

Company Number: 3642632

HAMMERSON (1 HARBOUR EXCHANGE) LIMITED

REPORT AND FINANCIAL STATEMENTS

Year ended 31 December 2005



HAMMERSON (1 HARBOUR EXCHANGE) LIMITED

REPORT OF THE DIRECTORS

Year ended 31 December 2005

1. PRINCIPAL ACTIVITIES

The Company has residual property investment activity in the United Kingdom.

2. RESULTS AND DIVIDEND

The profit for the year was £4,331,000 (2004: £2,162,000). No dividend was paid or proposed during the year (2004: £8,000,000).

3. REVIEW OF DEVELOPMENTS AND FUTURE PROSPECTS

The Company disposed of its investment property during the year and transferred it to another group undertaking. The directors anticipate the Company will become dormant in the foreseeable future.

4. DIRECTORS

- (a) Mr. M.J. Baker, Mr. J.A. Bywater, Mr. P.W.B. Cole, Mr. N.A.S Hardie and Mr. G.H. Wright were directors of the Company throughout the year.
- (b) Mr D.J. Atkins was appointed as a director of the Company on 1 January 2005.
- (c) Mr. M.J. Baker and Mr. G.H. Wright resigned as directors of the Company on 30 June 2006.
- (d) In accordance with the Articles of Association of the Company, the directors are not required to retire by rotation.
- (e) On 31 December 2005, Mr. J.A. Bywater and Mr. P.W.B. Cole were directors of the Company's ultimate parent company, Hammerson plc, in whose financial statements their interests in the shares of the Company are given. On 31 December 2005 Mr. D. J. Atkins, Mr. M.J. Baker, Mr N.A.S. Hardie and Mr. G.H. Wright were directors of the Company's immediate parent company, Hammerson UK Properties plc, in whose financial statements their interests in the shares of the Company's ultimate parent company, Hammerson plc, are given.
- (f) None of the directors have any interests in the shares of the Company or any other group company except as noted above.
- (g) No director has any interests in contracts entered into by the Company.

5. FINANCIAL INSTRUMENTS

Due to the nature of the company's business, and the assets and liabilities contained within the company's balance sheet, the only financial risks that the directors consider relevant to the company are credit risk and liquidity risk. These risks are mitigated by the nature of the debtor balances owed, being due from other group companies who are able to repay if required.

HAMMERSON (1 HARBOUR EXCHANGE) LIMITED

REPORT OF THE DIRECTORS
Year ended 31 December 2005

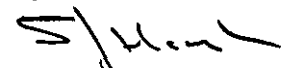
6. SECRETARY

Mr. S.J. Haydon was Secretary of the Company throughout the year.

7. AUDITORS

The Company has elected to dispense with the obligation to appoint auditors annually and accordingly, Deloitte & Touche LLP shall be deemed to be re-appointed as auditors for a further term under the provisions of section 386(2) of the Companies Act 1985.

By order of the Board



S.J. Haydon
Secretary

17 AUG 2006

Registered Office:
10 Grosvenor Street
London, W1K 4BJ
Registered in England and Wales No. 3642632

HAMMERSON (1 HARBOUR EXCHANGE) LIMITED

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

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

In preparing these financial statements, the directors are required to:

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

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

INDEPENDENT AUDITORS' REPORT TO THE SOLE MEMBER OF HAMMERSON (1 HARBOUR EXCHANGE) LIMITED

We have audited the financial statements of Hammerson (1 Harbour Exchange) Limited for the year ended 31 December 2005, which comprise the profit and loss account, the balance sheet, the statement of total recognised gains and losses, the reconciliation of movements in equity shareholder's funds, the note of historical cost profit and losses and the related notes 1 to 13. These financial statements have been prepared under the accounting policies set out therein.

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 law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

We report to you our opinion as to whether the financial statements give a true and fair view in accordance with the relevant financial reporting framework and are 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 other transactions is not disclosed.

We read the directors' report for the above year 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 International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. 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 company's circumstances, consistently applied and adequately disclosed.

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

**INDEPENDENT AUDITORS' REPORT TO THE SOLE MEMBER OF HAMMERSON (1
HARBOUR EXCHANGE) LIMITED**

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2005 and of its profit for the year then ended; and
- the financial statements have been properly prepared in accordance with the Companies Act 1985.

Deloitte & Touche LLP

Deloitte & Touche LLP
Chartered Accountants and Registered Auditors
London

4 September 2006

HAMMERSON (1 HARBOUR EXCHANGE) LIMITED**PROFIT AND LOSS ACCOUNT**
Year ended 31 December 2005

	Notes	2005 £'000	2004 £'000
Gross rental income		1,969	4,932
Rents payable and other property outgoings		(478)	(871)
		-----	-----
Net rental income	1(b)	1,491	4,061
Administration expenses	2	(133)	(246)
		-----	-----
Operating profit		1,358	3,815
Profit on sale of investment properties	3	4,660	-
Net cost of finance	4	(667)	(1,640)
		-----	-----
Profit on ordinary activities before taxation		5,351	2,175
Taxation charge on profit on ordinary activities	5	(1,020)	(13)
		-----	-----
Profit on ordinary activities after taxation		4,331	2,162
		-----	-----
Dividends proposed	6	-	(8,000)
		-----	-----
Retained profit/(loss) for the financial year	11	4,331	(5,838)
		=====	=====

All amounts relate to discontinued operations.

