Embargoed until 7:00 a.m. on Friday 1 March 2013

HAMMERSON plc – AUDITED RESULTS FOR THE YEAR ENDED 31 DECEMBER 2012

Year ended:	31 December 2012	31 December 2011	Change	Like-for-like change
Net rental income (1) (continuing operations)	**£258.8m**	£263.8m	-1.9%	+2.1%
EPRA earnings per share (2)	**20.9p**	19.3p	+8.3%	
Final dividend per share	**10.0p**	9.3p	+7.5%	
As at:	**31 December 2012**	31 December 2011		
EPRA net asset value per share (2)	**£5.42**	£5.30	+2.3%	
Gearing	**53%**	52%		

STRONG OPERATING RESULTS FROM HIGH-QUALITY RETAIL ASSETS

- **Growth of 2.1% in group like-for-like net rental income demonstrating continued tenant demand** for our properties and the success of asset management initiatives.
- **Occupancy of 97.7% reflecting high-quality retail assets.** Occupancy exceeds our target of 97% and is up since the half year.
- **Leases signed overall at 4% above ERV,** and 10% above previous passing rent, providing confidence in future income growth.

PORTFOLIO REPOSITIONED TO DELIVER SUPERIOR FUTURE RETURNS

- **Portfolio repositioned to pure retail focus.** Announced office asset disposals for £627 million at a 7% premium, and £541 million investments into successful retail venues: Value Retail; Victoria Quarter; Whitgift; and The Junction Fund.
- **Significant development progress.** Land purchase and commitment to proceed at Le Jeu de Paume, Beauvais; JV signed with Westfield to develop Centrale and Whitgift in Croydon; Les Terrasses du Port, Marseille now 83% let; and John Lewis signed to anchor Eastgate Quarters, Leeds.

FOCUSED FINANCIAL MANAGEMENT REDUCING COSTS

- **Reduction in net operating expenses of 7%,** and finance costs down 11% year-on-year.
- **Active liability management.** Seven-year €500m 2.75% bond issued, and new £175 million revolving credit facility agreed in December. Year-end liquidity of nearly £700 million and gearing of 53% provide flexibility for further investment.

INCREASED DIVIDEND REFLECTING FUTURE CONFIDENCE

- **Final dividend increased by 7.5%.** Total dividend for the year of 17.7 pence per share (2011: 16.6 pence).

David Atkins, Chief Executive of Hammerson, said: "We have again proved that high-quality retail assets combined with active management can deliver good income growth even in a challenging environment. 2012 was a transformational year for Hammerson, where we successfully executed over £1 billion of investment activity to become a pure retail-focused company. Looking forward, our visibility of the future earnings profile of the business gives us confidence, and we continue to seek opportunities to enhance the scale and efficiency of our business through further acquisitions."

(1) Total net rental income of £282.9 million (2011: £296.0 million) consists of £258.8 million (2011: £263.8million) relating to continuing operations (note 2 on p. 47) and £24.1 million (2011: £32.2 million) relating to discontinued operations (note 6B on p. 52).
(2) Calculations for EPRA figures are shown in note 8 on p. 54.
(3) Profit before tax for the year ended 31 December 2012 was £142.2 million (2011: £346.3 million), consisting of £93.5 million (2011: £302.4 million) relating to continuing operations (note 2 on p. 47) and £48.7 million (2011: £43.9 million) relating to discontinued operations (note 6B on p. 52). Basic and diluted earnings per share were 19.4 pence (2011: 47.3 pence). See note 8A on p. 54.

John Nelson, Chairman, said:

"This is my final set of results as Hammerson Chairman. Hammerson has great assets, a dynamic management team and clear prospects for further growth. Against a difficult economic backdrop, the numbers demonstrate strong performance and validate our strategic focus and operational execution. I am proud of what the company has achieved and I wish its shareholders and staff well for the future."

Enquiries:

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Results presentation today:

Time:	9.30 a.m.
Venue:	Deutsche Bank 1, Great Winchester Street London EC2N 2DB

Webcast:

A live webcast of Hammerson's results presentation will be broadcast today at 9.30 a.m. via the Company's website: www.hammerson.com. At the end of the presentation you will be able to participate in a question and answer session by dialling +44 (0) 20 3147 4971. Please quote confirmation code 874875.

Financial calendar:

Ex-dividend date	3 April 2013
Record date	5 April 2013
Final dividend payable	14 May 2013

Contents:

STRATEGY

Structural consumer trends, including the growth of e-commerce and mobile technologies, are reshaping the requirements of retailers for physical space. Consumers increasingly show a preference for experience, convenience or luxury. Retailers are therefore seeking fewer, but larger units in prime shopping centres; innovative new formats which capitalise on fashion demand and click & collect facilities at retail parks; and representation in high-footfall, high-spend premium designer outlets.

In early 2012, we set out a revised strategy to become a pure retail-focused business, in order to generate superior, sustainable returns for shareholders. We announced the exit from our office investments for £627 million, a 7% premium to December 2011 values. We announced a total of £541 million of investments into the three winning locations of retail: prime shopping centres, retail parks and premium designer outlets.

Across our three chosen areas of retail, our strategic priorities are to: create high-quality property, maximise income, and operate within a prudent and flexible capital structure. In conjunction with a continued focus on operating and financial efficiency, we are targeting strong growth in earnings and dividends over the three year period to 2015.

CREATING HIGH-QUALITY PROPERTY

Experience – prime shopping centres

Prime shopping centres which offer exciting brands, full-line stores, high-quality catering and leisure facilities in a safe, mobile-enabled environment are continuing to attract successful retailers.

Our major retail and leisure development at Les Terrasses du Port, Marseille, is now 83% pre-let, which is a testament to the strength of the catchment area and positioning of the scheme. In addition to securing Printemps as a major anchor, pre-letting agreements were exchanged in the year with brands such as Sandro, Michael Kors, Gant, Bose, and G-Star. Construction is on schedule and on budget, with the project expected to open in spring 2014. On opening, this venue will become an iconic example of what consumers can expect from retail destinations of the future.

During the year we enhanced our position in Croydon by announcing the acquisition of a 25% share of the leasehold interest in Whitgift, Croydon for £65 million. In January 2013 we provided clarity and certainty for both retailers and residents by announcing the formation of a 50:50 joint venture with Westfield. This JV will complete the acquisition of the 25% Whitgift stake and take responsibility for joint delivery of our development plans for Croydon.

The pre-letting of our proposed Le Jeu de Paume retail development at Beauvais, north of Paris, is progressing well. We have secured H&M as the main fashion anchor at the scheme, and, with Carrefour and Le Furet du Nord 34% of the income is already exchanged or in solicitors' hands. Following the acquisition of the land at the start of 2013, we are now committed to this development and construction will commence later this year.

We also acquired Victoria Quarter in Leeds for £136 million during the year. Victoria Quarter, anchored by Harvey Nichols, has successfully established itself as a leading luxury retail destination in the heart of Leeds' retail core and continues to experience strong demand from designer retail brands. In conjunction with our existing John Lewis anchored development at Eastgate, we will now bring forward a combined retail destination, creating a direct route between the Victoria and Eastgate Quarters. We expect to submit a planning application for Eastgate Quarters by June, and start on site next year.

Convenience – retail parks

Convenient, well-managed retail parks in out-of-town locations are securing an increasing number of fashion and catering tenants, due to their accessibility and ability to support retailers' click & collect offer.

In October we purchased The Junction Fund for £260 million, which has shown a 10% uplift in value in the four months since our acquisition. The fund consists of four retail parks located in strong catchments, as well as consented development opportunities and additional development land. We have already secured planning permission for the redevelopment of Abbotsinch, Paisley, and agreed the sale of excess land at Thurrock, Lakeside. We have also completed the redevelopment of the former UCI unit at Thurrock, which will accommodate the first retail park Nike store in the UK.

We are making good progress with extensions and redevelopments across the retail parks portfolio. We have exchanged contracts with Debenhams for a 5,570m^2 store that will anchor the redevelopment of Elliott's Field, Rugby, where we have submitted a planning application. In Cramlington, the 5,900m^2 leisure extension of Manor Walks, to be anchored by Vue, will be ready for opening in the summer. At Cyfarthfa, Merthyr Tydfil, we have signed M&S to anchor the 14,500m^2 retail extension, which will help bring other high street brands to the park.

Luxury – premium designer outlets

Consumer preference for luxury brands combined with increasing tourist demand has driven impressive tenants' sales growth, and rental income, at premium designer outlets such as Bicester Village. We anticipate this trend continuing as global tourist numbers increase over the coming years.

In 2012 Value Retail ('VR') remerchandised 25% of its selling space, introducing new brands such as Blumarine, Boggi, and Lagerfeld, as well as completing an extension at La Vallée Village, Paris. From a base of over 30 million annual shoppers, retailers' sales have consequently increased 13%, rental income rose by 17% and the valuation of VR's villages went up by 18%.

In line with our intention to increase capital allocated to the high-growth sector of premium designer outlets, we announced in July the acquisition of further interests in VR holding companies for a total of £80 million and increased our shareholder loan to the company from €28 million to €58 million.

We now have a 22% stake in VR holding companies and, including our direct investments in outlet villages, we have an effective 29% interest in VR's underlying operating profit in 2012. On an EPRA basis, Hammerson's net income from Value Retail has increased by 54% to £12.6 million.

MAXIMISING INCOME GENERATION

In 2012 we signed 376 leases in respect of over 120,000m^2, at levels above both the estimated rental values ('ERV') and previous passing rent. Despite the impact of high-profile retail administrations we maintained high occupancy of 97.7% at the year end. Year-end occupancy has exceeded our 97% target for each of the last three years. Like-for-like net rental income for the year increased by 2.1% on 2011. We continue to bring new retailers and new formats to our portfolio, including Printemps at Les Terrasses du Port, Marseille, Jeff Banks' first standalone store in Brent Cross, London and Pretty Green at Bullring, Birmingham.

Catering and leisure

Quality catering and leisure options add vibrancy to our venues and continue to grow in importance for consumers. At WestQuay, Southampton, we launched a transformed 'Dining at WestQuay' with new restaurants including Pizza Express, Wagamama and Café Rouge Express alongside Tortilla and Ed's Easy Diner. This trend is also evident at our UK retail parks, where we signed well-known brands such as Costa and Frankie & Benny's to the portfolio in the year.

Multi-channel retailing

During the year we upgraded all UK shopping centre websites to become fully mobile-enabled, and provided free wi-fi in all centres. At The Oracle in Reading we have successfully trialled a product-specific search tool from Google, and this service will be extended to all centres in the coming months.

Following the upgrade to centre websites and provision of wi-fi accessibility, we are commencing a digital loyalty programme at selected centres in the UK and France. The programme will deliver targeted promotions to consumers via their mobile devices, and respond in real-time to their behaviour. The data will allow us to understand better consumer shopping patterns, which can in turn be used to tailor future digital communications and promotions to encourage additional visits and sales.

MAINTAINING CAPITAL STRENGTH

We had an active year managing the costs and maturity profile of our debt, contributing to an £11.6 million reduction in interest expenses in 2012. We repurchased €220 million of the 4.875% Euro bonds, then in September issued a seven-year €500 million 2.75% unsecured bond due in 2019. In December we bought back the £100 million floating rate reset bonds from BNP Paribas, incurring a one-off mark-to-market charge of £42 million, and also signed a new £175 million revolving credit facility.

Borrowings were £2.1 billion at 31 December 2012 and cash balances were £66 million, to give net debt of £2.0 billion (2011: £2.0 billion). Loan-to-value and gearing ratios at the year end were 36% and 53% respectively. Liquidity, comprising cash and undrawn facilities, was £696 million at December 2012.

BOARD CHANGES

John Nelson informed the Board during the course of 2012 that, having served for nine years, he wished to retire at the AGM in May. David Tyler joined the Board in January 2013, and will succeed John as Chairman immediately after the AGM. David has had a successful career, much of it in finance and retailing. He is currently Chairman of Sainsbury's and a director of Burberry.

Gwyn Burr joined the Board as a Non-Executive Director in May this year. Gwyn has over 25 years experience in the retail sector, with a particular focus on the delivery of industry-leading customer service and marketing communications.

At the beginning of 2013 we also appointed Jean-Philippe Mouton as an Executive Director. Jean-Philippe is Managing Director for France, a position he has held since 2009. As well as his management role for France, he will have additional responsibility for marketing and digital engagement across the Group.

OUTLOOK

In a transformational year for our business we have demonstrated that high-quality retail assets combined with active management can deliver good income growth even in a challenging environment. Whilst we still remain cautious about the overall economic outlook in the UK and Europe, we have a portfolio of modern, well-located retail properties which offer consumers leisure, catering and multi-channel capabilities. Whilst these assets are not immune to retail failures, we anticipate the impact to remain modest and we are confident that these assets will continue to attract both domestic and international retailers. This gives us confidence in our ability to grow underlying rental income through active asset management, which will be enhanced as we complete developments. In conjunction with a continued focus on operating and financial efficiency, we are targeting strong growth in earnings and dividends over the three year period to 2015.

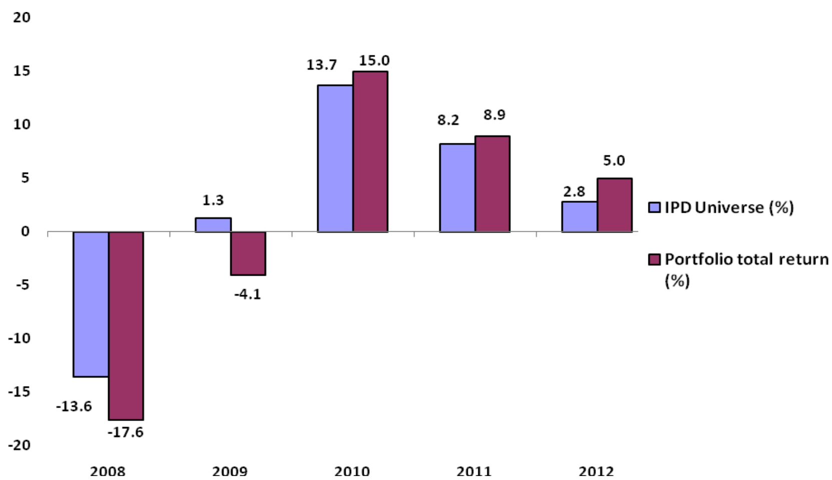
We remain confident in our ability to identify further attractive acquisition opportunities in our chosen sectors to increase the scale, efficiency and overall returns of our business.

KEY PERFORMANCE INDICATORS

We use four principal measures to monitor the performance of our business against appropriate benchmarks: portfolio total returns; occupancy; growth in like-for-like net rental income; and growth in adjusted earnings per share. These 'Key Performance Indicators', or 'KPIs', illustrate how successful the implementation of our strategic priorities has been. The sources of the information used to calculate KPIs are management reporting systems and IPD.

Following the change in our strategy to focus purely on the retail real estate sector, we have reviewed our KPIs and replaced 'return on equity' with the net rental income and earnings per share measures which have a closer link to the retail property market and to executive remuneration than return on equity.

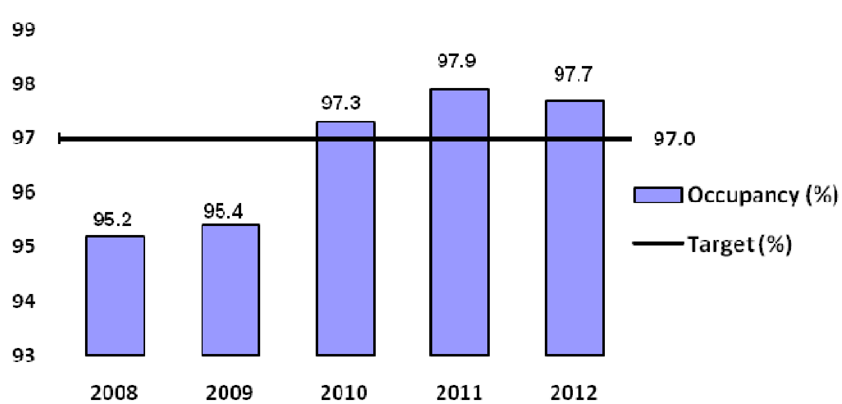
Portfolio total returns



The chart shows returns and weighed indices for 2008 to 2011 for the total portfolio. The return for 2012 is for the total portfolio and the IPD data for 2012 is the UK quarterly index. The 2012 index for France is not yet available.

At 5.0% the returns for 2012 materially outperformed the benchmark of 2.8%. The income return for the total portfolio at 5.0% underperformed the IPD income return of 5.8% reflecting the prime nature of the Hammerson portfolio. However the IPD capital return was -2.8% whereas our portfolio showed slight capital growth of 0.1%, which included the profit crystallised on disposal of the office portfolio. Excluding the offices sold, our portfolio capital return was -0.5%, again outperforming IPD and demonstrating the relative quality of Hammerson's assets. Our objective is to outperform IPD by 100 basis points.

Occupancy

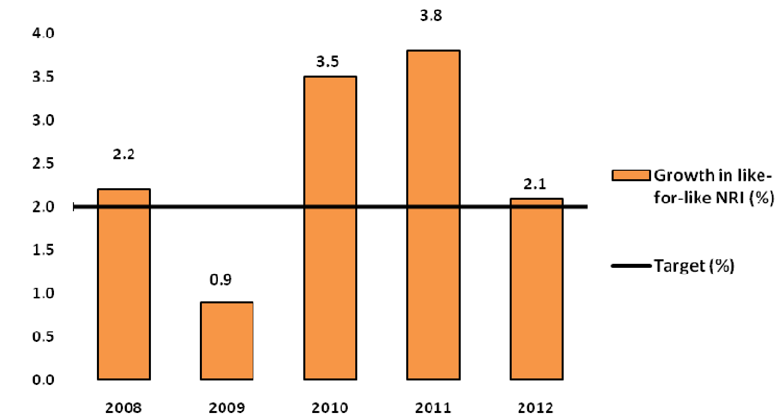


In the chart above, occupancy is for the whole portfolio for 2008 to 2010 and for the continuing portfolio only for 2011 and 2012.

KEY PERFORMANCE INDICATORS
CONTINUED

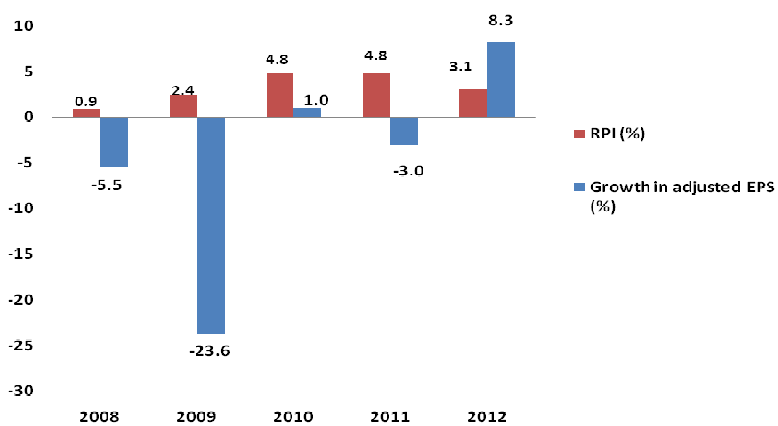
At the end of 2012 the continuing portfolio was 97.7% occupied, compared with 97.9% for the prior year. Occupancy in the shopping centre portfolio has been maintained above our target of 97.0% despite the pressures on retailers from the economic environment. Further analysis of occupancy is provided in the Business Review on page 21.

Growth in like-for-like net rental income



Like-for-like net rental income growth is the percentage change in net rental income for completed investment properties owned throughout both current and prior periods, after taking account of exchange translation movements. For the continuing portfolio, growth in net rental income was 2.1% for the year ended 31 December 2012 compared with 3.8% in 2011 and our target level of more than 2%. Income from shopping centres grew by 2.8%, with 3.6% growth in the UK and 1.4% in France. UK retail park income increased by 0.5% on a like-for-like basis. The 2011 figures were 4.6% and 0.6% for the UK and French shopping centre portfolios respectively, whilst retail park income grew by 4.5%.

Growth in adjusted earnings per share (EPS)



Adjusted EPS is derived from earnings reported in the financial statements under IFRS, adjusted to exclude certain items, mainly those relating to valuation changes, as detailed in note 8A on page 54. In 2012, adjusted EPS increased by 1.6 pence, or 8.3%, to 20.9 pence principally reflecting lower interest costs following refinancing transactions and asset disposals, additional income from our investment in Value Retail and lower administration costs. We benchmark this KPI against the Retail Prices Index (RPI) and our target is to grow adjusted EPS by a rate which exceeds RPI plus 3%. In 2012 this hurdle was 6.1%, so the Group beat the target. Further details on profit, earnings, and earnings per share are provided in the Financial Review on page 26.

