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Hammerson PLC

Directors' Report and Financial Statements 2002

Directors' Report and Financial Statements

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Financial Review

PROFIT AND LOSS ACCOUNT

Net rental income was £175.9 million in 2002 compared with £159.9 million in 2001. Within net rental income, £3.8 million related to turnover rent and there was £2.5 million of accrued rent receivable allocated to rent free periods.

An analysis of net rental income is shown below:

	2002 £m	2001 £m
Properties owned throughout 2001 and 2002	**152.2**	139.1
Acquisitions	**15.6**	0.3
Developments	**3.4**	0.4
Properties sold	**4.7**	21.4
Exchange translation and other	**–**	(1.3)
	175.9	159.9

Administration expenses in 2002 included one-off rationalisation costs of £2.6 million following the acquisition of Grantchester Holdings PLC. Excluding this, costs rose by £3.4 million compared with 2001, primarily due to increased staff costs, which included additional pension expenses. The UK defined benefit pension scheme was closed to new employees with effect from 1 January 2003.

Management fees of £2.8 million were received in 2002 for asset and development management services provided to the group's joint ventures, an increase of £0.9 million on the fees for 2001.

The group's net financing costs were £66.0 million in 2002 compared with £67.6 million in 2001. The latter figure included £3.3 million relating to the redemption of the group's £110 million convertible bonds. Interest capitalised was £24.6 million in 2002, compared with £19.1 million in 2001, the increase reflecting capital expenditure on the development programme. The average cost of borrowing was 6.1% compared with 6.4% in 2001. Interest cover remained at 1.9 times.

Profit before tax was £90.9 million, including profits on the sale of investment properties of £5.3 million. In 2001, profit before tax was £69.1 million after charging exceptional items of £8.2 million. Adjusted profit before tax, excluding exceptional items, was £85.6 million, compared with £77.3 million in 2001, an increase of 10.7%.

The tax charge in 2002 was £13.6 million, of which £11.1 million was deferred tax. The current tax charge of £2.5 million compared with a charge of £7.9 million in 2001, and represented an effective tax rate of 2.8%. The low tax rate was principally due to the tax reliefs available from previous years and offset against UK tax payable in 2002.

Earnings per share for 2002 were 27.1 pence. Adjusted earnings per share, after excluding profits on disposals and deferred tax, were 29.2 pence compared with 24.3 pence in 2001, an increase of 20.2%.

A final dividend of 10.99 pence per share is proposed which, together with the interim dividend of 4.81 pence per share, makes a total of 15.8 pence per share for the year. This represents an increase of 6.5% over the total dividend for 2001.

CASH FLOW

Cash flow from operating activities was £148 million, with the increase of £13 million compared to 2001 attributable to increased rental income. This increase was largely offset by additional interest on the financing of acquisitions and development expenditure.

The cash outflow on acquisitions and other capital expenditure was £668 million, whilst £520 million was realised from disposals. After paying dividends of £42 million there was a cash outflow in 2002 of £132 million.

Financial Review

BALANCE SHEET

At 31 December 2002, Hammerson's portfolio was valued at £3,908 million, compared with £3,488 million at the end of 2001. The increase of £420 million reflected additional net investment of £361 million after disposals, a revaluation deficit of £19 million and a favourable exchange movement of £78 million.

The development portfolio was valued at £468 million, £9 million above cost. Developments are shown at a valuation that is discounted for the estimated costs to complete, including interest, and a profit margin that a potential purchaser might apply. The group does not intend to dispose of any of its developments prior to their completion, and management believes that additional surpluses will be achieved.

A total of five million shares were purchased and cancelled in 2002 at an average price of 501 pence and a total cost of £25 million, increasing net asset value per share by 4 pence.

The group's net assets at 31 December 2002 amounted to £2,040 million, after allowing for deferred tax of £35 million, little changed from the previous year.

Adjusted net asset value per share, after excluding deferred tax, increased by 21 pence or 2.9% to 752 pence at the year end. Of this increase, retained earnings contributed 16 pence, offsetting a reduction of 7 pence due to the portfolio revaluation, the impact of share purchases was 4 pence, and exchange and other movements contributed 8 pence.

BORROWINGS

At the end of 2002, the group's borrowings were £1,883 million. In June 2002 Hammerson arranged a new £215 million five year committed borrowing facility with a syndicate of leading international banks. Undrawn committed facilities were £294 million.

The weighted average maturity of borrowings at 31 December 2002 was approximately eight years, with 34% maturing after ten years and 90% of debt was unsecured. Secured borrowings of £197 million were assumed on the purchase of Grantchester and, since the year end, £84 million of these have been repaid and cancelled.

Cash and deposits were £242 million, and net debt was therefore £1,642 million. Gearing at 31 December 2002 was 80% compared with 65% at the end of 2001. The group is advancing a number of property disposals which will have the effect of reducing the level of gearing.

The market value of borrowings at the year end was £2,002 million, some £118 million greater than the book value, and equivalent to 30 pence per share after tax. During the year, the margin above gilts of Hammerson's long-dated sterling bonds remained broadly constant but long term gilt yields reduced by 40 basis points. Also, in continental Europe, medium term government bond yields reduced by 80 basis points. The combination of these had the effect of increasing the market value of debt by £54 million.

RETURN ON SHAREHOLDERS' EQUITY

At 4.3%, Hammerson's return on shareholders equity was below the group's estimated cost of equity of 7.2%. The principal reason for this was the small decline in the value of the portfolio.

TREASURY

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

The treasury department operates as a cost centre and not as a profit centre and there are internal controls to ensure that no transactions can be undertaken on a speculative basis. Regular reports are produced, which enable management to monitor and control treasury activities closely.

Policies and practices followed to achieve these objectives are as follows:

- **Debt management**

  The group aims to borrow on an unsecured basis on the strength of its covenant to maintain operational flexibility. Management arranges the group's borrowings to ensure an appropriate maturity profile and maintain short term liquidity. Acquisitions may be financed initially using short term funds before being refinanced for the longer term when market conditions are most appropriate. Short term funding is principally raised through syndicated revolving credit facilities from a range of banks and financial institutions with whom Hammerson maintains strong working relationships. Medium and long term debt mainly comprises the group's fixed rate unsecured bonds.

TREASURY (continued)

- **Interest rate management**

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

- **Foreign currency management**

  The impact of foreign exchange movements is managed by financing the cost of acquiring foreign currency denominated assets with foreign currency borrowings. The group borrows in euros as well as using currency swaps as an alternative means of matching foreign currency assets with foreign currency liabilities.

- **Profit and loss account and balance sheet management**

  The group operates internal guidelines for interest cover and gearing. Management monitors the group's current and projected financial position against these guidelines.

- **Cash management**

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

FINANCIAL REPORTING

FRS 19 "Deferred tax" has been adopted for the year to 31 December 2002, and consequently full provision has been made for the possible recovery of tax relief received on capital allowances, tax depreciation and capitalised interest. In practice, the group does not normally pay tax on these items when properties are sold, and accordingly it reports net assets per share and earnings per share adjusted to exclude deferred tax.

Corporate Governance

A summary of the system of governance adopted by the Company is set out below. Throughout the year ended 31 December 2002, the Company has complied with the Code provisions set out in section 1 of the Combined Code on Corporate Governance issued by the Financial Services Authority.

BOARD OF DIRECTORS

The Board operates within the terms of its written authorities and consists of the Chairman, five executive and four non-executive directors who meet not less than ten times during the year. The roles and responsibilities of the Chairman, Chief Executive, executive directors and non-executive directors are clearly defined. An appropriate programme enables newly appointed directors to familiarise themselves with the Company's business. The Board has ultimate responsibility for Hammerson's overall strategy, acquisition and divestment policy, internal control, approval of major capital expenditure projects, treasury and risk management policies, the raising of finance and corporate governance. Information is supplied to the Board in a manner which enables the Board to fulfil its responsibilities. All directors are kept informed of changes in relevant legislation and changing commercial risks.

All directors have access to independent professional advice and to the advice and services of the Company Secretary who is responsible to the Board for ensuring that board procedures are followed and that the Company and the Board operate within applicable legislation, rules and regulations.

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

R R Spinney, formerly the Chief Executive, was appointed non-executive Chairman in 1999. The non-executive directors, each of whom is independent from management and has no commercial or other connection with the Company, are able to exercise independent judgement. Their experience, gained from varied commercial backgrounds, enables them to make a valuable contribution to the Company.

G F Pimlott, as Deputy Chairman, acts as the senior independent non-executive director, as defined in the Code.

STANDING COMMITTEES OF THE BOARD

The Board has Audit, Remuneration and Nomination Committees, each of which has written terms of reference which are regularly reviewed and which deal clearly with their authorities and duties. Each of these committees is comprised of non-executive directors of the Company. Details of these committees are set out below:

a) Audit Committee

The Audit Committee, comprising G F Pimlott (Chairman), F B Charnock and J C Clare, meets at least three times a year. It reviews matters affecting Hammerson's internal controls and their effectiveness and, on an annual basis, external audit arrangements, including the level of fees and the independence and objectivity of the auditors, the merits of establishing an internal audit function and the provision of non-audit services to the Company by the external auditors. It also reviews the interim and full year financial statements prior to their submission to the Board, the application of the Company's accounting policies, any changes to financial reporting requirements and such other related matters as the Board may require. Senior representatives of the external auditors and executive directors may be invited to attend the meetings.

b) Remuneration Committee

The Remuneration Committee, comprising F B Charnock (Chairman), R J O Barton and G F Pimlott, meets to review the terms and conditions of employment of the executive directors and senior staff. The report of the Remuneration Committee is given on pages 12 to 17. The Chairman and the Chief Executive may be invited to attend the meetings.

c) Nomination Committee

The Nomination Committee comprises R R Spinney (Chairman), R J O Barton and G F Pimlott. It meets as necessary to review and recommend to the Board the appointment of all directors and to ensure appropriate succession.

F B Charnock, who is retiring at the forthcoming annual general meeting, will cease to be a member of the Audit and Remuneration Committees on 8 May 2003. On that date, R J O Barton will become a member of the Audit Committee and Chairman of the Remuneration Committee and J C Clare will become a member of the Remuneration Committee.

EXTERNAL AUDITORS

The audit partner responsible for the Company's audit matters is changed every five years in accordance with the current applicable guidance of the Institute of Chartered Accountants in England and Wales.

In forming their opinion on the independence and objectivity of the external auditors, the Audit Committee takes into account the safeguards operating within Deloitte & Touche.

Corporate Governance

EXTERNAL AUDITORS (continued)

Regard is had to the nature of and remuneration received for other services provided by Deloitte & Touche to the Company and, inter alia, confirmation is sought from them that the fee payable for the annual audit is adequate to enable them to perform their obligations in accordance with the scope of the audit.

In respect of the year ended 31 December 2002, the auditors' remuneration comprised £682,000 for audit work and £278,000 for other work.

The Audit Committee has reviewed the briefing paper on effective communication between audit committees and external auditors issued in September 2002 by the Auditing Practices Board and, having considered the recommendations of the briefing paper with the external auditors, has concluded that the relationship between the Audit Committee and Deloitte & Touche is in accordance with the objectives contained in the briefing paper.

TRUSTEES OF THE PENSION SCHEME

The Company's principal pension scheme, The Hammerson Group Management Limited Pension & Life Assurance Scheme, is administered by two corporate trustees. One is an independent trustee and the other is a subsidiary of the Company which has five directors, three of whom are employees, but not directors, of the Company. The Scheme's funds are invested and managed independently of the Company.

This scheme has now been closed to new entrants and a Group Personal Pension Plan has been established for new employees.

SHAREHOLDERS

The Board aims to achieve clear reporting of financial performance to all shareholders. The Chief Executive, Finance Director and other senior executives maintain a dialogue with institutional investors where appropriate.

Private shareholders are invited to ask questions at the Company's Annual General Meeting and meet the directors informally after the meeting. The number of proxy votes cast in resolutions is announced at the Annual General Meeting.

INTERNAL CONTROL

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

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

The group has established, and the Board regularly reviews, its risk management procedures and the procedures necessary to enable the directors to report on internal controls in compliance with the Code. The risk management procedures involve ongoing analysis, evaluation and management of the key risks to the group. The Board has allocated responsibility for the management of each key risk to executive directors and senior executives within the group who report on these risks to the Board. Any recommendations arising from such reports and reviews are implemented under the supervision of the Board.

The other key elements of the group's system of internal control are as follows:

- Regular meetings of the Board and the Audit Committee whose overall responsibilities are set out above.
- A management structure that is designed to enable effective decision making with clearly defined responsibilities and limits of authority. An important part of this structure is a twice monthly meeting of the executive directors.
- The maintenance of operational control manuals setting out a control framework for management to operate within and containing guidance and procedures for the group's operations.
- The measurement of the group's financial performance on a regular basis against budgets and long term financial plans.

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

By Order of the Board

S J Haydon
Secretary

13 March 2003

Directors' Responsibilities

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

The directors are required by United Kingdom company law to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and the group as at the end of the financial year and of the profit or loss of the group for the financial year.

The directors ensure that, in preparing the financial statements, suitable accounting policies have been consistently applied, reasonable and prudent judgements and estimates made, applicable accounting standards followed and that it is appropriate to use the going concern basis.

The directors are responsible for maintaining proper accounting records so as to enable them to comply with the Companies Act 1985. They are also responsible for the system of internal control, for safeguarding the assets of the group and for taking all reasonable steps to prevent and detect fraud and other irregularities.

Directors' Report

The directors submit their Report and the audited financial statements for the year ended 31 December 2002.

1. *RESULTS FOR THE YEAR*

The results for the year are set out in the consolidated profit and loss account on page 19.

2. *DIVIDENDS*

The directors recommend a final dividend of 10.99 pence per share which, together with the interim dividend paid on 1 November 2002, will make a total dividend for the year of 15.8 pence (2001: 14.84 pence). It is intended that warrants in respect of the final dividend will be posted on 14 May 2003 for payment on 15 May 2003 to shareholders on the register at the close of business on 7 March 2003.

3. *PRINCIPAL ACTIVITIES AND FUTURE PROSPECTS*

The principal activities of the Company have continued to be property investment and development. The Annual Review and Summary Financial Statements should be read in conjunction with this report.

4. *FIXED ASSETS*

Changes in tangible fixed assets during the year are set out in notes 10 and 11 to the financial statements on page 33, whilst details of Hammerson's property portfolio are provided on pages 48 to 56.

5. *SHARE CAPITAL*

Changes in the Company's share capital are set out in note 20 to the financial statements on pages 40 and 41. On 31 December 2002 there were 275,951,054 ordinary shares of 25 pence each in issue.

6. *GOING CONCERN*

After making appropriate enquiries, the directors have a reasonable expectation that the Company has the resources to continue in business for the foreseeable future. Therefore, the financial statements have been prepared on the going concern basis.

7. *SUBSTANTIAL INTERESTS IN THE SHARE CAPITAL OF THE COMPANY*

At 5 March 2003 the following substantial interests in the issued share capital of the Company had been notified:

	Ordinary shares of 25p each	Percentage of total issued capital
Standard Life Investments	59,280,839	21.48%
Stichting Pensionenfonds ABP	14,331,973	5.19%
Prudential plc	11,263,469	4.08%
Legal & General Group PLC	9,075,733	3.29%
Barclays PLC	8,873,815	3.21%

8. *DIRECTORS*

The directors of the Company, each of whom served throughout the year, are: R R Spinney, G F Pimlott, R J G Richards, R J O Barton, J A Bywater, F B Charnock, J C Clare, P W B Cole, G Devaux and S R Melliss.

G F Pimlott and P W B Cole retire by rotation and offer themselves for re-election. F B Charnock, who also retires by rotation, is not seeking re-election. G F Pimlott is a member of the Remuneration Committee and Chairman of the Audit Committee.

R J G Richards, J A Bywater, P W B Cole and S R Melliss have service agreements with the Company. G Devaux's appointment is governed by a deed of appointment. The appointments of the non-executive directors, including the Chairman, are governed by letters of appointment. Details of the service agreements and the letters of appointment are set out in paragraph 4 of the Remuneration Report on page 15. Details of the directors' interests in the share capital of the Company are set out in paragraph 9 below.

Biographical details of the directors are shown on pages 4 and 5 of the Annual Review and Summary Financial Statements.

9. *DIRECTORS' INTERESTS*

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

	31 December 2002	1 January 2002
R R Spinney	**44,915**	44,915
G F Pimlott	**7,000**	7,000
R J G Richards	**2,051**	2,051
R J O Barton	**9,000**	9,000
J A Bywater	**650**	650
F B Charnock	**7,743**	7,743
J C Clare	**2,000**	2,000
P W B Cole	**1,000**	1,000
G Devaux	**1,000**	1,000
S R Melliss	**647**	647

In addition, as beneficiaries under the discretionary trust which holds shares to satisfy awards under the Hammerson plc Deferred Share Plan, each of R J G Richards, J A Bywater, P W B Cole, G Devaux and S R Melliss had an interest on 31 December 2002 in the 700,000 shares held by that trust (1 January 2002: 700,000). Between 1 January and 5 March 2003, the directors' interests above have remained unchanged.

10. *DIRECTORS' REMUNERATION*

Details of the remuneration and share options of each of the directors are set out in the Remuneration Report on pages 12 to 17.

11. *DONATIONS*

During the year Hammerson made charitable donations in the United Kingdom of £64,510. Under the Company's charitable donations policy, donations are made to a variety of social, medical and arts charities and to charities in localities where the Company owns property. In addition to these charitable donations, the Company provides financial assistance to other projects of benefit to the community. Political donations are not made.

The Birmingham Alliance, which is developing the Bullring in Birmingham, has agreed to make a charitable donation of £1,875,000 to St. Martin's Church in Birmingham, to which the Company will contribute a total of £625,000. During 2002, the Company contributed £278,000 of this amount, having previously contributed £213,669 in 2000.

12. *CREDITOR PAYMENT POLICY*

It is the Company's policy and practice that the terms of payment to suppliers are agreed in advance of the supply of any goods and services and that payments are made in accordance with those terms and conditions provided that the supplier has also complied with them. At 31 December 2002, the Company had 27 days' (2001: 24 days') purchases outstanding.

13. DIRECTORS' AUTHORITY TO ALLOT SHARES

Section 80 of the Companies Act 1985 provides that the authority of the directors to allot relevant securities shall be subject to the approval of shareholders in general meeting. Resolution 8 in the Notice of Annual General Meeting will be proposed to authorise the directors to allot up to a maximum aggregate nominal amount of £23,207,352 of shares of the Company (representing approximately 34% of the issued share capital of the Company) subject to the terms of the resolution. Except for the purpose of satisfying an exercise of options under the Company's share option schemes, the directors have no present intention of issuing any part of the authorised but unissued share capital of the Company. This authority will expire at the conclusion of the next Annual General Meeting.

The Companies Act 1985 also provides that any equity shares issued wholly for cash must be offered to existing shareholders in proportion to their existing holdings. This requirement may be modified by special resolution of the shareholders and such a resolution was passed at the last Annual General Meeting. Resolution 9 in the Notice of Annual General Meeting will be proposed to renew the directors' authority to allot equity shares for cash other than on a pro rata basis up to a limit of £3,449,388 in nominal amount of shares (representing 5% of the issued share capital of the Company). This authority will expire at the conclusion of the next Annual General Meeting or, if earlier, 15 months from the date of the passing of the resolution.

The authorities sought in Resolutions 8 and 9, the limitations on which have been calculated in accordance with Investor Protection Committee guidelines, will replace similar authorities which were given to the directors at the Annual General Meeting held on 9 May 2002, and which are due to expire at the forthcoming Annual General Meeting.

14. AUTHORITY FOR THE COMPANY TO PURCHASE ITS OWN SHARES

On 9 May 2002, shareholders authorised the Company to purchase a maximum of 41,714,156 of its own shares at a price not more than 5% above the middle market price of such shares for the five business days prior to any purchase taking place and not less than the nominal value of such shares. This authority is due to expire at the forthcoming Annual General Meeting.

Since 9 May 2002, to enhance net asset value per share, the Company has purchased 5,000,000 ordinary shares with a nominal value of £1,250,000 (representing 1.8% of the issued share capital on 9 May 2002) at a total cost of £25,050,836.

Shareholders' approval is being sought under resolution 10 to authorise the Company to purchase on the London Stock Exchange not more than an aggregate of 41,116,707 ordinary shares of 25 pence each being 14.9% of the issued share capital of the Company at a price not more than 5% above the middle market price of such shares for the five business days prior to any purchase taking place and not less than the nominal value of such shares. This authority will be exercised only if the Board is satisfied that such purchases are in the long term interests of shareholders.

15. AUDITORS

Deloitte & Touche are willing to be re-appointed as auditors to the Company and a resolution concerning their re-appointment will be proposed at the Annual General Meeting. Their re-appointment has been considered and recommended by the Audit Committee.

16. ANNUAL GENERAL MEETING

The Annual General Meeting will be held on Thursday 8 May 2003 at 100 Park Lane, London W1K 7AR at 10.30am. The Notice of Meeting is on pages 38 and 39 of the Annual Review and Summary Financial Statements.

By Order of the Board

S J Haydon
Secretary

13 March 2003

Corporate Responsibility

Hammerson is committed to conducting all aspects of its business to the highest standards of probity and professionalism. It recognises that it has responsibilities towards all those with whom it has dealings including its shareholders, employees, tenants, customers and suppliers. It also acknowledges its responsibilities towards the local communities in which it operates and the environment. Within the Company's risk management programme, the Board approves all policy relating to ethical, social, environmental, health and safety issues and receives regular reports on these matters so as to ensure that internal standards are met and legislation complied with. A committee, comprising senior employees from different disciplines and chaired by J A Bywater, is responsible for formulating and monitoring Corporate Responsibility policies.

BUSINESS ETHICS

All employees receive a copy of the Hammerson Code of Conduct. This makes clear the standard of behaviour expected from them in their business dealings on behalf of Hammerson and their responsibility for maintaining and enhancing the Company's reputation. It also sets out management's policy towards fraud.

Hammerson has made a commitment to all its business partners and advisers over the way in which it deals with them. In particular, it aims to be honest, professional and fair and it encourages suppliers and sub-contractors to operate according to similar principles.

SHAREHOLDERS

The Board also believes in the importance of effective communication of its stewardship of the Company's affairs. In recent years, it has taken steps to improve shareholders' understanding by publishing more information relating to its portfolio and explaining its strategy and objectives in greater detail. The Company devotes time to meeting its shareholders to explain Hammerson's business and financial performance, to answer their questions and listen to their opinions.

The Company's approach to corporate governance is set out on pages 4 and 5.

EMPLOYEES

Hammerson provides its employees with clean, healthy and safe working conditions and respects their human rights. The Company recognises the need to attract and retain employees of a high calibre and is committed to the principle of equal opportunity, within a framework of clear terms of employment. It invests in its employees, offering training and development to help them maximise their potential and contribute further to the Company's business objectives. Individual performance is regularly appraised. In the United Kingdom, Hammerson has had Investors in People recognition since 1997.

