Hammerson

Annual Report 2013

CREATING RETAIL DESTINATIONS

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2013 PERFORMANCE HIGHLIGHTS

97.7%
OCCUPANCY

8.5%
TOTAL PROPERTY RETURN

+2.1%
LFL NET RENTAL INCOME GROWTH

£341.2m*
PROFIT BEFORE TAX
* Includes valuation changes

+10.5%
ADJUSTED EARNINGS PER SHARE

WE ARE HAMMERSON

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

To help us achieve this vision, we have a clear strategy which guides our capital deployment, operating model and financial management through three strategic priorities:

1. CREATING HIGH-QUALITY PROPERTY
2. MAXIMISING INCOME
3. CAPITAL STRENGTH

Read about our business model on page 12.

We create compelling retail venues in successful locations with services and experiences tailored to the local consumer demographic.

We never stand still and we are always on the look out for opportunities to enhance our portfolio.

WE ♥ RETAIL

Visit our website for further information @ www.hammerson.com

CREATING EUROPE'S LEADING RETAIL DESTINATIONS

We have a high-quality portfolio in the UK and France valued at £5.9 billion – with investments in 20 major shopping centres, 22 retail parks and 9 premium designer outlets.

PORTFOLIO VALUE

£5.9bn

Details of our portfolio can be found on page 158

EXPERIENCE

20

SHOPPING CENTRES

Our shopping centres in the UK and France attract 250 million visitors each year and include internationally recognised schemes such as: Bullring, Birmingham; Brent Cross, London; and Italie Deux, Paris.

CONVENIENCE

22

RETAIL PARKS

Our retail parks provide over 500,000m^2 of convenient retail space. We are the largest owner of retail parks in the UK.

LUXURY

9

PREMIUM DESIGNER OUTLETS

We are a significant investor in Value Retail's highly successful luxury outlet Villages which serve tourism capitals throughout Europe.

SHOPPING CENTRES

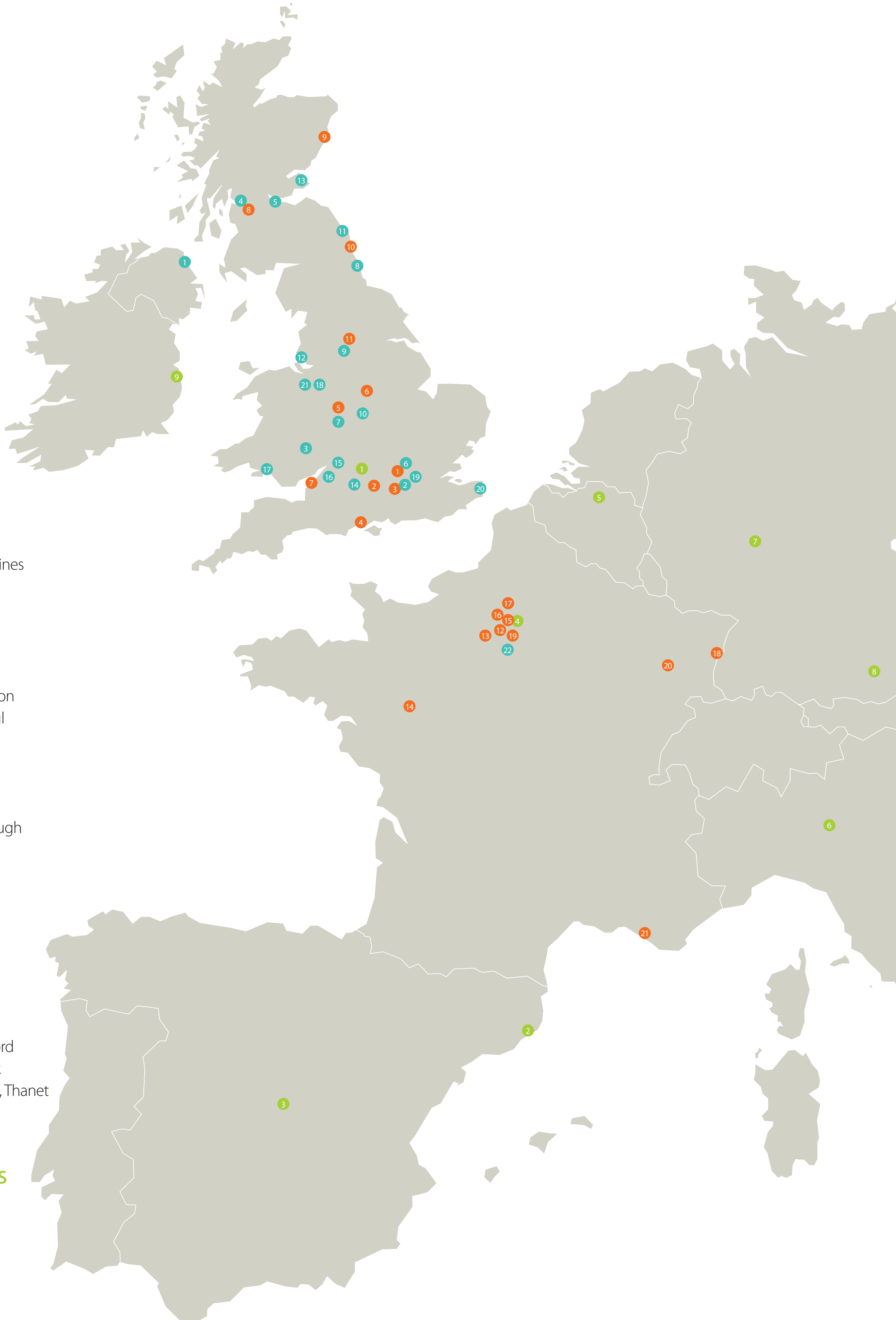
1 Brent Cross, London
2 The Oracle, Reading
3 Centrale, Croydon
4 WestQuay, Southampton
5 Bullring, Birmingham
6 Highcross, Leicester
7 Cabot Circus, Bristol
8 Silverburn, Glasgow
9 Union Square, Aberdeen
10 Monument Mall, Newcastle
11 Victoria Quarter, Leeds
12 Bercy 2, Charenton-le-Pont
13 Espace Saint Quentin, Saint Quentin-en-Yvelines
14 Grand Maine, Angers
15 Italie Deux, Paris 13ème
16 Les 3 Fontaines, Cergy Pontoise
17 O'Parinor, Aulnay-sous-Bois
18 Place des Halles, Strasbourg
19 SQY Ouest, Saint Quentin-en-Yvelines
20 San Sébastien, Nancy*
21 Les Terrasses du Port, Marseille†