BUSINESS REVIEW

OVERVIEW OF STRATEGY

We announced in February 2012 our intention to focus exclusively on the retail property sector. Concentrating on a single sector of the real estate market will support our objective of generating attractive property returns, both absolute and relative to other real estate sectors and peers, by enabling us to:

- leverage our operating platform through increased scale, reduced costs and by growing income streams
- deepen retailer relationships and lead the industry by innovating multi-channel opportunities
- position Hammerson more strongly to exploit retail acquisition and development opportunities
- attract additional joint venture investment requiring specialist retail asset management skills, allowing us to recycle capital into higher-return assets.

To execute our growth plans successfully we have identified three key strategic priorities which guide our capital deployment, operating model and financial management:

- creating high-quality properties
- maximising income from the portfolio
- utilising the Group's capital strength, whilst maintaining a prudent capital structure.

CREATING HIGH-QUALITY PROPERTIES

High-quality real estate is fundamental to delivering on our strategy. We develop or acquire to create compelling retail venues in successful locations with services and experiences tailored to the local consumer demographic. The quality of our asset base is enhanced through:

- development – creating vibrant, modern retail destinations, often involving urban regeneration
- refurbishment – refreshing or repositioning existing assets to increase their appeal to tenants and consumers
- extensions – meeting the increased demand from tenants and consumers at successful retail locations
- investment activity – recycling capital from mature assets into properties offering the potential to generate higher returns.

BUSINESS REVIEW
CONTINUED

Development, refurbishment and extensions

Our experience in managing complex urban regeneration schemes has earned Hammerson a reputation as a leading real estate developer in the UK and France. We have a substantial pipeline of future developments with the potential to provide shareholders with high returns and we have forged strong relationships with the local authorities and major retail groups who have interests in these schemes. We have the flexibility to commence projects when we are satisfied that the relevant markets are sufficiently robust, when we have the right level of interest from occupiers and on the basis that sound financial analysis demonstrates the required returns. We will also continue to follow a prudent funding strategy for developments, recycling established assets and entering into joint ventures where appropriate.

We made good progress in 2012, and have continued to do so since the year end, on advancing development projects and have achieved several milestones.

Overview of recent progress			
Site assembly	**Planning**	**Letting**	**Construction**
• Acquired the site at Le Jeu de Paume, Beauvais • Contracted to acquire a 25% leasehold interest in Whitgift, Croydon	• Achieved planning approval for: o Centrale, Croydon o Silverburn extension, Glasgow • Submitted planning applications for: o Cyfarthfa Retail Park, Merthyr Tydfil o Whitgift, Croydon	• Signed lettings for: o Les Terrasses du Port, Marseille o Manor Walks, Cramlington o Monument Mall, Newcastle o Cyfarthfa Retail Park, Merthyr Tydfil o Elliott's Field, Rugby o Le Jeu de Paume, Beauvais o Eastgate Quarters (Phase 1), Leeds o Halle en Ville, Mantes	• Completed Dining at WestQuay, Southampton • Progressed construction at: o Les Terrasses du Port, Marseille o the extension of Manor Walks, Cramlington • Started on site at Monument Mall, Newcastle

Note: Further information on these schemes is set out on pages 11 to 14.

Projects for which we are on site will provide 78,300m^2 of lettable space at a cost to complete of £194 million and generate an estimated £29 million of income per annum. The annual income from near-term projects involving the development, refurbishment or extension of 197,200m^2 is estimated at £39 million and the cost would be £485 million. The medium-term developments proposed would create 453,250m^2 of new space, at a total development cost of almost £1.8 billion and we estimate that they would produce in excess of £130 million of annual income when fully let.

The developments for which we are on site, or which we expect to start over the next few years, are summarised in the table on page 11.

BUSINESS REVIEW
CONTINUED

Developments

Scheme	Lettable area m²	Earliest start	Potential completion	Value at 31/12/12 £m	Estimated cost to complete[1] £m	Estimated annual income[2] £m	Let[3] %
ON SITE							
Les Terrasses du Port, Marseille	61,000	Commenced	Q2 2014	229	178	27	83
Manor Walks, Cramlington	5,900	Commenced	Q2 2013	n/a	5	1	44
Monument Mall, Newcastle	11,400	Commenced	Q3 2013	37	11	1	38
	78,300				**194**	**29**	
NEAR-TERM							
Abbotsinch, Paisley	4,900	2013	2014		10	1	60
Cyfarthfa, Merthyr Tydfil	14,500	2013	2014		28	2	33
Elliott's Field, Rugby	16,000	2013	2015		35	3	13
Le Jeu de Paume, Beauvais	23,700	2013	2015		64	5	34
Brent Cross Cinema, London NW4 (41% interest)	9,000	2014	2015		20	2	-
Eastgate Quarters (Phase 1), Leeds	37,000	2014	2016		120	10	18
Halle en Ville, Mantes	32,000	2014	2016		110	9	30
Silverburn extension, Glasgow [4]	10,700	2014	2015		12	1	37
SQY Ouest, Saint Quentin-en-Yvelines [4]	30,000	2014	2015		16	1	-
Watermark WestQuay, Southampton	19,400	2014	2016		70	5	-
	197,200				**485**	**39**	
MEDIUM-TERM							
Croydon town centre [4]	200,000	2015	2018		500	35	-
Italie 2, Paris 13ème	6,000	2015	2017		26	2	-
Orchard Centre, Didcot	21,000	2015	2016		50	4	-
Sevenstone, Sheffield	60,500	2015	2017		285	24	-
The Goodsyard, London E1 [4, 5]	5,750	2015	Phased		100	-	-
Brent Cross extension, London NW4 (41% interest)	87,000	2016	2019		350	26	-
Eastgate Quarters (Phase 2), Leeds	73,000	2016	2019		470	40	-
	453,250				**1,781**	**131**	

Notes

(1) Incremental capital cost including capitalised interest.

(2) Incremental income net of head rents and after expiry of rent-free periods.

(3) Let or in solicitors' hands by income at 25 February 2013.

(4) 50% ownership interest.

(5) Area reflects phase 1 of retail space only.

(6) € converted at £1 = €1.233.

(7) Data for proposed schemes is indicative.

On site developments

The programme for Les Terrasses du Port, Marseille, is on schedule to complete in spring 2014 and is on budget. The 61,000m^2 shopping centre will feature 194 shops and 2,600 car parking spaces. We have agreements in place with Printemps to anchor the scheme with a 8,700m^2 department store and with the car park operator, Vinci Park. Following the exchange of pre-letting agreements with brands such as Sandro, Michael Kors, Gant, Bose and G-Star, the project is now 83% pre-let or in solicitors' hands, and we are continuing discussions with a number of well-known international retailers to lease the remaining space. The development was valued at £229 million, or £39 million above cost, at 31 December 2012.

Construction work on the 5,900m^2 shopping centre extension at Manor Walks, Cramlington began in April and will be ready for opening in summer 2013. A pre-let has has been signed with Vue Cinema and the first phase of the scheme also includes family restaurants, improvements to the South Mall and increased car parking. Vue will create a new leisure anchor for the shopping centre, occupying a 2,600m^2, nine-screen cinema.

The £18 million redevelopment of Monument Mall in Newcastle is scheduled for completion at the end of 2013 and leases representing 38% of the anticipated rental income have been signed or are in solicitors' hands. TK Maxx, which currently occupies a 2,300m^2 store on the lower level, is upsizing to a 3,300m^2 flagship store over the first and second floors with a glazed triple-height entrance onto Northumberland Street. The scheme will introduce new prime shopping to Blackett Street, significantly strengthening the retail link between prime Northumberland Street, Eldon Square and Grainger Street. Three listed façades are being restored and new double height retail frontages created.

Near-term developments

Our retail pipeline includes several potential extensions, redevelopments and developments which could commence in the near-term and which are shown in the table on page 11. The average yield on cost for these projects is estimated to be more than 7.5% and the following paragraphs provide further information on selected schemes.

In May, Marks & Spencer agreed to anchor the 14,500m^2 retail extension of Cyfarthfa Retail Park, Merthyr Tydfil. The 4,600m^2 full-line store will offer clothing, homeware and a food hall. Proposals to extend the retail park were submitted in August and, subject to a successful planning decision, the new Marks & Spencer could be open in autumn 2014. The scheme will also provide 8,900m^2 of additional retail space, to which B&Q will be relocated and which will accommodate up to seven new brands.

In November, we signed Debenhams to anchor the redevelopment of Elliott's Field Retail Park in Rugby. The 5,570m^2 full-line store will offer cosmetics, clothing, homeware and a cafe/restaurant. The £35 million extension will create space for 15 fashion and homeware brands as well as refurbishing the retained units and improving the external environment and parking facilities. Since the year end we have submitted a planning application for the scheme.

Since the year end we acquired the land for our proposed French retail development at Le Jeu de Paume, Beauvais and pre-letting is well advanced. We have agreed a pre-let with Carrefour Market for a 3,000m^2 store to anchor the centre, which will consist of 81 retail units and 37 residential apartments in a 23,700m^2 city centre scheme, 60 km to the north of Paris. Leases signed or in solicitors' hands now represent 34% of the expected income and include H&M as the fashion anchor and Furet du Nord as the culture and leisure anchor. We are in discussions with retailers interested in the remaining larger units and are planning to start construction later this year.

We anticipate submitting a planning application later this year for the cinema extension at Brent Cross. Subject to planning consent, we will start on site in 2014. The 9,000m^2 extension is expected to generate £2 million of income per annum at a cost of £20 million.

John Lewis signed revised heads of terms in July to anchor Eastgate Quarters in Leeds with a 24,000m^2 store. The store will form part of the 37,000m^2 first phase of Eastgate Quarters, which will introduce two new retail streets drawing on Leeds' thriving arcade heritage and create a direct route between the Victoria and Eastgate Quarters. In addition to the flagship John Lewis store, this £130 million phase will provide up to 30 additional retail units for aspirational brands, six restaurants, new leisure space and a 600 space multi-story car park. The estimated annual income from the scheme is £10 million, and we are working up the design and will submit a detailed planning application by June 2013. Subject to planning approval, we expect work to commence in spring 2014 with an autumn 2016 opening.

The proposed 32,000m^2 shopping centre at Halle en Ville, Mantes, to the north west of Paris, will include 116 retail units. Leases representing 30% of the expected income have been signed or are in solicitors' hands. The tenant line-up includes the food anchor Leclerc and 24 other retailers. We are in discussions with other potential anchor tenants.

During 2012, we also extended the development agreement for Watermark, WestQuay with Southampton City Council, agreeing how it will be phased, and have submitted a leisure-led planning application for the expansion of Silverburn, Glasgow.

Medium-term developments

We have continued to progress excellent opportunities for medium-term retail and leisure developments in the UK and France.

Since the year end, Hammerson and Westfield have formed a 50:50 joint venture which will regenerate the retail centre of Croydon, South London and restore the town to its rightful place as one of the UK's leading shopping destinations. Hammerson contributed its Centrale shopping centre to the joint venture at a valuation of £115 million, and ownership is now shared with Westfield. The joint venture will also purchase a 25% interest in the 155-year headlease of the Whitgift Centre, following completion of Hammerson's conditional contract to acquire that interest from Royal London for £65 million. Under the agreement, the partners intend to redevelop and combine the Whitgift Centre and Centrale to deliver a transformational change to Croydon. The mixed-use scheme of around 200,000m^2 will include retail, leisure and residential space, with the potential for hotels and offices, and will create over 5,000 new jobs. Together with Westfield, we are discussing our plans for Croydon with all relevant stakeholders and will then create a revised masterplan which will combine the best elements of the proposed schemes. A planning application was registered in February 2013 and we anticipate that planning consent for the £1 billion scheme could be secured later this year, with construction starting on site in 2015. A joint management company has been established which has responsibility for development, leasing and asset management of the completed scheme. Westfield will undertake the design and construction of the project and Hammerson will continue to manage Centrale and any further acquisitions prior to the redevelopment of the Whitgift Centre. A Westfield executive will lead the project development team and it is intended that the asset management of the completed centre will be led by a Hammerson executive.

Plans are in the work-up phase for the mixed-use redevelopment of The Goodsyard, London E1, in which we have a 50% interest, and a major extension to Brent Cross shopping centre, London NW4. The latter follows agreement for a phased approach to Brent Cross Cricklewood and we intend to finalise the development strategy later this year and apply early next year for a revision to the existing consent.

ENHANCING QUALITY THROUGH PORTFOLIO MANAGEMENT

During 2012 we swiftly implemented our revised strategy of focusing the portfolio on the retail sector through the sale or contract for sale of our London office portfolio. We were also successful in executing our policy of recycling mature properties for reinvestment in acquisitions and developments with prospects for income and capital growth.

Disposals

In June contracts were exchanged for the sale of approximately 75% of the office portfolio to Brookfield Office Properties for aggregate cash proceeds of £518 million. The impact of the sale was broadly neutral to 2012 earnings. Completion of the transaction was phased and the assets contracted for sale were:

Sales completed in September 2012 – total consideration £329 million

- 99 Bishopsgate, London EC2. A 31,500m^2 freehold office tower of 26 floors. Acquired by Hammerson in 1994 and redeveloped in 1995, part of the building was refurbished in 2012, with 11,000m^2 of space made available to let. Rents passing at 31 December 2011 were £11 million, and averaged £600/m^2.

- Principal Place, London EC2. A mixed-use leasehold development scheme which has consent for a 57,500m^2 office building and a separate 23,000m^2 residential tower providing 243 private apartments. Legal ownership of Principal Place remains vested in Hammerson until transfer of its interest in accordance with the arrangements with the London Borough of Hackney.

- An interest in 1 Puddledock, London EC4 and a block of properties adjoining Principal Place, on Shoreditch High Street.

- An interest in London Wall Place, London EC2 held as an option from the City of London, with consent for a 46,000m^2 office development.

Sales which will complete in June 2013 – total consideration £189 million

- 125 Old Broad Street, London EC2. A 50% owned, 30,300m^2 freehold office building over 26 floors, on the site of the former London Stock Exchange. The site was acquired in 2002 and the redeveloped tower completed in 2008. Hammerson's share of rents passing at 31 December 2012 was £8 million, with an average of £515/m^2. There is a non-recourse credit facility of £129 million (£65 million Hammerson share) secured on the property.

- 1 Leadenhall Court, London EC3. A 10,000m^2 leasehold office at the corner of Gracechurch Street and Leadenhall Street. The building was acquired by Hammerson in 2010. Rents passing at 31 December 2012 were £7 million, averaging £760/m^2. The building is let to Alliance Assurance Company until March 2014.

The aggregate rents passing at 31 December 2011 of the assets included in the sale were £27 million and their book value at that date was £468 million. We spent a further £18 million on capital expenditure during the year. The total consideration represented a premium over the implied combined book value of 7% and an initial yield of 5.2%.

The remaining office assets were sold in separate transactions, principally in the second half of 2012. The sale of our interest in Harbour Quay, London E14 in June for £9.5 million realised a profit of £5 million over its December 2011 book value. Our 30% stake in 10 Gresham Street, London EC2, held in a joint venture with CPPIB was sold for £60 million in October, and we disposed of Stockley House, London SW1 in November for £41 million. The prices for these transactions totalled £4 million above their December 2011 valuations. We are retaining our 50% ownership of Hammerson's London head office at 10 Grosvenor Street, London W1.

The life cycle of 54-60 rue du Faubourg Saint-Honoré, Paris 8ème is a good example of how we use our development and asset management expertise to crystallise substantial profits. We acquired the 8,000m^2 mixed-use buildings in Paris' luxury retail quarter in 2005 and completed a redevelopment of the retail element in 2011. Following the refurbishment, the scheme comprises 3,900m^2 of retail space that is occupied by designer brands including Burberry, Moschino, Jenny Packham and Bally. The property also includes 3,900m^2 of residential accommodation and 200m^2 of office space and the net passing rent was €7 million taking account of stepped rents. In May, the sale of the property was completed for €165 million, slightly above its December 2011 book value and significantly above the cumulative cost of €94 million.

Acquisitions

In light of the change in strategy to focus on retail, we have identified three sub-sectors which mirror the demands of consumers for: the all-round experience provided by shopping centres; the convenience of well-located retail parks; and the value offered by premium designer outlets. We have grouped our operations into these themes as shown below. The continuing portfolio comprises UK shopping centres, France retail, UK retail parks and Other UK.

Sub-sector

Experience	• UK shopping centres • France retail
Convenience	• UK retail parks
Luxury	• Premium designer outlets - Value Retail
Other	• Other UK – including assets held for redevelopment and the element of Hammerson's head office building which is let to third parties • Held for sale – comprising office assets sold or contracted for sale as part of our refreshed strategy (see note 6 to the accounts on page 51)

The proceeds from disposals have been used to increase scale in our chosen retail sub-sectors.

Experience

We consolidated our presence in Leeds in October with the purchase of Victoria Quarter for £136 million. The transaction also reinforced our interest in the fast-growing luxury retail sector and complements the proposals for the first phase of the adjacent Eastgate Quarters, enabling a coordinated approach to our tenant and marketing strategies in the city. Anchored by a Harvey Nichols department store, the 19,100m² centre is established as a leading luxury shopping destination in the heart of Leeds' retail core. With over 70 stores and two cafés, the listed arcades provide a unique retail environment in two distinct streets: County Arcade with 30 units is home to high-end retailers such as Louis Vuitton, Mulberry, Vivienne Westwood and Oliver Sweeney; Queen Victoria Street comprising 26 stores and entrances to Harvey Nichols. Additional retailers include Hobbs, Whistles, Kurt Geiger and Kiehls. Victoria Quarter continues to attract designer retail brands and is almost fully let, with passing rent of £7.3 million. The initial yield on the purchase, including costs, was 5.3%. Leeds is the principal shopping destination in Yorkshire with an affluent population and we have the opportunity to capture growing consumer demand throughout the region by bringing exciting new brands to the city.

Convenience

In October, we announced the acquisition of The Junction Fund retail parks portfolio for £260 million, representing a 7% yield on the purchase price. The transaction consolidates Hammerson's position as the largest direct owner of retail parks in the UK with 22 assets valued at a total of £1.4 billion.

The 107,200m^2 Junction Fund portfolio comprises four prominent retail parks in strong catchment areas which are let to a diverse mix of high-quality tenants. The income stream is secure with an average lease length of 11 years and 98% occupancy. There are asset management opportunities to grow income as current rents are low at an average c. £18 per square foot and a high proportion (68%) of the space benefits from open A1 planning consent. The current passing rent of the portfolio is £19.1 million per annum, but this is due to rise to £20.0 million over five years through contracted rental uplifts. The portfolio also provides 34,000m^2 of consented development opportunities and 17 ha of additional development land which offers the prospect of further returns.

Principal assets acquired with The Junction Fund

- Thurrock Shopping Park, Lakeside is situated next to Junction 31 of the M25 and Lakeside shopping centre. A catchment of 877,000 people live within a 20 minute drive of the property and, together with the adjoining Lakeside shopping centre and Lakeside Retail Park, it forms one of the largest dedicated shopping areas in Europe. Comprising Lakeside Extra and Lakeside Tunnel, current passing rent is £5.8 million, with average rents of £18 per square foot. The 17,200m^2 Lakeside Extra has Boots, TK Maxx, Gap and ASDA Living in the tenant line-up. Lakeside Tunnel includes Decathlon, Halfords and Pets at Home in 8,600m^2 of accommodation. Both locations have unrestricted open A1 non-food consent and there is an additional 10 ha development site which is allocated for retail and residential use.

- Forge Shopping Park, Telford, to the west of the town centre, has a catchment population of 260,000 within a 20 minute drive. The Forge is Telford's primary shopping park and comprises 29,100m^2 of open A1 retail space, anchored by a 5,900m^2 Sainsbury's, which is one of the principal foodstores in Telford. With 20 tenants including Next, Outfit, Boots, Gap, Currys/PCWorld and TK Maxx, the park has current passing rents of £5.1 million per annum, an average of £20 per square foot.

- Imperial Retail Park, Bristol is located two miles south of Bristol city centre. More than 468,000 people live within a 20 minute drive of the park. The 32,300m^2 scheme is anchored by a 9,800m^2 B&Q, and also includes Next, Boots and HomeSense stores. Current passing rents are £5.2 million per annum, an average of £16 per square foot. There is also a 5 ha cleared development site for which a mixed-use planning resolution is in place.

