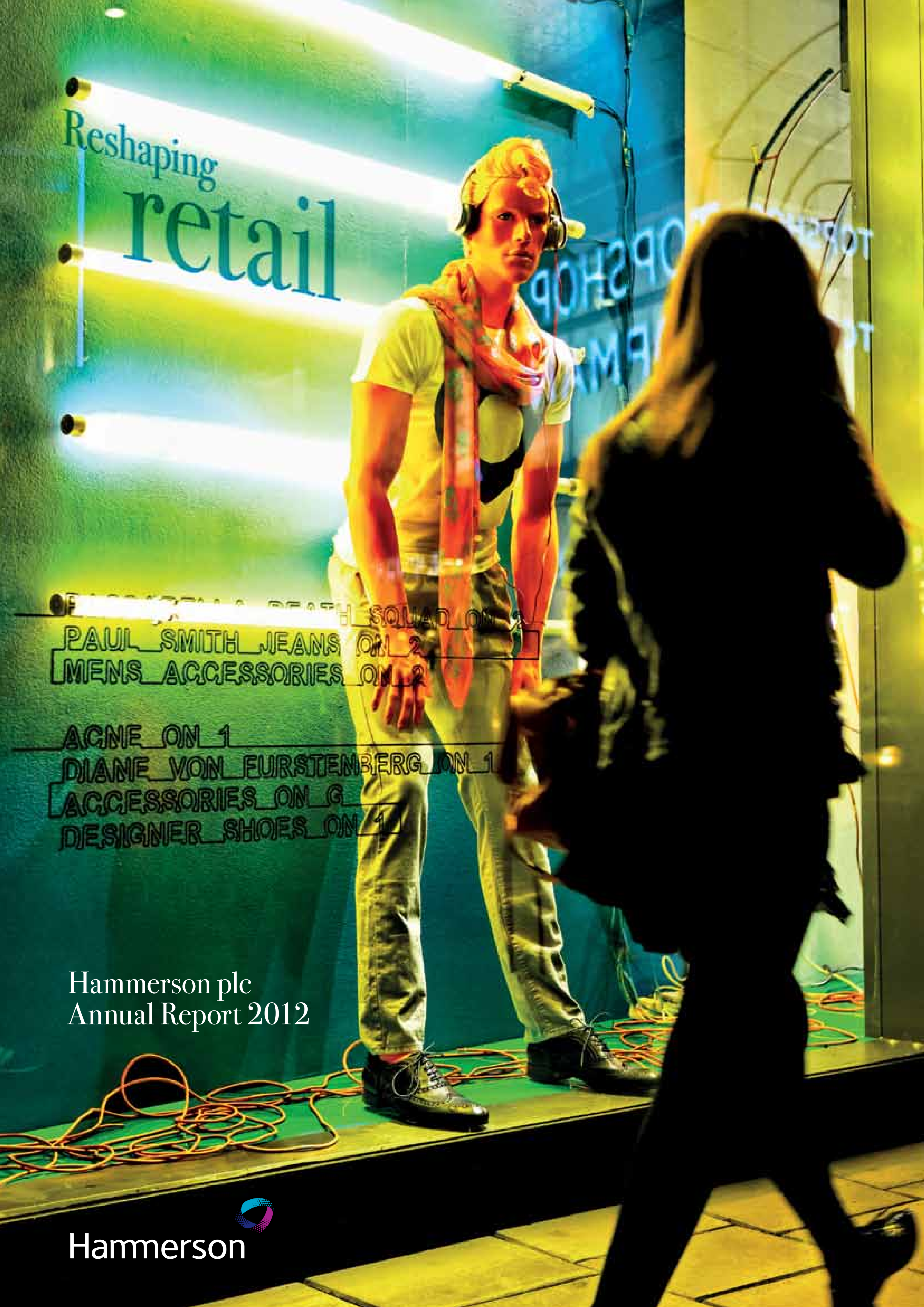


Reshaping retail

Hammerson plc
Annual Report 2012

Hammerson

Who we are

We create HIGH-QUALITY retail property

Our vision is to be the best owner-manager and developer of retail property within Europe.

We focus on winning locations: prime regional shopping centres, convenient retail parks and premium designer outlet villages.

Hammerson retail locations (see pages 8 to 17 for more details)

EXPERIENCE

UK shopping centres

1. Brent Cross, London NW4
2. Centrale, Croydon
3. Queensgate, Peterborough
4. Bullring, Birmingham
5. Highcross, Leicester
6. Silverburn, Glasgow
7. Cabot Circus, Bristol
8. The Oracle, Reading
9. Union Square, Aberdeen
10. WestQuay, Southampton
11. Monument Mall, Newcastle
12. Victoria Quarter, Leeds

France shopping centres

13. Grand Maine, Angers
14. O'Parinor, Aulnay-sous-Bois
15. Bercy 2, Charenton-le-Pont
16. Italie 2, Avenue d'Italie, Paris 13ème
17. Place des Halles, Strasbourg
18. Espace Saint Quentin, Saint Quentin-en-Yvelines
19. Les 3 Fontaines, Cergy Pontoise
20. SQY Ouest, Saint Quentin-en-Yvelines
21. Les Terrasses du Port, Marseille

CONVENIENCE

UK retail parks

1. Abbey Retail Park, Belfast
2. Central Retail Park, Falkirk
3. Dallow Road, Luton
4. Battery Retail Park, Birmingham
5. Cleveland Retail Park, Middlesbrough
6. Drakehouse Retail Park, Sheffield
7. Brent South Shopping Park, London
8. Cyfarthfa Retail Park, Merthyr Tydfil
9. Elliott's Field, Rugby
10. Fife Central Retail Park, Kirkcaldy
11. Parc Tawe Retail Park, Swansea
12. Westwood & Westwood Gateway, Thanet
13. Manor Walks, Cramlington
14. Ravenhead Retail Park, St Helens
15. Wrekin Retail Park, Telford
16. St Oswald's Retail Park, Gloucester
17. The Orchard Centre, Didcot
18. Thurrock Shopping Park, Lakeside
19. Forge Shopping Park, Telford
20. Imperial Retail Park, Bristol
21. Abbotsinch Retail Park, Paisley

France retail parks

22. Villebon, Paris

LUXURY

Value Retail

1. Bicester Village, Oxford
2. La Vallée Village, Paris
3. Kildare Village, Dublin

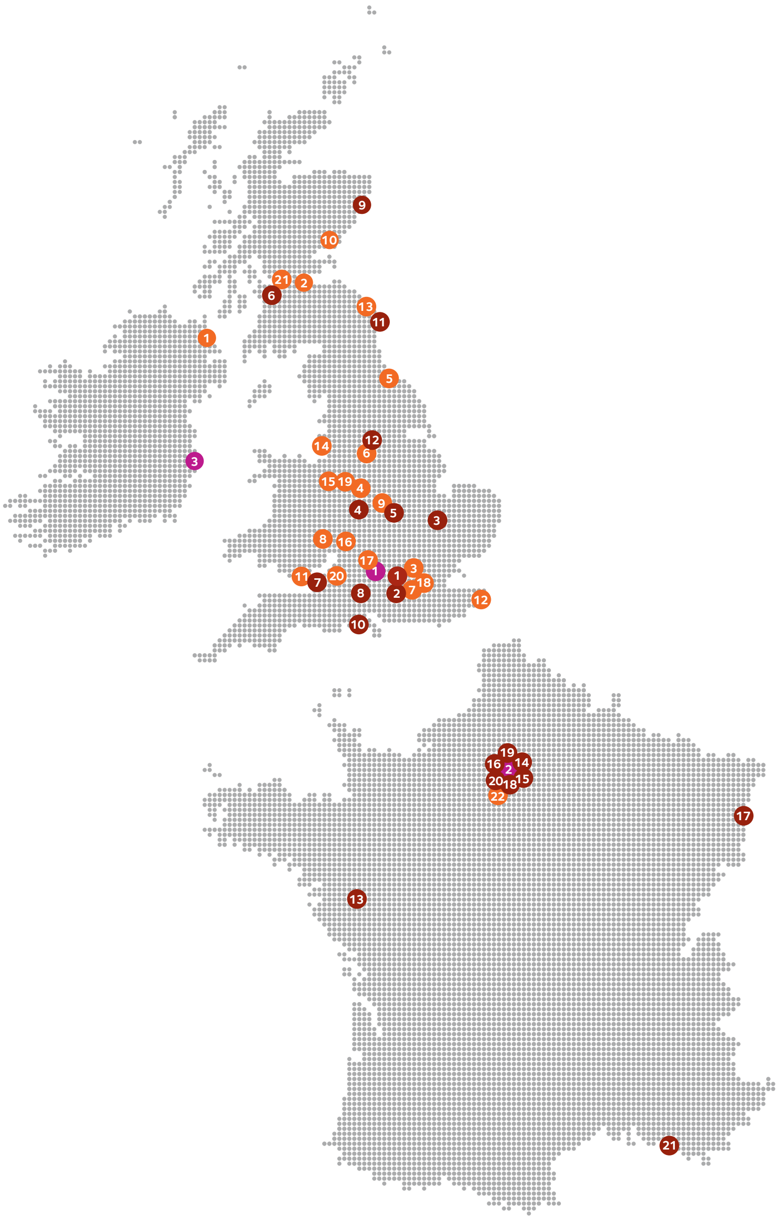
Not shown

Maasmechelen Village, Brussels
Wertheim Village, Frankfurt
Ingolstadt Village, Munich
Fidenza Village, Milan
Las Rozas Village, Madrid
La Roca Village, Barcelona

Portfolio

£5.5bn

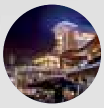
Hammerson owns a portfolio of retail property assets in the UK and France. The portfolio, which is valued at £5.5 billion, includes 20 prime shopping centres, 22 convenient retail parks and investments in nine premium designer outlets.



At a glance

Our focus

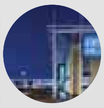
As a pure retail property business, we focus on winning locations that cater to consumer preference for:



Experience

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

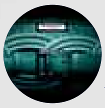
See pages 12 to 13 for more details.



Convenience

Convenient, well-managed retail parks in out-of-town locations are securing an increasing number of fashion and catering tenants, due to their accessibility.

See pages 14 to 15 for more details.



Luxury

Consumer preferences and increased tourism have driven impressive sales growth at premium designer outlets in major cities throughout Europe.

See pages 16 to 17 for more details.

Our strategy

Our strategy is to deliver industry leading shareholder returns by maximising income from our retail properties and development pipeline.

Creating high-quality property

We develop or acquire to create compelling retail properties in successful locations which are tailored to the local consumer demographic.

Maximising income

We aim to maximise occupancy and footfall at our properties, which support our retail customers and enable us to maximise income growth.

Capital strength

We operate within a prudent and flexible financial structure which provides financial security whilst allowing us to act swiftly and decisively.

See pages 4 to 5 for more details.

Our performance

2012 was a year in which our financial and operational metrics demonstrated the validity of our strategy.

Operational and financial highlights

OCCUPANCY OF

97.7%

TOTAL PROPERTY RETURN OF

5.0%

NET RENTAL INCOME GREW BY

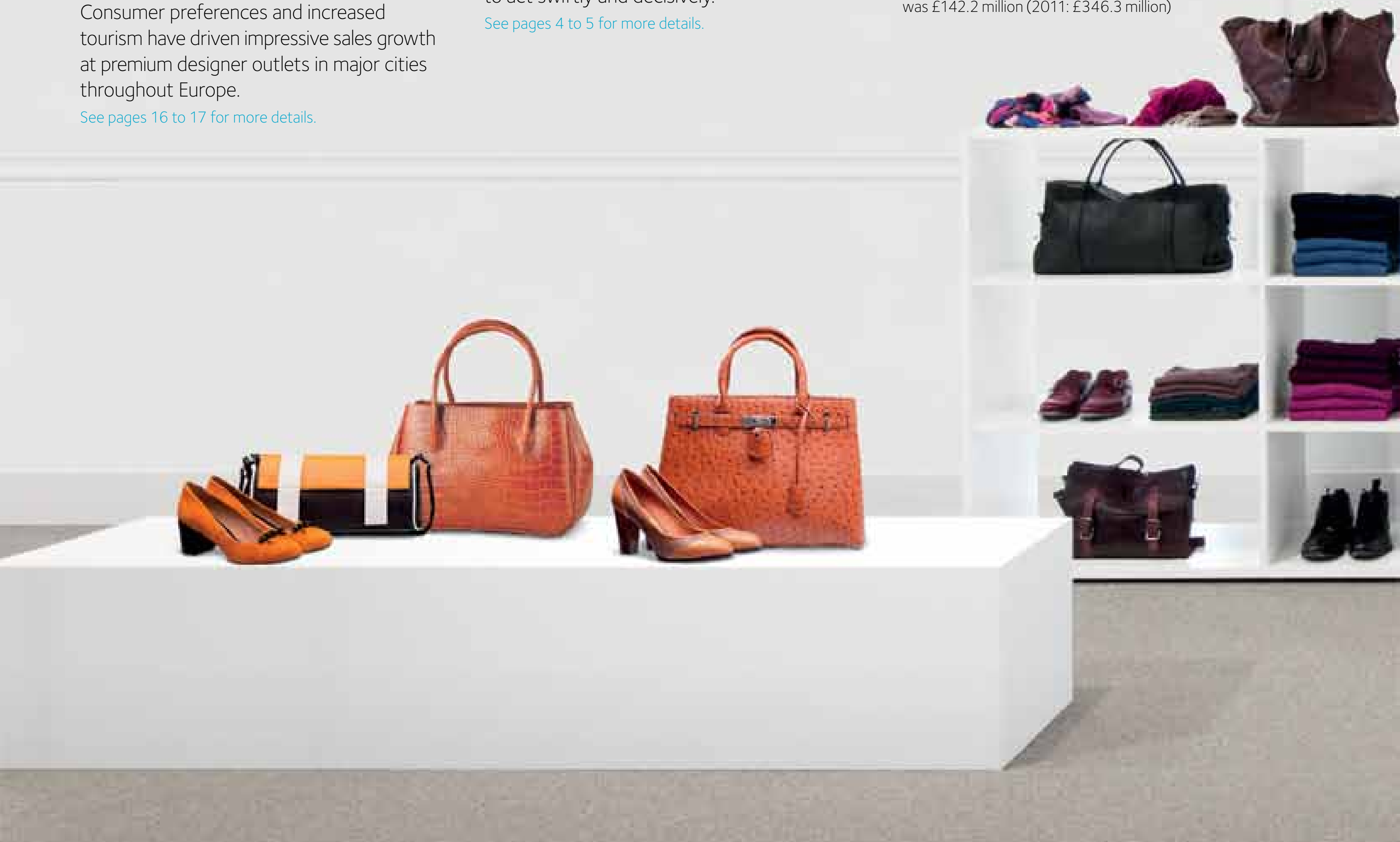
2.1%

ADJUSTED EARNINGS PER SHARE* OF

20.9p, ↑8.3%

See pages 32 to 35 for more details.

* Profit before tax for the year ended 31 December 2012 was £142.2 million (2011: £346.3 million)



2012: a year of transformation

In 2012 we announced our decision to become a pure retail property company

- Sold **£627** million of office property at 7% premium
- Reinvested **£541** million in our targeted areas

Our key investments

EXPERIENCE	CONVENIENCE	EXPERIENCE	LUXURY
Whitgift	Junction Retail Parks	Victoria Quarter	Value Retail
£65M†	£260M	£136M	£80M

Resulting portfolio exclusively focused on winning retail locations

2013 priorities

- Prepare Les Terrasses du Port for opening Spring 2014
- Deliver extensions and refurbishments in our existing portfolio
- Confirm plans for major developments in Leeds and London
- Continue to focus on operational efficiency
- Advance customers' multi-channel strategies
- Identify successful future retail formats and brands
- Implement Positive Places sustainability programme
- Identify and execute selective acquisitions

† Exchanged not yet completed

Chairman's statement

Setting the STRATEGY, GOVERNANCE & VALUES of the business

Introduction

Welcome to the Annual Report for 2012. This is my last Chairman's statement after nine years, as I will be retiring at this year's AGM. I am pleased to say that the Company ended 2012 in as strong a position as it has been in many years.

Overview

This has been an excellent year for the Company, in which we successfully executed our strategy of focusing the business on high-quality retail assets in winning locations. We executed transactions worth over £1 billion, including the sale of our office portfolio and the reinvestment into retail assets that cater for structural consumer preferences for experience, convenience, and luxury.

We have additionally made good progress with our developments, and the Company is in a strong financial position which allows us the flexibility to capture future opportunities. This has been achieved against a difficult economic backdrop, which is a tribute to the experience and energy of the management team, and the quality of our assets.

This is a strong base from which to grow the business.

Results

I am pleased to report that we have grown income from the portfolio in 2012, which combined with acquisitions and cost management initiatives has enabled us to grow adjusted earnings by 8.3% to 20.9 pence per share.

In conjunction with our visibility on future earnings from our portfolio, this gives us the confidence to increase the full-year dividend by 6.6% to a total of 17.7 pence per share.

At the year end the portfolio was worth £5.5 billion, equivalent to a net asset value of £5.42 per share.

Maintaining capital strength

We had an active year managing the costs and maturity profile of our debt, contributing to an £11.6 million reduction in interest expenses in 2012. We repurchased €220 million of the

The Oracle, Reading

NET ASSET VALUE:
£5.42 per share

63%

COMMUNITY:
63% of our community investment is long term

4.875% Euro bonds, then in September issued a seven-year €500 million 2.75% unsecured bond due in 2019. In December we bought back the £100 million floating rate reset bonds from BNP Paribas, incurring a one-off mark-to-market charge of £42 million, and also signed a new £175 million revolving credit facility.

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

Board changes

After nine years at Hammerson, and having taken up the Chairmanship of Lloyd's of London, I informed the Board during the course of last year that I wished to retire at this year's AGM. I am delighted that David Tyler joined the Board in January, and will succeed me as Chairman immediately after the AGM.

He is the right man to succeed me, having had a successful career, much of it in finance and retailing. He is currently Chairman of Sainsbury's and a Director of Burberry.

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

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

Remuneration

The Board's ambition is to improve transparency and better demonstrate the link between pay and performance. For 2012 the Remuneration Committee determined that there should be no increase to base salary for Executive Directors. However, reflecting the strong performance of the Company in 2012 the variable element of Executive Directors' overall remuneration has increased. We believe shareholders are supportive of this approach which aligns their interest with those of the management team.

Communities

Hammerson is an active participant in the communities in which it operates. In both the UK and France, job creation and growth are key priorities for local authorities, and we work with our communities to support local needs. In the UK we engaged with communities in Croydon, Leeds and Southampton regarding employment opportunities associated with our development plans. In France, through an initiative which boosts local employment by including an employment code of conduct into new leases, we promoted retail sector jobs through Pôle Emploi, the national job agency.

Sustainability

We have fully integrated sustainability initiatives into our business plans, which we believe will deliver long-term business benefits across all our operational activities. These include innovations in bringing sustainable design to new developments, as well as improving the carbon performance of our investment portfolio. In 2012 we launched our Positive Places sustainability programme, focused on how we engage with employees, communities, customers, suppliers and investors. We have had a strong performance in areas like waste recycling and supplier engagement in 2012. Full details can be found in our connected reporting framework on pages 129 to 131, and in our online CR report www.hammerson.com. However, reflecting the fact that sustainability is fully integrated into our daily operations, this year's Annual Report has no dedicated, separate CR section.

Outlook

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

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

This is my last Chairman's statement. I am proud of what the Company has achieved and I wish its shareholders and staff well for the future.

John Nelson

John Nelson
CHAIRMAN

Chief Executive's report

It's all about RETAIL

INVESTMENT:
£627m of office sales

£541m of retail acquisitions

Introduction

In early 2012, we set out a revised strategy to become a pure retail-focused business, in order to generate superior, sustainable returns for shareholders. We stated our intention to exit our office investments, and redeploy capital into the three winning areas of retail: prime shopping centres offering experience; retail parks offering convenience; and premium designer outlets offering luxury and value. I am pleased to report that we have met this objective.

STRATEGY

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

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

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

CREATING HIGH-QUALITY PROPERTY

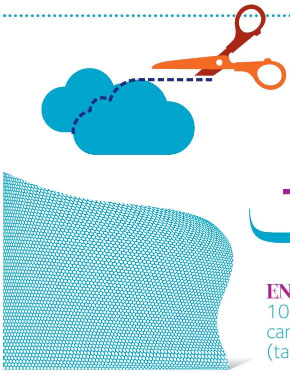
Experience – prime shopping centres

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

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

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

Focus areas (see pages 8 to 17 for more details)



-10.6%

ENVIRONMENT:
10.6% reduction in carbon emissions (target 20% by 2015)

Follow our news on Twitter, YouTube and become a fan on Facebook:

- @Hammersonplc
- Hammerson plc
- Hammersonplc

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

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

Convenience – retail parks

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

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

We are making good progress with extensions and redevelopments across the retail parks portfolio. We have exchanged contracts with Debenhams for a 5,570m² store that will anchor the redevelopment of Elliott's Field, Rugby, where we have submitted a planning application. In Cramlington, the 5,900m² leisure extension of Manor Walks, to be anchored by Vue, will be ready for opening in the summer. At Cyfarthfa, Merthyr Tydfil, we have signed M&S to anchor the 14,500m² retail extension, which will help bring other high street brands to the park.

Luxury – premium designer outlets

Consumer preference for luxury brands combined with increasing tourist demand has driven impressive tenants' sales growth, and rental income, at premium designer outlets such as Bicester Village. We anticipate this trend continuing as global tourist numbers increase over the coming years. In 2012 Value Retail ('VR') remerchandised 25% of its selling space, introducing new brands such as Blumarine, Boggi, and Lagerfeld, as well as completing an extension at La Vallée Village, Paris. From a base of over 30 million annual shoppers, retailers' sales have consequently increased 13%, rental income rose by 17% and the valuation of VR's Villages went up by 18%.

In line with our intention to increase capital allocated to the high-growth sector of premium designer outlets, we announced in July the acquisition of further interests in VR holding companies for a total of £80 million and increased our shareholder loan to the company from €28 million to €58 million. We now have a 22% stake in VR holding companies and, including our direct investments in outlet villages, we have an effective 29% interest in VR's underlying operating profit in 2012. On an EPRA basis, Hammerson's net income from Value Retail has increased by 54% to £12.6 million.

MAXIMISING INCOME GENERATION

In 2012 we signed 376 leases in respect of over 120,000m², at levels above both the estimated rental values ('ERV'), and previous passing rent. Despite the impact of high-profile retail administrations we maintained high occupancy of 97.7% at the year end. Year-end occupancy has exceeded our 97% target for each of the last three years. Like-for-like net rental income for the year increased by 2.1% on 2011. We continue to bring new retailers and new formats to our portfolio, including Printemps at Les Terrasses du Port, Marseille, Jeff Banks' first standalone store in Brent Cross, London and Pretty Green at Bullring, Birmingham.

Catering and leisure

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

Multi-channel retailing

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

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

In summary it has been an active year, where we made good progress. Against a challenging backdrop I remain confident about the future for the Company.

David Atkins
CHIEF EXECUTIVE

Market background

Market DYNAMICS & CONSUMER trends

Our marketplace

Hammerson is a focused retail REIT with operations in the UK and France and concentrates on specific sub-sectors of retail property in its chosen markets.

The operating environment for retailers, both in the UK and France, remains tough. The impact of austerity is squeezing household budgets and the rise of e-commerce is challenging the way that traditional retailers engage with their customers. With a greater number of channel options, consumers are only selecting physical retail in locations that satisfy their need for convenience or the wish for a special experience.

We believe these market dynamics create an opportunity for selected operators. Total UK retail sales are predicted to grow rapidly over the next decade by 26% to reach £377bn by 2022. However this growth will not be evenly distributed across all consumer segments.

Consequently, retail venues are polarising. Shopping centres and retail parks, such as those owned by Hammerson, which provide a compelling mix of retail brands and high-quality leisure and catering, have shown high occupancy and increasing market shares. Expanding retailers, including international brands, continue to compete for the best space in these 'winning' locations. At the other end of the retail spectrum, retailers continue to exit underperforming stores.

Hammerson operates in the UK and France where planning regimes impose restrictions on new property developments. These restrictions are particularly onerous in the case of large retail schemes, limiting the supply of new space and thereby benefiting owners of existing retail properties.

Experience – shopping centres

In the UK, Hammerson owns stakes in 12 shopping centres that accommodate 1,300 retail and catering occupiers. Our centres attract over 180 million shoppers each year that spend in excess of £2 billion and generate annual rents of £141 million. The portfolio comprises nine of the UK's top 30 shopping centres.

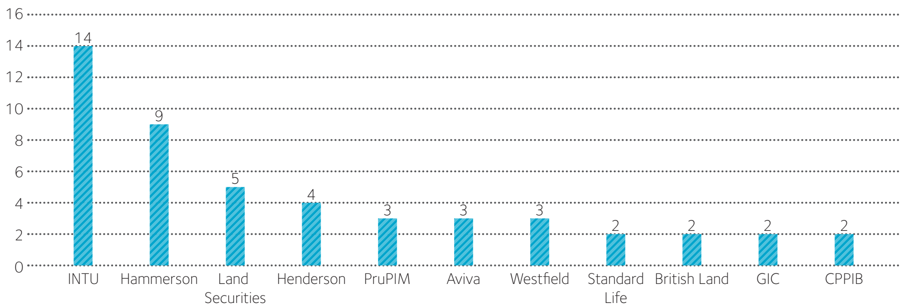
Major tenants in the portfolio include: John Lewis, House of Fraser, Marks & Spencer, H&M and National Amusements.

In France, the Company owns eight shopping centres concentrated in the greater Paris region. The portfolio comprises approximately 300,000 sq m and its 900 occupiers generate annual rents of £69 million per annum. The portfolio is one of the largest in France, attracting over 70 million shoppers per annum, who spend a total of over £1.5 billion per annum.

Key occupiers in the French portfolio include; Carrefour, Monoprix, Inditex, H&M, Sephora and Printemps.

One of the Company's key objectives is to increase its scale in French retail property. In this direction it is developing a major shopping centre, Terrasses du Port in Marseille, that is due for completion in spring 2014, and is shortly to commence development of a shopping centre in Beauvais, to the north west of Paris which is due to complete in 2015.

OWNERSHIP OF MAJOR UK SHOPPING CENTRES



Source: Hammerson analysis

The UK's first House of Fraser.com store opened in Union Square, Aberdeen, allowing consumers to use interactive screens to order goods which can then be collected in store

The Company takes an innovative approach to the development and management of its shopping centres, utilising in-house expertise to adapt to changing market dynamics and constantly evolving consumer preferences for a wide range of shops, restaurants and leisure facilities and the need for a unique and special experience.

In 2012 we attracted 12 new fashion brands to our centres and continued to improve the leisure offer; over 10% of total rents now derive from leisure and catering operators. We are also engaging with consumers on a digital level and increasing our use of social media and loyalty programmes. All of our UK centres have free wi-fi and our digital marketing initiatives have resulted in a 190% increase in the number of users of our mobile websites and a 150% increase in online dwell times.

Given large individual lot sizes, Hammerson's preferred approach is to use single asset joint ventures to control exposure to individual assets. This approach enables Hammerson to maximise its market position and increase its footprint across its retail markets, so ensuring multiple touchpoints with retail and catering occupiers. Joint ventures also mitigate risk by spreading capital more widely across the sector.

Convenience – retail parks

The Company owns 21 of the UK's leading retail parks that accommodate 360 retail tenants. Major occupiers include B&Q, Boots, Next and Curry's, as well as catering operators such as Costa, Frankie and Benny's and Pizza Hut.

These retail locations succeed by meeting consumers' needs for convenience as well as retailers' needs for accessible locations to support the fulfilment of multi-channel sales. For some retailers up to 25% of all sales are made online with an increasing proportion either collected or returned in-store. This is becoming an increasingly important driver of store traffic and incremental retail sales.

Following November's acquisition of The Junction Fund, Hammerson became the largest direct owner of retail warehouse properties in the UK. We utilise this strong market position to secure favourable terms with occupiers and other counterparties.

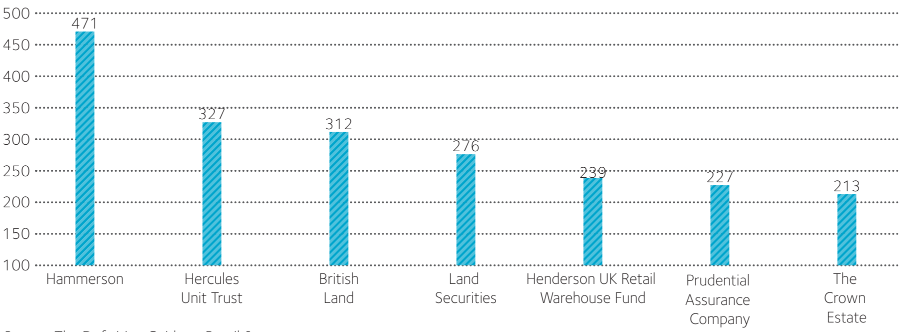
Luxury – premium designer outlets

Hammerson is a major investor in Value Retail, the only company in Europe that specialises exclusively in the development and operation of luxury outlet shopping Villages. Value Retail owns and operates nine luxury designer outlets across Europe, which provide guests with an outlet shopping experience unrivalled anywhere in the world.

The portfolio is home to a high concentration of luxury and aspirational brands such as Gucci, Prada, Mulberry, Burberry and Giorgio Armani. The Villages have become must-visit shopping destinations for domestic shoppers and international tourists. They benefit from increasing prosperity in emerging markets and represent one of the fastest growing sectors of the retail property market.

Since 2007, tenants' sales at Value Retail villages have grown at an annual rate of 17% and the villages are among some of the most successful retail locations in the world. Sales at the most successful village, Bicester Village, now exceed £20,000/ sq m. As rents in outlet villages are directly related to store turnovers, asset values over the period have increased at a similar rate.

TOP DIRECT OWNERS OF UK RETAIL PARKS ('000 SQ M)



Source: The Definitive Guide to Retail & Leisure Parks 2013, Trevor Wood Associates

Cyfarthfa Retail Park, Merthyr Tydfil, which fulfils shoppers' needs for a local convenient retail venue

Business model

Our vision:
TO BE THE BEST
owner-manager and developer of retail property within Europe.

Focus areas

1
EXPERIENCE
PRIME SHOPPING CENTRES

20
prime Shopping Centres

250m
annual visits

£4bn
of annual tenants' sales

See pages 12 to 13 for more details.

2
CONVENIENCE
RETAIL PARKS

22
convenient Retail Parks

Largest
direct owner of UK parks

500,000m^2
of space

See pages 14 to 15 for more details.

3
LUXURY
PREMIUM DESIGNER OUTLETS

£490m
investment in Value Retail

9
premium outlet villages across Europe

17%
compound annual growth in tenants' sales

See pages 16 to 17 for more details.

Competitive advantage

Ownership and management of many of UK and France's major shopping malls

Modern, diverse tenant mix

Shoppers enjoy excellent experience

Leading direct owner of retail parks in UK

Flexible planning status allows variety of retail formats

Excellent locations near major roads and rail hubs

Strong independent management team with unparalleled subsector expertise

Prestige tenants such as Prada, Gucci and Armani

Top tier marketing resources and investment

Close, long-standing relationships with major retail groups

Specialism in retail markets in Europe

Talented, motivated employees with deep sector knowledge

Research-driven insight to consumer trends

Background

Hammerson was established in 1942 by Lewis Hammerson, originally developing residential property then expanding into commercial property in 1948. Hammerson became a public company in 1954, and began a programme of partnering with local authorities to redevelop UK cities' retail offer. The Company opened Brent Cross, the UK's first covered mall, in 1976, and expanded into French commercial property in 1985. As mentioned in the Chief Executive's report, Hammerson focuses on winning retail locations.

Strategic priorities

Maintain and grow
OUR HIGH-QUALITY ASSET BASE
through
– refurbishment
– extensions
– development
– aquisitions

Consistently
GROW INCOME
via
– high occupancy
– tenant engineering
– creative marketing to end consumers

Operate within a
PRUDENT AND FLEXIBLE
capital structure

Measuring success (KPIs)

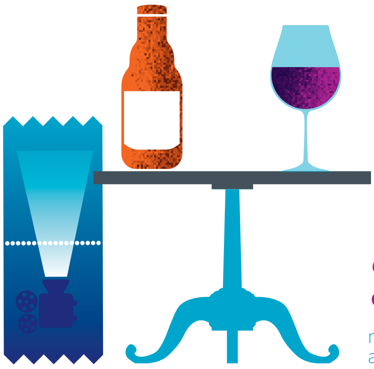
Total Property Returns
5.0%

Occupancy
97.7%

Like-for-like
Net Rental Income
▲2.1%

Earnings per share
20.9p
▲8.3%

Experience – 20 prime shopping centres



357
restaurants and cafés across our portfolio

THE ENTERTAINMENT BUSINESS

We attract consumers and differentiate our offer by providing entertainment. We create prime shopping centres in the UK and France, which act as retail and leisure destinations for the surrounding area.

Creating the right environment

We develop or acquire to create the right retail venue in successful areas – winning locations. For example, Victoria Quarter, Leeds ('The Knightsbridge of the North') and Les Terrasses du Port, Marseille, our major groundbreaking retail and leisure destination overlooking the Mediterranean sea.

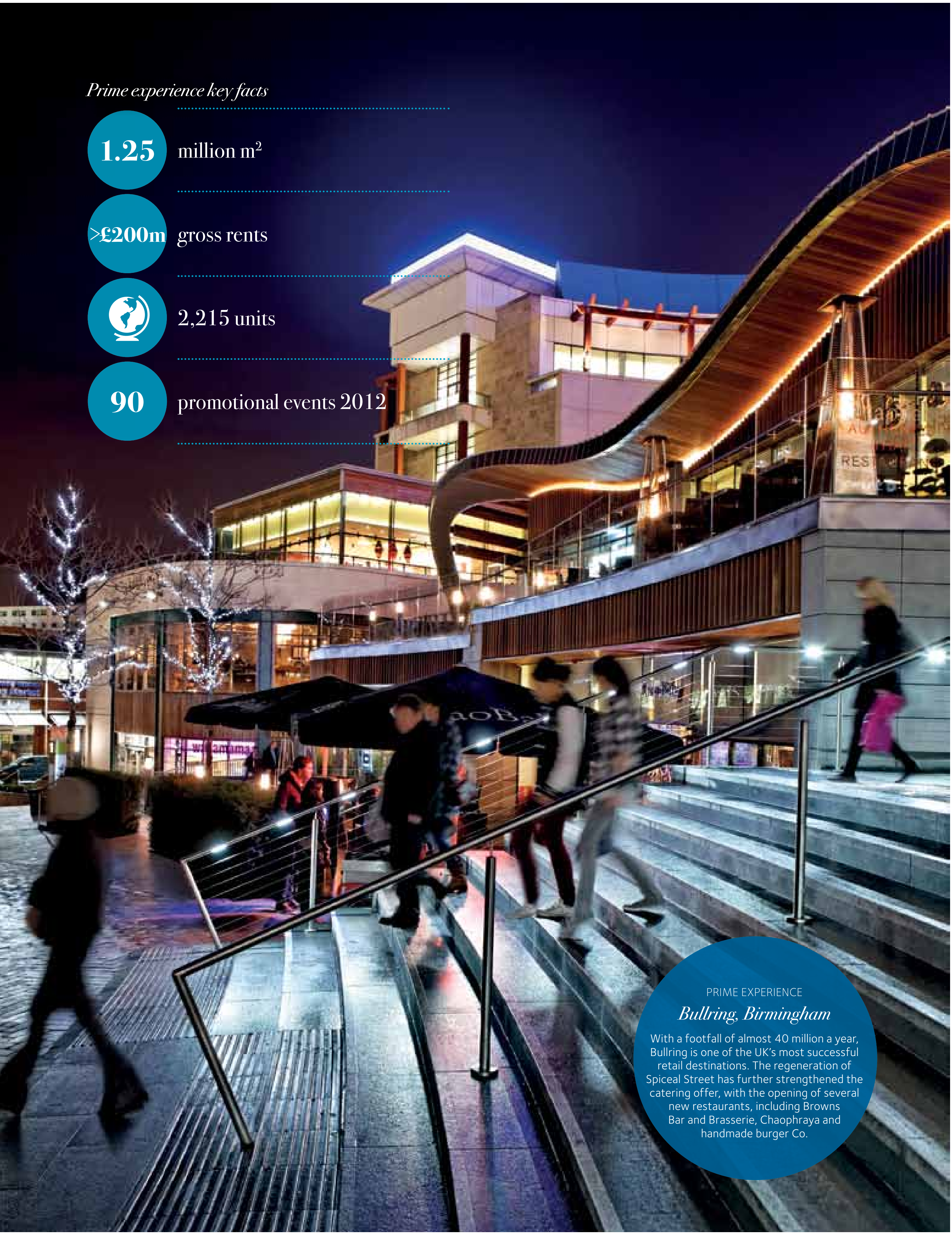
We combine a mix of the most current and popular retail brands, in combination with known and trusted department stores. We travel the world seeking out expanding international retailers to bring in retail firsts such as Apple, Hollister and Forever 21. Increasingly, as shopping centres become leisure venues in their own right, this is embellished by introducing high-quality catering brands and leisure facilities.

Enhancing the consumer experience

Having created the venue, the consumer experience is enhanced through a combination of targeted events and promotional activity. In 2012 we hosted a wide range of events in our centres including fashion shows, farmers' markets and student lock-ins.

We encourage visitors through the use of social media marketing, to generate a buzz and a loyalty that can only be created through direct interaction with the consumer.

We optimise our centre websites and provide free wi-fi, so that our visitors can begin their experience online before they reach the centre, and continue once they are with us. Our flexible and innovative approach in the multi-channel arena is helping our retail customers find new ways to support and grow their sales.



Prime experience key facts

1.25 million m²

>£200m gross rents

2,215 units

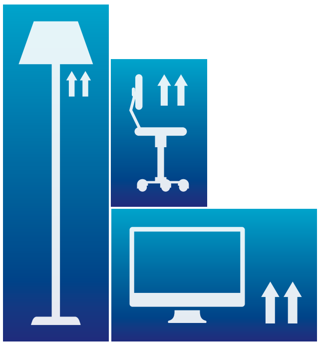
90 promotional events 2012

PRIME EXPERIENCE

Bullring, Birmingham

With a footfall of almost 40 million a year, Bullring is one of the UK's most successful retail destinations. The regeneration of Spiceal Street has further strengthened the catering offer, with the opening of several new restaurants, including Browns Bar and Brasserie, Chaophraya and handmade burger Co.

Convenience – 22 convenient retail parks



59%
of consumers reserve online and pick up in store

AT YOUR CONVENIENCE

Hammerson is the UK's largest direct owner of retail parks. There is continued strong consumer demand for the ease and convenience of retail parks, which is reflected in the increasing requirements from a range of fashion and catering retailers.

Responding to consumers' preferences

Retail parks have their origins in low-cost retail space for DIY stores and bulky goods retailers outside the town centre. However, the ease of access and convenience of free parking have proved popular with consumers. We are capitalising on these inherent strengths by bringing new fashion retailers, new caterers and new formats to retail parks.

In 2012 we secured Nike's first ever retail park store at Thurrock Shopping Park, introduced Costa coffee pods at several of our parks and brought household names like Marks & Spencer and Debenhams to the retail park portfolio.

In addition, as retailers look for ways to support their multi-channel strategies, a 'click and collect' offer is increasingly important. The accessibility of retail parks makes them an obvious choice in fulfilling an integral part of this strategy.

Growing rents

From a low base, our retail parks have rents with significant scope to grow as we introduce fashion and catering formats. In 2012 we invested £260 million in new retail parks, which we believe will enhance the income profile of the business.

To capitalise on the strength of consumer demand and create the winning retail parks of the future, we are also extending several of our properties.

Convenience key facts

£184/m² average rents

500,000 area in m² of floorspace

2/3 space consented for open A1 fashion

RETAIL PARKS

Brent South Shopping Park, London

Owned by Hammerson and Standard Life Investments, Brent South Shopping Park was completed in November 2004. Located directly opposite Brent Cross Shopping Centre, the shopping park includes principle occupiers Arcadia, Next and TK Maxx, and also provides 350 parking spaces.

Luxury – investment in Value Retail's nine premium designer outlet villages

BRAND NEW FOCUS

We are an investor in Value Retail's highly successful premium outlet villages which operate in major cities throughout Europe.