The Company believes in a fair remuneration policy and that employees should have an interest in the Company's financial performance. Subject to length of service, employees are eligible for grants of options. Details of the Company's share option scheme and deferred share plan are set out in the Remuneration Report which follows on pages 12 to 17. In addition, employees are able to participate in a savings related share option scheme.

HEALTH & SAFETY

Hammerson operates and continually reviews its health and safety policies and practices, monitoring current and proposed legislation to ensure appropriate safety standards are maintained. All its properties are subject to an external health and safety audit programme. Employees receive appropriate training and are made aware of health and safety policy and their responsibilities for its implementation.

LOCAL COMMUNITIES

The support of local communities is crucial to the success of Hammerson's developments, particularly its city centre, retail-led regeneration schemes. Attention is paid to ensuring that the future users of each development have an opportunity to understand the development proposals and voice their opinions. Development schemes often make provision for public art and wherever possible local artists and schools are encouraged to contribute their work.

PROPERTY INDUSTRY

Directors and senior management are encouraged to represent the Company's views and contribute towards the development of the property industry by serving on the boards of industry bodies such as the British Property Federation, the British Council of Shopping Centres, the European Public Real Estate Association and the Fédération des Sociétés Immobilières et Foncières.

Corporate Responsibility

ENVIRONMENT

The Company's environment policy, which may be viewed on the Company's website, www.hammerson.co.uk, sets out the procedures concerning environmental management that Hammerson adheres to so as to ensure compliance with local environmental legislation in those countries in which it operates. The policy covers environmental matters relating to the management of its investment and development properties and the conduct of its business and it is regularly reviewed.

The Company carries out regular maintenance and, where practicable, improvement programmes to ensure the efficient operation of its buildings and to reduce energy consumption having regard to tenants' needs and the age of buildings. In addition Hammerson encourages tenants to follow environmental procedures compatible with its own.

The environmental impact of developments and building works is managed through careful consideration of design, selection of materials and construction techniques. Consultants and contractors are required to adhere to the Company's policy and encouraged to suggest improvements.

Prior to any property acquisition, an environmental assessment is undertaken to identify possible contamination or the presence of materials considered environmentally harmful. Remedial action is taken where appropriate.

In its day to day business, Hammerson follows guidelines aimed at reducing energy consumption, uses appropriate supplies and encourages recycling. It recycles paper, toner cartridges and glass at its own offices. Employees are aware of the Company's responsibilities and their duties in implementing environmental management procedures.

The Company has set itself a number of environmental targets and management tasks with clearly allocated responsibilities. Progress against these targets will be certified and reported in a Corporate Responsibility report due to be published in summer 2003 along with quantitative measures of the environmental impact wherever possible.

A founding member of the Property Environment Group (PEG – www.pegonline.net), Hammerson was ranked amongst the upper cluster of companies in the 2002 PEG benchmarking survey of environmental engagement in the property industry. The Company also participates in the Business in the Environment annual index of the FTSE 350.

Remuneration Report

The directors submit their report on remuneration for the year ended 31 December 2002.

This report has been approved and adopted by the Board and has been prepared in accordance with the requirements of s234B of the Companies Act 1985 (as amended by The Directors' Remuneration Report Regulations 2002 ("the Regulations")) (together "the Act") and the Listing Rules. The information contained in paragraphs 3, 5 and 6 below is subject to audit in accordance with the Regulations.

1. THE REMUNERATION COMMITTEE ('THE COMMITTEE')

The Board has appointed a Remuneration Committee which meets no less than twice a year, to consider, for recommendation to the Board, company policy on the remuneration of executive directors and to approve the composition and level of remuneration of executive directors and certain senior executives. The Board has accepted, without amendment, the Committee's recommendations relating to remuneration policy.

The Committee currently comprises F B Charnock (Chairman), R J O Barton and G F Pimlott. F B Charnock, who is retiring as a director at the forthcoming annual general meeting, will cease to be a member of the Committee on that date and R J O Barton will become Chairman of the Committee and J C Clare will be appointed to the Committee.

2. REMUNERATION POLICY

In determining an appropriate remuneration policy for recommendation to the Board, the Committee's objective is to ensure that the Company continues to be able to attract, retain and motivate experienced individuals, capable of making a major contribution to Hammerson's success. Remuneration for executive directors and senior executives takes account of performance through an annual performance related bonus scheme and, for long term performance, by the award of shares under the Deferred Share Plan.

To assist the Committee in determining remuneration policy, the Committee has received advice from Hay Group who have been appointed by the Committee and who provide no other services to the Company. In addition, although they are not members of the Committee, information and advice has been provided and recommendations have been made by R R Spinney, R J G Richards (other than in respect of his own position) and by the group's director of Human Resources, E A Houlihan.

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

3. REMUNERATION OF EXECUTIVE DIRECTORS AND SENIOR EXECUTIVES

The remuneration packages for senior staff, including executive directors, consist of the following elements and are structured to relate reward to corporate and individual performance. Details of all payments to executive directors, which are disclosed in paragraph 5 on page 16 show the relative value of basic and performance related elements of remuneration.

i) Basic Salary and Benefits

Basic salaries for executive directors and other senior executives are reviewed by the Committee, normally annually or otherwise on promotion, having regard to responsibility, competitive market practice, company and individual performance and independently compiled salary survey information. Benefits include the use of a company car or the provision of a car allowance, medical insurance and life assurance cover. Details of directors' emoluments are given in paragraph 5 on page 16.

ii) Annual Performance Related Bonus Scheme

Full time staff throughout the Company, including executive directors, participate in a performance related bonus scheme. Payments under the scheme are based on the achievement of profit, net asset value and operational targets, which are set such that they are both relevant to the specific circumstances of the Company and designed to enhance performance. Such payments, which are not pensionable, are agreed by the Remuneration Committee and take account of individual performance, seniority and responsibilities. The amount payable to executive directors in any one year could be up to 75% of their basic salary.

iii) Pensions

The UK resident executive directors are members of the Company's non-contributory pension scheme, details of which are set out in note 5 on pages 27 to 29.

3. *REMUNERATION OF EXECUTIVE DIRECTORS AND SENIOR EXECUTIVES (continued)*

iv) Deferred Share Plan

Executive directors and selected senior executives may be awarded shares under the Hammerson plc Deferred Share Plan ("the Plan"). The Plan was established to align the rewards received by participants to the Company's financial performance and provide them with the opportunity to build a holding of shares in the Company. In establishing the Plan, which was approved by shareholders on 11 May 2000, the Committee considered various performance measures and concluded that average annual return on equity, being a measure which encompasses both income and capital growth, was the most appropriate measure. The Committee approves awards under the Plan by way of nil cost options. Under the terms of the Plan, the actual number of shares to be awarded to participants is determined by reference to the average annual return on equity achieved over a three year performance period on a straightline basis between 7.5% and 20%. The annual return on equity is calculated in accordance with the rules of the Plan as the sum of the net profit for the year (after tax and minority interests) plus the revaluation surplus and any exchange gain/loss, less any tax arising on property disposals, expressed as a percentage of shareholders' funds at the beginning of each year. The performance period commences on the first dealing day of the year in which options are granted and the earliest date on which such shares can vest is on completion of the results for the year ending three consecutive years after that date. No variations have been made to the rules of the Plan since it was implemented.

The Plan is administered by a Trustee which has acquired 700,000 shares, financed by drawing down £3,191,381 of interest free loan facilities of £3,300,000 from the Company, to satisfy the issue of shares to participants.

Under the terms of the Trust, the Trustee is obliged to waive dividends on this holding of shares, except for a nominal amount.

The first grant under the Plan was made on 15 June 2000 and at 31 December 2002 the maximum number of shares which could be awarded to executive directors under all grants made under the Plan to date was as follows:

	Maximum number of shares		
Date of grant	15 June 2000	16 March 2001	3 April 2002
R J G Richards	62,951	57,604	55,618
J A Bywater	38,915	33,996	32,818
P W B Cole	35,253	33,996	32,818
G Devaux	40,060	37,773	36,272
S R Melliss	46,698	42,495	42,318

The average annual return on equity achieved during the three year performance period relating to the grant made on 15 June 2000 was 9.67%, resulting in an award since 31 December 2002 of 15.11% of the maximum number of shares which could have been awarded. Accordingly, in respect of the grant made on 15 June 2000, the executive directors now have interests over nil cost options exerciseable up until 30 June 2003 as follows:

	Number of nil cost options
R J G Richards	9,512
J A Bywater	5,880
P W B Cole	5,327
G Devaux	6,053
S R Melliss	7,056

Following the introduction of the Plan, participants are no longer eligible for grants of options under the Company's share option schemes which are described below.

v) Share Options

Employees, including executive directors prior to the introduction of the Deferred Share Plan, have been granted share options under the Hammerson plc 1995 Approved and Unapproved Share Option Schemes. No payment is made by participants in consideration for the grant of options. The Unapproved Scheme was established to allow the grant of options where the cumulative value of subsisting options as at the date of their grant is in excess of £30,000. The Committee approves grants, which are phased, of share options under the schemes. Both schemes are subject to performance targets and restrictions which the Board considers to be a realistic test of management performance and which are designed with a view to securing the long term growth of the Company. Options can be exercised only if the rate of increase in the Company's earnings per share over any three year period is at least 6% in excess of the rate of increase in the Retail Price Index during that period. This is considered a realistic test of management performance and was devised with a view to securing the long term growth of the Company. No variations have been made to the rules of the Scheme since it was implemented.

3. REMUNERATION OF EXECUTIVE DIRECTORS AND SENIOR EXECUTIVES (continued)

v) Share Options (continued)

Details of the directors' interests in options over ordinary shares of the Company under the Company's executive share option schemes are as follows:

	1 January 2002	During the year Granted	Exercised	Lapsed	31 December 2002	Exercise price	Market price at date of exercise	Gain £000	Date from which exercisable	Expiry date
R R Spinney	5,500	–	(5,500)	–	–	345p	573.2p	13	–	–
	9,000	–	(9,000)	–	–	456.5p	573.2p	10	–	–
	47,529	–	(47,529)	–	–	528p	573.2p	21	–	–
	99,322	–	(99,322)	–	–	379p	573.2p	193	–	–
	161,351	–	(161,351)	–	–			237		
R J G Richards	16,000	–	–	–	16,000	390p	–	–	20.04.1997	19.04.2004
	4,000	–	–	–	4,000	345p	–	–	20.03.1999	19.03.2003
	12,000	–	–	–	12,000	456.5p	–	–	14.05.2000	13.05.2004
	19,121	–	–	–	19,121	528p	–	–	09.04.2001	08.04.2005
	38,806	–	–	–	38,806	379p	–	–	11.11.2001	10.11.2005
	63,081	–	–	–	63,081	480p	–	–	04.10.2002	03.10.2006
	153,008	–	–	–	153,008			–		
J A Bywater	65,963	–	(65,963)	–	–	379p	643p	174	–	–
	7,915	–	(7,915)	–	–	379p	643p	21	–	–
	47,962	–	–	–	47,962	417p	–	–	01.04.2002	31.03.2006
	121,840	–	(73,878)	–	47,962			195		
P W B Cole	7,700	–	–	–	7,700	347p	–	–	30.06.1998	29.06.2005
	4,500	–	(4,500)	–	–	345p	585p	11	–	–
	6,500	–	–	–	6,500	456.5p	–	–	14.05.2000	13.05.2004
	19,547	–	–	–	19,547	528p	–	–	09.04.2001	08.04.2005
	29,955	–	(10,000)	–	19,955	379p	585p	21	11.11.2001	10.11.2005
	11,356	–	–	–	11,356	417p	–	–	01.04.2002	30.03.2006
	79,558	–	(14,500)	–	65,058			32		
G Devaux	35,300	–	(35,300)	–	–	347p	563p	76	–	–
	8,000	–	(8,000)	–	–	345p	563p	18	–	–
	2,061	–	–	–	2,061	528p	–	–	09.04.2001	08.04.2005
	19,733	–	–	–	19,733	379p	–	–	11.11.2001	10.11.2005
	83,756	–	–	–	83,756	417p	–	–	01.04.2002	30.03.2006
	148,850	–	(43,300)	–	105,550			94		
S R Melliss	33,100	–	–	–	33,100	347p	–	–	30.06.1998	29.06.2005
	11,000	–	(11,000)	–	–	345p	598p	28	–	–
	12,500	–	–	–	12,500	456.5p	–	–	14.05.2000	13.05.2004
	32,900	–	–	–	32,900	528p	–	–	09.04.2001	08.04.2005
	50,418	–	–	–	50,418	379p	–	–	11.11.2001	10.11.2005
	139,918	–	(11,000)	–	128,918			28		

3. *REMUNERATION OF EXECUTIVE DIRECTORS AND SENIOR EXECUTIVES (continued)*

v) Share Options (continued)

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

	1 January 2002	31 December 2002	Exercise price	Expiry year
R J G Richards	5,360	5,360	342.8p	2006
J A Bywater	3,250	3,250	298.0p	2003
P W B Cole	4,922	4,922	342.8p	2004
S R Melliss	4,079	4,079	422.8p	2003

The middle market quotation of the Company's ordinary shares, as derived from the London Stock Exchange Daily Official List, was 471p on 31 December 2002 and the range during the year was 437.5p to 655.5p.

4. *SERVICE AGREEMENTS*

R J G Richards, J A Bywater, P W B Cole and S R Melliss have service agreements which may be terminated by the Company on 12 months' notice. These agreements were entered into on 28 February 2002. If a contract were to be terminated at short notice, any resulting compensation would not be subject to mitigation.

G Devaux's appointment is governed by a deed of appointment under which there is a notice period of four weeks. He is based in Paris and has a service agreement as an employee and director with a French subsidiary of the Company with a notice period of three months, but under which any payment made in the event of termination at short notice is subject to a minimum of 12 months and a maximum of 21 months.

The Chairman and the non-executive directors do not have service contracts with the Company. Their appointments are governed by letters of appointment. The Chairman's appointment, which is subject to 12 months' notice, was initially for the period ending 30 September 2003, but following review by the executive directors and the non-executive directors has been extended to 30 September 2005. The appointments of the non-executive directors are reviewed by the Chairman and the executive directors every three years and, accordingly, will next be reviewed as follows:

R J O Barton	30 June 2004
J C Clare	31 December 2004
G F Pimlott	31 December 2005

G F Pimlott and P W B Cole, who retire by rotation at the forthcoming annual general meeting, offer themselves for re-election.

5. *REMUNERATION OF DIRECTORS*

The Chairman of the Board, R R Spinney, is a non-executive director and his fee, and those of the other non-executive directors, are determined by the Board, having regard to the contribution required from and the responsibility taken by non-executive directors and current market practice including the level of fees paid to non-executive directors of comparable companies. Non-executive directors are not eligible for performance related bonuses or grants of options and their fees are not pensionable. G F Pimlott's fees are payable to a company of which he is a director.

The following table shows a breakdown of the remuneration of the directors for the year ended 31 December 2002:

	Salary and fees £000	Performance related bonus £000	Benefits in kind £000	Total emoluments excluding pension contributions **2002 Total £000**	2001 Total £000	Gain on exercise of share options **2002 £000**	2001 £000
Executive directors							
R J G Richards	318	63	25	**406**	391	–	66
J A Bywater	188	31	20	**239**	235	**195**	–
P W B Cole	188	37	11	**236**	259	**32**	15
G Devaux	224	34	–	**258**	264	**94**	–
S R Melliss	240	48	18	**306**	291	**28**	48
Non-executive directors							
R R Spinney	164	–	18	**182**	174	**237**	62
G F Pimlott	44	–	–	**44**	40	–	–
R J O Barton	28	–	–	**28**	25	–	–
F B Charnock	33	–	–	**33**	30	–	–
J C Clare	28	–	–	**28**	25	–	–
	1,455	213	92	**1,760**	1,734	**586**	191

The value of benefits in kind includes the use of a company car or provision of a car allowance, medical insurance and life assurance cover as referred to in paragraph 3(i) on page 12.

During the year ended 31 December 2002 no payments were made to directors for expenses other than those incurred wholly and directly in the course of their employment or appointment.

6. *PENSIONS*

The UK resident executive directors all participate in the Company's pension scheme, more fully described in note 5 to the financial statements on pages 27 to 29, which provides pension and other benefits.

Pension entitlements, which are based on basic salary, are subject to restrictions imposed by the Income and Corporation Taxes Act 1988. R J G Richards and P W B Cole commenced pensionable service with the Company prior to the introduction of these restrictions and are not, therefore, subject to them. In the case of J A Bywater, pension arrangements to contractual retirement age of 60 are provided under the scheme and, in addition, provision is made by way of an unfunded commitment to ensure a pension of 1/30th of final salary for each year of pensionable service. Provision was previously made on the same basis in respect of S R Melliss. Following acceptance of an offer made to S R Melliss by the Company, the reserve held in respect of this unfunded commitment was transferred to a funded arrangement into which future provision in respect of pensionable salary above the restriction will be paid. G Devaux also participates in the unfunded pension scheme to obtain the same overall level of pension provision as other executive directors. No pension arrangements are made by the Company for non-executive directors.

6. *PENSIONS (continued)*

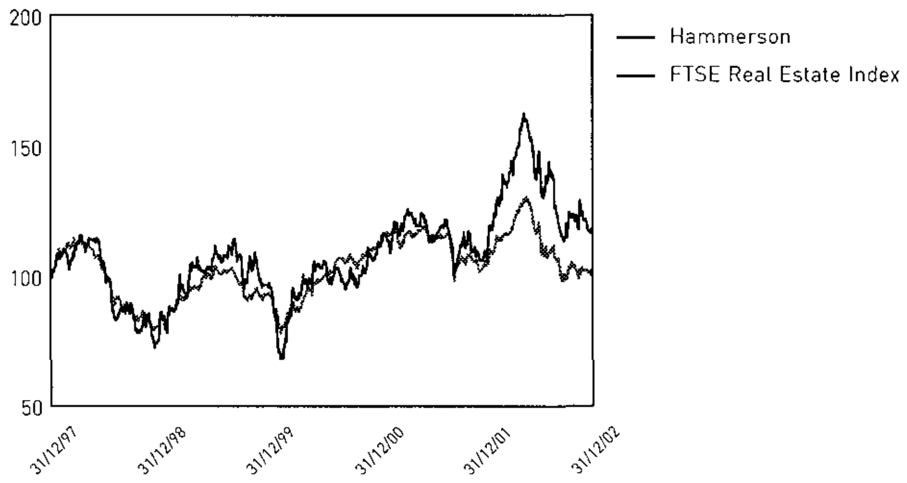
The following table sets out information on directors' pension entitlements, including funded and unfunded arrangements:

	Age at 31 December 2002	Years' service at 31 December 2002	Accrued benefit earned during the period £000	Transfer value of increase £000	Total accrued benefit at 31 December 2002 £000
R J G Richards	46	21	11	79	135
J A Bywater	55	5	7	98	30
P W B Cole	43	13	6	39	58
G Devaux	54	16	13	194	58
S R Melliss	50	11	13	115	89

For each director, the total accrued benefit at 31 December 2002 represents the annual pension that is expected to be payable on eventual retirement, given the length of service and salary of each director at 31 December 2002. The accrued benefit earned during the year represents the increase in this expected pension, when compared with the position at 31 December 2001, except that it excludes any increase in the year solely due to inflation. The transfer value shown in the above table represents the capital value of the increase in the expected pension in 2002.

7. *SHAREHOLDER RETURN*

The graph below shows the total shareholder return in respect of the Company's ordinary shares of 25p each for the five years ended 31 December 2002 relative to the total return of the FTSE Real Estate Index which comprises shares of the Company's peers.



(source: Datastream)

By Order of the Board

S J Haydon
Secretary

13 March 2003

Auditors' Report

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF HAMMERSON PLC

We have audited the financial statements of Hammerson plc for the year ended 31 December 2002 which comprise the profit and loss account, the balance sheets, the cash flow statement, the statement of total recognised gains and losses, the note of historical cost profits and losses, the reconciliation of movements in shareholders' funds, the statement of accounting policies and the related notes 2 to 27 and A to G. These financial statements have been prepared under the accounting policies set out therein. We have also audited the information in the part of the directors' remuneration report that is described as having been audited.

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

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

As described in the statement of directors' responsibilities, the Company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards. They are also responsible for the preparation of the other information contained in the annual report including the directors' remuneration report. Our responsibility is to audit the financial statements and the part of the directors' remuneration report described as having been audited in accordance with relevant United Kingdom legal and regulatory requirements and auditing standards.

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the directors' remuneration report described as having been audited have been properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the Company and other members of the group is not disclosed.

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

We read the directors' report and the other information contained in the annual report for the above year as described in the contents section including the unaudited part of the directors' remuneration report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

BASIS OF AUDIT OPINION

We conducted our audit in accordance with United Kingdom auditing standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements and the part of the directors' remuneration report described as having been audited. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements and of whether the accounting policies are appropriate to the circumstances of the Company and the group, consistently applied and adequately disclosed.

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

OPINION

In our opinion:

- the financial statements give a true and fair view of the state of affairs of the Company and the group as at 31 December 2002 and of the profit of the group for the year then ended; and
- the financial statements and part of the directors' remuneration report described as having been audited have been properly prepared in accordance with the Companies Act 1985.

Deloitte & Touche

Deloitte & Touche
Chartered Accountants and Registered Auditors
London

13 March 2003

Consolidated Profit and Loss Account

for the year ended 31 December 2002

	Notes	2002 £m	2001 Restated* £m
Gross rental income, after rents payable	2	**197.1**	175.6
Other property outgoings	2	**(21.2)**	(15.7)
Net rental income		**175.9**	159.9
Management fees receivable		**2.8**	1.9
Cost of property activities		**(16.6)**	(11.4)
Corporate expenses		**(10.5)**	(8.8)
Administration expenses	3	**(24.3)**	(18.3)
Operating profit		**151.6**	141.6
Exceptional items: Profit/(Loss) on the sale of investment properties		**5.3**	(4.9)
Profit on ordinary activities before interest		**156.9**	136.7
Exceptional cost of finance	6	**-**	(3.3)
Other cost of finance (net)	6	**(66.0)**	(64.3)
Profit on ordinary activities before tax		**90.9**	69.1
Current tax	7(a)	**(2.5)**	(7.9)
Deferred tax	7(b)	**(11.1)**	15.9
Tax (charge)/credit on profit on ordinary activities		**(13.6)**	8.0
Profit on ordinary activities after tax		**77.3**	77.1
Equity minority interests		**(1.7)**	(0.9)
Profit for the financial year		**75.6**	76.2
Dividends	8	**(43.6)**	(41.5)
Retained profit for the financial year	21	**32.0**	34.7
Earnings per share	9	**27.1p**	27.1p
Diluted earnings per share	9	**27.1p**	27.1p
Adjusted earnings per share	9	**29.2p**	24.3p

* Comparative figures have been restated following the adoption of FRS 19 "Deferred tax" (see note 27).