- Abbotsinch Retail Park, Paisley, is adjacent to Junction 27 of the M8 motorway with a catchment of 665,000 people within a 20 minute drive. The 15,900m^2 park is anchored by a 9,500m^2 B&Q alongside DFS, Pets at Home, Harveys and Frankie & Benny's. Average rents of £18 per square foot generate passing rent of £3.1 million per annum. A development site was also acquired which has planning consent for an additional retail terrace and a standalone food store.

- A 6 ha development site which is adjacent to Oldbury town centre, approximately one mile from Junction 2 of the M5 motorway. Together with adjacent properties, the site has planning consent which includes a retail park with up to 27,000m^2 of accommodation.

Since the acquisition, we have been delighted with the progress made in advancing some of the value-creating initiatives which we had identified in the portfolio and which have contributed to an increase in the valuation by 10%:

- we completed the redevelopment of the former UCI unit, which will accommodate the first retail park Nike store in the UK
- we have agreed the conditional sale of 3 ha of the excess land at Thurrock for £19 million, some £10 million above its book value
- planning permission has been secured for the 4,900m^2 redevelopment of Abbotsinch, Paisley, for which leases in respect of 60% of the income are in solicitors' hands.

PREMIUM DESIGNER OUTLETS – VALUE RETAIL ('VR')

Since 1998 we have held an investment in Value Retail PLC and some of its related companies. As a developer and operator of luxury retail outlet Villages in the UK and mainland Europe, VR is one of the most successful participants in its market. We initially bought an interest in Bicester Village, Oxfordshire and subsequently invested in Value Retail PLC and in some of its European Villages. In the second half of 2012 we acquired further interests in VR's holding companies for £80 million and increased our shareholder loan from €28 million to €58 million. Following these transactions we now own 22% of the VR holding companies. We are now in a position to influence VR's strategy and operations and have equity accounted for the investment with effect from August 2012.

The total asset value of VR's nine European Villages is €2.8 billion, up 18.3% since the end of 2011, and together they generate brand sales of €1.7 billion with sales growth over the last five years of 17% per annum. The Villages attracted more than 30 million shoppers in 2012 and VR's business model is underpinned by tourism in the cities near which the Villages are located. Total brand sales increased by 13.3% in 2012, reflecting a 3.6% increase in footfall and an increase in spend per visit of 9.4%. The effect of this sales increase on rental income was augmented by a combination of a rise in the fixed element of rental income collected and an increase in the royalty percentage paid on some new leases. As a result, total rental income from tenants increased by 16.5% to €226 million, which represented 13.3% of total sales. VR's portfolio sales densities grew in line with total sales. EBITDA increased from €79 million in 2011 to €95 million in 2012 whilst gross profit margin, before administration costs, grew from 61.8% to 62.4%. The EBITDA margin in 2012 was 38%, up from 36% in 2011.

A key area of operating activity for VR during 2012 was to increase investment in marketing with the aim of attracting high-spending, long-haul tourists. This included increasingly sophisticated B-2-C digital communications following research to better understand the needs of the target customer, and enhanced hospitality services. The research led to increased investment in remerchandising the brand mix across the portfolio to drive future sales growth. In 2012, an average of 25% of the selling space was remerchandised, of which approximately 15% related to the introduction of new brands, with the balance reflecting unit refitting or the relocation of existing brands. New brands introduced to the Villages in 2012 included Blumarine, Rituals, Zwilling and Lagerfeld, whilst Belstaff, Ermenegildo Zegna, Sandro, Hugo Boss and Michael Kors were among the existing brands which opened in new Villages. Seasonal promotions such as the Denim campaign have generated additional footfall and enhanced brand cohesion.

An extension to La Vallée Village near Paris, anchored by a new Burberry flagship store, opened in late 2012 and added around 20% to the gross lettable area of the Village. Following the grant of planning consent, works will commence during 2013 on an extension to La Roca Village near Barcelona which will add around 33% to the gross lettable area and which is expected to open for trading in early 2014.

In 2012, VR refinanced senior and mezzanine debt facilities in respect of its Villages at La Roca and Ingolstadt, and agreed a new senior debt facility at Fidenza Village. As a result of these and other initiatives, total external debt increased by 7.9% on 2011 levels, to €1.2 billion or 42% of the December 2012 portfolio property value.

Further information on how our investment in VR has impacted Hammerson's financial performance is provided in the Financial Review on page 28.

BUSINESS REVIEW
CONTINUED

MAXIMISING PORTFOLIO INCOME

Our approach to meeting the objective of maximising income from the portfolio varies according to the characteristics of the markets in which we operate, but the common themes are:

- fostering close, long-standing relationships with existing and prospective retailers
- predicting, monitoring and responding to local market trends
- offering attractive commercial solutions to tenants' occupational requirements
- tailoring marketing campaigns to maximise footfall at each destination
- innovating new formats for our tenants to facilitate multi-channel sales, and
- providing an enhanced customer experience at our properties.

Market environment

The trading environments in the UK and France remain challenging for retailers but this has reinforced their preference for space in high-quality, prime shopping centres and conveniently located retail parks of the types which Hammerson operates. This trend is expected to continue. Our efforts to generate income growth concentrate on maintaining high occupancy rates, tenant engineering, enhancing tenant mix, commercialisation initiatives and by continuing to innovate with multi-channel retailing.

Clicks, bricks and the shopping experience

The retail sector is in a period of significant change and in response we are repositioning the products and services we offer to retailers and consumers. Retailers are focusing on locations in large, successful, vibrant shopping centres and balancing physical representation with their online operations. Consumers demand convenience, flexibility and an entertaining shopping experience. Hammerson is well placed to take advantage of these key trends.

Experience

Our focus on leisure and entertainment has led to the provision of greater variety in the catering offer at WestQuay, Southampton through 'Dining at WestQuay'. The £6 million extension opened in the autumn and introduced three new catering brands to the centre: Wagamama; Pizza Express; and Café Rouge. The scheme has aligned the catering experience more closely with the high-quality fashion brands trading at the centre. At our UK retail parks we signed well-known brands such as Costa and Frankie & Benny's during 2012.

Partnership with retailers to enhance customer services

In an internet-enabled, competitive retail environment, customer service is a key differentiator when consumers decide where to shop. At Hammerson we are committed to excellence in this area. In a property industry first we have introduced a national retail awards scheme, 'We Love Retail', with nominees and winners selected by our ongoing 'Mystery Shop' programme. The 'We Love Retail' event at The Royal Opera House in February 2012 was attended by store management staff and many of our retail partners, with the overall winner being Wagamama's at Union Square, Aberdeen.

Partnership with retailers to capture multi-channel sales

We are committed to working with retailers on their cross-channel products such as House of Fraser.com and also 'pureplay' operators looking at innovative ways of using their physical space such as Boden and Ocado.

BUSINESS REVIEW
CONTINUED

Driving footfall and sales through digital engagement

Our retailers and consumers are at the forefront of multi-channel retailing, and we are working with our customers to trial different technologies and innovate new formats, before employing best practice across our portfolio in both the UK and France. Consumers are now constantly connected, often on a mobile device. Our social media base, which has grown at 42% per annum, is increasingly used to engage with customers and support promotional activity.

During the year we upgraded all UK shopping centre websites to become fully mobile-enabled, and provided free wi-fi in all centres. At The Oracle in Reading we have successfully trialled a product-specific search tool from Google, and this service will be extended to all centres in the coming months. Following the upgrade to centre websites and provision of wi-fi accessibility, we are commencing a digital loyalty programme at selected centres in the UK and France. The programme will deliver targeted promotions to consumers via their mobile devices, and respond in real-time to their behaviour. The data will allow us to better understand consumer shopping patterns, which can in turn be used to tailor digital communications to encourage additional visits and sales.

Operational performance

Despite the weak economic backdrop, our retail assets have produced a strong operating performance during 2012 as shown in the table below.

Operational performance – continuing operations	**2012**	2011
Occupancy (%)	**97.7**	97.9
Net rental income growth - like-for-like (%)	**2.1**	3.8
Leasing activity - new rent from units leased (£m)	**18.7**	21.5
Area of new lettings ('000m^2)	**123.3**	97.6
Leasing v ERV (% above 31 December 2011/2010 ERV)	**4**	1
Retail sales like-for-like change (%)		
UK shopping centres	**0.4**	2.1
France shopping centres	**(3.0)**	(1.1)
Footfall like-for-like change (%)		
UK shopping centres	**(2.3)**	0.4
France shopping centres	**(3.4)**	(2.8)
Non-rental income (£m)		
UK	**18.6**	15.6
France	**1.6**	1.4

BUSINESS REVIEW
CONTINUED

Occupancy

For the continuing portfolio, occupancy was 97.7% at the end of December 2012. This was above our target of 97.0% and the components of portfolio occupancy are analysed in the table below.

Occupancy (%)	UK shopping centres	France retail	UK retail parks	Other UK	**Total continuing portfolio**
31 December 2012	98.1	97.5	98.2	90.9	**97.7**
31 December 2011	98.0	98.2	98.4	92.4	**97.9**

High occupancy in the shopping centre portfolio has been maintained despite the pressures on retailers. A slight decrease in France was principally the result of acquiring vacant possession of a number of units in SQY Ouest in advance of its proposed redevelopment. UK retail parks occupancy at 31 December 2012 reflects vacancy in The Junction Fund portfolio which was acquired in October.

Like-for-like net rental income

On a like-for-like basis and excluding properties held for sale, net rental income for the continuing portfolio increased by 2.1% during 2012. At our shopping centres, the figure was 2.8% comprising 3.6% in the UK, driven principally by lettings at The Oracle, Bullring and Union Square and increased car park income at the latter, and 1.4% in France, primarily reflecting indexation. Income at UK retail parks grew by 0.5% despite the impact of tenant administrations.

Like-for-like net rental income for the year ended 31 December 2012

	Properties owned throughout 2011/12 £m	**Increase/ (Decrease) for properties owned throughout 2011/12 %**	**Acquisitions £m**	**Disposals £m**	**Developments £m**	**Total net rental income £m**
United Kingdom						
Shopping centres	108.2	3.6	8.8	-	(0.1)	116.9
Retail parks	56.8	0.5	10.2	-	-	67.0
Other UK	8.9	1.0	-	4.9	0.1	13.9
Total United Kingdom	173.9	2.4	19.0	4.9	-	197.8
Continental Europe						
France retail	58.3	1.4	1.0	2.1	(0.4)	61.0
Group						
Retail	223.3	2.2	20.0	2.1	(0.5)	244.9
Other UK	8.9	1.0	-	4.9	0.1	13.9
Total continuing operations	**232.2**	**2.1**	**20.0**	**7.0**	**(0.4)**	**258.8**
Discontinued operations	14.1	4.5	-	10.0	-	24.1
Total	**246.3**	**2.3**	**20.0**	**17.0**	**(0.4)**	**282.9**

BUSINESS REVIEW
CONTINUED

Like-for-like net rental income for the year ended 31 December 2011

	Properties owned throughout 2011/12 £m	Exchange £m	Acquisitions £m	Disposals £m	Developments £m	Total net rental income £m
United Kingdom						
Shopping centres	104.4	-	5.5	-	2.5	112.4
Retail parks	56.5	-	5.4	0.2	-	62.1
Other UK	8.8	-	-	12.3	-	21.1
Total United Kingdom	169.7	-	10.9	12.5	2.5	195.6
Continental Europe						
France retail	57.5	4.5	1.3	7.4	(2.0)	68.7
Group						
Retail	218.4	4.5	12.2	7.6	0.5	243.2
Other UK	8.8	-	-	12.3	-	21.1
Total continuing operations	227.2	4.5	12.2	19.9	0.5	264.3
Discontinued operations	13.5	-	-	18.3	-	31.8
Total	240.7	4.5	12.2	38.2	0.5	296.1

Leasing activity

In 2012 we signed 376 leases, representing 123,300m^2 of space with rental income of £18.7 million per annum. Rents secured were around 4% in excess of December 2011 ERVs in both the UK and France. Rent reviews were agreed for 103 leases with rents passing of £15.2 million and these will result in a further £0.9 million of annual rental income.

Over the 12 months ended 31 December 2012, average ERVs fell by less than 1% in the UK but rose by approximately 3% in France.

Retailer sales and footfall

The challenging trading environment was reflected in the sales and footfall data at our shopping centres in the UK and France. The other operational measures, however, support the premise that retailer demand for prime retail destinations remains strong.

Non-rental income

Net income from car parks and from the sale of advertising and merchandising opportunities at our centres, which are included within ‘net rental income’, are important sources of revenue for Hammerson. Increased car park income, particularly at Union Square, and a full year’s contribution from Centrale contributed to total non-rental income of £20.2 million in 2012 compared with £17.0 million in the prior year.

Sustainability

Energy, water and waste efficiency has a direct correlation with cost efficiency and can play an important part in making our assets attractive to retailers and in maximising the net income from our portfolio. We have made good progress in implementing our sustainability initiatives during 2012.

We reduced the carbon emissions produced by our UK shopping centre portfolio by 8.3% in 2012 and by 20% for our assets in France. These results are in line with our goal of a 20% reduction in emissions between 2010 and 2015. We expect further reductions in 2013 as we continue to roll out energy efficient lighting to the portfolio following successful implementation at Highcross, The Oracle, Silverburn and Union Square in the UK, and at Bercy 2, Espace Saint Quentin and Grand Maine in France. Our next carbon-reducing project in 2013 will focus on converting mechanically ventilated shopping centres to more natural methods, beginning with mixed-mode (a combination of natural and mechanical) ventilation at Bullring and Brent Cross.

By centralising our UK waste management contracts we outperformed our recycling targets and achieved a 74% recycling rate, almost hitting our target of 75% by 2013. In France, we recycled 38% of waste, significantly up on the figure for 2011 of 26%.

In 2012, we committed to reducing water consumption and began implementing a standard specification for shopping centre washrooms as part of our refurbishment programme. We will continue to roll this out across our assets in the UK and France during 2013.

BUSINESS REVIEW
CONTINUED

MAINTAINING CAPITAL STRENGTH

Portfolio overview

In this overview, 'the portfolio' refers to the continuing portfolio and excludes the office properties sold or held for sale. At 31 December 2012, the retail portfolio provided 1.7 million m^2 of space, included 20 prime shopping centres in the UK and France and 22 conveniently located retail parks and was valued at a total of £5.5 billion.

At 31 December 2012, 74% of the portfolio by value was located in the UK, with the balance in France, and developments comprised just over 5% of the total. Joint ventures accounted for 41% by value of the portfolio and included eight major shopping centres in the UK and two in France. The average lot size of the portfolio was £87 million and 49% of the portfolio value at the end of 2012 was represented by our ten most valuable properties.

Movement in portfolio value in 2012	**£m**
Portfolio value at 1 January	5,720
Valuation decrease	(49)
Capital expenditure	
Developments	72
Expenditure on existing portfolio	71
Expenditure on discontinued operations	18
Acquisitions	397
Capitalised interest	9
Disposals	(542)
Reclassification to assets held for sale	(195)
Exchange	(43)
Portfolio value at 31 December - continuing operations*	**5,458**

*Includes developments

Analysed in the table below are net and gross valuations, income and yields for the investment portfolio. The prime locations and high quality of the portfolio are reflected in yields which are low relative to other property classes.

For the continuing portfolio at the end of 2012, the net initial yield, based on the gross portfolio value, was 5.3%, unchanged since 31 December 2011. The components of the portfolio valuation are analysed in more detailed in 'Capital returns' below.

Continuing investment portfolio at 31 December 2012	**Income £m**	**Gross value £m**	**Net book value £m**
Portfolio value (net of cost to complete)		5,469	5,469
Purchasers' costs(1)			(286)
Net investment portfolio valuation as reported in the financial statements			5,183
Income and yields			
Rent for valuers' initial yield (equivalent to EPRA Net Initial Yield)	292.2	5.3%	5.6%
Rent-free periods (including pre-lets)	9.9	0.2%	0.2%
Rent for 'topped-up' initial yield(2)	302.1	5.5%	5.8%
Non-recoverable costs (net of outstanding rent reviews)	9.4	0.2%	0.2%
Passing rents	311.5	5.7%	6.0%
ERV of vacant space	7.2	0.1%	0.2%
Reversions	6.4	0.1%	0.1%
Total ERV/Reversionary yield	325.1	5.9%	6.3%
True equivalent yield		6.0%	
Nominal equivalent yield		5.8%	

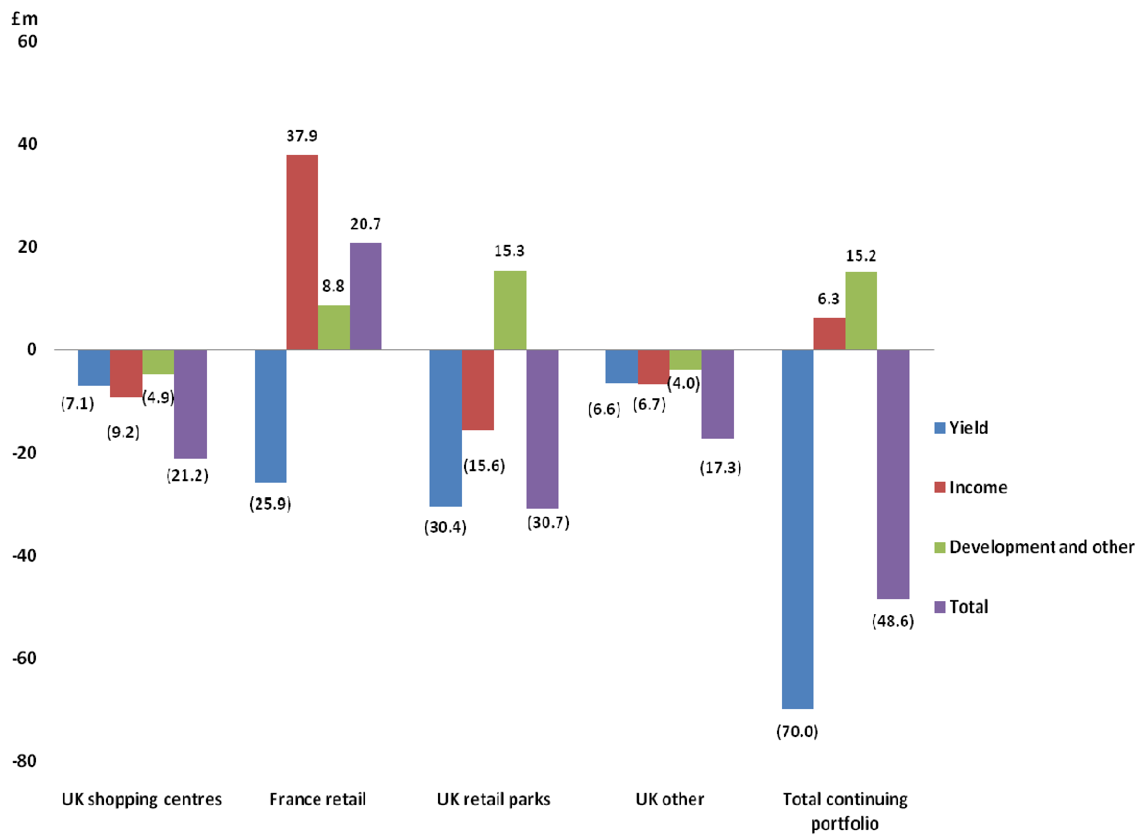
Notes
(1) Purchasers' costs equate to 5.5% of the net portfolio value.
(2) The yield of 5.5% based on passing rents and the gross portfolio value is equivalent to EPRA 'topped-up' Net Initial Yield.

Capital returns

For the calendar year 2012, the total return of the property portfolio as a whole was 5.0%, comprising a capital return of 0.1% and an income return of 5.0%. For the continuing portfolio, the figures were 4.5%, -0.5% and 5.0% respectively. Total and capital returns are analysed by segment in the valuation data table on page 35 and the chart below analyses the components of the changes in valuation for the continuing portfolio for 2012. The capital return of 5.3% for the discontinued portfolio reflected the sales agreed in the year.

Investment yields for the UK shopping centres increased slightly in the year, and the change contributed about one-third to the decline in values, whilst just less than half of the fall resulted from lower income. In France, the positive impacts of increased rental income, principally as a result of indexation, and development surpluses at Les Terrasses du Port were partly offset by a modest increase in investment yields. The valuation of the UK retail parks portfolio was largely influenced by increased yields and the impact of reduced income, although these negative impacts were partly offset by the increase in value following the acquisition of The Junction Fund.

