally in respect of the group's share of a borrowing facility financing the Moorhouse joint venture.

Gearing was 66% compared with 72% at the end of 2004 and the loan to value ratio was 38%. The balance sheet at 31 December 2005 included a deferred tax liability of £406 million. If deferred tax is added back to equity shareholders' funds, gearing would be 58%.

The market value of borrowings at the end of December 2005 was £2,301 million, some £207 million greater than the book value, equivalent, after tax relief, to a reduction in net asset value of 51 pence per share.

Undrawn committed facilities at the year end were £283 million which, when added to cash and deposits, provided liquidity of £329 million.

In May 2005, Hammerson signed a £370 million five year syndicated revolving credit facility. Since the year end, the Company has issued £300 million unsecured bonds at a coupon of 5.25%, redeemable in December 2016.

THE FIDAL TEAM HAS ACTED AS AN ADVISER TO HAMMERSON SINCE 1998, ASSISTING WITH ENTRY INTO THE SIIC REGIME IN 2004 AND PROVIDING ADVICE ON LETTINGS, AQUISITIONS AND DISPOSALS.

FROM LEFT: CORINNE BOURBON, HAMMERSON, CHRISTIAN REYNAUD-FOURTON, FIDAL.

Returns

The table below presents information on the returns which the group has achieved during 2005, including the returns from joint ventures, and compares them with benchmark indices where appropriate.

Portfolio capital return	17.6%	IPD All property benchmark	13.3%
Portfolio income return	4.2%	IPD All property benchmark	5.4%
Portfolio total return	22.5%	IPD All property benchmark	19.4%
Return on shareholders' equity	34.0%	Estimated cost of equity	7.3%
Total shareholder return	20.1%	FTSE 350 real estate index	20.3%

The IPD All property benchmark includes retail, office and industrial property returns for United Kingdom property. Hammerson does not invest in industrial property, which had the lowest sector returns in 2005. The principal reasons why Hammerson outperformed the IPD benchmark for capital returns were the valuation increases on developments and the valuation growth in the French portfolio. Income returns were lower than the benchmark as the group invests in prime shopping centres and offices, which attract low yields.

Hammerson's return on shareholders' equity for the year ended 31 December 2005 was 34.0%, which compares with the group's estimated cost of equity of 7.3%. The majority of the return on shareholders' equity for 2005 resulted from property revaluation gains.

Total shareholder return, comprising increases in the share price and dividends, was 20.1%, marginally below the total return on the FTSE 350 real estate index. Over the last three years, Hammerson's total shareholder return was 135.3%, some ten percentage points above the real estate index.

SUMMARY DIRECTORS' REPORT

Principal Activities and Future Prospects

The principal activities of the Company have continued to be property investment and development.

A review of the group's activities and results for the year is given in the Chairman's Statement on pages 8 to 11.

Results for the Year and Dividends

The results for the year are set out in the Summary Consolidated Income Statement on page 33. The profit before tax for the year was £698.6 million. After tax and minority interests, the profit attributable to shareholders was £554.4 million.

The Directors recommend a final dividend of 13.91 pence per share which, together with the interim dividend paid on 21 October 2005, will make a total dividend for the year of 19.71 pence (2004: 17.92 pence). It is intended that warrants in respect of the final dividend will be posted on 16 May 2006 for payment on 17 May 2006 to shareholders on the register at close of business on 18 April 2006.

Directors and their Remuneration

The names and biographical details of the Directors are given on pages 6 and 7. Details of Directors' remuneration are given in the Summary Remuneration Report on pages 30 to 31.

Independent Auditors' Report

The independent auditors' report on the financial statements is unqualified and does not contain any statement concerning accounting records or failure to obtain necessary information and explanations.

By Order of the Board

Stuart Haydon
Secretary

10 March 2006

SUMMARY REMUNERATION REPORT

The Remuneration Committee

The Committee currently comprises John Barton (Chairman), John Clare and Tony Watson, who was appointed on 1 February 2006.