Working with brands

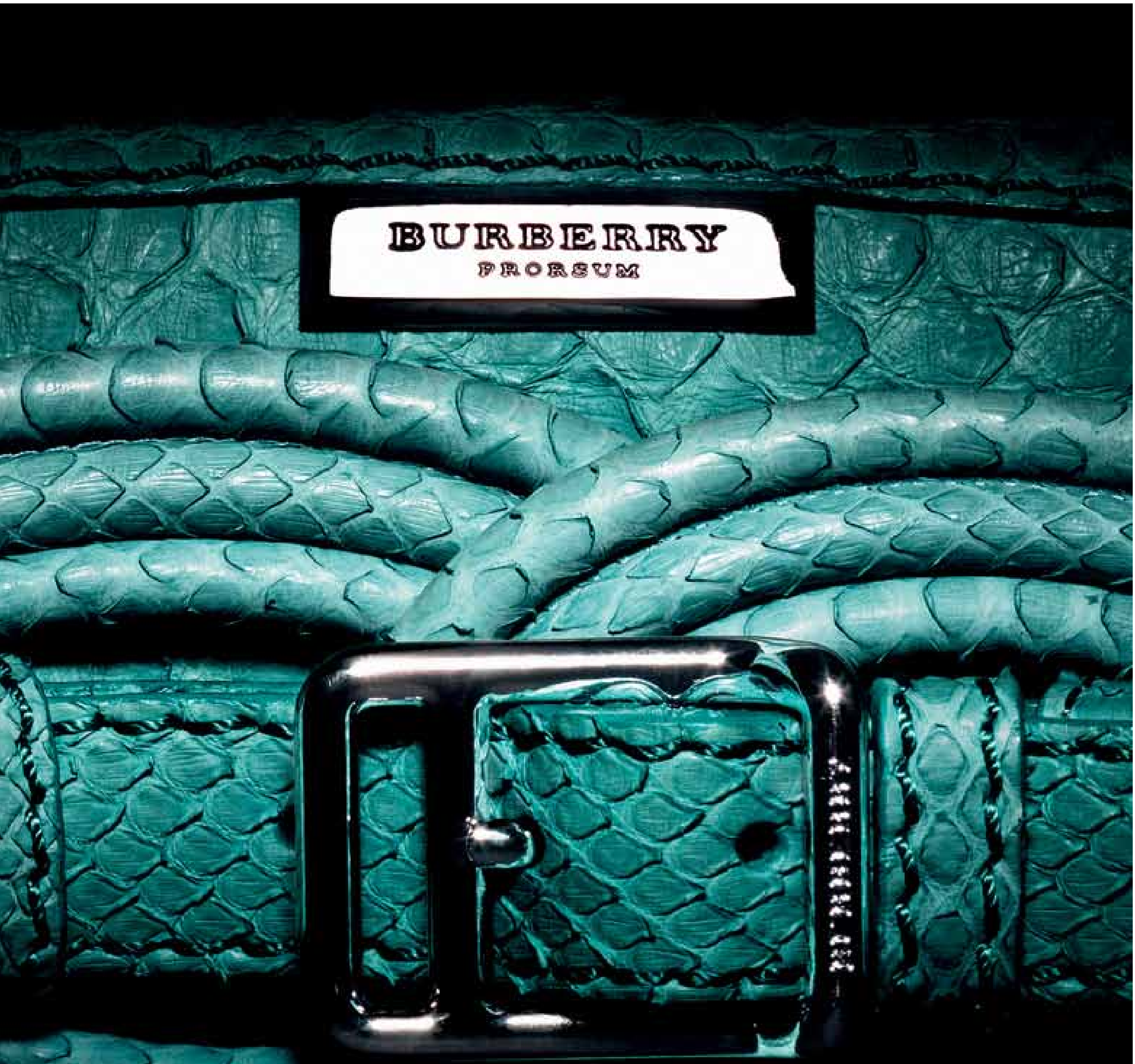
Value Retail works directly with the major fashion brands to create a bespoke, high-quality environment for the sale of their original-line goods. The villages often provide the only outlet venue in the country for these retailers.

By creating successful luxury villages which are marketed in a focused and targeted manner, the team generates footfall of domestic visitors and tourists who come with the intention of spending money.

The management team then works actively with the retailers on site to optimise the mix of tenants and ensure that they are individually promoting their business to the best of their abilities.

The success of this strategy has been evident in the impressive annual sales growth of around 17% over the last five years.

In 2012, we increased our investment in Value Retail, and are now working closely with the team to ensure that we capitalise on our relationships and respective skills.



Value Retail key facts

163m residents within 120-minute drive

289m cars pass Villages each year

958 individual boutiques

VALUE RETAIL

Investing in brands

Hammerson has an investment in the highly successful Value Retail business which owns premier outlet villages in nine of Europe's main cities. Having secured an additional stake, we believe there will be opportunities for further future investment in this business.

Our people

Our people CREATE VALUE for our shareholders

Hammerson's people create value for our shareholders through their skills, knowledge, behaviour and commitment in acquiring, managing, developing, supporting and adding value to our assets.

The way we manage, engage with and develop our people makes the best of their skills and in turn delivers better business results.

Performance and talent management

During 2012 we have developed talent from within Hammerson, as well as injecting new external perspectives from other organisations. In particular, the exit from the London office portfolio was managed professionally in a way to ensure continuity, while also enabling some talented individuals to be deployed where their skills can be applied to other key areas of the Hammerson business.

Building on previous appointments during 2011, we have also successfully recruited talent with a retail property focus including Iain Mitchell as our UK Commercial Director. Graduate employment remains a key area of focus to ensure fresh ideas and to build for the future. To support our focus on effective management of performance, Hammerson has implemented reviews of performance and potential reviews across the business to identify talent and ensure that succession and development are actively managed.

"Hammerson provided a great opportunity to develop my career within our Retail Parks team following the sale of the London offices – as one door closes, another opens"

James Rowbotham
DEVELOPMENT MANAGER

Leadership and organisation

2012 saw the conclusion of the first phase of Hammerson's Leadership Development Programme and the broadening of the Group Executive Committee (GEC) to include greater representation from UK Retail, France and Human Resources. This diversity of perspectives has contributed to clearer decision-making and accountability for the delivery of the retail-focused business strategy.

The Leadership Development Programme was positively received leading to greater personal ownership for driving improvements in the business, and better cooperation across functional and geographical lines.

Throughout 2012 we have also further in-sourced UK Shopping Centre Management in order to gain greater control over customer experience together with restructuring our marketing function to achieve greater economies of scale and integration between our shopping centres.

Partnership

We have seen continued efforts to share best practices and integrate our approaches across the Company. A pan-European Induction event has been launched, resulting in excellent feedback from delegates. This event ensures that all new employees have an holistic view of the Company's vision, structure and operations, as well as building relationships with colleagues in other functions and locations that can help share best practices in the future. Team events are actively encouraged to build morale and team spirit, as well as supporting charities and local communities. Hammerson was the leading property fundraiser for the Movember charity's 2012 campaign.

71%

EMPLOYEES:
71% of employees and contractors have completed CR training

"The induction programme painted a clear picture of how business areas across the UK and France work together with a clear vision"

Aurélie Siha
ASSET MANAGER

ALL EMPLOYEES

Male	46%
Female	54%

GROUP EXECUTIVE COMMITTEE

Male	8
Female	1

BOARD MEMBERS*

Male	8
Female	2

* as at 31 December 2012

Diversity and equality

The appointment of Gwyn Burr to the Board has contributed to increased gender diversity at the Board level. We are committed to equal opportunities and believe that having an inclusive culture and diverse workforce is good for our business. Our equal opportunities policy reflects our commitment to objectively assess, recruit and reward based on merit.

At a glance

- Hammerson currently employs 297 people in the UK and 110 in France.
- As at 31st December 2012, 246 employees owned shares or participated in the Group's share plans.
- Hammerson is formally accredited as an 'Investor in People'.
- Hammerson reports on a number of performance indicators relating to employees as part of the Global Reporting Initiative.
- The remuneration of the Directors is set out on the Directors' Remuneration Report on pages 62 to 77.

Sustainability and Development

Educating our staff about the benefits of sustainability remains a core part of our CR strategy. In 2012, our accredited environmental training course was completed by 71% of employees and contractors at our shopping centres, and in 2013, we will be forging even closer links between sustainability and individual performance through the launch of a new skills-based employee-volunteering scheme.

Leadership training was a key focus for 2012, with our Chief Executive attending a Climate Leadership course at Cambridge University, The GEC in addition to Senior Management completing our 12-month leadership-training programme. We are also proposing to introduce a broader management development programme during 2013 to build upon the success of the leadership programme.

Our objective of presenting new employees with a comprehensive understanding of our business and their role within this context has led to a complete overhaul of our corporate induction programme. The two-day course now includes interactive sessions on our policies regarding sustainability, anti-bribery and corruption, code of conduct, whistleblowing, health and safety and IT.

"The Leadership Development Programme was a great opportunity to build closer relationships across the business and reinforce the idea that we are 'working as one'"

Sarah Booth
GENERAL COUNSEL AND COMPANY SECRETARY

Business review

Our focus is EXCLUSIVELY on retail

Overview of strategy

We announced in February 2012 our intention to focus exclusively on the retail property sector.

Concentrating on a single sector of the real estate market will support our objective of generating attractive property returns, both absolute and relative to other real estate sectors and peers, by enabling us to:

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

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

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

Creating high-quality properties

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

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

Development, refurbishment and extensions

Our experience in managing complex urban regeneration schemes has earned Hammerson a reputation as a leading real estate developer in the UK and France. We have a substantial pipeline of future developments with the potential to provide shareholders with high returns and we have forged strong relationships with the local authorities and major retail groups who have interests in these schemes.

We have the flexibility to commence projects when we are satisfied that the relevant markets are sufficiently robust, when we have the right level of interest from occupiers and on the basis that sound financial analysis demonstrates good returns. We will also continue to follow a prudent funding strategy for developments, recycling established assets and entering into joint ventures where appropriate.

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

Projects for which we are on site will provide 78,300m² of lettable space at a cost to complete of £194 million and generate an estimated £29 million of income per annum. The annual income from near-term projects involving the development, refurbishment or extension of 197,200m² is estimated at £39 million and the cost would be £485 million. The medium-term developments proposed would create 453,250m² of new space, at a total development cost of almost £1.8 billion and we estimate that they would produce in excess of £130 million of annual income when fully let.

The developments for which we are on site, or which we expect to start over the next few years, are summarised in the table on page 21.

Overview of recent progress on developments

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

Note: Further information on these schemes is set out on pages 21 to 23.

Developments

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

Notes
1 Incremental capital cost including capitalised interest.
2 Incremental income net of head rents and after expiry of rent-free periods.
3 Let or in solicitors' hands by income at 25 February 2013.
4 50% ownership interest.
5 Area reflects phase 1 of retail space only.
6 € converted at £1 = €1.233.
7 Data for proposed schemes is indicative.

On-site developments

The programme for Les Terrasses du Port, Marseille, is on schedule to complete in spring 2014 and is on budget. The 61,000m² shopping centre will feature 194 shops and 2,600 car parking spaces. We have agreements in place with Printemps to anchor the scheme with a 8,700m² department store and with the car park operator, Vinci Park. Following the exchange of pre-letting agreements with brands such as Sandro, Michael Kors, Gant, Bose and G-Star, the project is now 83% pre-let or in solicitors' hands, and we are continuing discussions with a number of well-known international retailers to lease the remaining space. The development was valued at £229 million, or £39 million above cost at 31 December 2012.

Construction work on the 5,900m² shopping centre extension at Manor Walks, Cramlington began in April and the scheme will be ready for opening in summer 2013. A pre-let has been signed with Vue Cinema and the first phase of the scheme also includes family restaurants, improvements to the South Mall and increased car parking. Vue will create a new leisure anchor for the shopping centre, occupying a 2,600m², nine-screen cinema.

The £18 million redevelopment of Monument Mall in Newcastle is scheduled for completion at the end of 2013 and leases representing 38% of the anticipated rental income have been signed or are in solicitors' hands. TK Maxx, which currently occupies a 2,300m² store on the lower level, is upsizing to a 3,300m² flagship store over the first and second floors with a glazed triple-height entrance onto Northumberland Street. The scheme will introduce new prime shopping to Blackett Street, significantly strengthening the retail link between prime Northumberland Street, Eldon Square and Grainger Street. Three listed façades are being restored and new double height retail frontages created.

Near-term developments

Our retail pipeline includes several potential extensions, redevelopments and developments which could commence in the near-term and which are shown in the table on page 21. The average yield on cost for these projects is estimated to be more than 7.5% and the following paragraphs provide further information on selected schemes.

In May, Marks & Spencer agreed to anchor the 14,500m² retail extension of Cyfarthfa Retail Park, Merthyr Tydfil. The 4,600m² full-line store will offer clothing, homeware and a food hall. Proposals to extend the retail park were submitted in August and, subject to a successful planning decision, the new Marks & Spencer could be open in autumn 2014. The scheme will also provide 8,900m² of additional retail space, to which B&Q will be relocated and which will accommodate up to seven new brands.

In November, we signed Debenhams to anchor the redevelopment of Elliott's Field Retail Park in Rugby. The 5,570m² full-line store will offer cosmetics, clothing, homeware and a café/restaurant. The £35 million extension will create space for 15 fashion and homeware brands as well as refurbishing the retained units and improving the external environment and parking facilities. Since the year end we have submitted a planning application for the scheme.

In January 2013 we acquired the land for our proposed French retail development at Le Jeu de Paume, Beauvais and pre-letting is well advanced. We have agreed a pre-let with Carrefour Market for a 3,000m² store to anchor the centre, which will consist of 81 retail units and 37 residential apartments in a 23,700m² city centre scheme, 60 km to the north of Paris. Leases signed or in solicitors' hands now represent 34% of the expected income and include H&M as the fashion anchor and Furet du Nord as the culture and leisure anchor. We are in discussions with retailers interested in the remaining larger units and are planning to start construction later this year.

We anticipate submitting a planning application later this year for the cinema extension at Brent Cross. Subject to planning consent, we will start on site in 2014.

The 9,000m² extension is expected to generate £2 million of income per annum at a cost of £20 million.

John Lewis signed revised heads of terms in July to anchor Eastgate Quarters in Leeds with a 24,000m² store. The store will form part of the 37,000m² first phase of Eastgate Quarters, which will introduce two new retail streets drawing on Leeds' thriving arcade heritage and create a direct route between the Victoria and Eastgate Quarters. In addition to the flagship John Lewis store, this £130 million phase will provide up to 30 additional retail units for aspirational brands, six restaurants, new leisure space and a 600 space multi-story car park. The estimated annual income from the scheme is £10 million, and we are working up the design and will submit a detailed planning application by June 2013. Subject to planning approval, we expect work to commence in spring 2014 with an autumn 2016 opening.

The proposed 32,000m² shopping centre at Halle en Ville, Mantes, to the north west of Paris, will include 116 retail units. Leases representing 30% of the expected income have been signed or are in solicitors' hands. The tenant line-up includes the food anchor Leclerc and 24 other retailers. We are in discussions with other potential anchor tenants.

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

Medium-term developments

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

Since the year end, Hammerson and Westfield have formed a 50:50 joint venture which will regenerate the retail centre of Croydon, South London, and restore the town to its rightful place as one of the UK's leading shopping destinations. Hammerson contributed its Centrale shopping centre to the joint venture, at a valuation of £115 million, and ownership is now shared with Westfield. The joint venture will also purchase a 25% interest in the 155-year headlease of the Whitgift Centre, following completion of Hammerson's conditional contract to acquire that interest from Royal London for £65 million. Under the agreement, the partners intend to redevelop and combine the Whitgift Centre and Centrale to deliver a transformational change to Croydon. The mixed-use scheme of around 200,000m² will include retail, leisure and residential space, with the potential for hotels and offices, and will create over 5,000 new jobs. Together with Westfield, we are discussing our plans for Croydon with all relevant stakeholders and will then create a revised masterplan which will combine the best elements of the proposed schemes. A planning application was registered in February 2013 and we anticipate that planning consent for the £1 billion scheme could be secured later this year, with construction starting on site in 2015. A joint management company has been established which has responsibility for development, leasing and asset management of the completed scheme. Westfield will undertake the design and construction of the project and Hammerson will continue to manage Centrale and any further acquisitions prior to the redevelopment of the Whitgift Centre. A Westfield executive will lead the project development team and it is intended that the asset management of the completed centre will be led by a Hammerson executive.

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

ENHANCING QUALITY THROUGH PORTFOLIO MANAGEMENT

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

Disposals

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

Sales completed in September 2012 – total consideration £329 million

- 99 Bishopsgate, London EC2. A 31,500m² freehold office tower of 26 floors. Acquired by Hammerson in 1994 and redeveloped in 1995, part of the building was refurbished in 2012, with 11,000m² of space made available to let. Rents passing at 31 December 2011 were £11 million, and averaged £600/m².
- Principal Place, London EC2. A mixed-use leasehold development scheme which has consent for a 57,500m² office building and a separate 23,000m² residential tower providing 243 private apartments. Legal ownership of Principal Place remains vested in Hammerson until transfer of its interest in accordance with the arrangements with the London Borough of Hackney.
- An interest in 1 Puddledock, London EC4 and a block of properties adjoining Principal Place, on Shoreditch High Street.
- An interest in London Wall Place, London EC2, held as an option from the City of London, with consent for a 46,000m² office development.

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

- 125 Old Broad Street, London EC2. A 50% owned, 30,300m² freehold office building over 26 floors, on the site of the former London Stock Exchange. The site was acquired in 2002 and the redeveloped tower completed in 2008. Hammerson's share of rents passing at 31 December 2012 was £8 million, with an average of £515/m². There is a non-recourse credit facility of £129 million (£65 million Hammerson share) secured on the property.
- 1 Leadenhall Court, London EC3. A 10,000m² leasehold office at the corner of Gracechurch Street and Leadenhall Street. The building was acquired by Hammerson in 2010. Rents passing at 31 December 2012 were £7 million, averaging £760/m². The building is let to Alliance Assurance Company until March 2014.

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

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

The life cycle of 54-60 rue du Faubourg Saint-Honoré, Paris 8ème, is a good example of how we use our development and asset management expertise to crystallise substantial profits. We acquired the 8,000m² mixed-use buildings in Paris' luxury retail quarter in 2005 and completed a redevelopment of the retail element in 2011. Following the refurbishment, the scheme comprises 3,900m² of retail space that is occupied by designer brands including Burberry, Moschino, Jenny Packham and Bally. The property also includes 3,900m² of residential accommodation and 200m² of office space and the net passing rent was €7 million taking account of stepped rents. In May, the sale of the property was completed for €165 million, slightly above its December 2011 book value and significantly above the cumulative cost of €94 million.

Acquisitions

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

Theme	
Experience	• UK shopping centres • France retail
Convenience	• UK retail parks
Luxury	• Premium designer outlets – Value Retail
Other	• Other UK – including assets held for redevelopment and the element of Hammerson's head office building which is let to third parties • Held for sale – comprising office assets sold or contracted for sale as part of our refreshed strategy (see note 9 to the accounts on page 100)

The proceeds from disposals have been used to increase scale in our chosen retail themes.

Experience

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

Convenience

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

The 107,200m² Junction Fund portfolio comprises four prominent retail parks in strong catchment areas which are let to a diverse mix of high-quality tenants. The income stream is secure with an average lease length of 11 years and 98% occupancy. There are asset management opportunities to grow income as current rents are low at an average of c. £18 per square foot and a high proportion (68%) of the space benefits from open A1 planning consent. The current passing rent of the portfolio is £19.1 million per annum, but this is due to rise to £20.0 million over five years through contracted rental uplifts. The portfolio also provides 34,000m² of consented development opportunities and 17 ha of additional development land, which offers the prospect of further returns.

Principal assets acquired with The Junction Fund

– Thurrock Shopping Park, Lakeside is situated next to Junction 31 of the M25 and Lakeside shopping centre. A catchment of 877,000 people live within a 20 minute drive of the property and, together with the adjoining Lakeside shopping centre and Lakeside Retail Park, it forms one of the largest dedicated shopping areas in Europe. Comprising Lakeside Extra and Lakeside Tunnel, current passing rent is £5.8 million, with average rents of £18 per square foot. The 17,200m² Lakeside Extra has Boots, TK Maxx, Gap and ASDA Living in the tenant line-up. Lakeside Tunnel includes Decathlon, Halfords and Pets at Home in 8,600m² of accommodation. Both locations have unrestricted open A1 non-food consent and there is an additional 10 ha development site which is allocated for retail and residential use.

– Forge Shopping Park, Telford, to the west of the town centre, has a catchment population of 260,000 within a 20 minute drive. The Forge is Telford's primary shopping park and comprises 29,100m² of open A1 retail space, anchored by a 5,900m² Sainsbury's, which is one of the principal foodstores in Telford. With 20 tenants including Next, Outfit, Boots, Gap, Currys/PC World and TK Maxx, the park has current passing rents of £5.1 million per annum, an average of £20 per square foot.

- Imperial Retail Park, Bristol, is located two miles south of Bristol city centre. More than 468,000 people live within a 20 minute drive of the park. The 32,300m² scheme is anchored by a 9,800m² B&Q, and also includes Next, Boots and HomeSense stores. Current passing rents are £5.2 million per annum, an average of £16 per square foot. There is also a 5 ha cleared development site for which a mixed-use planning resolution is in place.
- Abbotsinch Retail Park, Paisley, is adjacent to Junction 27 of the M8 motorway with a catchment of 665,000 people within a 20 minute drive. The 15,900m² park is anchored by a 9,500m² B&Q alongside DFS, Pets at Home, Harveys and Frankie & Benny's. Average rents of £18 per square foot generate passing rent of £3.1 million per annum. A development site was also acquired, which has planning consent for an additional retail terrace and a standalone food store.
- A 6 ha development site which is adjacent to Oldbury town centre, approximately one mile from Junction 2 of the M5 motorway. Together with adjacent properties, the site has planning consent which includes a retail park with up to 27,000m² of accommodation.

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

- we completed the redevelopment of the former UCI unit, which will accommodate the first retail park Nike store in the UK
- we have agreed the conditional sale of 3 ha of the excess land at Thurrock for £19 million, some £10 million above its book value
- planning permission has been secured for the 4,900m² redevelopment of Abbotsinch, Paisley, for which leases in respect of 60% of the income are in solicitors' hands

PREMIUM DESIGNER OUTLETS – VALUE RETAIL ('VR')

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

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

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

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

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

Further information on how our investment in VR has impacted Hammerson's financial performance is provided in the Financial review on page 42.

MAXIMISING PORTFOLIO INCOME

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

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

Market environment

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

Clicks, bricks and the shopping experience

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

Experience

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

Partnership with retailers to enhance customer services

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

Partnership with retailers to capture multi-channel sales

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

Driving footfall and sales through digital engagement

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

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

Operational performance

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

Operational performance – continuing operations	2012	2011
Occupancy (%)	**97.7**	97.9
Net rental income growth – like-for-like (%)	**2.1**	3.8
Leasing activity – new rent from units leased (£m)	**18.7**	21.5
Area of new lettings ('000m²)	**123.3**	97.6
Leasing v ERV (% above 31 December 2011/2010 ERV)	**4**	1
Retail sales like-for-like change (%)		
UK shopping centres	**0.4**	2.1
France shopping centres	**(3.0)**	(1.1)
Footfall like-for-like change (%)		
UK shopping centres	**(2.3)**	0.4
France shopping centres	**(3.4)**	(2.8)
Non-rental income (£m)		
UK	**18.6**	15.6
France	**1.6**	1.4

Occupancy

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

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

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

Like-for-like net rental income

On a like-for-like basis and excluding properties held for sale, net rental income for the continuing portfolio increased by 2.1% during 2012. At our shopping centres, the figure was 2.8% comprising 3.6% in the UK, driven principally by lettings at The Oracle, Bullring and Union Square and increased car park income at the latter, and 1.4% in France, primarily reflecting indexation. Income at UK retail parks grew by 0.5% despite the impact of tenant administrations. The tables overleaf analyse net rental income for 2011 and 2012.

LIKE-FOR-LIKE NET RENTAL INCOME FOR THE YEAR ENDED 31 DECEMBER 2012

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

LIKE-FOR-LIKE NET RENTAL INCOME FOR THE YEAR ENDED 31 DECEMBER 2011

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

Leasing activity

In 2012 we signed 376 leases, representing 123,300m² of space with rental income of £18.7 million per annum. Rents secured were around 4% in excess of December 2011 ERVs in both the UK and France. Rent reviews were agreed for 103 leases with rents passing of £15.2 million and these will result in a further £0.9 million of annual rental income.

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

Retailer sales and footfall

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

Non-rental income

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

Sustainability

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

We reduced the carbon emissions produced by our UK shopping centre portfolio by 8% in 2012 and by 20% for our assets in France. These results are in line with our goal of a 20% reduction in emissions across the portfolio between 2010 and 2015. We expect further reductions in 2013 as we continue to roll out energy efficient lighting to the portfolio following successful implementation at Highcross, The Oracle, Silverburn and Union Square in the UK, and at Bercy 2, Espace Saint Quentin and Grand Maine in France. Our next carbon-reducing project in 2013 will focus on converting mechanically ventilated shopping centres to more natural methods, beginning with mixed-mode (a combination of natural and mechanical) ventilation at Bullring and Brent Cross.

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

In 2012, we committed to reducing water consumption and began implementing a standard specification for shopping centre washrooms as part of our refurbishment programme. We will continue to roll this out across our assets in the UK and France during 2013. Further data on sustainability performance is provided in the Connected Reporting Framework on pages 129 to 131.

MAINTAINING CAPITAL STRENGTH

Portfolio overview

In this overview, 'the portfolio' refers to the continuing portfolio and excludes the office properties sold or held for sale. At 31 December 2012, the retail portfolio provided 1.7 million m² of space, included 20 prime shopping centres in the UK and France and 22 conveniently located retail parks and was valued at a total of £5.5 billion.

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

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

* Includes developments

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

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

CONTINUING INVESTMENT PORTFOLIO AT 31 DECEMBER 2012

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

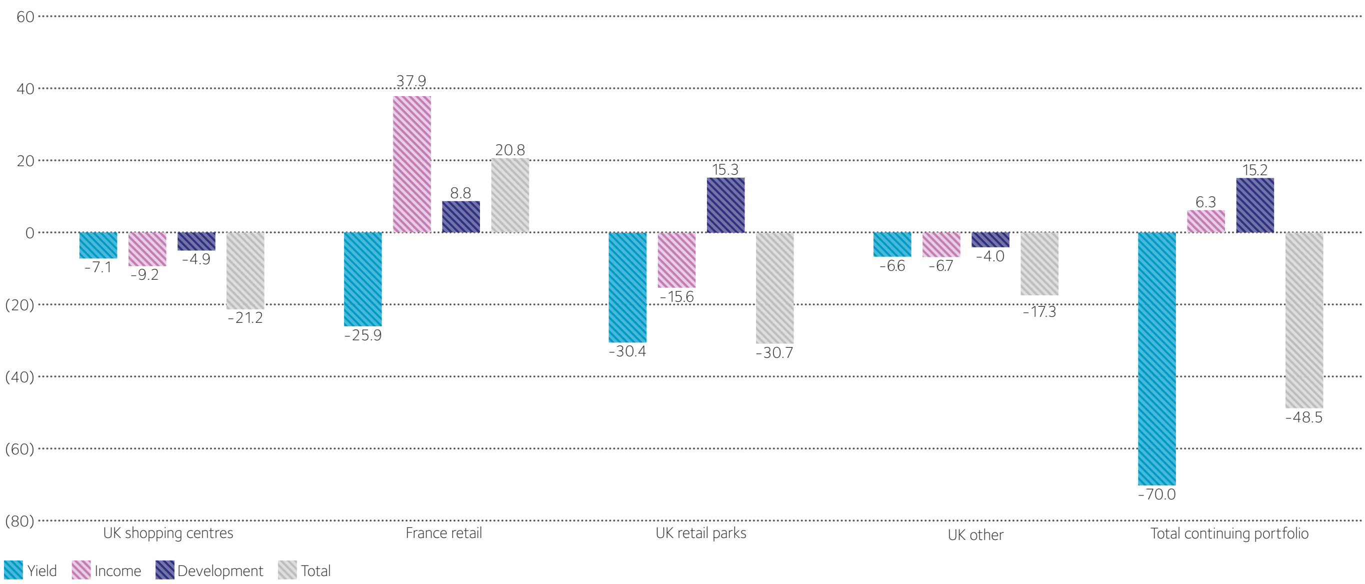
Notes
1 Purchasers' costs equate to 5.5% of the net portfolio value.
2 The yield of 5.5% based on passing rents and the gross portfolio value is equivalent to EPRA 'topped-up' Net Initial Yield.

Capital returns

For the calendar year 2012, the total return of the property portfolio as a whole was 5.0%, comprising a capital return of 0.1% and an income return of 5.0%. For the continuing portfolio, the figures were 4.5%, -0.5% and 5.0% respectively. Total and capital returns are analysed by segment in the valuation data table on page 48 and the chart below analyses the components of the changes in valuation for the continuing portfolio for 2012. The capital return of 5.3% for the discontinued portfolio reflected the sales agreed in the year.

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

COMPONENTS OF VALUATION CHANGE 2012 – CONTINUING PORTFOLIO (£M)



Key performance indicators

Overview

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

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

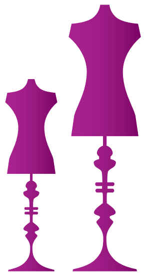
The Company's Annual Incentive Plan ('AIP') and Long Term Incentive Plan ('LTIP') for Executive Directors contain performance measures, set out on pages 70 to 73, that align closely with our KPIs. Total property return relative to IPD is a specific measure in both the AIP and the LTIP and occupancy levels, income growth, growth in net rental income and high occupancy drive higher earnings per share, total shareholder return and net asset value which form performance measures in either the AIP or the LTIP.

STRATEGIC PRIORITY	KPI AND BENCHMARK
Creating high-quality property We invest in high-quality real estate which is attractive to tenants and consumers and provides a platform from which to grow income and value, generating returns in excess of other asset classes.	**Portfolio total return relative to IPD** We compare the total return achieved from the portfolio against the relevant IPD index. **Benchmark:** **IPD**
Maximising income We aim to maximise the occupancy of our properties as income lost through vacancy has a direct impact on profitability. However, we believe that a low level of structural vacancy is appropriate in our retail portfolio as it allows us to flex tenant mix and location within a property, which should in turn increase rental income and provide capital growth.	**Occupancy[2]** The ERV of the space in the portfolio which is currently let, as a percentage of the total portfolio. **Benchmark:** **97%**
Maximising income Net rental income (NRI) from the property portfolio is the primary source of the Group's operating cashflow and the main contributor to earnings. We aim to grow NRI organically through leasing vacant space, capturing rent reviews, tenant engineering and other 'value adding' initiatives.	**Growth in like-for-like NRI[2]** The percentage change in net rental income for completed investment properties owned throughout both current and prior periods, after taking account of exchange rate movements. **Benchmark:** **>2%**
Capital strength Adjusted earnings per share (EPS) is the Group's principal profit measure and is an indicator of the level of recurring profit available for distribution to shareholders in the form of dividends. Steady growth in adjusted EPS reflects the sound capital structure of the Group and will support a progressive dividend policy and increased shareholder returns.	**Growth in adjusted EPS[2]** The increase in adjusted EPS expressed as a percentage of the prior year figure. **Benchmark:** **RPI**

1 In the chart, the total property returns are for the total portfolio. IPD returns are weighted indices for the UK and France for 2011 and prior. As the 2012 IPD index for France was not available at the time of publication, the 2012 IPD return used is the UK quarterly index.

2 Full definitions are provided in the glossary on page 138.

+2.1%
MAXIMISING INCOME:
Growth in like-for-like NRI



+8.3%
CAPITAL STRENGTH:
Growth in Adjusted EPS

PERFORMANCE

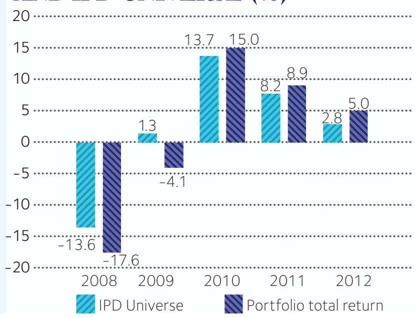
5.0% (IPD Universe 2.8%) (2011: 8.9% (IPD Universe 8.2%))

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

Focus on 2013
We believe that, particularly in the current economic environment, prime shopping centres and well located retail parks of the type which Hammerson owns and operates will outperform other classes of real estate and should result in superior total returns.

Further commentary
Financial and property returns, page 34.

PORTFOLIO TOTAL RETURNS AND IPD UNIVERSE (%)[1]



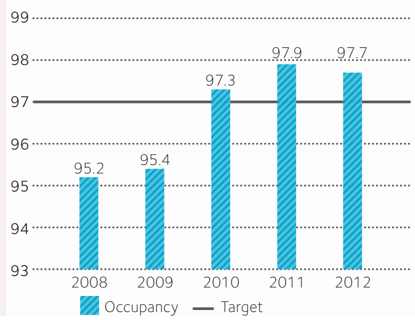
97.7% (2011: 97.9%)

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

Focus on 2013
Retailers continue to face a challenging operating environment which is likely to result in further administrations and which may increase vacancy. However our prime portfolio has proved resilient throughout the downturn and recovery and we expect it to remain attractive to potential occupiers.

Further commentary
Business review, page 27.

OCCUPANCY (%)



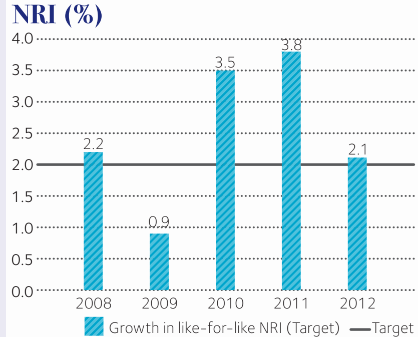
2.1% (2011: 3.8%)

For the continuing portfolio, growth in net rental income was 2.1% for the year ended 31 December 2012 compared with 3.8% in 2011 and our target level of more than 2%. Income from shopping centres grew by 2.8%, with 3.6% growth in the UK and 1.4% in France. UK retail park income increased by 0.5% on a like-for-like basis. The 2011 figures were 4.6% and 0.6% for the UK and French shopping centre portfolios respectively, whilst retail park income grew by 4.5%.

Focus on 2013
Sustaining strong like-for-like NRI growth in the present environment is challenging. However we have opportunities in both the UK and France to increase rental income through expiries, breaks and reviews.

Further commentary
Business review, page 27.

GROWTH IN LIKE-FOR-LIKE NRI (%)



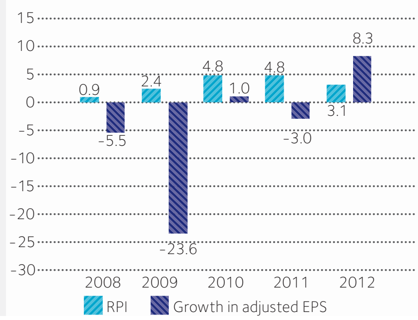
8.3% (2011: -3.0%)

In 2012, adjusted EPS increased by 1.6 pence, or 8.3%, to 20.9 pence principally reflecting lower interest costs following refinancing transactions and asset disposals, additional income from our investment in Value Retail and lower administration costs. We benchmark this KPI against the Retail Prices Index (RPI) and our target is to grow adjusted EPS by a rate which exceeds RPI plus 3%. In 2012 this hurdle was 6.1%, so the Group beat the target.

Focus on 2013
Our programme of extensions, refurbishments and developments, together with like-for-like NRI growth should deliver a further uplift in adjusted EPS in 2013.

Further commentary
Financial review, page 40.

GROWTH IN ADJUSTED EPS (%)



Financial and property returns

Overview

Our objective is to achieve a return on equity which is greater than our cost of equity. To achieve this, we set hurdle rates for investment, based on a minimum five-year internal rate of return and adjusted according to the risk associated with each project. When appropriate, the returns that would be generated by buying in the Company's own shares are evaluated against the potential returns from property investment and development.

The table opposite sets out the financial returns achieved in 2012 and compares them with benchmark indices.

The IPD benchmarks shown for the UK portfolio are based on the quarterly index. There is no benchmark for total portfolio returns which is comparable with Hammerson's geographical portfolio allocation. IPD data relating to the returns of the French property sector in 2012 will be available only after this Annual Report has been published.

An analysis of capital and total returns by business segment is provided in the Property portfolio information on page 48.

The IPD Universe includes retail, office and industrial returns for all grades of property in the UK, although Hammerson does not invest in the industrial sector and, latterly, has little invested in offices. The outperformance of the IPD Universe capital return index arose principally because of the prime nature of Hammerson's shopping centre portfolio. Prime shopping centres provide low initial yields reflecting their high quality. Consequently, the income returns for our portfolio are lower than the index.

Hammerson's return on shareholders' equity for the year ended 31 December 2012 was 5.3%. The income element of the return on shareholders' equity will tend to be relatively low given the quality of the property portfolio, as described above. In 2012 the capital element of the return on equity reflected the slight fall in the value of our strategic land holdings and retail parks during the year.

Hammerson's total shareholder return for 2012 outperformed the FTSE EPRA/NAREIT UK index by 11.1 percentage points. Over the last five years, Hammerson's average annual total shareholder return has been -2.9% compared with -4.9% for the EPRA/NAREIT UK index.

EPRA financial reporting best practice recommendations

EPRA (European Public Real Estate Association) has established best practice recommendations for the calculation and presentation of certain performance measures for the listed property sector in Europe. Definitions and references to where the measures can be found in this annual report are shown in the table opposite.

EPRA best practice recommendations ('BPR') on sustainability reporting

Absolute measures for energy and water usage, greenhouse gas emissions and waste, together with intensity measures for energy and water usage and greenhouse gas emissions, as defined by EPRA, are set out in the full Global Reporting Initiative ('GRI') and EPRA BPR compliance pack which can be found online at www.hammerson.com

Returns data for 2012

RETURN*	%	BENCHMARK	%
UK portfolio capital return	-0.8	UK IPD Universe – capital	-2.8
UK portfolio income return	5.2	UK IPD Universe – income	5.8
UK portfolio total return	4.3	UK IPD Universe – total	2.8
Total portfolio capital return	0.1	n/a	
Total portfolio income return	5.0	n/a	
Total portfolio total return	5.0	n/a	
Return on shareholders' equity	5.3	Estimated cost of equity	7.9
Total shareholder return over one year	41.0	FTSE EPRA/NAREIT UK index over one year	29.9
Total shareholder return over three years p.a.	8.9	FTSE EPRA/NAREIT UK index over three years p.a.	7.9
Total shareholder return over five years p.a.	-2.9	FTSE EPRA/NAREIT UK index over five years p.a.	-4.9

* Portfolio returns include developments, continuing and discontinued operations.

EPRA performance measures

PERFORMANCE MEASURE	DEFINITION	PAGE	PURPOSE
EPRA Earnings	Recurring earnings from core operational activities	102	A key measure of a company's underlying operating results from its property rental business and an indication of the extent to which current dividend payments are supported by earnings
EPRA NAV	Net Asset Value (NAV) adjusted to include properties and other investment interests at fair value and to exclude certain items not expected to crystallise in a long-term investment property business model	102	Adjusts IFRS NAV to provide stakeholders with relevant information on the fair value of the assets and liabilities of a real estate investment company with a long-term investment strategy
EPRA NNNAV (triple net)	EPRA NAV adjusted to include the fair values of financial instruments, debt and deferred taxes	102	Adjusts EPRA NAV to provide stakeholders with relevant information on the current fair value of the assets and liabilities of a real estate company
EPRA Net Initial Yield (NIY)	Annualised rental income based on cash rents passing at the balance sheet date, less non-recoverable property operating expenses, divided by the market value of the property, including estimated purchasers' costs	30	Comparable measure for portfolio valuations
EPRA 'topped-up' NIY	EPRA NIY adjusted for the expiry of rent-free periods	30	Comparable measure for portfolio valuations
Vacancy	Estimated market rental value (ERV) of vacant space (occupancy is the inverse of vacancy) divided by the ERV of the whole portfolio	27	A measure of investment property space that is vacant, based on ERV

Risk management

Responding to CHANGING market environments

Charenton-le-Pont's Bercy 2 is one of the most important shopping destinations in the eastern suburbs of Paris

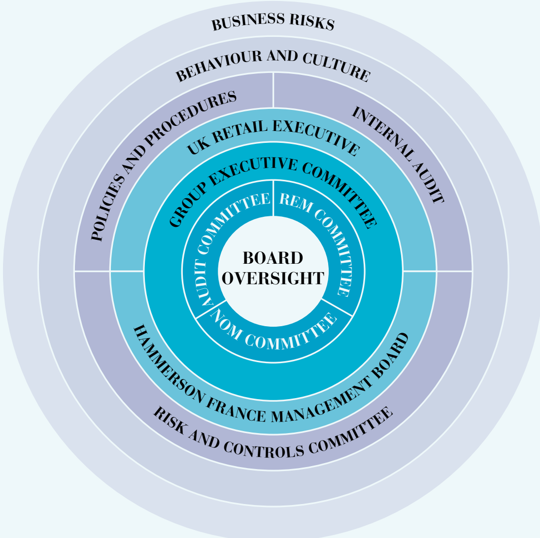
Risk management and principal uncertainties

The management of risk is an integral component of our operating, financial and governance activities. The policies for risk management are designed to reduce the chances of financial loss, protect our reputation and optimise performance when opportunities arise. We identify, control and communicate risk management throughout the organisation using a risk management framework which is regularly reviewed by our Senior Management team.

The five principal areas of risk in that framework, together with the related principal uncertainties currently facing the Group, are shown in the table opposite. Economics continues to be the dominant feature of the risk landscape. Also noted in the table are more specific risks featured in the framework and the steps we take to mitigate them. Finally, we have included references to the pages in this Annual Report where the risks, or the elements of the business affected by them, are discussed further.

Our risk management process

Responsibility for risk management rests ultimately with the Board. However, the foundations are built on the mindset of our people, their integrity and the culture we foster at Hammerson. Short reporting lines and a flat management structure mean that the senior team is included in all key decision making and involved in risk identification and mitigation.