RETAIL PARKS

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

PREMIUM DESIGNER OUTLETS

1 Bicester Village, Oxford
2 La Roca Village, Barcelona
3 Las Rozas Village, Madrid
4 La Vallée Village, Paris
5 Maasmechelen Village, Brussels
6 Fidenza Village, Milan
7 Wertheim Village, Frankfurt
8 Ingolstadt Village, Munich
9 Kildare Village, Dublin



* Purchased February 2014
† Opening May 2014
‡ Shopping Centres and Retail Parks only

250m
ANNUAL SHOPPING CENTRE VISITS

1.7million m²
SPACE‡

£634 million
INVESTMENT IN VALUE RETAIL

WELCOME TO THE ANNUAL REPORT FOR 2013, MY FIRST AS CHAIRMAN

Hammerson is in the business of creating retail destinations. Whether that is through development, extension, refurbishment or investment, our aim is to deliver venues to our customers, the retailers and restaurateurs, where their consumers want to shop, eat and socialise.

During the year we have progressed many of our major retail developments, to help ensure we create the retail destinations of the future. We have implemented measures to ensure that we maximise the income from our existing portfolio, and put the Company in a strong financial position which gives us the flexibility to capture future opportunities.

Through our focus on the three areas of retail which are structurally well placed to benefit from technological and consumer trends, Hammerson is in a good position to capture future retail spending.

INTRODUCTION

I was delighted to join Hammerson in January 2013 and to take over from John Nelson as Chairman in May. The Company has a strong record for generating shareholder value based on its success in providing destinations for our customers and their consumers. We owe John a debt of gratitude for his contribution over the last nine years, in particular providing confident leadership and guidance to the business during his tenure as Chairman. My objective is to build on the Company's robust position to add further to shareholder value in the years ahead.

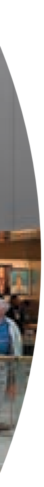
I have spent much of my first year getting to know the business, primarily its people and its assets. I want to thank all our people for delivering a good performance in the year, and helping me quickly to learn about the detail of the business.