The Committee meets to consider, for recommendation to the Board, Company policy on the remuneration of Executive Directors and to approve the composition and level of remuneration of Executive Directors and certain senior executives. The Board has accepted, without amendment, the Committee's recommendations relating to 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. 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 the Company's Deferred Share Plan.

To assist the Committee in determining remuneration policy, the Committee has received advice from Hay Group who have been appointed by the Committee and who provide no other services to the Company. In addition, although they are not members of the Committee, information and advice has been provided and recommendations have been made by Ronald Spinney (until his retirement as Chairman on 30 September 2005), John Nelson (newly appointed Chairman), John Richards (Chief Executive) (other than in respect of his own position) and by the group's Director of Human Resources.

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 investors and their representatives.

Non-executive directors are not eligible for performance related bonuses or grants of options and their fees are not pensionable.

The Long Term Incentive Plan target was last revised for grants made in 2003 and thereafter. The Plan's performance target and level of vesting will be reviewed again later in 2006. This review will consider evolving market practice in the context of ensuring the Company provides an appropriate reward relative to performance.

Directors' Remuneration

The following table shows a breakdown of the remuneration of the directors for the year ended 31 December 2005:

	Salary and fees £000	Performance related bonus £000	Benefits in kind £000	Total emoluments excluding pension contributions 2005 £000	2004 £000	Long term incentive plan gain on shares 2005 £000	2004 £000	Gain on exercise of share options 2005 £000	2004 £000
Executive Directors									
John Richards	419	210	34	**663**	538	**148**	–	**205**	60
John Bywater	239	128	25	**392**	317	**88**	–	**268**	–
Peter Cole	258	132	16	**406**	326	**95**	–	**100**	111
Gerard Devaux	311	134	–	**445**	333	**100**	–	**479**	99
Simon Melliss	292	140	22	**454**	380	**113**	–	**340**	140
Non-Executive Directors									
John Nelson	73	–	–	**73**	21	**–**	–	**–**	–
Ronald Spinney (retired 30 September 2005)	150	–	19	**169**	211	**–**	–	**–**	–
Graham Pimlott	55	–	–	**55**	50	**–**	–	**–**	–
John Barton	44	–	–	**44**	36	**–**	–	**–**	–
John Clare	42	–	–	**42**	35	**–**	–	**–**	–
David Edmonds	40	–	–	**40**	32	**–**	–	**–**	–
John Hirst	44	–	–	**44**	29	**–**	–	**–**	–
	1,967	744	116	**2,827**	2,308	**544**	–	**1,392**	410

The performance related bonus included in the table above is payable as to 40/70ths in cash and 30/70ths in shares. A further element of the performance related bonus is receivable in the form of options, the shares in respect of which vest two years after the date of grant. The potential entitlement to shares under this element of the scheme, subject to the terms of the scheme, is set out below.

	2005 Bonus Shares vesting in 2008	**2005 Bonus** Market value at date of grant £000	2004 Bonus Shares vesting in 2007	2004 Bonus Market value at date of grant £000
John Richards	**7,914**	**90**	6,676	57
John Bywater	**4,825**	**55**	3,977	34
Peter Cole	**4,975**	**56**	4,219	36
Gerard Devaux	**5,022**	**57**	3,424	29
Simon Melliss	**5,245**	**60**	4,682	40

By Order of the Board

Stuart Haydon
Secretary

10 March 2006

AUDITORS' REPORT

Independent Auditors' Statement to the Members of Hammerson plc

We have examined the Summary Financial Statements which comprise the Summary Income Statement, the Summary Statement of Recognised Income and Expense, the Summary Reconciliation of Equity, the Summary Consolidated Balance Sheet and the Summary Consolidated Cash Flow Statement together with the Summary Directors' Report and Summary Directors' Remuneration Report.

This report is made solely to the Company's members, as a body, in accordance with section 251 of the Companies Act 1985. Our 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, for our audit report, or for the opinions we have formed.