RISK AREA (AND EXECUTIVE RESPONSIBILITY)	PRINCIPAL UNCERTAINTIES	RISK/IMPACT	MITIGATION	FURTHER COMMENTARY	CHANGE FROM 2011
Business strategy (GEC)	**Property and financial markets** Although financial markets are relatively stable at present, uncertainty in the eurozone and the austerity measures being implemented by western governments continue to make lenders cautious, and are likely to constrain economic growth. The risk of a full or partial break-up of the euro-community seems to have receded, but remains a risk and if realised would be likely to lead to a prolonged global recession. We are exposed to the specifics of the French economy through our shopping centre investments in France. We have stress-tested our business model against a severe downside economic scenario. We confirmed that the Group is robust, reflecting low gearing, long-term secure income streams from our leases, the currency hedging of the value of our French portfolio, a good spread of debt maturities and the flexibility to phase or halt our development programme.	• Implementation of a strategy inconsistent with the market environment, risking poor investment decisions and inadequate returns. • Shopping centre, retail parks or premium designer outlet markets in UK or France underperform relative to other sectors or markets, eroding shareholder value.	• We commission and evaluate research into the economy and investment and occupational markets and use this to prepare an annual Business Plan and regular financial forecasts. • Hammerson's portfolio is diversified geographically and by sub-sector and its allocation, including exposure to the eurozone, is reviewed regularly. • We focus on prime shopping centres in the best locations, convenient retail parks and premium designer outlets, all with experienced management. • We monitor closely developments in multi-channel retailing and introduce innovative new concepts to our portfolio when appropriate.	Chairman's statement (page 4) Chief Executive's report (page 6) Market background (page 8) Business review (pages 20 to 31) Financial review (pages 40 to 49)	
Property and corporate investment (GEC)	**Property valuations** Conditions prevailing in the general economic environment and the property investment market affect the value of Hammerson's property portfolio. Accordingly, the Group's net asset value may rise or fall due to external factors beyond management's control. Global financial markets have stabilised since the peak of the financial crisis, and investors have become more active in the real estate investment market, resulting in a rise in values for prime property over the last few years. However, instability in the eurozone could generate significant volatility in financial markets in the short to medium terms. The Group's property portfolio is of high quality, geographically diversified and let to a large number of tenants. These factors should help mitigate negative impacts which may arise from changes in the financial and property markets.	• Investment decisions result in inadequate returns or the adoption of unforeseen liabilities. • Opportunities to divest of properties are missed, or limited by market constraints, reducing potential returns.	• Acquisitions are thoroughly evaluated, supported by detailed review, financial appraisals, due diligence and detailed risk assessment prior to Board approval. • The performance of individual properties is benchmarked against target returns. • Properties are held in a 'ready for sale' state.	Market background (page 8) Business review (pages 20 to 31)	
	Tenant default Some tenants continue to face challenging operating conditions, increasing the risk that they may be unable to pay their rents or may enter into administration. The Group's geographical diversity and its large number of tenants mean the impact of individual tenant default for Hammerson is low. Furthermore, our occupational leases are generally long-term contracts, making the income relatively secure.	• Financial loss arises through tenant default.	• We regularly monitor the credit status of tenants and adopt a flexible approach to tenant requests for changes to payment terms. • Arrears are reported monthly and we report six monthly on Group-wide tenant exposures.	Security and quality of income (page 46) Tenant covenant strength and collection rates (page 47)	

RISK AREA (AND EXECUTIVE RESPONSIBILITY)	PRINCIPAL UNCERTAINTIES	RISK/IMPACT	MITIGATION	FURTHER COMMENTARY	CHANGE FROM 2011
Property development (GEC)	Development and letting In the current economic environment development is inherently more risky. We have a substantial pipeline but will progress developments only when the relevant markets are sufficiently robust, when we have the right level of interest from occupiers and on the basis that sound financial analysis demonstrates good returns. Potential occupiers remain cautious about committing to lease space. We currently have only one major development underway, Les Terrasses du Port in Marseille, for which 83% of the income has been contracted or is in solicitors' hands. We will progress significant developments only when substantial pre-lets are secured.	• Over-exposure to developments within a short timeframe increases exposure to market risk and puts pressure on financing and cashflow. • Poor control of the development programme and failure to address investment and occupational market risks results in inadequate returns. • Poor management and inadequate resourcing leads to failed projects.	• The Group's exposure to developments and the phasing of projects is considered as part of our annual Business Plan and reviewed throughout the year. • We monitor and report on development projects monthly. • Detailed analysis, including market research, is undertaken prior to the approval of each development project. • Teams are assembled for each development under a project 'owner'. • A programme of post completion reviews ensures potential improvements to processes are identified.	Creating high-quality properties (page 20)	
Treasury, tax and regulatory (CFO)	Property valuations The property portfolio is the most significant component of the value of the Hammerson Group. A worsening of the economic situation may put downward pressure on property values, which would increase gearing and could ultimately result in the breach of borrowing covenants. The high quality and diversification of our portfolio should help to protect values from the negative impacts which may arise from changes in the financial and property markets. Gearing stood at 53% at 31 December 2012, significantly lower than the Group's most stringent borrowing covenant that gearing should not exceed 150%. We estimate that values could fall by 44% from their December 2012 levels before covenants would be endangered.	• Breach of borrowing covenants, triggering default and/or repayment of facilities or bonds.	• We set guidelines for financial ratios which are monitored regularly by the Board. • Our annual Business Plan includes stress tests considering the impact of a significant deterioration in the markets in which we operate.	Financial review (page 44) Notes 21 and 22 to the accounts (pages 111 to 119)	
	Liquidity risk Companies with short-term financing requirements may continue to find it difficult to secure sufficient funding, in particular from banks, at costs comparable with their existing facilities. Our recent funding strategy has therefore addressed near-term maturities early. We will also consider accessing the sterling, euro and private placement bond markets if appropriate. Following the issue in September of a €500 million unsecured bond due 2019 and the signing of a £175 million syndicated five-year revolving credit facility in December 2012 to refinance that maturing in April 2013, the nearest debt maturity is £389 million in 2015.	• Poor planning and/or external factors, including failures in the banking system, lead to a liquidity squeeze preventing the refinancing of maturing debt or leading to insufficient liquidity to progress the development programme.	• The Board approves future investment requirements and sufficient facilities are put in place with an appropriate maturity profile. • We monitor the maturity profile of debt and take an opportunistic approach to refinancing. • Credit ratings are set for lending counterparties and monitored. We use diverse sources of funding.		

RISK AREA (AND EXECUTIVE RESPONSIBILITY)	PRINCIPAL UNCERTAINTIES	RISK/IMPACT	MITIGATION	FURTHER COMMENTARY	CHANGE FROM 2011
Treasury, tax and regulatory (CFO) *(continued)*	Interest rate and exchange risk Although the medium-term outlook for interest rates is that they will remain low, the interest charged on borrowings is a significant cost for the Group. To manage the risk of changes in interest rates, we set guidelines for our exposure to fixed and floating interest rates, using interest rate and currency swaps as appropriate. At 31 December 2012, 80% of the Group's gross debt was at fixed rates of interest. The Group is exposed to movements in the sterling/euro exchange rate through its investment in France. Exchange risk is managed principally by matching foreign currency assets with foreign currency borrowings or derivatives. At the end of 2012, 80% of the value of the Group's French portfolio was hedged in this way.	• Adverse currency or interest rate movements result in financial losses.	• Fixed rate borrowings are used where appropriate and foreign currency denominated assets are financed by borrowings in the same currency.		
	Tax and regulatory Governments are seeking to reduce fiscal deficits and regulators are examining mechanisms which would make financial markets more resilient. Increased taxation may be a risk for the broader business sector, but an asset-based industry such as real estate which currently benefits from tax-efficient regimes throughout Europe could become a specific target. The real estate sector is sometimes perceived by regulators to be part of the financial services sector rather than as an operating business and the industry could be adversely affected by misdirected regulation designed to stabilise financial markets.	• Loss of tax exempt status due to change in legislation. • EU/UK regulation acts as a brake on growth and administrative burden for the real estate sector.	• Speculation and comment relating to changes in tax regimes in the UK and Europe is monitored. • Developments in regulation are monitored and governments and regulators lobbied through representation by UK and European real estate trade bodies.		
Business organisation and human resources (GEC)	For Hammerson, there are currently no significant uncertainties related to this risk.	• Inappropriate management structure or resourcing levels for achieving business objectives. • Failure to recruit and retain key executives and staff with appropriate skills and calibre.	• A Human Resources plan features as part of the annual Business Plan. • The Nomination Committee approves succession plans for senior roles. • Significant changes to the management structure are approved by the Board. • We periodically review the remuneration structure, including an annual review by the Remuneration Committee and benchmarking against industry, or other relevant comparatives.	Our people (page 18) Governance (pages 50 to 61) Remuneration Report (pages 62 to 77)	

Financial review

Discontinued operations

IFRS requires that we disclose separately in the consolidated income statement the income and expenditure directly attributable to discontinued operations. The related assets and liabilities are described as 'held for sale' in the consolidated balance sheet, and comparative figures have been reclassified where appropriate. The components of the net profit related to discontinued operations are analysed in note 9B on page 100. With the exception of Hammerson's share of the secured loan on 125 Old Broad Street, assets held for sale are funded from the Group's unsecured debt, and so no finance costs have been attributed to these assets within the profit related to discontinued operations.

Profit before tax

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

Analysis of profit before tax	Notes	Year ended 31 December 2012 £m	Year ended 31 December 2011 £m
Adjusted profit before tax	2	**152.5**	141.6
Adjustments:			
Gain on the sale of investment properties	2, 9B	**42.6**	23.5
Net revaluation (losses)/gains on property portfolio	2, 9B	**(49.9)**	186.3
Net revaluation gains in associate – Value Retail	2	**43.2**	–
Premium and costs on redemption of bond and floating rate reset bonds	7	**(55.5)**	–
Change in fair value of derivatives	7, 9B	**9.3**	(5.1)
Profit before tax – continuing and discontinued operations	2	**142.2**	346.3

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

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

For the year ended 31 December 2012, EPRA earnings per share were 20.9 pence, up by 1.6 pence, or 8.3%, on the year. Detailed calculations for earnings per share are set out in note 11A to the accounts on page 102.

Net rental income

Total net rental income for 2012, including discontinued operations, was £282.9 million but for continuing operations only was £258.8 million compared with £263.8 million for the year ended 31 December 2011. The contributions from rental growth of 2.1% in the like-for-like portfolio and acquisitions were more than offset by income lost from disposals and the impact of exchange. Like-for-like net rental income is analysed in the tables on page 28.

Administration expenses

Administration costs are analysed in the table below.

Administration expenses	Notes	Year ended 31 December 2012 £m	Year ended 31 December 2011 £m
Continuing operations	2		
Cost of property activities		**31.4**	33.3
Corporate expenses		**17.4**	17.9
		48.8	51.2
Management fees receivable		**(5.9)**	(5.2)
		42.9	46.0
Discontinued operations	9B		
Cost of property activities		**1.1**	1.5
Management fees receivable		**(0.7)**	(0.6)
		0.4	0.9
Total administration expenses		**43.3**	46.9

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

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

Cost ratio

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

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

Notes
Staff costs amounting to £0.8 million (2011: £nil) have been capitalised as development costs and are excluded from the table above.
Our business model for developments is to use a combination of in-house staff and external advisers. The cost of external advisers is capitalised to the cost of developments. The cost of staff working on developments is generally expensed, but may be capitalised subject to meeting certain criteria related to the degree of time spent on and the stage of progress of specific projects.

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

With effect from August 2012, following the acquisition of additional interests in and the ability to exercise influence over the management of VR, we have equity accounted for our investment. Further details of the operating performance of VR are set out in the Business Review on page 25.

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

Value Retail	Notes	Year ended 31 December 2012 £m	Year ended 31 December 2011 £m
Income statement			
Distributions received	Within net rental income	4.9	6.1
Share of results of associate	14A	47.5	–
Interest receivable	Within net finance costs	3.4	2.1
Less: EPRA adjustments	14A	(43.2)	–
Total impact of VR on income statement – EPRA basis		12.6	8.2
Balance sheet			
Other investments	16	–	214.0
Investment in associate	14B	428.4	–
Add: EPRA adjustments	14B	16.2	–
EPRA adjusted investment in associate		444.6	214.0
Loan to VR	17	47.0	23.4
Total impact of VR on balance sheet – EPRA basis		491.6	237.4

Finance costs

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

For continuing operations in the year ended 31 December 2012, underlying finance costs, comprising gross interest costs less finance income as set out in note 7 to the accounts, were 10.8% lower at £96.3 million compared with £107.9 million in 2011. The interest-saving initiatives detailed below accounted for £9.0 million of the reduction:

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

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

Interest capitalised in 2012 amounted to £8.8 million and principally related to the development of Les Terrasses du Port. The finance costs for discontinued activities as shown in note 9B are in respect of the Group's share of the secured debt and related derivatives of the 125 Old Broad Street joint venture. No finance charges have been allocated to discontinued operations as the other office properties held for sale have been financed from the Group's pooled unsecured borrowings.

Tax

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

Dividend

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

Balance sheet

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

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

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

Financing

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

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

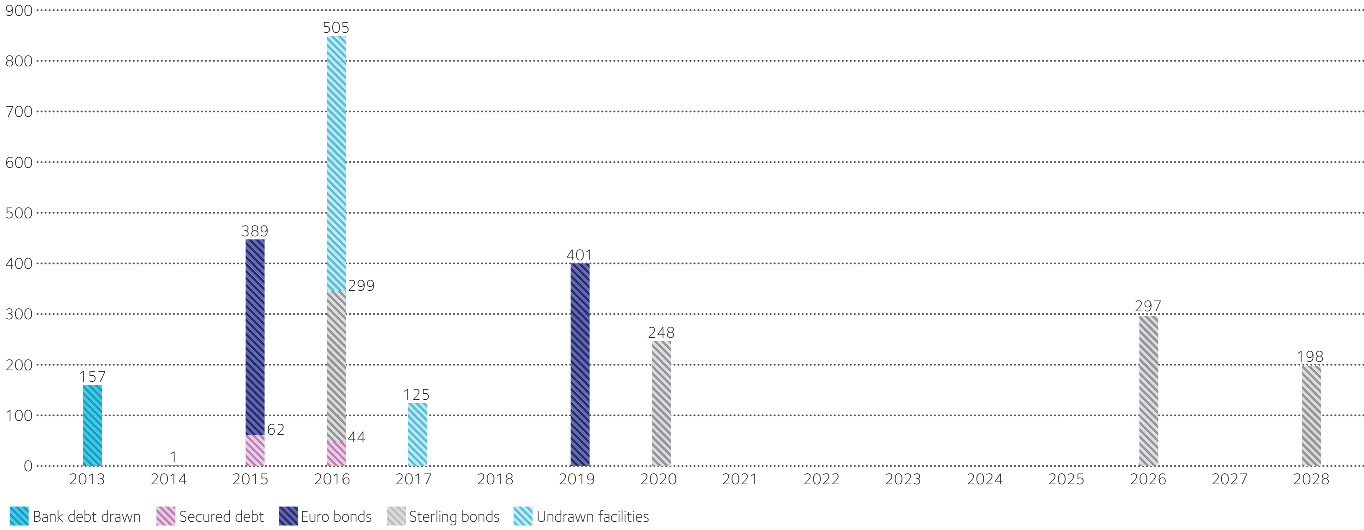
Our exposure to exchange translation differences on euro denominated assets is hedged with a mix of euro borrowings and derivatives. At the end of December 2012, 80% of the value of euro-denominated assets was hedged, in line with our policy. Interest on euro debt also acts as a hedge against exchange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

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

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

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

DEBT MATURITY PROFILE AT 31 DECEMBER 2012 (£M)



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

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

Key financing metrics are shown in the table below.

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

Property portfolio information

The weighted average unexpired lease term is eight years

Security and quality of income

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

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

LEASE EXPIRIES AND BREAKS

	Rents passing that expire/break in			ERV of leases that expire/break in			Weighted average unexpired lease term	
Lease expiries and breaks as at 31 December 2012	2013 £m	2014 £m	2015 £m	2013 £m	2014 £m	2015 £m	to break years	to expiry years
Notes	1	1	1	2	2	2		
United Kingdom								
Retail: Shopping centres	15.4	9.2	12.6	18.8	9.7	12.6	7.0	8.6
Retail parks	6.4	1.4	4.7	8.7	1.5	4.3	9.7	10.5
	21.8	10.6	17.3	27.5	11.2	16.9	8.1	9.4
Other UK	3.5	1.1	2.5	3.8	1.0	2.7	6.1	8.0
Total United Kingdom	**25.3**	**11.7**	**19.8**	**31.3**	**12.2**	**19.6**	**8.0**	**9.3**
France: Retail	**10.4**	**6.9**	**4.4**	**11.2**	**7.4**	**4.7**	**1.2**	**4.6**
Group								
Retail	32.2	17.5	21.7	38.7	18.6	21.6	6.4	8.2
Other UK	3.5	1.1	2.5	3.8	1.0	2.7	6.1	8.0
Total Group	**35.7**	**18.6**	**24.2**	**42.5**	**19.6**	**24.3**	**6.4**	**8.2**

Notes
1 The amount by which rental income, based on rents passing at 31 December 2012, could fall in the event that occupational leases due to expire are not renewed or replaced by new leases. For the UK, it includes tenants' break options. For France, it is based on the date of lease expiry.
2 The ERV at 31 December 2012 for leases that expire or break in each year and ignoring the impact of rental growth and any rent-free periods.

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

RENT REVIEWS

Rent reviews as at 31 December 2012	Rents passing subject to review in				Projected rents at current ERV of leases subject to review in			
	Outstanding £m	2013 £m	2014 £m	2015 £m	Outstanding £m	2013 £m	2014 £m	2015 £m
Notes	1	1	1	1	2	2	2	2
United Kingdom								
Retail: Shopping centres	20.6	33.0	16.1	10.6	22.7	34.1	17.8	11.4
Retail parks	23.6	8.3	9.5	24.1	24.4	8.7	10.0	24.9
	44.2	41.3	25.6	34.7	47.1	42.8	27.8	36.3
Other UK	2.1	1.2	1.2	2.7	2.2	1.2	1.3	2.8
Total United Kingdom	**46.3**	**42.5**	**26.8**	**37.4**	**49.3**	**44.0**	**29.1**	**39.1**

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

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

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

Tenant covenant strength

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

Retail – continuing portfolio

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

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

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

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

Collection rates

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

INVESTMENT PROPERTY – VALUATION DATA

Valuation data for investment property for the year ended 31 December 2012	Properties at valuation £m	Revaluation in the year £m	Capital return %	Total return %	Initial yield %	True equivalent yield %
Notes					1	2
United Kingdom						
Retail: Shopping centres	2,412.9	(21.2)	(0.8)	4.3	5.4	6.0
Retail parks	1,422.6	(30.6)	(2.5)	3.0	5.4	6.3
	3,835.5	(51.8)	(1.4)	3.9	5.4	6.1
Other UK	158.9	(17.3)	(8.3)	(3.4)	5.6	6.6
Total United Kingdom	3,994.4	(69.1)	(1.7)	3.5	5.4	6.1
Continental Europe						
France: Retail	1,188.3	0.8	0.8	5.9	5.1	5.6
Group						
Retail	5,023.8	(51.0)	(0.8)	4.4	5.3	6.0
Other UK	158.9	(17.3)	(8.3)	(3.4)	5.6	6.6
Total investment portfolio	5,182.7	(68.3)	(1.1)	4.1	5.3	6.0
Developments	275.7	19.8	11.5	11.3		
Total continuing operations	**5,458.4**	**(48.5)**	**(0.5)**	**4.5**		
Discontinued operations	194.5	(1.4)	5.3	10.7		
Total Group	**5,652.9**	**(49.9)**	**0.1**	**5.0**		

Notes
1 Annual cash rents receivable, net of head and equity rents and the cost of vacancy, as a percentage of gross property value, as provided by the Group's external valuers. Rents receivable following the expiry of rent-free periods are not included. Rent reviews are assumed to have been settled at the contractual review date at ERV.
2 The capitalisation rate applied to future cash flows to calculate the gross property value. The cash flows reflect the timing of future rents resulting from lettings, lease renewals and rent reviews based on current ERVs and assuming rents are received quarterly in advance. The property true equivalent yields are determined by the Group's external valuers.
3 Further analysis of development properties by segment is provided in note 3B on page 94.
4 The weighted average remaining rent-free period is 0.6 years.

INVESTMENT PORTFOLIO – RENTAL DATA

Rental data for investment portfolio for the year ended 31 December 2012	Gross rental income £m	Net rental income £m	Vacancy rate %	Average rents passing £/m²	Rents passing £m	Estimated rental value £m	Reversion/ (over-rented) %
Notes			1	2	3	4	5
United Kingdom							
Retail: Shopping centres	141.2	117.0	1.9	495	146.3	150.4	1.0
Retail parks	70.9	66.8	1.8	185	85.3	88.7	2.1
	212.1	183.8	1.9	340	231.6	239.1	1.4
Other UK	16.2	13.9	9.1	175	11.1	12.6	2.7
Total United Kingdom	228.3	197.7	2.3	325	242.7	251.7	1.5
Continental Europe							
France: Retail	69.1	61.3	2.5	325	69.0	73.4	3.7
Group							
Retail	281.2	245.1	2.0	340	300.6	312.5	1.9
Other UK	16.2	13.9	9.1	175	11.1	12.6	2.7
Total continuing investment portfolio	**297.4**	**259.0**	**2.3**	**325**	**311.7**	**325.1**	**2.0**
Income from developments and other sources not analysed above	0.2	(0.2)	n/a	n/a	n/a	n/a	n/a
Total continuing operations	**297.6**	**258.8**	n/a	n/a	n/a	n/a	n/a
Discontinued operations	28.0	24.1	0.3	570	15.6	12.5	(25.4)
Total Group – as disclosed in note 3A to the accounts	**325.6**	**282.9**					

Selected data for the year ended 31 December 2011

Group							
Retail	282.8	243.3	1.8	350	281.1	295.9	3.4
Other UK	23.0	20.7	7.6	165	11.8	13.6	5.5
Total continuing investment portfolio	305.8	264.0	2.1	330	292.9	309.5	3.5

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

Governance

Dear Shareholder

Your Board is collectively responsible to shareholders for the long-term success of the Group, and sets the strategic direction, governance and values of the business. Effective governance is important to our organisation and during the year the Board has sought to review and maintain appropriate governance practices whether or not those are mandatory.

In the section that follows we set out our approach to corporate governance and provide further details about Board membership and our governance framework and report on the activity of the Board and its Committees during the year.

During 2012 we welcomed Gwyn Burr as a Non-Executive Director to the Board. Gwyn brings significant expertise in understanding and delivering customer service for major retail brands, experience which is fundamental to our future strategy. At the beginning of 2013 we also welcomed Jean-Philippe Mouton as an Executive Director. Jean-Philippe is currently Managing Director for Hammerson France, a position he has held since 2009. He will retain management responsibility for the French business, as well as assuming responsibility for Group marketing. His wide commercial and marketing background will prove highly valuable to the Board, as we focus on creating winning retail destinations for the future.

We are a diverse Board and the Directors come from a range of business backgrounds, as you can see from their biographies set out on pages 52 and 53. I believe that we have the balance of skills and depth of experience to add real value to the Company. When considering any future appointments we will continue to consider diversity as part of the robust, merit-based approach that we use for the consideration of all Board appointments. We do, however, keep the make-up of the Board under review and we also appraise the performance of the Board, its Committees and individual Directors annually.

As announced in January 2013, I will retire as Chairman at the AGM in May and be succeeded by David Tyler who joined the Board in January 2013. He was appointed following a thorough process conducted by the Board under the leadership of Anthony Watson, Senior Independent Director, with the benefit of external advice. David has considerable experience of both retail and finance, which will prove invaluable as the Company continues in its aim to be the best owner-manager and developer of retail property in Europe.

John Hirst has been a Director of Hammerson for nine years and Chairman of the Audit Committee for over seven years. In light of my decision to retire, the Nomination Committee determined that John Hirst remained independent and decided that, notwithstanding his length of service, the Board would ask him to continue as a Non-Executive Director and as Chairman of the Audit Committee until the conclusion of the 2014 AGM. I am pleased to say John has confirmed his willingness to do so.

You can read about the work of our Nomination Committee on page 56, and of our Audit Committee on pages 58-60.

John Nelson
CHAIRMAN

BOARD EXPERIENCE BY SECTOR*

IT/Communications/ Marketing	3
Property	4
Retail	3
Finance/Investment	3
Government, Education, Charity etc	4
Industry	2

BOARD COMPOSITION*

Chairman	1
Executive Directors	4
Non-Executive Director (9 years)	1
Independent Non-Executive Directors	6

BOARD DIVERSITY*

Male	10
Female	2

* As at 2013 AGM

John Nelson [1]
CHAIRMAN

David Atkins [2]
CHIEF EXECUTIVE

Timon Drakesmith [3]
CHIEF FINANCIAL OFFICER

Peter Cole [4]
CHIEF INVESTMENT OFFICER

Jean-Philippe Mouton [5]
EXECUTIVE DIRECTOR

Anthony Watson CBE [6]
NON-EXECUTIVE DIRECTOR AND SENIOR INDEPENDENT DIRECTOR

Gwyn Burr [7]
NON-EXECUTIVE DIRECTOR

Jacques Espinasse [8]
NON-EXECUTIVE DIRECTOR

Terry Duddy [9]
NON-EXECUTIVE DIRECTOR

John Hirst [10]
NON-EXECUTIVE DIRECTOR

Judy Gibbons [11]
NON-EXECUTIVE DIRECTOR

Our Board

A balanced and EXPERIENCED Board

1

John Nelson
Chairman (Age 65)

Appointed to the Board: 1 May 2004.
Committee Membership: Remuneration Committee and Chairman of the Nomination Committee.
Skills and experience: John Nelson is a Chartered Accountant with a strong banking background. He was appointed as Chairman of Lloyd's of London in October 2011. He is also a senior advisor to Charterhouse Capital Partners LLP.
Other appointments: Trustee of the National Gallery and chairman of its development board.
Past appointments: Deputy chairman and senior independent director of Kingfisher plc. Non-executive director of BT Group plc, Cazenove Group Limited, J.P. Morgan Cazenove Holdings, Woolwich plc and English National Opera. Member of the chairman's advisory group of KPMG.

4

Peter Cole
Chief Investment Officer (Age 54)

Appointed to the Board: 1 October 1999.
Skills and experience: Peter Cole is a Chartered Surveyor who joined the Company in 1989 as a Senior Development Surveyor and was appointed to the Board of the Company's UK business in 1992. He has had responsibility for Hammerson's development, acquisition and disposal programme since being appointed to the Board. In addition, he has led major re-generation and investment projects.
Past appointments: President and general council member of the City Property Association.

2

David Atkins
Chief Executive (Age 46)

Appointed to the Board: 1 January 2007 and appointed Chief Executive on 1 October 2009.
Skills and experience: David Atkins is a Chartered Surveyor who joined the Company in 1998. His career at Hammerson began as Group Property Executive, responsible for strategy and investment performance, where he worked on a number of overseas transactions, particularly in France. In 2002 he took responsibility for the UK retail parks portfolio and in 2006 he became responsible for the wider UK retail portfolio.
Other appointments: Chairman of the European Public Real Estate Association. Director and junior vice president of the British Council of Shopping Centres. Member of the policy committee of the British Property Federation and the advisory committee of the British Council of Shopping Centres. Member of the Royal Institution of Chartered Surveyors – Commercial Property Market Forum.

5

Jean-Philippe Mouton
Executive Director (Age 51)

Appointed to the Board: 1 January 2013.
Skills and experience: Jean-Philippe Mouton joined Hammerson in 2003 with responsibility for property leasing, development and asset management in France. In 2006, he assumed responsibility for managing the French portfolio as Director of Operations and in 2009 became the Managing Director of Hammerson's French business. Jean-Philippe's in-depth experience of the French business strengthens the Board's integrated approach across the UK and France. He also has Board responsibility for marketing where he can draw on years of experience working for Disneyland Paris.
Past appointments: Director of strategic planning at Disneyland Paris and roles at The Walt Disney Company and Standard Chartered Bank.

3

Timon Drakesmith
Chief Financial Officer (Age 47)

Appointed to the Board: 30 June 2011.
Skills and experience: Timon Drakesmith is a Chartered Accountant who joined the Company in 2011 as Chief Financial Officer. He has experience of working in commercial property having spent 6 years as finance director at Great Portland Estates plc.
Other appointments: Non-executive director of Value Retail PLC and chairman of the British Property Federation's finance committee.
Past appointments: Finance director of the MK Electric division of Novar plc and group director of financial operations of Novar plc. Other financial roles at Credit Suisse, Barclays and Deloitte Haskins and Sells.

6

Anthony Watson CBE
Non-Executive Director and Senior Independent Director (Age 67)

Appointed to the Board: 1 February 2006.
Committee Membership: Audit Committee, Nomination Committee and Chairman of Remuneration Committee.
Skills and experience: Anthony Watson has a strong financial and legal background. He is a frequent speaker and contributor to corporate governance debates and is well placed to understand shareholders' requirements, essential for his role as Senior Independent Director.
Other appointments: Non-executive director of Lloyds Banking Group plc and senior independent director of both Witan Investment Trust plc and Vodafone Group plc. Member of the advisory board of the Association of Corporate Treasurers and the board of the Shareholder Executive. Chairman of Lincoln's Inn investment committee. Director of the Queen's University of Belfast foundation board.
Past appointments: Chairman of Marks & Spencer Pension Trust Limited, Asian Infrastructure Fund Limited and Strategic Investment Board (Northern Ireland). Member of Norges Bank Investment Management advisory board.

7

Gwyn Burr
Non-Executive Director (Age 50)

Appointed to the Board: 21 May 2012.
Committee Membership: Audit Committee.
Skills and experience: Gwyn Burr has expertise in understanding and leading customer service processes for major retail brands which supports Hammerson's focus on retail.
Other appointments: Customer service and colleague director at J Sainsbury plc. Member of board, remuneration committee and chairman of nominations committee of Sainsbury's Bank plc. Non-executive director of the Financial Ombudsman Service. Non-executive director of Wembley Stadium. Chair of Business in the Community (BITC) community investment board.
Past appointments: Senior roles in marketing, customer service and financial services at Asda plc. Non-executive director at the Principality Building Society. Director at Incorporated Society of British Advertisers.

10

John Hirst
Non-Executive Director (Age 60)

Appointed to the Board: 1 March 2004.
Committee Membership: Chairman of Audit Committee.
Skills and experience: John Hirst is a Chartered Accountant. He has extensive corporate experience having held senior positions at ICI plc and Premier Farnell plc where he successfully led a re-positioning of the business.
Other appointments: Chief executive of the Met Office and chairman of the audit committee of the World Meteorological Organization. Director of Epilepsy Research UK and a trustee of Epilepsy Bereaved. Member of Exeter University Business School's advisory board.
Past appointments: Group chief executive of Premier Farnell plc and chairman of ASBISC Enterprises plc.

8

Jacques Espinasse
Non-Executive Director (Age 69)

Appointed to the Board: 1 May 2007.
Committee Membership: Audit Committee.
Skills and experience: Jacques Espinasse has a BBA and MBA, which complement his long business career in many different sectors, based in Brussels, London and Paris. He has extensive knowledge of and insight into the French market.
Other appointments: Non-executive director and chairman of the audit committee of AXA (Holdings) Belgium, AXA Bank Europe and AXA Belgium. Non-executive director and member of the audit and remuneration committees of LBPAM and SES. Chairman and chief executive officer of the Foundation JED-Belgique.
Past appointments: Chief financial officer of Vivendi. Non-executive director of Canal+ France, Maroc Telecom, SFR and Universal Music Group.

11

Judy Gibbons
Non-Executive Director (Age 56)

Appointed to the Board: 1 May 2011.
Committee Membership: Audit Committee and Remuneration Committee.
Skills and experience: Judy Gibbons has a background in software, internet technologies, digital media, mobile applications and e-commerce. She also has extensive experience in marketing and international business.
Other appointments: Non-executive director of Guardian Media Group plc, Michael Kors Holdings Limited and Virgin Money Giving and chairman of Refresh Mobile Limited.
Past appointments: Non-executive director of O2 plc. Corporate vice president of Microsoft Corporation. Venture partner of Accel Partners. Senior roles in marketing and product development at Apple Inc. and Hewlett-Packard.

9

Terry Duddy
Non-Executive Director (Age 56)

Appointed to the Board: 3 December 2009.
Committee Membership: Nomination Committee and Remuneration Committee.
Skills and experience: Terry Duddy is chief executive of Home Retail Group plc. In addition to the capabilities and experience related to managing a large public company, he brings specific insight into customer behaviour and retail markets, which is a major focus for Hammerson's strategy.
Other appointments: Trustee of Education and Employer's Taskforce.
Past appointments: Director of DSG Retail Limited.

12

David Tyler (pictured top left)
Non-Executive Director (Age 60)

Appointed to the Board: 12 January 2013.
Committee Membership: Remuneration Committee.
Skills and experience: David Tyler is an experienced chairman having served in that role previously at Logica plc and 3i Quoted Private Equity plc and currently at J Sainsbury plc. He has considerable experience of both retail and finance and is a Management Accountant.
Other appointments: Chairman of J Sainsbury plc and non-executive director of Burberry plc. Fellow of the Chartered Institute of Management Accountants and a member of the Association of Corporate Treasurers.
Past appointments: Finance director of GUS plc and has held senior financial and general management roles with Christie's International plc, County NatWest Limited and Unilever PLC. Chairman of Logica plc and 3i Quoted Private Equity plc and a non-executive director of Experian plc and Reckitt Benckiser Group plc.

Leadership

Our Board is collectively responsible for our LONG-TERM success

During 2012 the Board continued to consider the main principles and provisions of the 2010 UK Corporate Governance Code (the 'UK Code') and has sought to put in place practices to enable full compliance with these. Except where otherwise stated, the Company has complied with the UK Code throughout the year ended 31 December 2012.

The role and structure of the Board

The Board is collectively responsible to the Company's shareholders for the long-term success of the Group and the long-term strategic and operational objectives of the Group. The Board sets the strategic direction, governance and values of the Group and has ultimate responsibility for the management, direction and performance of the Group. The Board is a diverse group, the majority of whom are independent. Whilst the Board has a formal list of matters specifically reserved for its decision, it delegates authority to Committees of the Board to assist in meeting its business objectives whilst ensuring a sound system of internal control and risk management.

The Board currently consists of the Chairman, four Executive Directors and seven Non-Executive Directors, all of whom are considered to be independent by the Board.

The Board met 10 times during 2012. Non-Executive Directors are encouraged to communicate directly with Executive Directors and senior management between formal Board meetings. In addition to regular Board meetings, the Board takes part in an annual strategy day at which it considers the future direction of the Company at the start of the business planning process. All Directors are expected to attend all meetings of the Board, and of those Committees on which they serve, and to devote sufficient time to the Company's affairs to enable them to fulfil their duties as Directors. When Directors are unable to attend a meeting, their comments on papers to be considered at the meeting may be provided in advance to the Chairman. The following table shows current Directors' attendance at Board and Committee meetings they were eligible to attend in 2012:

Director	Board	Audit	Remuneration	Nomination
John Nelson	10/10	–	6/6	3/3
David Atkins	10/10	–	–	–
Peter Cole	10/10	–	–	–
Timon Drakesmith	10/10	–	–	–
Gwyn Burr[1]	5/6	2/2	–	–
Terry Duddy[2]	9/10	–	6/6	3/3
Jacques Espinasse	10/10	4/4	–	–
Judy Gibbons	10/10	4/4	6/6	–
John Hirst	10/10	4/4	–	–
Anthony Watson[3]	9/10	4/4	6/6	3/3

1 Gwyn Burr joined the Board on 21 May 2012 and was unable to join the June Board meeting due to an unresolved diary clash.
2 Terry Duddy was unable to attend the November Board meeting due to his plane being grounded in the New York storms.
3 Anthony Watson was unable to join the June Board meeting due to an unresolved diary clash.

There were further ad hoc telephone Board meetings called at short notice to deal with transactional matters.

The Chairman, John Nelson, was independent on his original appointment to the Board. The Chairman sets the Board agenda and ensures that important matters and, in particular, strategic issues, receive adequate time and attention at meetings. The roles and responsibilities of the Chairman and Chief Executive, are clearly defined and documented and approved by the Board.

Anthony Watson continued to serve as Senior Independent Director during 2012 and is available to address shareholders' concerns on governance and, if necessary, other issues that have not been resolved through the normal channels of communication with the Chairman, or Chief Executive, or Chief Financial Officer, or in cases when such communications would be inappropriate. The Senior Independent Director can also deputise for the Chairman in his absence, act as a sounding board for the Chairman and be available to advise and counsel all Board colleagues. Biographical details and the dates of appointment of all current Directors are provided on pages 52 and 53.

Board decisions and activity

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

– strategy
– acquisition and divestment policy
– major capital expenditure projects
– treasury and financial risk management
– corporate governance
– major contracts
– risk management
– remuneration policy
– monitoring performance
– internal control
– human resources
– corporate responsibility
– reporting to shareholders.

AREAS OF BOARD FOCUS DURING 2012[1]

	FEB	FEB	MARCH	APRIL	MAY	JUNE	JULY	SEPT	NOV	DEC
Core items										
Chief Executive report		●	●	●	●	●	●	●	●	●
Finance report		●	●	●	●	●	●	●	●	●
Property portfolio		●	●	●	●	●	●	●	●	●
Timetabled items										
Strategic planning and review	●	●	●	●	●	●	●	●	●	●
Risk management and internal controls		●	●	●	●	●			●	●
Board briefings		●	●		●					
Financial reporting		●					●			
Shareholder interaction		●	●	●			●			
Corporate operational items (IT, pensions, HR)		●		●	●	●		●	●	
Corporate social responsibility		●			●			●		●
Financial risk management		●	●		●	●			●	●
Corporate governance	●	●		●	●	●		●	●	●
Asset oversight		●	●	●	●	●	●	●	●	●

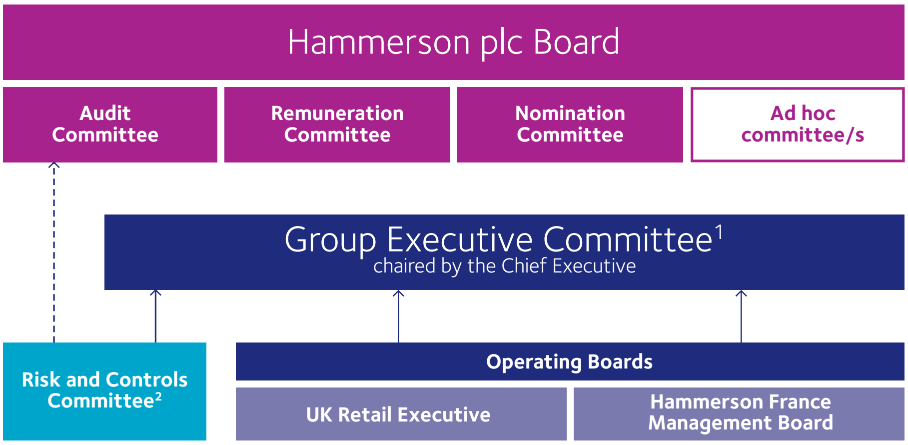
[1] Two scheduled meetings were held in February. No meeting was held in January, August or October.

A schedule of regular matters to be addressed by the Board and its Committees is agreed on an annual basis and information is supplied to Directors in a manner that enables them to fulfil their responsibilities. This includes the circulation of comprehensive briefing papers one week prior to Board and Committee meetings. Presentations on business, financial and operational issues are made regularly to the Board by senior management and the annual programme of Board meetings is tailored to enable some meetings to be held at the Company's properties. During 2012, the Board visited the Company's shopping centres in Birmingham and offices in Paris. In addition to the encouragement of strategic debate at all Board meetings, the annual strategy day provides a forum at which all Directors are invited to challenge strategic direction and help develop strategic options for the future.

Board Committee structure

Specific responsibilities are delegated to the Audit, Remuneration and Nomination Committees of the Board, each of which has written terms of reference that deal clearly with the authorities and duties of the Committee. Copies of all the Committee terms of reference, which are reviewed annually, are available on the Company's website. Each of these Committees is comprised of independent Non-Executive Directors of the Company who are appointed by the Board on the recommendation of the Nomination Committee. The Company Secretary is secretary to each Committee. The Chairman of each Committee reports the outcome of meetings to the Board.

OUR GOVERNANCE FRAMEWORK



[1] The Group Executive Committee (GEC), formed and chaired by the Chief Executive, consists of the senior management in the business. The purpose of the GEC is to provide executive management of the Company within the strategy and budget approved by the Board. The GEC therefore supports the Board and the Chief Executive in the discharge of their duties towards the Company by implementing at an operational level decisions agreed by the Board. The GEC has its own terms of reference.

[2] For a description of the Risk and Controls Committee, see page 60.

COMMITTEE MEMBERSHIP

Audit Committee		Remuneration Committee		Nomination Committee	
Director	Tenure*	Director	Tenure*	Director	Tenure*
John Hirst (Ch)	8.5 years	Anthony Watson (Ch)	7 years	John Nelson (Ch)	8 years
Gwyn Burr	1 year	John Nelson	8.5 years	Terry Duddy	3 years
Jacques Espinasse	6 years	Terry Duddy	2 years	Anthony Watson	6 years
Judy Gibbons	2 years	Judy Gibbons	1 year		
Anthony Watson	3.5 years	David Tyler	4 months		

* As at 2013 AGM

Effectiveness

Ensuring an appropriate balance of SKILLS, KNOWLEDGE AND INDEPENDENCE on our Board

NOMINATION COMMITTEE

The Committee had two scheduled meetings in 2012 to conduct regular business. The Committee undertakes an annual review of succession planning and ensures that the membership and composition of the Board, including the balance of Executive Directors and Non-Executive Directors, continues to be appropriate. As part of these reviews, the Committee considers the independence of Non-Executive Directors and the balance of skills and knowledge required of both Executive Directors and Non-Executive Directors. In addition to identifying potential successors for executive positions, senior functional positions within the Company are also considered.

During 2012, the Nomination Committee worked on two Non-Executive Director appointments. An executive search firm was appointed to assist with the search for an additional Non-Executive Director with retail and marketing experience. A number of candidates were considered and interviewed. The preferred candidate, Gwyn Burr, met with each member of the Board, prior to her appointment in May 2012.

When John Nelson indicated to the Board that he wished to step down as Chairman following the Annual General Meeting in 2013, the Nomination Committee agreed a work plan for appointing his successor. John Hirst was temporarily co-opted for this purpose alone, whilst John Nelson was excluded from Committee discussions concerning his replacement. Following receipt of proposals from a number of executive search firms, one firm was appointed. A candidate brief, including a job description, person specification and explanation of time commitment was created and a long list proposed by the search consultants. A number of candidates were interviewed, and once all the candidates had been interviewed, David Tyler was identified as the preferred candidate. David met, or spoke by telephone with, all Directors and the Board appointed him in January 2013.

Board balance and appointments process

The effectiveness of the Board and its Committees is vital to the success of the Company. Therefore care is taken, through the Nomination Committee, to recruit and appoint Directors who can provide and maintain an appropriate balance of skills, experience, independence and knowledge of the Company. The balance of the Board is reviewed annually.