All results derive from continuing operations.

Consolidated Balance Sheet

as at 31 December 2002

	Notes	2002 £m	2001 Restated* £m
Fixed assets			
Land and buildings	10	**3,907.6**	3,487.5
Fixtures, fittings and equipment	11	**1.2**	1.0
Tangible assets		**3,908.8**	3,488.5
Investments	13	**41.6**	31.4
		3,950.4	3,519.9
Current assets			
Properties held for resale	14	**30.8**	–
Debtors – *Due within one year*	15	**121.3**	81.4
– Due after more than one year	15	**12.8**	20.8
Cash and short term deposits	16	**242.2**	218.4
		407.1	320.6
Creditors falling due within one year			
Borrowings	17	**(85.7)**	(24.2)
Other	18	**(316.6)**	(173.2)
Net current assets		**4.8**	123.2
Total assets less current liabilities		**3,955.2**	3,643.1
Creditors falling due after more than one year			
Borrowings	17	**(1,797.9)**	(1,528.7)
Other	18	**(39.6)**	(22.1)
Provisions for liabilities and charges			
Deferred tax	7(b)	**(37.2)**	(14.0)
Equity minority interests		**(40.1)**	(37.1)
		2,040.4	2,041.2
Capital and reserves			
Called up share capital	20	**69.0**	70.0
Share premium account	21	**592.3**	588.6
Revaluation reserve	21	**786.8**	978.0
Capital redemption reserve	21	**7.2**	5.9
Other reserves	21	**6.5**	1.5
Profit and loss account	21	**578.6**	397.2
Equity shareholders' funds		**2,040.4**	2,041.2
Diluted net asset value per share	9	**739p**	728p
Adjusted net asset value per share	9	**752p**	731p

* Comparative figures have been restated following the adoption of FRS 19 (see note 27).

These financial statements were approved by the Board of Directors on 13 March 2003.

Signed on behalf of the Board

R J G Richards Director

S R Melliss Director

Statement of Total Recognised Gains and Losses

for the year ended 31 December 2002

	2002 £m	2001 Restated* £m
Profit for the financial year	**75.6**	76.2
Unrealised (deficit)/surplus on revaluation of properties	**(19.1)**	107.6
Unrealised surplus/(deficit) on revaluation of investments and minority interests	**0.4**	(1.1)
Negative goodwill (note 21)	**5.0**	-
Deferred tax on property disposals (note 7b)	**(13.9)**	(11.5)
Exchange translation movements	**15.9**	(6.3)
Total recognised gains and losses relating to the year	**63.9**	164.9
Prior year adjustment (note 27)	**(7.6)**	
Total gains and losses recognised since last annual report	**56.3**	

Note of Historical Cost Profits and Losses

for the year ended 31 December 2002

	2002 £m	2001 Restated* £m
Profit on ordinary activities before tax	**90.9**	69.1
Realisation of previous years' revaluation gains	**185.0**	62.7
Historical cost profit on ordinary activities before tax	**275.9**	131.8
Historical cost profit for the financial year after tax, equity minority interests and dividends	**203.1**	85.9

Reconciliation of Movements in Shareholders' Funds

for the year ended 31 December 2002

	2002 £m	2001 Restated* £m
Retained profit for the financial year	**32.0**	34.7
Other recognised gains and losses	**(11.7)**	88.7
Purchase and cancellation of own shares	**(25.1)**	(70.5)
Issue of shares	**4.0**	63.0
Net (decrease)/increase in shareholders' funds	**(0.8)**	115.9
Equity shareholders' funds at 1 January (restated*)	**2,041.2**	1,925.3
Equity shareholders' funds at 31 December	**2,040.4**	2,041.2

* Comparative figures have been restated following the adoption of FRS 19 (see note 27).

Consolidated Cash Flow Statement

for the year ended 31 December 2002

	Notes	**2002 £m**	2001 £m
Net cash flow from operating activities	22	**147.5**	134.8
Returns on investment and servicing of finance	22	**(89.7)**	(77.8)
Tax paid		**(0.2)**	(2.9)
Capital expenditure and investment	22	**30.3**	(72.9)
Acquisitions and disposals	22	**(178.2)**	–
Equity dividends paid		**(42.0)**	(39.7)
Cash outflow		**(132.3)**	(58.5)
Decrease/(Increase) in short term deposits	24	**103.4**	(78.1)
Net cash inflow from financing	23	**53.6**	126.5
Increase/(Decrease) in cash in the year		**24.7**	(10.1)

Reconciliation of Net Cash Flow to Movement in Net Debt

for the year ended 31 December 2002

	Notes	**2002 £m**	2001 £m
Increase/(Decrease) in cash in the year		**24.7**	(10.1)
Net increase in debt		**(74.7)**	(133.9)
(Decrease)/Increase in short term deposits		**(103.4)**	78.1
Change in net debt resulting from cash flows		**(153.4)**	(65.9)
Short term deposits acquired on acquisition of subsidiaries		**102.1**	-
Debt acquired on acquisition of subsidiaries		**(197.5)**	-
Exchange adjustment		**(58.1)**	20.9
Movement in net debt in the year		**(306.9)**	(45.0)
Net debt at 1 January		**(1,334.5)**	(1,289.5)
Net debt at 31 December	24	**(1,641.4)**	(1,334.5)

Notes to the Accounts

1 ACCOUNTING POLICIES

Basis of Accounting

The financial statements are prepared under the historical cost convention as modified by the revaluation of investment properties and in accordance with all applicable accounting standards. The financial statements are in compliance with the Companies Act 1985 except that, as explained below, investment properties are not depreciated. In addition, the group's treatment of negative goodwill represents a departure from FRS 10, "Goodwill and intangible assets" as described in note 21. The group has adopted Financial Reporting Standard ("FRS") 19 "Deferred tax" and the transitional arrangements of FRS 17 "Retirement benefits". Comparative figures have been restated following the adoption of FRS 19.

Basis of Consolidation

The group financial statements consolidate the financial statements of the Company and all its subsidiaries, together with the group's share of results, assets, liabilities and cash flows arising from joint investments and developments.

Foreign Currencies

All assets, liabilities and results denominated in foreign currencies are translated into sterling at rates of exchange ruling at the year end. The principal foreign currency used is the euro and the exchange rate ruling at 31 December 2002 was £1 = €1.53 (31 December 2001 : £1 = €1.64).

Differences arising from the translation of the net equity investment in overseas subsidiaries and currency loans for such investments are dealt with through reserves. Differences arising on the revaluation surplus are accounted for in the revaluation reserve. Other differences resulting from the conversion of one currency into another are dealt with in the profit and loss account.

Net Rental Income

Rent increases arising from rent reviews are taken into account when such reviews have been agreed with tenants. Where a lease incentive does not enhance the property, it is amortised over the period to the earlier of the first rent review, the first break option, or the end of the lease term. On new leases with rent free periods, rental income is allocated evenly over the period from the date of lease commencement to the date of the first rent review.

Differences between property operating expenditure incurred and that recovered from tenants through service charges are included in net rental income.

Profits on Sale of Properties

Profits on sale of properties are taken into account on completion of contract. Profits arising from the sale of trading properties acquired with a view to resale are included in the profit and loss account as part of the operating profit of the group. Profits or losses arising from the sale of investment properties are calculated by reference to book value at the end of the previous year, adjusted for subsequent capital expenditure, and treated as exceptional items.

Cost of Properties

The net development outgoings, including interest, attributable to properties held for development or resale are added to the cost of such properties. Lease incentives which enhance the property are added to the cost of properties. A property is regarded as being in the course of development until ready for its intended use. For buildings that are let this will be when construction and fitting out are complete, whilst for unlet buildings this will be at the end of the construction period.

Valuation of Properties

Properties held for the long term are valued at the balance sheet date at market value. Surpluses and deficits arising from revaluation are taken to the revaluation reserve. Properties held for resale are stated at the lower of cost and net realisable value.

Where properties held for resale are transferred to or from the investment portfolio, they are transferred at market value.

Depreciation

In accordance with Statement of Standard Accounting Practice ("SSAP") 19 "Accounting for investment properties", no depreciation is provided in respect of freehold properties or leasehold properties with over 20 years to expiry. This is a departure from the requirements of the Companies Act 1985 which requires all properties to be depreciated. Such properties are not held for consumption but for investment and the directors consider that to depreciate them would not give a true and fair view. Depreciation is only one of many factors reflected in the annual valuation of properties and accordingly the amount of depreciation which might otherwise have been charged cannot be separately identified or quantified. The directors consider that this policy results in the accounts giving a true and fair view.

Depreciation is provided on fixtures, fittings and equipment on a straight line basis having regard to their estimated useful lives of between three and five years.

Notes to the Accounts

1 ACCOUNTING POLICIES (continued)

Borrowing Expenses

All costs incurred directly in connection with the issue of debt are deducted from the proceeds and the net amount included in liabilities. The costs, together with any discount on issue, are charged to the profit and loss account over the term of the debt at a constant return on the carrying amount of the liability.

Financial Derivatives

The group currently uses forward rate agreements and interest rate and currency swaps to help manage its exposures to movements in interest and exchange rates.

Differences between interest payable and receivable on interest rate swaps are dealt with, on an accruals basis, within the group's cost of finance. In the case of currency swaps, which are used to hedge foreign currency assets, any differences arising on translation at the balance sheet date are taken to reserves.

Tax

The tax charge on disposals is allocated between the current element, which is included in the profit and loss account and the element relating to prior years' revaluation gains, which is included in the statement of total recognised gains and losses.

Deferred Tax

Deferred tax is provided on all timing differences and is reduced by available tax losses. Deferred tax balances are not discounted. No provision is made for tax that may arise on the future disposal of the group's properties.

Pensions

The costs of the group's defined benefit pension schemes are spread over the remaining service lives of participants of the schemes.

2 SEGMENTAL ANALYSIS

		Gross rental income £m	Rents payable £m	Other property outgoings £m	2002 Net rental income £m	2001 Net rental income £m
Rental income						
United Kingdom						
Retail:	Shopping centres					
	London & South	**48.0**	**(0.7)**	**(5.8)**	**41.5**	42.1
	Midlands & North	**29.1**	**(0.8)**	**(4.8)**	**23.5**	18.8
	Retail warehouses	**4.8**	**-**	**(0.2)**	**4.6**	–
		81.9	**(1.5)**	**(10.8)**	**69.6**	60.9
Office:	City	**34.9**	**(5.0)**	**(0.5)**	**29.4**	24.2
	West End	**16.9**	**(0.5)**	**(0.3)**	**16.1**	17.5
	Docklands & other	**11.6**	**(1.2)**	**(1.6)**	**8.8**	9.5
		63.4	**(6.7)**	**(2.4)**	**54.3**	51.2
Total United Kingdom		**145.3**	**(8.2)**	**(13.2)**	**123.9**	112.1
Continental Europe						
Retail:	France	**35.6**	**–**	**(2.9)**	**32.7**	28.2
	Germany	**16.9**	**(0.3)**	**(4.8)**	**11.8**	10.7
		52.5	**(0.3)**	**(7.7)**	**44.5**	38.9
Office:	France	**7.8**	**-**	**(0.3)**	**7.5**	8.9
Total Continental Europe		**60.3**	**(0.3)**	**(8.0)**	**52.0**	47.8
Group						
Retail		**134.4**	**(1.8)**	**(18.5)**	**114.1**	99.8
Office		**71.2**	**(6.7)**	**(2.7)**	**61.8**	60.1
Total		**205.6**	**(8.5)**	**(21.2)**	**175.9**	159.9

Included in net rental income for 2002 is £2.5m (2001: £3.8m) in respect of accrued rent receivable allocated to rent free periods and a deduction of £0.9m (2001: £0.9m) in respect of amortisation of lease incentives.

			2002	2001 Restated*
	Assets employed £m	Net debt £m	Net assets £m	Net assets £m
Net assets				
United Kingdom	**2,390.0**	**(593.2)**	**1,796.8**	1,787.2
Continental Europe	**1,291.8**	**(1,048.2)**	**243.6**	254.0
	3,681.8	**(1,641.4)**	**2,040.4**	2,041.2

Net assets have not been analysed by retail and office sectors as net debt cannot be allocated to these sectors.

* Comparative figures have been restated following the adoption of FRS 19 (see note 27).

3 ADMINISTRATION EXPENSES

Staff costs, including directors

	2002 £m	2001 £m
Salaries and wages	**10.2**	8.7
Performance related bonuses	**1.2**	1.3
Deferred Share Plan (note 13)	**0.3**	0.4
Social security	**1.9**	1.5
Net pension expense (note 5)	**2.4**	1.7
	16.0	13.6

Of the above amount £1.8m (2001: £1.4m) was recharged to, and recovered from tenants.

In addition, redundancy and related costs of £2.6m were incurred in 2002 following the acquisition of Grantchester Holdings PLC.

Staff numbers

	2002 Number	2001 Number
Average number of staff	**211**	205
Staff recharged to tenants, included above	**43**	40

		2002 £000	2001 £000
Auditors' remuneration:	Company audit	**15**	13
	Other audit	**667**	362
	Other fees in the UK	**75**	47
	Other fees overseas	**55**	54
Depreciation of fixtures, fittings and equipment		**468**	335

In addition, £148,000 was accrued in 2002 for due diligence services provided by the Company's auditors on acquisitions and has been included in the cost of acquisition.

4 DIRECTORS' EMOLUMENTS

Emoluments

		2002 £000	2001 £000
Fees		**297**	280
Remuneration:	Salaries and benefits in kind	**1,251**	1,130
	Performance related bonuses	**213**	324
	Pension scheme contributions	**651**	529
		2,412	2,263

Further details of the emoluments, share options and pension benefits of the directors, as required by the Companies Act 1985 are disclosed in the Remuneration Report on pages 12 to 17.

5 PENSIONS

The group operates the following pension schemes:

	2002 Net pension expense £m	2002 Unfunded pension commitment £m	2001 Net pension expense £m	2001 Unfunded pension commitment £m
Defined benefit schemes				
Hammerson Group Management Pension & Life Assurance Scheme	**1.7**	**-**	1.2	-
UK unfunded unapproved retirement benefit scheme	**0.3**	**0.8**	0.3	1.0
US unfunded unapproved scheme	**-**	**4.5**	-	5.3
Other schemes				
UK funded unapproved retirement benefit scheme	**0.1**	**-**	-	-
French funded scheme	**0.2**	**-**	0.2	-
German funded scheme	**0.1**	**-**	-	-
	2.4	**5.3**	1.7	6.3

Hammerson Group Management Pension & Life Assurance Scheme ("the Scheme")

The funds of the Scheme are administered by trustees and are independent of the group's finances. The Scheme was closed to new entrants with effect from 1 January 2003 and a Group Personal Pension Plan has been established for new employees.

Contributions to the Scheme have been assessed in accordance with the advice of a qualified actuary using the projected unit credit method. An actuarial investigation for SSAP 24 "Accounting for pension costs" purposes was carried out at 1 April 2002.

Principal actuarial assumptions

	1 April 2002
Rate of investment return	7.0%
Increase in pensionable salaries	4.5%
Increase in retail price index	3.0%
Increase in pensions in payment	3.0%
Valuation of investments	Market values

At the date of this actuarial investigation, the market value of the assets was £19.8m, and the actuarial value of the assets was sufficient to cover 85% of the benefits that had accrued to members after fully allowing for future salary increases. In calculating the net pensions expense the deficit is amortised over the remaining expected service lives of the employees on an annuity basis. As far as cash contributions are concerned, the deficit is being recovered over a ten year period as a percentage of salary, in accordance with statutory requirements.

Financial Reporting Standard 17 "Retirement Benefits" ("FRS17")

The full requirements of FRS 17 must be adopted for accounting periods beginning on or after 1 January 2005. The following information is disclosed for the Scheme in line with the transitional arrangements of FRS 17:

Principal actuarial assumptions for FRS 17

	2002	2001
Discount rate for scheme liabilities	**5.5%**	6.0%
Increase in pensionable salaries	**4.0%**	4.5%
Increase in retail price index	**2.0%**	2.0%
Increase in pensions in payment	**2.0%**	2.0%

5 *PENSIONS (continued)*

Scheme assets and expected rates of return

	2002		2001	
	Long term rate of return %	**Value of scheme £m**	Long term rate of return %	Value of scheme £m
UK fixed interest securities	**5.50**	**3.1**	6.0	4.3
UK equities	**7.75**	**8.8**	7.0	11.6
Overseas equities	**8.25**	**3.8**	7.5	4.7
Cash	**2.50**	**2.0**	3.0	0.3
Fair value of assets		**17.7**		20.9
Present value of liabilities		**(26.6)**		(24.9)
Deficit in scheme		**(8.9)**		(4.0)
Related deferred tax asset		**2.7**		1.2
Net pension liability		**(6.2)**		(2.8)

Unfunded schemes

UK unfunded unapproved retirement benefit scheme

Details of this scheme are disclosed in the Remuneration Report on pages 16 and 17. The value of the unfunded commitment at 31 December 2002 amounted to £0.8 million (2001: £1.0 million). This liability has been included in creditors on the group's balance sheet.

The assumptions used for the purposes of the FRS 17 valuation of the scheme are the same as those used for the Hammerson Group Management Pension & Life Assurance Scheme. The liability under the scheme was £0.8 million at 31 December 2002 (2001: £1.0 million).

US unfunded unapproved scheme

The US unfunded pension commitment relates to obligations to five former employees. The value of the liability has been calculated by a qualified actuary using the attained age method. An actuarial investigation was carried out at 31 December 2002 with the principal actuarial assumptions being a rate of investment return of 6.5% and an increase in pensions in payment of 5.0%.

At the date of this actuarial investigation the present value of the pension commitment was £4.5m. This liability is included in creditors on the group's balance sheet.

For the purpose of FRS 17 for both 2001 and 2002, the discount rate for scheme liabilities was 6.5% and the increase in pensions in payment was assumed to be 5.0%. The present value of the liabilities at 31 December 2002 amounted to £4.5 million (2001 : £5.3 million).

Amounts which would be recognised in the profit and loss account under FRS 17 in respect of Hammerson's defined benefit schemes

	2002 £m
Amounts to be included within operating profit:	
Current service cost	**1.5**
Amounts to be included as other finance costs:	
Expected return on scheme assets	**(1.4)**
Interest cost on scheme liabilities	**1.9**
Net finance charge	**0.5**

5 *PENSIONS (continued)*

Amounts which would be recognised in the statement of total recognised gains and losses under FRS 17

	2002 £m	% of present value of scheme assets/ liabilities
Difference between actual and expected return on scheme assets	**5.1**	**28.8**
Experience gains arising on scheme liabilities	**(0.8)**	**2.5**
Effects of changes in assumptions underlying the present value of scheme liabilities	**1.1**	**3.4**
Total losses recognised in the statement of total recognised gains and losses	**5.4**	**16.9**

Movement in the group's net pension liability in the year

	2002 £m
At 1 January 2002	**(10.3)**
Current service cost	**(1.5)**
Contributions	**2.8**
Past service costs	**–**
Settlements	**0.7**
Net finance charge	**(0.5)**
Actuarial loss	**(5.4)**
At 31 December 2002	**(14.2)**

The consolidated balance sheet includes pension liabilities of £5.3m and related deferred tax assets of £0.4m. Were FRS 17 to be fully adopted, pension liabilities would increase by £8.9m, deferred tax assets would increase by £2.3m and net assets *would decrease by £6.6m (2001: £2.3m).*

6 *COST OF FINANCE (NET)*

	2002 £m	2001 £m
Interest payable on:		
Bank loans and overdrafts	**19.3**	25.2
Other loans	**85.3**	71.0
Interest payable and similar charges	**104.6**	96.2
Less:		
Interest payable capitalised	**(24.6)**	(19.1)
Interest receivable	**(14.0)**	(12.8)
Other cost of finance (net)	**66.0**	64.3
Exceptional cost of finance	**–**	3.3
Cost of finance (net)	**66.0**	67.6

The exceptional cost of finance in 2001 represents the costs incurred in redeeming the Company's £110m 6.5% convertible bonds.

7 TAXATION

(a) Current tax

Tax charge	2002 £m	2001 £m
UK corporation tax on profits for the year	**0.2**	0.3
Additional UK corporation tax in respect of previous years	**-**	7.4
Foreign tax	**2.3**	0.2
	2.5	7.9

Tax reconciliation	2002 £m	2001 £m
Profit on ordinary activities before tax	**90.9**	69.1
Profit multiplied by UK corporation tax rate of 30%	**27.3**	20.7
Effects of:		
Utilisation of UK tax losses	**(12.2)**	(2.7)
Capital allowances for the year	**(7.3)**	(11.6)
Tax relief for capitalised interest	**(7.2)**	(5.7)
Additional UK corporation tax in respect of previous years	**-**	7.4
Effects of foreign tax rates and foreign tax losses	**0.6**	(1.4)
Other items	**1.3**	1.2
Current tax charge for the year	**2.5**	7.9

Factors that may affect future tax charges

In 2002 the group utilised UK tax losses brought forward. It is anticipated that further brought forward losses will be utilised in 2003 and 2004.

(b) Deferred tax

Movement in year	2002 £m	2001 £m
Opening provision	**7.6**	12.0
Charge/(Credit) in profit and loss account	**11.1**	(15.9)
Charge on realisation of revaluation gains on property disposals	**13.9**	11.5
Corporate acquisitions and disposals	**1.2**	–
Exchange differences	**1.0**	-
Closing provision	**34.8**	7.6

7 *TAXATION (continued)*

(b) **Deferred tax** (continued)

Net deferred tax provision	2002 £m	2001 £m
UK		
Capital allowances	**27.3**	24.1
Other timing differences	**3.4**	0.9
Tax losses	**(29.4)**	(31.4)
Net UK deferred tax provision/(asset)	**1.3**	(6.4)
France		
Tax depreciation	**28.5**	21.8
Other timing differences	**5.8**	8.1
Tax losses	**(0.8)**	(15.9)
Net France deferred tax provision	**33.5**	14.0
Net deferred tax provision	**34.8**	7.6
Analysed as:		
Deferred tax asset (note 15)	**(2.4)**	(6.4)
Deferred tax provision	**37.2**	14.0
	34.8	7.6

The deferred tax provision will not crystallise to the extent that capital allowances are retained by the group on UK property disposals and French disposals are made by selling subsidiary companies. There is no deferred tax provision in respect of Germany due to surplus tax losses. Note 27 gives details of the impact of the adoption of FRS 19 on previously reported figures.

The charge on the realisation of revaluation gains relates to disposals in France which used French tax losses.

(c) **Contingent tax**

Should the group's properties and investments be sold at book value a tax liability would arise. If the properties are sold individually and no capital allowances are retained by Hammerson the liability would be £198m (2001: £196m) in addition to the deferred tax provided in the balance sheet.

If account is taken of the likelihood that certain properties would be sold through the sale of shares in subsidiaries, and it is assumed that capital allowances will be retained by the group on all other property sales, then the deferred tax provision would be written back and the tax liability would be £78m (2001: £49m).