Respective Responsibilities of Directors and Auditors

The Directors are responsible for preparing the summary financial statements in accordance with applicable United Kingdom law. Our responsibility is to report to you our opinion on the consistency of the summary financial statements with the full annual accounts, the directors' report and the directors' remuneration report, and its compliance with the relevant requirements of section 251 of the Companies Act 1985 and the regulations made thereunder. We report whether the Auditor's opinion on the full annual accounts was unqualified or qualified. We also read the other information contained in the summarised annual report as described in the contents section, and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the summary financial statement.

Basis of Opinion

We conducted our work in accordance with bulletin 1999/6 The Auditors' Statement on the Summary Financial Statement issued by the Auditing Practices Board for use in the United Kingdom.

Opinion

In our opinion, the summary financial statement is consistent with the full annual accounts, the Directors' Report and the Directors' Remuneration Report of Hammerson plc for the year ended 31 December 2005 and complies with the applicable requirements of section 251 of the Companies Act 1985, and the regulations made thereunder. The Auditors' report on the Company's annual accounts was unqualified.

Deloitte & Touche LLP
Chartered Accountants and Registered Auditors
London

10 March 2006

SUMMARY CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2005	2005 £m	2004* £m
Gross rental income	**249.2**	219.6
Net rental income	**210.3**	189.5
Operating profit before gains on investment properties	**178.9**	162.9
Gains on investment properties	**607.6**	330.2
Operating profit	**786.5**	493.1
Cost of finance (net)	**(87.9)**	(79.7)
Profit before tax	**698.6**	413.4
Tax (charge)/credit	**(132.9)**	23.3
Profit for the year	**565.7**	436.7
Equity minority interests	**(11.3)**	(5.3)
Profit for the year attributable to equity shareholders	**554.4**	431.4
Earnings per share	**198.0p**	156.2p
Diluted earnings per share	**197.6p**	155.9p

Adjusted earnings per share are shown in note 10 of the accounts in the 2005 Directors' Report and Financial Statements.

SUMMARY STATEMENT OF RECOGNISED INCOME AND EXPENSE

For the year ended 31 December 2005	2005 £m	2004* £m
Profit for the financial year	**565.7**	436.7
Revaluation gains on development properties	**197.5**	61.6
Revaluation gains on investments and owner-occupied properties	**14.3**	5.9
Actuarial losses on pension schemes	**(6.3)**	(4.2)
Tax on items taken directly to equity	**(55.5)**	(17.7)
Exchange translation and other movements	**(2.4)**	0.1
Total recognised income and expense	**713.3**	482.4
Recognised income and expense attributable to minority interests	**(10.1)**	(5.3)
Total recognised income and expense attributable to equity shareholders	**703.2**	477.1

*Restated under IFRS. See note 27 to the accounts in the 2005 Directors' Report and Financial Statements.

SUMMARY RECONCILIATION OF EQUITY

For the year ended 31 December 2005	2005 £m	2004* £m
Opening equity shareholders' funds	**2,410.2**	1,975.2
Issue of shares	**63.6**	3.9
Purchase of own shares	**(2.3)**	–
Share-based employee remuneration	**2.1**	1.4
Total recognised income and expense	**703.2**	477.1
Dividends	**(51.0)**	(47.4)
Closing equity shareholders' funds	**3,125.8**	2,410.2

SUMMARY CONSOLIDATED BALANCE SHEET

As at 31 December 2005	2005 £m	2004* £m
Investment and development properties	**5,731.7**	4,603.0
Other non-current assets	**133.9**	108.5
Non-current assets	**5,865.6**	4,711.5
Current assets	**189.7**	139.2
Total assets	**6,055.3**	4,850.7
Current liabilities	**(281.7)**	(273.1)
Non-current liabilities	**(2,191.5)**	(1,912.3)
Deferred tax	**(406.4)**	(213.4)
Total liabilities	**(2,879.6)**	(2,398.8)
Equity minority interests	**(49.9)**	(41.7)
Equity shareholders' funds	**3,125.8**	2,410.2
Diluted net asset value per share	**£10.97**	£8.69
Adjusted net asset value per share, EPRA basis	**£12.37**	£9.45

*Restated under IFRS. See note 27 to the accounts in the 2005 Directors' Report and Financial Statements.