The Board is satisfied that the Non-Executive Directors, each of whom is independent from management and has no material commercial or other connection with the Company, are able to exercise independent judgement. Their experience, gained from varied commercial backgrounds, enables them to bring specific insights and make valuable contributions to the Company. They challenge assumptions constructively and effectively and help the executive management to develop their thinking. The Nomination Committee has considered the fact that by the 2013 Annual General Meeting John Hirst will have served on the Board for more than nine years. The Nomination Committee agrees with the NAPF Corporate Governance Policy and Voting Guidelines in that it views the UK Code nine-year 'rule' as a milestone rather than a cut off. The Committee considers that John Hirst continues to be independent in character and judgement and of considerable value to the Board and the Audit Committee.

Diversity

Last year the Company announced its intention to add to female representation on the Board as soon as practicable and in May 2012 Gwyn Burr joined the Board. The Company believes that diversity, both at Board level and within management and staff at the Group, is an important factor for maximising performance. Within Hammerson there is significant diversity, including gender diversity. The male : female ratio in the Group as a whole is 46:54.

Commitment

Positions held by Non-Executive Directors are set out on pages 52 and 53 and the Board is satisfied that each of the Non-Executive Directors is able to devote sufficient time to the Company's business. Non-Executive Directors are advised on appointment of the time required to fulfil the role and are asked to confirm that they can make the required commitment. Executive Directors are encouraged to take non-executive positions in other companies and organisations, to broaden their experience. The appointment to such positions is subject to the approval of the Board which considers, in particular, the time commitment required.

Conflicts of interest

The Company's Articles of Association allow the Directors to authorise conflicts and potential conflicts of interest, where appropriate. The Board considers conflicts or potential conflicts at each Board meeting.

Development

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

All Directors are kept informed of changes in relevant legislation and regulations and changing financial and commercial risks, with the assistance of the Company's legal advisers and auditor where appropriate. Executive Directors are subject to the Company's performance development review process through which their performance against predetermined objectives is reviewed and their personal and professional development needs considered. Non-Executive Directors are encouraged to maintain and expand their knowledge of the Company and visit the Company's properties. The performance of Non-Executive Directors is appraised annually by the Chairman. The training and personal development requirements of Non-Executive Directors are reviewed and agreed as part of this appraisal process and Non-Executive Directors are encouraged to attend seminars and undertake external training at the Company's expense in areas considered to be appropriate for their own professional development including on issues relevant to the Board Committees to which they belong. A record of such training is maintained by the Company Secretary.

Information and support

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

Performance evaluation

In accordance with the UK Code, an external evaluation of the Board's performance, and those of its Committees and individual Directors, was undertaken in December 2010. It is intended that the next external Board evaluation will be undertaken in 2013. In the intervening years, evaluations have been undertaken internally by the Company Secretary.

The internal evaluation for 2012 commenced with reviewing the matters for consideration identified in the December 2011 evaluation and providing the Board with an update on the progress made. To perform the November 2012 evaluation, a narrative-based approach was taken. Questions, grouped around governance themes taken from the UK Code, were asked and free text comments were sought from the Directors. The evaluation was conducted this way so that it would be more informative than a questionnaire and scoring approach and enable the Board to establish more specifically areas where it could improve its performance.

The evaluation concluded that the Board was an effective team that worked constructively, inclusively and in a trusting environment. Recommendations from the evaluation such as reviewing the composition of the Committees and reviewing and re-establishment of the division of responsibilities between the Chief Executive and Chairman will be carried out later in 2013. Other recommendations include additional property visits and periodic presentations from advisers. These are to be included in the Board calendar for 2013.

The Chairman meets with the Non-Executive Directors as necessary, but at least twice each year, without the Executive Directors present. The Chairman also carries out a formal Non-Executive Director performance evaluation individually with each Non-Executive Director in order to review whether the Non-Executive Director continues to be effective and demonstrate commitment to the role. The Senior Independent Director chairs an annual meeting of Executive and Non-Executive Directors without the Chairman in order to appraise the Chairman's performance and to provide an opportunity to address any other matters which the Directors might wish to raise. The outcome of these discussions is conveyed to the Chairman by the Senior Independent Director.

Re-election of Directors

In accordance with the requirements of the UK Code, all Directors, with the exception of John Nelson who will retire from the Board at the end of the Annual General Meeting, are submitting themselves for re-election at the 2013 Annual General Meeting and will be subject to annual re-election.

Accountability

Our systems and procedures ensure the INTEGRITY of our information

AUDIT COMMITTEE

The Board has established an Audit Committee (the 'Committee') of five independent Non-Executive Directors, the membership of which complies with the UK Code recommendations, including that at least one member of the Committee has recent and relevant financial experience. Its responsibilities are set out in written terms of reference that are available on the Company's website.

John Hirst, the Chairman of the Committee, is a Chartered Accountant and a member of the Association of Corporate Treasurers. He has been closely involved in financial issues as chief executive of the Met Office since 2007 and as chief executive of Premier Farnell plc between 1998 and 2005; prior to that he was group treasurer of ICI plc. Notwithstanding that John Hirst has been a member of the Audit Committee for over seven years, and a Non-Executive Director for nine years, the Board considers that given his relevant financial experience it is appropriate that he should continue to chair the Committee for the time being. The Committee also consists of a further four independent Non-Executive Directors one of whom, Jacques Espinasse, served as chief financial officer of Vivendi and currently chairs or serves as a member of the audit committee of a number of European companies.

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

Meetings

The Committee meets at least four times each year with agendas organised around the Company's reporting cycle. During 2012 it met on four occasions.

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

The Committee meets with Deloitte LLP, the Company's external auditor, and with BDO LLP, which undertakes the majority of the Company's internal audit reviews, in the absence of management at least once each year.

The Company's external valuer, DTZ, present the conclusions of their full and half-year valuations to the Committee. The valuation is an important exercise and a significant measurement of the Group's performance and in Executive Directors' remuneration. The external valuer and external auditor have full access to each other and the Chairman of the Committee meets the external valuer and external auditor as part of the full and half-year valuations to ensure that they are each satisfied that there has been a full and open exchange of information and views.

Review of the year

During the year, the Committee reviewed the draft Annual Report and the full and half-year results announcements prior to their approval by the Board. These reviews considered the application of the Company's accounting policies and practices and any changes to them, major judgemental areas, adjustments resulting from the audit and going concern assumptions. The reviews also included consideration of the Group's compliance with statutory tax obligations, compliance with accounting standards and with regulatory requirements, the statement on risk management and internal control, property valuations and clarity of disclosure.

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

- the external auditor's management letters
- internal audit reports, including recommendations arising from them and the review of progress in implementing previous recommendations
- reports on the systems of internal controls and the risk management framework
- the Company's approach to compliance with legislation and regulations and to the prevention of fraud, including arrangements for staff to raise concerns in confidence
- the recommendations of the 2012 Board and Committee performance evaluations
- the audit planning reports
- gifts and entertainment and expenses registers.

Auditor

The Committee is responsible for the development, implementation and monitoring of the Group's policy on external audit in which is set out the categories of non-audit services that the external auditor is, and is not, allowed to provide to the Group. Details are given below.

The Company's external auditor is Deloitte LLP. In accordance with the Ethical Standards issued by the Auditing Practices Board, the audit partner responsible for the Company's audit matters is changed at least every five years, most recently in April 2012. The Committee is fully supportive of the new provision in the UK Code requiring FTSE 350 companies to put the provision of external audit services out to tender at least every ten years. The Committee has reviewed the performance of the external auditor and is satisfied that currently Deloitte LLP provides an appropriate level of service delivered by a team with an in-depth understanding of our business and the broader real estate sector. The Committee's present intention therefore is that they will review the requirement to tender the external audit closer to the time when the audit partner next rotates. In forming their opinion on the independence and objectivity of the external auditor, the Audit Committee takes into account the safeguards operating within Deloitte LLP.

Under the Company's policy governing the provision of non-audit services by the external auditor, they may not provide a service which places them in a position where they may be required to audit their own work. Specifically, they are precluded from providing services relating to bookkeeping or other services relating to accounting records or financial statements of the Company, financial information system design and implementation, appraisal or valuation services, actuarial services, any management functions, investment banking services, legal services unrelated to the audit, internal audit outsourcing services, remuneration related services or advocacy services.

Some services may be provided in specific and exceptional circumstances and can include tax compliance work, due diligence and property related consultancy. Each occasion is specifically assessed and authorised by an Executive Director up to a limit of £50,000 and above that limit after review by the Chairman of the Committee. During 2012, services provided by Deloitte LLP to the Company in addition to acting as external auditor, included due diligence for corporate and property acquisitions, acting as reporting accountants for intra-group distributions, assistance with the electronic filing of accounts, tax returns and bond compliance work.

To fulfil its responsibilities regarding the external auditor, the Committee reviewed:

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

Where non-audit services are provided, the fees are based on the work undertaken and are not success related. Consideration is given to the nature of and remuneration received for other services provided by Deloitte LLP to the Company and confirmation is sought that the fee payable for the annual audit is adequate to enable the external auditor to perform its obligations in accordance with the scope of the audit. The external auditor's remuneration in respect of the year ended 31 December 2012, comprised approximately £754,000 for year end audit and half-year review work (2011: £527,000) and £375,000 for other work (2011: £59,000). The total cost of non-audit services provided by Deloitte LLP in 2012 is considered unusually high.

The Committee has regard to the recommendations of the Auditing Practices Board on effective communication between audit committees and external auditors and has concluded that the relationship with Deloitte LLP meets these recommendations.

The Committee has recommended to the Board that the external auditor should be reappointed at the 2013 AGM.

Risk management and internal control

The Board has ultimate responsibility for determining the nature and extent of the significant risks it is willing to take in achieving its strategic objectives, for maintaining sound risk management and internal control systems and for reviewing their effectiveness. Appetite towards risk is discussed at Board meetings whenever significant strategic, financial or operational proposals are discussed, and is also high on the Board's agenda at its annual strategy day. The Group's risk management and internal control systems are 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, rules and regulations.

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

Management has established a risk management framework and procedures necessary to enable the Directors to report on internal controls in compliance with the UK Code. The risk management procedures involve the analysis, evaluation and management of the key risks to the Group and include plans for the continuity of the Company's business in the event of unforeseen interruption. The Board, which reviews the framework and procedures regularly, has allocated responsibility for the management of each key risk to Executive Directors and senior executives within the Group. Reports on these key risks are made regularly to the Board. A more detailed explanation of the Company's approach to risk management is set out on pages 36 to 39.

The Company conducts internal audit activities through a programme of reviews. These reviews, which are principally undertaken by BDO LLP, but also on occasion by Company employees, and the implementation of recommendations arising from them, are overseen and coordinated by a Risk and Controls Committee. This Committee comprises executives from the finance and operational parts of the business, is chaired by the Chief Financial Officer, and is intended to ensure that internal control is integrated into Hammerson's daily operations. The Audit Committee considers these arrangements annually and is satisfied that they provide an appropriate overview of the Company's internal control procedures.

Other key elements of the Group's systems of risk management and internal control include:

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

The systems of risk management and internal control and their effectiveness 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. The Board will continue to develop its awareness and monitoring of emerging risks and its approach to the reporting of risk throughout 2013.

Code of Conduct

The Company has a Code of Conduct which explains how employees are expected to fulfil their responsibilities by acting in the best interests of the Company and in line with its corporate and financial objectives. This includes compliance with laws and regulations, acting fairly in dealing with customers, suppliers and other stakeholders, maintaining integrity in financial reporting, treating people with respect and operating within a controlled framework which includes environmental and health and safety policies. A summary of the Code of Conduct is available on the Company's website.

Whistleblowing

The Company has whistleblowing procedures under which staff may report any suspicion of fraud, financial irregularity or other malpractice. No reports of any such matters have been received for the year under review. The Company subscribes to the independent charity, Public Concern at Work, so that staff may have free access to its helpline. The whistleblowing procedure is reviewed and if necessary updated annually to ensure it remains appropriate.

Relations with shareholders

We actively seek to ENGAGE with our investors

During 2012 the Company has undertaken a wide variety of investor relations activities. These activities were split across institutional and private shareholders. In addition to these events, the Company has held ad hoc meetings with investors and arranged visits to Company properties. The Company actively seeks additional channels through which to engage with investors. For example, the Chief Executive is chairman of the European Public Real Estate Association.

Institutional shareholders

Institutional shareholders represent the largest group of equity investors and much of the activity is focused on this group. During 2012, over twenty-five events were either attended or hosted by the Company. This included investor roadshows in London, Paris and Amsterdam, five roundtable events and five investor conferences. Visits to key properties in the UK and Paris were also arranged for investors and analysts. Wherever possible the Company is represented by the Executive Directors. The Chief Executive and Chief Financial Officer host or attend the majority of the events held. Key senior executives also participate in meetings and activities with institutional shareholders.

The Board receives reports of meetings with institutional shareholders together with regular market reports and brokers' reports. This enables the Directors to understand the views of shareholders. The Board takes account of the corporate governance guidelines of institutional shareholders and their representative bodies such as the Association of British Insurers and the National Association of Pension Funds.

Private investors

Private investors are actively encouraged to attend the Annual General Meeting where they have the opportunity to question the Board directly. At all other times, investors are able to raise any concerns or issues with the Board via the Company Secretary. The Company also participates in private client fund managers' events.

Annual General Meeting

The Notice of Annual General Meeting is dispatched to shareholders, together with explanatory notes at least 20 working days before the meeting. Separate resolutions are proposed on each substantially separate issue including a resolution relating to the Report and Accounts.

The Chairmen of the Audit, Remuneration and Nomination Committees normally attend the Annual General Meeting and are available to answer questions. All Directors normally attend the meeting.

The Board welcomes questions from shareholders who have an opportunity to raise issues informally before or formally at the Annual General Meeting.

For each resolution, the proxy appointment forms provide shareholders with the option to direct their proxy vote either for or against the resolution or to withhold their vote. The Company will ensure that the proxy appointment form and any announcement of the results of a vote will make it clear that a 'vote withheld' is not a vote in law and will not be counted in the calculation of the proportion of the votes for and against the resolution.

All valid proxy appointment forms are properly recorded and counted. For each resolution, after the vote has been taken, information on the number of proxy votes for and against the resolution, and the number of shares in respect of which the vote was withheld, are given at the meeting and are made available on the Company's website.

By Order of the Board

Sarah Booth
GENERAL COUNSEL AND COMPANY SECRETARY
28 February 2013

Remuneration report

The alignment of PERFORMANCE & REWARD is fundamental to our policy

Dear Shareholder

It is with pleasure that I introduce the Directors' Remuneration Report for the year ended 31 December 2012. This report has been prepared by the Remuneration Committee and approved by the Board.

The Remuneration Committee has kept abreast throughout 2012 of the increased focus on executive pay and reward. The Committee reviewed the proposals and responded to the consultation papers on executive remuneration and narrative reporting issued by the Department for Business Innovation and Skills. We will continue to monitor developments related to executive remuneration in 2013. Whilst it is currently anticipated that any changes will only take effect for the Company from next year, this year's report seeks to further improve the level and transparency of disclosure and better demonstrate the link between pay and performance.

In February 2012, the Company announced that it would be a specialist retail REIT. To achieve this we would sell our office assets and reinvest in our chosen sectors. We also made clear our focus on reducing costs, leveraging our operating platform and growing income streams. In line with the Company's remuneration policy to ensure it continues to motivate its leaders and create an opportunity to increase remuneration for demonstrably superior performance, the Committee set stretching bonus targets. These comprised financial targets to grow earnings per share, outperform the industry benchmark for total property returns, grow net rental income and reduce operating costs. Detailed personal objectives for the Executive Directors were designed to ensure delivery of the specific steps required to be taken to deliver the targeted financial performance. Shareholders will have read earlier in this report about the financial results for the Company for 2012 and also the sale of the offices and reinvestment of those proceeds. The Committee reviewed the Company's performance against the objectives it had set and I hope that shareholders will agree with our assessment that in light of the Company's excellent performance the Executive Directors have earned the bonuses we have awarded to them.

During 2012, the Committee also reviewed the Long Term Incentive Plan award that had been granted in 2009. Despite a relatively strong performance against the established performance conditions, those conditions had not been met and the Committee determined that there should be no vesting.

Mindful of the Company's continuing desire to focus on cost control and in light of the challenging economic environment, there will be no increase in base salary for Executive Directors. In December 2012 the Company announced the appointment of Jean-Philippe Mouton to the Board and prior to his appointment the Committee reviewed his role and responsibilities. In accordance with our policy, benchmark information was considered by the Committee and Jean-Philippe has joined the Board on a base salary of €400,000. The remainder of his remuneration is structured on a basis entirely consistent with the rest of the Executive Directors. The Committee also reviewed the Chairman's fee, which was last increased in April 2010. The Committee has decided that the appropriate fee for the Chairmanship of the Company is £320,000 and David Tyler will, assuming he is elected at the Annual General Meeting, receive this fee. In the meantime, and in light of this review, we decided that the current Chaiman's fee should also be increased to £300,000 with effect from 1 January 2013. The review of Non-Executive Director fees has been deferred until the summer of 2013.

I hope that you find this report helpful in understanding the Company's remuneration practices. I recommend the report to you and hope that you will support the resolution to approve the Directors' Remuneration Report at the Annual General Meeting in May.

Anthony Watson
CHAIRMAN OF THE REMUNERATION COMMITTEE

The Directors submit their report on remuneration for the year ended 31 December 2012. The report reflects the policy for that year, for 2013 and, subject to ongoing review by the Remuneration Committee (the 'Committee'), subsequent years.

Given the continuing discussion around the 'single-figure' calculation, we have adopted a basis that is consistent with last year's report. This report has been approved and adopted by the Board and has been prepared in accordance with the Companies Act 2006 and Schedule 8 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008, the Listing and Disclosure and Transparency Rules of the Financial Services Authority, and the principles relating to directors' remuneration in the UK Corporate Governance Code (the 'UK Code').

Information that has been audited in accordance with the 2008 regulations is marked with an asterisk (*).

*2012: Directors' remuneration**

The following table shows a breakdown of the remuneration of the Executive Directors for the year ended 31 December 2012:

		Annual Incentive Plan[3]				Total emoluments	
	Salary £000	Cash £000	Deferred share award £000	Benefits[4] £000	Salary/cash supplements[5] £000	2012 £000	2011 £000
Executive Directors							
David Atkins[1]	585	624	416	19	70	**1,714**	1,252
Peter Cole	420	463	309	18	–	**1,210**	877
Timon Drakesmith[2]	400	427	284	17	80	**1,208**	565
	1,405	1,514	1,009	54	150	**4,132**	2,694

1 David Atkins was appointed as a director of the British Council of Shopping Centres on 5 December 2012. He does not receive a fee for this appointment.
2 Timon Drakesmith joined the Company on 6 June 2011, and was appointed to the Board on 30 June 2011. His 2011 remuneration in the above table represents the period from 30 June 2011 to 31 December 2011. He was appointed as a non-executive director of Value Retail PLC on 21 August 2012. He does not receive a fee for this appointment. He does not participate in a Company pension scheme and receives a salary supplement of 20% of his base salary – see Pensions on pages 68 to 69.
3 See Annual Incentive Plan on pages 70 to 71.
4 Contractual benefits are described in the table on page 66.
5 See Pensions on pages 68 to 69.

The table below sets out the Non-Executive Directors' fees for the year ended 31 December 2012:

	Total fees	
	2012 £000	2011 £000
Non-Executive Directors		
John Nelson	**270**	270
Gwyn Burr[1]	**34**	–
Terry Duddy	**55**	57
Jacques Espinasse	**55**	55
Judy Gibbons[2]	**60**	37
John Hirst	**65**	64
Anthony Watson	**75**	75
	614	558

1 Gwyn Burr was appointed to the Board and Audit Committee on 21 May 2012, and her fee represents the period from 21 May 2012 to 31 December 2012.
2 Judy Gibbons was appointed to the Remuneration Committee on 3 February 2012, and received £4,554 in respect of her Committee membership fee for the period from 3 February 2012 to 31 December 2012.

During the year ended 31 December 2012, no payments were made to Directors for expenses other than those incurred wholly and directly in the course of their employment or appointment.

The Committee and its composition

The Committee's responsibilities are set out in its terms of reference which are available on request to shareholders and on the Company's website. The terms of reference are reviewed and amended annually by the Board, and were most recently reviewed and updated in December 2012.

From 1 January 2012 to 3 February 2012, the Committee comprised Anthony Watson (Chairman of the Committee), Terry Duddy and John Nelson, Chairman of the Company. Provision D.2.1 of the UK Code provides that the remuneration committee of a larger FTSE listed company should comprise at least three independent non-executive directors excluding the chairman of the company. Therefore, during this period, the Committee's composition was not fully compliant with the recommendations of the UK Code as it only comprised two independent Non-Executive Directors, excluding the Chairman of the Company. However, it was considered that the high level of experience offered by Anthony Watson, Terry Duddy and John Nelson would ensure proper governance pending the appointment to the Committee of Judy Gibbons in February 2012. During 2012, six Committee meetings were held, at which all Committee members were present.

John Nelson was considered independent on his original appointment to the Board and the Board considers the other members of the Committee to be independent. No Director has any involvement in discussions about his/her own remuneration. David Tyler was appointed to the Committee on 12 January 2013.

The Chairman of the Committee reports on the Committee's activities to the Board at the meeting immediately following the Committee meeting.

Advisers

The following advisers provided services to the Committee during the year:

- FIT Remuneration Consultants LLP ('FIT') (which is a member of the Remuneration Consultants Group, the professional association for remuneration consultants, and complies with its code of conduct) were appointed by the Committee as advisers on 17 August 2011. Since then, they have provided advice on reward structures and levels. FIT's terms of engagement are available on request to shareholders and on the Company's website. These terms specify that, in order to avoid any conflict of interest, FIT will only provide advice expressly authorised by or on behalf of the Committee. Where instructions are taken on behalf of the Committee from employees of the Company, FIT will ensure that the Committee is kept informed of the broad scope of such matters. The fees paid to FIT during 2012 were £62,625 (excluding VAT) (2011: £42,425 (excluding VAT this amount is for the period from 17 August 2011 to 31 December 2011 only. A further £56,609 (excluding VAT) was paid to Aon Hewitt, who were the advisers for the year up to 16 August 2011)). FIT did not provide any other services to the Company during 2012.
- Herbert Smith Freehills LLP provided advice to the Committee throughout the year, and also provided other legal services to the Company throughout the year.

The Chief Executive and Group HR Director attend all meetings of the Committee by invitation, except when their own remuneration is being discussed, to provide information and advice. The Company Secretary is the Secretary to the Committee.

Remuneration policy

The Committee's objective is to determine an appropriate remuneration policy for recommendation to the Board that:

- Ensures that the Company continues to attract, retain and motivate quality leaders, capable of making a major contribution to the Company's success.
- Having regard to the views of investors, generally provides for around market median (+/-10%) base salary but with the opportunity to increase total potential remuneration for demonstrably superior performance through variable remuneration in the form of bonus and long-term incentives.

Remuneration for Executive Directors takes account of performance through an annual performance-related bonus scheme (the 'Annual Incentive Plan' or 'AIP') and, for longer-term performance, through awards under a Long-Term Incentive Plan (the 'LTIP').

In implementing the policy, following its approval by the Board, the Committee takes into account remuneration packages available within other comparable companies (whilst remaining mindful of the need to treat comparisons with caution), the Company's overall performance, internal relativities, achievement of corporate objectives, individual performance and published views of institutional investors and their representative bodies. In line with the current policy, the Executive Directors' total target remuneration is structured to reward corporate and individual performance. Over two-thirds of the Executive Directors' total target remuneration (excluding pension and fixed benefits) is performance related, which is considered to be appropriate.

Review of the year

During 2012 the Company adopted a cautious approach to executive remuneration in light of continuing challenging market conditions. During the year, the Committee met to consider the following matters:

- A review of the Company's remuneration policy in light of regulatory and market developments and guidelines.
- A salary and bonus review for the Executive Directors and senior executives.
- Performance measures and targets for the AIP and the LTIP.
- A review of the level of achievement of the performance conditions attached to the awards made in 2009 under the LTIP.
- The structure of the Company's share plans and share-based grants and, accordingly, awards under the Company's share plans.
- Arrangements under the Company's defined benefit pension scheme.
- Proposed remuneration for Jean-Philippe Mouton, who was appointed a Director of the Company with effect from 1 January 2013.
- The Chairman's fees.
- The Company's overall approach to remuneration in 2013.

The tables on the following pages set out each element of total remuneration, the purpose and policy objectives which underpin each element and the basis of their operation.

Key features of Executive Directors' remuneration: fixed

FIXED — NON-PERFORMANCE RELATED

ELEMENT	PURPOSE	POLICY	OPERATION
Base salary	• Recognition of: – Accountabilities – Skills – Experience – Value	• Benchmarks main markets in which Hammerson competes for talent. • Typically +/- 10% median benchmark. • Dependent on skills, experience and performance. • Increases normally consistent with those given to other employees of the Hammerson Group.	• Reviewed annually. • Reviewed against property peer group and FTSE 71-100. • Benchmarking considered at total remuneration level. • Paid monthly in cash. • Committee applies discretion for new recruits. • Pensionable.
Pension	• Provides competitive retirement benefits	• Legacy pension arrangements (defined benefit scheme closed to new joiners since early 2003) are supported but the costs of doing so are kept under review. • New Executive Directors may receive either a 20% employer contribution to the Company's Group personal pension plan or a 20% non-pensionable salary supplement which they may elect to be paid into a non-Company SIPP. • Pension benefits are taken into account when determining total remuneration. • No compensation for public policy or tax changes.	• Non-contributory for Executive Directors. • Employer contributions paid monthly. • For the defined benefit scheme, normal retirement age is 60; members may retire from age 55 subject to actuarial reduction; members may draw their pension from age 55 whilst remaining in employment. • From 6 April 2011 all pension scheme members impacted by the reduction in the annual tax free limit to £50,000 may choose to cap their benefit and receive a salary top-up of the balance, which is paid after the end of the tax year. • Non-pensionable salary supplement paid monthly, and does not qualify for bonus or LTIP entitlements. • Cash (i.e. other than base salary) and other benefits are excluded from pensionable pay.
Fixed benefits	• Provide market competitive reward	• Benefits in kind, cash allowance and the opportunity to participate in all-employee share plans. • Contractual benefits are taken into account when determining total remuneration.	• Contractual benefits are car allowance, private medical insurance, life assurance and permanent health insurance. • Non-pensionable.

Key features of Executive Directors' remuneration: variable

		ELEMENT	PURPOSE	POLICY	OPERATION
VARIABLE	SHORT-TERM PERFORMANCE RELATED	**Annual Incentive Plan**	• Incentivises short-term performance goals • Key financial and non-financial metrics from business plan • Partial award in shares aligns interests with shareholders and supports retention	• Clear connection from individual performance to business outcomes. • Awards under the plan materially differentiate on the basis of performance. • Performance targets are: – Stretching – Clear financial and non-financial measures – Take due account of business risk. • Objectives generally remain unchanged for the year except to reflect any corporate acquisitions or other major transactions.	• Up to 200% of base salary, subject to performance. • Non-pensionable. • Paid in a mix of cash (60%) and shares (40%). The vesting of the shares is deferred for two years. • Subject to clawback and malus provisions in situations of personal misconduct and/or where accounts or information relevant to performance are shown to be materially wrong and the bonus paid was higher than should have been the case. • Targets approved annually by the Committee. • Objectives approved by the Committee relate to Group financial targets, Group results in key operational areas and individual objectives. • Personal performance is assessed through a transparent and robust performance management process. • Award result is determined by the Committee after year end, based on performance against all targets. • The Committee retains discretion to amend pay-outs where, in exceptional circumstances, it is considered appropriate, but subject always to the overriding cap. • Dividends accrue on share awards, delivered as additional shares at the end of the vesting period.
VARIABLE	LONG-TERM PERFORMANCE RELATED	**Long-Term Incentive Plan**	• Incentivises long-term returns for shareholders • Aligns interests of Executive Directors with shareholders • Supports retention	• The performance period is set to reflect the capital intensive and cyclical nature of Hammerson's business. • The choice of performance measures is determined by those drivers which deliver value to shareholders in the longer term.	• A discretionary annual award of shares to a value of 200% of salary (300% in exceptional circumstances), subject to a four-year performance measure. • Vesting depends on the level of satisfaction of the performance conditions. • Dividends accrue on awards and are delivered as additional shares at the end of the performance period. • Performance conditions are based on three equally weighted measures: 1. Total Shareholder Return against a comparator group (to align interests of Executive Directors with shareholders) 2. Total Property Return against a composite IPD index (to focus on underlying property returns) 3. (For 2011 and 2012 awards) Absolute Net Asset Value (to introduce a balance between relative and absolute performance measures) and (For 2013 awards) Earnings per share (to align further the interests of Executive Directors with shareholders.) • Committee has discretion to reduce the award in specified situations. • Non-pensionable. • Subject to clawback and malus provisions in situations of personal misconduct and/or where accounts or information relevant to performance are shown to be materially wrong and vesting was higher than should have been the case.

EXECUTIVE DIRECTORS' REMUNERATION

FIXED, NON PERFORMANCE-RELATED ELEMENTS OF REMUNERATION

Base salary

There were no increases in base salary for Executive Directors in 2012, an approach that was consistent with salary reviews for employees at senior management level throughout the Group. As announced on 13 December 2012, Jean-Philippe Mouton, Managing Director of Hammerson France, would be appointed as an Executive Director of the Company with effect from 1 January 2013, with a base salary of €400,000. In January 2013, the Committee completed its annual review of remuneration for the remaining Executive Directors and, in view of the prevailing economic climate and market conditions, no salary increases for 2013 have been recommended for them. This approach is consistent with reviews for employees at senior management level throughout the Group.

Accordingly, base salaries for Executive Directors for 2013 will be as follows:

	Salary for 2013
David Atkins	£585,000
Peter Cole	£420,000
Timon Drakesmith	£400,000
Jean-Philippe Mouton	€400,000

*Pensions**

Timon Drakesmith has elected not to participate in the Company's defined contribution pension scheme. In accordance with his service agreement, he receives instead a salary supplement of 20% of his base salary which is paid, by way of an employer contribution, into an approved SIPP. The amount paid by the Company for the year ended 31 December 2012 was £80,000. The salary supplement does not qualify for AIP purposes or entitlements under the LTIP.

David Atkins and Peter Cole participate in the Hammerson Group Management Pension and Life Assurance Scheme (the 'Scheme'), the Company's defined benefit pension scheme, as outlined in the table on page 66 and more fully described in note 6 to the accounts on pages 96 to 97.

Pension entitlements are based on base salary. The Scheme is non-contributory. Therefore neither David Atkins nor Peter Cole have made any contributions during the year.

For the year ended 31 December 2012, David Atkins will receive a cash supplement of £69,744 (2011: £64,908) for pension benefits that exceed the annual allowance of £50,000. This supplement in lieu of pension will be subject to Income Tax and National Insurance Contributions and will not qualify for AIP purposes or entitlements under the LTIP. Peter Cole has not been affected by the annual allowance restriction and will not be receiving a cash supplement.

David Atkins' pension under the Scheme is based on a 1/60th accrual rate. This is the rate of accrual received by all members of the Scheme who joined after 1 July 1994. Peter Cole joined the Scheme before 1 July 1994. His pension has been accruing at a rate which would provide him with a pension of two-thirds of final salary at retirement should he continue to work for the Company until age 60. This is equivalent to an accrual rate of 1/45th.

The following two tables set out information on Directors' defined benefit pension entitlements and transfer values.

In the table below, for each Director, the total accrued benefit at 31 December 2012 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 2012. The increase in accrued benefit earned during the year represents the increase in this expected pension, including the effect of inflation, when compared with the position at 31 December 2011. The increase in accrued benefit during the year excluding the effect of inflation over the year is also shown.

	Age at 31 December 2012	Years' service at 31 December 2012	Normal retirement age	Total accrued benefit at 31 December 2012 £000	Increase in accrued benefit during the year £000	Increase in accrued benefit during the year excluding inflation £000
David Atkins	46	14	60	78	7	5
Peter Cole	53	23	60	223	10	5

In the table below, all transfer values have been calculated in accordance with regulation 7 to 7E of the Occupational Pensions Schemes (Transfer Values) Regulations 1996 and subsequent amendments. The transfer values of the accrued entitlement represent the value of assets that the Scheme would need to transfer to another pension provider on transferring the Scheme's liability in respect of the Director's pension benefits. They do not represent sums payable to individual Directors and therefore cannot be added meaningfully to annual remuneration.

For each Director, the increase in transfer value of accrued benefits under the requirements of Schedule 8 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 is the transfer value of the total accrued benefit at 31 December 2012 less the corresponding transfer value at 31 December 2011. The transfer value of the increase in accrued benefits under the Listing Rules is the transfer value at 31 December 2012 of the increase in accrued benefits during the period (excluding inflation).

The transfer values disclosed below do not represent the sum paid or payable to the individual Director. Instead, they represent a potential liability of the Scheme.

	Companies Act 2006			The Listing Rules
	Transfer value at 31 December 2011 of total accrued benefit[1] £000	Transfer value at 31 December 2012 of total accrued benefit £000	Value of increase in accrued benefit during the year £000	Transfer value at 31 December 2012 of increase in accrued benefit £000
David Atkins	736	834	98	56
Peter Cole	2,908	3,150	242	67

[1] The transfer value as at 31 December 2011 has been restated for David Atkins to reflect his actual restricted pension at that date, as confirmed in April 2012.

*Fixed benefits: all employee share plans**

The Company operates a Savings-Related Share Option Scheme ('Sharesave') and a Share Incentive Plan ('SIP'), both of which are approved by HM Revenue and Customs, for all eligible UK employees. Executive Directors are entitled to participate in both of these plans on the same terms as other eligible UK employees.

Sharesave is more fully described in note 25 to the accounts on pages 120 to 121. The table below demonstrates movements under the Sharesave during 2012 for Executive Directors, and options outstanding as at 31 December 2012.

	Total options held at 1 January 2012	Granted	Exercised	Lapsed	Total options held at 31 December 2012	Exercise price[1]	Market price on exercise date	Exercise dates for outstanding options
David Atkins	4,212	–	(4,212)	–	–	217.20p	424.00p	–
	–	2,735	–	–	2,735	329.04p	–	1 May 2015 to 31 October 2015
Peter Cole	4,980	–	–	–	4,980	312.24p	–	1 May 2015 to 31 October 2015
Timon Drakesmith	–	4,558	–	–	4,558	329.04p	–	1 May 2017 to 31 October 2017

[1] The exercise price has been adjusted where appropriate to take account of the 2009 Rights Issue.

The middle market price of the ordinary shares of the Company, as derived from the London Stock Exchange Daily Official List, was 488.30 pence per share on 31 December 2012 and the range during the year was 354.50 pence per share to 497.00 pence per share.

Under the SIP, all eligible UK employees may receive free shares up to a value of £3,000 each year. Furthermore, eligible employees can purchase partnership shares up to a value of £1,500 each tax year, which the Company will match through the award of two matching shares for every partnership share purchased. Dividends on shares held under the SIP are used to purchase additional shares.

The Executive Directors' interests in ordinary shares of the Company under the SIP as at 31 December 2012 are as follows:

	Total SIP shares 1 January 2012	Partnership shares purchased	Matching shares awarded	Free shares awarded[1]	Dividend shares purchased	Total SIP shares 31 December 2012	Cost to Company of shares awarded in 2012[2]
David Atkins	8,011	–	–	728	267	9,006	£3,943
Peter Cole	9,205	–	–	728	306	10,239	£4,095
Timon Drakesmith	–	592	1,184	–	19	1,795	£7,327

[1] The free shares were awarded on 20 April 2012 at a price of 412.00 pence per share.
[2] The purchases and awards were funded by shares held in the Hammerson Employee Share Ownership Plan.

VARIABLE, PERFORMANCE-RELATED ELEMENTS OF REMUNERATION

*Annual Incentive Plan**

The annual performance-related bonus operates under the Annual Incentive Plan (the 'AIP') and is structured so that 60% of the bonus award is paid in cash and 40% is awarded in shares. The vesting of the shares is deferred for two years. From 2012, the share award has been made in the form of nil-cost options and, following vesting, there is a five year exercise period.

The Committee has reviewed the AIP structure for 2013 (which will be paid in 2014), and determined that it will remain broadly the same as for 2012. The Committee believes that this structure continues to align performance and reward, ensures that the AIP remains valued by the participants, is consistent with current best practice and is aligned with the interests of shareholders. Details of the AIP structure and targets from 2011 to 2013 are shown below:

YEAR OF AWARD	MAXIMUM AWARD POTENTIAL	PROPORTION OF AWARD PAID IN CASH	PROPORTION OF AWARD PAID IN SHARES	WEIGHTING OF PERFORMANCE CONDITIONS	COMPOSITION OF FINANCIAL TARGETS
2013 award (to be paid in 2014)	Up to 200% of salary	60%	40% subject to a two-year vesting period	60% for Group financial targets	30% based on adjusted Group earnings per share 30% based on Total Property Return relative to IPD[1]
				10% for Group operational targets 30% for personal objectives	
2012 award (to be paid in 2013)	Up to 200% of salary	60%	40% subject to a two-year vesting period	60% for Group financial targets	30% based on adjusted Group earnings per share 30% based on Total Property Return relative to IPD[1]
				10% for Group operational targets 30% for personal objectives	
2011 award (paid in 2012)	Up to 200% of salary	60%	40% subject to a two-year vesting period	60% for Group financial targets	36% based on adjusted Group earnings per share 24% based on Total Property Return relative to IPD[1]
				15% for Group operational targets 25% for personal objectives	

[1] IPD is the Investment Property Databank's UK Quarterly Property Index, annualised. From 2013, the metric will be adjusted from All Property to Retail Property only, to reflect the Company's new retail focus.

The personal objectives attached to the 2012 award for each of the Executive Directors focused on the following areas:

- David Atkins: To improve the investment proposition and underlying performance of the business with particular focus on Group earnings per share and Total Shareholder Return.
  To drive the repositioning of the retail-focused business including specific tactical steps around resourcing.
- Peter Cole: To effect the sale of the London Office portfolio and invest the sale proceeds into retail property.
  To progress major developments.
- Timon Drakesmith: To improve the Company's rating from an equity capital markets view point.
  To maintain a strong focus on cost management, including restructuring many of the Company's financial instruments in order to reduce the Company's interest payments.
  To grow the Company's position within Value Retail.

In February 2013, the Committee determined the level of achievement of the 2012 performance targets. The Executive Directors all scored very highly on their personal objectives, whilst ensuring that the Group financial targets were achieved. This has resulted in the bonus payments as shown in the remuneration table on page 63. For the 2012 AIP award the adjusted earnings per share target was achieved, for Executive Directors, to a level of 100% and the Total Property Return target was achieved to a level of 100%. This, together with individual achievement against operational targets and personal objectives, resulted in an average payment to Executive Directors representing approximately 90% of the maximum potentially payable. This compares with an average payment of 53% of the maximum potential in respect of the 2011 award.

The table below demonstrates the movements during 2012 in relation to the share awards made to Executive Directors under the Deferred Bonus Share Scheme, the deferred bonus element of the AIP, and awards outstanding as at 31 December 2012:

	Awards held at 1 January 2012	Awards during the year[1]	Notional dividend shares accrued on 2012 award	Awards vested during the year[2]	Awards held at 31 December 2012
David Atkins	72,786	59,635	1,942	(28,462)	105,901
Peter Cole	65,908	43,849	1,428	(26,288)	84,897
Timon Drakesmith	–	35,023	1,140	–	36,163

[1] Awards made on 12 March 2012 were in respect of the 2011 bonus. Awards were made in the form of nil-cost options and will be exercisable from 12 March 2014 to 11 March 2019.
[2] Awards that vested on 2 March 2012 were originally granted on 2 March 2010 in respect of the 2009 bonus. The market price per share at vesting was 403.80 pence per share.

The market price on award was 384.90 pence per share for the award made in 2010, 461.40 pence per share for the award made in 2011 and 406.30 pence per share for the award made in 2012.

*Long-Term Incentive Plan**

The Committee reviews the structure of the LTIP awards, as well as the performance measures and conditions attached to the awards, on an annual basis. Since 2011, the awards have incorporated a balance of relative and absolute measures, and the Committee believes that this balance is still appropriate.

The structure of the 2013 awards will remain the same as the 2012 awards. However, the relative performance measures will be adjusted to reflect the Company's change in strategy to focus on the retail property sector: the comparator group for the Total Shareholder Return ('TSR') measure will focus on major European retail property companies and the Total Property Return ('TPR') measure will compare performance against a retail only property index.

With regard to the absolute performance measure, Absolute Net Asset Value ('Absolute NAV') (which was introduced in 2011) will be replaced with Earnings per Share ('EPS') to align further the interests of Directors and shareholders. Details of the LTIP structure from 2009 to 2013 are set out below:

YEAR OF GRANT	LEVEL OF AWARD	PERFORMANCE PERIOD	PERFORMANCE MEASURES	WEIGHTING OF PERFORMANCE CONDITIONS	TSR COMPARATOR GROUP
2013	200% of salary	Four years	TSR TPR EPS	33.33% 33.33% 33.33%	Altera, British Land, Capital and Regional, Intu Properties (previously called Capital Shopping Centres), Corio, Eurocommercial, IVG, Klepierre, Land Securities, London Metric, SEGRO, Shaftesbury, Unibail-Rodamco, Wereldhave and the FTSE 100 Index
2012	200% of salary	Four years	TSR TPR Absolute NAV	33.33% 33.33% 33.33%	British Land, Capital and Regional, Capital Shopping Centres, Corio, Derwent London, Great Portland Estates, IVG, Klepierre, Land Securities, Quintain Estates, SEGRO, Shaftesbury, St Modwen Properties, Unibail-Rodamco and the FTSE 100 Index
2011[1]	300% of salary	50% of award: three years 50% of award: four years	TSR TPR Absolute NAV	33.33% 33.33% 33.33%	As for 2012
2010 2009	200% of salary	Three years	TSR TPR	50% 50%	British Land, Brixton (2009 grant only) Capital and Regional, Corio, Derwent London, Great Portland Estates, IVG, Klepierre, Land Securities, Liberty International, Quintain Estates, SEGRO, Shaftesbury, St Modwen Properties, Unibail-Rodamco and the FTSE 100 Index

[1] In order to smooth the transition from a three-year performance period to a four-year performance period, an enhanced award of 300% of salary was made, with half of the award subject to a three-year performance period (vesting in 2014) and half subject to a four-year performance period (vesting in 2015). This will ensure there is no vesting 'gap' in 2014 and, overall, will result in only a modest reduction in potential awards vesting to Executive Directors in the three-year period from 2014 to 2016 (assuming a consistent level of performance is achieved).