RESULTS

We have grown income from the portfolio in 2013, allowing us to deliver growth in adjusted earnings of over 10% to 23.1 pence per share. In conjunction with the visibility we have on future earnings this gives us the confidence to propose an increase in the full-year dividend of almost 8% to 19.1 pence per share. At the year end the portfolio was worth £5.9 billion, resulting in a net asset value of £5.73 per share, a 6% increase on 2012.

BOARD CHANGES

After ten years on the Board, it is planned that John Hirst will stand down as a Non-Executive Director and as Chairman of the Audit Committee at the AGM in April. I would like to pay tribute to his contribution to Hammerson. The business has benefited greatly from his wisdom and judgment around the board room table. We anticipate making a new Non-Executive Director appointment to the Board during the course of 2014. Following the AGM, Jacques Espinasse will take over as Chairman of the Audit Committee from John. In addition, at the same time Gwyn Burr will take over as Chairman of the Remuneration Committee from Anthony Watson, who plans to stand down from the Board in April 2015 after nine years with us.



SHAREHOLDER ENGAGEMENT

We seek engagement with our shareholders. During 2013 Hammerson undertook a programme of regular investor relations activities for both our institutional and private shareholders. These include investor roadshows following results, participation at investor conferences and attending ad hoc events where investors have the opportunity to meet and question Executive Directors and senior management. Investors are encouraged to attend our AGM.

SUSTAINABILITY

Our connected reporting standards were once again recognised with a Gold Award by EPRA in 2013. Robust and well-established data management systems enable us to report beyond compliance, including emissions resulting from business travel and waste.

We have again driven down our environmental impacts. These achievements continue to generate year-on-year cost savings for the business and for our occupiers, while mitigating the risks of carbon penalties and rising energy prices.

OUTLOOK

We have reported a good set of results in a year when we saw the beginning of economic and consumer recovery in the UK. In France the economic picture is less clear cut, although personal debt levels remain low, providing the opportunity for a rebound in consumer spending when growth returns.

We are seeing improving demand from retailers, and Hammerson is creating the right product to meet their future requirements, which provides the conditions for selected growth in rental values. We have clear visibility on a number of major development projects which will create the destination venues of the future, and drive returns to our shareholders. The first of these, Les Terrasses du Port in Marseille, will open in May this year. We remain on course to deliver strong growth in earnings and dividends over the medium term.

David Tyler / Chairman

Introduction to the Governance Report

page 60

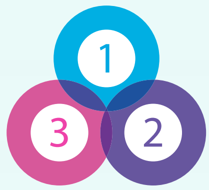
CREATING RETAIL DESTINATIONS

2013 was something of a landmark year – our first as a specialised retail REIT.

Over the course of the year we have witnessed the start of economic recovery and seen growth returning to our core markets of the UK and France. This has driven increased demand for retail floorspace, especially in those locations where physical retail still adds value – prime shopping centres which cater to the customer demand for experience, convenient retail parks and premium designer outlets.

We have three strategic priorities which guide our capital deployment, operating model and financial management:

1. CREATING HIGH-QUALITY PROPERTY
2. MAXIMISING INCOME
3. CAPITAL STRENGTH



Read about our business model to understand how we create winning retail destinations on page 12.

We achieve these objectives by creating compelling retail venues in successful locations with services and experiences tailored to the local demographic.

1

CREATING HIGH-QUALITY PROPERTY

We continue to invest to upgrade our venues through:

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

Development

We will open Les Terrasses du Port, our 61,000m^2 shopping and leisure destination in Marseille, in May. The centre which is anchored by Printemps and comprises 190 shops, has an impressive mix of brands and a restaurant terrace with stunning views over the Mediterranean Sea.

In Beauvais, 90km North of Paris, we have started construction on the 24,000m^2 Le Jeu de Paume scheme. Carrefour, Le Furet du Nord, H&M, Sephora and Foot Locker are among the retailers that have committed to the project.

We have also made significant advances with three major UK developments. In Leeds, we have commenced work at Victoria Gate, the £135 million John Lewis anchored retail development which adjoins Victoria Quarter. In Croydon, London, our joint venture with Westfield continues to make good progress and in November we achieved planning approval for the retail-led scheme. At Brent Cross, London we received approval for a planning amendment in early 2014 moving us closer to start on site for this exciting scheme.