HAMMERSON (1 HARBOUR EXCHANGE) LIMITED**BALANCE SHEET**
31 December 2005

	Notes	2005 £'000	2004 £'000
Tangible fixed assets			
Land and buildings	7	-	57,920
Current assets			
Debtors	8	26,264	3,122
Creditors: amounts falling due within one year	9	(406)	(39,515)
Net current assets/(liabilities)		25,858	(36,393)
Total assets less current liabilities		25,858	21,527
Capital and reserves			
Called up share capital	10	-	-
Revaluation reserve	11	-	20,823
Profit and loss account	11	25,858	704
Equity shareholder's funds		25,858	21,527

The Board of Directors approved the financial statements on **17 AUG 2006**

Signed on behalf of the Board of Directors



HAMMERSON (1 HARBOUR EXCHANGE) LIMITED**STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES**For the year ended 31 December 2005

	2005 £'000	2004 £'000
Profit on ordinary activities after taxation	4,331	2,162
Surplus arising on revaluation	-	4,815
	-----	-----
Total recognised gains and losses for the year	4,331	6,977
	=====	=====

RECONCILIATION OF MOVEMENTS IN EQUITY SHAREHOLDER'S FUNDSFor the year ended 31 December 2005

	2005 £'000	2004 £'000
Profit on ordinary activities after taxation	4,331	2,162
Dividends proposed	-	(8,000)
	-----	-----
Retained profit/(loss) for the financial year	4,331	(5,838)
Surplus arising on revaluation	-	4,815
	-----	-----
Net increase/(decrease) in shareholder's funds	4,331	(1,023)
Shareholder's funds at 1 January	21,527	22,550
	-----	-----
Shareholder's funds at 31 December	25,858	21,527
	=====	=====

NOTE OF HISTORICAL COST PROFITS AND LOSSESFor the year ended 31 December 2005

	2005 £'000	2004 £'000
Profit on ordinary activities before taxation and dividends	5,351	2,175
Realisation of property revaluation gains of previous years	20,823	-
	-----	-----
Historical cost profit on ordinary activities before taxation	26,174	2,175
	=====	=====
Historical cost profit / (loss) for the financial year after taxation and dividends	25,154	(5,838)
	=====	=====

HAMMERSON (1 HARBOUR EXCHANGE) LIMITED

NOTES TO THE ACCOUNTS **Year ended 31 December 2005**

1. ACCOUNTING POLICIES

(a) 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 United Kingdom law and accounting standards, which have been consistently applied throughout the current and prior year. The financial statements are in compliance with the Companies Act 1985 except that, as explained below, investment properties are not depreciated.

(b) 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 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 services charges are included in net rental income.

(c) Profit on sale of properties

Profits on sale of properties are taken into account on the 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 Company. Profits or losses arising from the sale of investment properties are calculated by reference to book value and treated as non-operating exceptional items.

(d) Cost of properties

An amount equivalent to the net development outgoings, including interest, attributable to properties held for development or resale is added to the cost of such properties. A property is regarded as being in the course of development until ready for its intended use.

(e) Valuation of properties

Properties held for long-term retention are valued at the balance sheet date at market value. Surpluses and deficits arising from revaluation are taken to the revaluation reserve.

HAMMERSON (1 HARBOUR EXCHANGE) LIMITED

NOTES TO THE ACCOUNTS Year ended 31 December 2005

1. ACCOUNTING POLICIES (continued)

(f) Depreciation

In accordance with Statement of Standard Accounting Practice 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 amongst 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.

(g) Deferred tax

In accordance with Financial Reporting Standard 19 "Deferred tax", deferred tax is provided in respect of all timing differences that may give rise to an obligation to pay more or less tax in the future.

2. ADMINISTRATION EXPENSES

	2005 £'000	2004 £'000
Management fee payable to group company	133 =====	246 =====

The directors did not receive any remuneration for services to the Company in the current or preceding financial year.

The Company had no employees in the current or preceding year.

Another group company has paid the auditors' remuneration in the current and preceding year.