These summary financial statements were approved by the Board of Directors on 10 March 2006.

Signed on behalf of the Board

John Richards
Director

Simon Melliss
Director

SUMMARY CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2005	2005 £m	2004 £m
Cash generated from operations	**175.2**	161.6
Net interest paid	**(110.5)**	(79.1)
Tax paid	**(19.8)**	(22.0)
Cash flows from operating activities	**44.9**	60.5
Cash flows from investing activities	**(289.2)**	(140.0)
Cash flows from financing activities	**236.2**	(54.8)
Net decrease in cash and deposits	**(8.1)**	(134.3)

FIVE YEAR FINANCIAL SUMMARY

	IFRS		UK GAAP		
	2005 £m	2004 £m	2003 £m	2002 £m	2001 £m
Profit and loss account					
Net rental income	**210.3**	189.5	189.5	175.9	159.9
Operating profit before gains on investment properties	**178.9**	162.9	164.6	151.6	141.6
Gains on investment properties	**607.6**	330.2	(18.8)	5.3	(8.2)
Cost of finance (net)	**(87.9)**	(79.7)	(78.7)	(66.0)	(64.3)
Profit before tax	**698.6**	413.4	67.1	90.9	69.1
Current tax	**1.0**	(80.9)	(1.7)	(2.5)	(7.9)
Deferred tax	**(133.9)**	104.2	(13.1)	(11.1)	15.9
Equity minority interests	**(11.3)**	(5.3)	(2.0)	(1.7)	(0.9)
Profit for the year attributable to equity shareholders	**554.4**	431.4	50.3	75.6	76.2
Balance sheet					
Investment and development properties	**5,731.7**	4,603.0	3,997.5	3,948.2	3,517.4
Cash and short term deposits	**45.5**	53.7	187.0	242.2	218.4
Borrowings	**(2,094.8)**	(1,799.5)	(1,772.2)	(1,883.6)	(1,552.9)
Other assets	**278.1**	194.0	138.6	162.5	95.8
Other liabilities	**(378.4)**	(385.9)	(289.8)	(356.2)	(195.3)
Net deferred tax provision	**(406.4)**	(213.4)	(54.8)	(34.8)	(7.6)
Equity minority interests	**(49.9)**	(41.7)	(38.1)	(40.1)	(37.1)
Equity shareholders' funds	**3,125.8**	2,410.2	2,168.2	2,038.2	2,038.7
Cash flow					
Operating cash flow after tax	**44.9**	60.5	68.4	57.6	54.1
Dividends	**(51.0)**	(47.4)	(44.4)	(42.0)	(39.7)
Property and corporate acquisitions	**(308.1)**	(320.8)	(183.7)	(461.8)	(196.8)
Developments and major refurbishments	**(186.3)**	(203.3)	(188.8)	(161.8)	(138.2)
Other capital expenditure	**(36.9)**	(20.2)	(68.5)	(43.9)	(50.9)
Disposals	**224.4**	398.7	556.2	519.6	313.0
Other cashflows	**17.7**	5.6	–	–	–
Net cash flow before financing	**(295.3)**	(126.9)	139.2	(132.3)	(58.5)
Per share data					
Basic earnings per share	**198.0p**	156.2p	18.3p	27.1p	27.1p
Adjusted earnings per share	**31.2p**	28.7p	29.8p	29.2p	24.3p
Dividend per share	**19.71p**	17.92p	16.83p	15.8p	14.84p
Net asset value per share, diluted	**1,097p**	869p	784p	738p	727p
Adjusted net asset value per share, EPRA basis	**1,237p**	945p	803p	751p	730p
Financial ratios					
Return on shareholders' equity	**34.0%**	21.7%	9.3%	4.3%	8.3%
Gearing	**66%**	72%	73%	81%	65%
Interest cover	**1.9x**	1.9x	1.8x	1.9x	1.9x
Dividend cover	**1.6x**	1.6x	1.8x	1.9x	1.6x

The financial information shown above for the years 2004 and 2005 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.