Components of valuation change 2012 – Continuing portfolio



FINANCIAL REVIEW

Discontinued operations

IFRS requires that we disclose separately in the consolidated income statement the income and expenditure directly attributable to discontinued operations. The related assets and liabilities are described as 'held for sale' in the consolidated balance sheet, and comparative figures have been reclassified where appropriate. The components of the net profit related to discontinued operations are analysed in note 6B on page 52. With the exception of Hammerson's share of the secured loan on 125 Old Broad Street, assets held for sale are funded from the Group's unsecured debt, and so no finance costs have been attributed to these assets within the profit related to discontinued operations.

Profit before tax

Including discontinued operations, the Group's profit before tax was £142.2 million in 2012, compared with £346.3 million in the prior year and the reduction principally reflected the pattern of property revaluations and the costs of the early redemption of bonds. Property revaluation gains of £186.3 million in 2011 have been partially reversed in 2012 by a reduction in values of £49.9 million, although that negative impact was more than offset by the valuation gains in our associate, Value Retail, and on the revaluation of derivatives. The table below reconciles profit before tax on adjusted and unadjusted bases.

Analysis of profit before tax	Notes	**Year ended 31 December 2012 £m**	Year ended 31 December 2011 £m
Adjusted profit before tax	2	**152.5**	141.6
Adjustments:			
Gain on the sale of investment properties	2,6B	**42.6**	23.5
Net revaluation (losses)/gains on property portfolio	2,6B	**(49.9)**	186.3
Net revaluation gains in associate – Value Retail	2	**43.2**	-
Premium and costs on redemption of bond and floating rate reset bonds	4	**(55.5)**	-
Change in fair value of derivatives	4,6B	**9.3**	(5.1)
Profit before tax – continuing and discontinued operations	2	**142.2**	346.3

Adjusted profit before tax for the year ended 31 December 2012 was £152.5 million, an increase of £10.9 million, or 7.7%, on the prior year as shown in the table below. The net income lost from disposals more than offset the increase in profit from acquisitions and developments. However we benefited from growth in rental income for the like-for-like portfolio, additional income from our interests in Value Retail and through concerted efforts to reduce administration and borrowing costs.

Reconciliation of adjusted profit before tax	**Adjusted profit before tax £m**	**EPRA EPS pence**
Adjusted profit before tax for 2011	141.6	19.3
Acquisitions	7.3	1.0
Disposals	(13.6)	(1.9)
Developments	0.5	0.1
Like-for-like net rental income increase	5.6	0.8
Administration cost reduction	3.6	0.5
Additional income from Value Retail	4.4	0.6
Interest saving initiatives	9.0	1.3
Exchange and other	(5.9)	(0.8)
Adjusted profit before tax for 2012	**152.5**	**20.9**

For the year ended 31 December 2012, EPRA earnings per share were 20.9 pence, up by 1.6 pence, or 8.3%, on the year. Detailed calculations for earnings per share are set out in note 8A to the accounts on page 54.

Net rental income

Total net rental income for 2012, including discontinued operations, was £282.9 million but for continuing operations only was £258.8 million compared with £263.8 million for the year ended 31 December 2011. The contributions from rental growth of 2.1% in the like-for-like portfolio and acquisitions were more than offset by income lost from disposals and the impact of exchange. Like-for-like net rental income is analysed in the tables on pages 21 and 22.

Administration expenses

Administration costs are analysed in the table below.

Administration expenses	Notes	**Year ended 31 December 2012 £m**	Year ended 31 December 2011 £m
Continuing operations	2		
Cost of property activities		**31.4**	33.3
Corporate expenses		**17.4**	17.9
		48.8	51.2
Management fees receivable		**(5.9)**	(5.2)
		42.9	46.0
Discontinued operations	6B		
Cost of property activities		**1.1**	1.5
Management fees receivable		**(0.7)**	(0.6)
		0.4	0.9
Total administration expenses		**43.3**	46.9

Excluding management fees receivable, administration expenses in 2012 for continuing operations, at £48.8 million, were £2.4 million down on the prior year. There was a £3.5 million restructuring charge in 2011 but some of the savings generated by the restructuring programme have been offset by additional performance-related remuneration for staff and part of the benefit has arisen in operational costs within net rental income. When operational costs and management fees receivable are taken into account, the total cost for continuing operations has reduced by £6.3 million, or 7.3%, from £86.1 million in 2011 to £79.8 million in 2012 as set out in the cost ratio table below. This demonstrates the success of the measures put in place over the last year to reduce the Group's cost base, including a review of supplier contracts, the realignment of our staffing structure with the refreshed strategy and a reduction in head office accommodation expenditure, in both the UK and France. Cost control continues to be a point of focus for the Group.

For discontinued operations, administration expenses relate to the costs of staff made redundant as a result of the sale of the office portfolio. Management fees receivable relate to the joint ventures for 125 Old Broad Street and 10 Gresham Street.

Cost ratio

Set out in the table below is the calculation for a cost ratio based on total operating costs and gross rental income. The ratio is not necessarily comparable between different companies as business models and expense accounting and classification practices vary. The ratio for continuing operations has reduced from 28.3% in 2011 to 27.0% in 2012. We expect the ratio to decrease further over time reflecting a growing income stream from refurbishments, extensions and completed developments and rigorous cost control.

Cost ratio	Notes	**Year ended 31 December 2012 £m**	Year ended 31 December 2011 £m
Continuing operations			
Net service charge expenses	2	**8.2**	9.4
Other property outgoings	2	**28.7**	30.7
Cost of property activities	2	**31.4**	33.3
Corporate expenses	2	**17.4**	17.9
Management fees receivable	2	**(5.9)**	(5.2)
Total operating costs – continuing operations		**79.8**	86.1
Gross rental income (after rents payable)	2	**295.7**	303.9
Cost ratio (%)		**27.0**	28.3

Staff costs amounting to £0.8 million (2011: £nil) have been capitalised as development costs and are excluded from the table above.

Our business model for developments is to use a combination of in-house staff and external advisers. The cost of external advisers is capitalised to the cost of developments. The cost of staff working on developments are generally expensed, but may be capitalised subject to meeting certain criteria related to the degree of time spent on and the stage of progress of specific projects.

Share of results and net assets of associate – Value Retail (VR)

With effect from August 2012, following the acquisition of additional interests in and the ability to exercise influence over the management of VR, we have equity accounted for our investment. Further details of the operating performance of VR are set out in the Business Review on page 18.

Prior to August, our interests were treated as investments and income was recognised as distributions were received. As shown in the table below, on an EPRA basis, we recognised net income of £12.6 million, or 1.8 pence per share during the year ended 31 December 2012. Excluding our share of VR's income for the period, our investment contributed £112.5 million, or 16 pence per share, to the increase in the Group's equity shareholders' funds in 2012 as a result of increases in the valuation of the property portfolio and retained profit. On an EPRA basis, and including the loan to VR, our net interest in VR was valued at £491.6 million, equivalent to 69 pence per share, at 31 December 2012.

FINANCIAL REVIEW
CONTINUED

Value Retail	Notes	**Year ended 31 December 2012 £m**	Year ended 31 December 2011 £m
Income statement			
Distributions received	Within net rental income	**4.9**	6.1
Share of results of associate	11A	**47.5**	-
Interest receivable	Within net finance costs	**3.4**	2.1
Less: EPRA adjustments	11A	**(43.2)**	-
Total impact of VR on income statement – EPRA basis		**12.6**	8.2
Balance sheet			
Other investments	13	**-**	214.0
Investment in associate	11B	**428.4**	-
Add: EPRA adjustments	11B	**16.2**	-
EPRA adjusted investment in associate		**444.6**	214.0
Loan to VR	14	**47.0**	23.4
Total impact of VR on balance sheet – EPRA basis		**491.6**	237.4

Finance costs

We have been successful in reducing the cost of debt in 2012 and will continue to monitor the capital markets with a view to reducing it further.

For continuing operations in the year ended 31 December 2012, underlying finance costs, comprising gross interest costs less finance income as set out in note 4 to the accounts, were 10.8% lower at £96.3 million compared with £107.9 million in 2011. The interest saving initiatives detailed below accounted for £9.0 million of the reduction:

- Bought back €220 million of the €700 million 4.875% unsecured bonds due 2015, saving £3.6 million in the year
- Cancelled an interest rate swap on the £100 million puttable bond, saving £3.4 million
- Contracted a new interest rate swap on the £250 million 6.875% 2020 bond, saving £2.0 million

Taken together, these transactions had the effect of reducing the Group's average cost of borrowing from 5.2% in the year ended 31 December 2011 to 5.0% in 2012. We have also reduced future financing costs by exercising a call option to repurchase £100 million nominal of floating rate reset bonds that were issued in July 2008. These bonds had put options at par from February 2013 in favour of the lender and a call option at fair value in favour of Hammerson. Having evaluated the potential costs and benefits of the arrangement in the context of the current market backdrop, we exercised the call option to repurchase the bonds in December at their fair value of £141.7 million. This resulted in an exceptional finance cost of £41.7 million.

Interest capitalised in 2012 amounted to £8.8 million and principally related to the development of Les Terrasses du Port. The finance costs for discontinued activities as shown in note 6B are in respect of the Group's share of the secured debt and related derivatives of the 125 Old Broad Street joint venture. No finance charges have been allocated to discontinued operations as the other office properties held for sale have been financed from the Group's pooled unsecured borrowings.

Tax

The Group is a UK REIT and French SIIC for tax purposes. In light of new legislation in France, which was effective from July 2012, it was thought that SIIC distributions paid from our French subsidiaries to Hammerson plc would be subject to a withholding tax of 3%. However, SIICs have recently been exempted from the rule and no such tax is payable. We expect that the situation will be reviewed by the French authorities in 2014.

FINANCIAL REVIEW
CONTINUED

Dividend

The Directors are recommending a final dividend of 10.0 pence per share which, together with the interim dividend of 7.7 pence, represents a total for 2012 of 17.7 pence per share. This is an increase of 6.6% on the 2011 total dividend of 16.6 pence. The final dividend is payable on 14 May 2013 to shareholders on the register at the close of business on 5 April and 4.0 pence will be paid as a PID, net of withholding tax where appropriate with the balance paid as a normal dividend. As has been the case in recent years, there will be no scrip alternative although the dividend reinvestment plan remains available to shareholders.

Balance sheet

Equity shareholders' funds increased by £79 million over the course of 2012 and stood at £3.9 billion at the end of the year, whilst EPRA net asset value per share was up 2.3% at £5.42. The uplift in the value of our investment in Value Retail, profit on disposals and adjusted profit were the principal contributors to the increase, although these were partly offset by dividends, the net revaluation deficit on the property portfolio and the costs related to the redemption of the floating rate reset bonds and unsecured euro-bond.

Movement in net asset value	**Equity shareholders' funds* £m**	**EPRA NAV* £ per share**
31 December 2011	3,772	5.30
Revaluation - continuing investment portfolio	(68)	(0.10)
Revaluation - continuing developments	20	0.03
Revaluation - investments in Value Retail	113	0.16
Profit on disposals	43	0.06
Premium and costs on redemption of bond and floating rate reset bonds	(56)	(0.08)
Adjusted profit for the year	149	0.21
Dividends	(121)	(0.17)
Exchange and other	8	0.01
31 December 2012	**3,860**	**5.42**

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

Financing

Net debt at 31 December 2012, comprising borrowings of £2.1 billion less cash of £66 million was £2.0 billion, some £72 million higher than at the end of the prior year. During the year cash and deposits reduced by £34 million reflecting a £140 million cash inflow from operating activities, £648 million of capital expenditure and acquisition outflows, disposal proceeds of £585 million, a £118 million outflow in respect of financing activities and other net inflows totalling £7 million.

We have a policy of maintaining a minimum of 50% of debt at fixed rates of interest, although at higher gearing levels this level may be increased. Over the course of 2012, the proportion of fixed rate debt was reduced from 88% to 80%. The increased exposure to floating rate debt allows us to benefit from the continuing low interest rate environment whilst maintaining the security offered by fixed rates of interest on the majority of debt. This rebalancing was achieved through the part buyback of the fixed rate 2015 bonds and their replacement with floating rate bank facilities, and changing £250 million of borrowings from fixed to floating rates using interest rate swaps.

Our exposure to exchange translation differences on euro denominated assets is hedged with a mix of euro borrowings and derivatives. At the end of December 2012, 80% of the value of euro-denominated assets was hedged, in line with our policy. Interest on euro debt also acts as a hedge against exchange differences arising on rental income from our French portfolio and, in 2012, 94% of the relevant income was hedged in this way.

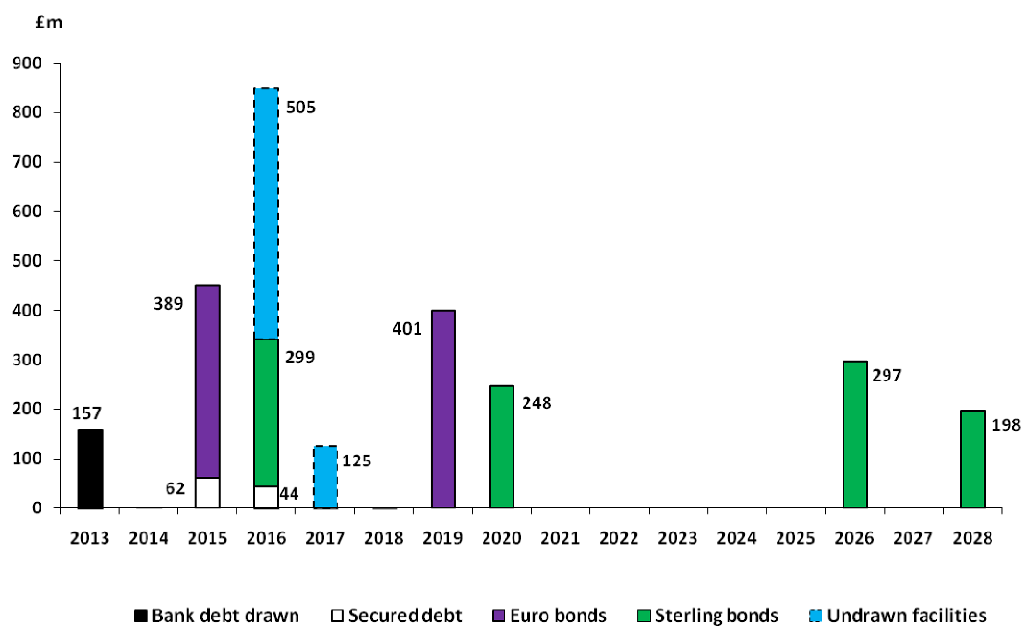
FINANCIAL REVIEW
CONTINUED

The average maturity of the Group's debt at 31 December 2012 was approximately seven years and the chart below shows the pattern of maturities for our facilities and bonds. As part of the management of near-term maturities, we completed a tender offer in May for €220 million of the Company's €700 million 4.875% unsecured bonds due in 2015. An exceptional charge of £13.8 million reflected the premium and costs paid on the repurchased bonds, but we achieved a lower running cost of debt as the debt was refinanced at floating rates of 2.2%. We expect this to result in a saving of approximately £5.0 million per annum.

In April part of the bank debt which matured in 2012 was refinanced by the proceeds from a new £125 million syndicated five-year revolving credit facility. The facility will increase to £150 million in April 2013 and carries a margin of 150 basis points over LIBOR. An agreement for an additional £175 million facility with similar terms was signed in December and, when available in April 2013, it will be used to refinance the £150 million facility maturing at the same time. We issued a €500 million 2.75% seven-year bond in September. The low coupon will reduce our average cost of borrowing over the longer term as existing bonds are refinanced at lower rates of interest. We believe that the sterling, euro and private placement bond markets will be available to Hammerson in the medium term to replace existing bank borrowings as they mature. We will continue to monitor these markets and consider accessing them as appropriate.

Liquidity, comprising cash and undrawn committed facilities, was £696 million at the end of December 2012.

Debt maturity profile at 31 December 2012



FINANCIAL REVIEW
CONTINUED

We monitor the Group's financial structure against guidelines approved by the Board, currently including: gearing of no more than 85% for an extended period; interest cover of at least 2.0 times; and a net debt to EBITDA ratio of less than ten times. At 31 December 2012, the ratios were 53%, 2.8 times and 7.9 times respectively. Hammerson's unsecured credit is rated at A- by Fitch and Baa2 by Moody's.

The financial covenants of the Group's unsecured bank facilities are that the Group's gearing, defined as the ratio of net debt to shareholders' equity, should not exceed 150% and that interest cover, defined as net rental income divided by net interest payable, should be not less than 1.25 times. The same gearing covenant applies to three of the Company's unsecured bonds, whilst the remaining bonds contain a covenant that gearing should not exceed 175%. The bonds have no covenant for interest cover. As noted above, Hammerson's financial ratios are comfortably within these covenants. Financing risk is discussed further within Principal Risks and Uncertainties on pages 37 and 38.

Key financing metrics are shown in the table.

Key financing metrics	**31 December 2012**	31 December 2011
Net debt (£m)	**2,036**	1,964
Gearing (%)	**53**	52
Loan to value (%)	**36**	34
Liquidity – cash and undrawn facilities (£m)	**696**	696
Weighted average cost of finance (%)	**5.0**	5.2
Interest cover (times)	**2.8**	2.6
Net debt/EBITDA (times)	**7.9**	7.7
Debt fixed / hedged (%)	**80**	88

PROPERTY PORTFOLIO INFORMATION

SECURITY AND QUALITY OF INCOME

With a weighted average unexpired lease term of more than eight years, our retail portfolio provides a secure income stream with the potential for growth.

The continuing portfolio was 2.0% reversionary at 31 December 2012, compared with 3.5% at the end of the prior year. The UK portfolio was 1.5% reversionary whilst in France the figure was 3.7%. Additional income of £16.4 million per annum could be secured from our portfolio by 2015, assuming leases are renewed or pre-let and rent reviews are agreed at current ERVs.

Lease expiries and breaks

Lease expiries and breaks as at 31 December 2012

		Rents passing that expire/break in			ERV of leases that expire/break in			Weighted average unexpired lease term	
		2013 £m	2014 £m	2015 £m	2013 £m	2014 £m	2015 £m	to break years	to expiry years
Notes		1	1	1	2	2	2		
United Kingdom									
Retail:	Shopping centres	15.4	9.2	12.6	18.8	9.7	12.6	7.0	8.6
	Retail parks	6.4	1.4	4.7	8.7	1.5	4.3	9.7	10.5
		21.8	10.6	17.3	27.5	11.2	16.9	8.1	9.4
Other UK		3.5	1.1	2.5	3.8	1.0	2.7	6.1	8.0
Total United Kingdom		**25.3**	**11.7**	**19.8**	**31.3**	**12.2**	**19.6**	**8.0**	**9.3**
France: Retail		**10.4**	**6.9**	**4.4**	**11.2**	**7.4**	**4.7**	**1.2**	**4.6**
Group									
Retail		32.2	17.5	21.7	38.7	18.6	21.6	6.4	8.2
Other UK		3.5	1.1	2.5	3.8	1.0	2.7	6.1	8.0
Total Group		**35.7**	**18.6**	**24.2**	**42.5**	**19.6**	**24.3**	**6.4**	**8.2**

Notes

1 The amount by which rental income, based on rents passing at 31 December 2012, could fall in the event that occupational leases due to expire are not renewed or replaced by new leases. For the UK, it includes tenants' break options. For France, it is based on the date of lease expiry.

2 The ERV at 31 December 2012 for leases that expire or break in each year and ignoring the impact of rental growth and any rent-free periods.

The table above shows that, during the period from 2013 to 2015, leases with current rents passing of £78.5 million will expire or are subject to tenants' break clauses. We estimate that additional rental income of £7.9 million per annum could be secured in respect of expiries. We have assumed renewals take place at current rental levels and have excluded tenant break options from this calculation, as we consider the probability that they will be exercised to be low. This is not a forecast and takes no account of void periods, lease incentives or potential changes to rental values.

PROPERTY PORTFOLIO INFORMATION
CONTINUED

Rent reviews

Rent reviews
as at 31 December 2012

		Rents passing subject to review in				Projected rents at current ERV of leases subject to review in			
		Outstanding £m	**2013 £m**	**2014 £m**	**2015 £m**	**Outstanding £m**	**2013 £m**	**2014 £m**	**2015 £m**
Notes		1	1	1	1	2	2	2	2
United Kingdom									
Retail:	Shopping centres	20.6	33.0	16.1	10.6	22.7	34.1	17.8	11.4
	Retail parks	23.6	8.3	9.5	24.1	24.4	8.7	10.0	24.9
		44.2	41.3	25.6	34.7	47.1	42.8	27.8	36.3
Other UK		2.1	1.2	1.2	2.7	2.2	1.2	1.3	2.8
Total United Kingdom		**46.3**	**42.5**	**26.8**	**37.4**	**49.3**	**44.0**	**29.1**	**39.1**

Notes
1 Rents passing at 31 December 2012, after deducting head and equity rents, which are subject to review in each year.
2 Projected rents for space that are subject to review in each year, based on the higher of the current rental income and the ERV as at 31 December 2012 and ignoring the impact of changes in rental values before the review date.