3. PROFIT ON SALE OF INVESTMENT PROPERTIES

	2005 £'000	2004 £'000
Gross proceeds on sale	61,900	-
Historical cost of properties sold	(36,417)	-
Historical cost profit	25,483	-
Valuation surplus realised	(20,823)	-
Surplus over carrying value	4,660	-
Profit on sale of investment properties	4,660 =====	- =====

HAMMERSON (1 HARBOUR EXCHANGE) LIMITED

NOTES TO THE ACCOUNTS **Year ended 31 December 2005**

4. NET COST OF FINANCE

	2005	2004
	£'000	£'000
Interest receivable	-	1
Interest payable to ultimate parent company	(667)	(1,641)
	<u>(667)</u>	<u>(1,640)</u>
	=====	=====

5. TAXATION

(a) Tax charge on profit on ordinary activities

	2005	2004
	£'000	£'000
Deferred tax	1,020	13
	<u>=====</u>	<u>=====</u>

(b) Factors affecting current tax charge

The tax assessed on the profit for the year is different from the standard rate of corporation tax of 30%. The differences are reconciled below:

	2005	2004
	£'000	£'000
Profit on ordinary activities before tax	5,351	2,175
Profit multiplied by UK corporation tax rate of 30% (2004: 30%)	<u>1,605</u>	<u>652</u>
Effects of:		
Capital allowances	-	(16)
Gain on sale of investment property	(1,398)	-
Relief for revenue items capitalised	(11)	-
Utilisation of tax losses	(330)	-
Group relief	134	(636)
	<u>-----</u>	<u>-----</u>
Current tax charge for the year	=====	=====

The deferred tax charge in 2005 arises principally through a reduction in carried forward losses of the Company, due to the Company surrendering more losses as group relief to fellow subsidiaries in respect of prior years than previously had been anticipated.

HAMMERSON (1 HARBOUR EXCHANGE) LIMITED

NOTES TO THE ACCOUNTS **Year ended 31 December 2005**

5. TAXATION (continued)

(c) Deferred tax

2005
£'000

2004
£'000

The deferred tax asset is made up as follows:

Capital allowances	-	83
Tax losses	-	(1,103)
	-----	-----
	-	(1,020)
	=====	=====

Movement in period:

Opening deferred tax asset	(1,020)	(1,033)
Charge in profit and loss account	1,020	13
	-----	-----
Closing deferred tax asset	-	(1,020)
	=====	=====

6. DIVIDENDS

2005
£'000

2004
£'000

Dividend proposed

-	8,000
=====	=====

7. LAND AND BUILDINGS

a) The movements in the year on investment property were:

Freehold
£'000

At valuation:

At 1 January 2005	57,920
Additions at cost	102
Reimbursement of refurbishment of common areas	(782)
Disposals at revaluation	(57,240)

At 31 December 2005	-
	=====

HAMMERSON (1 HARBOUR EXCHANGE) LIMITED

NOTES TO THE ACCOUNTS

Year ended 31 December 2005

7. LAND AND BUILDINGS (continued)

b) The cost of investment property at 31 December 2005 was £nil (2004: £37,097,000).

c) Capital commitments

	2005 £'000	2004 £'000
Contracted for, but not provided.	- =====	123 =====

8. DEBTORS

	2005 £'000	2004 £'000
Trade debtors	1,001	1,816
Amounts owed by immediate parent company	25,120	-
Other debtors	143	286
Deferred tax due after one year (Note 4)	-	1,020
	----- 26,264 =====	----- 3,122 =====

9. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2005 £'000	2004 £'000
Bank overdraft	-	8
Trade creditors	333	1,558
Amount owed to immediate parent company	-	8,000
Amounts owed to fellow subsidiary undertakings	73	302
Amount owed to ultimate parent company	-	29,106
Other creditors	-	169
Accruals	-	372
	----- 406 =====	----- 39,515 =====

Interest is charged on the amounts owed to the ultimate parent company at variable rates based on LIBOR.

HAMMERSON (1 HARBOUR EXCHANGE) LIMITED

NOTES TO THE ACCOUNTS Year ended 31 December 2005

10. CALLED UP SHARE CAPITAL

	2005 £	2004 £
Authorised:		
100 ordinary shares of £1 each	100 =====	100 =====
Called up, allotted and fully paid:		
2 ordinary shares of £1 each	2 =====	2 =====

11. RESERVES

	Revaluation reserve £'000	Profit and loss account £'000
Balance at 1 January 2005	20,823	704
Profit retained for the year	-	4,331
Transfer to profit and loss account on disposal of investment properties	(20,823) -----	20,823 -----
Balance at 31 December 2005	- =====	25,858 =====

12. CASH FLOW AND RELATED PARTY DISCLOSURE

As the Company is a wholly owned subsidiary it has taken exemption under the terms of Financial Reporting Standard 1 (revised 1996) "Cash flow statements" from preparing a cash flow statement, as it is included in the consolidated financial statements of Hammerson plc, which are publicly available.

The Company is also exempt under the terms of Financial Reporting Standard 8 "Related party disclosures" from disclosing related party transactions with entities that are part of the Hammerson plc group.

In the opinion of the directors there are no other related party transactions to be disclosed during the current year or preceding year.

13. ULTIMATE PARENT COMPANY AND CONTROLLING PARTY

The immediate parent company is Hammerson UK Properties plc. The ultimate parent company and controlling party is Hammerson plc, which is incorporated in Great Britain and is the parent undertaking of the largest and smallest group to consolidate these financial statements. Copies of its financial statements are available from that company's registered office, 10 Grosvenor Street, London, W1K 4BJ.