The information for 2004 has been restated as described in note 27 of the 2005 Directors' Report and Financial Statements. Adjustments of a similar nature would be required to restate the UK GAAP figures shown above.

SHAREHOLDER INFORMATION

Financial Calendar

Full year results announced	27 February 2006
Annual General Meeting	4 May 2006
Recommended final dividend – Ex-dividend date	12 April 2006
– Record date	18 April 2006
– Payable on	17 May 2006
Anticipated 2006 interim dividend	October 2006

Taxation

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 290 pence for each ordinary share at that date and 315 pence 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, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU
Tel: 0870 162 3100 or go to www.capitaregistrars.com.

Capita Share Dealing Services

An on-line 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 on-line 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: 0870 458 4577 (telephone dealing) 8.00 a.m.-4.30 p.m. Monday to Friday or go to www.capitadeal.com (on-line dealing) 24 hours.

ShareGift

Shareholders with a small number of shares, the value of which makes it uneconomic to sell them, may wish to consider donating them to charity through ShareGift, a registered charity administered by the Orr Mackintosh Foundation. Further information about ShareGift is available at www.sharegift.org or by writing to ShareGift, The Orr Mackintosh Foundation, 46 Grosvenor Street, London, W1K 3HN. To donate shares please contact Capita Registrars at the details given above.

Unsolicited Mail

Hammerson is obliged by law to make its share register available on request to other organisations, who 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 LON20771, London W1E 0ZT, telephone their helpline on 0845 703 4599, or register on their website www.mpsonline.org.uk.

Advisers

Valuers	Cushman & Wakefield Healey & Baker Donaldsons DTZ Debenham Tie Leung
Auditors	Deloitte & Touche LLP
Solicitors	Herbert Smith
Stockbrokers	Citigroup

PRINCIPAL GROUP ADDRESSES

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Website
The 2005 Annual Review and Summary Financial Statements, the 2005 Directors' Report and Financial Statements and other information are available on the Company's website, www.hammerson.co.uk. The Company operates a service whereby all registered users of the Company's website can choose to receive, via e-mail, notice of all Company announcements, which can be viewed on the website.

Registered Office
100 Park Lane, London W1K 7AR
Registered in England No. 360632

In June 2006, Hammerson plc will be relocating its headquarters and registered office to 10 Grosvenor Street, London W1K 4BJ.

DIRECTORS AND SENIOR MANAGEMENT

Executive Directors

John Richards	Chief Executive
John Bywater	Managing Director UK
Peter Cole	Managing Director Group Investment and Development
Gérard Devaux	Managing Director Continental Europe
Simon Melliss	Group Finance Director

Committees and Senior Management

UK Management Board

John Bywater (Chairman)	Managing Director UK
Simon Melliss	Group Finance Director
Peter Cole	Managing Director Group Investment and Development
David Atkins	Director and Head of Retail
Michael Baker	Director and Head of Offices
Jon Emery	Director and Head of Development
Nick Hardie	Group Financial Controller

Continental Europe Management Board

Gérard Devaux (Chairman)	Managing Director Continental Europe
Simon Melliss	Group Finance Director
Peter Cole	Managing Director Group Investment and Development
Jean-Philippe Mouton	Director of Operations, France
Corinne Bourbon	Director of Finance and Administration, France

Chief Executive's Committee

John Richards (Chairman)	Chief Executive
Simon Melliss	Group Finance Director
Peter Cole	Managing Director Group Investment and Development
Phil Groom	Director, Human Resources
Chris Smith	Director, Corporate Affairs
Andrew Thomson	Group IT Director

Senior Management – UK

James Aitchison	Director of Taxation
Warren Austin	Head of Financial Reporting and Control
Duncan Beardsley	Group Treasurer
Andrew Berger-North	Director, Retail Parks
Vanessa Forster	Director, Retail Asset Management
Chris Green	Director of Marketing
Stuart Haydon	Company Secretary
Bruce Isles	Director, Retail Development
Sheila King	Director, Retail Leasing
Vinod Thakrar	Director, Project Management
Sven Töpel	Director, Acquisition and Development
Geoff Wright	Director, Construction and Project Management