On a diluted net asset value per share basis these contingent tax amounts are equivalent to 71 pence per share and 28 pence per share (2001: 70 pence per share and 17 pence per share) respectively.

8 *DIVIDENDS*

	2002 £m	2001 £m
Interim 4.81p (2001: 4.58p) per share	**13.3**	12.8
Final proposed 10.99p (2001: 10.26p) per share	**30.3**	28.7
	43.6	41.5

9 *EARNINGS PER SHARE AND NET ASSET VALUE PER SHARE*

The calculations for earnings per share, diluted earnings per share and adjusted earnings per share are shown in the table below:

	2002 Earnings £m	2002 Weighted average number of shares million	2002 Pence Per share	2001 Restated* Earnings £m	2001 Restated* Weighted average number of shares million	2001 Restated* Pence per share
Basic	**75.6**	**278.8**	**27.1**	76.2	281.4	27.1
Adjustments:						
Dilutive share options	**-**	**0.3**	**-**	-	0.2	-
Diluted	**75.6**	**279.1**	**27.1**	76.2	281.6	27.1
Adjustments:						
Exceptional items	**(5.3)**	**-**	**(1.9)**	8.2	-	2.9
Deferred tax [(1)]	**11.1**	**-**	**4.0**	(15.9)	-	(5.7)
Adjusted	**81.4**	**279.1**	**29.2**	68.5	281.6	24.3

* Comparative figures have been restated following the adoption of FRS 19 (see note 27).

The weighted average numbers of shares shown above exclude those shares held in the Hammerson Deferred Share Plan (note 13) which are treated as cancelled.

The calculations for basic, diluted and adjusted net asset value per share are shown in the table below:

	2002 Shareholders' funds £m	2002 Shares million	2002 Net asset value per share pence
Basic	2,040.4	276.0	**739**
Company's own shares held in Deferred Share Plan	-	(0.7)	**n/a**
Unexercised share options	9.5	2.0	**n/a**
Diluted	**2,049.9**	**277.3**	**739**
Deferred tax [(1)]	34.8	n/a	**n/a**
Adjusted	**2,084.7**	**277.3**	**752**

[(1)] Deferred tax has been excluded from the calculations of earnings per share and net asset value per share, as in practice deferred tax balances are not expected to crystallise.

10 LAND AND BUILDINGS

	Valuation 2002 £m	Valuation 2001 £m	Cost 2002 £m	Cost 2001 £m
Investment properties				
Fully developed properties	**3,439.5**	3,117.4	**2,655.7**	2,165.9
Properties held for or in the course of development	**468.1**	370.1	**459.0**	337.7
	3,907.6	3,487.5	**3,114.7**	2,503.6

All properties are stated at market value as at 31 December 2002, valued by professionally qualified external valuers, except for the former Railtrack Developments properties acquired on 24 December 2002 for £30.2m which are included at cost, being the directors' best estimate of market value. In the United Kingdom, office properties and the group's interests in the Birmingham Alliance properties were valued by DTZ Debenham Tie Leung, Chartered Surveyors, and all other retail *properties were valued by Donaldsons, Chartered Surveyors. In France and Germany the group's properties were valued by* Cushman & Wakefield Healey & Baker, Chartered Surveyors. The valuations have been prepared in accordance with the Appraisal and Valuation Manual of the Royal Institution of Chartered Surveyors.

At 31 December 2002 the total amount of interest included in development properties was £26.1m (2001: £12.5m) and is calculated based on the group's average cost of borrowings.

	Freeholds £m	Long leaseholds £m	Short leaseholds £m	Total £m
Movements in the year				
Balance at 1 January 2002	1,711.5	1,766.4	9.6	3,487.5
Exchange adjustment	77.9	-	0.2	78.1
Additions at cost	616.7	235.0	-	851.7
Disposals at valuation	(290.5)	(224.7)	-	(515.2)
Capitalised interest	13.2	11.4	-	24.6
Revaluation (deficit)/surplus	(42.5)	24.2	(0.8)	(19.1)
Balance at 31 December 2002	**2,086.3**	**1,812.3**	**9.0**	**3,907.6**

	2002 £m	2001 £m
Capital commitments	**356.3**	271.9

11 FIXTURES, FITTINGS AND EQUIPMENT

	Cost £m	Depreciation £m	Net book value £m
Balance at 1 January 2002	2.3	(1.3)	1.0
Additions	0.7	-	0.7
Charge for the year	-	(0.5)	(0.5)
Disposals	(0.1)	0.1	-
Balance at 31 December 2002	**2.9**	**(1.7)**	**1.2**

12 JOINT INVESTMENTS AND DEVELOPMENTS

As at 31 December 2002 certain property and corporate interests have been proportionally consolidated, and these are set out in the following table:

	Group share %	Partner(s)
Investments		
Brent Cross Shopping Centre	41.2	The Standard Life Assurance Company
Cricklewood Redevelopment Ltd	50	Pillar Property PLC
Essen Shopping Center BV	22	Algemeen Burgerlijk Pensioenfonds
The Martineau Galleries Limited Partnership	33.33	Land Securities PLC, Pearl Assurance plc
The Martineau Limited Partnership	33.33	Land Securities PLC, Pearl Assurance plc
The Oracle Limited Partnership	50	Akaria Investments Limited
Opera Capucines SCI	50	MAAF *Assurances*
Shires Limited Partnership	60	Hermes
West Quay Shopping Centre Limited	50	Barclays Bank plc
Developments		
9 place Vendôme SCI	50	AXA
The Bull Ring Limited Partnership	33.33	Land Securities PLC, Pearl Assurance plc
The Grosvenor Street Limited Partnership	50	Grosvenor West End Properties
The London Wall Limited Partnership	50	Kajima London Wall Limited
The Moor House Limited Partnership	33.33	Greycoat Estates Limited, Pearl Assurance plc
Union Square Developments Limited	50	Stannifer Group Holdings Limited
Wensum Developments Limited	50	Gazeley Properties Limited

12 *JOINT INVESTMENTS AND DEVELOPMENTS (continued)*

The following summarised profit and loss account and balance sheet show the proportion of the group's results, assets and liabilities which are derived from its joint investments and developments:

Profit and loss account

	2002 £m	2001 £m
Net rental income	**37.3**	29.4
Administration expenses	**(0.2)**	(0.2)
Operating profit	**37.1**	29.2
Exceptional items: Profit on the sale of investment properties	**0.3**	–
Cost of finance (net)	**(4.5)**	0.4
Profit on ordinary activities before taxation	**32.9**	29.6

Balance sheet

	2002 £m	2001 *Restated** £m
Land and buildings at valuation	**1,087.7**	822.0
Fixed assets	**1,087.7**	822.0
Other current assets	**38.2**	14.2
Cash and short term deposits	**15.8**	10.8
	54.0	25.0
Borrowings falling due within one year	**(1.6)**	(0.1)
Creditors falling due within one year	**(38.2)**	(20.6)
Net current assets	**14.2**	4.3
Total assets less current liabilities	**1,101.9**	826.3
Borrowings falling due after more than one year	**(11.3)**	(10.4)
Creditors falling due after more than one year	**(7.2)**	(7.7)
Provisions for liabilities and charges	**(0.6)**	-
Net assets	**1,082.8**	808.2

* Comparative figures have been restated for the adoption of FRS 19 (see note 27). The effect at 31 December 2002 is to decrease net assets by £0.6m (2001: increase £0.4m).

13 *INVESTMENTS*

	2002 **£m**	2001 £m
Value Retail Investors Limited Partnerships	**23.6**	20.9
Interests in Value Retail PLC and related companies	**12.6**	2.5
Ordinary shares of Hammerson plc (Deferred Share Plan)	**2.2**	2.5
Other investments	**3.2**	5.5
	41.6	31.4

The group has an effective 33.5% interest in Value Retail Investors Limited Partnership I and an effective 27.5% interest in Value Retail Investors Limited Partnership II, both of which have interests in a designer outlet centre in Bicester, in the United Kingdom. The interests were acquired at a total cost of £17.1m and are included at a total value, based on the market value of the underlying property, at 31 December 2002 of £23.6m, the property elements of which have been reviewed by Donaldsons, Chartered Surveyors. These investments have not been consolidated within the group accounts as the group does not have significant influence over the management of the partnerships.

In 2002 Hammerson increased its investment in Value Retail plc and certain related companies by £10.1m and currently own approximately 7.2% of each of these companies. The investments are included at cost.

The Company's own shares which amounted to 700,000 (2001: 700,000) were acquired by the Trustees of the Hammerson Deferred Share Plan at a cost of £3.2m (nominal value £0.2m) and may be awarded to participants in accordance with the terms of the Plan. The cost of the shares is being amortised over the anticipated vesting periods, taking account of the group's financial performance. The amortisation is included in staff costs within administration expenses.

Other investments include the group's 14% stake in Stonemartin plc, which was purchased in July 2001 for £4.0m. Stonemartin plc, which operates serviced offices under the brand name of the Institute of Directors, is listed on the Alternative Investment Market ("AIM") and at the balance sheet date the investment has been included at market value.

14 *PROPERTIES HELD FOR RESALE*

At 31 December 2002 properties held for resale represents a portfolio of properties acquired from the former Railtrack Developments (see note 25). These properties were sold to Ballymore Properties Limited on 28 February 2003.

15 *DEBTORS*

	2002 **£m**	2001 Restated* £m
Due within one year		
Trade debtors	**44.8**	27.2
Other debtors	**69.5**	48.4
Corporation tax	**0.8**	0.8
Prepayments	**6.2**	5.0
	121.3	81.4
Due after more than one year		
Other debtors	**10.4**	14.4
Deferred tax (note 7b)	**2.4**	6.4
	12.8	20.8

* Comparative figures have been restated following the adoption of FRS 19 (see note 27).

At 31 December 2002 other debtors due after more than one year included a loan of €16.0m (2001: €7.2m) advanced to Value Retail plc bearing interest based on EURIBOR and maturing on 11 October 2006.

16 CASH AND SHORT TERM DEPOSITS

	2002 £m	2001 £m
Cash at bank	**34.2**	9.4
Short term deposits	**208.0**	209.0
	242.2	218.4
Analysis by currency		
Sterling	**232.4**	211.4
Euro	**9.8**	7.0
	242.2	218.4

At 31 December 2002 short term deposits mainly comprised deposits placed on money markets with rates linked to LIBOR for maturities of not more than 1 month, at an average interest rate of 4.1% (2001: 3.9%). Included within cash at bank is a secured deposit of £1.5m (2001: £nil). An equivalent amount is included within other creditors falling due within one year.

17 BORROWINGS

	2002 £m	2001 £m
Unsecured		
£200 million 7.25% Sterling bonds due 2028	**197.3**	197.3
£250 million 6.875% Sterling bonds due 2020	**246.5**	246.4
£200 million 10.75% Sterling bonds due 2013	**194.7**	194.4
€500 million 6.25% Euro bonds due 2008	**323.5**	303.2
€300 million 5% Euro bonds due 2007	**194.1**	181.8
£78.3 million (2001: £86.4 million) 7.875% Sterling bonds due 2003	**78.0**	85.5
Bank loans and overdrafts	**465.6**	315.3
	1,699.7	1,523.9
Exchange difference on currency swaps	**(11.8)**	(15.4)
	1,687.9	1,508.5
Secured		
Sterling variable rate mortgages due 2007	**11.3**	10.4
Sterling variable rate loans due between 2003 and 2007	**169.6**	–
Euro mortgages due between 2003 and 2023	**14.8**	31.9
Euro loans due between 2011 and 2019	**–**	2.1
	195.7	44.4
	1,883.6	1,552.9

Security for secured borrowings as at 31 December 2002 is provided by charges on property. Since 31 December 2002, sterling secured loans totalling £84.3m have been repaid and cancelled.

17 BORROWINGS (continued)

Maturity

	Bank loans and overdrafts £m	Other loans £m	2002 Total £m	2001 Total £m
After 5 years	–	978.4	978.4	1,155.8
From 2-5 years	369.5	195.0	564.5	293.2
From 1-2 years	255.4	(0.4)	255.0	79.7
Due after more than one year	624.9	1,173.0	1,797.9	1,528.7
Due within one year	16.8	68.9	85.7	24.2
	641.7	1,241.9	1,883.6	1,552.9

At 31 December 2002 loans due after five years repayable by instalments totalled £nil (2001: £1.6m).

Undrawn committed facilities

	2002 £m	2001 £m
Expiring after more than two years	294.1	233.6

Interest rate and currency profile

31 December 2002	Fixed rate borrowings %	Fixed rate borrowings Years	Fixed rate borrowings £m	Floating rate borrowings £m	Total £m
Sterling	7.67	16	694.3	131.3	825.6
Euro	4.72	5	515.5	542.5	1,058.0
	6.40	12	1,209.8	673.8	1,883.6

31 December 2001	Fixed rate borrowings %	Fixed rate borrowings Years	Fixed rate borrowings £m	Floating rate borrowings £m	Total £m
Sterling	8.93	16	407.6	254.9	662.5
Euro	4.65	3	391.0	499.4	890.4
	6.83	10	798.6	754.3	1,552.9

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

The above analysis reflects the effect of currency and interest rate swaps in place at 31 December 2002. Sterling borrowings of £71.0m were covered by currency swaps expiring in 2003, converting into £59.2m variable rate euro borrowings.

At 31 December 2002 the Company had €400m of interest rate swaps which are cancellable by the counterparties annually on 20 June from 2004 until maturity on 20 June 2008. At 31 December 2002 these swaps received interest at a fixed rate of 6.25% and paid interest at variable rates linked to EURIBOR. €200m of these swaps have a floor of 4.0% and mature on 20 June 2004. At 31 December 2002 the fair value of these swaps was a net asset of £6.9m.

The Company also had £50m of interest rate swaps maturing in 2011 of which £20m are cancellable by the counterparties at 30 September 2003 and annually thereafter; £10m are cancellable by the counterparty at 30 September 2004 and annually thereafter; and £20m can either be cancelled or doubled by the counterparties on 30 September 2003. Under these swaps the Company receives interest at a fixed rate of 6.875% and pays interest at variable rates linked to LIBOR. At 31 December 2002, the fair value of these swaps was a net asset of £1.2m.

17 BORROWINGS (continued)

Rates at which interest is charged on borrowings due after one year

	2002 £m	2001 £m
Up to 7%	**733.4**	158.4
7% to 10%	**196.0**	212.3
Over 10%	**195.2**	194.9
	1,124.6	565.6
Variable rates	**673.3**	963.1
	1,797.9	1,528.7

18 CREDITORS – OTHER

	2002 £m	2001 £m
Falling due within one year		
Trade creditors	**50.4**	39.2
Tax and social security	**38.8**	4.9
Other creditors	**180.8**	91.1
Accruals	**16.3**	9.3
Dividends payable	**30.3**	28.7
	316.6	173.2
Falling due after more than one year		
Other creditors	**39.6**	22.1

Other creditors falling due within one year include £61.7m in respect of costs and consideration for the acquisition of the former Railtrack Developments portfolio, which completed on 28 February 2003.

19 FAIR VALUE OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

	31 December 2002		31 December 2001	
	Book value £m	**Fair value £m**	Book value £m	Fair value £m
Overdrafts and short term borrowings	**(99.6)**	**(101.6)**	(25.9)	(25.9)
Gross long term borrowings	**(1,809.0)**	**(1,933.1)**	(1,560.1)	(1,632.2)
Unamortised borrowing costs	**18.0**	**18.0**	17.7	17.7
Interest rate swaps	**(4.8)**	**0.5**	–	(9.4)
Currency swaps	**11.8**	**14.2**	15.4	18.5
Total borrowings	**(1,883.6)**	**(2,002.0)**	(1,552.9)	(1,631.3)

19 FAIR VALUE OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)

The fair values of the group's long term borrowings have been estimated on the basis of quoted market prices. The fair values of the group's outstanding interest rate and currency swaps have been estimated by calculating the present value of future cash flows, using appropriate market discount rates. The adjustment on interest rate swaps at 31 December 2002 of £5.3m includes £1.5m (31 December 2001: £3.0m) relating to swaps maturing in less than one year.

Details of the group's cash and short term deposits are set out in note 16. Their fair values and those of other long term debtors and creditors equate to their book values. Short term debtors and creditors have been excluded from these disclosures as permitted by Financial Reporting Standard 13 "Derivatives and other financial instruments: disclosures".

At 31 December 2002 the fair value of financial liabilities exceeded their book value by £118.4m (31 December 2001: £78.4m), equivalent to 43 pence per share (31 December 2001: 28 pence per share) on a diluted net asset value per share basis. On a post tax basis, the difference was equivalent to 30 pence per share (31 December 2001: 19 pence per share).

The group's policies relating to derivatives and financial instruments are set out in the Financial Review on page 2 and accounting policies on page 24.

20 SHARE CAPITAL

	Authorised		Called up, allotted and fully paid	
	2002 £m	2001 £m	**2002 £m**	2001 £m
Ordinary shares of 25p each	**94.8**	94.8	**69.0**	70.0

		Number
Movements in issued share capital		
Number of shares in issue at 1 January 2002		279,960,781
Exercise of share options	– Share option scheme	966,397
	– Save As You Earn	23,876
Purchase and cancellation of own shares		(5,000,000)
Number of shares in issue at 31 December 2002		**275,951,054**

Share options

At 31 December 2002 the following options granted to executive directors and staff remained outstanding under the Company's executive share option schemes:

Expiry year	Exercise price (pence)	Number of ordinary shares of 25p each
2003	345-526.5	28,812
2004	390-456.5	87,929
2005	347-528	455,512
2006	417-480	285,266
2007	391-456.5	196,117
2008	379-528	345,735
2009	417-562.5	282,709
2010	391	100,296
2011	517.5	71,465
2012	472.5-562.5	94,100
		1,947,941

20 SHARE CAPITAL (continued)

At 31 December 2002 the following options granted to executive directors and staff remained outstanding under the Company's savings related share option scheme:

Expiry year	Exercise price (pence)	Number of ordinary shares of 25p each
2003	422.8	5,628
2003	298.0	35,035
2004	342.8	5,118
2004	386.0	12,486
2005	298.0	25,592
2005	480.8	18,721
2006	342.8	5,360
2006	386.0	3,846
2007	480.8	1,101
		112,887

21 RESERVES

	Share premium account £m	Revaluation reserve £m	Capital redemption reserve £m	Other reserves £m	Profit and loss account Restated* £m
Balance at 1 January 2002	588.6	978.0	5.9	1.5	397.2
Exchange adjustment	–	12.5	–	–	3.4
Premium on issue of shares	3.7	–	–	–	–
Purchase of own shares for cancellation	–	–	1.3	–	(25.1)
Deficit arising on revaluation of properties	–	(19.1)	–	–	–
Surplus arising on revaluation of investments and minority interests	–	0.4	–	–	–
Negative goodwill	–	–	–	5.0	–
Deferred tax on property disposals	–	–	–	–	(13.9)
Transfer to profit and loss account on disposal of properties	–	(185.0)	–	–	185.0
Retained profit for the year	–	–	–	–	32.0
Balance at 31 December 2002	**592.3**	**786.8**	**7.2**	**6.5**	**578.6**

* Comparative figures have been restated following the adoption of FRS 19 (see note 27).

The negative goodwill credited to other reserves is principally the discount received on the purchase of Parinor shopping centre for contingent tax. This accounting treatment does not comply with FRS 10 "Goodwill and intangible assets", which requires that negative goodwill be recognised in the balance sheet as a fixed asset. However, in accordance with a ruling made in February 2002 by the Financial Reporting Review Panel over a similar issue, the directors consider that the accounting treatment adopted is necessary in order for the financial statements to give a true and fair view of the state of affairs of the group.

22 *ANALYSIS OF CASH FLOWS*

	2002 £m	2001 £m
Reconciliation of operating profit to net cash inflow from operating activities		
Operating profit	**151.6**	141.6
Depreciation and amortisation	**1.6**	1.6
Increase in accrued rents receivable	**(2.5)**	(3.8)
Increase in debtors	**(10.0)**	(9.1)
Increase in creditors	**6.8**	4.5
	147.5	134.8
Returns on investment and servicing of finance		
Interest received	**14.1**	13.3
Interest paid	**(103.4)**	(91.1)
Dividends paid to minorities	**(0.4)**	–
	(89.7)	(77.8)
Capital expenditure and investment		
Purchase and development of property	**(484.3)**	(363.3)
Purchase of investments	**(5.0)**	(22.6)
Sale of property	**519.6**	313.0
	30.3	(72.9)
Acquisitions and disposals		
Purchase of subsidiary companies	**(195.8)**	–
Cash acquired with subsidiary companies	**17.6**	–
	(178.2)	–

23 ANALYSIS OF CASH FLOW FROM FINANCING

	2002 £m	2001 £m
Issue of bonds	–	348.5
Purchase of own bonds for cancellation	**(8.4)**	(48.2)
Issue of shares	**4.0**	1.3
Purchase of own shares for cancellation	**(25.1)**	(70.5)
Increase/(Decrease) in medium and long term borrowings	**23.6**	(119.6)
Increase in short term borrowings	**59.5**	15.0
Net cash inflow from financing	**53.6**	126.5

24 ANALYSIS OF MOVEMENT IN NET DEBT

	Short term deposits £m	Cash at bank £m	Borrowings due within one year £m	Borrowings due after one year £m	Net debt £m
Balance at 1 January 2002	209.0	9.4	(24.2)	(1,528.7)	**(1,334.5)**
Purchase of subsidiary companies	102.1	17.6	(0.5)	(197.0)	**(77.8)**
Cash flow	(103.4)	7.1	(59.5)	(15.2)	**(171.0)**
Exchange	0.3	0.1	(1.5)	(57.0)	**(58.1)**
Balance at 31 December 2002	**208.0**	**34.2**	**(85.7)**	**(1,797.9)**	**(1,641.4)**

25 ACQUISITIONS

	Book value			Adjustments			Fair value
	Grantchester £m	Other £m	Total £m	Accounting policies £m	Fair value £m	Other adjustments £m	£m
Investment properties	263.3	6.8	270.1	57.0	49.0	(30.8)	**345.3**
Other fixed assets	0.4	2.8	3.2	(3.0)	–	–	**0.2**
Properties held for resale	16.2	33.2	49.4	(53.0)	3.6	30.8	**30.8**
Debtors	22.7	3.0	25.7	(3.5)	(4.5)	–	**17.7**
Short term deposits	102.1	–	102.1	–	–	–	**102.1**
Cash	14.4	3.2	17.6	–	–	–	**17.6**
Creditors	(62.7)	(4.3)	(67.0)	–	12.9	–	**(54.1)**
Borrowings due within one year	–	(0.5)	(0.5)	–	–	–	**(0.5)**
Borrowings due after more than one year	(192.2)	–	(192.2)	–	(4.8)	–	**(197.0)**
Provisions for charges	(1.4)	–	(1.4)	0.3	(0.6)	–	**(1.7)**
Minority interests	(1.2)	–	(1.2)	–	(1.5)	–	**(2.7)**
Net assets acquired	161.6	44.2	205.8	(2.2)	54.1	–	**257.7**

	£m
Satisfied by:	
Cash	**192.2**
Costs paid	**3.6**
	195.8
Deferred consideration	**60.2**
Costs accrued	**1.7**
	257.7

25 *ACQUISITIONS (continued)*

During the year the group made two corporate acquisitions in respect of which it has adopted acquisition accounting. On 19 September 2002 the group acquired Grantchester Holdings PLC and its subsidiary companies, for consideration of £192.2m. On 24 December 2002 the group acquired Railtrack Developments Limited and related companies for deferred consideration of £60.2m (see note 18).