THE PERFORMANCE MEASURES

TSR
Performance is measured over the three/four-year period from the date of grant, in comparison with a comparator group, including some European real estate companies.

TPR
Performance is measured over the three/four financial years commencing with the year of grant and in comparison with a composite index comprising:

- For awards granted from 2009 to 2012: Investment Property Databank's UK Annual All Property Index and France Annual All Property Index.
- For awards to be granted in 2013: Investment Property Databank's UK Annual Retail Property Index and France Annual Retail Property Index

The relative composition of the indices may vary with each grant to ensure that it reflects the Company's portfolio.

Absolute NAV
(For awards granted in 2011 to 2012)

Performance is measured over the three/four financial years commencing with the year of grant, and is calculated with reference to the Best Practices recommendations of the European Public Real Estate Association ('EPRA'), being the adjusted shareholders' funds divided by the adjusted number of shares in issue.

EPS
(For awards to be granted in 2013)

Performance is measured over the four year period from December 2012, and is calculated with reference to the EPRA Best Practices recommendations.

THE PERFORMANCE CONDITIONS

Vesting under the TSR performance condition is as follows:

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

Vesting for intermediate performance between median and upper quartile-ranked entities is on a linear scale between 25% and 100%.

Vesting under the TSR performance condition is subject to the Committee's satisfaction that the Company's underlying performance has been satisfactory in comparison with that of the FTSE Real Estate sector.

Vesting under the TPR performance condition is as follows:

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

Vesting for intermediate performance between these levels will be pro-rata on a linear basis between 25% and 100%.

Vesting under the Absolute NAV performance condition for the 2011 award is as follows:

Less than 7.5% p.a. growth	0%
Equal to 7.5% p.a. growth	25%
Equal to or more than 7.5% p.a. growth	100%

Vesting under the Absolute NAV performance condition for the 2012 award is as follows:

Less than RPI +3.0% p.a. growth	0%
Equal to RPI +3.0% p.a. growth	25%
Equal to or more than RPI +7.0% p.a. growth	100%

Vesting under the EPS performance condition for the 2013 award is as follows:

Less than RPI +3% p.a. growth	0%
Equal to RPI +3% p.a. growth	25%
Equal to or more than +7% p.a. growth	100%

Vesting for intermediate performance for the 2011, 2012 and 2013 awards will be pro-rata on a linear basis between 25% and 100%.

Prior to each grant date, the Committee considers this range of targets to ensure that they remain appropriate in light of experience and anticipated future performance. In each case performance is measured over a single fixed period with no opportunity for re-testing.

The vesting of the LTIP awards granted in 2010 and subsequent years cannot be determined until the end of the performance periods from April 2013 onwards.

The table below demonstrates the movements during 2012 in conditional share awards, including the accrual of notional dividend shares, made to Executive Directors under the LTIP and awards outstanding as at 31 December 2012:

	Awards held at 1 January 2012	Awards during the year[1]	Awards lapsed during the year[2]	Notional dividend shares accrued during the year	Awards held at 31 December 2012
David Atkins	854,083	281,724	(192,149)	29,024	972,682
Peter Cole	735,878	202,263	(240,188)	23,453	721,406
Timon Drakesmith	254,768	192,631	–	10,898	458,297

1 Awards granted on 2 April 2012 were made in the form of nil cost options. If the award, or any part of it vests, the options will be exercisable from the vesting date to 1 April 2019.
2 Awards granted on 1 April 2009 did not vest as they did not meet their performance conditions. The awards lapsed on 23 April 2012. (The figure shown in the table includes the number of shares conditionally awarded plus notional dividends that accrued on the original award during the vesting period.)

The average middle market price of the ordinary shares in the Company for the five dealing days before the award dates which were used for calculating the number of shares over which an award was made was 258.60 pence per share for the 2009 award, 385.88 pence per share for the 2010 award, 453.00 pence per share and 478.00 pence per share for the 1 April 2011 award (made to David Atkins and Peter Cole) and 6 June 2011 award (made to Timon Drakesmith) respectively and 415.30 pence per share for the 2012 award.

*Recruitment share award**

As disclosed last year, the Committee made two share-based awards to Timon Drakesmith when he was appointed in 2011 to facilitate his recruitment as Chief Financial Officer. The awards were made to compensate him for the loss of awards at his previous employer.

	Awards held at 1 January 2012	Notional dividend shares accrued during the year	Awards vested during the year	Vesting date	Market price per share at vesting	Awards held at 31 December 2012
First Tranche[1]	253,707	4,771	(258,478)	20 June 2012	431.26p	–
Second Tranche[2]	84,922	2,766	–	6 June 2014	–	87,688

1 The First Tranche of the award was not subject to any performance conditions and was subject only to continued employment at date of vesting. The award was scheduled to vest on 1 June 2012. However, due to the sale of the office portfolio which was announced via the Regulatory News Service on 19 June 2012, the award did not vest until 20 June 2012.
2 The Second Tranche of the award was made on materially the same terms as the 2011 LTIP award, with a three year performance period.

Both the first and second tranches of awards were made on 6 June 2011 at a market price of 478.00 pence per share.

Service Agreements

Details of the Service Agreements of the Executive Directors who were in office as at 31 December 2012 are shown in the table below:

		Notice period	
	Date of agreement	From Company	From individual
David Atkins	11 January 2008	12 months	6 months
Peter Cole	28 February 2002	12 months	6 months
Timon Drakesmith	18 January 2011	12 months	12 months

The agreements may be terminated by the Company without notice and without payment of compensation in certain circumstances, such as gross misconduct, and may be terminated on short notice in the event of incapacity. The Company also has the option to terminate each agreement without notice for any reason but with payment of compensation in lieu of notice. Such a payment in lieu of notice under each agreement would include salary and the value of fixed benefits during the notice period.

In addition, the payment in lieu of notice for Peter Cole and David Atkins would include a payment equivalent to the average bonus paid over the preceding three years (save in exceptional circumstances), such bonus to be pro-rated where they have worked for only part of the bonus year and so does not include compensation for loss of unearned bonus. In addition, they would continue to be entitled to their LTIP awards (subject to the LTIP rules). The calculation of their pension benefits would be as at the end of what would have been the notice period.

The agreements for David Atkins and Timon Drakesmith each give the option to the Company to make the payment in lieu of notice in instalments during what would have been the notice period. David Atkins and Timon Drakesmith would be obliged to make reasonable efforts to find alternative employment and their remaining instalments would be reduced by any earnings from such new employment.

The agreements for each Executive Director provide that if their employment is terminated by the Company in breach of contract (including a constructive dismissal), or is terminated within 12 months of a change of control, they would be entitled to receive as liquidated damages a sum equivalent to their payment in lieu of notice, calculated on the basis set out above. For David Atkins and Timon Drakesmith, any amount payable would be reduced by any gross earnings from alternative employment.

Chairman and Non-Executive Directors' remuneration

The Chairman and the Non-Executive Directors do not have service agreements with the Company. Their appointments are governed by letters of appointment, which are available for inspection on request.

The Chairman of the Board is John Nelson, who will retire from the Board following the Company's Annual General Meeting (the 'AGM') in May 2013. He will be succeeded by David Tyler, who was appointed as a Non-Executive Director of the Company in January 2013. His appointment is for a term of three years subject to a three month notice period.

The dates of the appointments of the Non-Executive Directors who were in office as at 31 December 2012 are set out below. The letters of appointment of Non-Executive Directors are reviewed by the Chairman and the Executive Directors every three years. Appointments of Non-Executive Directors are for a term of three years, subject to the right of either party to terminate the appointment on not less than three months' notice.

	Date of original Appointment to Board	Commencement date of current term	Unexpired term as at May 2013
Gwyn Burr	21 May 2012	21 May 2012	2 years
Terry Duddy	3 December 2009	3 December 2012	2 years, 7 months
Jacques Espinasse[1]	1 May 2007	1 May 2010	3 years
Judy Gibbons	1 May 2011	1 May 2011	1 year
John Hirst[2]	1 March 2004	1 March 2010	1 year
Anthony Watson	1 February 2006	1 February 2012	2 years, 9 months

1 Jacques Espinasse's appointment has been renewed for a further three year period from 1 May 2013 to the conclusion of the Company's AGM in 2016.
2 John Hirst's appointment has been renewed for a further period from 1 March 2013 to the conclusion of the Company's AGM in 2014.

The Chairman's fee is determined by the Committee and those of the other Non-Executive Directors are determined by the Board on the recommendation of the Executive Directors. Non-Executive Directors are not eligible for performance-related bonuses or participation in the Company's share plans and their fees are not pensionable. It was agreed that the fees for the Chairman would increase with effect from 1 January 2013 and that fees for the Non-Executive Directors would be reviewed in the summer of 2013.

The annual fees payable to the Chairman and the other Non-Executive Directors with effect from 1 January 2013 are as follows:

Chairman	£300,000
Non-Executive Director: base fee	£50,000

The level of fees is set to reflect the responsibilities of the role and, in order to recognise the additional responsibility of the Senior Independent Director and of membership and chairmanship of the Audit and Remuneration Committees, further fees are payable in respect of these positions as listed below:

Senior Independent Director	£10,000
Audit Committee chairmanship	£15,000
Audit Committee membership	£5,000
Remuneration Committee chairmanship	£10,000
Remuneration Committee membership	£5,000

John Nelson does not receive any additional fee in respect of his membership of the Remuneration Committee.

Following the Company's AGM in May 2013, David Tyler will receive a fee of £320,000 as Chairman of the Company. He will continue to be a member of the Remuneration Committee and will assume chairmanship of the Nomination Committee but will not receive any additional fee for membership of either of these committees.

Share ownership guidelines

All Directors are encouraged to own shares in the Company.

With regard to the Executive Directors, the deferred bonus element of the AIP, the LTIP and other Company share plans are designed to enable them, over a period of time, to build up and retain a shareholding, with a value equivalent to 150% of the annual gross base salary for the Chief Executive and 100% of the annual gross base salary for other Executive Directors.

There is currently no minimum shareholding requirement for Non-Executive Directors.

Executive Directors' shares interests

The beneficial interests of the Executive Directors who were in office as at 31 December 2012 in the ordinary shares of the Company are set out below, showing actual share ownership against guidelines:

	1 January 2012	31 December 2012	28 February 2013	Guideline on share ownership as % of salary	Actual beneficial share ownership as % of salary[1]	Guideline met
David Atkins	159,100	177,938	177,938	150%	151%	Yes
Peter Cole	218,878	246,200	246,200	100%	291%	Yes
Timon Drakesmith	50,000	175,594	175,750[2]	100%	218%	Yes

1 Based on the share price of 497.00p as at 27 December 2012.
2 The change in share interests for Timon Drakesmith between 31 December 2012 to 28 February 2013 is due to share purchases/awards made under the SIP on 4 January 2013 (75 shares) and 4 February 2013 (81 shares).

Non-Executive Directors' shares interests

The beneficial interests of the Non-Executive Directors who were in office as at 31 December 2012 in the ordinary shares of the Company are set out below:

	1 January 2012	31 December 2012
John Nelson	49,000	49,000
Gwyn Burr	–	–
Terry Duddy	40,000	40,000
Jacques Espinasse	12,235	12,235
Judy Gibbons	–	4,000
John Hirst	13,495	13,495
Anthony Watson	12,000	12,000

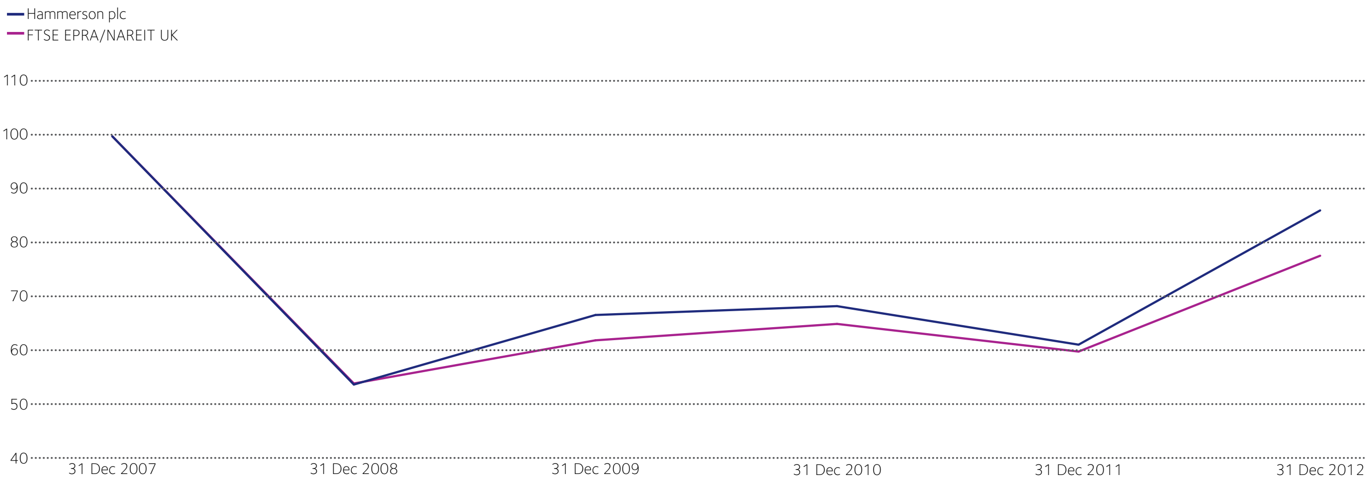
Between 1 January 2013 and 28 February 2013, the Non-Executive Directors' beneficial interests above have remained unchanged.

At 31 December 2012, in addition to the interests in shares disclosed in the table above, Anthony Watson also had an interest in £60,000 nominal 6.875% Sterling bonds due 2020.

Total Shareholder Return

The graph below shows the total shareholder return in respect of the Company's ordinary shares of 25 pence each for the five years ended 31 December 2012 relative to the total return of the FTSE EPRA/NAREIT UK Index, which comprises shares of the Company's peers. The total shareholder return is rebased to 100 at 31 December 2007. The other points plotted are the values at intervening financial year ends.

TOTAL SHAREHOLDER RETURN INDEX (31 DECEMBER 2007 = 100)



Source: Thomson Reuters

Shareholder view

At the Company's AGM held on 19 April 2012, over 97% of shares voted supported the 2011 Remuneration Report. It was considered that this represented broad support for the Company's remuneration arrangements and no material changes have been made since then.

By Order of the Board

Sarah Booth
GENERAL COUNSEL AND COMPANY SECRETARY
28 February 2013

Additional disclosures

1. Financial and business reporting

This Annual Report aims to tell a cohesive story, with the narrative section giving a consistent presentation and a balanced and understandable assessment of the Company's financial position, results and prospects. A description of our business model and strategy are set out in the Chief Executive's Report on pages 6 and 7. The Going Concern Statement is represented under point 7 below, and the Directors' and Auditor's responsibility statements are on pages 80 to 81.

2. Principal activities

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

3. Dividends

The Directors recommend a final dividend of 10.0 pence per share which, together with the interim dividend paid on 5 October 2012, will make a total dividend for the year of 17.7 pence (2011: 16.6 pence). It is intended that the final dividend will be paid on 14 May 2013 to shareholders on the register at the close of business on 5 April 2013.

It is intended that 4.0 pence per share will be paid as a Property Income Distribution, net of withholding tax where appropriate, and the remainder of 6.0 pence per share paid as a normal dividend.

Details of the Company's dividends can be found on the Company's website: www.hammerson.com on the 'Investors' page.

4. Fixed assets and capitalised interest

Changes in tangible fixed assets and capitalised interest during the year are set out in notes 12 and 13 to the accounts on pages 103 and 104, whilst details of Hammerson's property portfolio are provided on pages 132 to 137.

5. Share capital

Changes to the Company's share capital during the year, are set out in note 25 to the accounts on pages 120 and 121.

On 31 December 2012 there were 712,830,959 ordinary shares of 25 pence in issue each with one vote. There are no shares held in treasury. The total number of voting rights in Hammerson plc at 31 December 2012 was therefore 712,830,959.

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

6. Purchase of own shares

The Company was granted authority at the Annual General Meeting ('AGM') in 2012 to purchase its own shares up to a total aggregate value of 10% of the issued nominal capital. That authority expires on the date of the 2013 AGM at which a resolution will be proposed for its renewal.

7. Going concern

The current economic conditions have created a number of uncertainties as set out on pages 36 to 39. The Group's business activities, together with the factors likely to affect its future development, performance and position are set out on pages 20 to 31. The financial position of the Group, its liquidity position and borrowing facilities are described on pages 44 to 45 and in notes 19 and 21 to the accounts.

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

8. Provisions on change of control

Five of the six outstanding bonds issued by the Company contain covenants specifying that, if the Company's credit rating is downgraded to below investment grade due to a change of control, and the rating remains below investment grade for a period of six months thereafter, the bondholders may require repayment at par.

In addition, under the Company's credit facilities, the lending banks may require repayment of outstanding amounts within 30 days of any change of control.

9. Employees

It is the Group's policy to give full consideration to suitable applications for employment of disabled persons. Disabled employees are eligible to participate in all career development opportunities available to employees. Opportunities also exist for employees of the Group who become disabled to continue in their employment or to be retrained for other positions in the Group.

The Company places considerable importance on good internal communications with its staff and invests time in consulting on a wide range of matters which affect them as employees including: reward practices, work/life balance initiatives, corporate responsibility activities and approaches to internal communications. Consultation predominantly takes the form of facilitated discussion groups and employee involvement on relevant committees. The Company also provides very regular internal updates on business news and performance through formal and informal meetings, intranet announcements and special employee briefings/question and answer sessions on the annual and interim results.

10. Pension scheme

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

The defined benefit pension scheme, The Hammerson Group Management Limited Pension and Life Assurance Scheme (the 'Scheme'), is administered by two corporate trustees, one of which is an independent trustee. The other is a subsidiary of the Company which has five directors. The Chairman of this subsidiary is David Edmonds, one of the Company's former Non-Executive Directors.

David Edmonds continues as the Chairman of this subsidiary and chairs meetings of the Trustees. Two of the remaining directors are employees, but not Directors of the Company and the other two directors are former employees. The Scheme's funds are invested and managed independently of the Company.

11. Substantial shareholders

At 31 December 2012 the following interests in voting rights over the issued share capital of the Company had been notified:

	At 31 December 2012	
	Ordinary Shares of 25p each	Percentage of total voting rights
APG Algemene Pensioen Groep N.V.	68,227,094	9.57%
BlackRock Inc.	50,223,602	7.05%
Norges Bank Investment Management	34,141,595	4.79%
Legal & General Investment Management Ltd	25,717,804	3.61%
Legal & General Group plc	22,499,364	3.16%

No changes to the above have been disclosed to the Company in accordance with Rule 5 of the Disclosure and Transparency Rules between 31 December 2012 and 28 February 2013.

12. Directors

The biographical details of the current Directors are shown on pages 52 and 53. Jean-Philippe Mouton was appointed as an Executive Director on 1 January 2013. Gwyn Burr and David Tyler were appointed as Non-Executive Directors with effect from 21 May 2012 and 12 January 2013 respectively. John Nelson will be retiring as Chairman of the Company at the 2013 AGM. He will be succeeded by David Tyler who will take the role of Chairman immediately after the 2013 AGM. During the financial year 31 December 2012 there were no resignations from the Board.

In accordance with the UK Corporate Governance Code, all the Directors will retire and offer themselves for election and re-election at the forthcoming AGM. This excludes John Nelson who will be retiring and not offering himself for re-election.

David Atkins, Peter Cole and Timon Drakesmith have service agreements with the Company. The appointments of the Non-Executive Directors, including the Chairman, are governed by letters of appointment. Details of the service agreements and the letters of appointment are set out in the Remuneration Report on pages 74 and 75. Details of the Directors' interests in the share capital of the Company are set out in the Remuneration Report on pages 76 and 77.

13. Directors' remuneration

Details of the remuneration of each of the Directors are set out in the Remuneration Report on pages 62 to 77.

14. Directors' and officers' liability insurance

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

15. Donations

During the year the Company made charitable donations in the United Kingdom of £151,343 (2011: £144,845). Under the Company's charitable donations policy for 2012, donations were made to a variety of children's, youth and medical charities and to charities connected to localities in which the Company is represented.

For 2013, the Company will make charitable donations focused on children and young people, health and local regeneration of community infrastructures and facilities. Donations to political or religious organisations are not made.

16. Creditor payment policy

It is the Group's policy and practice that the terms of payment to suppliers are agreed in advance of the supply of any goods and services and that payments are made in accordance with those terms and conditions provided that the supplier has also complied with them.

The Group's creditor payment days as at 31 December 2012 represented 21 days' purchases (2011: 23 days).

17. Financial instruments

Details of the financial instruments used by the Group and the Company are set out in note 22 to the accounts on pages 113 to 119.

18. Auditor

Deloitte LLP are willing to be re-appointed as the auditor to the Company. Their re-appointment has been considered and recommended by the Audit Committee and a resolution concerning their re-appointment will be proposed at the AGM.

19. Disclosure of information to the auditor

Each of the persons who are a Director at the date of approval of the Directors' Report has confirmed that:

– so far as s/he is aware, there is no relevant audit information of which the Company's auditor is unaware; and

– s/he has taken all the steps that s/he ought to have taken as a Director in order to make her/himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

This confirmation has been given and should be interpreted in accordance with the provisions of section 418(2) of the Companies Act 2006.

20. Annual General Meeting

The Annual General Meeting will be held on Thursday 9 May 2013 at 10 Grosvenor Street, London, W1K 4BJ at 11.00 am. The Notice of Meeting and the explanatory notes will be included in a separate notice to be sent to all shareholders.

By Order of the Board

Sarah Booth
GENERAL COUNSEL
AND COMPANY SECRETARY
28 February 2013

Directors' responsibilities

Directors' responsibilities in respect of the preparation of the financial statements

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

Company law requires the Directors to prepare financial statements for each financial year. The Directors are required by the IAS regulation to prepare the Group financial statements under International Financial Reporting Standards (IFRSs) as adopted by the European Union. The Group financial statements are also required by law to be properly prepared in accordance with the Companies Act 2006 and Article 4 of the IAS regulation.

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

However, Directors are also required to:

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

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

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

The Directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the parent company financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

Responsibility Statement

We confirm to the best of our knowledge:

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

Signed on behalf of the Board on

28 February 2013

David Atkins
Director

Timon Drakesmith
Director

Independent auditor's report on the Group financial statements

We have audited the Group financial statements (the 'financial statements') of Hammerson plc for the year ended 31 December 2012, which comprise the consolidated income statement, the consolidated statement of comprehensive income, the consolidated balance sheet, the consolidated statement of changes in equity, the consolidated cash flow statement, the analysis of movement in net debt and the related notes 1 to 30. The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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 auditor's 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 auditor

As explained more fully in the Directors' Responsibilities Statement, the Directors are responsible for the preparation of the Group financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on the financial statements

In our opinion the Group financial statements:

- give a true and fair view of the state of the Group's affairs as at 31 December 2012 and of its profit for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006 and Article 4 of the IAS Regulation.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the Group financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following:

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Under the Listing Rules we are required to review:

- the Directors' statement contained within the Directors' Report in relation to going concern;
- the part of the Corporate Governance Statement relating to the Company's compliance with the nine provisions of the UK Corporate Governance Code specified for our review; and
- certain elements of the report to shareholders by the Board on Directors' remuneration.

Other matter

We have reported separately on the parent company financial statements of Hammerson plc for the year ended 31 December 2012 and on the information in the Directors' Remuneration Report that is described as having been audited.

Ian Waller (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
London, UK

28 February 2013

Consolidated income statement

For the year ended 31 December 2012

Continuing operations	Notes	2012 £m	2011* £m
Gross rental income	2	**297.6**	305.9
Operating profit before other net (losses)/gains and share of results of associate	2	**215.9**	217.8
Other net (losses)/gains	2	**(36.3)**	190.4
Share of results of associate	14A	**47.5**	–
Operating profit	2	**227.1**	408.2
Finance costs		**(94.0)**	(108.2)
Bond redemption – premium and costs		**(13.8)**	–
Floating rate reset bonds redemption – premium and costs		**(41.7)**	–
Change in fair value of derivatives		**9.4**	(2.8)
Finance income		**6.5**	5.2
Net finance costs	7	**(133.6)**	(105.8)
Profit before tax		**93.5**	302.4
Tax charge	8A	**(0.4)**	(0.7)
Profit from continuing operations		**93.1**	301.7
Profit from discontinued operations	9B	**48.7**	43.9
Profit for the year		**141.8**	345.6
Attributable to:			
Equity shareholders		**138.4**	335.7
Non-controlling interests**		**3.4**	9.9
Profit for the year		**141.8**	345.6
Basic and diluted earnings per share			
Continuing operations		**12.6p**	41.1p
Discontinued operations		**6.8p**	6.2p
Total	11A	**19.4p**	47.3p
EPRA earnings per share	11A	**20.9p**	19.3p

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

** Non-controlling interests relate to continuing operations.

Consolidated statement of comprehensive income

For the year ended 31 December 2012

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

Consolidated balance sheet

As at 31 December 2012

	Notes	2012 £m	2011 £m
Non-current assets			
Investment and development properties*	12	**5,458.4**	5,719.6
Interests in leasehold properties*		**42.3**	17.7
Plant, equipment and owner-occupied property	13	**36.7**	35.4
Investment in associate	14B	**428.4**	–
Other investments	16	**1.4**	215.1
Receivables	17	**66.6**	55.7
		6,033.8	6,043.5
Current assets			
Assets held for sale	9D	**212.6**	–
Receivables*	18	**102.7**	111.7
Cash and deposits*	19	**57.1**	100.7
		372.4	212.4
Total assets		**6,406.2**	6,255.9
Current liabilities			
Liabilities associated with assets held for sale	9D	**90.4**	–
Payables*	20	**243.7**	244.4
Tax	8C	**1.4**	1.1
Borrowings*	21A	**158.0**	100.7
		493.5	346.2
Non-current liabilities			
Borrowings*	21A	**1,880.1**	1,979.2
Deferred tax	8C	**0.5**	0.5
Tax	8C	**–**	0.3
Obligations under finance leases*	23	**42.3**	17.6
Payables*	24	**64.1**	63.7
		1,987.0	2,061.3
Total liabilities		**2,480.5**	2,407.5
Net assets		**3,925.7**	3,848.4
Equity			
Share capital	25	**178.2**	178.2
Share premium		**1,222.3**	1,221.9
Translation reserve		**339.7**	381.1
Hedging reserve		**(279.4)**	(306.7)
Capital redemption reserve		**7.2**	7.2
Other reserves		**10.9**	9.3
Revaluation reserve		**18.0**	161.7
Retained earnings		**2,360.3**	2,125.7
Investment in own shares	26	**(6.0)**	(1.8)
Treasury shares	27	**–**	(4.7)
Equity shareholders' funds		**3,851.2**	3,771.9
Non-controlling interests**		**74.5**	76.5
Total equity		**3,925.7**	3,848.4
Diluted net asset value per share	11B	**£5.41**	£5.30
EPRA net asset value per share	11B	**£5.42**	£5.30

* Assets and liabilities relating to discontinued operations have been reclassified as held for sale. See note 9.
** Non-controlling interests relate to continuing operations.

These financial statements were approved by the Board of Directors on 28 February 2013.

Signed on behalf of the Board

David Atkins
Director

Timon Drakesmith
Director

Registered in England No. 360632

Consolidated statement of changes in equity

For the year ended 31 December 2012

	Share capital £m	Share premium £m	Translation reserve £m	Hedging reserve £m	Capital redemption reserve £m	Other reserves £m	Revaluation reserve £m	Retained earnings £m	Investment in own shares £m	Treasury shares £m	Equity shareholders' funds £m	Non-controlling interests £m	Total equity £m
Balance at 1 January 2012	178.2	1,221.9	381.1	(306.7)	7.2	9.3	161.7	2,125.7	(1.8)	(4.7)	3,771.9	76.5	3,848.4
Issue of shares	–	0.4	–	–	–	–	–	–	–	–	0.4	–	0.4
Share-based employee remuneration	–	–	–	–	–	4.9	–	–	–	–	4.9	–	4.9
Cost of shares awarded to employees	–	–	–	–	–	(3.9)	–	–	3.9	–	–	–	–
Transfer on award of own shares to employees	–	–	–	–	–	0.6	–	(0.6)	–	–	–	–	–
Proceeds on award of own shares to employees	–	–	–	–	–	–	–	0.2	–	–	0.2	–	0.2
Transfer from treasury shares	–	–	–	–	–	–	–	–	(4.7)	4.7	–	–	–
Purchase of own shares	–	–	–	–	–	–	–	–	(3.4)	–	(3.4)	–	(3.4)
Dividends	–	–	–	–	–	–	–	(120.9)	–	–	(120.9)	(3.2)	(124.1)
Foreign exchange translation differences	–	–	(41.4)	–	–	–	–	–	–	–	(41.4)	(2.2)	(43.6)
Net gain on hedging activities	–	–	–	27.3	–	–	–	–	–	–	27.3	–	27.3
Revaluation gains on owner-occupied property	–	–	–	–	–	–	0.1	–	–	–	0.1	–	0.1
Revaluation gains on other investments	–	–	–	–	–	–	74.4	–	–	–	74.4	–	74.4
Actuarial losses on pension schemes	–	–	–	–	–	–	–	(0.7)	–	–	(0.7)	–	(0.7)
Transfer on recognition of investment as an associate	–	–	–	–	–	–	(218.2)	218.2	–	–	–	–	–
Profit for the year attributable to equity shareholders	–	–	–	–	–	–	–	138.4	–	–	138.4	3.4	141.8
Total comprehensive income/(loss) for the year	–	–	(41.4)	27.3	–	–	(143.7)	355.9	–	–	198.1	1.2	199.3
Balance at 31 December 2012	178.2	1,222.3	339.7	(279.4)	7.2	10.9	18.0	2,360.3	(6.0)	–	3,851.2	74.5	3,925.7
Notes	25								26	27			

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

Consolidated statement of changes in equity

For the year ended 31 December 2011

	Share capital £m	Share premium £m	Translation reserve £m	Hedging reserve £m	Capital redemption reserve £m	Other reserves £m	Revaluation reserve £m	Retained earnings £m	Investment in own shares £m	Treasury shares £m	Equity shareholders' funds £m	Non-controlling interests £m	Total equity £m
Balance at 1 January 2011	176.9	1,222.5	415.2	(334.6)	7.2	8.6	101.5	1,890.1	(4.0)	(3.4)	3,480.0	71.7	3,551.7
Issue of shares	0.1	0.6	–	–	–	–	–	–	–	–	0.7	–	0.7
Share-based employee remuneration	–	–	–	–	–	4.0	–	–	–	–	4.0	–	4.0
Cost of shares awarded to employees	–	–	–	–	–	(5.6)	–	–	5.6	–	–	–	–
Transfer on award of own shares to employees	–	–	–	–	–	2.3	–	(2.3)	–	–	–	–	–
Proceeds on award of own shares to employees	–	–	–	–	–	–	–	0.2	–	–	0.2	–	0.2
Transfer from treasury shares	–	–	–	–	–	–	–	–	(3.4)	3.4	–	–	–
Purchase of treasury shares	–	–	–	–	–	–	–	–	–	(4.7)	(4.7)	–	(4.7)
Dividends	–	–	–	–	–	–	–	(92.3)	–	–	(92.3)	(3.3)	(95.6)
Scrip dividends	1.2	(1.2)	–	–	–	–	–	–	–	–	–	–	–
Foreign exchange translation differences	–	–	(34.1)	–	–	–	–	–	–	–	(34.1)	(1.8)	(35.9)
Net gain on hedging activities	–	–	–	27.9	–	–	–	–	–	–	27.9	–	27.9
Revaluation gains on owner-occupied property	–	–	–	–	–	–	2.8	–	–	–	2.8	–	2.8
Revaluation gains on other investments	–	–	–	–	–	–	57.4	–	–	–	57.4	–	57.4
Actuarial losses on pension schemes	–	–	–	–	–	–	–	(5.7)	–	–	(5.7)	–	(5.7)
Profit for the year attributable to equity shareholders	–	–	–	–	–	–	–	335.7	–	–	335.7	9.9	345.6
Total comprehensive income/(loss) for the year	–	–	(34.1)	27.9	–	–	60.2	330.0	–	–	384.0	8.1	392.1
Balance at 31 December 2011	178.2	1,221.9	381.1	(306.7)	7.2	9.3	161.7	2,125.7	(1.8)	(4.7)	3,771.9	76.5	3,848.4
Notes	25								26	27			

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

Consolidated cash flow statement

For the year ended 31 December 2012

	Notes	2012 £m	2011 £m
Operating activities			
Operating profit before other net (losses)/gains and share of results of associate			
– continuing operations	2	215.9	217.8
– discontinued operations	9B	23.7	31.3
		239.6	249.1
Increase in receivables		(14.5)	(10.5)
Increase in payables		13.5	19.5
Adjustment for non-cash items	28	14.0	2.7
Cash generated from operations		252.6	260.8
Interest paid		(117.6)	(115.4)
Interest received		5.7	3.1
Tax paid	8C	(0.8)	(0.7)
Cash flows from operating activities		139.9	147.8
Investing activities			
Property acquisitions		(397.3)	(374.1)
Development and major refurbishments		(122.9)	(91.2)
Other capital expenditure		(48.0)	(23.6)
Sale of properties		585.0	178.9
Sale of interest in joint venture		–	92.9
Purchase of other investments		(80.0)	(24.7)
Distribution received from associate		2.4	–
Decrease/(Increase) in non-current receivables		5.2	(10.2)
Cash flows from investing activities		(55.6)	(252.0)
Financing activities			
Issue of shares		0.5	0.7
Proceeds from award of own shares		0.2	0.2
Purchase of own shares		(3.4)	–
Purchase of treasury shares		–	(4.7)
Interest rate swap cancellation costs paid		(5.2)	–
Bond redemption premium and costs paid	7	(13.8)	–
Floating rate reset bonds redemption premium and costs paid	7	(41.7)	–
(Decrease)/Increase in non-current borrowings		(20.0)	78.3
Increase in current borrowings		87.1	94.0
Dividends paid to non-controlling interests		(3.2)	(3.3)
Equity dividends paid	10	(118.4)	(86.1)
Cash flows used in financing activities		(117.9)	79.1
Net decrease in cash and deposits		(33.6)	(25.1)
Opening cash and deposits		100.7	126.2
Exchange translation movement		(0.7)	(0.4)
Closing cash and deposits	19	66.4	100.7
Cash and deposits classified as assets held for sale	9D	(9.3)	–
Cash and deposits as stated on balance sheet	19	57.1	100.7

The cash flows above relate to continuing and discontinued operations. See note 9 for information on discontinued operations.

Analysis of movement in net debt

For the year ended 31 December 2012

	Short-term deposits £m	Cash at bank £m	Current borrowings including currency swaps £m	Non-current borrowings £m	Net debt £m
Balance at 1 January 2012	39.5	61.2	(85.7)	(1,979.2)	(1,964.2)
Cash flow	(27.5)	(6.1)	(87.1)	20.0	(100.7)
Exchange	–	(0.7)	13.5	15.8	28.6
Balance at 31 December 2012	12.0	54.4	(159.3)	(1,943.4)	(2,036.3)
Cash and deposits and borrowings classified as assets held for sale (note 9D)	–	(9.3)	1.3	63.3	55.3
As stated on balance sheet at 31 December 2012	12.0	45.1	(158.0)	(1,880.1)	(1,981.0)

Notes to the accounts

1: Significant accounting policies

Statement of compliance

The consolidated financial statements have been prepared in accordance with IFRS and interpretations adopted by the European Union.

During 2012, the following pronouncements either had no impact on the financial statements or resulted in changes to presentation and disclosure only:

- Amendments to IAS 12 Deferred Tax: Recovery of Underlying Assets; effective for accounting periods beginning on or after 1 January 2012
- Amendments to IFRS 7 Disclosures – Transfers of Financial Assets; effective for accounting periods beginning on or after 1 July 2011

At the date of approval of these financial statements the following standards and guidance relevant to the Group were in issue but not yet effective:

- Amendments to IFRS 7 Disclosures – Offsetting Financial Assets and Financial Liabilities; effective for accounting periods beginning on or after 1 January 2013
- Amendments to IAS 32 Offsetting Financial Assets and Financial Liabilities; effective for accounting periods beginning on or after 1 January 2014
- IFRS 9 Financial Instruments; effective for accounting periods beginning on or after 1 January 2015
- IAS 28 Investments in Associates and Joint Ventures; effective for periods commencing on or after 1 January 2013
- Amendments to IAS 1 Presentation of items of other comprehensive income; effective for accounting periods beginning on or after 1 July 2012
- IFRS 10 Consolidated Financial Statements; effective for accounting periods beginning on or after 1 January 2013
- IFRS 11 Joint Arrangements; effective for accounting periods beginning on or after 1 January 2013
- IFRS 12 Disclosure of interests in other entities; effective for accounting periods beginning on or after 1 January 2013
- IFRS 13 Fair value measurement; effective for accounting periods beginning on or after 1 January 2013
- IAS 27 Separate Financial Statements; effective for accounting periods beginning on or after 1 January 2013
- Amendments to IFRS 10, IFRS 12 and IAS 27 Investment entities; effective for accounting periods beginning on or after 1 January 2014
- Amendments to IFRS 1 Government Loans; effective for accounting periods beginning on or after 1 January 2013
- Revised IAS 19 Employee Benefits; effective for accounting periods beginning on or after 1 January 2013

With the exception of IFRS 11, these pronouncements, when applied, will either result in changes to presentation and disclosure, or are not expected to have a material impact on the financial statements.

IFRS 11 'Joint Arrangements' has been endorsed by the EU and is effective for periods beginning on or after 1 January 2014. The Directors are assessing the impact that the adoption of IFRS 11 may have on the financial statements of the Group in future periods. The Directors do not expect that the adoption of IFRS 11 will impact profit after tax and net assets presented in the financial statements. The Directors do note however, that the presentation of the financial statements may differ, should it be concluded that the equity method of accounting should be applied to any of the Group's joint arrangements. It is not considered practicable to provide a reasonable estimate of the effect of this standard on the presentation of the financial statements until a detailed review has been completed.

Basis of preparation

The financial statements are prepared on a going concern basis, as explained in the Directors' Report on page 78.

The financial statements are presented in sterling. They are prepared on the historical cost basis, except that investment and development properties, owner-occupied properties, other investments and derivative financial instruments are stated at fair value.

The accounting policies have been applied consistently to the results, other gains and losses, assets, liabilities and cash flows of entities included in the consolidated financial statements.

Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period. If the revision affects both current and future periods, the change is recognised over those periods.

On 19 June 2012, the Group exchanged contracts with Brookfield Office Properties to dispose of the majority of its office portfolio by June 2013. Consequently, the assets and liabilities of the relevant subsidiaries have been classified as held for sale. This transaction is part of Hammerson's decision to focus on retail property and the Group has sold the majority of the remainder of the office portfolio, which is also classified as held for sale as the relevant criteria have been met. The income and expenditure of these offices have been classified as discontinued operations in both the current and comparative periods as these disposals result in the discontinuation of the Group's office property activities, which was considered to be a major line of business. Details of discontinued operations and assets and liabilities classified as held for sale are set out in note 9.

Significant judgements and key estimates

The preparation of the financial statements requires management to make judgements, estimates and assumptions that may affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses.

Property valuations

The property portfolio, which is carried in the balance sheet at fair value, is valued six-monthly by professionally qualified external valuers and the Directors must ensure that they are satisfied that the valuation of the Group's properties is appropriate for the accounts. Investment properties, excluding properties held for development, are valued by adopting the 'investment method' of valuation. This approach involves applying market-derived capitalisation yields to current and market-derived future income streams with appropriate adjustments for income voids arising from vacancies or rent-free periods. These capitalisation yields and future income streams are derived from comparable property and leasing transactions and are considered to be the key inputs in the valuation. Other factors that are taken into account in the valuations include the tenure of the property, tenancy details and ground and structural conditions.

1: Significant accounting policies (continued)

In the case of ongoing developments, the approach applied is the 'residual method' of valuation, which is the investment method of valuation as described above with a deduction for all costs necessary to complete the development, together with a further allowance for remaining risk. Properties held for future development are generally valued by adopting the higher of the residual method of valuation allowing for all associated risks, or the investment method of valuation for the existing asset. Property valuations are one of the principal uncertainties of the Group, as noted on page 37.

Tenant leases

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

Other investments

The Company holds other investments that are classified as available for sale and held at fair value on the balance sheet. The fair value of these investments is based on the Directors' valuation, with regard to external valuations where appropriate.

Accounting for acquisitions

Management must assess whether the acquisition of property through the purchase of a corporate vehicle should be accounted for as an asset purchase or a business combination. As noted in the accounting policy below, where the acquired company contains significant assets or liabilities in addition to property, the transaction is accounted for as a business combination. Where there are no such items, the transaction is treated as an asset purchase.

Accounting for joint ventures

The accounting treatment for our joint ventures requires an assessment to determine the degree of control or influence that the Group may exercise over them and the form of any control. Hammerson's interest in its joint ventures is commonly driven by the terms of partnership agreements, which ensure that control is shared between the partners. As a result, these are accounted for as jointly controlled entities and are included in the financial statements on a proportionate consolidation basis in accordance with IAS 31.

Accounting for associates

Associates are those entities over which the Group is in a position to exercise significant influence, but not control or joint control. The Directors must exercise judgement in determining whether the Group is in a position to exercise significant influence.