Senior Management – France

Eddie Bohbot	Director, Retail Management
Christophe Boudon	Senior Manager, Property and Control
Marie-Françoise Cholin	Director, Retail Letting
Jean-Louis Coquand	Director, Retail Development
Ingrid Janssen	Director, Communications and Marketing
Michaël Krief	Director, IT
Olivier Marguin	Director, Mixed Buildings Asset Management
Marie-Pierre Sandillon	Director, Offices
David Segard	Director, Retail Parks
Laurent Santiago	Director, Project Management

GLOSSARY OF TERMS

Adjusted figures	Reported amounts adjusted to exclude, as appropriate, gains on investment properties, the fair value, or change in fair value, of interest rate swaps, deferred tax and related minority interests.
Anchor store	A major store, usually a department store or supermarket, occupying a large unit within a shopping centre or retail park, which serves as a draw to other retailers and consumers.
Average cost of borrowing	The cost of finance expressed as a percentage of the weighted average of borrowings during the period.
Capital return	The change in value during the period for properties held at the balance sheet date, after taking account of capital expenditure and exchange translation movements, calculated on a monthly time weighted basis.
Earnings per share (or 'EPS')	Profit for the period attributable to equity shareholders divided by the average number of shares in issue during the period.
EPRA	European Public Real Estate Association. This organisation has issued recommended bases for the calculation of earnings per share and net asset value per share.
ERV	The estimated market rental value of lettable space in a property after deducting head and equity rents, calculated by the group's valuers.
Gearing	Net debt expressed as a percentage of equity shareholders' funds.
IAS	International Accounting Standards.
IFRS	International Financial Reporting Standards.
Initial yield	Cash rents receivable, net of head and equity rents and the cost of vacancy, as a percentage of property value.
Interest cover	Net rental income divided by net cost of finance before capitalised interest and the change in fair value of interest rate swaps.
Interest rate and currency swap	An agreement with another party to exchange an interest or currency exchange rate obligation for a pre-determined period of time.
Like-for-like/underlying net rental income	The percentage change in rental income for completed investment properties owned throughout both current and prior periods, after taking account of exchange translation movements.
Loan to value ratio	Borrowings and foreign currency swaps expressed as a percentage of the total value of investment and development properties.
Net asset value per share (or 'NAV')	Equity shareholders' funds divided by the number of shares in issue at the balance sheet date.
Over-rented	The percentage by which ERV falls short of rents passing, together with the estimated rental value of vacant space.
Pre-let	A lease signed with a tenant prior to completion of a development.
REITs	Real estate investment trusts.
Rents passing	The annual rental income receivable from an investment property, after any rent free periods and after deducting head and equity rents. This may be more or less than the ERV (see over-rented and reversionary or under-rented).
Return on shareholders' equity	Capital growth and profit for the year expressed as a percentage of shareholders' funds at the beginning of the year, all excluding deferred tax. For 2004, the calculation also excludes the effects of entry into the SIIC regime.
Reversionary or under-rented	The percentage by which ERV exceeds rents passing, together with the estimated rental value of vacant space.
SIC 15	A statement of accounting practice, which requires certain lease incentives to be amortised through the income statement.
SIIC	Sociétés d'Investissements Immobiliers Côtées. A French tax exempt regime available to property companies listed in France.
Total development cost	All capital expenditure on a development project, including capitalised interest.
Total return	Net rental income and capital return expressed as a percentage of opening book value of property, adjusted for capital expenditure and exchange translation movements, calculated on a monthly time weighted basis.
True equivalent yield	The average income return, reflecting the timing of future rental increases, based on current ERV, resulting from lettings, lease renewals and rent reviews, assuming rents are received quarterly in advance.
Turnover rent	Rental income that is related to an occupier's turnover.
UK GAAP	United Kingdom Generally Accepted Accounting Practice.
Vacancy rate	The ERV of the area in a property, or portfolio, excluding developments, which is currently available for letting, expressed as a percentage of the total ERV of the property or portfolio.
Yield on cost	Rents passing expressed as a percentage of the total development cost of a property.