The accounting policies adjustments principally relate to the reclassification of properties as investments rather than current assets, the reclassification of unamortised lease incentives from debtors to the cost of investment properties and the derecognition of rent reviews not agreed with tenants at the date of acquisition. The fair value adjustments adjust the values of the net assets acquired to their fair values.

Other adjustments relate to the reclassification of properties acquired to reflect their subsequent disposal during 2003.

The loss after tax and minority interests of Grantchester Holdings PLC for the period from the start of its financial year, 1 October 2001, to the date of acquisition was £12.2m (year ended 30 September 2001: £3.9m).

The results of Grantchester Holdings PLC, from the date of acquisition to 31 December 2002, include net rental income of £4.2m and administration expenses of £3.3m, giving an operating profit of £0.9m.

26 *CONTINGENT LIABILITIES*

There are contingent liabilities of £16.4m (2001: £2.5m) relating to guarantees given by the parent company in respect of certain group companies.

27 *OTHER INFORMATION*

Deferred tax

FRS 19 "Deferred tax" requires that companies provide for the tax on timing differences between financial statements and tax computations. For Hammerson, this principally relates to capital allowances in the UK and depreciation in France, after deducting tax losses. The impact of the adoption of FRS 19 on the current year and prior year figures is shown below:

	Profit and loss account		**Earnings per share**		**Balance sheet**
	Tax charge £m	Profit for the year £m	Basic pence	Diluted pence	Net assets £m
Year ended 31 December 2002					
Excluding FRS 19	(2.5)	86.7	31.1	31.1	2,075.2
Adjustment	(11.1)	(11.1)	(4.0)	(4.0)	(34.8)
As reported	(13.6)	75.6	27.1	27.1	2,040.4
Year ended 31 December 2001					
As previously reported	(7.9)	60.3	21.4	21.4	2,048.8
Adjustment	15.9	15.9	5.7	5.7	(7.6)
Restated	8.0	76.2	27.1	27.1	2,041.2

Further details on deferred tax are given in note 7(b).

Company Balance Sheet

as at 31 December 2002

	Notes	2002 £m	2001 Restated* £m
Fixed assets			
Investments in subsidiary companies	B	**2,548.9**	2,499.2
Other investments – Ordinary shares of Hammerson plc	13	**2.2**	2.5
		2,551.1	2,501.7
Current assets			
Debtors - Due within one year	C	**0.8**	0.6
Due after more than one year	C	**16.8**	15.0
Short term deposits		**203.5**	199.5
Cash		**11.7**	1.6
		232.8	216.7
Creditors falling due within one year			
Borrowings	D	**(64.8)**	1.7
Other	E	**(337.4)**	(255.3)
Net current liabilities		**(169.4)**	(36.9)
Total assets less current liabilities		**2,381.7**	2,464.8
Creditors falling due after more than one year			
Borrowings	D	**(1,412.5)**	(1,491.0)
		969.2	973.8
Capital and reserves			
Called up share capital	20	**69.0**	70.0
Share premium account	F	**592.3**	588.6
Capital redemption reserve	F	**7.2**	5.9
Other reserves	F	**0.1**	0.1
Profit and loss account	F	**300.6**	309.2
Equity shareholders' funds		**969.2**	973.8

* Comparative figures have been restated following the adoption of FRS 19 (see note A).

These financial statements were approved by the Board of Directors on 13 March 2003.

Signed on behalf of the Board

R J G Richards Director

S R Melliss Director

A PROFIT FOR THE YEAR

As permitted by section 230 of the Companies Act 1985, the profit and loss account of the Company is not presented as part of these financial statements. The profit for the year attributable to shareholders dealt with in the financial statements of the Company was £60.1m (2001: £174.9m, restated following the adoption of FRS 19).

The effect of the adoption of FRS 19 on the prior year figures for the Company is to increase the profit for the year, debtors and equity shareholders' funds by £0.6m. Further details on FRS 19 and its effect on the consolidated accounts are provided in note 27.

B INVESTMENTS IN SUBSIDIARY COMPANIES

	Shares £m	Loans £m	Total £m
Balance at 1 January 2002	417.0	2,082.2	2,499.2
Movement	196.0	(146.3)	49.7
Balance at 31 December 2002	**613.0**	**1,935.9**	**2,548.9**

Investments are stated at cost less provision for impairment.

C DEBTORS

	2002 £m	2001 Restated* £m
Debtors falling due within one year		
Other debtors	**0.8**	0.6
Debtors falling due after more than one year		
Deferred tax	**6.4**	0.6
Other debtors (see note 15)	**10.4**	14.4
	16.8	15.0

* Comparative figures have been restated following the adoption of FRS 19 (see note A).

D BORROWINGS

	Unsecured bank loans & overdrafts £m	**Unsecured other loans £m**	**2002 Total £m**	2001 Total £m
After 5 years	**–**	**966.8**	**966.8**	1,128.8
From 2-5 years	**(0.4)**	**191.6**	**191.2**	292.9
From 1-2 years	**255.7**	**(1.2)**	**254.5**	69.3
Due after more than one year	**255.3**	**1,157.2**	**1,412.5**	1,491.0
Due within one year	**(0.3)**	**65.1**	**64.8**	(1.7)
	255.0	**1,222.3**	**1,477.3**	1,489.3

Details of the group's borrowings are given in note 17 on pages 37 to 39. The Company's borrowings comprise sterling and euro denominated bonds, currency and interest rate swaps and bank loans.

E CREDITORS – OTHER

	2002 £m	2001 £m
Creditors falling due within one year		
Amounts owed to subsidiaries	**263.1**	184.8
Tax	**0.4**	0.4
Other creditors	**2.0**	0.8
Accruals	**41.6**	40.6
Dividends payable	**30.3**	28.7
	337.4	255.3

The amounts owed to subsidiaries are unsecured, repayable on demand and are interest bearing at variable rates based on LIBOR.

F RESERVES

	Share premium account £m	Capital redemption reserve £m	Other reserves £m	Profit and loss account Restated* £m
Balance at 1 January 2002	588.6	5.9	0.1	309.2
Premium on issue of shares	3.7	–	–	–
Purchase of own shares for cancellation	–	1.3	–	(25.1)
Retained profit for the year	–	–	–	16.5
Balance at 31 December 2002	**592.3**	**7.2**	**0.1**	**300.6**

* Comparative figures have been restated following the adoption of FRS 19 (see note A).

G PRINCIPAL SUBSIDIARY COMPANIES

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

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

England
Hammerson International Holdings Ltd
Hammerson UK Properties plc
Grantchester Holdings Ltd
99 Bishopsgate Ltd*
Hammerson (1 Harbour Exchange) Ltd
Hammerson (2 Harbour Exchange) Ltd
Hammerson (Euston Square) Ltd
Hammerson (West Quay) Ltd
Hammerson Investments Ltd
Hammerson Oracle Investments Ltd
Hammerson Property Ltd
Hammerson Group Management Ltd
Hammerson Management Services Ltd
Hammerson Leicester Limited

USA
Hammerson USA Inc

The Netherlands
Hammerson Europe BV

France
Hammerson SA
Hammerson Bercy SAS
Hammerson Cergy Pontoise SAS
Hammerson Italie SAS
Hammerson Madeleine SAS
Hammerson Parinor SAS
Hammerson Pillet-Will SNC
Hammerson St Quentin Ville SAS
SCI SDPH (64.5%)
Marketing & Valorisation SAS

Germany
Hammerson GmbH
Forum Steglitz 2 GmbH
Luisen-Center GmbH & Co KG
MV Geschaftshaus Verwaltung GmbH & Co Märkisches-Zentrum KG

* Incorporated/registered in Vanuatu

Portfolio Review

PROPERTY PORTFOLIO INFORMATION

for the year ended 31 December 2002

		Net rental income £m	Properties at valuation £m	True equivalent yield %	Underlying valuation change %	Total return %	Vacancy rate %	Rents passing £m	Estimated rental value £m	Reversionary/ (over-rented) %
Notes				(1)				(2)	(3)	(4)
United Kingdom										
Retail:	Shopping centres									
	London & South	41.5	825.7	6.3	5.1	10.8	0.7	47.3	52.0	8.2
	Midlands & North	23.5	484.4	7.0	5.7	13.4	0.9	21.6	23.3	6.6
	Retail warehouses [5]	4.6	344.0	6.7	0.8	2.2	2.3	14.7	19.0	19.7
		69.6	1,654.1	6.5	4.8	11.6	1.3	83.6	94.3	9.9
Office:	City	29.4	438.5	7.0	(6.9)	(0.4)	0.6	29.4	22.1	(32.9)
	West End	16.1	306.6	7.3	(4.0)	1.2	1.4	23.5	21.4	(11.4)
	Docklands & other	8.8	163.1	9.2	(10.6)	(5.9)	21.1	10.2	16.1	21.7
		54.3	908.2	7.6	(6.7)	(0.7)	9.9	63.1	59.6	(11.5)
Total United Kingdom		123.9	2,562.3	6.9	0.4	6.4	6.7	146.7	153.9	1.1
Continental Europe										
Retail:	France	32.7	593.0	6.9	3.3	9.1	2.7	35.7	44.9	22.2
	Germany	11.8	289.6	7.3	(7.8)	(4.3)	10.2	16.3	20.3	13.7
		44.5	882.6	7.0	(0.7)	4.4	5.9	52.0	65.2	19.4
Office:	France	7.5	462.7	6.6	(3.7)	0.3	18.8	11.1	13.5	12.5
Total Continental Europe		52.0	1,345.3	6.9	(1.7)	3.0	7.3	63.1	78.7	18.2
Group										
Retail		114.1	2,536.7	6.7	2.8	8.5	3.1	135.6	159.5	13.6
Office		61.8	1,370.9	7.3	(5.7)	(0.5)	11.3	74.2	73.1	(7.3)
Total Group		175.9	3,907.6	6.9	(0.3)	5.3	5.0	209.8	232.6	6.3

Notes

(1) True equivalent yield is based on rents passing and estimated rental values at 31 December 2002. The calculation excludes properties in the course of development.

(2) Rents passing at 31 December 2002 after deducting head and equity rents.

(3) Estimated rental value at 31 December 2002 including vacant space and after deducting head and equity rents.

(4) The amount by which the estimated rental value, excluding that relating to vacant space, exceeds or falls short of the rents passing, post any rent free period, at 31 December 2002.

(5) Underlying valuation change and total return since the date of acquisition.

SECURITY OF INCOME/REVERSION

as at 31 December 2002

		Rents passing that expire/break in 2003 £m	2004 £m	2005 £m	ERV of leases that expire/break in 2003 £m	2004 £m	2005 £m	Average unexpired lease term years
Notes		(1)	(1)	(1)	(2)	(2)	(2)	
United Kingdom								
Retail:	Shopping centres							
	London & South	0.8	0.7	1.9	0.9	0.7	1.9	14
	Midlands & North	0.5	1.4	0.7	0.7	1.5	0.7	11
	Retail warehouses	-	-	-	-	-	-	17
		1.3	2.1	2.6	1.6	2.2	2.6	14
Office:	City	-	0.4	5.5	-	0.4	4.5	8
	West End	2.6	2.9	1.8	2.4	3.1	1.6	16
	Docklands & other	0.3	1.5	0.6	0.3	2.1	0.8	7
		2.9	4.8	7.9	2.7	5.6	6.9	12
Total United Kingdom		4.2	6.9	10.5	4.3	7.8	9.5	13
Continental Europe								
Retail:	France	3.1	1.4	1.6	4.5	2.1	2.2	7
	Germany	1.5	2.6	1.0	1.7	3.0	1.2	6
		4.6	4.0	2.6	6.2	5.1	3.4	6
Office:	France	0.7	2.1	0.5	0.7	2.3	0.8	6
Total Continental Europe		5.3	6.1	3.1	6.9	7.4	4.2	6
Group								
Retail		5.9	6.1	5.2	7.8	7.3	6.0	11
Office		3.6	6.9	8.4	3.4	7.9	7.7	11
Total Group		9.5	13.0	13.6	11.2	15.2	13.7	11

Notes

(1) These figures show the amount by which rental income, based on rents passing at 31 December 2002, could fall in the event that occupational leases due to expire are not renewed or replaced by new leases. For the UK it includes tenants' break options. For France and Germany, it is based on the earliest date of lease expiry.

(2) The estimated rental value at 31 December 2002 for space that expires or breaks in each year, after deducting head and equity rents and ignoring the impact of rental growth and any rent free periods.

RENT REVIEWS

as at 31 December 2002

			Rents passing subject to review in				Projected rent at current ERV of leases subject to review in		
		Outstanding £m	**2003 £m**	**2004 £m**	**2005 £m**	**Outstanding £m**	**2003 £m**	**2004 £m**	**2005 £m**
Notes		(3)	(3)	(3)	(3)	(4)	(4)	(4)	(4)
United Kingdom									
Retail:	Shopping centres								
	London & South	2.1	0.9	8.6	11.5	2.7	0.9	10.0	12.9
	Midlands & North	2.9	1.8	1.6	3.0	3.2	1.9	1.7	3.1
	Retail warehouses	1.8	2.6	1.6	4.6	2.6	3.0	2.0	4.8
		6.8	5.3	11.8	19.1	8.5	5.8	13.7	20.8
Office:	City	0.2	0.1	7.4	7.2	0.2	0.2	7.4	7.2
	West End	0.1	4.2	–	2.9	0.2	4.8	–	2.9
	Docklands & other	0.6	0.7	2.4	4.0	0.8	1.6	3.2	4.3
		0.9	5.0	9.8	14.1	1.2	6.6	10.6	14.4
Total United Kingdom		7.7	10.3	21.6	33.2	9.7	12.4	24.3	35.2

The majority of rents in France and Germany are subject to annual indexation

Notes

(3) These figures show the rental income passing at 31 December 2002, after deducting head and equity rents, which is subject to review in each year.

(4) These figures are the projected rents for space that are subject to review in each year and are based on the higher of the current rental income and the estimated rental value as at 31 December 2002, after deducting head and equity rents and ignoring the impact of changes in rental values before the review date.

Portfolio Review

Property/address	Property net internal area m²	Key dates	Tenure	Principal occupiers	Number of tenants	Weighted average unexpired lease term years	Vacancy rate %	Rent passing p.a. £m**	Average rent passing £ per m²†
UNITED KINGDOM									
RETAIL									
LONDON AND SOUTH									
Brent Cross, London NW4 (41% ownership)	80,100	1976 completed 1995 refurbished	Leasehold	John Lewis, Fenwick, Marks & Spencer, W H Smith, Gap, Next, Zara, H&M, Boots	99	13	0.1	14.6	930
Bristol properties	10,900	2000 acquired	Leasehold	Going Places, Lunn Poly	20	31	5.4	1.4	160
Liberty Shopping Centre, Romford	48,800	1968 completed 2001/2 refurbished	Freehold	Bhs, Boots, H&M, W H Smith, Next Mothercare, Clinton, Sports Soccer	87	14	2.4	9.4	200
Paris Street & Sidwell Street, Exeter	8,500	1999 acquired	Leasehold	MVC, Sofa Workshop, Iceland	27	5	9.1	1.0	120
The Oracle, Reading (50% ownership)	70,000	1999 completed	Leasehold	House of Fraser, Debenhams, Boots, H&M, Zara, Sports Soccer	101	13	0.1	10.6	350
West Quay, Southampton (50% ownership)	76,000	2000 completed	Leasehold	John Lewis, Marks & Spencer, Gap, H&M, Next	91	16	0.8	10.4	440
MIDLANDS AND NORTH									
*Bullring, Birmingham (33% ownership)	110,000	1996 acquired 2003 completion	Leasehold	Selfridges, Debenhams, Next, Gap, Zara, Sports Soccer	–	–	–	–	–
Grosvenor House Hotel, Sheffield	3,400	2001 acquired	Leasehold	Regal Hotels, Halifax Building Society	20	14	4.2	0.6	180
Martineau Galleries, Birmingham (33% ownership)	57,500	1999 acquired	Leasehold	Virgin, HSBC Bank, Health & Safety Executive, Argos, Toys 'R' Us, Next	76	13	8.5	1.9	120
Martineau Place, Birmingham (33% ownership)	23,500	2001 completed	Leasehold	H&M, Gap, First Sport, Sainsburys, CGNU	32	14	4.3	2.3	230
Merseyway Centre, Stockport	31,000	1966 completed 1994 refurbished	Leasehold	Boots, Next, Superdrug, Dixons, New Look, HMV	89	9	2.1	9.2	330
The Shires, Leicester (60% ownership)	47,800	2002 acquired	Freehold	Next, W H Smith, Mothercare, Uniqlo	76	15	0.1	7.6	250

Portfolio Review

Property/address	Property net internal area m²	Key dates	Tenure	Principal occupiers	Number of tenants	Weighted average unexpired lease term years	Vacancy rate %	Rent passing p.a. £m**	Average rent passing £ per m²†
RETAIL WAREHOUSES									
Battery Retail Park, Selly Oak, Birmingham (25% ownership)	12,700	2002 acquired	Leasehold	Homebase, B&Q, PC World, Currys, Comet, Halfords	6	11	nil	0.6	200
Newport Road Retail Park, Cardiff	7,900	2002 acquired	Freehold	Wickes, Matalan, Magnet	3	15	nil	0.8	96
Ravensbourne Retail Park, Catford	6,700	2002 acquired	Freehold	PC World, Currys, Comet, Carpetright	5	22	nil	1.5	220
Mercia Retail Park, Durham (50% ownership)	5,400	2002 acquired	Freehold	MFI, Carpetright, Allied Carpets	5	16	nil	0.4	130
Central Retail Park, Falkirk (25% ownership)	34,200	2002 acquired	Leasehold	Halfords, Currys, Carpetright, Comet, Homebase, Tesco	24	20	nil	1.1	120
Dallow Road, Luton	10,100	2002 acquired	Freehold	B&Q, Aldi	2	17	nil	1.1	110
Cleveland Retail Park, Middlesbrough	13,500	2002 acquired	Freehold	B&Q, Halfords, Currys, Matalan, MFI	10	18	2.6	1.2	90
Sprowston Retail Park, Norwich (25% ownership)	15,700	2002 acquired	Leasehold	Homebase, Carpetright, DFS, Land of Leather, JJB Sports	12	18	nil	0.7	180
Victoria Retail Park, Nottingham	12,700	2002 acquired	Freehold	Halfords, MFI, Allied Carpets, McDonalds	8	10	nil	1.0	80
West Berkshire Retail Park, Theale, Reading	13,100	2002 acquired	Freehold	Homebase, First Leisure	2	16	nil	1.7	130
B&Q Warehouse, Romford	6,700	2002 acquired	Freehold	B&Q	1	18	nil	1.3	200
Parc Fforestfach, Swansea	12,600	2002 acquired	Leasehold	Argos, JJB Sports, Next	6	16	31.4	2.2	250
Westwood & East Kent Retail Parks, Thanet (50% ownership)	16,600	2002 acquired	Freehold	Homebase, Comet, Carpetright, Allied Carpets, Pizza Hut, Matalan, Dixons, Currys	11	19	nil	1.0	120

Portfolio Review

Property/address	Property net internal area m²	Key dates	Tenure	Principal occupiers	Number of tenants	Weighted average unexpired lease term years	Vacancy rate %	Rent passing p.a. £m**	Average rent passing £ per m²†
OFFICES									
CITY									
99 Bishopsgate, London EC2	31,000	1993 acquired 1995 development	Leasehold	Deutsche Bank, Latham & Watkins	6	7	nil	15.0	610
*Bishops Square, London E1 (32% ownership)[(1)]	65,000	2000 acquired 2005 completion	Leasehold	Allen & Overy	–	–	–	–	–
Centennium House, 100 Lower Thames Street, London EC3	5,800	1994 acquired 1999 development	Leasehold	Global Crossing	1	8	nil	2.1	380
Latham House, 16 Minories, London EC3	8,400	1996 acquired	Leasehold	AHJ Management Ballantyne, McKean & Sullivan	9	3	nil	2.6	310
*1 London Wall, London EC2 (50% ownership)	19,300	1999 acquired 2003 completion	Leasehold	–	–	–	–	–	–
21 Moorfields, London EC2	14,000	1992 acquired	Leasehold	Lazard Bros & Co, Boots, Dixons	8	5	nil	5.6	440
*Moorhouse, London EC2 (33% ownership)	29,100	2001 acquired 2004 completion	Leasehold	–	–	–	–	–	–
16 Old Bailey, London EC4	8,700	1999 completed	Freehold	Withers	1	14	nil	3.6	420
1 Puddle Dock, London EC4	10,000	1995 acquired	Leasehold	KPMG	1	74	nil	0.4	40
WEST END									
Euston Square, London NW1	28,100	1999 acquired	Leasehold	Network Rail, Grant Thornton	4	17	nil	9.2	330
Globe House, London WC2	17,900	1998 completed	Freehold	BAT	1	22	nil	10.3	580
*10 Grosvenor Street, London W1 (50% ownership)	6,100	1994 acquired 2003 completion	Leasehold	–	–	–	–	–	–
18 & 19 Hanover Square, London W1	5,800	1999 acquired	Leasehold	PIC Fyfield, Capital One, Tractebel	6	1	nil	2.4	430
83/85 Pall Mall, London SW1	4,300	1984 completed 1999 refurbished	Leasehold	Soros Funds, Credit Commerciale de France	3	2	18.5	1.6	530

[(1)] Increased ownership to 75% on 19 February 2003.