REIT and SIIC status

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

Basis of consolidation

Subsidiaries

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

Where properties are acquired through corporate acquisitions but there are no significant assets or liabilities other than property, the acquisition is treated as an asset acquisition. In other cases, particularly where there is an integrated set of activities and assets, capable of being conducted and managed for the purpose of providing a return, the business combination approach method is used.

Joint ventures

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

Associates

The results, assets and liabilities of associates are accounted for using the equity method. Investments in associates are carried in the balance sheet at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the associate, less any impairment. Losses of an associate in excess of the Group's interest in that associate are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

Goodwill

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

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

Foreign currency

Foreign currency transactions

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

Financial statements of foreign operations

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

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

Notes to the accounts *(continued)*

1: Significant accounting policies (continued)

Net investment in foreign operations
Exchange differences arising from the translation of the net investment in foreign operations are taken to the translation reserve. They are released to the income statement upon disposal of the foreign operation.

Borrowings, interest and derivatives

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

Derivative financial instruments
The Group uses derivative financial instruments to economically hedge its exposure to foreign currency movements and interest rate risks. Hedge accounting is applied in respect of net investments in foreign operations.

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

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

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

Capitalisation of interest
Interest is capitalised if it is directly attributable to the acquisition, construction or production of development properties or the redevelopment of investment properties. Capitalisation commences when the activities to develop the property start and continues until the property is substantially ready for its intended use. Capitalised interest is calculated with reference to the actual rate payable on borrowings for development purposes or, for that part of the development cost financed out of general funds, to the average rate.

Property portfolio

Investment properties
Investment properties are stated at fair value, being market value determined by professionally qualified external valuers, and changes in fair value are included in the income statement.

Development properties
Properties acquired with the intention of redevelopment are classified as development properties and stated at fair value, being market value determined by professionally qualified external valuers. Changes in fair value are included in the income statement.

All costs directly associated with the purchase and construction of a development property are capitalised. When development properties are completed, they are reclassified as investment properties.

Leasehold properties
Leasehold properties that are leased out to tenants under operating leases are classified as investment properties or development properties, as appropriate, and included in the balance sheet at fair value.

The obligation to the freeholder or superior leaseholder for the buildings element of the leasehold is included in the balance sheet at the present value of the minimum lease payments at inception. Payments to the freeholder or superior leaseholder are apportioned between a finance charge and a reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent rents payable, such as rent reviews or those related to rental income, are charged as an expense in the periods in which they are incurred.

An asset equivalent to the leasehold obligation is recorded in the balance sheet within 'interests in leasehold properties', and is amortised over the lease term.

Depreciation
In accordance with IAS 40 Investment Property, no depreciation is provided in respect of investment and development properties, which are carried at fair value. Leasehold property occupied by the Group ('owner-occupied property') is depreciated where material over its expected useful life, giving due consideration to its estimated residual value.

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

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

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

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

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

1: Significant accounting policies
(continued)

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

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

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

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

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

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

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

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

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

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

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

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

Notes to the accounts *(continued)*

2: Result for the year

	Notes	Adjusted £m	Capital and other £m	Total 2012 £m	Adjusted £m	Capital and other £m	Total 2011 £m
Gross rental income	3A	**297.6**	**–**	**297.6**	305.9	–	305.9
Ground and equity rents payable		**(1.9)**	**–**	**(1.9)**	(2.0)	–	(2.0)
Gross rental income, after rents payable		**295.7**	**–**	**295.7**	303.9	–	303.9
Service charge income		**54.5**	**–**	**54.5**	52.7	–	52.7
Service charge expenses		**(62.7)**	**–**	**(62.7)**	(62.1)	–	(62.1)
Net service charge expenses		**(8.2)**	**–**	**(8.2)**	(9.4)	–	(9.4)
Other property outgoings		**(28.7)**	**–**	**(28.7)**	(30.7)	–	(30.7)
Property outgoings		**(36.9)**	**–**	**(36.9)**	(40.1)	–	(40.1)
Net rental income	3A	**258.8**	**–**	**258.8**	263.8	–	263.8
Management fees receivable		**5.9**	**–**	**5.9**	5.2	–	5.2
Cost of property activities		**(31.4)**	**–**	**(31.4)**	(33.3)	–	(33.3)
Corporate expenses		**(17.4)**	**–**	**(17.4)**	(17.9)	–	(17.9)
Administration expenses		**(42.9)**	**–**	**(42.9)**	(46.0)	–	(46.0)
Operating profit before other net (losses)/gains and share of results of associate		**215.9**	**–**	**215.9**	217.8	–	217.8
Gain on the sale of investment properties		**–**	**12.2**	**12.2**	–	19.5	19.5
Gain on sale of interest in joint venture		**–**	**–**	**–**	–	4.0	4.0
Revaluation (losses)/gains on investment properties		**–**	**(68.3)**	**(68.3)**	–	142.0	142.0
Revaluation gains on development properties		**–**	**19.8**	**19.8**	–	24.9	24.9
Other net (losses)/gains		**–**	**(36.3)**	**(36.3)**	–	190.4	190.4
Share of results of associate	14A	**4.3**	**43.2**	**47.5**	–	–	–
Operating profit		**220.2**	**6.9**	**227.1**	217.8	190.4	408.2
Net finance costs	7	**(87.5)**	**(46.1)**	**(133.6)**	(103.0)	(2.8)	(105.8)
Profit before tax		**132.7**	**(39.2)**	**93.5**	114.8	187.6	302.4
Current tax charge	8A	**(0.4)**	**–**	**(0.4)**	(0.7)	–	(0.7)
Profit from continuing operations		**132.3**	**(39.2)**	**93.1**	114.1	187.6	301.7
Profit from discontinued operations	9B	**19.8**	**28.9**	**48.7**	26.8	17.1	43.9
Profit for the year		**152.1**	**(10.3)**	**141.8**	140.9	204.7	345.6
Non-controlling interests – continuing operations	11A	**(3.3)**	**(0.1)**	**(3.4)**	(3.9)	(6.0)	(9.9)
Profit for the year attributable to equity shareholders	11A	**148.8**	**(10.4)**	**138.4**	137.0	198.7	335.7
Profit for the year attributable to equity shareholders							
Continuing operations	11A	**129.0**	**(39.3)**	**89.7**	110.2	181.6	291.8
Discontinued operations	11A	**19.8**	**28.9**	**48.7**	26.8	17.1	43.9
		148.8	**(10.4)**	**138.4**	137.0	198.7	335.7

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

Jacques Espinasse, a Non-Executive Director, leased an apartment from the Group from 2 January 2012 until the date of sale of the relevant property on 22 May 2012. The total payments made to the Group during the year in respect of this ten-year lease, which was at market rate, comprised rent of €7,000 and a contribution to refurbishment costs of €43,000. The management fees receivable in notes 2 and 9B include fees paid to Hammerson in respect of joint ventures for investment and development management services. Except as noted above, and in relation to Directors' remuneration, all other related party transactions are eliminated on consolidation.

2: Result for the year (continued)

The Group's revenue includes gross rental income, service charge income, management fees receivable and finance income. See table above and note 7 on page 98.

3: Segmental analysis

The factors used to determine the Group's reportable segments are the geographic locations (UK and Continental Europe) and sectors in which it operates, which are generally managed by separate teams and are the basis on which performance is assessed and resources allocated. Gross rental income represents the Group's revenue from its 'customers' or tenants. Net rental income is the principal profit measure used to determine the performance of each sector. Total assets are not monitored by segment and resource allocation is based on the distribution of property assets between segments. Following the decision to dispose of the majority of the Group's offices, as referred to in note 9, the reporting segments have been reanalysed, in line with our management reporting, and previously reported figures reclassified accordingly.

A: Revenue and profit by segment

		2012				2011			
				Non-cash items				Non-cash items	
		Gross rental income £m	Net rental income £m	Within net rental income £m	Revaluation gains/(losses) on properties £m	Gross rental income £m	Net rental income £m	Within net rental income £m	Revaluation gains/(losses) on properties £m
Continuing operations									
United Kingdom									
Retail:	Shopping centres	141.2	117.0	(7.2)	(21.2)	136.2	112.6	(6.4)	66.0
	Retail parks	70.9	66.8	(0.9)	(30.6)	65.9	61.8	(1.0)	23.9
		212.1	183.8	(8.1)	(51.8)	202.1	174.4	(7.4)	89.9
Other UK		16.2	13.9	(0.2)	(17.3)	23.0	20.7	5.8	(24.8)
Total United Kingdom		228.3	197.7	(8.3)	(69.1)	225.1	195.1	(1.6)	65.1
Continental Europe									
France:	Retail	69.1	61.3	–	0.8	80.7	68.9	0.3	76.9
Group									
Retail		281.2	245.1	(8.1)	(51.0)	282.8	243.3	(7.1)	166.8
Other UK		16.2	13.9	(0.2)	(17.3)	23.0	20.7	5.8	(24.8)
Total investment portfolio		297.4	259.0	(8.3)	(68.3)	305.8	264.0	(1.3)	142.0
Developments and other sources not analysed above		0.2	(0.2)	–	19.8	0.1	(0.2)	–	24.9
Total continuing operations		297.6	258.8	(8.3)	(48.5)	305.9	263.8	(1.3)	166.9
As disclosed in note		2	2	28	2, 12	2	2	28	2, 12
Discontinued operations									
Other UK		28.0	24.1	1.5	(1.4)	38.2	32.2	0.2	19.4
As disclosed in note		9B	9B	28	9B, 12	9B	9B	28	9B, 12
Total portfolio		325.6	282.9	(6.8)	(49.9)	344.1	296.0	(1.1)	186.3

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

Notes to the accounts *(continued)*

3: Segmental analysis (continued)

B: Investment and development property assets by segment

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

C: Analysis of equity shareholders' funds

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

As part of the Group's foreign currency hedging programme, at 31 December 2012 the Group had currency swaps outstanding, which are included in the analysis above. Further details are set out in note 22C.

4: Administration expenses

Administration expenses include the following items:

Staff costs, including Directors

		Note	2012 £m	2011 £m
Salaries and wages			22.7	23.1
Performance-related bonuses	– payable in cash		7.2	5.2
	– payable in shares		1.1	0.5
			8.3	5.7
Other share-based employee remuneration			3.7	3.3
Social security			5.8	5.3
Net pension expense	– defined benefit schemes	6	1.3	1.4
	– defined contribution schemes	6	2.0	1.8
			3.3	3.2
Continuing operations			43.8	40.6
Discontinued operations		9B	1.1	1.5
Total			44.9	42.1

Of the above amount, £10.8 million (2011: £8.7 million) was recharged to tenants through service charges and £0.8 million (2011: £ nil) capitalised in respect of development projects. Further details of share-based payment arrangements, some of which have performance conditions, are provided in the Remuneration Report on pages 62 to 77. In addition to the figures above, redundancy related costs of £0.1 million (2011: £1.6 million) were incurred during the year.

Staff throughout the Company, including Executive Directors, participate in a performance-related bonus scheme, part payable in cash and part payable in shares. The Company also operates a number of share plans under which employees, including Executive Directors, are eligible to participate. Details of these schemes are set out in the Remuneration Report on pages 69 to 73. In addition, the Company operates the following share plans in which Directors do not participate:

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

French Share Plan
For French employees, who are not able to participate in the Share Incentive Plan referred to on page 69 or the Restricted Share Plan referred to above, there is a share plan under which conditional awards of shares are made. The number of shares that will vest after a two-year period is dependent on a combination of the performance of the Company's investment portfolio in France and the Group's performance.

Staff numbers

	2012 Number	2011 Number
Average number of staff	405	380
Staff recharged to tenants, included above	161	130

Other information

		2012 £m	2011 £m
Auditor's remuneration:	Audit of the Company's annual accounts	0.3	0.2
	Audit of subsidiaries, pursuant to legislation	0.4	0.3
	Other services	0.4	0.1
Other auditor's remuneration:	Audit of subsidiaries, pursuant to legislation, and other services	0.2	0.2
Depreciation of plant, equipment and owner-occupied property		1.5	1.7

Auditor's remuneration: Other services includes £0.2 million for due diligence services prior to acquisition of additional interests in Value Retail, and £0.2 million payable to Drivas Jonas Deloitte in respect of advice relating to the acquisition of The Junction Fund.

Notes to the accounts *(continued)*

5: Directors' emoluments
Full details of the Directors' emoluments, as required by the Companies Act 2006, are disclosed in the audited sections of the Remuneration Report on pages 62 to 77. The Executive Directors are considered to be 'Key Management' for the purposes of IAS 24 'Related party transactions'.

The Company did not grant any credits, advances or guarantees of any kind to its Directors during the year.

6: Pensions
Defined benefit pension schemes
Hammerson Group Management Limited Pension & Life Assurance Scheme (the 'Scheme')
The Scheme is funded and the funds, which are administered by trustees, are independent of the Group's finances. The Scheme, which was closed to new entrants on 31 December 2002, provides a pension linked to final salary at retirement.

Unfunded Unapproved Retirement Scheme
The unfunded scheme provides pension benefits to two former Executive Directors; one in the UK and one in France. The amount of pension is linked to final salary at retirement. The accrued benefits in respect of the former Executive Directors remain within the scheme and are now paid directly by the Group.

US Unfunded Unapproved Retirement Scheme
The US unfunded pension commitment relates to obligations to four former employees and their spouses.

Defined contribution pension schemes
The Company operates the UK funded approved Group Personal Pension Plan and the UK funded unapproved retirement benefit scheme, both of which are defined contribution pension schemes. The Group's total cost for the year relating to defined contribution pension schemes was £2.1 million (2011: £1.9 million), being £2.0 million (2011: £1.8 million) relating to continuing operations and £0.1 million (2011: £0.1 million) in respect of discontinued operations.

Principal actuarial assumptions used for defined benefit pension schemes

	31 December 2012 %	31 December 2011 %	31 December 2010 %	31 December 2009 %	31 December 2008 %
Discount rate for scheme liabilities	**4.5**	4.7	5.4	5.75	6.5
Expected return on scheme assets	**6.4**	6.4	7.6	7.8	6.8
Increase in pensionable salaries	**3.5**	3.7	4.0	4.1	3.3
Increase in retail price index	**3.0**	3.2	3.5	3.6	2.8
Increase in pensions in payment	**3.0**	3.2	3.5	3.6	2.8
Mortality table	SAPS Light CMI 0.5%	SAPS Light CMI 0.5%	SAPS MC	PA92 C2020	PA92 C2020

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

Amounts recognised in the income statement in respect of defined benefit pension schemes

	Included in income statement line	2012 £m	2011 £m
Current service cost	Administration expenses	**1.3**	1.4
Expected return on assets	Other interest payable	**(3.3)**	(3.9)
Interest cost	Other interest payable	**3.7**	4.0
Total pension expense		**1.7**	1.5

The Group expects to make regular contributions totalling £1.6 million to the Scheme in the next financial year.

6: Pensions (continued)

Amounts recognised in the balance sheet in respect of defined benefit pension schemes

	2012 £m	2011 £m	2010 £m	2009 £m	2008 £m
Fair value of Scheme assets	**55.0**	51.5	51.0	47.4	42.4
Present value of Scheme obligations	**(72.9)**	(70.7)	(66.0)	(58.4)	(40.9)
	(17.9)	(19.2)	(15.0)	(11.0)	1.5
Present value of unfunded defined benefit obligations	**(5.1)**	(4.4)	(4.6)	(4.5)	(4.0)
Present value of US unfunded defined benefit obligations	**(7.5)**	(7.1)	(6.3)	(5.6)	(5.6)
Net pension liability	**(30.5)**	(30.7)	(25.9)	(21.1)	(8.1)

	2012 £m	2011 £m
Analysed as:		
Current liabilities: Other payables	**(0.8)**	(0.7)
Non-current liabilities	**(29.7)**	(30.0)
	(30.5)	(30.7)

The actual return on the Scheme assets for the year ended 31 December 2012 was 7.1% (2011: 0.5%).

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

Experience gains and losses for current and prior years

	2012 £m	2011 £m	2010 £m	2009 £m	2008 £m
Experience (losses)/gains on plan liabilities	**(0.6)**	(0.2)	0.3	(0.1)	(0.3)
Experience (losses)/gains on plan assets	**(0.4)**	(3.6)	(0.8)	3.9	(8.5)

Analysis of classes of defined benefit pension scheme assets as a proportion of the total fair value of assets

	2012 %	2011 %
Investments with target return linked to retail price index	**100**	100

Changes in the present value of defined benefit pension scheme obligations

	2012 £m	2011 £m
At 1 January	**82.2**	77.0
Service cost	**1.3**	1.5
Interest cost	**3.7**	4.0
Actuarial losses	**1.1**	2.1
Benefits	**(2.4)**	(2.4)
Exchange gains	**(0.4)**	–
At 31 December	**85.5**	82.2

Changes in the fair value of defined benefit pension scheme assets

	2012 £m	2011 £m
At 1 January	**51.5**	51.1
Expected return	**3.3**	3.9
Actuarial gains/(losses)	**0.4**	(3.6)
Contributions by employer	**1.5**	1.7
Benefits	**(1.7)**	(1.6)
At 31 December	**55.0**	51.5

The cumulative net actuarial losses recognised in the consolidated statement of comprehensive income at 31 December 2012 were £30.6 million (2011: £29.9 million).

Notes to the accounts *(continued)*

7: Net finance costs

	2012 £m	2011 £m
Interest on bank loans and overdrafts	**11.6**	9.9
Interest on other borrowings	**89.2**	100.9
Interest on obligations under finance leases	**0.6**	0.6
Other interest payable	**1.4**	1.7
Gross interest costs	**102.8**	113.1
Less: Interest capitalised	**(8.8)**	(4.9)
Finance costs	**94.0**	108.2
Bond redemption – premium and costs*	**13.8**	–
Floating rate reset bonds redemption – premium and costs*	**41.7**	–
Change in fair value of interest rate swaps	**(8.3)**	1.7
Change in fair value of currency swaps outside hedge accounting designation	**(1.1)**	1.1
Change in fair value of derivatives*	**(9.4)**	2.8
Finance income	**(6.5)**	(5.2)
Net finance costs	**133.6**	105.8
Underlying finance costs		
Gross interest costs	**102.8**	113.1
Finance income	**(6.5)**	(5.2)
Net underlying finance costs	**96.3**	107.9

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

8: Tax

A: Tax charge

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

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

B: Tax charge reconciliation

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

8: Tax (continued)

C: Current and deferred tax movements

	1 January 2012 £m	Recognised in income £m	Tax paid £m	Acquisitions £m	31 December 2012 £m
Current tax	1.2	0.4	(0.8)	0.4	**1.2**
Deferred tax	0.5	–	–	–	**0.5**
	1.7	0.4	(0.8)	0.4	**1.7**
Analysed as:					
Current assets: Corporation tax	(0.2)				**(0.2)**
Current liabilities: Tax	1.1				**1.4**
Non-current liabilities: Deferred tax	0.5				**0.5**
Non-current liabilities: Tax	0.3				**–**
	1.7				**1.7**

D: Unrecognised deferred tax

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

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

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

E: UK REIT status

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

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

F: French SIIC status

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

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

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

Notes to the accounts *(continued)*

9: Discontinued operations and assets and liabilities classified as held for sale

A: Disposals

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

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

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

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

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

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

B: Result for the year

	Notes	2012 Adjusted £m	2012 Capital and other £m	2012 Total £m	2011 Adjusted £m	2011 Capital and other £m	2011 Total £m
Gross rental income	3A	**28.0**	**–**	**28.0**	38.2	–	38.2
Ground and equity rents payable		**(0.3)**	**–**	**(0.3)**	(1.8)	–	(1.8)
Gross rental income, after rents payable		**27.7**	**–**	**27.7**	36.4	–	36.4
Service charge income		**4.0**	**–**	**4.0**	7.1	–	7.1
Service charge expenses		**(6.7)**	**–**	**(6.7)**	(8.0)	–	(8.0)
Net service charge expenses		**(2.7)**	**–**	**(2.7)**	(0.9)	–	(0.9)
Other property outgoings		**(0.9)**	**–**	**(0.9)**	(3.3)	–	(3.3)
Property outgoings		**(3.6)**	**–**	**(3.6)**	(4.2)	–	(4.2)
Net rental income	3A	**24.1**	**–**	**24.1**	32.2	–	32.2
Management fees receivable		**0.7**	**–**	**0.7**	0.6	–	0.6
Cost of property activities		**(1.1)**	**–**	**(1.1)**	(1.5)	–	(1.5)
Administration expenses		**(0.4)**	**–**	**(0.4)**	(0.9)	–	(0.9)
Operating profit before other net gains		**23.7**	**–**	**23.7**	31.3	–	31.3
Gain on the sale of investment properties		**–**	**30.4**	**30.4**	–	–	–
Revaluation (losses)/gains on investment properties		**–**	**(1.4)**	**(1.4)**	–	14.5	14.5
Revaluation gains on development properties		**–**	**–**	**–**	–	4.9	4.9
Other net gains		**–**	**29.0**	**29.0**	–	19.4	19.4
Operating profit		**23.7**	**29.0**	**52.7**	31.3	19.4	50.7
Net finance costs		**(3.9)**	**(0.1)**	**(4.0)**	(4.5)	(2.3)	(6.8)
Profit before and after tax and profit for the year attributable to equity shareholders	2, 11A	**19.8**	**28.9**	**48.7**	26.8	17.1	43.9

9: Discontinued operations and assets and liabilities classified as held for sale (continued)

C: Cashflows from discontinued operations

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

D: Summary of assets and liabilities associated with assets held for sale

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

10: Dividends

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

The interim dividend of 7.7 pence per share was paid on 5 October 2012, as a PID, net of withholding tax where appropriate.

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

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

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

Notes to the accounts *(continued)*

11: Earnings per share and net asset value per share

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

A: Earnings per share

The calculations for earnings per share use the weighted average number of shares, which excludes those shares held in the Hammerson Employee Share Ownership Plan (note 26) and treasury shares (note 27), which are treated as cancelled.

		2012			2011		
	Notes	Earnings £m	Shares million	Pence per share	Earnings £m	Shares million	Pence per share
Basic – continuing operations	2	89.7	711.7	12.6	291.8	709.8	41.1
Basic – discontinued operations	2	48.7		6.8	43.9		6.2
Basic – total	2	138.4		19.4	335.7		47.3
Dilutive share options		–	0.2	–	–	0.3	–
Diluted		138.4	711.9	19.4	335.7	710.1	47.3
Adjustments:							
Other net losses/(gains)							
– continuing operations	2	36.3		5.1	(190.4)		(26.8)
– discontinued operations	9B	(29.0)		(4.1)	(19.4)		(2.7)
		7.3		1.0	(209.8)		(29.5)
Adjustment for associate	14A	(43.2)		(6.1)	–		–
Change in fair value of derivatives							
– continuing operations	7	(9.4)		(1.3)	2.8		0.4
– discontinued operations	9B	0.1		–	2.3		0.3
		(9.3)		(1.3)	5.1		0.7
Bond redemption-premium and costs	7	13.8		2.0	–		–
Floating rate reset bonds redemption-premium and costs	7	41.7		5.9	–		–
Non-controlling interests in respect of the above[1]	2	0.1		–	6.0		0.8
EPRA		148.8		20.9	137.0		19.3

[1] Non-controlling interests relate to continuing operations.

Further commentary on earnings and net asset value per share is provided in the Financial Review on pages 40 to 45.

B: Net asset value per share

		2012			2011		
	Notes	Equity shareholders' funds £m	Shares million	Net asset value per share £	Equity shareholders' funds £m	Shares million	Net asset value per share £
Basic		3,851.2	712.8	5.40	3,771.9	712.6	5.29
Company's own shares held in Employee Share Ownership Plan		–	(1.3)	n/a	–	(0.4)	n/a
Treasury shares		–	–	n/a	–	(1.2)	n/a
Unexercised share options		3.7	0.7	n/a	3.8	0.8	n/a
Diluted		3,854.9	712.2	5.41	3,775.7	711.8	5.30
Fair value adjustment to borrowings		(289.5)		(0.41)	(149.7)		(0.21)
EPRA triple net		3,565.4		5.00	3,626.0		5.09
Fair value of derivatives	22I	(11.6)		(0.02)	(4.4)		–
Fair value adjustment to borrowings	22I	289.5		0.41	149.7		0.21
Adjustment for associate	14B	16.2		0.03	–		–
Deferred tax	8C	0.5		–	0.5		–
EPRA		3,860.0		5.42	3,771.8		5.30

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

12: Investment and development properties

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

	Investment properties Cost £m	Investment properties Valuation £m	Development properties Cost £m	Development properties Valuation £m	Total Cost £m	Total Valuation £m
Balance at 1 January 2011	4,469.6	5,190.2	180.6	140.9	4,650.2	5,331.1
Exchange adjustment	(19.8)	(33.5)	(1.6)	(1.4)	(21.4)	(34.9)
Additions – continuing operations						
– capital expenditure	27.9	27.9	59.2	59.2	87.1	87.1
– asset acquisitions	275.0	275.0	–	–	275.0	275.0
	302.9	302.9	59.2	59.2	362.1	362.1
Additions – discontinued operations	106.3	106.3	8.5	8.5	114.8	114.8
Total additions	409.2	409.2	67.7	67.7	476.9	476.9
Disposals						
– continuing operations	(67.9)	(91.5)	–	–	(67.9)	(91.5)
– discontinued operations	(126.6)	(153.0)	–	–	(126.6)	(153.0)
	(194.5)	(244.5)	–	–	(194.5)	(244.5)
Capitalised interest	0.5	0.5	4.2	4.2	4.7	4.7
Revaluation						
– continuing operations	–	142.1	–	24.8	–	166.9
– discontinued operations	–	14.4	–	5.0	–	19.4
	–	156.5	–	29.8	–	186.3
Balance at 31 December 2011	4,665.0	5,478.4	250.9	241.2	4,915.9	5,719.6

Properties are stated at fair value as at 31 December 2012, valued by professionally qualified external valuers, DTZ Debenham Tie Leung, Chartered Surveyors. The valuations have been prepared in accordance with the RICS Valuation – Professional Standards (Incorporating the International Valuation Standards) March 2012 based on certain assumptions as set out in note 1.

Notes to the accounts *(continued)*

12: Investment and development properties (continued)

In the case of leasehold properties included in the tables above, valuations are net of any obligation to freeholders or superior leaseholders. To comply with IAS 40 and IAS 17 these obligations and the related leasehold assets are included in the balance sheet within 'Obligations under finance leases' (note 23) and 'Interests in leasehold properties' respectively. Further information is provided in 'Significant accounting policies' on page 90.

Valuation fees are based on a fixed amount agreed between the Group and the valuers and are independent of the portfolio value. Summaries of the valuers' reports are available on the Company's website: www.hammerson.com

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

At 31 December 2012 investment and development properties did not include any property held for sale (2011: £709.8 million, including £579.8 million in respect of discontinued operations).

	Freehold £m	Long leasehold £m	Total £m
Balance at 31 December 2012	**3,282.3**	**2,176.1**	**5,458.4**
Balance at 31 December 2011	3,447.5	2,272.1	5,719.6

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

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

13: Plant, equipment and owner-occupied property

	Owner-occupied property £m	Plant and equipment £m	Total £m
Cost or valuation			
Balance at 1 January 2011	**27.1**	**13.7**	**40.8**
Exchange adjustment	–	(0.1)	(0.1)
Additions	–	1.6	1.6
Revaluation	2.8	–	2.8
Balance at 31 December 2011/1 January 2012	29.9	15.2	45.1
Exchange adjustment	–	(0.2)	(0.2)
Additions	–	2.8	2.8
Disposals	–	(3.1)	(3.1)
Revaluation	0.1	–	0.1
Balance at 31 December 2012	**30.0**	**14.7**	**44.7**
Depreciation			
Balance at 1 January 2011	–	(7.4)	(7.4)
Disposals	–	(0.6)	(0.6)
Depreciation charge for the year	–	(1.7)	(1.7)
Balance at 31 December 2011/1 January 2012	–	(9.7)	(9.7)
Exchange adjustment	–	0.2	0.2
Disposals	–	3.0	3.0
Depreciation charge for the year	–	(1.5)	(1.5)
Balance at 31 December 2012	–	**(8.0)**	**(8.0)**
Book value at 31 December 2012	**30.0**	**6.7**	**36.7**
Book value at 31 December 2011	29.9	5.5	35.4

The Group occupies part of 10 Grosvenor Street, London W1, in which it holds a 50% joint venture interest. This property was valued as part of the portfolio valuation referred to in note 12. The fair value of owner-occupied property represents a nominal apportionment of the fair value of the property as a whole. The cost of owner-occupied property at 31 December 2012 was £12.0 million (2011: £12.0 million).

14: Investment in associate

On 21 August 2012 the Group gained significant influence over Value Retail PLC and associated entities and equity accounted for its investment from that date. See also note 16.

A: Share of results of associate – 21 August to 31 December 2012

	2012 100% £m	2012 Hammerson share £m
Revenue	61.9	18.1
Depreciation and amortisation	(1.7)	(0.6)
Operating profit before other net gains	60.2	17.5
Revaluation gains on investment properties	124.3	38.1
Other net operating costs	(35.9)	(9.1)
Operating profit	148.6	46.5
Interest income	1.3	0.4
Interest expense	(15.7)	(4.2)
Change in fair value of financial instruments	(17.6)	(3.4)
Change in fair value of participative loans	–	12.0
Change in fair value of derivatives	(17.6)	8.6
Profit before tax	116.6	51.3
Current tax charge	(1.7)	(0.3)
Deferred tax charge	(23.3)	(3.5)
Profit for the period	91.6	47.5
Foreign exchange translation differences	12.7	1.6
Total comprehensive income	104.3	49.1
Reconciliation to note 11A		
Profit for the period	91.6	47.5
Revaluation gains on investment properties	(124.3)	(38.1)
Change in fair value of derivatives	17.6	(8.6)
Deferred tax charge	23.3	3.5
Adjustment for associate	(83.4)	(43.2)
EPRA adjusted earnings of associate	8.2	4.3

Notes to the accounts *(continued)*

B: Share of assets and liabilities of associate

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

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

Reconciliation to note 11B

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

C: Reconciliation of movements in investment in associate

	Notes	£m
Transfer from other investments on 21 August 2012	16	**381.7**
Share of results of associate		**47.5**
Dividends		**(2.4)**
Foreign exchange translation differences		**1.6**
Balance at 31 December 2012	14B	**428.4**

15: Joint ventures

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

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

The Group's interest in The Highcross Limited Partnership does not confer the majority of voting rights nor the right to exercise dominant influence over the partnership. Instead the partnership is under the joint control of Hammerson and its respective partner. Consequently, the Group's interest is not treated as a subsidiary, but is accounted for by proportional consolidation.

The summarised income statements and balance sheets on pages 108 and 109, show the proportion of the Group's results, assets and liabilities that are derived from its joint ventures.

Notes to the accounts *(continued)*

15: Joint ventures (continued)

Income statements for the year ended 31 December 2012

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

Balance sheets as at 31 December 2012

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

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

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

15: Joint ventures (continued)

Income statements for the year ended 31 December 2011

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

Balance sheets as at 31 December 2011

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

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

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

Notes to the accounts *(continued)*

16: Other investments

Available for sale investments	Note	Value Retail PLC and associated entities ('VR') £m	Other investments £m	Total £m
Balance at 1 January 2012		**214.0**	**1.1**	**215.1**
Exchange adjustment		**(1.6)**	**–**	**(1.6)**
Acquisitions		**79.7**	**0.3**	**80.0**
Other additions*		**15.2**	**–**	**15.2**
Total additions		**94.9**	**0.3**	**95.2**
Revaluation		**74.4**	**–**	**74.4**
Transfer to associate	14C	**(381.7)**	**–**	**(381.7)**
Balance at 31 December 2012		**–**	**1.4**	**1.4**

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

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

On 21 August 2012, the Group acquired additional stakes in the sponsor entities of Bicester Investors Limited Partnership, Bicester Investors II LP, VR European Holdings BV and Value Retail PLC, increasing its interest in these Value Retail holding companies to 22%. These investments have been equity accounted from the date of acquisition of the additional stakes, and disclosed as Investment in Associate (see note 14), as the Group has significant influence through its ownership interest from this date. In addition to the interests in the holding companies, the Group has non-equity interests of differing proportions in the entities which own VR's outlet Villages. When aggregated the Group's share of VR's operating profit before other net gains amounts to 29.1% for the period ended 31 December 2012.

17: Receivables: non-current assets

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

Loans receivable comprises a loan of €58.0 million (£47.0 million) to Value Retail European Holdings BV bearing interest at 11% and maturing on 22 August 2016. This loan is classified as available for sale.

At 31 December 2011, loans receivable comprised a loan to Value Retail PLC €28.0 million (£23.4 million), and £29.2 million representing a loan of €30 million plus accumulated interest, to SCI Quantum, the purchaser in 2009 of a property in France. This loan was repaid in July 2012.

18: Receivables: current assets

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

Trade receivables are shown after deducting a provision for bad and doubtful debts of £13.2 million (2011: £12.4 million), as set out in the table on page 111. The movement in the provision during the year was recognised entirely in income. Credit risk is discussed in note 22F.

18: Receivables: current assets (continued)

	2012 Gross receivable £m	2012 Provision £m	2012 Net receivable £m	2011 Gross receivable £m	2011 Provision £m	2011 Net receivable £m
Not yet due	**36.4**	**–**	**36.4**	25.2	–	25.2
1-30 days overdue	**11.5**	**0.7**	**10.8**	9.6	0.6	9.0
31-60 days overdue	**1.4**	**0.7**	**0.7**	2.0	0.1	1.9
61-90 days overdue	**0.4**	**0.1**	**0.3**	0.3	0.1	0.2
91-120 days overdue	**2.3**	**0.6**	**1.7**	2.2	1.0	1.2
More than 120 days overdue	**14.4**	**11.1**	**3.3**	15.7	10.6	5.1
	66.4	**13.2**	**53.2**	55.0	12.4	42.6

19: Cash and deposits

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

Short-term deposits principally comprise deposits placed on money markets with rates linked to LIBOR for maturities of not more than one month, at an average rate of £0.3% (2011: 0.4%). Such deposits are considered to be cash equivalents. Included in the cash balance is £1.9 million (2011: £1.6 million) that may be used only in relation to certain development projects or in respect of secured borrowings.

20: Payables: current liabilities

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

21: Borrowings

A: Maturity

	2012 Bank loans and overdrafts £m	2012 Other borrowings £m	2012 Total £m	2012 Associated with assets held for sale £m	2012 As stated on balance sheet £m	2011 Total £m
After five years	**(1.7)**	**1,144.1**	**1,142.4**	**–**	**1,142.4**	742.5
From two to five years	**100.8**	**698.9**	**799.7**	**(62.0)**	**737.7**	985.4
From one to two years	**1.3**	**–**	**1.3**	**(1.3)**	**–**	251.3
Due after more than one year	**100.4**	**1,843.0**	**1,943.4**	**(63.3)**	**1,880.1**	1,979.2
Due within one year	**159.5**	**(0.2)**	**159.3**	**(1.3)**	**158.0**	100.7
	259.9	**1,842.8**	**2,102.7**	**(64.6)**	**2,038.1**	2,079.9

At 31 December 2011 and 2012 no borrowings due after five years were repayable by instalments.

At 31 December 2012 the fair value of currency swaps was a liability of £11.1 million and is included in the table above. At 31 December 2011 the fair value was an asset of £15.0 million included within current receivables (see note 18).

Notes to the accounts *(continued)*

21: Borrowings (continued)

B: Analysis

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

* Associated with assets held for sale.

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

C: Undrawn committed facilities

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

D: Interest rate and currency profile

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

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

The analysis above reflects the effect of currency and interest rate swaps in place at 31 December 2011 and 2012, further details of which are set out in note 22.

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

22: Financial instruments and risk management

Exposure to credit, interest rate and currency risks arises in the normal course of the Group's business. Derivative financial instruments are used to manage exposure to fluctuations in foreign currency exchange rates and interest rates, but are not employed for speculative purposes. Further discussion of these issues is set out in Risk Management on page 38.

The Group's risk management policies and practices with regard to financial instruments are as follows:

A: Debt management

The Group generally borrows on an unsecured basis on the strength of its covenant in order to maintain operational flexibility. Borrowings are arranged to ensure an appropriate maturity profile and to maintain short-term liquidity. Acquisitions may be financed initially using short-term funds before being refinanced for the longer term when market conditions are appropriate. Short-term funding is raised principally through syndicated revolving credit facilities from a range of banks and financial institutions with whom Hammerson maintains strong working relationships. Long-term debt mainly comprises the Group's fixed rate unsecured bonds.

B: Interest rate management

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

At 31 December 2012, the Group had interest rate swaps of £60.7 million (2011: £60.7 million) and £40.0 million (2011: £41.2 million), maturing in 2015 and 2016 respectively. Under these swaps the Group pays interest at fixed rates of 2.455% and 3.075% respectively and receives interest linked to LIBOR and EURIBOR. The Group also had interest rate swaps of £250.0 million (2011: £nil) maturing in 2020 under which the Group pays interest linked to LIBOR and receives interest at 6.875%. At 31 December 2011 the Group also had interest rate swaps of £100 million which were cancelled during 2012.

At 31 December 2012, the fair value of interest rate swaps was an asset of £11.6 million (2011: £10.6 million liability).

The Group does not hedge account for its interest rate swaps and states them at fair value with changes in fair value included in the income statement.

C: Foreign currency management

The impact of foreign exchange movements is managed by financing the cost of acquiring euro denominated assets with euro borrowings. The Group borrows in euros and uses currency swaps to match foreign currency assets with foreign currency liabilities.

To manage the foreign currency exposure on its net investments in subsidiaries in Continental Europe, the Group has designated all euro borrowings, including euro denominated bonds and currency swaps, as hedges. The carrying amount of the bonds at 31 December 2012 was £790.1 million (2011: £583.8 million) and their fair value was £841.4 million (2011: £604.1 million).

At 31 December 2012, the Group had currency swaps of £347.7 million, being €58.5 million sold forward against sterling for value in January 2013 at a rate of £1 = €1.227 and €379.6 million of cross currency swaps to swap the £300.0 million, 5.25% sterling bond maturing in 2016 into euro at a rate of £1 = €1.265 and a coupon of 4.76%. At 31 December 2011, the Group had currency swaps of £476.2 million, being €552.0 million sold forward against sterling: €372.0 million for value in March 2012, at a rate of £1 = €1.162 and €180.0 million for value in June 2012, at a rate of £1 = €1.146. The fair value of currency swaps is shown in note 22I.

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

D: Profit and loss account and balance sheet management

The Group maintains internal guidelines for interest cover, gearing and other ratios. Management monitors the Group's current and projected financial position against these guidelines. Further details of these ratios are provided in the Financial Review on pages 44 to 45.

E: Cash management and liquidity

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

Longer-term liquidity requirements are met with an appropriate mix of short and longer-term debt as explained in note 22A above.

F: Credit risk

The Group's principal financial assets are bank and cash balances, short-term deposits, trade and other receivables and investments.

The Group's credit risk is attributable to its trade and other receivables, cash and short-term deposits and derivative financial instruments.

Trade receivables consist principally of rents due from tenants. The balance is low relative to the scale of the balance sheet and the Group's tenant base is diversified geographically, with tenants generally of good financial standing. The majority of tenant leases are long-term contracts with rents

Notes to the accounts *(continued)*

22: Financial instruments and risk management (continued)

payable quarterly in advance and the average unexpired lease term at 31 December 2012 was 8.2 years (2011: 8.4 years). Rent deposits and personal or corporate guarantees are held in respect of some leases. Taking these factors into account, the risk to the Group of individual tenant default and the credit risk of trade receivables are considered low. The Group's most significant tenants are set out in the Financial review on page 47.

Loans receivable and other receivables include balances due from joint venture partners, available for sale investments and VAT receivables. These items do not give rise to significant credit risk.

The receivables in notes 17 and 18 are presented net of allowances for doubtful receivables and allowances for impairment are made where appropriate. An analysis of trade receivables and the related provisions is shown in note 18.

The credit risk on short-term deposits and derivative financial instruments is limited because the counterparties are banks, who are committed lenders to the Group, with high credit ratings assigned by international credit-rating agencies.

At 31 December 2012, the Group's maximum exposure to credit risk was £237.5 million (2011: £268.1 million).

G: Financial maturity analysis

The following table is a maturity analysis for income-earning financial assets and interest-bearing financial liabilities.

	2012 Maturity				
	Total £m	Less than one year £m	One to two years £m	Two to five years £m	More than five years £m
Cash and deposits	**(66.4)**	**(66.4)**	**–**	**–**	**–**
Sterling variable rate secured bank loan	**64.6**	**1.3**	**1.3**	**62.0**	**–**
Euro variable rate secured bank loan	**43.7**	**–**	**–**	**43.7**	**–**
Unsecured bonds					
Sterling fixed rate bonds	**1,041.6**	**–**	**–**	**298.7**	**742.9**
Euro fixed rate bonds	**790.1**	**–**	**–**	**388.9**	**401.2**
Interest rate swaps (variable)	**149.3**	**–**	**–**	**(100.7)**	**250.0**
Interest rate swaps (fixed)	**(149.3)**	**–**	**–**	**100.7**	**(250.0)**
Unsecured bank loans and overdrafts	**151.6**	**158.2**	**–**	**(4.9)**	**(1.7)**
Fair value of currency swaps	**11.1**	**(0.2)**	**–**	**11.3**	**–**
Net debt	**2,036.3**	**92.9**	**1.3**	**799.7**	**1,142.4**
Loans receivable	**(47.0)**	**–**	**–**	**(47.0)**	**–**
	1,989.3	**92.9**	**1.3**	**752.7**	**1,142.4**

Borrowings are stated net of unamortised fees. Where facilities are undrawn, unamortised fees appear in the analysis above as negative amounts in the period in which the facility matures.