Extensions

We are also making good progress with extensions and redevelopments across the retail parks portfolio. At Cramlington, following our successful completion of the catering and leisure scheme in the summer, the extension to Manor Walks Retail Park was completed in September. At Abbotsinch Retail Park, Paisley, which was acquired as part of the Junction Fund transaction, works have begun on the extension project. In April, we secured planning approval for the redevelopment of Elliott's Field Retail Park, Rugby, which will be anchored by a 5,500m^2 Debenhams store.

Refurbishment

We continue to attract quality leisure and catering operators to our venues which add vibrancy, increase dwell times and ensure we meet consumers' demands for a special experience. At WestQuay, our recently re-launched "Dining at WestQuay" was awarded the highest 3-star rating by the Sustainable Restaurant Association and, in July, we received planning approval for a leisure-led extension to this successful venue. Works are progressing on schedule at the leisure extension at Silverburn, Glasgow. The scheme will be anchored by a 14-screen Cineworld multiplex cinema, and include new restaurants such as Zizzi and Pizza Express.

In France, the program of renovation at our French centres continues on schedule. In September, we completed refurbishment works at: Italie Deux, Paris; Grand Maine, Angers; and Place Des Halles, Strasbourg. The refurbishment and extension of O'Parinor, Paris to create a new cinema and a significantly enhanced catering offer, will complete in 2014.

Investment

In May, we acquired an additional stake in Bullring, taking our ownership of this iconic retail venue to 50%. Developed by Hammerson in 2003, Bullring remains one of Europe's most successful retail venues. It is anchored by Selfridges and Debenhams, is over 99% let and has welcomed over 400 million shoppers since its opening.

During 2013, we continued to increase our investment in Value Retail – Europe's premier owner of luxury outlet Villages. In June and July we invested a further £78 million, acquiring for the first time a direct investment in La Vallée Village (Paris) and increasing our investments in Las Rozas Village (Madrid) and La Roca Village (Barcelona).

In February 2014 we acquired the Saint Sébastien shopping centre in Nancy, France, which provides the opportunity to create value through a number of asset management initiatives.

We continue to raise the quality of the portfolio by recycling capital out of mature assets, disposing of Queensgate, Peterborough, at the end of the year.

Focus on sustainability

Sustainability remains very much at the heart of our business. We maintained our focus on this area during the downturn and were rewarded with operational cost savings and reputational benefits. Examples of how sustainability is delivering added value for the different areas of the business are detailed throughout the report.

2

MAXIMISING INCOME

In 2013 we signed 364 leases in respect of 154,000m^2, at levels above both the estimated rental values (ERV), and previous passing rent. Like-for-like net rental income for the year was 2.1% higher than in 2012. We maintained high occupancy of 97.7%, an excellent platform from which to drive rental income higher in the year ahead.

The completion of a number of on-site developments will add a further £30 million per annum to our income from 2014.

Strong retailer relationships

We continue to bring new retailers and new formats to ensure our portfolio remains fresh and vibrant. In 2013, over 200 retail fascias were changed representing about 7% of our total portfolio. We have used our strong retailer relationships to bring exciting brands such as Printemps, Hugo Boss, and Ted Baker to Les Terrasses du Port.

Consumer insight and digital expertise

Multi-channel retailing and digital marketing continue to grow in importance as consumers increasingly use mobile devices to research, inform and make purchases. During 2013 we completed the roll-out of free wi-fi to all UK centres and successfully trialled our integrated mobile app – KUDOS – at Highcross and The Oracle.

3

CAPITAL STRENGTH

Operating within a prudent and flexible capital structure remains a key priority for the Company. Throughout 2013 we have maintained our strong financial position and, as at the year-end, LTV and gearing remained low at 38% and 56% respectively. Throughout the year we actively managed our liabilities to ensure that we reduce borrowing costs whilst maintaining substantial liquidity. In May, we repurchased £28 million of our high coupon 2013 sterling bonds, and in November we raised £277 million through a US Private Placement. These activities helped to reduce our average interest cost to 4.8% and we finished the period with substantial liquidity of £716 million.

In 2012 we relocated our Paris head office and intend to do the same in London in 2015, with substantial cost savings. We remain committed to improving our cost:income ratio, and will implement further efficiency measures in 2014.