Portfolio Review

Property/address	Property net internal area m²	Key dates	Tenure	Principal occupiers	Number of tenants	Weighted average unexpired lease term years	Vacancy rate %	Rent passing p.a. £m**	Average rent passing £ per m²†
DOCKLANDS AND OTHER									
Attwood House, New Street, Birmingham	4,700	1996 acquired	Leasehold	British Airways, Burger King	8	3	21.6	0.4	390
Eastgate House, Leeds	6,200	2000 acquired	Freehold	Secretary of State	15	5	3.9	0.6	100
1 & 2 Harbour Exchange, London E14	45,000	1999 acquired	Freehold	Morgan Stanley Secretary of State, Cazenove, Centre-File	39	8	21.3	8.6	240
1 Harbour Quay, London E14	2,400	2001 acquired	Leasehold	EDS, Medscreen	2	2	nil	0.2	110
Rotunda, New Street, Birmingham, (33% ownership)	12,900	1996 acquired	Leasehold	Lloyds Bank, Birmingham City Council	22	-	54.7	0.1	30
FRANCE									
RETAIL									
Bercy 2, Paris 12ème (company ownership 19,900m²)	35,200	2000 acquired	Freehold	Carrefour, H & M, Darty, Etam, Sport Leader, Extrapole	71	6	1.9	3.3	170
Espace Saint Quentin, Saint Quentin-en-Yvelines (company ownership 21,400m²)	45,800	1994 acquired	Freehold	Carrefour, C&A, Darty, H & M, Société Générale, Sephora	107	7	3.2	5.9	290
Italie 2, Paris 13ème	56,500	1998 acquired 2001 refurbished	Freehold	Printemps, Champion, Zara, Go Sport, Jennyfer	127	7	3.7	8.8	210
Les 3 Fontaines, Cergy Pontoise (company ownership 22,500m²)	58,900	1995 acquired 1996 refurbished	Freehold	Auchan, C&A, Darty, H & M, Etam, Mango, La Redoute	81	7	5.5	5.7	270
Parinor, Paris (company ownership 33,800m²)	84,000	2002 acquired	Freehold	Carrefour, C&A, Castorama, Toys 'R' Us, H&M, Darty, Virgin	128	6	1.8	6.0	180
Place des Halles, Strasbourg (65% ownership of 37,600m²)	41,800	1998 acquired 2002 refurbished	Freehold	C&A, BHV, Galeries Gourmandes, Sephora, Mango, Go Sport, Surcouf, Andaska	125	7	nil	6.0	160

Portfolio Review

Property/address	Property net internal area m²	Key dates	Tenure	Principal occupiers	Number of tenants	Weighted average unexpired lease term years	Vacancy rate %	Rent passing p.a. £m**	Average rent passing £ per m²†
GERMANY									
RETAIL									
B5, Berlin	11,100	2000 completed	Freehold	Inwear, Chiemsee, Jacques Heim, Mango	38	8	21.6	1.1	120
City Center, Essen (22% ownership)	30,900	1990 acquired 1995 refurbished	Freehold	New Yorker, Saturn, Schaulandt, Wal-Mart	80	4	1.8	1.2	180
Forum Steglitz, Berlin (87.3% ownership)	28,900	2000 acquired	Freehold	Rewe, Schaulandt, Karstadt, H & M	68	3	0.8	4.6	150
Luisen Center, Darmstadt (ownership of 19,000 m²)	30,300	1998 acquired 2002 refurbished	Freehold	Rewe, H & M, Lindex, Görtz, New Yorker	74	9	17.9	4.1	200
Märkisches Zentrum, Berlin (ownership of 62,000 m²)	71,500	1996 acquired 2002 refurbished	Freehold	Rewe, Wöhrl, Fitness Company, H & M, Meyer Beck, Woolworth	190	6	14.4	5.3	100
FRANCE									
OFFICES									
*Néo, 14 boulevard Haussmann, Paris 9ème	26,800	2001 acquired 2003 completion	Freehold	–	–	–	–	–	–
Les Trois Quartiers, 21 boulevard de la Madeleine, Paris19ème	29,700	2000 acquired	Freehold	Barclays, Dauphin, Madelios, Decathlon	30	6	2.8	9.9	320
4 place de l'Opèra, Paris 2ème (50% ownership)	9,400	2001 acquired	Freehold	Credit Lyonnais, ANAH, Maty,	26	2	24.7	1.2	160
53 quai d'Orsay, Paris 7ème	9,200	1999 acquired 2002 completed	Freehold	Latham & Watkins	1	10	nil	4.4	480
148 rue de l'Université, Paris 7ème	10,300	1999 acquired 2002 completed	Freehold	Microsoft, Japanese Embassy	2	6	53.0	2.2	420
*9, place Vendôme, Paris 1er	27,000	2002 acquired	Freehold	–	–	–	–	–	–

Notes

* Properties held in the course of development or for potential future development. Property net internal area is an estimation at completion. Principal occupiers are significant pre-lettings only.

** Net of head and equity rents.

† Before deducting head and equity rents and excluding rents passing from anchor units and car parks.

Current Developments

Project	Ownership interest	Cost at 31 December 2002 £m	Retail/ Office	Estimated total development cost* £m	Size m^2	Anticipated completion date
Bullring, Birmingham	33%	124	Retail	176	110,000	Sep 2003
One London Wall, London EC2	50%	25	Office	50	19,300	Jul 2003
10 Grosvenor Street, London W1	50%	10	Office	21	6,100	Dec 2003
Moorhouse, London EC2	33%	32	Office	68	29,100	May 2004
Néo, 14 boulevard Haussmann, Paris 9ème	100%	150	Office	185	26,800	Jul 2003

* Hammerson share

In addition the group has interests in development opportunities including: Union Square, Aberdeen; Cricklewood Redevelopment Ltd in London NW2; sites in London E1 to the north of Broadgate; Victoria Station, London SW1; the Triangle site in Paddington, London W2; and potential retail warehouse developments in Bridgend, Gloucester, Merthyr Tydfil and Port Talbot.

Hammerson PLC

360632

Annual Review and Summary Financial Statements 2002

Contents

Hammerson's objective is to generate good returns for shareholders by creating value from property investment and development and by active management of its capital.

Pages 35 and 36 contain summary financial statements for the year. Financial information relating to any large group is complex and the aim here is to present the key data on Hammerson's financial performance.

All the information has been extracted from the Directors' Report and Financial Statements. The summary financial statements do not present the detail that is included in the Directors' Report and Financial Statements and which would permit a comprehensive analysis of Hammerson's performance. Copies of the Directors' Report and Financial Statements are available from the Company Secretary, Hammerson plc, 100 Park Lane, London W1K 7AR and are also shown on the group's website, www.hammerson.co.uk.

The group offers shareholders an exposure to key European real estate markets through a strategy of focusing on high quality retail and office property.

Hammerson has a reputation for operating well managed properties which provide attractive and efficient environments and meet the changing needs of occupiers and their customers.

The group's high quality portfolio, which is valued at around £4.0 billion, provides nearly 1,000,000m² of retail space and over 250,000m² of prime offices.

Financial Highlights

In 2002, like-for-like net rental income increased by 9.4%.

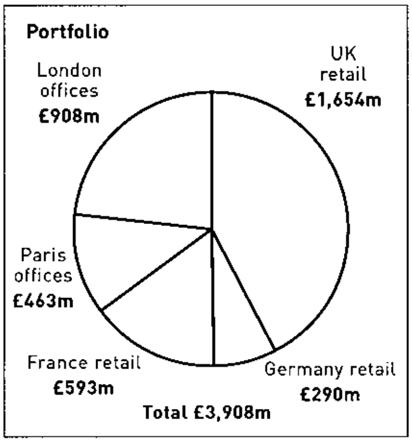
- → Net rental income £175.9m + 10.0%
- → Adjusted earnings per share 29.2p + 20.2%
- → Dividend per share 15.8p + 6.5%
- → Adjusted net asset value per share 752p + 2.9%

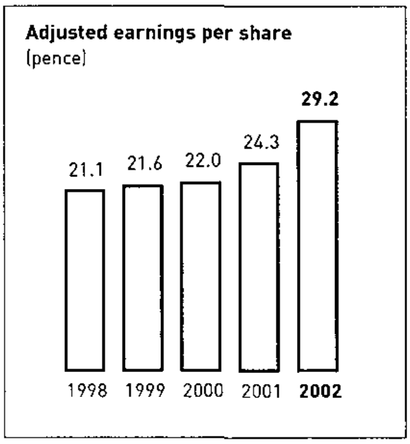
Financial Highlights	2002 £m	2001 Restated[1] £m	% change
Net rental income	**175.9**	159.9	+10.0
Profit before taxation	**90.9**	69.1	+31.5
Adjusted profit before taxation [2]	**85.6**	77.3	+10.7
Property assets	**3,908**	3,488	+12.0
Shareholders' funds	**2,040**	2,041	–

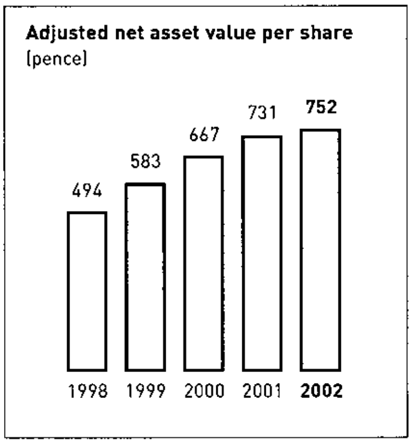
Per Share Data	2002 p	2001 Restated[1] p	% change
Earnings per share	**27.1**	27.1	–
Adjusted earnings per share [2]	**29.2**	24.3	+20.2
Dividend per share	**15.8**	14.84	+6.5
Adjusted net asset value per share [3]	**752**	731	+2.9

	2002	*2001*
Return on shareholders' equity [3]	**4.3%**	8.3%
Gearing	**80%**	65%
Interest cover	**1.9x**	1.9x
Dividend cover	**1.9x**	1.6x

[1] Figures for 2001 have been restated following the adoption of Financial Reporting Standard 19, "Deferred tax".
[2] Excluding deferred tax and exceptional items, which comprise profits and losses on the sale of investment properties and, in 2001, the costs of redeeming convertible bonds.
[3] Excluding deferred tax.







Board of Directors

R R SPINNEY *R J G RICHARDS* *J C CLARE* *R J O BARTON* *S R MELLISS*

R R SPINNEY FRICS, CHAIRMAN – Ronald Spinney (61), a Chartered Surveyor, was appointed Chairman in 1999, having joined Hammerson as Chief Executive in 1993. He is Chairman of the Nomination Committee. He is a Crown Estate Commissioner, a director of EPRA, Chairman of the board of management of Hanover Property Unit Trust Ltd, a non-executive director of Rentokil Initial plc, Fuller Smith & Turner plc and Homestyle Group plc and Chairman of London First Centre.

R J G RICHARDS BSc, FRICS, CHIEF EXECUTIVE – John Richards (47), a Chartered Surveyor, joined the Company in 1981 as a development surveyor and was appointed a director of the UK business in 1987. He was appointed a director of the Company in 1990. He had responsibility for Hammerson's UK operations from 1993 to 1998 and then took responsibility for the group's international operations, prior to being appointed Chief Executive of Hammerson in 1999. He is a director and President of the British Council of Shopping Centres.

J C CLARE BSc – John Clare (52) was appointed a non-executive director of Hammerson in 1999. He is a member of the Audit Committee and will become a member of the Remuneration Committee on 8 May 2003. He is Chief Executive of Dixons Group plc.

R J O BARTON CA, MBA – John Barton (58) was appointed a non-executive director of Hammerson in 1998. He is a member of the Remuneration Committee (of which he will become Chairman on 8 May 2003) and the Nomination Committee and will become a member of the Audit Committee on 8 May 2003. He is Chairman of Wellington Underwriting plc and a non-executive director of Aspen Insurance Holdings Limited, WH Smith Group plc, Next plc and the General Insurance Standards Council.

S R MELLISS BA, FCA – Simon Melliss (50), a Chartered Accountant, joined the Company in 1991 as group financial controller, having worked in various financial positions for other companies. He was appointed Group Finance Director in 1995.

G F PIMLOTT *G DEVAUX* *P W B COLE* *F B CHARNOCK* *J A BYWATER*

G F PIMLOTT MA, DEPUTY CHAIRMAN – Graham Pimlott (53) was appointed non-executive Deputy Chairman in 2000, having been appointed a non-executive director of Hammerson in 1993. He is Chairman of the Audit Committee and a member of the Remuneration and Nomination Committees. He is a non-executive director of Tesco plc.

G DEVAUX – Gerard Devaux (54) was appointed an executive director of Hammerson in 1999. He joined the Company in 1986 as general manager and a director of the group's operations in France, assuming responsibility for operations in continental Europe in 1999. He is also a director of the National Council of Shopping Centres in France.

P W B COLE BSc, MRICS – Peter Cole (44), a Chartered Surveyor, joined the Company in 1989 as a senior development surveyor and was appointed to the board of the Company's UK business in 1993. He is responsible for developments and acquisitions in the UK and was appointed an executive director of Hammerson in 1999.

F B CHARNOCK FRICS – Frank Charnock (68) was appointed a non-executive director of Hammerson in 1994. He is Chairman of the Remuneration Committee and a member of the Audit Committee. He was formerly the Chairman of Jones Lang Wootton International. Mr Charnock will be retiring at the Annual General Meeting on 8 May 2003.

J A BYWATER FRICS – John Bywater (55), a Chartered Surveyor, joined Hammerson as an executive director in 1998 having previously been a partner of Donaldsons. As Managing Director of the Company's UK business, he is responsible for the investment portfolio in the UK. In addition, he is responsible for insurance issues and Corporate Responsibility throughout the group.

Chairman's Statement

Ronald Spinney
Chairman

Market conditions in 2002 proved challenging. Against this background, Hammerson continued to focus on driving income from the existing portfolio, completing the current developments and recycling capital. Capital investment of over £850 million and property disposals of £520 million marked an active year for the group.

Hammerson maintains its strategy of focusing on retail and office properties, principally in the UK and France, and managing capital to generate good shareholder returns.

During 2002, the group acquired interests in two major regional shopping centres and the entire share capital of Grantchester Holdings PLC. This latter acquisition provides Hammerson with a major presence in the retail warehouse sector and has been successfully integrated into our existing business.

Good progress was made with the current office development projects both in central London and central Paris. Expenditure and commitments in respect of unlet office developments in London totalled £139 million at the year end and this should be seen in the context of a total portfolio of £3.9 billion. At Bullring, the major redevelopment by The Birmingham Alliance, which opens in September 2003, letting progress is very encouraging.

FINANCIAL

Last year, I made reference to the potential for income growth from the existing portfolio. In 2002, Hammerson was successful in achieving rent reviews and lease renewals resulting in an underlying increase in rental income of 9.4%. This was the major factor in an increase in profit before exceptional items of 10.7% to £85.6 million in 2002. Reflecting a lower current tax charge, adjusted earnings per share rose by 20.2% to 29.2 pence.

In the light of the more difficult conditions in property investment markets, there was an underlying decrease of 0.3% in the value of the group's properties during 2002. Whilst there were increases in values in the UK and French retail portfolios, there were decreases in Germany and in London and Paris offices.

Adjusted net asset value per share rose by 21 pence or 2.9% to 752 pence, with retained earnings and currency exchange movements more than offsetting the decrease in property values. The return on equity was 4.3% in 2002, compared with 8.3% in 2001.

Hammerson has access to substantial undrawn committed bank facilities and its balance sheet remains strong. During the year five million shares were purchased and cancelled at an average price of 501 pence and a total cost of £25 million. It remains the group's intention that capital that is not required in the business will be returned to shareholders through dividends or the purchase of the Company's own shares.

The directors are recommending a final dividend of 10.99 pence, compared with 10.26 pence in 2001. This makes a total dividend for the year of 15.8 pence, an increase of 6.5%.

MARKETS AND OUTLOOK

Retail Property

In the UK, comparison retail sales grew by 6.5% in 2002, slightly below the levels of the past few years. Whilst a pickup in GDP growth is forecast through 2003 and 2004, there are mixed signals coming from retailers over future performance. On the supply side, additions to UK retail floorspace are projected to be modest over the next few years. This, combined with the continuing concentration of retail spending in fewer locations and retailers' focus on profitability, will support occupational demand for large, dominant centres and for retail warehousing, the categories of retail property in which Hammerson invests. Rental growth in these locations is anticipated to be above the average for retail property as a whole.

In France, retail sales grew by 2.3% in 2002, compared with 1.3% in 2001. Proposed tax cuts are forecast to support consumer spending this year. It is likely that retail locations which can deliver rising turnover or a competitive cost base will continue to show the highest rental growth.

In both the UK and France, good demand for retail property investments, limited supply, the potential for modest rental growth, and continuing low interest rates, are expected to support shopping centre yields at their current levels.

The German economy remains fragile and consumer confidence low. It seems probable that retail property rents and values will recover only when the economy and consumer and business confidence improve.

Office Property

At the time of the group's interim results last August, I said that central London office rental levels had declined by about 10% in the first six months of the year. The market

"Adjusted earnings per share rose by 20.2% to 29.2 pence."

continued to deteriorate in the second half of the year, with a further decline in rental levels of around 10-15%. The reductions were greatest in Docklands and the City, with a smaller decline in the West End. In contrast, investment demand for prime offices let to major occupiers on long leases remained robust.

Over the next 12 months, a number of speculative developments are due to complete in central London. Availability is being further increased by occupiers returning good quality surplus space to the market, a reflection of the continued weakness in the financial services sector. Whilst there should be some recovery in the occupational market in 2003 and 2004, it is unlikely that this will be reflected in a recovery in rental levels. However, the investment market for prime well-let property should remain sound.

In Paris, slowing economic growth led to a higher vacancy rate in central Paris for prime offices and a fall in rental levels of around 5% during 2002. Looking ahead, we anticipate some further softening in rents in 2003 with potential occupiers cautious about entering into new commitments. Nevertheless, the better medium term prospects for the Paris market and low interest rates suggest that investment yields will remain around current levels.

TAXATION

In France, outline legislation has recently been passed which will allow property companies quoted in France to elect for exemption from tax on income from French property assets. Tax will be paid by shareholders in respect of dividends received. As the detailed regulations have yet to be published, it is too early to say how these changes will affect Hammerson, but the position is being closely monitored.

BOARD

At the Annual General Meeting on 8 May 2003 Frank Charnock will be standing down from the Board. I would like to thank him for his wise counsel and valuable contribution to Hammerson over his nine years as a non-executive director. I would also like to thank my other Board colleagues and staff for their continuing enthusiasm and commitment to the Company.

CONCLUSION

Hammerson has a high quality portfolio which will show growth in rental income from rent reviews, renewals and new leases over the next few years. We shall continue to recycle capital by appropriate disposals. At the same time, the group is well placed to add value by completing the current developments and exploiting other opportunities within the portfolio.

Ronald Spinney
Chairman
13 March 2003

Hammerson's portfolio has an average unexpired lease term of 11 years.

Corporate Responsibility

Hammerson recognises its responsibilities to others.

Our customers, suppliers, staff, shareholders and the local communities in which the group's properties are located, all have a direct interest in the way we run our business.

Working with and within the local community is important to Hammerson.

We recognise the positive impact we can have on the many visitors to the group's retail centres and office buildings by the use of good design and the creation of stimulating and efficient environments.

Hammerson has clear policies in relation to corporate responsibility, including corporate governance and ethics, employee relations, health and safety, environmental management and community involvement.

Hammerson is a member of both Dow Jones SGI and FTSE4Good Indices, as well as a participant in Business in the Environment's annual index of corporate environmental engagement.

Hammerson will be publishing a detailed report in summer 2003 on the group's Corporate Responsibility objectives and its performance in meeting them. Information about the group's policies and management systems in these areas can be found on the Company's website at www.hammerson.co.uk.

Business Review

John Richards
Chief Executive

The group's retail assets accounted for 65% of the total portfolio at 31 December 2002, compared with 57% at the start of the year. This reflected a number of acquisitions, including interests in two major shopping centres and the retail warehouse business of Grantchester Holdings PLC.

Hammerson now has a retail portfolio of 20 major shopping centres and 15 retail parks and warehouses, providing around one million square metres of retail space. The group's strategy is to work with its retailer customers to maximise footfall and retail turnover by ensuring that its centres are attractive to consumers.

The group's office portfolio consists of 19 prime office buildings located in central London and central Paris with a total area of over 250,000 m^2. Hammerson is managing both its retail and office properties to enhance income which, over the medium term, will deliver growth in capital values. During 2002, the group renewed over 200 expiring leases and carried out over 90 rent reviews, leading to an underlying increase in rents of 9.4%.

"With total capital investment and disposals of nearly £1.4 billion, 2002 was an active year for the group in recycling its capital and rebalancing the portfolio towards the retail property sector."

Continuing progress was also made in 2002 on the phased development programme with two projects completed and other existing projects advanced. No new developments were initiated in the second half of the year in the light of the weakening occupational market. Nevertheless, Hammerson's financial strength, derived from its high quality portfolio of income producing properties, enabled it to take advantage of weak markets to secure future development opportunities.

The group's purchase late in 2002 of some of the property assets of the former Railtrack Developments was an excellent acquisition. With this investment, Hammerson has acquired a very substantial pipeline of future schemes that can be brought forward over the next few years. Together with a number of other potential retail and office schemes, this will ensure that Hammerson continues to build on its reputation as one of Europe's leading companies involved in urban regeneration.

We have maintained our emphasis on building good relationships with each of our key audiences and continually seek to improve the way in which we do business. We believe these goals are fundamental to driving Hammerson's performance.

In 2003, we shall continue to deliver the group's strategy of generating shareholder returns by active property management and selective development in the retail and office sectors. Priorities this year are: securing rent reviews and renewals of expiring leases; completing and letting the current developments; achieving planned disposals; and managing the group's capital structure to maintain access to funding on advantageous terms.

John Richards
Chief Executive
13 March 2003

Relationships

Alignment of Interests

Listening and responding to our customers and suppliers; participating in successful partnerships with local authorities and co-investors; gaining the trust of financial stakeholders and shareholders – all require openness and effective communication... a hallmark of Hammerson's approach.

Looking to the Future

Looking beyond the immediate horizon, challenging accepted ideas, and seeking the very best in design and construction, have built Hammerson into a leading force in urban regeneration in Europe.

Setting High Standards

Establishing clear objectives for Hammerson and all our staff underlines our commitment to performance and to delivering attractive returns to shareholders.

Market Overview

ECONOMIC ENVIRONMENT

Since the global economy began to pick up in early 2002, confidence has been damaged by renewed security concerns and sharp falls in world equity markets, thereby dampening economic prospects. The outlook is for only a gradual improvement in growth during 2003.

Within this overall picture, the UK and France should show a better performance in 2003 than many other advanced economies. French GDP growth should be sustained in 2003 at around the level seen in 2002. For Germany, only modest growth is forecast in the short term.

UK RETAIL

Retail sales volumes grew by 6.5% in 2002, more quickly than had been forecast at the start of the year, but lower than in 2001. However, there has been continuing pressure on retail prices, which fell by 2.1% in the year to December 2002. Volumes are forecast to grow more slowly in 2003, due to slower house price inflation, and a likely reduction in consumer confidence.

Retail sales are continuing to polarise to fewer locations, particularly large, dominant shopping centres and retail warehousing. As a consequence rental growth in these locations is forecast to outpace that for retail property as a whole.

Positive investor sentiment and low borrowing costs have ensured robust demand from both leveraged and institutional buyers when opportunities have come to market. These factors are expected to continue, maintaining prime yields at current levels of around 6.0%.