	2011 Maturity				
	Total £m	Less than one year £m	One to two years £m	Two to five years £m	More than five years £m
Cash and deposits	(100.7)	(100.7)	–	–	–
Sterling variable rate secured bank loan	64.9	0.7	1.3	62.9	–
Euro variable rate secured bank loan	44.9	–	–	44.9	–
Unsecured bonds					
Sterling fixed rate bonds	1,040.8	–	–	298.3	742.5
Euro fixed rate bonds	583.8	–	–	583.8	–
Interest rate swaps (variable)	(201.9)	–	(100.0)	(101.9)	–
Interest rate swaps (fixed)	201.9	–	100.0	101.9	–
Unsecured bank loans and overdrafts	345.5	100.0	250.0	(4.5)	–
Fair value of currency swaps	(15.0)	(15.0)	–	–	–
Net debt	1,964.2	(15.0)	251.3	985.4	742.5
Loans receivable	(52.6)	–	(29.2)	(23.4)	–
	1,911.6	(15.0)	222.1	962.0	742.5

22: Financial instruments and risk management (continued)

H: Sensitivity analysis

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

At 31 December 2012, it is estimated that an increase of one percentage point in interest rates would have decreased the Group's annual profit before tax by £15.3 million (2011: increase of £2.8 million) and a decrease of one percentage point in interest rates would have increased the Group's annual profit before tax by £16.3 million (2011: decrease of £4.4 million). There would have been no effect on amounts recognised directly in equity. The sensitivity has been calculated by applying the interest rate change to the variable rate borrowings, net of interest rate swaps, at the year end. The decrease in the Group's annual profit before tax in 2011 following a reduction in interest rates is due to the charge arising on the change in fair value of interest rate swaps being greater than the saving arising from floating rate borrowings.

It is estimated that, in relation to financial instruments alone, a 10% strengthening of sterling against the euro would have increased the net gain taken directly to equity for the year ended 31 December 2012 by £109.4 million. A 10% weakening of sterling against the euro would have decreased the net gain taken directly to equity for the year ended 31 December 2012 by £133.8 million. For the year ended 31 December 2011, a 10% strengthening of sterling against the euro would have increased the net gain taken directly to equity by £95.0 million. A 10% weakening of sterling against the euro would have decreased the net gain taken directly to equity by £116.1 million. However, these effects would be more than offset by the effect of exchange rate changes on the euro denominated net assets included in the Group's financial statements.

In relation to financial instruments alone, there would have been no impact on the Group's profit before tax. This has been calculated by retranslating the year end euro denominated financial instruments at the year end foreign exchange rate changed by 10%. Forward foreign exchange contracts have been included in this estimate.

I: Fair values of financial instruments

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

	2012		2011	
	Book value £m	Fair value £m	Book value £m	Fair value £m
Borrowings, excluding currency swaps	**2,091.6**	**2,381.1**	2,079.9	2,229.6
Currency swaps	**11.1**	**11.1**	(15.0)	(15.0)
Total	**2,102.7**	**2,392.2**	2,064.9	2,214.6
Interest rate swaps	**(11.6)**	**(11.6)**	10.6	10.6
Financial instruments associated with assets held for sale included in above table				
Borrowings, excluding currency swaps	**64.6**	**64.6**	–	–
Interest rate swaps	**3.0**	**3.0**	–	–

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

During the year floating rate reset bonds of £100 million nominal value were redeemed at fair value of £141.7 million, resulting in an exceptional finance cost of £41.7 million which is included in net finance costs (note 7).

Notes to the accounts *(continued)*

22: Financial instruments and risk management (continued)

The fair values of the Group's borrowings have been estimated on the basis of quoted market prices, representing Level 1 fair value measurements as defined by IFRS 7 Financial Instruments: Disclosures. The fair values of the Group's outstanding interest rate swaps have been estimated by calculating the present value of future cash flows, using appropriate market discount rates, representing Level 2 fair value measurements as defined by IFRS 7. The fair value of the Group's currency swaps has been estimated on the basis of the prevailing forward rates at the year end, representing Level 2 fair value measurements as defined by IFRS 7.

Details of the Group's cash and short-term deposits are set out in note 19. Their fair values and those of other financial assets and liabilities equate to their book values. Details of the Group's receivables are set out in notes 17 and 18. The amounts are presented net of allowances for doubtful receivables and allowances for impairment are made where appropriate. Details of the Group's investments, stated at fair value, are set out in notes 14 and 16. The table below reconciles the opening and closing balances for Level 3 fair value measurements of available for sale investments and loans.

Available for sale loans and investments	2012 £m	2011 £m
Balance at 1 January	**267.7**	175.1
Total gains		
– in profit and loss	**16.0**	3.6
– in other comprehensive income	**72.8**	55.7
Other movements		
– acquisitions	**95.2**	24.7
– settlement of interest	**(4.3)**	(2.1)
– loan issue/(repayment)	**(5.3)**	10.7
Participative loan to associate recognised as available for sale	**30.8**	–
Transfer to investment in associate	**(381.7)**	–
Balance at 31 December	**91.2**	267.7

J: Carrying amounts, gains and losses of financial instruments

	Notes	2012 Carrying amount £m	2012 Gain/(Loss) to income £m	2012 Gain/(Loss) to equity £m	2011 Carrying amount £m	2011 Gain/(Loss) to income £m	2011 Gain/(Loss) to equity £m
Trade receivables	18	**53.2**	**(0.8)**	**–**	42.6	(0.6)	–
Cash and deposits	19	**57.1**	**0.6**	**–**	100.7	0.5	–
Discontinued operations		**10.7**	**–**	**–**	–	–	–
Loans and receivables		**121.0**	**(0.2)**	**–**	143.3	(0.1)	–
Other investments	16	**1.4**	**–**	**72.8**	215.1	(0.2)	57.4
Loans receivable	17	**47.0**	**4.0**	**–**	52.6	3.8	(1.7)
Participative loan to associate	14B	**42.8**	**12.0**	**–**	–	–	–
Available for sale loans and investments		**91.2**	**16.0**	**72.8**	267.7	3.6	55.7
Interest rate swaps	17, 24	**14.6**	**9.2**	**–**	(10.6)	(6.3)	–
Discontinued operations	22I	**(3.0)**	**(1.0)**	**–**	–	(3.3)	–
Assets/(Liabilities) at fair value (held for trading)		**11.6**	**8.2**	**–**	(10.6)	(9.6)	–
Currency swaps	18, 21	**(11.1)**	**1.4**	**15.7**	15.0	(0.9)	8.9
Derivatives in effective hedging relationships		**(11.1)**	**1.4**	**15.7**	15.0	(0.9)	8.9
Payables	20, 24	**(224.1)**	**–**	**–**	(215.2)	–	–
Borrowings, excluding currency swaps	21	**(2,027.0)**	**(158.2)**	**11.6**	(2,079.9)	(106.8)	19.0
Obligations under finance leases	23	**(42.3)**	**(0.7)**	**–**	(17.6)	(0.6)	–
Discontinued operations		**(83.6)**	**(3.0)**	**–**	–	(3.5)	–
Liabilities at amortised cost		**(2,377.0)**	**(161.9)**	**11.6**	(2,312.7)	(110.9)	19.0
Total for financial instruments		**(2,164.3)**	**(136.5)**	**100.1**	(1,897.3)	(117.9)	83.6

The total gain to income for the year ended 31 December 2012 in respect of interest rate swaps shown above includes the gain arising from the change in fair value of £8.3 million (2011: £4.0 million loss), included within net finance costs in note 7, and a loss of £0.1 million in respect of discontinued operations included in note 9B.

The table below reconciles the net gain or loss taken through income to net finance costs:

		Notes	2012 £m	2011 £m
Total loss on financial instruments to income			**(136.5)**	(117.9)
Add back:	Trade receivables loss		**0.8**	0.6
	Other interest income		**0.2**	0.9
	(Gain)/Loss to income on currency swaps outside hedge accounting designation	7	**1.1**	(1.1)
	Interest capitalised	7	**8.8**	4.9
	Discontinued operations		**4.0**	6.8
Deduct:	Change in fair value of participative loan to associate shown in share of results of associate		**(12.0)**	–
Net finance costs		7	**(133.6)**	(105.8)

No financial instruments were designated as at fair value through profit and loss on initial recognition. No financial instruments are classified as held to maturity. Financial instruments classified as held for trading are hedging instruments that are not designated for hedge accounting.

The total of the equity gains in relation to currency swaps of £15.7 million (2011: £8.9 million) and borrowings of £11.6 million (2011: £19.0 million) is £27.3 million (2011: £27.9 million) is shown in the movement in the hedging reserve in the consolidated statement of changes in equity.

Notes to the accounts *(continued)*

22: Financial instruments and risk management (continued)

K: Maturity analysis of financial liabilities

The remaining contractual maturities are as follows:

2012	Payables* £m	Interest rate swaps £m	Currency swaps £m	Financial liability cash flows £m	Finance leases Continuing £m	Finance leases Discontinued £m	2012 Total £m
Notes				22L	23		
After 25 years	–	–	–	–	332.2	38.0	370.2
From five to 25 years	21.2	–	–	1,565.4	51.7	7.5	1,645.8
From two to five years	4.7	6.9	307.8	1,045.9	7.8	1.1	1,374.2
From one to two years	5.0	–	–	101.8	2.0	0.4	109.2
Due after more than one year	30.9	6.9	307.8	2,713.1	393.7	47.0	3,499.4
Due within one year	205.3	–	47.4	260.2	3.1	0.3	516.3
	236.2	6.9	355.2	2,973.3	396.8	47.3	4,015.7

* Payables comprise £224.1 million relating to continuing operations and £12.1 million relating to discontinued operations.

2011	Payables £m	Interest rate swaps £m	Currency swaps £m	Financial liability cash flows £m	Finance leases Continuing £m	Finance leases Discontinued £m	2011 Total £m
Notes				22L	23		
After 25 years	–	–	–	–	300.8	–	300.8
From five to 25 years	10.5	1.2	–	1,172.7	21.2	–	1,205.6
From two to five years	3.0	3.5	–	1,256.3	4.2	–	1,267.0
From one to two years	9.2	2.8	–	351.2	1.1	–	364.3
Due after more than one year	22.7	7.5	–	2,780.2	327.3	–	3,137.7
Due within one year	192.5	4.0	461.2	203.7	1.1	–	862.5
	215.2	11.5	461.2	2,983.9	328.4	–	4,000.2

At 31 December 2012, the currency swap liability is offset by an asset of £344.1 million (2011: £476.2 million), so that the fair value of the currency swaps is a liability of £11.1 million (2011: asset of £15.0 million), as reported in note 21B.

L: Reconciliation of maturity analyses in notes 21 and 22K

The maturity analysis in note 22K shows contractual non-discounted cash flows for all financial liabilities, including interest payments, but excluding the fair value of the currency swaps, which is not a cash flow item. The following table reconciles the borrowings column in note 21 with the financial maturity analysis in note 22K.

2012	Borrowings £m	Interest £m	Unamortised borrowing costs £m	Financial liability cash flows £m
Notes	21A			22K
From five to 25 years	1,142.4	409.9	13.1	1,565.4
From two to five years	799.7	238.0	8.2	1,045.9
From one to two years	1.3	100.5	–	101.8
Due after more than one year	1,943.4	748.4	21.3	2,713.1
Due within one year	159.3	100.9	–	260.2
	2,102.7	849.3	21.3	2,973.3

22: Financial instruments and risk management (continued)

2011	Borrowings £m	Interest £m	Unamortised borrowing costs £m	Financial liability cash flows £m
Notes	21A			22K
From five to 25 years	742.5	422.6	7.6	1,172.7
From two to five years	985.4	261.7	9.2	1,256.3
From one to two years	251.3	99.9	–	351.2
Due after more than one year	1,979.2	784.2	16.8	2,780.2
Due within one year	100.7	103.0	–	203.7
	2,079.9	887.2	16.8	2,983.9

M: Capital structure

The Group's financing policy is to optimise the weighted average cost of capital by using an appropriate mix of debt and equity, the latter in the form of share capital. Further information on debt is provided in the Financial Review on page 44 and information on share capital and changes therein is set out on page 78, in note 25 on page 120 and in the Statement of Changes in Equity on page 85.

23: Obligations under finance leases

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

	2012			2011		
	Minimum lease payments £m	Interest £m	Present value of minimum lease payments £m	Minimum lease payments £m	Interest £m	Present value of minimum lease payments £m
After 25 years	**332.2**	**(291.0)**	**41.2**	300.8	(283.3)	17.5
From five to 25 years	**51.7**	**(48.8)**	**2.9**	21.2	(21.1)	0.1
From two to five years	**7.8**	**(7.5)**	**0.3**	4.2	(4.2)	–
From one to two years	**2.0**	**(2.5)**	**(0.5)**	1.1	(1.1)	–
Within one year	**3.1**	**(4.7)**	**(1.6)**	1.1	(1.1)	–
	396.8	**(354.5)**	**42.3**	328.4	(310.8)	17.6

During the year the obligation relating to a leasehold interest in Les Terrasses du Port, Marseille became effective and was recognised at £32.3 million being the present value of the minimum lease payments. An equivalent asset was recognised in the balance sheet within 'Interests in leasehold properties'. This is a non-cash transaction.

24: Payables: non-current liabilities

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

Notes to the accounts *(continued)*

25: Share capital

	Called up, allotted and fully paid 2012 £m	2011 £m
Ordinary shares of 25p each	**178.2**	178.2

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

No shares in issue at the balance sheet date were held in treasury (2011: 1,200,000), see note 27.

Share options

At 31 December 2012, the following options granted to staff remained outstanding under the Company's Executive Share Option Scheme:

Expiry year	Exercise price (pence)	Number of ordinary shares of 25p each
2013	286	2,889
2014	440	41,330
2015	583	35,981
2016	839	125,011
		205,211

UK eligible employees may participate in the Company's Savings-related Share Option Scheme by choosing to enter into one or more contracts for a three, five or seven year term and save a fixed amount from £5 to £250 each month for three years (for a three year contract) or five years (for a five or seven year contract). At the end of the contract, employees may exercise an option to purchase shares in the Company at the option price, which is set at the beginning of the contract at a discount of up to 20% of the prevailing share price at the time that invitation is launched.

At 31 December 2012, 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
2013	312.24	19,174
2014	217.2-368.0	71,411
2015	312.24-329.04	146,098
2016	217.2-368.0	45,513
2017	312.24-329.04	18,001
2018	368.0	1,936
2019	329.04	14,040
		316,173

The number and weighted average exercise prices of share options under the Company's Executive Share Option Scheme are as follows:

	2012 Number of options	2012 Weighted average exercise price £	2011 Number of options	2011 Weighted average exercise price £
Outstanding at 1 January	**425,647**	**6.37**	587,864	5.88
Forfeited during the year	**(13,466)**	**7.00**	(14,205)	6.71
Expired during the year	**(193,322)**	**5.83**	–	–
Exercised during the year	**(13,648)**	**2.94**	(148,012)	4.40
Outstanding and exercisable at 31 December	**205,211**	**7.06**	425,647	6.37

The weighted average share price at the date of exercise for share options exercised during the year was £4.86 (2011: £4.63).
The options outstanding at 31 December 2012 had a weighted average remaining contractual life of 2 years (31 December 2011: 2 years).

25: Share capital (continued)

The number and weighted average exercise price of share options under the Company's Savings-related Share Option Scheme are as follows:

	2012 Number of options	2012 Weighted average exercise price £	2011 Number of options	2011 Weighted average exercise price £
Outstanding at 1 January	**398,402**	**2.67**	323,969	2.38
Granted during the year	**176,669**	**3.29**	111,734	3.68
Forfeited during the year	**(55,729)**	**3.24**	(27,127)	2.52
Expired during the year	**(1,067)**	**2.35**	(2,948)	5.98
Exercised during the year	**(202,102)**	**2.18**	(7,226)	2.68
Outstanding at 31 December	**316,173**	**3.23**	398,402	2.67

The weighted average share price at the date of exercise for share options exercised during the year was £4.30 (2011: £4.31).
No options outstanding under the Company's Savings-related Share Option Scheme were exercisable at 31 December 2012 or 31 December 2011.

The weighted average fair value of options granted during the year was £1.01 (2011: £1.16).

At 31 December 2012, the following shares remained outstanding under the Company's Restricted Share Plan and Long-Term Incentive Plan.

	Number of ordinary shares of 25p each			
	Restricted Share Plan		Long-Term Incentive Plan	
	2012	2011	2012	2011
Outstanding at 1 January	**985,502**	777,191	**3,160,051**	2,656,495
Awarded during the year	**352,258**	390,846	**904,012**	1,256,872
Notional dividend shares accrued during the year	**32,377**	27,413	**99,170**	85,617
Vested during the year	**(285,893)**	(90,405)	**–**	–
Forfeited during the year	**(82,008)**	(119,543)	**(156,337)**	(377,831)
Lapsed during the year	**–**	–	**(1,228,755)**	(461,102)
Outstanding at 31 December	**1,002,236**	985,502	**2,778,141**	3,160,051

	Number of ordinary shares of 25p each			
	Restricted Share Plan		Long-Term Incentive Plan	
Year of grant	2012	2011	2012	2011
2009	**–**	280,616	**–**	1,206,054
2010	**347,562**	356,904	**783,657**	773,442
2011	**325,703**	347,982	**1,151,874**	1,180,555
2012	**328,971**	–	**842,610**	–
	1,002,236	985,502	**2,778,141**	3,160,051

26: Investment in own shares

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

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

The number of shares held as at 31 December 2012 was 1,337,807 (2011: 412,844) following awards to participants during the year of 975,037 shares (2011: 732,637), a transfer of 1,200,000 treasury shares (2011: 800,000) and a purchase of 700,000 shares (2011: nil).

Notes to the accounts *(continued)*

27: Treasury shares

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

The number of treasury shares held at 31 December 2012 was nil (2011: 1,200,000), following the transfer at cost of 1,200,000 shares (2011: 800,000 shares) to the Hammerson Employee Share Ownership Plan during the year.

28: Adjustment for non-cash items in the cash flow statement

	Note	2012 £m	2011 £m
Amortisation of lease incentives and other costs		7.3	6.6
Increase in accrued rents receivable		(0.5)	(5.5)
Non-cash items included within net rental income*		6.8	1.1
Depreciation	13	1.5	1.7
Share-based employee remuneration		4.9	4.0
Exchange and other items		0.8	(4.1)
		14.0	2.7

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

29: The Group as lessor – operating lease receipts

At the balance sheet date, the Group had contracted with tenants for the future minimum lease receipts as shown in the table below. The data is for the period to the first tenant break option. An overview of the Group's leasing arrangements is included in the Business Review on pages 46 and 47 and credit risk related to the trade receivables is discussed in note 22F.

	2012 £m	2011 £m
Within one year	225.0	234.9
From one to two years	193.1	212.2
From two to five years	456.4	476.7
After five years	971.9	1,170.5
	1,846.4	2,094.3

30: Contingent liabilities

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

Independent auditor's report on the parent company financial statements

Independent auditor's report to the members of Hammerson plc

We have audited the parent company financial statements of Hammerson plc for the year ended 31 December 2012, which comprise the Parent Company Balance Sheet and the related notes A to M. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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 auditor's 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 auditor

As explained more fully in the Directors' Responsibilities Statement, the Directors are responsible for the preparation of the parent company financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the parent company financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on the financial statements

In our opinion the parent company financial statements:

- give a true and fair view of the state of the parent company's affairs as at 31 December 2012;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006; and
- the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the parent company financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Other matter

We have reported separately on the Group financial statements of Hammerson plc for the year ended 31 December 2012.

Ian Waller (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
London, UK

28 February 2013

Company balance sheet

	Notes	2012 £m	2011 £m
Non-current assets			
Investments in subsidiary companies	C	2,668.1	2,624.7
Receivables	D	4,195.0	4,076.7
		6,863.1	6,701.4
Current assets			
Receivables	E	6.2	20.7
Cash and short-term deposits		1.4	34.7
		7.6	55.4
Total assets		6,870.7	6,756.8
Current liabilities			
Payables	F	1,025.1	1,009.7
Borrowings	G	158.0	100.0
		1,183.1	1,109.7
Non-current liabilities			
Borrowings	G	1,836.4	1,870.1
Payables	H	–	5.1
		1,836.4	1,875.2
Total liabilities		3,019.5	2,984.9
Net assets		3,851.2	3,771.9
Equity			
Called up share capital	25	178.2	178.2
Share premium	I	1,222.3	1,221.9
Capital redemption reserve	I	7.2	7.2
Other reserves	I	0.1	0.1
Revaluation reserve	I	1,072.5	1,029.1
Retained earnings	I	1,376.9	1,341.9
Investment in own shares	J	(6.0)	(1.8)
Treasury shares	27	–	(4.7)
Equity shareholders' funds	K	3,851.2	3,771.9

These financial statements were approved by the Board of Directors on 28 February 2013.

Signed on behalf of the Board

David Atkins
Director

Timon Drakesmith
Director

Registered in England No. 360632

Notes to the Company accounts

A: Accounting policies

Although the consolidated Group accounts are prepared under IFRS, the Hammerson plc company accounts presented in this section are prepared under UK GAAP. The accounting policies relevant to the Company are the same as those set out in the accounting policies for the Group in note 1, except as set out below.

Investments in subsidiary companies are included at valuation. The Directors determine the valuations with reference to the underlying net assets of the subsidiaries. In accordance with UK GAAP, in calculating the underlying net asset values of the subsidiaries, no deduction is made for deferred tax relating to revaluation surpluses on investment properties.

The Company has taken advantage of the exemption in FRS 29 Financial Instruments – Disclosure Section 2D not to present the disclosures required in respect of the Hammerson plc company accounts as the Company is included in the consolidated Group accounts. The consolidated accounts of Hammerson plc comply with IFRS 7 Financial Instruments – Disclosure which is materially consistent with FRS 29.

The Company does not utilise net investment hedging under FRS 26 Financial Instruments – Recognition and Measurement.

B: Profit for the year and dividend

As permitted by section 408 of the Companies Act 2006, the income statement of the Company is not presented as part of these financial statements. The profit for the year attributable to equity shareholders dealt with in the financial statements of the Company was £155.9 million (2011: £159.3 million).

Dividend information is provided in note 10 to the consolidated accounts.

C: Investments in subsidiary companies

	Cost less provision for permanent diminution in value £m	Valuation £m
Balance at 1 January 2012	**1,561.7**	**2,624.7**
Revaluation adjustment	**–**	**43.4**
Balance at 31 December 2012	**1,561.7**	**2,668.1**

Investments are stated at Directors' valuation. A list of the principal subsidiary companies at 31 December 2012 is included in note M.

D: Receivables: non-current assets

	2012 £m	2011 £m
Amounts owed by subsidiaries	**4,129.5**	4,053.3
Loans receivable (see note 17)	**47.0**	23.4
Fair value of interest rate swaps	**18.5**	–
	4,195.0	4,076.7

Amounts owed by subsidiaries are unsecured and interest-bearing at variable rates based on LIBOR. These amounts are repayable on demand; however, it is the Company's current intention not to seek repayment before 31 December 2013.

E: Receivables: current assets

	2012 £m	2011 £m
Other receivables	**6.2**	5.7
Fair value of currency swaps	**–**	15.0
	6.2	20.7

Notes to the Company accounts *(continued)*

F: Payables

	2012 £m	2011 £m
Amounts owed to subsidiaries	**963.4**	947.7
Other payables and accruals	**61.7**	62.0
	1,025.1	1,009.7

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

G: Borrowings

	Bank loans and overdrafts £m	Other borrowings £m	2012 Total £m	2011 Total £m
After five years	**(1.7)**	**1,144.1**	**1,142.4**	742.5
From two to five years	**(4.9)**	**698.9**	**694.0**	877.6
From one to two years	**–**	**–**	**–**	250.0
Due after more than one year	**(6.6)**	**1,843.0**	**1,836.4**	1,870.1
Due within one year	**158.2**	**(0.2)**	**158.0**	100.0
	151.6	**1,842.8**	**1,994.4**	1,970.1

Details of the Group's borrowings and financial instruments are given in notes 21 and 22 to the consolidated accounts. The Company's borrowings are unsecured and comprise sterling and euro denominated bonds, bank loans and overdrafts.

H: Payables: non-current liabilities

	2012 £m	2011 £m
Fair value of interest rate swaps	**–**	5.1

I: Equity

	Share premium £m	Capital redemption reserve £m	Other reserves £m	Revaluation reserve £m	Retained earnings £m
Balance at 1 January 2012	1,221.9	7.2	0.1	1,029.1	1,341.9
Issue of shares	0.4	–	–	–	–
Dividends	–	–	–	–	(120.9)
Revaluation gains on investments in subsidiary companies	–	–	–	43.4	–
Profit for the year	–	–	–	–	155.9
Balance at 31 December 2012	**1,222.3**	**7.2**	**0.1**	**1,072.5**	**1,376.9**

J: Investment in own shares

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

The Trustees of the Hammerson Employee Share Ownership Plan acquire the Company's own shares to award to participants in accordance with the terms of the Plan.

The Company has no employees. When the Company's own shares are awarded to Group employees as part of their remuneration, the cost of the shares is transferred by the Company through intercompany accounts to the employing subsidiaries, where the related credit is recognised in equity.

Further details of share options and the number of own shares held by the Company are set out in notes 25, 26 and 27 to the consolidated accounts.

K: Reconciliation of movements in equity shareholders' funds

	2012 £m	2011 £m
Balance at 1 January	3,771.9	3,480.0
Issues of shares	0.4	0.7
Dividends	(120.9)	(92.3)
Revaluation gains on investments in subsidiary companies	43.4	223.3
Cost of shares awarded to employees	3.9	5.6
Purchase of own shares	(3.4)	–
Purchase of treasury shares	–	(4.7)
Profit for the year	155.9	159.3
Balance at 31 December	**3,851.2**	3,771.9

L: Fair value of financial instruments

	2012		2011	
	Book value £m	Fair value £m	Book value £m	Fair value £m
Borrowings, excluding currency swaps	1,983.3	2,272.8	1,970.1	2,119.8
Currency swaps	11.1	11.1	(15.0)	(15.0)
Total	1,994.4	2,283.9	1,955.1	2,104.8
Interest rate swaps	18.5	18.5	5.1	5.1

M: Principal subsidiary companies

All principal subsidiary companies are engaged in property investment and development, investment holding or management. Unless otherwise stated, the companies are 100% owned subsidiaries through investment in ordinary share capital. As permitted by section 409 of the Companies Act 2006, 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 operate in the following countries:

UK

Hammerson International Holdings Ltd
Hammerson UK Properties plc
Grantchester Holdings Ltd
Hammerson (Brent Cross) Ltd
Hammerson (Bristol Investments) Ltd
Hammerson Bull Ring Ltd
Hammerson (Cramlington 1) Ltd
Hammerson (Croydon) Ltd
Hammerson Group Management Ltd
Hammerson (Leicester) Ltd
Hammerson Operations Ltd
Hammerson Oracle Investments Ltd
Hammerson Peterborough (No.1) Ltd
Hammerson (Silverburn) Ltd[1]
Hammerson (Value Retail Investments) Ltd
Union Square Developments Ltd
West Quay Shopping Centre Ltd

The Netherlands

Hammerson Europe BV

France

Hammerson SAS
Hammerson Holding France SAS
Hammerson Centre Commercial Italie SAS
Société Civile de Développement du Centre Commercial de la Place des Halles SDPH (64.5%)

[1] Incorporated/registered and resident in the Isle of Man.

Ten-year financial summary

	2012 £m	2011 £m	2010 £m	2009 £m	2008 £m	2007 £m	2006 £m	2005 £m	IFRS 2004 £m	UK GAAP 2003 £m
Income statement*										
Net rental income	**282.9**	296.0	284.7	293.6	299.8	275.7	237.4	210.3	189.5	189.5
Operating profit before other net gains/(losses)	**239.6**	249.1	248.8	252.6	257.5	234.5	201.3	178.9	162.9	164.6
Other net (losses)/gains	**(7.3)**	209.8	469.9	(590.4)	(1,698.3)	25.2	748.0	607.6	330.2	(18.8)
Share of results of associate	**47.5**	–	1.5	(0.8)	–	–	–	–	–	–
Cost of finance (net)	**(137.6)**	(112.6)	(100.0)	(114.5)	(170.7)	(149.3)	(156.9)	(87.9)	(79.7)	(78.7)
Profit/(Loss) before tax	**142.2**	346.3	620.2	(453.1)	(1,611.5)	110.4	792.4	698.6	413.4	67.1
Current tax	**(0.4)**	(0.7)	(0.6)	(0.9)	(0.6)	(16.4)	(99.4)	1.0	(80.9)	(1.7)
Deferred tax	**–**	–	(0.1)	103.6	38.3	17.6	333.8	(133.9)	104.2	(13.1)
Non-controlling interests	**(3.4)**	(9.9)	(4.1)	5.9	1.2	(10.6)	(9.9)	(11.3)	(5.3)	(2.0)
Profit/(Loss) for the year attributable to equity shareholders	**138.4**	335.7	615.4	(344.5)	(1,572.6)	101.0	1,016.9	554.4	431.4	50.3
Balance sheet										
Investment and development properties	**5,458.4**	5,719.6	5,331.1	5,141.5	6,456.8	7,275.0	6,716.0	5,731.7	4,603.0	3,997.5
Investment in associate	**428.4**	–	–	10.4	–	–	–	–	–	–
Cash and short-term deposits	**57.1**	100.7	126.2	182.9	119.9	28.6	39.4	45.5	53.7	187.0
Borrowings	**(2,038.1)**	(2,079.9)	(1,920.6)	(2,319.0)	(3,452.6)	(2,524.2)	(2,282.6)	(2,094.8)	(1,799.5)	(1,772.2)
Other assets	**462.3**	435.6	323.1	331.6	319.5	318.7	301.1	278.1	194.0	138.6
Other liabilities	**(441.9)**	(327.1)	(307.6)	(323.9)	(425.3)	(573.5)	(448.9)	(378.4)	(385.9)	(289.8)
Net deferred tax provision	**(0.5)**	(0.5)	(0.5)	(0.4)	(108.4)	(99.6)	(103.3)	(406.4)	(213.4)	(54.8)
Non-controlling interests	**(74.5)**	(76.5)	(71.7)	(73.4)	(89.3)	(70.4)	(56.6)	(49.9)	(41.7)	(38.1)
Equity shareholders' funds	**3,851.2**	3,771.9	3,480.0	2,949.7	2,820.6	4,354.6	4,165.1	3,125.8	2,410.2	2,168.2
Cash flow										
Operating cash flow after tax	**139.9**	147.8	132.7	105.3	29.8	(29.2)	5.5	44.9	60.5	68.4
Dividends	**(118.4)**	(86.1)	(95.4)	(64.5)	(86.7)	(73.1)	(57.7)	(51.0)	(47.4)	(44.4)
Property and corporate acquisitions	**(397.3)**	(374.1)	(218.6)	(39.5)	(123.5)	(163.3)	(219.5)	(308.1)	(320.8)	(183.7)
Developments and major refurbishments	**(122.9)**	(91.2)	(60.8)	(164.1)	(376.7)	(335.5)	(250.5)	(186.3)	(203.3)	(188.8)
Other capital expenditure	**(48.0)**	(23.6)	(25.5)	(23.7)	(13.9)	(44.6)	(29.6)	(36.9)	(20.2)	(68.5)
Disposals	**585.0**	271.8	554.6	394.2	245.3	537.2	628.0	224.4	398.7	556.2
Other cash flows	**(72.4)**	(34.9)	(0.8)	–	–	(10.9)	(10.2)	17.7	5.6	–
Net cash flow before financing	**(34.1)**	(190.3)	286.2	207.7	(325.7)	(119.4)	66.0	(295.3)	(126.9)	139.2
Per share data**										
Basic earnings/(loss) per share	**19.4p**	47.3p	87.2p	(54.1)p	(368.9)p	23.7p	242.6p	134.4p	106.0p	12.4p
EPRA/Adjusted earnings per share	**20.9p**	19.3p	19.9p	19.7p	25.8p	27.3p	22.3p	21.2p	19.5p	20.2p
Dividend per share	**17.7p**	16.6p	15.95p	15.45p	18.9p	18.5p	14.7p	13.4p	12.2p	11.4p
Diluted net asset value per share	**£5.41**	£5.30	£4.93	£4.20	£6.61	£10.22	£9.91	£7.44	£5.90	£5.32
EPRA/Adjusted net asset value per share	**£5.42**	£5.30	£4.95	£4.21	£7.03	£10.49	£10.18	£8.39	£6.41	£5.45
Financial ratios										
Return on shareholders' equity	**5.3%**	11.2%	21.1%	-16.9%	-32.5%	4.5%	25.3%	34.0%	21.7%	9.3%
Gearing	**53%**	52%	52%	72%	118%	57%	54%	66%	72%	73%
Interest cover	**2.8x**	2.6x	2.6x	2.2x	1.7x	1.9x	1.8x	1.9x	1.9x	1.8x
Dividend cover	**1.2x**	1.2x	1.2x	1.3x	1.4x	1.5x	1.5x	1.6x	1.6x	1.8x

The financial information shown above for the years 2004 to 2012 was prepared under IFRS. The information for 2003 was prepared under UK GAAP. Consequently, certain data may not be directly comparable from one year to another.

* Comprises continuing and discontinued operations. ** Comparative per share data was restated following the rights issue in March 2009.

Connected reporting framework

ENERGY

Significant investment has been made into energy efficient lighting and research into natural ventilation.

	2010	2011	2012
Cost of energy (£000)	10,674	9,707	**9,404**
Estimated energy savings[1] (£000)	697	1,231	**1,032**
Energy efficiency investment (£000)	211	1,157	**3,616**

[1] The majority of savings reflect the roll out of T5 relamping in car parks. This will be completed in 2013.

WASTE

We continue to receive income from the sale of waste. At The Oracle we now include the cardboard waste from other town centre retailers in the programme which generates additional income. Centralised waste management in the UK has dramatically improved recycling to 74%, which in turn has made significant savings for Hammerson and our customers.

	2010	2011	2012
Total waste cost (£000)	2,383	2,031	**1,859**
Amount saved in landfill (£000)	558	527	**1,129**
Income from sale of waste (£000)	118	190	**176**

2010 and 2011 data restated to include France. 2012 includes Centrale.

WATER

	2010	2011	2012
Cost of water (£000)	1,742	1,896	**1,751**
Investment in water management improvements[1] (£000)	12	16	**312**
Estimated water savings[2] (£000)	97	218	**275**

[1] Several toilet refurbishments have taken place in the UK and France but the full impact of this investment will not be realised until 2013.

[2] 2010 and 2011 data restated to reflect a revised basis for calculation.

SUPPLIERS

In 2012 we launched a new sustainability supply chain questionnaire for suppliers with whom we contract for more than £100k.

	2010	2011	2012
Suppliers engaged where spend is more than £100k (%)	n/a	n/a	**100[1]**
Number of suppliers engaged where spend is more than £100k[2]	371	107	**302**
Value of contracts with suppliers we engaged on sustainability (£m)	482	86	**193**

[1] Target was 50%.

[2] 2011 figures restated to included France.

COMMUNITIES

We have created a community plan in 2012 which aligns with our community investment strategy.

	2010	2011	2012
75% long term investment (%)	n/a	n/a	**63**
Direct contributions[1] (£000)	736	932	**599**
Indirect contributions (£000)	401	366	**446**
Number of organisations that benefited from Hammerson direct and indirect contributions	202	389	**347**

[1] 2010 and 2011 figures restated for exchange.

Connected reporting framework *(continued)*

CUSTOMERS

	2010	2011	2012
Engage with the top 75 customers	n/a	n/a	**24**
Passing rent covered by green leases (£m)	74	83	**127**
Number of green leases in portfolio	787	896	**1,250**
Green leases as proportion of passing rent (%)	24	26	**39**

INVESTORS

	2010	2011	2012
Engage top 20 investors			
Number of investors with whom we had collective or individual meetings	17	25	**13**
Total number of shares held by the top 20 investors ('000)	n/a	417,375	**395,220**
Total number of shares held by those top 20 investors with whom Hammerson engaged on sustainability ('000)	n/a	147,690	**169,862**

EMPLOYEES

	2010	2011	2012
Total expenditure on training (£000)	303	482	**357**
Total hours spent on training (hrs)	4,039	7,386	**5,081**

ENVIRONMENT

CARBON

	2010	2011	2012
Year-on-year greenhouse gas emissions building intensity by portfolio			
UK Offices[1] ($kgCO_2$ per m^2/year)	166	166	**198**
UK Shopping centres[2] ($kgCO_2$ per m^2/year)	132	130	**121**
UK Retail Parks ($kgCO_2$ per m^2/year)	144	177	**134**
French Shopping centres ($kgCO_2$ per m^2/year)	82	65	**66**
Percentage change 2011 to 2012 (Like-for-like)			
UK Offices[3] (%)	n/a	n/a	**5.2**
UK Shopping centres (%)	n/a	n/a	**8.3**
UK Retail Parks (%)	n/a	n/a	**7.3**
French Shopping centres (%)	n/a	n/a	**19.7**

1 This is not like-for-like but the portfolio including several efficient buildings has been sold as part of the strategy to focus on retail.
2 Bullring, Silverburn and Centrale figures restated due to metering problems.
3 Like-for-like the two remaining properties 125 Old Broad Street and 10 Grosvenor Street have continued to reduce carbon emissions.

WASTE

	2010	2011	2012
Annual waste production (absolute by final disposal route)			
Shopping centres			
Landfilled waste (tonnes)	5,754	5,699	**2,816**
Incinerated waste (use as fuel) (tonnes)	3,489	4,482	**1,341**
Recycled/reused/composted (tonnes)	5,958	7,812	**6,405**
MRF – recovery rate not known (tonnes)	6,258	6,639	**10,424**
Retail parks			
Landfilled waste (tonnes)	n/a	n/a	**185**
Incinerated waste (use as fuel) (tonnes)	n/a	n/a	**0**
Recycled/reused/composted (tonnes)	n/a	n/a	**212**
MRF – recovery rate not known (tonnes)	n/a	n/a	**454**
Offices			
Landfilled waste (tonnes)	0	73	**0**
Incinerated waste (use as fuel) (tonnes)	281	171	**105**
Recycled/reused/composted (tonnes)	309	503	**298**
MRF – recovery rate not known (tonnes)	187	200	**118**

WATER

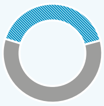
	2010	2011	2012
Building water intensity			
UK Shopping centres[1] (litres per visit)	2.5	2.6	**2.5**
French Shopping centres (landlord only) (litres per visit)	6.1	4.7	**4.6**
French Shopping centres (tenant only) (litres per visit)	n/a	n/a	**1.2**

1 2011 figure restated. Metering problem at Silverburn has now been corrected.

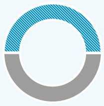
UK shopping centres

Our 12 major UK shopping centres attract over 180 million visitors each year. The portfolio includes internationally recognised city centre schemes such as Bullring, Birmingham, Brent Cross in North London and The Oracle, Reading.