In the UK, on the assumption that outstanding rent review negotiations are concluded at rental values prevailing at the time of review, we would secure £3.0 million of additional annual rental income. Over the next three years, leases with rents passing of £106.7 million are subject to review. If reviewed to current rental values, rents estimated at £112.2 million per annum would be secured, resulting in an annual rental increase of £5.5 million. This is not a forecast and takes no account of potential changes in rental values before the relevant review dates.

The majority of leases in our French portfolio are not subject to periodic review, but increase annually by indexation.

Tenant covenant strength

At the end of 2012, our ten most significant retail occupiers accounted for £63.8 million, or 20.5%, of rents passing from the continuing portfolio.

Retail – continuing portfolio

Tenant	**% of total passing rent**
B&Q	4.0
H&M	2.2
Home Retail Group	2.2
DSG Retail	2.1
Next	2.1
Arcadia	2.0
Boots	1.7
Inditex	1.5
New Look	1.5
Debenhams	1.2
Total	**20.5**

We use a credit rating agency to monitor the credit ratings of our key retailers and to assess the covenant strength of prospective tenants. The agency's risk indicator scale runs from one (low risk) to five (high risk). A score of two indicates 'lower than average risk'. All of the top ten retail tenants were rated at 'one' at 31 December 2012. Tenants scoring 'one' or 'two' comprised 82% of the passing rents of the UK retail portfolio and the average score in that portfolio was 1.6.

In our French portfolio the proportion of tenants with a minimum rating of lower than average risk was 81% and the average score was 1.8.

PROPERTY PORTFOLIO INFORMATION
CONTINUED

At 27 February 2013, 52 retail units in the UK were let to tenants in administration, of which 24 continued to trade. In our French portfolio, all of the 28 units let to tenants in administration continued to trade. In total, income from tenants in administration represented 2.3% of the Group's passing rents. However, for tenants in administration and no longer trading, the figure fell to 0.7%. The equivalent data as at 30 June 2012 was 2.0% and 0.6% respectively.

Collection rates

Despite the challenging economic environment, our rent collection rates continue to demonstrate the underlying strength of the tenant base in the portfolio. Within 14 days of the December 2012 quarter day, 99% of UK and 93% of French rents had been collected.

Investment portfolio

Valuation data for investment property
for the year ended 31 December 2012

	Properties at valuation £m	Revaluation in the year £m	Capital return %	Total return %	Initial yield %	True equivalent yield %
Notes					1	2
United Kingdom						
Retail: Shopping centres	2,412.9	(21.2)	(0.8)	4.3	5.4	6.0
Retail parks	1,422.6	(30.6)	(2.5)	3.0	5.4	6.3
	3,835.5	(51.8)	(1.4)	3.9	5.4	6.1
Other UK	158.9	(17.3)	(8.3)	(3.4)	5.6	6.6
Total United Kingdom	3,994.4	(69.1)	(1.7)	3.5	5.4	6.1
Continental Europe						
France: Retail	1,188.3	0.8	0.8	5.9	5.1	5.6
Group						
Retail	5,023.8	(51.0)	(0.8)	4.4	5.3	6.0
Other UK	158.9	(17.3)	(8.3)	(3.4)	5.6	6.6
Total investment portfolio	5,182.7	(68.3)	(1.1)	4.1	5.3	6.0
Developments	275.7	19.8	11.5	11.3		
Total continuing operations	**5,458.4**	**(48.5)**	**(0.5)**	**4.5**		
Discontinued operations	194.5	(1.4)	5.3	10.7		
Total Group	**5,652.9**	**(49.9)**	**0.1**	**5.0**		

Notes
1 Annual cash rents receivable, net of head and equity rents and the cost of vacancy, as a percentage of gross property value, as provided by the Group's external valuers. Rents receivable following the expiry of rent-free periods are not included. Rent reviews are assumed to have been settled at the contractual review date at ERV.
2 The capitalisation rate applied to future cash flows to calculate the gross property value. The cash flows reflect the timing of future rents resulting from lettings, lease renewals and rent reviews based on current ERVs and assuming rents are received quarterly in advance. The property true equivalent yields are determined by the Group's external valuers.
3 Further analysis of development properties by segment is provided in note 3B on page 49.
4 The weighted average remaining rent-free period is 0.6 years.

PROPERTY PORTFOLIO INFORMATION
CONTINUED

Rental data for investment portfolio
for the year ended 31 December 2012

		Gross rental income £m	Net rental income £m	Vacancy rate %	Average rents passing £/m²	Rents passing £m	Estimated rental value £m	Reversion/ (over-rented) %
Notes				1	2	3	4	5
United Kingdom								
Retail:	Shopping centres	141.2	117.0	1.9	495	146.3	150.4	1.0
	Retail parks	70.9	66.8	1.8	185	85.3	88.7	2.1
		212.1	183.8	1.9	340	231.6	239.1	1.4
Other UK		16.2	13.9	9.1	175	11.1	12.6	2.7
Total United Kingdom		228.3	197.7	2.3	325	242.7	251.7	1.5
Continental Europe								
France: Retail		69.1	61.3	2.5	325	69.0	73.4	3.7
Group								
Retail		281.2	245.1	2.0	340	300.6	312.5	1.9
Other UK		16.2	13.9	9.1	175	11.1	12.6	2.7
Total continuing investment portfolio		**297.4**	**259.0**	**2.3**	**325**	**311.7**	**325.1**	**2.0**
Income from developments and other sources not analysed above		0.2	(0.2)	n/a	n/a	n/a	n/a	n/a
Total continuing operations		**297.6**	**258.8**	n/a	n/a	n/a	n/a	n/a
Discontinued operations		28.0	24.1	0.3	570	15.6	12.5	(25.4)
Total Group - as disclosed in note 3A to the accounts		**325.6**	**282.9**					

Selected data for the year ended 31 December 2011

	Gross rental income £m	Net rental income £m	Vacancy rate %	Average rents passing £/m²	Rents passing £m	Estimated rental value £m	Reversion/ (over-rented) %
Group							
Retail	282.8	243.3	1.8	350	281.1	295.9	3.4
Other UK	23.0	20.7	7.6	165	11.8	13.6	5.5
Total continuing investment portfolio	305.8	264.0	2.1	330	292.9	309.5	3.5

Notes
1 The ERV of the area in a property, or portfolio, excluding developments, which is currently available for letting, expressed as a percentage of the ERV of that property or portfolio.
2 Average rent passing at 31 December 2012 before deducting head and equity rents and excluding rents passing from anchor units and car parks.
3 The annual rental income receivable from an investment property at 31 December 2012, after any rent-free periods and after deducting head and equity rents.
4 The estimated market rental value of the total lettable space in a property at 31 December 2012, after deducting head and equity rents, calculated by the Group's valuers.
5 The percentage by which the ERV exceeds, or falls short of, rents passing together with the estimated rental value of vacant space, all at 31 December 2012.

PRINCIPAL RISKS AND UNCERTAINTIES

Property and financial markets

Although financial markets are relatively stable at present, uncertainty in the eurozone and the austerity measures being implemented by western governments continue to make lenders cautious, and are likely to constrain economic growth. The risk of a full or partial break-up of the euro-community seems to have receded, but remains a risk and if realised would be likely to lead to a prolonged global recession. We are exposed to the specifics of the French economy through our shopping centre investments in France.

We have stress-tested our business model against a severe downside economic scenario. We confirmed that the Group is robust, reflecting low gearing, long-term secure income streams from our leases, the currency hedging of the value of our French portfolio, a good spread of debt maturities and the flexibility to phase or halt our development programme.

Property valuations

Conditions prevailing in the general economic environment and the property investment market affect the value of Hammerson's property portfolio. Accordingly, the Group's net asset value may rise or fall due to external factors beyond management's control. Global financial markets have stabilised since the peak of the financial crisis, and investors have become more active in the real estate investment market, resulting in a rise in values for prime property over the last few years. However, instability in the eurozone could generate significant volatility in financial markets in the short- to medium-terms.

The property portfolio is the most significant component of the value of the Hammerson Group. As noted above, a worsening of the economic situation may put downward pressure on property values which would increase gearing and could ultimately result in the breach of borrowing covenants.

The Group's property portfolio is of high quality, geographically diversified and let to a large number of tenants. These factors should help mitigate negative impacts which may arise from changes in the financial and property markets. Gearing stood at 53% at 31 December 2012, significantly lower than the Group's most stringent borrowing covenant that gearing should not exceed 150%. We estimate that values could fall by 44% from their December 2012 levels before covenants would be endangered.

Tenant default

Some tenants continue to face challenging operating conditions, increasing the risk that they may be unable to pay their rents or enter into administration. The Group's geographical diversity and its large number of tenants mean the impact of individual tenant default for Hammerson is low. Furthermore, our occupational leases are generally long-term contracts, making the income relatively secure.

Development and letting

In the current economic environment development is inherently more risky. We have a substantial pipeline but will progress developments only when the relevant markets are sufficiently robust, when we have the right level of interest from occupiers and on the basis that sound financial analysis demonstrates good returns.

Potential occupiers remain cautious about committing to lease space. We currently have only one major development under way, Les Terrasses du Port in Marseille, for which 83% of the income has been contracted or is in solicitors' hands. We will progress significant developments only when substantial pre-lets are secured.

PRINCIPAL RISKS AND UNCERTAINTIES
CONTINUED

Liquidity risk

Companies with short-term financing requirements may continue to find it difficult to secure sufficient funding, in particular from banks, at costs comparable with their existing facilities. Our recent funding strategy has therefore addressed near-term maturities early. We will also consider accessing the sterling, euro and private placement bond markets if appropriate. Following the issue in September of a €500 million unsecured bond due 2019 and the signing of a £175 million syndicated five-year revolving credit facility in December to refinance that maturing in April 2013, the nearest debt maturity is £389 million in 2015.

Interest rate and exchange risk

Although the medium-term outlook for interest rates is that they will remain low, the interest charged on borrowings is a significant cost for the Group. To manage the risk of changes in interest rates, we set guidelines for our exposure to fixed and floating interest rates, using interest rate and currency swaps as appropriate. At 31 December 2012, 80% of the Group's gross debt was at fixed rates of interest.

The Group is exposed to movements in the sterling/euro exchange rate through its investment in France. Exchange risk is managed principally by matching foreign currency assets with foreign currency borrowings or derivatives. At the end of 2012, 80% of the value of the Group's French portfolio was hedged in this way.

Tax and regulatory

Governments are seeking to reduce fiscal deficits and regulators are examining mechanisms which would make financial markets more resilient. Increased taxation may be a risk for the broader business sector, but an asset-based industry such as real estate which currently benefits from tax efficient regimes throughout Europe could become a specific target.

The real estate sector is sometimes perceived by regulators to be part of the financial services sector rather than as operating businesses and the industry could be adversely affected by misdirected regulation designed to stabilise financial markets.

We monitor closely developments in the fields of tax and regulation and contribute to the debate through trade bodies such as EPRA and BPF which lobby on behalf of their members.

RESPONSIBILITY STATEMENT OF THE DIRECTORS ON THE ANNUAL REPORT

The Responsibility Statement has been prepared in connection with the Company's full Annual Report for the year ended 31 December 2012. Certain parts of the Annual Report are not included within this announcement.

We confirm to the best of our knowledge:

- the financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit and loss of the Company and the undertakings included in the consolidation taken as a whole; and

- the Business Review, which is incorporated into the Directors' Report, includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties they face.

Signed on behalf of the Board on 28 February 2013

David Atkins
Director

Timon Drakesmith
Director

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2012

CONTINUING OPERATIONS	Notes	2012 £m	2011* £m
Gross rental income	2	**297.6**	305.9
Operating profit before other net (losses)/gains and share of results of associate	2	**215.9**	217.8
Other net (losses)/gains	2	**(36.3)**	190.4
Share of results of associate	11A	**47.5**	-
Operating profit	2	**227.1**	408.2
Finance costs		**(94.0)**	(108.2)
Bond redemption - premium and costs		**(13.8)**	-
Floating rate reset bonds redemption - premium and costs		**(41.7)**	-
Change in fair value of derivatives		**9.4**	(2.8)
Finance income		**6.5**	5.2
Net finance costs	4	**(133.6)**	(105.8)
Profit before tax		**93.5**	302.4
Tax charge	5A	**(0.4)**	(0.7)
Profit from continuing operations		**93.1**	301.7
Profit from discontinued operations	6B	**48.7**	43.9
Profit for the year		**141.8**	345.6
Attributable to:			
Equity shareholders		**138.4**	335.7
Non-controlling interests**		**3.4**	9.9
Profit for the year		**141.8**	345.6
Basic and diluted earnings per share			
Continuing operations		**12.6p**	41.1p
Discontinued operations		**6.8p**	6.2p
Total	8A	**19.4p**	47.3p
EPRA earnings per share	8A	**20.9p**	19.3p

* The results previously reported for the year ended 31 December 2011 have been reclassified to reflect discontinued operations. See note 1.

** Non-controlling interests relate to continuing operations.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2012

Continuing and discontinued operations	**2012 £m**	2011 £m
Foreign exchange translation differences	**(43.6)**	(35.9)
Net gain on hedging activities	**27.3**	27.9
Revaluation gains on owner-occupied property	**0.1**	2.8
Revaluation gains on other investments	**74.4**	57.4
Actuarial losses on pension schemes	**(0.7)**	(5.7)
Net gain recognised directly in equity	**57.5**	46.5
Profit for the year from continuing operations	**93.1**	301.7
Profit for the year from discontinued operations	**48.7**	43.9
Profit for the year	**141.8**	345.6
Total comprehensive income for the year	**199.3**	392.1
Attributable to:		
Equity shareholders	**198.1**	384.0
Non-controlling interests	**1.2**	8.1
Total comprehensive income for the year	**199.3**	392.1

CONSOLIDATED BALANCE SHEET

As at 31 December 2012

	Notes	**2012 £m**	2011 £m
Non-current assets			
Investment and development properties*	9	**5,458.4**	5,719.6
Interests in leasehold properties*		**42.3**	17.7
Plant, equipment and owner-occupied property	10	**36.7**	35.4
Investment in associate	11B	**428.4**	-
Other investments	13	**1.4**	215.1
Receivables	14	**66.6**	55.7
		6,033.8	6,043.5
Current assets			
Assets held for sale	6D	**212.6**	-
Receivables*	15	**102.7**	111.7
Cash and deposits*	16	**57.1**	100.7
		372.4	212.4
Total assets		**6,406.2**	6,255.9
Current liabilities			
Liabilities associated with assets held for sale	6D	**90.4**	-
Payables*	17	**243.7**	244.4
Tax	5C	**1.4**	1.1
Borrowings*	18A	**158.0**	100.7
		493.5	346.2
Non-current liabilities			
Borrowings*	18A	**1,880.1**	1,979.2
Deferred tax	5C	**0.5**	0.5
Tax	5C	**-**	0.3
Obligations under finance leases*		**42.3**	17.6
Payables*	20	**64.1**	63.7
		1,987.0	2,061.3
Total liabilities		**2,480.5**	2,407.5
Net assets		**3,925.7**	3,848.4
Equity			
Share capital	21	**178.2**	178.2
Share premium		**1,222.3**	1,221.9
Translation reserve		**339.7**	381.1
Hedging reserve		**(279.4)**	(306.7)
Capital redemption reserve		**7.2**	7.2
Other reserves		**10.9**	9.3
Revaluation reserve		**18.0**	161.7
Retained earnings		**2,360.3**	2,125.7
Investment in own shares	22	**(6.0)**	(1.8)
Treasury shares	23	**-**	(4.7)
Equity shareholders' funds		**3,851.2**	3,771.9
Non-controlling interests**		**74.5**	76.5
Total equity		**3,925.7**	3,848.4
Diluted net asset value per share	8B	**£5.41**	£5.30
EPRA net asset value per share	8B	**£5.42**	£5.30

* Assets and liabilities relating to discontinued operations have been reclassified as held for sale. See note 6.

** Non-controlling interests relate to continuing operations.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2012

	Share capital £m	Share premium £m	Translation reserve £m	Hedging reserve £m	Capital redemption reserve £m	Other reserves £m	Revaluation reserve £m	Retained earnings £m	Investment in own shares £m	Treasury shares £m	Equity shareholders' funds £m	Non-controlling interests £m	Total equity £m
Balance at 1 January 2012	178.2	1,221.9	381.1	(306.7)	7.2	9.3	161.7	2,125.7	(1.8)	(4.7)	3,771.9	76.5	3,848.4
Issue of shares	-	0.4	-	-	-	-	-	-	-	-	0.4	-	0.4
Share-based employee remuneration	-	-	-	-	-	4.9	-	-	-	-	4.9	-	4.9
Cost of shares awarded to employees	-	-	-	-	-	(3.9)	-	-	3.9	-	-	-	-
Proceeds on award of own shares to employees	-	-	-	-	-	-	-	0.2	-	-	0.2	-	0.2
Transfer from treasury shares	-	-	-	-	-	-	-	-	(4.7)	4.7	-	-	-
Transfer on award of own shares to employees	-	-	-	-	-	0.6	-	(0.6)	-	-	-	-	-
Purchase of own shares	-	-	-	-	-	-	-	-	(3.4)	-	(3.4)	-	(3.4)
Dividends	-	-	-	-	-	-	-	(120.9)	-	-	(120.9)	(3.2)	(124.1)
Foreign exchange translation differences	-	-	(41.4)	-	-	-	-	-	-	-	(41.4)	(2.2)	(43.6)
Net gain on hedging activities	-	-	-	27.3	-	-	-	-	-	-	27.3	-	27.3
Revaluation gains on owner-occupied property	-	-	-	-	-	-	0.1	-	-	-	0.1	-	0.1
Revaluation gains on other investments	-	-	-	-	-	-	74.4	-	-	-	74.4	-	74.4
Actuarial losses on pension schemes	-	-	-	-	-	-	-	(0.7)	-	-	(0.7)	-	(0.7)
Transfer on recognition of investment as an associate	-	-	-	-	-	-	(218.2)	218.2	-	-	-	-	-
Profit for the year attributable to equity shareholders	-	-	-	-	-	-	-	138.4	-	-	138.4	3.4	141.8
Total comprehensive income/(loss) for the year	-	-	(41.4)	27.3	-	-	(143.7)	355.9	-	-	198.1	1.2	199.3
Balance at 31 December 2012	**178.2**	**1,222.3**	**339.7**	**(279.4)**	**7.2**	**10.9**	**18.0**	**2,360.3**	**(6.0)**	**-**	**3,851.2**	**74.5**	**3,925.7**

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
Year ended 31 December 2011

	Share capital £m	Share premium £m	Translation reserve £m	Hedging reserve £m	Capital redemption reserve £m	Other reserves £m	Revaluation reserve £m	Retained earnings £m	Investment in own shares £m	Treasury shares £m	Equity shareholders' funds £m	Non-controlling interests £m	Total equity £m
Balance at 1 January 2011	176.9	1,222.5	415.2	(334.6)	7.2	8.6	101.5	1,890.1	(4.0)	(3.4)	3,480.0	71.7	3,551.7
Issue of shares	0.1	0.6	-	-	-	-	-	-	-	-	0.7	-	0.7
Share-based employee remuneration	-	-	-	-	-	4.0	-	-	-	-	4.0	-	4.0
Cost of shares awarded to employees	-	-	-	-	-	(5.6)	-	-	5.6	-	-	-	-
Transfer on award of own shares to employees	-	-	-	-	-	2.3	-	(2.3)	-	-	-	-	-
Proceeds on award of own shares to employees	-	-	-	-	-	-	-	0.2	-	-	0.2	-	0.2
Transfer from treasury shares	-	-	-	-	-	-	-	-	(3.4)	3.4	-	-	-
Purchase of treasury shares	-	-	-	-	-	-	-	-	-	(4.7)	(4.7)	-	(4.7)
Dividends	-	-	-	-	-	-	-	(92.3)	-	-	(92.3)	(3.3)	(95.6)
Scrip dividends	1.2	(1.2)	-	-	-	-	-	-	-	-	-	-	-
Foreign exchange translation differences	-	-	(34.1)	-	-	-	-	-	-	-	(34.1)	(1.8)	(35.9)
Net gain on hedging activities	-	-	-	27.9	-	-	-	-	-	-	27.9	-	27.9
Revaluation gains on owner-occupied property	-	-	-	-	-	-	2.8	-	-	-	2.8	-	2.8
Revaluation gains on investments	-	-	-	-	-	-	57.4	-	-	-	57.4	-	57.4
Actuarial losses on pension schemes	-	-	-	-	-	-	-	(5.7)	-	-	(5.7)	-	(5.7)
Profit for the year attributable to equity shareholders	-	-	-	-	-	-	-	335.7	-	-	335.7	9.9	345.6
Total comprehensive income/(loss) for the year	-	-	(34.1)	27.9	-	-	60.2	330.0	-	-	384.0	8.1	392.1
Balance at 31 December 2011	178.2	1,221.9	381.1	(306.7)	7.2	9.3	161.7	2,125.7	(1.8)	(4.7)	3,771.9	76.5	3,848.4

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

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2012

	Notes	**2012 £m**	2011 £m
Operating activities			
Operating profit before other net (losses)/gains and share of results of associate			
- continuing operations	2	**215.9**	217.8
- discontinued operations	6B	**23.7**	31.3
		239.6	249.1
Increase in receivables		**(14.5)**	(10.5)
Increase in payables		**13.5**	19.5
Adjustment for non-cash items	24	**14.0**	2.7
Cash generated from operations		**252.6**	260.8
Interest paid		**(117.6)**	(115.4)
Interest received		**5.7**	3.1
Tax paid	5C	**(0.8)**	(0.7)
Cash flows from operating activities		**139.9**	147.8
Investing activities			
Property acquisitions		**(397.3)**	(374.1)
Development and major refurbishments		**(122.9)**	(91.2)
Other capital expenditure		**(48.0)**	(23.6)
Sale of properties		**585.0**	178.9
Sale of interest in joint venture		**-**	92.9
Purchase of other investments		**(80.0)**	(24.7)
Distribution received from associate		**2.4**	-
Decrease/(Increase) in non-current receivables		**5.2**	(10.2)
Cash flows from investing activities		**(55.6)**	(252.0)
Financing activities			
Issue of shares		**0.5**	0.7
Proceeds from award of own shares		**0.2**	0.2
Purchase of own shares		**(3.4)**	-
Purchase of treasury shares		**-**	(4.7)
Interest rate swap cancellation costs paid		**(5.2)**	-
Bond redemption premium and costs paid	4	**(13.8)**	-
Floating rate reset bonds redemption premium and costs paid	4	**(41.7)**	-
(Decrease)/Increase in non-current borrowings		**(20.0)**	78.3
Increase in current borrowings		**87.1**	94.0
Dividends paid to non-controlling interests		**(3.2)**	(3.3)
Equity dividends paid	7	**(118.4)**	(86.1)
Cash flows used in financing activities		**(117.9)**	79.1
Net decrease in cash and deposits		**(33.6)**	(25.1)
Opening cash and deposits		**100.7**	126.2
Exchange translation movement		**(0.7)**	(0.4)
Closing cash and deposits	16	**66.4**	100.7
Cash and deposits classified as assets held for sale	6D	**(9.3)**	-
Cash and deposits as stated on balance sheet	16	**57.1**	100.7

The cash flows above relate to continuing and discontinued operations. See note 6 for information on discontinued operations.