LONDON OFFICES

Take-up of central London office space was around one million square metres in 2002, the weakest performance since 1995. Demand in the City and Docklands showed the greatest reduction due to weakness in the financial services sector.

Prime rents in the City fell by more than 20% over the course of 2002 in response to increasing availability. Rents in the West End declined by a smaller amount, reflecting the broader occupier base and more limited supply.

At the end of 2002, office availability in both the City and West End markets stood at just over 10% of stock. In 2003, availability in the City is projected to increase as a number of new developments are completed. In the West End, a more favourable supply and demand balance should lead to a fall in availability.

Development starts reduced during 2002 and the current development cycle in central London should peak later this year. However, the problems currently affecting the financial services sector and the release of high quality second-hand space suggest that rents are unlikely to recover until the end of 2004.

Low interest rates, coupled with the inherent attractions of property, have supported investment demand during 2002. Prime yields in the City and West End remained at around 6.25% and 6.00% respectively. Looking ahead, investment fundamentals support continuing demand for prime offices with secure income.

Retail sales are continuing to polarise to fewer locations, particularly large, dominant shopping centres and retail warehousing.

FRANCE RETAIL

Retail sales grew by 2.3% in 2002, compared with 1.3% in 2001. In 2003, tax cuts and economic growth are forecast to support further growth in consumer expenditure. However, many retailers are concentrating on improving their existing stores rather than expanding into new locations. Consequently, rental growth is anticipated to be limited for new lettings over the coming year. Indexation will increase existing rents in line with the cost of construction index, which is currently rising at around 2% per annum.

There were few shopping centre investment transactions in 2002 in the Paris region. This reflected a shortage of opportunities rather than weak investment demand. Prime yields on Paris shopping centres remained stable at around 6%.

PARIS OFFICES

During 2002, prime rents in the central Paris market fell by around 5% from their 2001 peak, as availability rose from 2.5% of stock to 3.6%. The Paris market currently benefits from a smaller direct exposure to financial services than London. Nonetheless, the uncertain business environment has given rise to a more challenging letting market.

Vacancy is set to rise modestly over the course of 2003, with a relatively high level of development completions in the financial district. Prime rents are expected to show a slight decrease in 2003, as tenants remain cautious.

Paris saw good investment demand over the course of 2002, retaining its position as a primary target for European property investment. This contributed to prime yields for high quality buildings at around 6%. The relative robustness of the investment market, combined with low interest rates, should support current yield levels during 2003.

GERMAN RETAIL

Economic growth in Germany was weak in 2002 and the environment has remained subdued in 2003. In particular, higher unemployment has adversely affected consumer confidence, leading to a reduction in retail spending in 2002. Under these circumstances, retailers have remained cautious.

There were large inflows of money into the German open-ended property funds in 2002, reportedly the highest figures ever recorded. Despite the high level of funds available for investment, the shopping centre market was characterised by few transactions. Values softened over the course of the year, in response to poor rental growth prospects.

Low interest rates, coupled with the inherent attractions of property, have supported investment demand during 2002.

Objectives and Strategy

Objectives

FINANCIAL

The group invests in assets to create value for shareholders by achieving returns above its cost of capital. The hurdle rates set to evaluate new investment are based on the required internal rate of return after tax and are adjusted according to risk.

The business is financed by an appropriate mix of shareholders' equity and borrowings so as to enhance the return to shareholders. In this way, Hammerson seeks to achieve its primary financial objective of an annual return on equity greater than its cost of equity, whilst maintaining a sound financial structure and adopting appropriate risk management.

CORPORATE

Hammerson's objective is to build on its position as one of Europe's most successful real estate companies, by exploiting its key competitive advantages, including its reputation for innovation, the quality of its relationships and its financial strength.

Business Strategy

Hammerson's strategy is to invest in, develop and manage properties in key European markets.

Hammerson's strategy provides the group with a range of attractive investment opportunities. This enables Hammerson to increase returns by taking advantage of different market cycles. Recycling of capital is fundamental to the group's strategy. Management carries out rigorous reviews of each property in its portfolio, benchmarking performance against its hurdle rates. In addition, Hammerson is able to share ideas, information and contacts between the teams at its various operations.

By investing in retail property in more than one country, Hammerson benefits from its excellent relationships with retailers, many of whom are pursuing European expansion programmes, and from its development and property management expertise.

The group's strategy for its developments has three elements: first, to create properties valued at substantially more than their cost; second, to generate income above the group's cost of finance, thereby increasing earnings per share; and third, to create assets which would be difficult to acquire on the open market and which offer potential for good growth in income and capital.

Financial Strategy

The Board believes that shareholder returns can be enhanced by active management of the group's debt and equity capital. The return of capital to shareholders, including the purchase of the Company's own shares, is evaluated against alternative investment opportunities and takes account of the share price compared with net asset value per share.

Risk Management

The management of risk is an integral part of Hammerson's approach to running its business. It is addressed in the annual Business Plan and is subject to regular review both to assess progress and reflect changes in economic and investment conditions. Set out below are some of the key risks and how these are managed.

MARKET RISK

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

PROPERTY RISK

Hammerson's properties are generally of high quality and in prime locations. Hammerson has therefore been able to attract as tenants large businesses, professional firms and major retail chains.

Many of the group's leases are long term with varying expiry dates and, in the UK, upward only rent reviews. This reduces the risk of having to attract new tenants or renegotiate rents for a substantial part of the portfolio at a period of weak occupational demand.

Hammerson's retail properties are, to a certain extent, protected from competitor action by the restrictive planning regulations in the countries in which the group operates.

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

Post completion reviews identify lessons to be learnt from projects and these contribute towards improving the way in which future projects are managed.

TREASURY RISK

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

The treasury department operates as a cost centre and not as a profit centre and there are internal controls to ensure that no transactions can be undertaken on a speculative basis. Regular reports are produced which enable management to monitor and control treasury activities closely.

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

HUMAN RESOURCES

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

REPUTATION

Hammerson has an excellent reputation for its property management and development skills. To enhance its reputation Hammerson is careful to ensure that it communicates clearly with its customers, suppliers, local communities and other stakeholders and acknowledges their views and opinions.

Directors and senior management are encouraged to represent the Company's views by serving on the boards of industry bodies such as the British Property Federation, the British Council of Shopping Centres, European Public Real Estate Association and Fédération des Sociétés Immobilières et Foncières.

Portfolio Review

At 31 December 2002, Hammerson's portfolio had a book value of £3,908 million, including developments of £468 million.

Reflecting the acquisitions of the retail warehouse portfolio and major shopping centre interests in the UK and France, the retail component of the portfolio increased from 57% at the beginning of the year to 65% at 31 December 2002. The distribution between the UK and continental Europe was unchanged at 66% and 34% respectively at year end.

↦ *Hammerson's portfolio provides a secure and growing income stream.*

↦ *In 2002 like-for-like net rental income increased by 9.4%.*

↦ *The group invested over £850 million in 2002, over 60% of which was financed by the proceeds of property sales.*

↦ *Hammerson's portfolio has an average unexpired lease term of 11 years and is 6% reversionary.*

Portfolio Information

for the year ended 31 December 2002

	Net rental income £m	Properties at valuation £m	Underlying valuation change %	Total return %	Reversionary/ (over-rented) %	Average unexpired lease term years
Note					[1]	
United Kingdom						
Retail: Shopping centres	65	1,310	5.3	12.1	7.7	13
Retail warehouses [2]	5	344	0.8	2.2	19.7	17
	70	1,654	4.8	11.6	9.9	14
Office	54	908	(6.7)	(0.7)	(11.5)	12
Total United Kingdom	**124**	**2,562**	**0.4**	**6.4**	**1.1**	**13**
Continental Europe						
Retail: France	32	593	3.3	9.1	22.2	7
Germany	12	290	(7.8)	(4.3)	13.7	6
	44	883	(0.7)	4.4	19.4	6
Office: France	8	463	(3.7)	0.3	12.5	6
Total Continental Europe	**52**	**1,346**	**(1.7)**	**3.0**	**18.2**	**6**
Group						
Retail	114	2,537	2.8	8.5	13.6	11
Office	62	1,371	(5.7)	(0.5)	(7.3)	11
Total Group	**176**	**3,908**	**(0.3)**	**5.3**	**6.3**	**11**

[1] The amount by which the estimated rental value, excluding that relating to vacant space, exceeds or falls short of the rents passing, post any rent free period, at 31 December 2002.

[2] Underlying valuation change and total return since the date of acquisition.

VALUATION MOVEMENTS

During 2002, there were contrasting performances from the retail and office portfolios. The retail portfolio showed an underlying increase in value of 2.8%, whilst there was an underlying decrease in the value of the office portfolio of 5.7%, giving rise to an overall decrease in the valuation of the portfolio of 0.3%.

The good performance in the UK and French retail portfolios reflected both rental growth and some inward movement in yields due to favourable investment markets. In addition, the retail warehouse portfolio increased in value from the date of acquisition by 0.8%. By contrast, in Germany, investor uncertainty in the face of subdued consumer markets gave rise to a decline of 7.8%.

The decline in the value of the group's office portfolio reflected the worsening environment in both London and Paris caused by caution on the part of occupiers and, in the case of central London, second hand space being returned to the market.

During 2002, Hammerson carried out a review of its valuation arrangements. From June last year, Cushman & Wakefield Healey & Baker took responsibility for all valuations in continental Europe. In the UK, Donaldsons now values the retail portfolio and DTZ Debenham Tie Leung the office portfolio. The latter also reviews the consistency of the valuation methodologies and assumptions across the entire portfolio.

TOTAL RETURN

The total return from the portfolio was 5.3% in 2002, compared with 8.9% in the previous year, the reduction reflecting the adverse valuation movement in the office portfolio.

INCOME QUALITY

At 31 December 2002, the average unexpired lease term of the group's portfolio was 11 years. Within the retail portfolio, the average unexpired lease term for shopping centres was ten years and for retail warehouses 17 years. The average unexpired lease terms for the office portfolios in London and Paris were 12 and six years respectively.

At 31 December 2002, the passing rent from the group's portfolio amounted to £210 million. Leases subject to expiries and break options over the next three years currently have rent passing of £36 million, of which £17 million relates to retail properties.

The group's five largest retail tenants accounted for 6.5% of total passing rent and comprised: Hennes & Mauritz (2.2%); B&Q (1.1%); Next (1.1%); Dixons (1.1%) and Boots (1.0%). Given the spread of tenants in the retail portfolio, the overall risk to Hammerson of individual tenant default is low.

The group's five largest office tenants accounted for almost 19% of total passing rent and comprised: Deutsche Bank (7.0%); BAT (4.9%); Lazard (2.6%); Network Rail (2.5%); and Withers (1.7%). In addition, the group now has an exposure to Allen & Overy, the prospective tenant at Bishops Square, London, where Hammerson's share of the annual rent on completion of the development in 2005 will amount to £26 million.

RENT REVIEWS

In 2002, UK rent reviews with a passing rent of £17 million were agreed, giving rise to an increase in annual rents of £9 million. In addition, it is estimated that reviews remaining to be settled from 2002 could increase rents by £2 million in 2003.

In the UK, leases subject to rent review in 2003-2005 have current rents passing of £65 million. Management estimates that on review rents receivable in respect of these leases would increase by £7 million to £72 million by 2005 if reviewed at current ERVs. This is not a forecast and takes no account of increases or decreases in rental values before the relevant review dates.

	2003 £m	2004 £m	2005 £m	2003-05 £m
Rents passing from leases subject to review	10	22	33	65
Projected rent after review at current ERV	12	25	35	72
Potential increases in rental income	2	3	2	7

LEASE EXPIRIES AND BREAKS

During 2002, tenant leases with passing rents of £15 million expired. Most of the leases were renewed or the tenants replaced, and because the expiring leases were at rents below current levels, additional income of £6 million was secured.

Over the three years 2003-2005, leases with current rents passing of £36 million either expire or are subject to tenants' break clauses. Management estimates that, assuming renewals at current ERVs, additional annual rents from this element of the portfolio would total £4 million by 2005 as shown in the table below. This is not a forecast and takes no account of void periods, tenant incentives or possible changes in rental values before the relevant lease expiry dates.

	2003 £m	2004 £m	2005 £m	2003-05 £m
Rents passing from leases subject to expiries or breaks	9	13	14	36
Current ERV	11	15	14	40
Potential increases in rental income	2	2	–	4

RETAIL PORTFOLIO

The group's retail portfolio had a book value of £2,537 million at 31 December 2002. The retail portfolio was 14% reversionary, with annual rents passing of £136 million, compared with an ERV of £160 million. The shopping centre portfolio was 13% reversionary and the retail warehouse portfolio was 20% reversionary. The retail vacancy rate at the end of the year was 3.1%.

Investment Activity

Hammerson's retail portfolio comprises prime regional shopping centres that dominate their catchment areas, retail warehouses and city centre properties that could form part of future retail-led developments.

In March, the group set up a partnership with the fund manager Hermes to acquire The Shires shopping centre in Leicester. Hammerson's share of the partnership is 60%, and the cost to Hammerson of the acquisition was £110 million. Since acquisition, rent reviews have resulted in an increase of £1 million in passing rents. Good progress is being made with plans for a major extension and a planning application should be submitted in 2003.

In August, the group made its first retail park investment at Parc Fforestfach, near Swansea. The newly completed centre, which was purchased for £57 million, is 69% let and trading well. In September, Hammerson made a successful £192 million cash offer for Grantchester Holdings PLC, the publicly quoted retail warehouse company. The acquisition has given Hammerson critical mass in this fast growing sector. Increasingly, tenants in the group's shopping centres are seeking representation in retail warehouses and the acquisition broadens the services the group is able to provide to retailers.

In continental Europe, Hammerson acquired Parinor shopping centre, located in the northern suburbs of Paris, in March 2002 at a cost of £99 million and is implementing a strategy to improve the centre and benefit from its populous catchment area.

The value of retail property acquisitions amounted to £594 million during 2002, whilst proceeds from disposals were £298 million. In July, Freshney Place shopping centre in Grimsby was sold for £98 million. Immediately prior to the year end, and following the upgrading of the building, the group sold West Riding House, a mixed retail and office building in Leeds, for £57 million. In addition, two retail warehouse properties were sold for a total of £35 million.

In France, the sale of 54 boulevard Haussmann was completed in January 2002 for £108 million. Despite interest from potential investors, the group was unsuccessful in its attempt to reduce its investment in Germany. However, discussions continue with a number of potential purchasers.

Asset Management

A major objective for the UK retail portfolio during 2002 was the successful management of rent reviews, particularly at Brent Cross and at The Shires, and the continuing programme to improve the retail mix at the regional shopping centres. Substantial progress was made in these areas.

In France, refurbishment and reconfiguration works at Italie 2, Paris and Place des Halles, Strasbourg were successfully completed. In Germany works at Märkisches Zentrum, Berlin and Luisen Center, Darmstadt were also finished on schedule and both centres have seen a substantial increase in footfall.

Discussions are underway with local authorities and co-owners for a number of refurbishment and extension schemes at shopping centres including Les Trois Fontaines in Cergy-Pontoise, Espace Saint Quentin near Paris, Bercy 2 in Paris and Forum Steglitz in Berlin.

Shopping centre operations in the UK and France are the responsibility of Hammerson Management Services and Marketing & Valorisation respectively. Their objectives are to provide an enhanced service to customers, ensure the most efficient delivery of those services, differentiate Hammerson centres to both tenants and customers and exploit the commercial opportunities that large shopping centre ownership provides. Non-rental income, in the form of car park income, commercial and mall-based revenue amounted to £8 million in 2002, an increase of 23% over the equivalent income in 2001. These activities provide potential for good future revenue growth.

Hammerson also benefits from the strength of its local and, in certain cases, national brands and is promoting these with the intention of increasing footfall and sales in its centres. The group makes extensive use of research, including customer surveys and sales data from its centres, to assess the appeal of its retail offer to customers and to develop strategies for further improvement.

Developments

Continued good progress has been made at the new Bullring shopping centre in Birmingham with the opening planned for 4 September 2003. At 31 December 2002, the centre was approximately 70% let or in solicitors' hands. Rental levels achieved are in line with the group's original forecasts.

The refurbishment of the Liberty Centre, Romford, a complex project to transform the centre whilst still trading, will be completed by Easter 2003. The scheme is over 95% let.

The group's pipeline of future retail developments, which includes the redevelopment of the Broadmead area in Bristol by the Bristol Alliance; the New Retail Quarter in Sheffield; and an extension to The Shires in Leicester are all being progressed. The retail warehouse portfolio contains a number of development projects, including St Oswald's Park in Gloucester where the outcome of a public inquiry is awaited.

The acquisition of the property portfolio of the former Railtrack Developments also offers opportunities to lead or participate in further projects, notably the Cricklewood regeneration scheme, which should have consequential benefits for the group's investment in Brent Cross shopping centre in North London. At Brent Cross, both Barnet Council and the Greater London Authority have supported revised plans for a mixed redevelopment of a substantial area adjoining the centre. The decision of the Secretary of State is awaited.

OFFICE PORTFOLIO

The group's office portfolio had a book value of £1,371 million at 31 December 2002, and annual rents passing of £74 million. The portfolio was 7% over-rented overall, compared with 26% reversionary at the 2001 year end. During 2002, major rent reviews were settled at 99 Bishopsgate and Euston Square in London. In August, a new lease at a substantially increased rent was agreed with BAT at Globe House in London. Under the terms of this agreement the lease has been extended to 22 years and the rent increased to £10.3 million per annum in exchange for a rent-free period of 21 months.

The office vacancy rate at the end of the year was 11.3%, compared with 6.7% at the end of 2001. The increase was due to a significant rise in vacancy at Harbour Exchange in London, reflecting difficulties in the Docklands market. The vacancy also included unlet space at 148 rue de l'Université in Paris, development of which was completed in November.

Investment and Development Activity

Capital investment in 2002 amounted to more than £120 million, and comprised expenditure on office developments in London and Paris. The disposal of 280 Bishopsgate in April raised £218 million.

Good progress was made with the group's three current developments in central London during 2002, although the market has suffered from occupier uncertainty in the face of retrenchment in the financial sector.

A lease agreement was signed with Allen & Overy in respect of 65,000m² of proposed office space at Bishops Square just outside the City of London. Following planning approval for the development from the local authority, which was received in November 2002, demolition of existing buildings is underway.

In Paris, the year saw the successful completion of the two office development projects at 53 quai d'Orsay and 148 rue de l'Université. The former has now been let to Latham & Watkins, who are currently fitting out the building. At 148 rue de l'Université, discussions with a number of prospective tenants continue, with heads of terms agreed for almost 50% of the space.

The project to redevelop Néo, 14 boulevard Haussmann in Paris to create 26,800m² of high quality office space continues and is scheduled for completion in July 2003.

In December 2002, Hammerson exercised its option to participate in a joint venture with leading French insurance company AXA, to redevelop 9 place Vendôme and 368/374 rue Saint Honoré. The scheme will provide 22,000m² of offices and 5,000m² of retail space at this highly prestigious location in the centre of Paris. In the light of current market conditions, the project is unlikely to start before late 2003.

Financial Review

PROFIT AND LOSS ACCOUNT

Net rental income was £175.9 million in 2002 compared with £159.9 million in 2001. Within net rental income, £3.8 million related to turnover rent and there was £2.5 million of accrued rent receivable allocated to rent free periods.

An analysis of net rental income is shown below:

	2002 £m	2001 £m
Properties owned throughout 2001 and 2002	**152.2**	139.1
Acquisitions	**15.6**	0.3
Developments	**3.4**	0.4
Properties sold	**4.7**	21.4
Exchange translation and other	**–**	(1.3)
	175.9	159.9

Administration expenses in 2002 included one-off rationalisation costs of £2.6 million following the acquisition of Grantchester Holdings PLC. Excluding this, costs rose by £3.4 million compared with 2001, primarily due to increased staff costs, which included additional pension expenses. The UK defined benefit pension scheme was closed to new employees with effect from 1 January 2003.

Management fees of £2.8 million were received in 2002 for asset and development management services provided to the group's joint ventures, an increase of £0.9 million on the fees for 2001.

The group's net financing costs were £66.0 million in 2002 compared with £67.6 million in 2001. The latter figure included £3.3 million relating to the redemption of the group's £110 million convertible bonds. Interest capitalised was £24.6 million in 2002, compared with £19.1 million in 2001, the increase reflecting capital expenditure on the development programme. The average cost of borrowing was 6.1% compared with 6.4% in 2001. Interest cover remained at 1.9 times.

Profit before tax was £90.9 million, including profits on the sale of investment properties of £5.3 million. In 2001, profit before tax was £69.1 million after charging exceptional items of £8.2 million. Adjusted profit before tax, excluding exceptional items, was £85.6 million, compared with £77.3 million in 2001, an increase of 10.7%.

The tax charge in 2002 was £13.6 million, of which £11.1 million was deferred tax. The current tax charge of £2.5 million compared with a charge of £7.9 million in 2001, and represented an effective tax rate of 2.8%. The low tax rate was principally due to the tax reliefs available from previous years and offset against UK tax payable in 2002.

Earnings per share for 2002 were 27.1 pence. Adjusted earnings per share, after excluding profits on disposals and deferred tax, were 29.2 pence compared with 24.3 pence in 2001, an increase of 20.2%.

A final dividend of 10.99 pence per share is proposed which, together with the interim dividend of 4.81 pence per share, makes a total of 15.8 pence per share for the year. This represents an increase of 6.5% over the total dividend for 2001.

CASH FLOW

Cash flow from operating activities was £148 million, with the increase of £13 million compared to 2001 attributable to increased rental income. This increase was largely offset by additional interest on the financing of acquisitions and development expenditure.

The cash outflow on acquisitions and other capital expenditure was £668 million, whilst £520 million was realised from disposals. After paying dividends of £42 million there was a cash outflow in 2002 of £132 million.

BALANCE SHEET

At 31 December 2002, Hammerson's portfolio was valued at £3,908 million, compared with £3,488 million at the end of 2001. The increase of £420 million reflected additional net investment of £361 million after disposals, a revaluation deficit of £19 million and a favourable exchange movement of £78 million.

The development portfolio was valued at £468 million, £9 million above cost. Developments are shown at a valuation that is discounted for the estimated costs to complete, including interest, and a profit margin that a potential purchaser might apply. The group does not intend to dispose of any of its developments prior to their completion, and management believes that additional surpluses will be achieved.

A total of five million shares were purchased and cancelled in 2002 at an average price of 501 pence and a total cost of £25 million, increasing net asset value per share by 4 pence.

The group's net assets at 31 December 2002 amounted to £2,040 million, after allowing for deferred tax of £35 million, little changed from the previous year.

Adjusted net asset value per share, after excluding deferred tax, increased by 21 pence or 2.9% to 752 pence at the year end. Of this increase, retained earnings contributed 16 pence, offsetting a reduction of 7 pence due to the portfolio revaluation, the impact of share purchases was 4 pence, and exchange and other movements contributed 8 pence.