BRENT CROSS, LONDON NW4

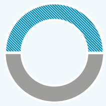
JV PARTNER:	Standard Life (59%)
KEY DATES:	1976 developed, 1995 refurbished
TENURE:	Leasehold
PRINCIPAL OCCUPIERS:	Fenwick, John Lewis, Marks & Spencer, Waitrose
NO. OF TENANTS:	117
UNEXPIRED LEASE TERM TO EXPIRY:	6 years
OCCUPANCY RATE:	99.5%
RENTS PASSING:	£18.1 million p.a.
AVERAGE RENTS PASSING:	£1,115 per m²
ENVIRONMENTAL RATING:	ISO 14001
ENERGY PERFORMANCE CERTIFICATE:	D
OWNERSHIP:	41% 
PROPERTY NET INTERNAL AREA:	83,800m²

CENTRALE, CROYDON

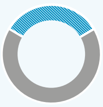
JV PARTNER:	Westfield (50%)*
KEY DATES:	1988 developed, 2011 acquired
TENURE:	Freehold
PRINCIPAL OCCUPIERS:	Debenhams, House of Fraser, H&M, Next
NO. OF TENANTS:	51
UNEXPIRED LEASE TERM TO EXPIRY:	8 years
OCCUPANCY RATE:	96.1%
RENTS PASSING:	£9.5 million p.a.
AVERAGE RENTS PASSING:	£255 per m²
ENVIRONMENTAL RATING:	–
ENERGY PERFORMANCE CERTIFICATE:	C
OWNERSHIP:	50% 
PROPERTY NET INTERNAL AREA:	64,700m²

* JV from January 2013

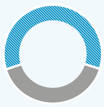
QUEENSGATE, PETERBOROUGH

JV PARTNER:	Aviva Investors (50%)
KEY DATES:	2005 acquired
TENURE:	Freehold
PRINCIPAL OCCUPIERS:	John Lewis, Marks & Spencer, Next, Waitrose
NO. OF TENANTS:	114
UNEXPIRED LEASE TERM TO EXPIRY:	16 years
OCCUPANCY RATE:	98.1%
RENTS PASSING:	£7.8 million p.a.
AVERAGE RENTS PASSING:	£300 per m²
ENVIRONMENTAL RATING:	ISO 14001
ENERGY PERFORMANCE CERTIFICATE:	E
OWNERSHIP:	50% 
PROPERTY NET INTERNAL AREA:	83,300m²

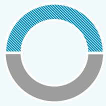
BULLRING, BIRMINGHAM

JV PARTNER:	Future Fund (33%), Henderson Global Investors (33%)
KEY DATES:	2003 developed
TENURE:	Leasehold
PRINCIPAL OCCUPIERS:	Debenhams, Selfridges
NO. OF TENANTS:	167
UNEXPIRED LEASE TERM TO EXPIRY:	7 years
OCCUPANCY RATE:	99.6%
RENTS PASSING:	£17.8 million p.a.
AVERAGE RENTS PASSING:	£510 per m²
ENVIRONMENTAL RATING:	ISO 14001
ENERGY PERFORMANCE CERTIFICATE:	D
OWNERSHIP:	33% 
PROPERTY NET INTERNAL AREA:	127,100m²

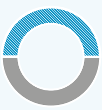
HIGHCROSS, LEICESTER

JV PARTNER:	Royal Mail Pension Plan (40%)
KEY DATES:	2008 developed
TENURE:	Freehold
PRINCIPAL OCCUPIERS:	Cinema de Lux, Debenhams, House of Fraser, John Lewis
NO. OF TENANTS:	139
UNEXPIRED LEASE TERM TO EXPIRY:	13 years
OCCUPANCY RATE:	96.9%
RENTS PASSING:	£16.6 million p.a.
AVERAGE RENTS PASSING:	£435 per m²
ENVIRONMENTAL RATING:	ISO 14001 BREEAM Very Good
ENERGY PERFORMANCE CERTIFICATE:	D
OWNERSHIP:	60% 
PROPERTY NET INTERNAL AREA:	104,900m²

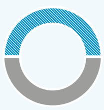
SILVERBURN, GLASGOW

JV PARTNER:	Canada Pension Plan Investment Board (50%)
KEY DATES:	2007 opened, 2009 acquired
TENURE:	Freehold
PRINCIPAL OCCUPIERS:	Debenhams, Marks & Spencer, New Look, Next, Tesco Extra
NO. OF TENANTS:	100
UNEXPIRED LEASE TERM TO EXPIRY:	9 years
OCCUPANCY RATE:	97.4%
RENTS PASSING:	£9.7 million p.a.
AVERAGE RENTS PASSING:	£345 per m²
ENVIRONMENTAL RATING:	–
ENERGY PERFORMANCE CERTIFICATE:	C
OWNERSHIP:	50% 
PROPERTY NET INTERNAL AREA:	91,800m²

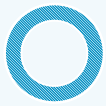
CABOT CIRCUS, BRISTOL

JV PARTNER:	Land Securities (50%)
KEY DATES:	September 2008 opened
TENURE:	Leasehold
PRINCIPAL OCCUPIERS:	Harvey Nichols, House of Fraser
NO. OF TENANTS:	130
UNEXPIRED LEASE TERM TO EXPIRY:	9 years
OCCUPANCY RATE:	95.9%
RENTS PASSING:	£14.7 million p.a.
AVERAGE RENTS PASSING:	£385 per m²
ENVIRONMENTAL RATING:	ISO 14001 BREEAM Excellent
OWNERSHIP:	50% 
PROPERTY NET INTERNAL AREA:	96,100m²

THE ORACLE, READING

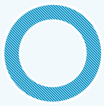
JV PARTNER:	ADIA (50%)
KEY DATES:	1999 developed
TENURE:	Leasehold
PRINCIPAL OCCUPIERS:	Debenhams, House of Fraser
NO. OF TENANTS:	113
UNEXPIRED LEASE TERM TO EXPIRY:	6 years
OCCUPANCY RATE:	99.9%
RENTS PASSING:	£14.8 million p.a.
AVERAGE RENTS PASSING:	£535 per m²
ENVIRONMENTAL RATING:	ISO 14001
ENERGY PERFORMANCE CERTIFICATE:	D
OWNERSHIP:	50% 
PROPERTY NET INTERNAL AREA:	70,300m²

UNION SQUARE, ABERDEEN

JV PARTNER:	–
KEY DATES:	2009 developed
TENURE:	Freehold
PRINCIPAL OCCUPIERS:	Apple, Cine UK, H&M, Marks & Spencer, Next, Zara
NO. OF TENANTS:	79
UNEXPIRED LEASE TERM TO EXPIRY:	12 years
OCCUPANCY RATE:	97.2%
RENTS PASSING:	£15.9 million p.a.
AVERAGE RENTS PASSING:	£400 per m²
ENVIRONMENTAL RATING:	BREEAM Very Good
ENERGY PERFORMANCE CERTIFICATE:	B
OWNERSHIP:	100% 
PROPERTY NET INTERNAL AREA:	51,600m²

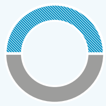
VICTORIA QUARTER, LEEDS

JV PARTNER:	–
KEY DATES:	2012 acquired
TENURE:	Freehold
PRINCIPAL OCCUPIERS:	Louis Vuitton, Paul Smith, Vivienne Westwood
NO. OF TENANTS:	72
UNEXPIRED LEASE TERM TO EXPIRY:	6
OCCUPANCY RATE:	99.3%
RENTS PASSING:	£7.3 million p.a.
AVERAGE RENTS PASSING:	£515 per m²
ENVIRONMENTAL RATING:	None
ENERGY PERFORMANCE CERTIFICATE:	E
OWNERSHIP:	100%
PROPERTY NET INTERNAL AREA:	19,100m²



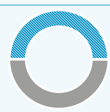
WESTQUAY, SOUTHAMPTON

JV PARTNER:	GIC (50%)
KEY DATES:	2000 developed
TENURE:	Leasehold
PRINCIPAL OCCUPIERS:	John Lewis, Marks & Spencer
NO. OF TENANTS:	96
UNEXPIRED LEASE TERM TO EXPIRY:	5 years
OCCUPANCY RATE:	98.1%
RENTS PASSING:	£14.1 million p.a.
AVERAGE RENTS PASSING:	£630 per m²
ENVIRONMENTAL RATING:	ISO 14001
ENERGY PERFORMANCE CERTIFICATE:	D
OWNERSHIP:	50%
PROPERTY NET INTERNAL AREA:	76,800m²



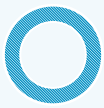
BRISTOL INVESTMENT PROPERTIES

JV PARTNER:	Land Securities (50%)
KEY DATES:	2000–2006 acquired
TENURE:	Leasehold
PRINCIPAL OCCUPIERS:	BHS, Currys, Sportsworld, Superdrug
NO. OF TENANTS:	62
UNEXPIRED LEASE TERM TO EXPIRY:	10 years
OCCUPANCY RATE:	94.9%
RENTS PASSING:	£3.9 million p.a.
AVERAGE RENTS PASSING:	£265 per m²
ENVIRONMENTAL RATING:	–
ENERGY PERFORMANCE CERTIFICATE:	–
OWNERSHIP:	50%
PROPERTY NET INTERNAL AREA:	33,700m²



MONUMENT MALL, NEWCASTLE*

JV PARTNER:	–
KEY DATES:	2011 acquired
TENURE:	Freehold
PRINCIPAL OCCUPIERS:	N/A
NO. OF TENANTS:	N/A
UNEXPIRED LEASE TERM TO EXPIRY:	N/A
OCCUPANCY RATE:	–
RENTS PASSING:	–
AVERAGE RENTS PASSING:	–
ENVIRONMENTAL RATING:	–
ENERGY PERFORMANCE CERTIFICATE:	–
OWNERSHIP:	100%
PROPERTY NET INTERNAL AREA:	–



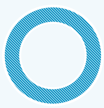
* This property is currently being redeveloped.

UK retail parks

Hammerson owns 21 retail parks in the UK, which together provide over 480,000m² of floorspace. These easily accessible parks, located on the edge of town centres, are let to both bulky goods and fashion retailers. They offer large-format modern stores with ample parking.

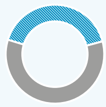
ABBEY RETAIL PARK, BELFAST

JV PARTNER:	–
KEY DATES:	2006 acquired
TENURE:	Freehold
PRINCIPAL OCCUPIERS:	B&Q, Tesco
NO. OF TENANTS:	4
UNEXPIRED LEASE TERM TO EXPIRY:	17 years
OCCUPANCY RATE:	100%
PLANNING	Part open A1, part bulky goods
RENTS PASSING:	£3.3 million p.a.
AVERAGE RENTS PASSING:	£145 per m²
ENVIRONMENTAL RATING:	EPC completed[1]
OWNERSHIP:	100%
PROPERTY NET INTERNAL AREA:	20,200m²



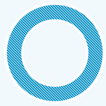
BRENT SOUTH SHOPPING PARK, LONDON, NW2

JV PARTNER:	Standard Life (59%)
KEY DATES:	2004 developed
TENURE:	Freehold
PRINCIPAL OCCUPIERS:	Arcadia, Next, TK Maxx
NO. OF TENANTS:	10
UNEXPIRED LEASE TERM TO EXPIRY:	9 years
OCCUPANCY RATE:	100%
PLANNING	Mainly open A1
RENTS PASSING:	£1.8 million p.a.
AVERAGE RENTS PASSING:	£505 per m²
ENVIRONMENTAL RATING:	EPC completed[1]
OWNERSHIP:	41%
PROPERTY NET INTERNAL AREA:	8,700m²



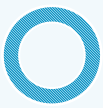
CYFARTHFA RETAIL PARK, MERTHYR TYDFIL

JV PARTNER:	–
KEY DATES:	2005 developed
TENURE:	Freehold
PRINCIPAL OCCUPIERS:	Argos, B&Q, Boots, Currys, Debenhams, DW Sports, New Look, Next, TK Maxx
NO. OF TENANTS:	17
UNEXPIRED LEASE TERM TO EXPIRY:	11 years
OCCUPANCY RATE:	100%
PLANNING	Mixed (open A1, bulky goods, restaurant)
RENTS PASSING:	£5.2 million p.a.
AVERAGE RENTS PASSING:	£215 per m²
ENVIRONMENTAL RATING:	EPC completed[1]
OWNERSHIP:	100%
PROPERTY NET INTERNAL AREA:	23,800m²



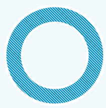
ABBOTSINCH RETAIL PARK, PAISLEY

JV PARTNER:	–
KEY DATES:	2012 acquired
TENURE:	Freehold
PRINCIPAL OCCUPIERS:	B&Q, Pets at Home, Harveys, DFS
NO. OF TENANTS:	6
UNEXPIRED LEASE TERM TO EXPIRY:	14
OCCUPANCY RATE:	100%
PLANNING	Bulky goods
RENTS PASSING:	£3.1 million p.a.
AVERAGE RENTS PASSING:	£190 per m²
ENVIRONMENTAL RATING:	–
OWNERSHIP:	100%
PROPERTY NET INTERNAL AREA:	15,900m²



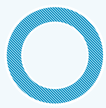
CENTRAL RETAIL PARK, FALKIRK

JV PARTNER:	–
KEY DATES:	2002 acquired, 2003 extended
TENURE:	Leasehold
PRINCIPAL OCCUPIERS:	Boots, Homebase, Mothercare, Next, Tesco
NO. OF TENANTS:	27
WEIGHTED AVERAGE UNEXPIRED LEASE TERM EXPIRY:	10 years
OCCUPANCY RATE:	95.7%
PLANNING	Mixed
RENTS PASSING:	£5.4 million p.a.
AVERAGE RENTS PASSING:	£185 per m²
ENVIRONMENTAL RATING:	EPC completed[1]
OWNERSHIP:	100%
PROPERTY NET INTERNAL AREA:	37,400m²



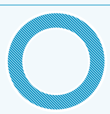
DALLOW ROAD, LUTON

JV PARTNER:	–
KEY DATES:	2002 acquired, 2006 redeveloped
TENURE:	Freehold
PRINCIPAL OCCUPIERS:	Aldi, B&Q
NO. OF TENANTS:	2
UNEXPIRED LEASE TERM TO EXPIRY:	17 years
OCCUPANCY RATE:	100%
PLANNING	Food and bulky goods
RENTS PASSING:	£2.0 million p.a.
AVERAGE RENTS PASSING:	£195 per m²
ENVIRONMENTAL RATING:	EPC completed[1]
OWNERSHIP:	100%
PROPERTY NET INTERNAL AREA:	10,100m²



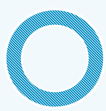
BATTERY RETAIL PARK, BIRMINGHAM

JV PARTNER:	–
KEY DATES:	Built 1990, 2002 acquired, 2010 bought out partner
TENURE:	Leasehold
PRINCIPAL OCCUPIERS:	B&Q, Currys, Halfords, Homebase, Next, PC World
NO. OF TENANTS:	8
UNEXPIRED LEASE TERM TO EXPIRY:	4 years
OCCUPANCY RATE:	100%
PLANNING	A1 and restaurants
RENTS PASSING:	£3.1 million p.a.
AVERAGE RENTS PASSING:	£240 per m²
ENVIRONMENTAL RATING:	BREEAM Pass
OWNERSHIP:	100%
PROPERTY NET INTERNAL AREA:	13,000m²



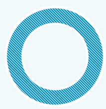
CLEVELAND RETAIL PARK, MIDDLESBROUGH

JV PARTNER:	–
KEY DATES:	2002 acquired, 2006 extended, 2009 reconfiguration
TENURE:	Freehold
PRINCIPAL OCCUPIERS:	Argos, B&Q, Boots, Currys, Matalan, M&S Simply Food, Next, Outfit
NO. OF TENANTS:	18
UNEXPIRED LEASE TERM TO EXPIRY:	12 years
OCCUPANCY RATE:	99.9%
PLANNING	Part open A1, part bulky goods
RENTS PASSING:	£4.4 million p.a.
AVERAGE RENTS PASSING:	£160 per m²
ENVIRONMENTAL RATING:	BREEAM Good
OWNERSHIP:	100%
PROPERTY NET INTERNAL AREA:	27,100m²



DRAKEHOUSE RETAIL PARK, SHEFFIELD

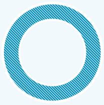
JV PARTNER:	–
KEY DATES:	2003 acquired
TENURE:	Freehold
PRINCIPAL OCCUPIERS:	Carpetright, Currys, Dreams, Homebase, JD Sports, Oak Furnitureland, Smyths Toys
NO. OF TENANTS:	19
UNEXPIRED LEASE TERM TO EXPIRY:	11 years
OCCUPANCY RATE:	100%
PLANNING	Restricted open A1
RENTS PASSING:	£3.7 million p.a.
AVERAGE RENTS PASSING:	£175 per m²
ENVIRONMENTAL RATING:	EPC completed[1]
OWNERSHIP:	100%
PROPERTY NET INTERNAL AREA:	21,000m²



[1] Energy performance certificates completed for individual units.

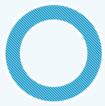
ELLIOTT'S FIELD, RUGBY

JV PARTNER:	–
KEY DATES:	2011 acquired
TENURE:	Freehold
PRINCIPAL OCCUPIERS:	Halfords, Homebase, TK Maxx, Wickes
NO. OF TENANTS:	9
UNEXPIRED LEASE TERM TO EXPIRY:	1 years
OCCUPANCY RATE:	94.7%
PLANNING	Open A1
RENTS PASSING:	£2.0 million p.a.
AVERAGE RENTS PASSING:	£165 per m²
ENVIRONMENTAL RATING:	BREEAM Good
OWNERSHIP:	100%
PROPERTY NET INTERNAL AREA:	12,700m²



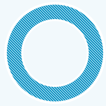
MANOR WALKS, CRAMLINGTON

JV PARTNER:	–
KEY DATES:	2006 acquired
TENURE:	Freehold
PRINCIPAL OCCUPIERS:	Argos, Asda, Boots, Next, Sainsbury's, Vue
NO. OF TENANTS:	101
UNEXPIRED LEASE TERM TO EXPIRY:	5 years
OCCUPANCY RATE:	94.5%
PLANNING	Open A1
RENTS PASSING:	£6.2 million p.a.
AVERAGE RENTS PASSING:	£145 per m²
ENVIRONMENTAL RATING:	EPC completed[1]
OWNERSHIP:	100%
PROPERTY NET INTERNAL AREA:	48,300m²



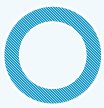
RAVENHEAD RETAIL PARK, ST HELENS

JV PARTNER:	–
KEY DATES:	2007 acquired
TENURE:	Freehold
PRINCIPAL OCCUPIERS:	Argos, B&Q, Boots, Currys, Next, Outfit, Smyths Toys
NO. OF TENANTS:	19
UNEXPIRED LEASE TERM TO EXPIRY:	11 years
OCCUPANCY RATE:	100%
PLANNING	Part open A1, part bulky goods
RENTS PASSING:	£4.9 million p.a.
AVERAGE RENTS PASSING:	£175 per m²
ENVIRONMENTAL RATING:	BREEAM Pass
OWNERSHIP:	100%
PROPERTY NET INTERNAL AREA:	27,600m²



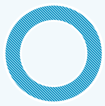
FIFE CENTRAL RETAIL PARK, KIRKCALDY

JV PARTNER:	–
KEY DATES:	2005 acquired, 2009 extension
TENURE:	Freehold
PRINCIPAL OCCUPIERS:	Argos, B&Q, Boots, Homebase, Mothercare, Next, Sainsbury's
NO. OF TENANTS:	18
UNEXPIRED LEASE TERM TO EXPIRY:	10 years
OCCUPANCY RATE:	100%
PLANNING	Part open A1, part bulky goods
RENTS PASSING:	£5.3 million p.a.
AVERAGE RENTS PASSING:	£185 per m²
ENVIRONMENTAL RATING:	BREEAM Pass
OWNERSHIP:	100%
PROPERTY NET INTERNAL AREA:	28,200m²



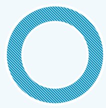
THE ORCHARD CENTRE, DIDCOT

JV PARTNER:	–
KEY DATES:	2006 acquired
TENURE:	Leasehold
PRINCIPAL OCCUPIERS:	Argos, Next, Sainsbury's
NO. OF TENANTS:	47
UNEXPIRED LEASE TERM TO EXPIRY:	15 years
OCCUPANCY RATE:	98.3%
PLANNING	Open A1
RENTS PASSING:	£3.8 million p.a.
AVERAGE RENTS PASSING:	£200 per m²
ENVIRONMENTAL RATING:	EPC completed[1]
OWNERSHIP:	100%
PROPERTY NET INTERNAL AREA:	20,800m²



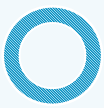
ST OSWALD'S RETAIL PARK, GLOUCESTER

JV PARTNER:	–
KEY DATES:	2005 developed
TENURE:	Leasehold
PRINCIPAL OCCUPIERS:	B&Q, DW Sports, Homebase, Mothercare
NO. OF TENANTS:	13
UNEXPIRED LEASE TERM TO EXPIRY:	15 years
OCCUPANCY RATE:	100%
PLANNING	Mixed (open A1, bulky goods, restaurant)
RENTS PASSING:	£4.1 million p.a.
AVERAGE RENTS PASSING:	£200 per m²
ENVIRONMENTAL RATING:	EPC completed[1]
OWNERSHIP:	100%
PROPERTY NET INTERNAL AREA:	20,500m²



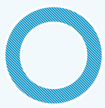
IMPERIAL RETAIL PARK, BRISTOL

JV PARTNER:	–
KEY DATES:	2012 acquired
TENURE:	Freehold
PRINCIPAL OCCUPIERS:	B&Q, Boots, Tesco Home Plus
NO. OF TENANTS:	17
UNEXPIRED LEASE TERM TO EXPIRY:	13
OCCUPANCY RATE:	95.6%
PLANNING	Restricted open A1
RENTS PASSING:	£5.2 million p.a.
AVERAGE RENTS PASSING:	£170 per m²
ENVIRONMENTAL RATING:	–
OWNERSHIP:	100%
PROPERTY NET INTERNAL AREA:	32,300m²



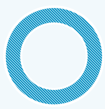
PARC TAWE RETAIL PARK, SWANSEA

JV PARTNER:	–
KEY DATES:	2006 acquired
TENURE:	Leasehold
PRINCIPAL OCCUPIERS:	Mothercare, Odeon, Toys 'R' Us
NO. OF TENANTS:	14
UNEXPIRED LEASE TERM TO EXPIRY:	0
OCCUPANCY RATE:	92.5%
PLANNING	Open A1
RENTS PASSING:	£1.9 million p.a.
AVERAGE RENTS PASSING:	£95 per m²
ENVIRONMENTAL RATING:	EPC completed[1]
OWNERSHIP:	100%
PROPERTY NET INTERNAL AREA:	22,600m²



TELFORD FORGE SHOPPING PARK, TELFORD

JV PARTNER:	–
KEY DATES:	2012 acquired
TENURE:	Freehold
PRINCIPAL OCCUPIERS:	Sainsbury's, Outfit, TK Maxx, Boots, Next
NO. OF TENANTS:	20
UNEXPIRED LEASE TERM TO EXPIRY:	10 years
OCCUPANCY RATE:	100%
PLANNING	Open A1
RENTS PASSING:	£5.1 million p.a.
AVERAGE RENTS PASSING:	£220 per m²
ENVIRONMENTAL RATING:	–
OWNERSHIP:	100%
PROPERTY NET INTERNAL AREA:	29,100m²

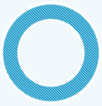


[1] Energy performance certificates completed for individual units.

UK retail parks *(continued)*

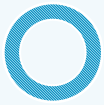
THURROCK SHOPPING PARK, THURROCK

JV PARTNER:	–
KEY DATES:	2012 acquired
TENURE:	Freehold
PRINCIPAL OCCUPIERS:	Marks & Spencer, Matalan, TK Maxx, Gap, Asda Living, Boots, Smyths Toys, Nike
NO. OF TENANTS:	20
UNEXPIRED LEASE TERM TO EXPIRY:	10 years
OCCUPANCY RATE:	95.5%
PLANNING	Open A1
RENTS PASSING:	£5.8 million p.a.
AVERAGE RENTS PASSING:	£200 per m²
ENVIRONMENTAL RATING:	–
OWNERSHIP:	100%
PROPERTY NET INTERNAL AREA:	29,900m²



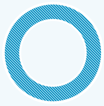
WESTWOOD & WESTWOOD GATEWAY RETAIL PARKS, THANET

JV PARTNER:	–
KEY DATES:	2002 acquired, 2009 extended
TENURE:	Freehold
PRINCIPAL OCCUPIERS:	Argos, Bhs, Homebase, Matalan, Sportsworld
NO. OF TENANTS:	18
UNEXPIRED LEASE TERM TO EXPIRY:	11 years
OCCUPANCY RATE:	100%
PLANNING	Part open A1
RENTS PASSING:	£4.8 million p.a.
AVERAGE RENTS PASSING:	£185 per m²
ENVIRONMENTAL RATING:	EPC completed[1]
OWNERSHIP:	100%
PROPERTY NET INTERNAL AREA:	24,700m²



WREKIN RETAIL PARK, TELFORD

JV PARTNER:	–
KEY DATES:	1996 development; 2010 acquired
TENURE:	Freehold
PRINCIPAL OCCUPIERS:	Asda Living, Boots, Homebase, Matalan
NO. OF TENANTS:	12
UNEXPIRED LEASE TERM TO EXPIRY:	8 years
OCCUPANCY RATE:	100%
PLANNING	Open A1
RENTS PASSING:	£2.6 million p.a.
AVERAGE RENTS PASSING:	£195 per m²
ENVIRONMENTAL RATING:	EPC completed[1]
OWNERSHIP:	100%
PROPERTY NET INTERNAL AREA:	13,400m²



[1] Energy performance certificates completed for individual units.

France retail

In France, we own and manage some of the top shopping centres in the Ile-de-France region, including Italie 2 and O'Parinor, together with high quality centres in Strasbourg and Angers. Our French shopping centres attract over 70 million visitors each year.

BERCY 2, CHARENTON-LE-PONT

CO-OWNERSHIP:	Carrefour and Darty
KEY DATES:	2000 acquired
TENURE:	Freehold
PRINCIPAL OCCUPIERS:	Go Sport, H&M, La Grande Recré, Carrefour, Tati, Virgin
NO. OF TENANTS:	60
UNEXPIRED LEASE TERM TO EXPIRY:	6 years
OCCUPANCY RATE:	94.5%
RENTS PASSING:	£4.8 million p.a.
AVERAGE RENTS PASSING:	£285 per m²
ENVIRONMENTAL RATING:	–
OWNERSHIP:	20,200m²
PROPERTY NET INTERNAL AREA:	35,200m²

ESPACE SAINT QUENTIN, SAINT QUENTIN-EN-YVELINES

JV PARTNER:	Allianz (75%)
CO-OWNERSHIP:	Buffalo Grill, C&A, Carrefour, Darty, McDonalds
KEY DATES:	1994 acquired 2007 reconfigured
TENURE:	Freehold
PRINCIPAL OCCUPIERS:	C&A, Carrefour, Go Sport, H&M, Sephora
NO. OF TENANTS:	121
UNEXPIRED LEASE TERM TO EXPIRY:	5 years
OCCUPANCY RATE:	98.1%
RENTS PASSING:	£3.3 million p.a.
AVERAGE RENTS PASSING:	£490 per m²
ENVIRONMENTAL RATING:	–
OWNERSHIP:	25%
PROPERTY NET INTERNAL AREA:	58,700m² (of which JV ownership is 27,900m²)

GRAND MAINE, ANGERS

CO-OWNERSHIP:	Carrefour
KEY DATES:	1983 opened 2007 acquired
TENURE:	Freehold
PRINCIPAL OCCUPIERS:	Camaieu, Carrefour, Celio, Etam, Naf Naf, Paul, Yves Rocher
NO. OF TENANTS:	55
UNEXPIRED LEASE TERM TO EXPIRY:	4 years
OCCUPANCY RATE:	93.7%
RENTS PASSING:	£2.6 million p.a.
AVERAGE RENTS PASSING:	£365 per m²
ENVIRONMENTAL RATING:	–
OWNERSHIP:	9,100m²
PROPERTY NET INTERNAL AREA:	22,000m²

ITALIE 2, AVENUE D'ITALIE, PARIS 13ÈME

JV PARTNER:	–
KEY DATES:	1976 opened, 1998 acquired 2001 refurbished
TENURE:	Freehold
PRINCIPAL OCCUPIERS:	CarrefourMarket, Darty, Fnac, Go Sport, La Grande Récré, Printemps, Sephora
NO. OF TENANTS:	127
UNEXPIRED LEASE TERM TO EXPIRY:	3 years
OCCUPANCY RATE:	99.2%
RENTS PASSING:	£19.6 million p.a.
AVERAGE RENTS PASSING:	£410 per m²
ENVIRONMENTAL RATING:	HQE for proposed extension
OWNERSHIP:	56,900m²
PROPERTY NET INTERNAL AREA:	56,900m²

LES 3 FONTAINES, CERGY PONTOISE

CO-OWNERSHIP:	Auchan
KEY DATES:	1972 opened 1995 acquired 1996 refurbished
TENURE:	Freehold
PRINCIPAL OCCUPIERS:	Auchan, C&A, Darty, H&M, Mango, New Look
NO. OF TENANTS:	80
UNEXPIRED LEASE TERM TO EXPIRY:	5 years
OCCUPANCY RATE:	99.6%
RENTS PASSING:	£11.9 million p.a.
AVERAGE RENTS PASSING:	£485 per m²
ENVIRONMENTAL RATING:	–
OWNERSHIP:	24,700m²
PROPERTY NET INTERNAL AREA:	60,700m²

O'PARINOR, AULNAY-SOUS-BOIS

JV PARTNER:	Client of Rockspring Property Investment Managers LLP (75%)
CO-OWNERSHIP:	Carrefour and Redevco
KEY DATES:	1974 opened 2002 aquired 2008 redeveloped
TENURE:	Freehold
PRINCIPAL OCCUPIERS:	C&A, Carrefour, Darty, Fnac, H&M, New Look, Saturn, Zara
NO. OF TENANTS:	187
UNEXPIRED LEASE TERM TO EXPIRY:	5 years
OCCUPANCY RATE:	96.6%
RENTS PASSING:	£5.7 million p.a.
AVERAGE RENTS PASSING:	£355 per m²
ENVIRONMENTAL RATING:	–
OWNERSHIP:	25%
PROPERTY NET INTERNAL AREA:	94,100m² (of which JV ownership is 60,700m²)

PLACE DES HALLES, STRASBOURG

MINORITY INTEREST:	Assurbail (35.5%)
KEY DATES:	1979 opened 1998 acquired 2007 refurbished
TENURE:	Freehold
PRINCIPAL OCCUPIERS:	C&A, Darty, Go Sport, H&M, Mango, New Look, Sephora, Toys 'R' Us
NO. OF TENANTS:	120
UNEXPIRED LEASE TERM TO EXPIRY:	5 years
OCCUPANCY RATE:	99.3%
RENTS PASSING:	£12.3 million p.a.
AVERAGE RENTS PASSING:	£310 per m²
ENVIRONMENTAL RATING:	–
OWNERSHIP:	39,900m²
PROPERTY NET INTERNAL AREA:	41,200m²

SQY OUEST, SAINT QUENTIN-EN-YVELINES

JV PARTNER:	Codic France (50%)
KEY DATES:	2005 opened 2011 acquired
TENURE:	Freehold
PRINCIPAL OCCUPIERS:	UGC, GoSport, Zara
NO. OF TENANTS:	28
UNEXPIRED LEASE TERM TO EXPIRY:	4 years
OCCUPANCY RATE:	68.6%
RENTS PASSING:	£1.7 million p.a.
AVERAGE RENTS PASSING:	£155 per m²
ENVIRONMENTAL RATING:	–
OWNERSHIP:	50%
PROPERTY NET INTERNAL AREA:	31,300m²

VILLEBON 2, VILLEBON-SUR-YVETTE

KEY DATES:	2005 acquired 2007 extension
TENURE:	Freehold
PRINCIPAL OCCUPIERS:	C&A, Darty, Fnac, Toys 'R' Us
NO. OF TENANTS:	46
UNEXPIRED LEASE TERM TO EXPIRY:	6 years
OCCUPANCY RATE:	100%
RENTS PASSING:	£7.1 million p.a.
AVERAGE RENTS PASSING:	£150 per m²
ENVIRONMENTAL RATING:	–
OWNERSHIP:	47,500m²
PROPERTY NET INTERNAL AREA:	47,500m²

Glossary of terms

Adjusted figures (per share)	Reported amounts adjusted to exclude certain items as set out in note 11 to the accounts.
Anchor store	A major store, usually a department, variety or DIY store or supermarket, occupying a large unit within a shopping centre or retail park, which serves as a draw to other retailers and consumers.
Average cost of borrowing	The cost of finance expressed as a percentage of the weighted average of borrowings during the period.
Capital return	The change in property value during the period after taking account of capital expenditure and exchange translation movements, calculated on a monthly time-weighted basis.
DTR	Disclosure and Transparency Rules, issued by the United Kingdom Listing Authority.
Dividend cover	Adjusted earnings per share divided by dividend per share.
Earnings per share (EPS)	Profit for the period attributable to equity shareholders divided by the average number of shares in issue during the period.
EBITDA	Earnings before interest, tax, depreciation and amortisation.
EPRA	European Public Real Estate Association. This organisation has issued recommended bases for the calculation of earnings per share and net asset value per share.
Equivalent yield (true and nominal)	The capitalisation rate applied to future cash flows to calculate the gross property value. The cash flows reflect the timing of future rents resulting from lettings, lease renewals and rent reviews based on current ERVs. The true equivalent yield assumes rents are received quarterly in advance. The nominal equivalent yield assumes rents are received annually in arrears. The property true and nominal equivalent yields are determined by the Group's external valuers.
ERV	The estimated market rental value of the total lettable space in a property, after deducting head and equity rents, calculated by the Group's external valuers.
Gearing	Net debt expressed as a percentage of equity shareholders' funds.
Gross property value	Property value before deduction of purchaser's costs, as provided by the Group's external valuers.
Gross rental income	Income from rents, car parks and commercial income, after accounting for the net effect of the amortisation of lease incentives.
IAS	International Accounting Standard.
IASB	International Accounting Standards Board.
IFRS	International Financial Reporting Standard.
Initial yield	Annual cash rents receivable (net of head and equity rents and the cost of vacancy, and in the case of France, net of an allowance for costs of approximately 5.2% primarily for management fees), as a percentage of gross property value, as provided by the Group's external valuers. Rents receivable following the expiry of rent-free periods are not included. Rent reviews are assumed to have been settled at the contractual review date at ERV.
Interest cover	Net rental income divided by net cost of finance before capitalised interest and change in fair value of derivatives.
Interest rate or currency swap (or derivatives)	An agreement with another party to exchange an interest or currency rate obligation for a pre-determined period of time.
IPD	Investment Property Databank. An organisation supplying independent market indices and portfolio benchmarks to the property industry.
Like-for-like/underlying net rental income	The percentage change in net rental income for completed investment properties owned throughout both current and prior periods, after taking account of exchange translation movements.
Loan to value ratio	Borrowings and foreign currency swaps expressed as a percentage of the total value of investment and development properties.
Net asset value per share (NAV)	Equity shareholders' funds divided by the number of shares in issue at the balance sheet date.
Net rental income	Income from rents, car parks and commercial income, after deducting head and equity rents payable, and other property related costs.
Occupancy rate	The ERV of the area in a property or portfolio, excluding developments, which is let, expressed as a percentage of the total ERV of that property or portfolio.

Glossary of terms *(continued)*

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

Index

Shareholder information

1. Key Contact Details:

Registered office

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

Principal Group addresses

United Kingdom
Hammerson plc
10 Grosvenor Street
London
W1K 4BJ

Tel +44 (0)20 7887 1000
Fax +44 (0)20 7887 1010

France
Hammerson France SAS
48 rue Cambon
Paris 75001
France

Tel: +33 (0) 1 56 69 30 00
Fax: +33 (0) 1 56 69 30 01

Registrar

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

Capita Registrars
The Registry
34 Beckenham Road
Beckenham
Kent
BR3 4TU

Tel: 0871 664 0300 (from the UK)
(Calls cost 10p per minute plus network extras, lines are open 8.30 am to 5.30 pm Monday to Friday)
or
+44 (0)20 8639 3399 (from overseas)

email ssd@capitaregistrars.com
website www.capitalshareportal.com

Registering on the Hammerson Share Portal website enables you to view your shareholding in the Company, including an indicative share price and valuation, a transaction audit trail and dividend payment history. You can also amend certain standing data relating to your account.

Advisers

Valuers DTZ Debenham Tie Leung
Auditor Deloitte LLP
Solicitors Herbert Smith Freehills LLP
Joint Brokers and Financial Advisors J.P. Morgan Cazenove and Deutsche Bank AG
Financial Adviser Lazard Ltd

2. Shareholder Administration:

Payment of dividends to mandated accounts

Shareholders who do not currently have their dividends paid direct to a bank or building society account and who wish to do so should complete a mandate instruction available from the Registrar or request one at www.hammerson-shares.com. Under this arrangement, tax vouchers are sent to the shareholder's registered address.

Multiple accounts

Shareholders who receive more than one copy of communications from the Company may have more than one account in their name on the Company's register of members. Any shareholder wishing to amalgamate such holdings should contact the Registrar.

Dividend Reinvestment Plan ('DRIP')

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

Elections to participate in the DRIP (or cancellation of previous instructions) in respect of the final dividend must be received by the Company's Registrar no later than 5.00 pm on 19 April 2013. Further details can be found on the website at www.hammerson.com on the Investors page.

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

International payment service

In conjunction with Western Union, Capita Registrars provides a service to convert sterling dividends into certain local currencies. For further information, please contact Capita Registrars (address listed above). Tel: 0871 664 0385 (calls cost 10p per minute plus network extras, lines are open 9.00 am to 5.30 pm Monday to Friday) or +44 (0)20 8639 3405 (from overseas);
email: ips@capitaregistrars.com.
Further details can be found at:
http://international.capitaregistrars.com/

Capita share dealing services

An online and telephone dealing facility is available, providing shareholders with an easy to access and simple to use service. There is no need to pre-register and there are no complicated forms to fill in. The online and telephone dealing service allows you to trade 'real time' at a known price that will be given to you at the time you give your instruction. This is subject to a credit check for shareholders dealing in shares valued at more than the sterling equivalent of €15,000.

For further information on this service, or to buy and sell shares, please call Capita Tel: 0871 664 0364 (calls cost 10p per minute plus network extras, lines are open 8.00 am to 4.30 pm Monday to Friday), +44 (0)20 3367 2686 (from overseas) or 1 890 946 375 (from Ireland)
email: info@capitadeal.com
website: www.capitadeal.com

ShareGift

Shareholders with a small number of shares, the value of which makes it uneconomic to sell them, may wish to consider donating them to charity through ShareGift, a registered charity administered by The Orr Mackintosh Foundation Limited (registered charity number: 1052686, registered company number: 3150478). Further information about ShareGift is available at www.sharegift.org.uk or by writing to ShareGift, The Orr Mackintosh Foundation, 17 Carlton House Terrace, London, SW1Y 5AH or by telephone on 020 7930 3737.

Website

The 2012 Annual Report and other information that shareholders may find useful are available on the Company's website: www.hammerson.com on the Investors page. The Company operates a service whereby all registered users can choose to receive via email, notice of all Company announcements, which can also be viewed on the website.

UK Real Estate Investment Trust ('REIT') taxation

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

For most shareholders, PIDs will be paid after deducting withholding tax at the basic rate. However, certain categories of shareholder are entitled to receive PIDs without withholding tax, principally UK resident companies, UK public bodies, UK pension funds and managers of ISAs, PEPs and Child Trust Funds. Further information on UK REITs is available on the Company's website, including a form to be used by shareholders to certify if they qualify to receive PIDs without withholding tax.

Unsolicited mail

Hammerson is obliged by law to make its share register available on request to other organisations. 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 register on their website: www.mpsonline.org.uk or telephone their helpline on 0845 703 4599.

Shareholder security

Share fraud includes scams where investors are called out of the blue and offered shares that often turn out to be worthless or non-existent, or offered an inflated price for shares they own. These calls come from fraudsters operating in so called 'boiler rooms' that are mostly based abroad.

While high profits are promised, those who buy or sell shares in this way usually lose their money.

The Financial Services Authority ('FSA') has found most share fraud victims are experienced investors who lose an average of £20,000, with around £200 million lost in the UK each year.

If you are offered unsolicited investment advice, discounted shares, a premium price for shares you own, or free company or research reports, you should take these steps before handing over any money:

- Ask for the name of the person and organisation contacting you.
- Check the FSA Register at www.fsa.gov.uk/fsaregister to ensure they are authorised.
- Use the details on the FSA Register to contact the firm.
- Call the FSA Consumer Helpline on 0845 606 1234 if there are no contact details on the FSA Register or you are told they are out of date.
- Search the FSA's list of unauthorised firms and individuals with whom it is recommended to avoid doing business.

If you use an unauthorised firm to buy or sell shares or other investments, you will not have access to the Financial Ombudsman Service or Financial Services Compensation Scheme if things go wrong.

If you are approached about a share scam you should tell the FSA using the share fraud reporting form at www.fsa.gov.uk/scams, where you can find out about the latest investment scams. You can also call the Consumer Helpline on 0845 606 1234.

If you have already paid money to share fraudsters you should contact Action Fraud on 0300 123 2040.

More detailed information on this or similar activity can be found on the Financial Services Authority website at: http://www.fsa.gov.uk/consumerinformation/scamsandswindles/investment_scams/boiler_room

Shareholder information *(continued)*

3. Financial Calendar and Share Analysis:

Annual General Meeting

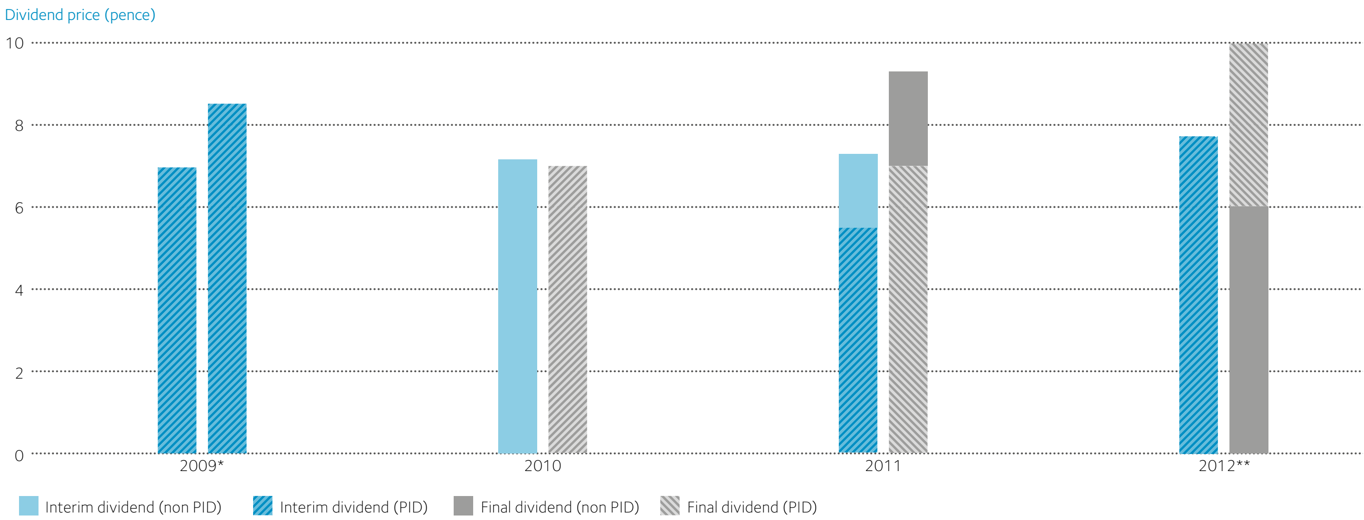
The Annual General Meeting for 2013 will be held at 11.00 am on 9 May 2013 at 10 Grosvenor Street, London, W1K 4BJ.
Details of the Meeting and the resolutions to be voted upon can be found in the Notice of Meeting that has been sent to all shareholders.

Full-year results announced		1 March 2013
Recommended final dividend	Ex-dividend date	3 April 2013
	Record date	5 April 2013
	Election (or cancellation) date for Dividend Reinvestment Plan	5:00 pm on 19 April 2013
	Payable on	14 May 2013
Annual General Meeting		9 May 2013
Anticipated 2013 interim dividend		October 2013

Analysis of Shares Held as at 31 December 2012

Number of Shares held	Number of Shareholders	Percentage of Total Shareholders	Holding	% of Total Capital
0-500	895	30.45	172,869	0.02
501-1,000	385	13.10	301,282	0.04
1,001-2,000	378	12.86	555,925	0.08
2,001-5,000	398	13.54	1,257,358	0.18
5,001-10,000	167	5.68	1,154,011	0.16
10,001-50,000	285	9.70	7,031,020	0.99
50,001-100,000	98	3.33	7,025,158	0.98
100,001-500,000	182	6.19	43,241,365	6.07
500,001-1,000,000	53	1.81	38,540,602	5.41
1,000,001 and above	98	3.34	613,551,369	86.07
Total	**2,939**	**100.00**	**712,830,959**	**100.00**

Four Year Dividend History



* In 2009, a second interim dividend was paid in place of a final dividend
** The 2012 final dividend is subject to the approval by shareholders at the 2013 Annual General Meeting

Notes

MIX
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Hammerson

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