ANALYSIS OF MOVEMENT IN NET DEBT

For the year ended 31 December 2012

	Short-term deposits £m	**Cash at bank £m**	**Current borrowings including currency swaps £m**	**Non-current borrowings £m**	**Net debt £m**
Balance at 1 January 2012	39.5	61.2	(85.7)	(1,979.2)	(1,964.2)
Cash flow	(27.5)	(6.1)	(87.1)	20.0	(100.7)
Exchange	-	(0.7)	13.5	15.8	28.6
Balance at 31 December 2012	**12.0**	**54.4**	**(159.3)**	**(1,943.4)**	**(2,036.3)**
Cash and deposits and borrowings classified as assets held for sale (note 6D)	-	(9.3)	1.3	63.3	55.3
As stated on balance sheet at 31 December 2012	**12.0**	**45.1**	**(158.0)**	**(1,880.1)**	**(1,981.0)**

NOTES TO THE ACCOUNTS

1. FINANCIAL INFORMATION

The financial information contained in this announcement has been prepared on the basis of the accounting policies set out in the statutory accounts for the year ended 31 December 2012. Whilst the financial information included in this announcement has been computed in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union, this announcement does not itself contain sufficient information to comply with IFRS. The financial information does not constitute the Company's statutory accounts for the years ended 31 December 2012 or 2011, but is derived from those accounts. Those accounts give a true and fair view of the assets, liabilities, financial position and profit and loss of the Company and the undertakings included in the consolidation taken as a whole. Statutory accounts for 2011 have been delivered to the Registrar of Companies and those for 2012 will be delivered following the Company's Annual General Meeting. The auditor’s reports on both the 2012 and 2011 accounts were unqualified; did not draw attention to any matters by way of emphasis; and did not contain statements under s498(2) or (3) of the Companies Act 2006 or preceding legislation.

On 19 June 2012, the Group exchanged contracts with Brookfield Office Properties to dispose of the majority of its office portfolio by June 2013. Consequently, the assets and liabilities of the relevant subsidiaries have been classified as held for sale. This transaction is part of Hammerson’s decision to focus on retail property and the Group has sold the majority of the remainder of the office portfolio, which is also classified as held for sale as the relevant criteria have been met. The income and expenditure of these assets has been classified as discontinued operations in both the current and prior year as the disposals result in the discontinuance of our office property activities, which was considered to be a major line of business. Details of discontinued operations and assets and liabilities classified as held for sale are set out in note 6.

Jacques Espinasse, a Non-Executive Director, leased an apartment from the Group from 2 January 2012 until the date of sale of the relevant property on 22 May 2012. The payments made to the Group during the year in respect of this ten-year lease, which was at a market rate, comprised rent of €7,000 and a contribution to refurbishment costs of €43,000. The management fees receivable in notes 2 and 6B include fees paid to Hammerson in respect of joint ventures for investment and development management services. Except as noted above, and in relation to Directors’ remuneration, all other related party transactions are eliminated on consolidation.

The principal exchange rate used to translate foreign currency denominated amounts in the balance sheet is the rate at the end of the year, £1 = €1.233 (2011: £1 = €1.197). The principal exchange rate used for the income statement is the average rate, £1 = €1.233 (2011: £1 = €1.153).

GOING CONCERN

The current economic conditions have created a number of uncertainties. Hammerson’s business activities, together with factors likely to affect its future development, performance, and position are set out in the ‘Overview’, the ‘Business review’, the ‘Financial review’ and ‘Principal risks and uncertainties’. The financial position of the Group, its liquidity position and borrowing facilities are described in the ‘Business and financial review’ and in the notes to the accounts.

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

NOTES TO THE ACCOUNTS
CONTINUED

2. RESULT FOR THE YEAR

	Notes	Adjusted £m	Capital and other £m	Total 2012 £m	Adjusted £m	Capital and other £m	Total 2011 £m
Gross rental income	3A	**297.6**	**-**	**297.6**	305.9	-	305.9
Ground and equity rents payable		**(1.9)**	**-**	**(1.9)**	(2.0)	-	(2.0)
Gross rental income, after rents payable		**295.7**	**-**	**295.7**	303.9	-	303.9
Service charge income		**54.5**	**-**	**54.5**	52.7	-	52.7
Service charge expenses		**(62.7)**	**-**	**(62.7)**	(62.1)	-	(62.1)
Net service charge expenses		**(8.2)**	**-**	**(8.2)**	(9.4)	-	(9.4)
Other property outgoings		**(28.7)**	**-**	**(28.7)**	(30.7)	-	(30.7)
Property outgoings		**(36.9)**	**-**	**(36.9)**	(40.1)	-	(40.1)
Net rental income	3A	**258.8**	**-**	**258.8**	263.8	-	263.8
Management fees receivable		**5.9**	**-**	**5.9**	5.2	-	5.2
Cost of property activities		**(31.4)**	**-**	**(31.4)**	(33.3)	-	(33.3)
Corporate expenses		**(17.4)**	**-**	**(17.4)**	(17.9)	-	(17.9)
Administration expenses		**(42.9)**	**-**	**(42.9)**	(46.0)	-	(46.0)
Operating profit before other net (losses)/gains and share of results of associate		**215.9**	**-**	**215.9**	217.8	-	217.8
Gain on the sale of investment properties		**-**	**12.2**	**12.2**	-	19.5	19.5
Gain on sale of joint venture		**-**	**-**	**-**	-	4.0	4.0
Revaluation (losses)/gains on investment properties		**-**	**(68.3)**	**(68.3)**	-	142.0	142.0
Revaluation gains on development properties		**-**	**19.8**	**19.8**	-	24.9	24.9
Other net (losses)/gains		**-**	**(36.3)**	**(36.3)**	-	190.4	190.4
Share of results of associate	11A	**4.3**	**43.2**	**47.5**	-	-	-
Operating profit		**220.2**	**6.9**	**227.1**	217.8	190.4	408.2
Net finance costs	4	**(87.5)**	**(46.1)**	**(133.6)**	(103.0)	(2.8)	(105.8)
Profit before tax		**132.7**	**(39.2)**	**93.5**	114.8	187.6	302.4
Current tax charge	5A	**(0.4)**	**-**	**(0.4)**	(0.7)	-	(0.7)
Profit from continuing operations		**132.3**	**(39.2)**	**93.1**	114.1	187.6	301.7
Profit from discontinued operations	6B	**19.8**	**28.9**	**48.7**	26.8	17.1	43.9
Profit for the year		**152.1**	**(10.3)**	**141.8**	140.9	204.7	345.6
Non-controlling interests – continuing operations	8A	**(3.3)**	**(0.1)**	**(3.4)**	(3.9)	(6.0)	(9.9)
Profit for the year attributable to equity shareholders	8A	**148.8**	**(10.4)**	**138.4**	137.0	198.7	335.7
Profit for the year attributable to equity shareholders							
- continuing operations	8A	**129.0**	**(39.3)**	**89.7**	110.2	181.6	291.8
- discontinued operations	8A	**19.8**	**28.9**	**48.7**	26.8	17.1	43.9
		148.8	**(10.4)**	**138.4**	137.0	198.7	335.7

Included in gross rental income is £6.3 million (2011: £6.3 million) of contingent rents calculated by reference to tenants' turnover.

NOTES TO THE ACCOUNTS
CONTINUED

3. SEGMENTAL ANALYSIS

The factors used to determine the Group's reportable segments are the geographic locations (UK and Continental Europe) and sectors in which it operates, which are generally managed by separate teams and are the basis on which performance is assessed and resources allocated. Gross rental income represents the Group's revenue from its 'customers', or tenants. Net rental income is the principal profit measure used to determine the performance of each sector. Total assets are not monitored by segment and resource allocation is based on the distribution of property assets between segments. Following the decision to dispose of the majority of the Group's offices, as referred to in note 6, the reporting segments have been reanalysed, in line with our management reporting, and previously reported figures reclassified accordingly.

A. REVENUE AND PROFIT BY SEGMENT

		2012				2011			
				Non-cash items				Non-cash items	
		Gross rental income £m	**Net rental income £m**	**Within net rental income £m**	**Revaluation gains/ (losses) on properties £m**	Gross rental income £m	Net rental income £m	Within net rental income £m	Revaluation gains/ (losses) on properties £m
United Kingdom									
Retail:	Shopping centres	**141.2**	**117.0**	**(7.2)**	**(21.2)**	136.2	112.6	(6.4)	66.0
	Retail parks	**70.9**	**66.8**	**(0.9)**	**(30.6)**	65.9	61.8	(1.0)	23.9
		212.1	**183.8**	**(8.1)**	**(51.8)**	202.1	174.4	(7.4)	89.9
Other UK		**16.2**	**13.9**	**(0.2)**	**(17.3)**	23.0	20.7	5.8	(24.8)
Total United Kingdom		**228.3**	**197.7**	**(8.3)**	**(69.1)**	225.1	195.1	(1.6)	65.1
Continental Europe									
France:	Retail	**69.1**	**61.3**	**-**	**0.8**	80.7	68.9	0.3	76.9
Group									
Retail		**281.2**	**245.1**	**(8.1)**	**(51.0)**	282.8	243.3	(7.1)	166.8
Other UK		**16.2**	**13.9**	**(0.2)**	**(17.3)**	23.0	20.7	5.8	(24.8)
Total investment portfolio		**297.4**	**259.0**	**(8.3)**	**(68.3)**	305.8	264.0	(1.3)	142.0
Developments and other sources not analysed above		**0.2**	**(0.2)**	**-**	**19.8**	0.1	(0.2)	-	24.9
Total continuing operations		**297.6**	**258.8**	**(8.3)**	**(48.5)**	305.9	263.8	(1.3)	166.9
As disclosed in note		*2*	*2*	*24*	*2, 9*	*2*	*2*	*24*	*2*
Discontinued operations - Other UK		**28.0**	**24.1**	**1.5**	**(1.4)**	38.2	32.2	0.2	19.4
As disclosed in note		*6B*	*6B*	*24*	*6B, 9*	*6B*	*6B*	*24*	*6B*
Total portfolio		**325.6**	**282.9**	**(6.8)**	**(49.9)**	344.1	296.0	(1.1)	186.3

NOTES TO THE ACCOUNTS
CONTINUED

3. SEGMENTAL ANALYSIS (continued)

B. INVESTMENT AND DEVELOPMENT PROPERTY ASSETS BY SEGMENT

	Investment properties £m	**Development properties £m**	**Total £m**	**2012 Capital expenditure £m**	Investment properties £m	Development properties £m	Total £m	2011 Capital expenditure £m
United Kingdom								
Retail: Shopping centres	**2,412.9**	**11.5**	**2,424.4**	**159.2**	2,273.7	11.4	2,285.1	148.0
Retail parks	**1,422.6**	**5.2**	**1,427.8**	**273.0**	1,180.4	18.2	1,198.6	123.7
	3,835.5	**16.7**	**3,852.2**	**432.2**	3,454.1	29.6	3,483.7	271.7
Other UK	**158.9**	**27.5**	**186.4**	**3.7**	704.3	75.5	779.8	123.3
Total United Kingdom	**3,994.4**	**44.2**	**4,038.6**	**435.9**	4,158.4	105.1	4,263.5	395.0
Continental Europe								
France: Retail	**1,188.3**	**231.5**	**1,419.8**	**104.5**	1,320.0	136.1	1,456.1	81.9
Group								
Retail	**5,023.8**	**248.2**	**5,272.0**	**536.7**	4,774.1	165.7	4,939.8	353.6
Other UK	**158.9**	**27.5**	**186.4**	**3.7**	704.3	75.5	779.8	123.3
Total non-current assets	**5,182.7**	**275.7**	**5,458.4**	**540.4**	5,478.4	241.2	5,719.6	476.9
Assets held for sale	**194.5**	**-**	**194.5**	**18.7**	-	-	-	-
Total property assets	**5,377.2**	**275.7**	**5,652.9**	**559.1**	5,478.4	241.2	5,719.6	476.9

C. ANALYSIS OF EQUITY SHAREHOLDERS' FUNDS

	Assets employed		**Net debt**		**Equity shareholders' funds**	
	2012 £m	2011 £m	**2012 £m**	2011 £m	**2012 £m**	2011 £m
United Kingdom	**4,514.4**	4,376.7	**(861.1)**	(898.3)	**3,653.3**	3,478.4
Continental Europe	**1,373.1**	1,359.4	**(1,175.2)**	(1,065.9)	**197.9**	293.5
	5,887.5	5,736.1	**(2,036.3)**	(1,964.2)	**3,851.2**	3,771.9

As part of the Group's foreign currency hedging programme, at 31 December 2012 the Group had currency swaps outstanding which are included in the analysis above.

4. NET FINANCE COSTS

	2012 £m	2011 £m
Interest on bank loans and overdrafts	**11.6**	9.9
Interest on other borrowings	**89.2**	100.9
Interest on obligations under finance leases	**0.6**	0.6
Other interest payable	**1.4**	1.7
Gross interest costs	**102.8**	113.1
Less: Interest capitalised	**(8.8)**	(4.9)
Finance costs	**94.0**	108.2
Bond redemption - premium and costs*	**13.8**	-
Floating rate reset bonds redemption - premium and costs*	**41.7**	-
Change in fair value of interest rate swaps	**(8.3)**	1.7
Change in fair value of currency swaps outside hedge accounting designation	**(1.1)**	1.1
Change in fair value of derivatives*	**(9.4)**	2.8
Finance income	**(6.5)**	(5.2)
Net finance costs	**133.6**	105.8

Underlying finance costs

Gross interest costs	**102.8**	113.1
Finance income	**(6.5)**	(5.2)
Net underlying finance costs	**96.3**	107.9

* Total of £46.1 million (2011: £2.8 million) included in 'Capital and other' in note 2.

NOTES TO THE ACCOUNTS
CONTINUED

5. TAX

A. TAX CHARGE

	2012 £m	2011 £m
UK current tax	**0.3**	0.1
Foreign current tax	**0.1**	0.6
Tax charge	**0.4**	0.7

B. TAX CHARGE RECONCILIATION

	2012 £m	2011 £m
Profit before tax – continuing operations	**93.5**	302.4
Profit before tax – discontinued operations	**48.7**	43.9
Profit before tax	**142.2**	346.3
Profit multiplied by the UK corporation tax rate of 24.5% (2011: 26.5%)	**34.8**	91.8
UK REIT tax exemption on net income before revaluations and disposals	**(21.1)**	(27.1)
UK REIT tax exemption on revaluations and disposals	**7.9**	(29.1)
SIIC tax exemption	**(19.9)**	(40.3)
Non-deductible and other items	**(1.3)**	5.4
Tax charge	**0.4**	0.7

C. CURRENT AND DEFERRED TAX MOVEMENTS

	1 January 2012 £m	Recognised in income £m	Tax paid £m	Acquisitions £m	**31 December 2012 £m**
Current tax	1.2	0.4	(0.8)	0.4	**1.2**
Deferred tax	0.5	-	-	-	**0.5**
	1.7	0.4	(0.8)	0.4	**1.7**

Analysed as:	1 January 2012 £m	**31 December 2012 £m**
Current assets: Corporation tax	(0.2)	**(0.2)**
Current liabilities: Tax	1.1	**1.4**
Non-current liabilities: Deferred tax	0.5	**0.5**
Non-current liabilities: Tax	0.3	**-**
	1.7	**1.7**

D. UNRECOGNISED DEFERRED TAX

At 31 December 2012, the Group had unrecognised deferred tax assets calculated at a tax rate of 23% (2011: 25%) of £69 million (2011: £80 million) for surplus UK revenue tax losses carried forward and £63 million (2011: £66 million) for UK capital losses.

Deferred tax is not provided on potential gains on investments in subsidiaries and joint ventures when the Group can control whether gains crystallise and it is probable that gains will not arise in the foreseeable future. At 31 December 2012 the total of such gains was £175 million (2011: £206 million) and the potential tax effect before the offset of losses was £40 million (2011: £52 million).

If a UK REIT sells a property within three years of completion of development, the REIT exemption will not apply. At 31 December 2012, the value of such completed development properties was £nil (2011: £217 million) and the potential tax charge that would arise if these properties were to be sold was £nil (2011: £nil).

5. TAX (continued)

E. UK REIT STATUS

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

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

F. FRENCH SIIC STATUS

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

Outstanding SIIC dividend obligations arising on disposals and earnings prior to 31 December 2012 amount to £80 million (2011: £127 million) and are expected to be settled within dividends paid by Hammerson plc over the following four years. A further £265 million (2011: £281 million) of dividends would be payable if the properties were realised at their 31 December 2012 values. Since 1 July 2009, qualifying foreign dividends have been exempt from UK tax and therefore no deferred tax provision is recognised.

If Hammerson plc ceased to qualify as a French SIIC before 1 January 2014, tax penalties of £132 million (2011: £163 million) would be payable. To continue to qualify, at least 80% of assets must be employed in property investment and, with limited temporary exceptions, no shareholder may hold 60% or more of the shares. The Group continues to meet these conditions.

6. DISCONTINUED OPERATIONS AND ASSETS AND LIABILITIES CLASSIFIED AS HELD FOR SALE

A. DISPOSALS

As part of the Group's strategy to focus on the retail sector, the Group disposed of the following entities and office properties during the year. The profits and losses arising from these disposals are classified as discontinued operations:

Entity
Hammerson (99 Bishopsgate) Limited
Hammerson Bishopsgate LLP
99 Bishopsgate Management Limited
10 Gresham Street LLP
Hammerson Gresham Street Unit Trust
Hammerson (Victoria) Limited

Property
Principal Place, London, EC2
London Wall Place, London EC2
Harbour Quay, London E14
Puddledock, London EC4

In addition, on 19 June 2012 the Group exchanged contracts to dispose of the entities listed below before 30 June 2013. Consequently the assets and liabilities of these entities have been reclassified as held for sale. On completion, control of these entities and properties will pass to the acquirer.