BORROWINGS

At the end of 2002, the group's borrowings were £1,883 million. In June 2002 Hammerson arranged a new £215 million five year committed borrowing facility with a syndicate of leading international banks. Undrawn committed facilities were £294 million.

The weighted average maturity of borrowings at 31 December 2002 was approximately eight years, with 34% maturing after ten years and 90% of debt was unsecured. Secured borrowings of £197 million were assumed on the purchase of Grantchester and, since the year end, £84 million of these have been repaid and cancelled.

Cash and deposits were £242 million, and net debt was therefore £1,642 million. Gearing at 31 December 2002 was 80% compared with 65% at the end of 2001. The group is advancing a number of property disposals which will have the effect of reducing the level of gearing.

The market value of borrowings at the year end was £2,002 million, some £118 million greater than the book value, equivalent to 30 pence per share after tax. During the year, the margin above gilts of Hammerson's long-dated sterling bonds remained broadly constant but long term gilt yields reduced by 40 basis points. Also, in continental Europe, medium term government bond yields reduced by 80 basis points. The combination of these had the effect of increasing the market value of debt by £54 million.

RETURN ON SHAREHOLDERS' EQUITY

At 4.3%, Hammerson's return on shareholders' equity was below the group's estimated cost of equity of 7.2%. The principal reason for this was the small decline in the value of the portfolio.

FINANCIAL REPORTING

FRS 19 "Deferred tax" has been adopted for the year to 31 December 2002, and consequently full provision has been made for the possible recovery of tax relief received on capital allowances, tax depreciation and capitalised interest. In practice, the group does not normally pay tax on these items when properties are sold, and accordingly it reports net assets per share and earnings per share adjusted to exclude deferred tax.

Summary Directors' Report

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

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

A review of the group's activities and results for the year is given in the Chairman's Statement and on pages 10 to 31.

RESULTS FOR THE YEAR AND DIVIDENDS

The results for the year are set out in the Summary Consolidated Profit and Loss Account on page 35. The profit before tax for the year was £90.9 million. After tax and minority interests the profit attributable to shareholders was £75.6 million.

The directors recommend a final dividend of 10.99 pence per share which, together with the interim dividend paid on 1 November 2002, will make a total dividend for the year of 15.8 pence (2001: 14.84 pence). It is intended that warrants in respect of the final dividend will be posted on 14 May 2003 for payment on 15 May 2003 to shareholders on the register at close of business on 7 March 2003.

DIRECTORS AND THEIR REMUNERATION

The names and biographical details of the directors, each of whom served throughout the year, are given on pages 4 and 5. Details of directors' remuneration are given in the Summary Remuneration Report on page 33.

By Order of the Board

S J Haydon
Secretary

13 March 2003

Summary Remuneration Report

THE REMUNERATION COMMITTEE ('THE COMMITTEE')

The Committee comprises F B Charnock (Chairman), R J O Barton and G F Pimlott. F B Charnock, who is retiring as a director at the forthcoming annual general meeting, will cease to be a member of the Committee on that date and R J O Barton will become Chairman of the Committee and J C Clare will be appointed to the Committee.

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

In determining an appropriate remuneration policy for recommendation to the Board, the Committee's objective is to ensure that the Company continues to be able to attract, retain and motivate experienced individuals, capable of making a major contribution to Hammerson's success. Remuneration for executive directors and senior executives takes account of performance through an annual performance related bonus scheme and, for long term performance, by the award of shares under the Company's deferred share plan. In implementing the policy, following its approval by the Board, the Committee takes into account remuneration packages available within other comparable companies, the Company's overall performance, achievement of corporate objectives, individual performance and published views of investors and their representatives.

To assist the Committee in determining remuneration policy, the Committee has received advice from Hay Group who have been appointed by the Committee and who provide no other services to the Company. In addition, although they are not members of the Committee, information and advice has been provided and recommendations have been made by R R Spinney, R J G Richards (other than in respect of his own position) and by the group's Director of Human Resources, E A Houlihan.

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

DIRECTORS' REMUNERATION

The following table shows a breakdown of the remuneration of the directors for the year ended 31 December 2002:

	Salary and fees £000	Performance related bonus £000	Benefits in kind £000	Total emoluments excluding pension contributions **2002 £000**	2001 £000	Gain on exercise of share options **2002 £000**	2001 £000
Executive directors							
R J G Richards	318	63	25	**406**	391	**-**	66
J A Bywater	188	31	20	**239**	235	**195**	-
P W B Cole	188	37	11	**236**	259	**32**	15
G Devaux	224	34	-	**258**	264	**94**	-
S R Melliss	240	48	18	**306**	291	**28**	48
Non-executive directors							
R R Spinney	164	-	18	**182**	174	**237**	62
G F Pimlott	44	-	-	**44**	40	**-**	-
R J O Barton	28	-	-	**28**	25	**-**	-
F B Charnock	33	-	-	**33**	30	**-**	-
J C Clare	28	-	-	**28**	25	**-**	-
	1,455	213	92	**1,760**	1,734	**586**	191

By Order of the Board

S J Haydon
Secretary

13 March 2003

Auditors' Report

STATEMENT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF HAMMERSON PLC

We have examined the summary financial statements, which comprise the summary directors' report, summary consolidated profit and loss account, summary consolidated balance sheet, statement of total recognised gains and losses, reconciliation of movement in shareholders' funds and consolidated cash flow statement and the amounts disclosed relating to directors' remuneration set out on page 33.

This report is made solely to the Company's members, as a body, in accordance with section 251 of the Companies Act 1985. Our work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, for our audit report, or for the opinions we have formed.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The directors are responsible for preparing the Annual Review and Summary Financial Statements in accordance with applicable law. Our responsibility is to report to you our opinion on the consistency of the summary financial statements with the Directors' Report and Financial Statements, and its compliance with the relevant requirements of section 251 of the Companies Act 1985 and the regulations made thereunder. We also read the other information contained in the Annual Review and Summary Financial Statements, as described in the contents section, and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the summary financial statements.

BASIS OF OPINION

We conducted our work in accordance with Bulletin 1999/6 "The Auditor's Statement on the Summary Financial Statement" issued by the United Kingdom Auditing Practices Board.

OPINION

In our opinion, the summary financial statements are consistent with the Directors' Report and Financial Statements of Hammerson plc for the year ended 31 December 2002 and comply with the applicable requirements of section 251 of the Companies Act 1985, and the regulations made thereunder.

Deloitte & Touche
Chartered Accountants and Registered Auditors
London

13 March 2003

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

Summary Consolidated Profit and Loss Account

for the year ended 31 December 2002

	2002 £m	2001 Restated* £m
Net rental income	**175.9**	159.9
Operating profit	**151.6**	141.6
Exceptional items: Profit/(Loss) on the sale of investment properties	**5.3**	(4.9)
Profit on ordinary activities before interest	**156.9**	136.7
Exceptional cost of finance	**-**	(3.3)
Other cost of finance (net)	**(66.0)**	(64.3)
Profit on ordinary activities before tax	**90.9**	69.1
Tax (charge)/credit on profit on ordinary activities	**(13.6)**	8.0
Profit on ordinary activities after tax	**77.3**	77.1
Equity minority interests	**(1.7)**	(0.9)
Profit for the financial year	**75.6**	76.2
Dividends	**(43.6)**	(41.5)
Retained profit for the financial year	**32.0**	34.7
Earnings per share	**27.1p**	27.1p
Diluted earnings per share	**27.1p**	27.1p
Adjusted earnings per share	**29.2p**	24.3p

Statement of Total Recognised Gains and Losses

for the year ended 31 December 2002

	2002 £m	2001 Restated* £m
Profit for the financial year	**75.6**	76.2
Unrealised (deficit)/surplus on revaluation of properties	**(19.1)**	107.6
Unrealised surplus/(deficit) on revaluation of investments and minority interests	**0.4**	(1.1)
Negative goodwill	**5.0**	-
Deferred tax on property disposals	**(13.9)**	(11.5)
Exchange translation movements	**15.9**	(6.3)
Total recognised gains and losses relating to the year	**63.9**	164.9
Prior year adjustment*	**(7.6)**	
Total gains and losses recognised since last annual report	**56.3**	

Reconciliation of Movements in Shareholders' Funds

for the year ended 31 December 2002

	2002 £m	2001 Restated* £m
Retained profit for the financial year	**32.0**	34.7
Other recognised gains and losses	**(11.7)**	88.7
Purchase and cancellation of own shares	**(25.1)**	(70.5)
Issue of shares	**4.0**	63.0
Net (decrease)/increase in shareholders' funds	**(0.8)**	115.9
Equity shareholders' funds at 1 January (restated*)	**2,041.2**	1,925.3
Equity shareholders' funds at 31 December	**2,040.4**	2,041.2

* Comparative figures have been restated following the adoption of FRS 19. The effect of FRS 19 is to increase the tax charge by £11.1 million in 2002 (2001: tax credit £15.9 million) and to reduce net assets by £34.8 million at 31 December 2002 (2001: £7.6 million).

Summary Consolidated Balance Sheet

as at 31 December 2002

	2002 £m	2001 Restated* £m
Land and buildings	**3,907.6**	3,487.5
Other fixed assets	**42.8**	32.4
Fixed assets	**3,950.4**	3,519.9
Current assets	**407.1**	320.6
Creditors falling due within one year	**(402.3)**	(197.4)
Net current assets	**4.8**	123.2
Total assets less current liabilities	**3,955.2**	3,643.1
Creditors falling due after more than one year	**(1,837.5)**	(1,550.8)
Provision for liabilities and charges: Deferred tax	**(37.2)**	(14.0)
Equity minority interests	**(40.1)**	(37.1)
	2,040.4	2,041.2
Diluted net asset value per share	**739p**	728p
Adjusted net asset value per share	**752p**	731p

* Comparative figures have been restated following the adoption of FRS 19. The effect of which is to increase the tax charge by £11.1 million in 2002 (2001: tax credit £15.9 million) and to reduce net assets by £34.8 million at 31 December 2002 (2001: £7.6 million).

These summary financial statements were approved by the Board of Directors on 13 March 2003.

Signed on behalf of the Board

R J G Richards Director
S R Melliss Director

Consolidated Cash Flow Statement

for the year ended 31 December 2002

	2002 £m	2001 £m
Net cash flow from operating activities	**147.5**	134.8
Returns on investment and servicing of finance	**(89.7)**	(77.8)
Tax paid	**(0.2)**	(2.9)
Capital expenditure and investment	**30.3**	(72.9)
Acquisitions and disposals	**(178.2)**	-
Equity dividends paid	**(42.0)**	(39.7)
Cash outflow	**(132.3)**	(58.5)
Decrease/(Increase) in short term deposits	**103.4**	(78.1)
Net cash inflow from financing	**53.6**	126.5
Increase/(Decrease) in cash in the year	**24.7**	(10.1)

Five Year Financial Summary

	2002 £m	2001 Restated* £m	2000 Restated* £m	1999 £m	1998 £m
Profit and loss account					
Net rental income	**175.9**	159.9	141.1	123.3	127.9
Operating profit	**151.6**	141.6	125.4	109.0	111.6
Exceptional items	**5.3**	(8.2)	17.2	21.3	20.1
Cost of finance (net)	**(66.0)**	(64.3)	(53.4)	(35.8)	(42.8)
Profit before tax	**90.9**	69.1	89.2	94.5	88.9
Current tax	**(2.5)**	(7.9)	(8.2)	0.1	(20.2)
Deferred tax	**(11.1)**	15.9	32.5	–	–
Equity minority interests	**(1.7)**	(0.9)	(1.3)	(6.1)	(2.3)
Profit for the year	**75.6**	76.2	112.2	88.5	66.4
Balance sheet					
Fixed assets	**3,950.4**	3,519.9	3,353.8	2,702.1	2,206.2
Cash and short term deposits	**242.2**	218.4	150.4	146.2	165.3
Borrowings	**(1,883.6)**	(1,552.9)	(1,439.9)	(1,004.7)	(1,063.9)
Other assets	**162.5**	95.8	71.0	94.7	371.6
Other liabilities	**(356.2)**	(195.3)	(165.0)	(186.7)	(177.4)
Net deferred tax provision	**(34.8)**	(7.6)	(12.0)	–	–
Equity minority interests	**(40.1)**	(37.1)	(33.0)	(25.9)	(60.8)
Equity shareholders' funds	**2,040.4**	2,041.2	1,925.3	1,725.7	1,441.0
Cash flow					
Operating cash flow after tax	**57.6**	54.1	90.7	12.2	36.6
Dividends	**(42.0)**	(39.7)	(38.8)	(49.0)	(11.5)
Property & corporate acquisitions	**(461.8)**	(196.8)	(353.5)	(304.0)	(193.0)
Developments and major refurbishments	**(161.8)**	(138.2)	(137.0)	(159.1)	(155.6)
Other capital expenditure	**(43.9)**	(50.9)	(20.7)	(14.4)	(45.4)
Disposals	**519.6**	313.0	74.6	510.9	52.6
Net cash flow	**(132.3)**	(58.5)	(384.7)	(3.4)	(316.3)
Per share data					
Earnings per share	**27.1p**	27.1p	39.1p	30.7p	23.1p
Adjusted earnings per share	**29.2p**	24.3p	22.0p	21.6p	21.1p
Dividend per share	**15.8p**	14.84p	14.0p	13.3p	12.81p
Net asset value per share	**739p**	731p	685p	597p	500p
Diluted net asset value per share	**739p**	728p	663p	583p	494p
Adjusted net asset value per share	**752p**	731p	667p	n/a	n/a
Financial ratios					
Return on shareholders' equity	**4.3%**	8.3%	16.3%	22.3%	14.5%
Gearing	**80%**	65%	67%	50%	62%
Interest cover	**1.9x**	1.9x	1.9x	2.3x	2.3x
Dividend cover	**1.9x**	1.6x	1.6x	1.6x	1.6x

* Figures for the years ended 31 December 2000 and 2001 have been restated following the adoption of FRS 19 "Deferred tax". It is not practicable to restate the figures for the years prior to 2000.

Notice of Meeting

NOTICE IS HEREBY GIVEN that the 72nd Annual General Meeting of the Company will be held at 100 Park Lane, London W1K 7AR on Thursday 8 May 2003 at 10:30am to carry out the following business:

ORDINARY BUSINESS

1. To receive the Directors' Report and Financial Statements for the year ended 31 December 2002.
2. To declare a final dividend of 10.99 pence per ordinary share, payable in cash.
3. To receive the Remuneration Report for the year ended 31 December 2002.
4. To re-elect G F Pimlott, who is a member of the Remuneration Committee and Chairman of the Audit Committee, as a director of the Company.
5. To re-elect P W B Cole as a director of the Company.
6. To re-appoint Deloitte & Touche as Auditors of the Company.
7. To authorise the directors to agree the remuneration of the Auditors.

SPECIAL BUSINESS

8. To consider and, if thought fit, to pass the following resolution as an Ordinary Resolution:

"THAT subject to the provisions of the Companies Act 1985 and the Articles of Association of the Company, the directors are hereby generally and unconditionally authorised, pursuant to Section 80 of the Companies Act 1985, in substitution for any previous such authority, to exercise all the powers of the Company to allot relevant securities (within the meaning of Section 80(2) of the Companies Act 1985) up to a maximum aggregate nominal amount of £23,207,352 provided that this authority shall expire at the end of the next annual general meeting of the Company (unless previously revoked, varied or renewed by the Company in general meeting). This authority shall extend to the making, before its expiry, of an offer or agreement which would or might require relevant securities to be allotted after such expiry and to the subsequent allotment of such securities."

9. To consider and, if thought fit, to pass the following resolution as a Special Resolution:

"THAT the directors are empowered pursuant to Section 95 of the Companies Act 1985, in substitution for any previous such power, to allot equity securities (within the meaning of Section 94 of the Companies Act 1985) for cash pursuant to the general authority conferred by Resolution 8 set out in the Notice of Annual General Meeting of the Company dated 24 March 2003 as though Section 89(1) of the Companies Act 1985 did not apply to any such allotment provided that this power shall expire at the end of the next annual general meeting of the Company (unless previously renewed, extended or revoked by the Company in general meeting) or, if earlier, 15 months from the passing of this resolution, but shall extend to the making, at any time prior to the expiry of this power, of any offer or agreement which would or might require equity securities to be allotted after its expiry and to the subsequent allotment of such securities and provided further that this power shall be limited:

(i) to the allotment of equity securities in connection with any offer by way of rights in favour of the holders of the ordinary shares of 25p each where the equity securities respectively attributable to the interests of the ordinary shareholders are proportionate (as nearly as may be) to the respective numbers of such shares held or deemed to be held by them subject only to such exclusions or other arrangements as the directors may deem necessary or expedient to deal with fractional entitlements, legal or practical problems arising in any territory or the requirements of any regulatory body or stock exchange or any other matters; and

(ii) to the allotment (otherwise than pursuant to sub-paragraph (i) above) of equity securities which are to be wholly paid in cash up to an aggregate nominal amount of £3,449,388 (being 5 per cent of the issued share capital of the Company)."

Notice of Meeting

10. To consider and, if thought fit, to pass the following resolution as a Special Resolution:

"THAT in substitution for any existing such authority, the Company is generally and unconditionally authorised to make market purchases (within the meaning of Section 163 of the Companies Act 1985) up to an aggregate of 41,116,707 ordinary shares of 25p each (being 14.9 per cent of the issued share capital of the Company) and in the case of each such share for a price not less than 25p and not more than 5 per cent above the average of the middle market quotations for the ordinary shares taken from the Daily Official List of the London Stock Exchange for the five business days before the date of purchase. This authority shall expire at the end of the next annual general meeting of the Company or on 7 November 2004, whichever is the earlier date ("the Expiry Date") unless it is revoked, varied or renewed prior to such date, save that this authority shall include any purchase of ordinary shares of 25p each made pursuant to a contract entered into before the Expiry Date, notwithstanding that it would, or might, be completed wholly or partly after the Expiry Date."

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

By Order of the Board
S J Haydon
Secretary
24 March 2003

Notes:

1. Any member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote in his stead. That proxy need not be a member of the Company. Any form of proxy must be deposited with the Company's Registrars at the address shown on the form of proxy not later than 48 hours before the time fixed for the meeting. Completion of a form of proxy will not preclude a member from attending and voting at the meeting.
2. To be entitled to attend and vote at the meeting (and for the purpose of determination by the Company of the number of votes a member may cast), members must be entered on the Company's register of members by close of business on 6 May 2003.
3. There will be available for inspection at the Company's registered office during usual business hours each week on Mondays to Fridays (excluding public holidays) from the date of this notice up to the date of the meeting and at the meeting itself from 10:15am on that date until its conclusion:

   (i) the register of directors' interests; and

   (ii) copies of all service contracts relating to directors of the Company.

Shareholder Information

FINANCIAL CALENDAR

Full year results announced		24 February 2003
Annual General Meeting		8 May 2003
Recommended final dividend	- Ex dividend date	5 March 2003
	- Record date	7 March 2003
	- Payable on	15 May 2003
Anticipated 2003 interim dividend		November 2003

TAXATION

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

REGISTRAR

Capita Registrars, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU
Tel 0870 162 3100
Website www.capitaregistrars.com

UNSOLICITED MAIL

Hammerson is obliged by law to make its share register available on request to other organisations who may then use it as a mailing list. This may result in you receiving unsolicited mail. If you wish to limit the receipt of unsolicited mail you may do so by writing to the Mailing Preference Service, an independent organisation whose services are free to you. Once your name and address have been added to its records, it will advise the companies and other bodies that support the service that you no longer wish to receive unsolicited mail. If you would like more details you should write to: The Mailing Preference Service, FREEPOST 22, London W1E 7EZ, telephone their helpline on 0845 7034599 or register on their website www.mpsonline.org.uk.

ADVISERS

Valuers	Cushman & Wakefield Healey & Baker, Donaldsons, DTZ Debenham Tie Leung
Auditors	Deloitte & Touche
Solicitors	Herbert Smith
Financial Advisers	Dresdner Kleinwort Wasserstein
Stockbrokers	*Schroder Salomon Smith Barney*

Senior Management

GROUP

R J G Richards Chief Executive
J A Bywater Executive Director
P W B Cole Executive Director
G Devaux Executive Director
S R Melliss Group Finance Director

J D Aitchison Group Tax Manager
D R Beardsley Group Treasurer
N A S Hardie Group Financial Controller
S J Haydon Company Secretary
E A Houlihan Director, Human Resources
C D M Smith Director, Corporate Affairs
A J G Thomson Corporate Planning Manager

UNITED KINGDOM

J A Bywater Managing Director
P W B Cole Development Director

D J Atkins Director, Retail Parks/Warehousing
M J Baker Director, Offices
J M Emery Director, Development
V Forster Director, Retail
I F S Harris Director, Finance
B N Isles Director, Development
S M King Director, Retail Leasing
S T Mesquita Retail Business Development Manager
S J Töpel Director, London Office Development
G H Wright Director, Construction and Project Management

CONTINENTAL EUROPE

G Devaux Managing Director

FRANCE

J-M Besson Deputy General Manager
C Bourbon Director, Finance
E Damiron Director, Retail Management
F Fontaine Director, Retail Development
I Janssen Communications and Marketing Director
P Maille Letting Manager
M P Sandillon Director, Offices
L Santiago Director, Project Management

GERMANY

S P Cotton General Manager
C O Brenneisen Director, Asset Management
B S Schulz Director, Finance

Principal Group Addresses

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Tel +49 (30) 20 24 71 00 Fax +49 (30) 20 24 72 00

WEBSITE

The 2002 Annual Review and Summary Financial Statements, 2002 Directors' Report and Financial Statements and other information are available on the Company's website, www.hammerson.co.uk. The Company operates a service whereby all registered users of the Company's website can choose to receive, via e-mail, notice of all Company announcements which can be viewed on the website.

REGISTERED OFFICE

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

Glossary of Terms

Adjusted figures	Reported amount adjusted to exclude exceptional items and deferred tax
Anchor stores	Major stores occupying large units which serve as a draw to other retailers and consumers
Dividend cover	Adjusted earnings per share divided by dividend per share
Earnings per share	Profit after taxation divided by the average number of shares in issue during the year
ERV	The estimated market rental value of space
Gearing	Net debt expressed as a percentage of shareholders' funds
Interest cover	Net rental income divided by net interest expense before capitalised interest
Interest rate and currency swap	An agreement with another party to exchange an interest or currency rate obligation for a pre-determined period of time
Net asset value per share	Shareholders' funds divided by the number of shares in issue at the year end
Over-rented	Space that is let at a rent above its ERV
Passing rent	The annual rental income receivable which may be more or less than the ERV (see over-rented and under-rented)
Pre-let	A lease signed with a tenant prior to completion of a development
Return on shareholders' equity	Capital growth and profit for the year expressed as a percentage of shareholders' funds at the beginning of the year, all excluding deferred tax
Reversionary or under-rented	Space where passing rent is below the ERV
Total return	Net rental income and capital growth expressed as a percentage of opening book value adjusted for capital expenditure during the year

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