Entity
125 OBS Limited Partnership
Hammerson 125 OBS Unit Trust
125 OBS (General Partner) Limited
Hammerson (125 OBS LP) Limited
Hammerson (Leadenhall Court) Limited

The income and expenditure of the entities and properties shown above have been classified as discontinued operations in both the current and prior year.

6. DISCONTINUED OPERATIONS AND ASSETS AND LIABILITIES CLASSIFIED AS HELD FOR SALE (continued)

B. RESULT FOR THE YEAR

	Notes	Adjusted £m	Capital and other £m	2012 Total £m	Adjusted £m	Capital and other £m	2011 Total £m
Gross rental income	3A	**28.0**	**-**	**28.0**	38.2	-	38.2
Ground and equity rents payable		**(0.3)**	**-**	**(0.3)**	(1.8)	-	(1.8)
Gross rental income, after rents payable		**27.7**	**-**	**27.7**	36.4	-	36.4
Service charge income		**4.0**	**-**	**4.0**	7.1	-	7.1
Service charge expenses		**(6.7)**	**-**	**(6.7)**	(8.0)	-	(8.0)
Net service charge expenses		**(2.7)**	**-**	**(2.7)**	(0.9)	-	(0.9)
Other property outgoings		**(0.9)**	**-**	**(0.9)**	(3.3)	-	(3.3)
Property outgoings		**(3.6)**	**-**	**(3.6)**	(4.2)	-	(4.2)
Net rental income	3A	**24.1**	**-**	**24.1**	32.2	-	32.2
Management fees receivable		**0.7**	**-**	**0.7**	0.6	-	0.6
Cost of property activities		**(1.1)**	**-**	**(1.1)**	(1.5)	-	(1.5)
Administration expenses		**(0.4)**	**-**	**(0.4)**	(0.9)	-	(0.9)
Operating profit before other net gains		**23.7**	**-**	**23.7**	31.3	-	31.3
Gain on the sale of investment properties		**-**	**30.4**	**30.4**	-	-	-
Revaluation (losses)/gains on investment properties		**-**	**(1.4)**	**(1.4)**	-	14.5	14.5
Revaluation gains on development properties		**-**	**-**	**-**	-	4.9	4.9
Other net gains		**-**	**29.0**	**29.0**	-	19.4	19.4
Operating profit		**23.7**	**29.0**	**52.7**	31.3	19.4	50.7
Net finance costs		**(3.9)**	**(0.1)**	**(4.0)**	(4.5)	(2.3)	(6.8)
Profit before and after tax and profit for the year attributable to equity shareholders	2, 8A	**19.8**	**28.9**	**48.7**	26.8	17.1	43.9

C. CASHFLOWS FROM DISCONTINUED OPERATIONS

	2012 £m	2011 £m
Cash flows from operating activities	**26.5**	32.3
Cash flows from investing activities	**352.5**	(106.4)
Cash flows used in financing activities	**(0.7)**	(3.3)
Net cash inflow/(outflow) from discontinued operations	**378.3**	(77.4)

D. SUMMARY OF ASSETS AND LIABILITIES ASSOCIATED WITH ASSETS HELD FOR SALE

	2012 £m
Investment properties	194.5
Interests in leasehold properties	7.0
Current receivables	1.8
Cash and deposits	9.3
Assets held for sale	**212.6**
Non-current borrowings	63.3
Obligations under finance leases	6.9
Payables	3.7
Current payables	15.2
Current borrowings	1.3
Liabilities associated with assets held for sale	**90.4**
Net assets associated with assets held for sale	**122.2**

NOTES TO THE ACCOUNTS
CONTINUED

7. DIVIDENDS

The proposed final dividend of 10.0 pence per share was recommended by the Board on 28 February 2013 and, subject to approval by shareholders, is payable on 14 May 2013 to shareholders on the register at the close of business on 5 April 2013. 4.0 pence per share will be paid as a PID, net of withholding tax if applicable, and the remainder of 6.0 pence per share will be paid as a normal dividend. There will be no scrip alternative. The aggregate amount of the 2012 final dividend is £71.3 million. This has been calculated using the total number of eligible shares outstanding at 31 December 2012.

The interim dividend of 7.7 pence per share was paid on 5 October 2012.

The total dividend for the year ended 31 December 2012 will be 17.7 pence per share (2011:16.6 pence per share).

	PID pence per share	**Non-PID pence per share**	**Total pence per share**	**Equity dividends 2012 £m**	Equity dividends 2011 £m
Current year					
2012 final dividend	4.0	6.0	10.0	**-**	-
2012 interim dividend	7.7	-	7.7	**54.8**	-
	11.7	6.0	17.7		
Prior years					
2011 final dividend	7.0	2.3	9.3	**66.1**	-
2011 interim dividend	5.5	1.8	7.3	**-**	52.0
	12.5	4.1	16.6		
2010 final dividend [1]				**-**	40.3
Dividends as reported in the consolidated statement of changes in equity				**120.9**	92.3
2011 interim dividend withholding tax (paid January 2012)				**6.2**	(6.2)
2012 interim dividend withholding tax (paid January 2013)				**(8.7)**	-
Dividends paid as reported in the consolidated cash flow statement				**118.4**	86.1

[1] The Company offered shareholders a scrip dividend alternative for this dividend. Where a shareholder elected to receive the scrip, the dividend ceased to qualify as a PID.

8. EARNINGS PER SHARE AND NET ASSET VALUE PER SHARE

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

A. EARNINGS PER SHARE

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

	Notes	**Earnings £m**	**Shares million**	**2012 Pence per share**	Earnings £m	Shares million	2011 Pence per share
Basic – continuing operations		**89.7**	**711.7**	**12.6**	291.8	709.8	41.1
Basic – discontinued operations		**48.7**		**6.8**	43.9		6.2
Basic – total		**138.4**		**19.4**	335.7		47.3
Dilutive share options		**-**	**0.2**	**-**	-	0.3	-
Diluted		**138.4**	**711.9**	**19.4**	335.7	710.1	47.3
Adjustments:							
Other net losses/(gains)							
- continuing operations	2	**36.3**		**5.1**	(190.4)		(26.8)
- discontinued operations	6B	**(29.0)**		**(4.1)**	(19.4)		(2.7)
		7.3		**1.0**	(209.8)		(29.5)
Adjustment for associate	11A	**(43.2)**		**(6.1)**	-		-
Change in fair value of derivatives							
- continuing operations	4	**(9.4)**		**(1.3)**	2.8		0.4
- discontinued operations	6B	**0.1**		**-**	2.3		0.3
		(9.3)		**(1.3)**	5.1		0.7
Bond redemption - premium and costs	4	**13.8**		**2.0**	-		-
Floating rate reset bonds redemption - premium and costs	4	**41.7**		**5.9**	-		-
Non-controlling interests in respect of the above [1]	2	**0.1**		**-**	6.0		0.8
EPRA		**148.8**		**20.9**	137.0		19.3

Note
1 Non-controlling interests relate to continuing operations.

B. NET ASSET VALUE PER SHARE

	Notes	**Equity shareholders' funds £m**	**Shares million**	**2012 Net asset value per share £**	2011 Net asset value per share £
Basic		**3,851.2**	**712.8**	**5.40**	5.29
Company's own shares held in Employee Share Ownership Plan		**-**	**(1.3)**	**n/a**	n/a
Unexercised share options		**3.7**	**0.7**	**n/a**	n/a
Diluted		**3,854.9**	**712.2**	**5.41**	5.30
Fair value adjustment to borrowings		**(289.5)**		**(0.41)**	(0.21)
EPRA triple net		**3,565.4**		**5.00**	5.09
Fair value of derivatives	19	**(11.6)**		**(0.02)**	-
Fair value adjustment to borrowings	19	**289.5**		**0.41**	0.21
Adjustment for associate	11B	**16.2**		**0.03**	-
Deferred tax	5C	**0.5**		**-**	-
EPRA		**3,860.0**		**5.42**	5.30

Previously EPRA NAV was calculated by excluding foreign exchange and cross currency swaps as well as interest rate swaps. Following clarification of EPRA best practice recommendations, foreign exchange and cross currency swaps are no longer excluded as they act as economic hedges of euro denominated assets that are included in EPRA NAV. The adjustment would be immaterial to the comparatives which have therefore not been restated.

NOTES TO THE ACCOUNTS

CONTINUED

9. INVESTMENT AND DEVELOPMENT PROPERTIES

	Investment properties Cost £m	Investment properties Valuation £m	Development properties Cost £m	Development properties Valuation £m	Total Cost £m	Total Valuation £m
Balance at 1 January 2012	4,665.0	5,478.4	250.9	241.2	**4,915.9**	**5,719.6**
Exchange adjustment	(21.6)	(38.6)	(3.6)	(4.0)	**(25.2)**	**(42.6)**
Additions – continuing operations						
- capital expenditure	70.8	70.8	71.7	71.7	**142.5**	**142.5**
- asset acquisitions	397.3	397.3	0.6	0.6	**397.9**	**397.9**
	468.1	468.1	72.3	72.3	**540.4**	**540.4**
Additions – discontinued operations	14.4	14.4	4.3	4.3	**18.7**	**18.7**
Total additions	482.5	482.5	76.6	76.6	**559.1**	**559.1**
Disposals						
- continuing operations	(76.0)	(126.5)	(4.0)	(13.0)	**(80.0)**	**(139.5)**
- discontinued operations	(328.3)	(350.2)	(60.9)	(52.4)	**(389.2)**	**(402.6)**
	(404.3)	(476.7)	(64.9)	(65.4)	**(469.2)**	**(542.1)**
Capitalised interest	1.3	1.3	7.5	7.5	**8.8**	**8.8**
Revaluation						
- continuing operations	-	(68.3)	-	19.8	**-**	**(48.5)**
- discontinued operations	-	(1.4)	-	-	**-**	**(1.4)**
	-	(69.7)	-	19.8	**-**	**(49.9)**
Transfer to assets held for sale	(176.6)	(194.5)	-	-	**(176.6)**	**(194.5)**
Balance at 31 December 2012	4,546.3	5,182.7	266.5	275.7	**4,812.8**	**5,458.4**

Properties are stated at fair value as at 31 December 2012, valued by professionally qualified external valuers, DTZ Debenham Tie Leung, Chartered Surveyors. The valuations have been prepared in accordance with the RICS Valuation – Professional Standards (Incorporating the International Valuation Standards) March 2012. Valuation fees are based on a fixed amount agreed between the Group and the valuers and are independent of the portfolio value.

At 31 December 2012 the total amount of interest included in development properties was £12.5 million (2011: £5.2 million). Capitalised interest is calculated using the cost of secured debt or the Group's average cost of borrowings, as appropriate, and the effective rate applied in 2012 was 5.2% (2011: 5.2%).

	2012 £m	2011 £m
Capital commitments	**158.1**	237.6

At 31 December 2012, Hammerson's share of the capital commitments in respect of joint ventures, which is included in the table above, was £4.2 million (2011: £18.8 million).

10. PLANT, EQUIPMENT AND OWNER-OCCUPIED PROPERTY

	Owner-occupied property £m	Plant and equipment £m	Total £m
Book value at 31 December 2012	**30.0**	**6.7**	**36.7**
Book value at 31 December 2011	29.9	5.5	35.4

NOTES TO THE ACCOUNTS
CONTINUED

11. INVESTMENT IN ASSOCIATE

On 21 August 2012 the Group gained significant influence over Value Retail PLC and associated entities and equity accounted for its investment from that date. See also note 13.

A. SHARE OF RESULTS OF ASSOCIATE – 21 August to 31 December 2012

	100% £m	2012 Hammerson share £m
Revenue	61.9	**18.1**
Depreciation and amortisation	(1.7)	**(0.6)**
Operating profit before other net gains	60.2	**17.5**
Revaluation gains on investment properties	124.3	**38.1**
Other net operating costs	(35.9)	**(9.1)**
Operating profit	148.6	**46.5**
Interest income	1.3	**0.4**
Interest expense	(15.7)	**(4.2)**
Change in fair value of financial instruments	(17.6)	**(3.4)**
Change in fair value of participative loans	-	**12.0**
Change in fair value of derivatives	(17.6)	**8.6**
Profit before tax	116.6	**51.3**
Current tax charge	(1.7)	**(0.3)**
Deferred tax charge	(23.3)	**(3.5)**
Profit for the period	91.6	**47.5**
Foreign exchange translation differences	12.7	**1.6**
Total comprehensive income	104.3	**49.1**

Reconciliation to note 8A

Profit for the period	91.6	**47.5**
Revaluation gains on investment properties	(124.3)	**(38.1)**
Change in fair value of derivatives	17.6	**(8.6)**
Deferred tax charge	23.3	**3.5**
Adjustment for associate	(83.4)	**(43.2)**
EPRA adjusted earnings of associate	8.2	**4.3**

B. SHARE OF ASSETS AND LIABILITIES OF ASSOCIATE

	100% £m	2012 Hammerson share £m
Non-current assets		
Goodwill on acquisition of associate	-	**58.5**
Other non-current assets	2,224.6	**579.1**
	2,224.6	**637.6**
Current assets		
Other current assets	140.3	**43.5**
Cash and deposits	87.3	**21.7**
	227.6	**65.2**
Total assets	2,452.2	**702.8**
Current liabilities		
Other current liabilities	(40.8)	**(9.8)**
Non-current liabilities		
Other liabilities	(944.3)	**(235.2)**
Fair value of financial instruments	(132.8)	**(33.0)**
Deferred tax	(273.6)	**(39.2)**
	(1,350.7)	**(307.4)**
Total liabilities	(1,391.5)	**(317.2)**
Net assets	1,060.7	**385.6**
Participative loans*		**42.8**
Total investment in associate		**428.4**

* The Group's total investment in associate includes long-term debt which in substance forms part of the Group's investment. These participative loans are not repayable in the foreseeable future.

11. INVESTMENT IN ASSOCIATE (continued)

Reconciliation to note 8B

	2012 Hammerson share £m
Total investment in associate	**428.4**
Fair value of derivatives	**5.7**
Deferred tax	**39.2**
Goodwill as a result of deferred tax	**(28.7)**
Adjustment for associate	**16.2**
EPRA adjusted total investment in associate	**444.6**

C. RECONCILIATION OF MOVEMENTS IN INVESTMENT IN ASSOCIATE

	£m
Transfer from other investments on 21 August 2012 (note 13)	**381.7**
Share of results of associate	**47.5**
Dividends	**(2.4)**
Foreign exchange translation differences	**1.6**
Balance at 31 December 2012 (note 11B)	**428.4**

12. JOINT VENTURES

As at 31 December 2012 certain property and corporate interests, being jointly controlled entities, have been proportionately consolidated, and the significant interests are set out in the following table:

	Group share %
Investments	
Brent Cross Shopping Centre	41.2
Brent South Shopping Park	40.6
Bristol Alliance Limited Partnership	50
Queensgate Limited Partnership	50
Retail Property Holdings Limited (Silverburn)	50
SCI Espace Plus	50
SCI ESQ (Espace Saint Quentin)	25
SCI RC Aulnay 1 and SCI RC Aulnay 2 (O'Parinor)	25
The Bull Ring Limited Partnership	33.33
The Grosvenor Street Limited Partnership	50
The Martineau Galleries Limited Partnership	33.33
The Oracle Limited Partnership	50
The Highcross Limited Partnership	60
The West Quay Limited Partnership	50
125 OBS Limited Partnership	50
Developments	
Bishopsgate Goodsyard Regeneration Limited	50

The following summarised income statements and balance sheets show the proportion of the Group's results, assets and liabilities which are derived from its joint ventures.

NOTES TO THE ACCOUNTS
CONTINUED

12. JOINT VENTURES (continued)
INCOME STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

	Brent Cross[1] £m	Bristol Alliance Limited Partnership £m	Bull Ring Limited Partnership £m	Oracle Limited Partnership £m	Queensgate Limited Partnership £m	Highcross Limited Partnership £m	West Quay Limited Partnership £m	Retail Property Holdings Limited £m	SCI RC Aulnay £m	SCI ESQ £m	Other £m	Total 2012 £m
Net rental income	17.8	15.1	16.5	14.0	5.8	13.5	13.1	8.7	4.3	2.9	3.6	**115.3**
Administration expenses	-	(0.4)	-	-	(0.1)	-	-	-	-	-	(0.1)	**(0.6)**
Operating profit before other net gains/(losses)	17.8	14.7	16.5	14.0	5.7	13.5	13.1	8.7	4.3	2.9	3.5	**114.7**
Other net gains/(losses)	2.0	(27.6)	3.4	3.3	(6.0)	(11.9)	(0.1)	(0.5)	(0.9)	2.5	3.6	**(32.2)**
Net finance costs	-	(0.4)	-	-	-	-	(0.2)	-	(3.4)	-	0.1	**(3.9)**
Profit before tax – continuing operations	19.8	(13.3)	19.9	17.3	(0.3)	1.6	12.8	8.2	-	5.4	7.2	**78.6**
Profit before tax – discontinued operations	-	-	-	-	-	-	-	-	-	-	5.8	**5.8**
Profit before tax	19.8	(13.3)	19.9	17.3	(0.3)	1.6	12.8	8.2	-	5.4	13.0	**84.4**

BALANCE SHEETS AS AT 31 DECEMBER 2012

	Brent Cross[1] £m	Bristol Alliance Limited Partnership £m	Bull Ring Limited Partnership £m	Oracle Limited Partnership £m	Queensgate Limited Partnership £m	Highcross Limited Partnership £m	West Quay Limited Partnership £m	Retail Property Holdings Limited £m	SCI RC Aulnay £m	SCI ESQ £m	Other £m	Total 2012 £m
Non-current assets												
Investment and development properties at valuation	361.7	269.2	307.6	265.7	107.8	262.3	244.8	169.2	88.7	53.4	102.5	**2,232.9**
Interests in leasehold properties	-	7.3	-	-	-	-	2.1	-	-	-	0.4	**9.8**
Receivables	-	-	-	-	-	-	-	0.1	-	-	-	**0.1**
	361.7	276.5	307.6	265.7	107.8	262.3	246.9	169.3	88.7	53.4	102.9	**2,242.8**
Current assets												
Assets held for sale	-	-	-	-	-	-	-	-	-	-	138.8	**138.8**
Other current assets	14.2	1.6	2.0	1.8	1.8	3.1	1.6	2.3	1.2	0.5	4.2	**34.3**
Cash and deposits	0.1	6.9	4.6	4.3	2.2	5.3	5.5	1.1	1.1	1.4	1.5	**34.0**
	14.3	8.5	6.6	6.1	4.0	8.4	7.1	3.4	2.3	1.9	144.5	**207.1**
Current liabilities												
Liabilities associated with assets held for sale	-	-	-	-	-	-	-	-	-	-	(71.7)	**(71.7)**
Other liabilities	(23.9)	(7.3)	(5.9)	(4.7)	(2.0)	(8.3)	(5.3)	(4.3)	(1.3)	(0.3)	(3.8)	**(67.1)**
	(23.9)	(7.3)	(5.9)	(4.7)	(2.0)	(8.3)	(5.3)	(4.3)	(1.3)	(0.3)	(75.5)	**(138.8)**
Non-current liabilities												
Borrowings	-	-	-	-	-	-	-	-	(43.7)	-	-	**(43.7)**
Other liabilities	(0.2)	(7.4)	-	(0.1)	(0.1)	(0.2)	(2.2)	-	(5.0)	(0.7)	(0.6)	**(16.5)**
	(0.2)	(7.4)	-	(0.1)	(0.1)	(0.2)	(2.2)	-	(48.7)	(0.7)	(0.6)	**(60.2)**
Net assets	351.9	270.3	308.3	267.0	109.7	262.2	246.5	168.4	41.0	54.3	171.3	**2,250.9**

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

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

NOTES TO THE ACCOUNTS
CONTINUED

12. JOINT VENTURES (continued)
INCOME STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011

	Brent Cross[1] £m	Bristol Alliance Limited Partnership £m	Bull Ring Limited Partnership £m	Oracle Limited Partnership £m	Queensgate Limited Partnership £m	Highcross Limited Partnership £m	West Quay Limited Partnership £m	Retail Property Holdings Limited £m	SCI RC Aulnay[2] £m	SCI ESQ £m	Other £m	Total 2011 £m
Net rental income	17.2	16.0	15.0	12.0	6.2	13.2	13.1	8.8	8.7	3.0	3.8	117.0
Administration expenses	-	(0.4)	-	-	(0.1)	-	-	-	-	-	(0.1)	(0.6)
Operating profit before other net gains/(losses)	17.2	15.6	15.0	12.0	6.1	13.2	13.1	8.8	8.7	3.0	3.7	116.4
Other net gains/(losses)	7.6	3.0	15.3	18.9	(0.7)	(3.1)	9.4	1.4	0.5	2.5	5.6	60.4
Net finance costs	-	(0.4)	-	-	-	0.1	(0.2)	-	(3.1)	-	-	(3.6)
Profit before tax – continuing operations	24.8	18.2	30.3	30.9	5.4	10.2	22.3	10.2	6.1	5.5	9.3	173.2
Profit before tax – discontinued operations	-	-	-	-	-	-	-	-	-	-	20.7	20.7
Profit before tax	24.8	18.2	30.3	30.9	5.4	10.2	22.3	10.2	6.1	5.5	30.0	193.9

BALANCE SHEETS AS AT 31 DECEMBER 2011

	Brent Cross[1] £m	Bristol Alliance Limited Partnership £m	Bull Ring Limited Partnership £m	Oracle Limited Partnership £m	Queensgate Limited Partnership £m	Highcross Limited Partnership £m	West Quay Limited Partnership £m	Retail Property Holdings Limited £m	SCI RC Aulnay[2] £m	SCI ESQ £m	Other £m	Total 2011 £m
Non-current assets												
Investment and development properties at valuation	357.6	298.5	304.6	262.7	108.2	274.1	241.8	168.6	91.3	52.4	284.8	2,444.6
Interests in leasehold properties	-	7.3	-	-	-	-	2.1	-	-	-	1.0	10.4
Receivables	-	-	-	-	-	-	-	-	-	-	1.8	1.8
	357.6	305.8	304.6	262.7	108.2	274.1	243.9	168.6	91.3	52.4	287.6	2,456.8
Current assets												
Other current assets	7.5	1.7	1.7	1.6	1.7	3.3	1.8	1.0	1.1	0.4	5.4	27.2
Cash and deposits	0.1	8.2	4.3	6.6	2.5	4.9	4.5	2.2	0.2	1.9	5.9	41.3
	7.6	9.9	6.0	8.2	4.2	8.2	6.3	3.2	1.3	2.3	11.3	68.5
Current liabilities												
Other liabilities	(16.2)	(8.3)	(6.4)	(6.0)	(1.3)	(8.3)	(5.0)	(3.2)	(1.9)	(0.9)	(6.1)	(63.6)
	(16.2)	(8.3)	(6.4)	(6.0)	(1.3)	(8.3)	(5.0)	(3.2)	(1.9)	(0.9)	(6.1)	(63.6)
Non-current liabilities												
Borrowings	-	-	-	-	-	-	-	-	(44.9)	-	(64.9)	(109.8)
Other liabilities	(0.3)	(7.4)	-	(0.1)	-	(0.2)	(2.1)	-	(3.0)	-	(6.4)	(19.5)
	(0.3)	(7.4)	-	(0.1)	-	(0.2)	(2.1)	-	(47.9)	-	(71.3)	(129.3)
Net assets	348.7	300.0	304.2	264.8	111.1	273.8	243.1	168.6	42.8	53.8	221.5	2,332.4

[1] Includes Brent Cross Shopping Centre and Brent South Shopping Park.
[2] Reflects the Group's partial sale in October 2011 of 24% of the joint venture.

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

NOTES TO THE ACCOUNTS
CONTINUED

13. OTHER INVESTMENTS

	Value Retail PLC and associated entities ('VR') £m	Other investments £m	Total £m
Balance at 1 January 2012	214.0	1.1	215.1
Exchange adjustment	(1.6)	-	(1.6)
Acquisitions	79.7	0.3	80.0
Other additions*	15.2	-	15.2
Total additions	94.9	0.3	95.2
Revaluation	74.4	-	74.4
Transfer to associate (note 11C)	(381.7)	-	(381.7)
Balance at 31 December 2012	**-**	**1.4**	**1.4**

* Following the transition to equity accounting for the Group's interest in VR, certain balances have been reclassified. Other additions comprise £4.7 million preferred returns previously recognised in receivables and £10.5 million of advanced distributions for which the liability was previously included within investments but which is now recognised within other non-current payables.

Prior to 21 August 2012, the Group had concluded that it did not have significant influence over any of the investments in Value Retail PLC and associated entities as, despite holding certain limited voting rights, the Group had no means to influence financial and operating policies through its voting rights or otherwise. The interests were therefore classified as available for sale investments.

On 21 August 2012, the Group acquired additional stakes in the sponsor entities of Bicester Investors Limited Partnership, Bicester Investors II LP, VR European Holdings BV and Value Retail PLC, increasing its interest in these Value Retail holding companies to 22%. These investments have been equity accounted from the date of acquisition of the additional stakes, and disclosed as Investment in Associate (see note 11), as the Group has significant influence through its ownership interest from this date. In addition to the interests in the holding companies, the Group has non-equity interests of differing proportions in the entities which own VR's outlet Villages. When aggregated the Group's share of VR's operating profit before other net gains amounts to 29.1% for the period ended 31 December 2012.

14. RECEIVABLES: NON-CURRENT ASSETS

	2012 £m	2011 £m
Loans receivable	**47.0**	52.6
Other receivables	**1.1**	3.1
Fair value of interest rate swaps	**18.5**	-
	66.6	55.7

Loans receivable comprises a loan of €58 million (£47.0 million) to VR European Holdings BV bearing interest at 11% and maturing on 22 August 2016. This loan is classified as available for sale. At 31 December 2011, loans receivable comprised a loan to Value Retail PLC of €28 million (£23.4 million), and £29.2 million representing a loan of €30 million plus accumulated interest to SCI Quantum, the purchaser in 2009 of a property in France. This loan was repaid in July 2012.

15. RECEIVABLES: CURRENT ASSETS

	2012 £m	2011 £m
Trade receivables	**53.2**	42.6
Other receivables	**38.6**	47.4
Corporation tax	**0.2**	0.2
Prepayments	**10.7**	6.5
Fair value of currency swaps	**-**	15.0
	102.7	111.7

Trade receivables are shown after deducting a provision for bad and doubtful debts of £13.2 million (2011: £12.4 million). The movement in the provision during the year was recognised entirely in the income statement.

NOTES TO THE ACCOUNTS
CONTINUED

16. CASH AND DEPOSITS

	Total £m	**Associated with assets held for sale £m**	**2012 As stated on balance sheet £m**	2011 £m
Cash at bank	**54.4**	**(9.3)**	**45.1**	61.2
Short-term deposits	**12.0**	**-**	**12.0**	39.5
	66.4	**(9.3)**	**57.1**	100.7
Currency profile				
Sterling	**52.6**	**(9.3)**	**43.3**	76.7
Euro	**13.8**	**-**	**13.8**	24.0
	66.4	**(9.3)**	**57.1**	100.7

17. PAYABLES: CURRENT LIABILITIES

	2012 £m	2011 £m
Trade payables	**36.3**	23.1
Other payables	**132.3**	147.0
Accruals	**25.3**	23.2
Deferred income	**49.8**	51.1
	243.7	244.4

18. BORROWINGS

A. MATURITY

	Total £m	**Associated with assets held for sale £m**	**2012 As stated on balance sheet £m**	2011 £m
After five years	**1,142.4**	**-**	**1,142.4**	742.5
From two to five years	**799.7**	**(62.0)**	**737.7**	985.4
From one to two years	**1.3**	**(1.3)**	**-**	251.3
Due after more than one year	**1,943.4**	**(63.3)**	**1,880.1**	1,979.2
Due within one year	**159.3**	**(1.3)**	**158.0**	100.7
	2,102.7	**(64.6)**	**2,038.1**	2,079.9

B. ANALYSIS

	2012 £m	2011 £m
Unsecured		
£200 million 7.25% Sterling bonds due 2028	**197.9**	197.8
£300 million 6% Sterling bonds due 2026	**297.1**	297.0
£250 million 6.875% Sterling bonds due 2020	**247.9**	247.7
€500 million 2.75% Euro bonds due 2019	**401.2**	-
£300 million 5.25% Sterling bonds due 2016	**298.7**	298.3
€480 million (2011: €700 million) 4.875% Euro bonds due 2015	**388.9**	583.8
Bank loans and overdrafts	**151.6**	345.5
	1,983.3	1,970.1
Fair value of currency swaps	**11.1**	(15.0)
	1,994.4	1,955.1
Secured		
Euro variable rate mortgage due 2016	**43.7**	44.9
Sterling variable rate mortgage due 2015*	**64.6**	64.9
	2,102.7	2,064.9

* Associated with assets held for sale.

Security for secured euro and sterling borrowings at 31 December 2012 is provided by a first legal charge on two properties, for which the Group's share of the carrying value was £99.3 million and £131.6 million respectively.

NOTES TO THE ACCOUNTS
CONTINUED

18. BORROWINGS (Continued)

C. UNDRAWN COMMITTED FACILITIES

	2012 £m	2011 £m
Expiring within one year	**-**	90.0
Expiring after more than two years	**630.0**	505.0
	630.0	595.0

D. INTEREST RATE AND CURRENCY PROFILE

			Fixed rate borrowings	**Other variable rate borrowings**	**2012 Total**
	%	**Years**	**£m**	**£m**	**£m**
Sterling	**6.4**	**13**	**555.8**	**357.9**	**913.7**
Euro	**4.1**	**4**	**1,137.8**	**51.2**	**1,189.0**
	4.8	**7**	**1,693.6**	**409.1**	**2,102.7**

			Fixed rate borrowings	Other variable rate borrowings	2011 Total
	%	Years	£m	£m	£m
Sterling	6.2	9	1,201.5	(226.5)	975.0
Euro	4.9	3	625.0	464.9	1,089.9
	5.5	7	1,826.5	238.4	2,064.9

The analysis above reflects the effect of currency and interest rate swaps in place at 31 December 2012 and 2011.

19. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

	2012 Book value £m	**2012 Fair value £m**	2011 Book value £m	2011 Fair value £m
Borrowings, excluding currency swaps	**2,091.6**	**2,381.1**	2,079.9	2,229.6
Currency swaps	**11.1**	**11.1**	(15.0)	(15.0)
Total	**2,102.7**	**2,392.2**	2,064.9	2,214.6
Interest rate swaps	**(11.6)**	**(11.6)**	10.6	10.6

Financial instruments associated with assets held for sale included in above table

Borrowings, excluding currency swaps	**64.6**	**64.6**	-	-
Interest rate swaps	**3.0**	**3.0**	-	-

At 31 December 2012, the fair value of financial instruments exceeded their book value by £289.5 million (2011: £149.7 million) equivalent to 41 pence per share (2011: 21 pence per share) on an EPRA net asset value per share basis. The increase, compared with 31 December 2011 principally reflected the increase in the market values of the Company’s bonds caused by a reduction in yields and underlying interest rates.

During the year floating rate reset bonds of £100 million nominal value were redeemed at fair value of £141.7 million, resulting in an exceptional finance cost of £41.7 million which is included in net finance costs (note 4).

20. PAYABLES: NON-CURRENT LIABILITIES

	2012 £m	2011 £m
Net pension liability	**29.7**	30.0
Other payables	**30.5**	23.1
Fair value of interest rate swaps	**3.9**	10.6
	64.1	63.7

21. SHARE CAPITAL

	2012 £m	2011 £m
Called up, allotted and fully paid	**178.2**	178.2

Ordinary shares of 25p each	**Number**
Movements in issued share capital	
Number of shares in issue at 1 January 2012	712,615,209
Share options exercised – Executive Share Option Scheme	13,648
Share options exercised – Savings-related Share Option Scheme	202,102
Number of shares in issue at 31 December 2012	712,830,959

22. INVESTMENT IN OWN SHARES

At cost	**2012 £m**	2011 £m
Balance at 1 January	**1.8**	4.0
Transfer from treasury shares	**4.7**	3.4
Purchase of own shares	**3.4**	-
Cost of shares awarded to employees	**(3.9)**	(5.6)
Balance at 31 December	**6.0**	1.8

23. TREASURY SHARES

At cost	**2012 £m**	2011 £m
Balance at 1 January	**4.7**	3.4
Transfer to investment in own shares	**(4.7)**	(3.4)
Purchase of treasury shares	**-**	4.7
Balance at 31 December	**-**	4.7

24. ADJUSTMENT FOR NON-CASH ITEMS IN THE CASH FLOW STATEMENT

	2012 £m	2011 £m
Amortisation of lease incentives and other costs	**7.3**	6.6
Increase in accrued rents receivable	**(0.5)**	(5.5)
Non-cash items included within net rental income*	**6.8**	1.1
Depreciation	**1.5**	1.7
Share-based employee remuneration	**4.9**	4.0
Exchange and other items	**0.8**	(4.1)
	14.0	2.7

* Consists of £8.3 million (2011: £1.3 million) relating to continuing operations offset by £1.5 million (2011: £0.2 million) relating to discontinued operations (see note 3A).

25. CONTINGENT LIABILITIES

There are contingent liabilities of £32.1 million (2011: £42.9 million) relating to guarantees given by the Group and a further £29.2 million (2011: £33.5 million) relating to claims against the Group arising in the normal course of business, which are considered to be unlikely to crystallise. Hammerson's share of contingent liabilities arising within joint ventures, which is included in the figures shown above, is £14.0 million (2011: £11.4 million).

OTHER INFORMATION

DIRECTORS

John Nelson*	Chairman
David Atkins	Chief Executive
Gwyn Burr*	
Peter Cole	
Timon Drakesmith	
Terry Duddy*	
Jacques Espinasse*	
Judy Gibbons*	
John Hirst*	
Jean-Philippe Mouton	
David Tyler*	
Tony Watson* CBE	Senior Independent Director

*Non-Executive Director

GENERAL COUNSEL AND COMPANY SECRETARY
Sarah Booth

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WEBSITE
The most recent Annual Report and other information are available on the Company's website, www.hammerson.com. The Company operates a service whereby all registered users can choose to receive, via e-mail, notice of all Company announcements which can be viewed on the website.

UK REIT TAXATION
As a UK REIT, Hammerson plc is exempted from corporation tax on rental income and gains on UK investment properties but is required to pay Property Income Distributions (PIDs). UK shareholders will be taxed on PIDs received at their full marginal tax rates. A REIT may in addition pay normal dividends.

The 2012 final dividend is being paid partly as a PID to enable the Company to meet its PID obligations, and partly as a normal dividend. For most shareholders, PIDs will be paid after deducting withholding tax at the basic rate. However, certain categories of shareholder are entitled to receive PIDs without withholding tax, principally UK resident companies, UK public bodies, UK pension funds and managers of ISAs, PEPs and Child Trust Funds. Hammerson's website includes a form to be used by shareholders to certify if they qualify to receive PIDs without withholding tax. Further information on UK REITs is available on the Company's website.

DIVIDEND REINVESTMENT PLAN (DRIP)
Shareholders can reinvest dividend payments in additional shares in Hammerson under the DRIP operated by the Company's Registrar by completing an application form online at www.capitashareportal.com or calling Capita IRG Trustees:
Tel: 0871 664 0381 (from the UK calls cost 10p per minute plus network extras) or +44 (0) 20 8639 3402 (from overseas)
email: shares@capitaregistrars.com.

The DRIP will continue to be available to those shareholders who have already completed an application form and such shareholders should take no action unless they wish to receive their dividend in cash, in which case they should contact Capita Registrars to cancel their instruction.

ADVISERS
J.P. Morgan Cazenove and Deutsche Bank are joint broker and financial adviser to the Company, and Lazard is its financial adviser.

FINANCIAL CALENDAR

Ex-dividend date	3 April 2013
Record date	5 April 2013
Election date for DRIP	19 April 2013
Final dividend payable	14 May 2013

A copy of this announcement will be submitted to the National Storage Mechanism and will shortly be available at www.hemscott.com/nsm.do.

GLOSSARY OF TERMS

Adjusted figures (per share)	Reported amounts adjusted to exclude certain items as set out in note 8 to the accounts.
Anchor store	A major store, usually a department, variety or DIY store or supermarket, occupying a large unit within a shopping centre or retail park, which serves as a draw to other retailers and consumers.
Average cost of borrowing	The cost of finance expressed as a percentage of the weighted average of borrowings during the period.
Capital return	The change in property value during the period after taking account of capital expenditure and exchange translation movements, calculated on a monthly time-weighted basis.
DTR	Disclosure and Transparency Rules, issued by the United Kingdom Listing Authority.
Dividend cover	Adjusted earnings per share divided by dividend per share.
Earnings per share (EPS)	Profit for the period attributable to equity shareholders divided by the average number of shares in issue during the period.
EBITDA	Earnings before interest, tax, depreciation and amortisation.
EPRA	European Public Real Estate Association. This organisation has issued recommended bases for the calculation of earnings per share and net asset value per share.
Equivalent yield (true and nominal)	The capitalisation rate applied to future cash flows to calculate the gross property value. The cash flows reflect the timing of future rents resulting from lettings, lease renewals and rent reviews based on current ERVs. The true equivalent yield assumes rents are received quarterly in advance. The nominal equivalent yield assumes rents are received annually in arrears. The property true and nominal equivalent yields are determined by the Group's external valuers.
ERV	The estimated market rental value of the total lettable space in a property, after deducting head and equity rents, calculated by the Group's external valuers.
Gearing	Net debt expressed as a percentage of equity shareholders' funds.
Gross property value	Property value before deduction of purchaser's costs, as provided by the Group's external valuers.
Gross rental income	Income from rents, car parks and commercial income, after accounting for the net effect of the amortisation of lease incentives.
IAS	International Accounting Standard.
IASB	International Accounting Standards Board.
IFRS	International Financial Reporting Standard.
Initial yield	Annual cash rents receivable (net of head and equity rents and the cost of vacancy, and, in the case of France, net of an allowance for costs of approximately 5.2%, primarily for management fees), as a percentage of gross property value, as provided by the Group's external valuers. Rents receivable following the expiry of rent-free periods are not included. Rent reviews are assumed to have been settled at the contractual review date at ERV.
Interest cover	Net rental income divided by net cost of finance before capitalised interest and change in fair value of derivatives.
Interest rate or currency swap (or derivatives)	An agreement with another party to exchange an interest or currency rate obligation for a pre-determined period of time.
IPD	Investment Property Databank. An organisation supplying independent market indices and portfolio benchmarks to the property industry.
Like-for-like/underlying net rental income	The percentage change in net rental income for completed investment properties owned throughout both current and prior periods, after taking account of exchange translation movements.

GLOSSARY OF TERMS

CONTINUED

Net asset value per share (NAV)	Equity shareholders’ funds divided by the number of shares in issue at the balance sheet date.
Net rental income	Income from rents, car parks and commercial income, after deducting head and equity rents payable, and other property related costs.
Occupancy rate	The ERV of the area in a property, or portfolio, excluding developments, which is let, expressed as a percentage of the total ERV of that property or portfolio.
Over-rented	The amount by which the ERV falls short of rents passing, together with the estimated rental value of vacant space.
Pre-let	A lease signed with a tenant prior to the completion of a development.
Property Income Distribution (PID)	A dividend, generally subject to withholding tax, that a UK REIT is required to pay from its tax-exempt property rental business and which is taxable for UK-resident shareholders at their marginal tax rate.
REIT	Real Estate Investment Trust. A tax regime which in the UK exempts participants from corporation tax both on UK rental income and gains arising on UK investment property sales, subject to certain requirements.
Rents passing or passing rents	The annual rental income receivable from an investment property, after any rent-free periods and after deducting head and equity rents. This may be more or less than the ERV (see over-rented and reversionary or under-rented).
Return on shareholders’ equity (ROE)	Capital growth and profit for the period expressed as a percentage of equity shareholders’ funds at the beginning of the period, all excluding deferred tax and certain non-recurring items.
Reversionary or under-rented	The amount by which the ERV exceeds the rents passing, together with the estimated rental value of vacant space.
Scrip dividend	A dividend received in the form of shares.
SIIC	Sociétés d’Investissements Immobiliers Côtées. A French tax-exempt regime available to property companies listed in France.
Total development cost	All capital expenditure on a development project, including capitalised interest.
Total return	Net rental income and capital return expressed as a percentage of the opening book value of property adjusted for capital expenditure and exchange translation movements, calculated on a monthly time-weighted basis.
Total shareholder return	Dividends and capital growth in the share price, expressed as a percentage of the share price at the beginning of the year.
Turnover rent	Rental income which is related to an occupier’s turnover.
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 ERV of that property or portfolio.
Yield on cost	Rents passing expressed as a percentage of the total development cost of a property.