SUMMARY

In summary, 2013 has brought the first signs of economic recovery in our markets. We have seen improvements in both our customers' and consumers' confidence that is generating increased demand for our assets. Our KPIs, which are set out in detail on page 13, indicate that we are delivering against our strategic objectives. Our portfolio of modern, well-located prime shopping centres, convenient retail parks and luxury outlet Villages continues to attract successful retailers and I remain upbeat about the future for the Company.

David Atkins / CEO

A UNIQUE UNDERSTANDING OF THE MARKET

The Company's business strategy is grounded in a focus on prime retail locations, defined as those which are set to benefit from the structural trends currently impacting the consumer economy and retail sector. As shopping patterns change, consumers are selecting only special locations and retailers continue to focus on locations where physical retail adds value to their overall proposition.

Add to that the increasing trend of shopping as a leisure activity and it is our view that the physical shop will retain its central position in the retail landscape.

RETAIL PROPERTY MARKET CHARACTERISTICS

The retail environment is changing more quickly than ever with the use of digital technology having a profound effect on the way people shop and how retailers operate. With a greater number of available buying alternatives, consumers are selecting physical retail only in locations that satisfy their need for convenience or desire for a special experience.

Consequently, we believe that retailers will continue to rationalise store portfolios, requiring fewer stores to access their consumers. However those stores that remain will need to be larger, better ranged, better supported by multi-channel and digital capabilities and situated only in the best locations. These stores are often the most productive for retailers, delivering the highest sales densities and the greatest contributions to group profitability.

While sub-scale and poorly located retail locations face income and occupancy challenges, those venues which provide shoppers with true convenience and a diverse experience will continue to capture market share and prosper.

This polarisation has resulted in a marked differential in performance between the best and poorest retail assets.

RETAIL TOTAL PROPERTY RETURNS

(%)	2010	2011	2012	2013	Average
Prime shopping centres	19.7	7.7	4.7	7.5	9.9
Secondary shopping centres	15.7	-1.0	-9.5	0.2	1.4

Source: IPD

In the UK and France, planning regimes impose restrictions on new retail developments that limit the supply of new space, underpin value and provide unique opportunities for retail property owners to grow rental and capital values. Therefore, retail property has some fundamental attractions:

- Sustainable and predictable long term returns with low volatility
- Scale can be achieved through ownership of large, dominant, management-intensive properties
- Granular and diverse tenant base mitigates specific risks
- Barriers to entry in the form of specialist management skills and high capital requirements
- International capital increasingly drawn to dominant and high profile retail assets
- Retail property is more resistant to the real estate cycle and has delivered the highest historic risk-adjusted property returns

MARKET SUB-SECTOR DESCRIPTION

Hammerson operates in three sub-sectors of the retail property market that cater to consumer preferences for:

- Experience; prime *shopping centres* that are located in urban areas and which offer exciting brands, full line stores, high-quality catering and leisure facilities in a safe, mobile enabled environment.
- Convenience; *retail parks* located in out of town locations that are easily accessible by car, offer free parking and are increasingly popular due to the growth of "click and collect" retail.
- Luxury; *premium designer outlets* located in Europe's largest cities. They are often located away from the city centre and provide an appealing environment selling premium branded products at a discount to their full price. Designer outlets appeal to their domestic catchment but are also popular with international tourists and international consumers.

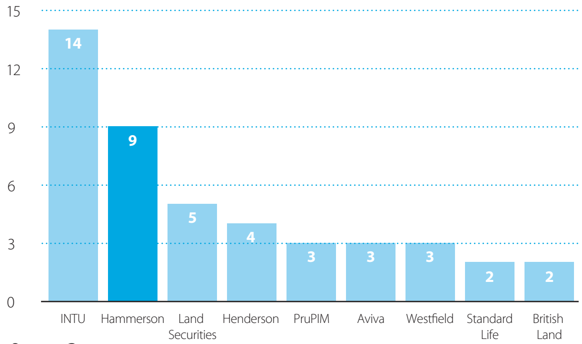
Experience – Prime Shopping Centres

The total shopping centre floor space in the UK is approximately 16.8 million m^2 spread across 710 centres. In the UK, Hammerson owns stakes in 11 shopping centres that in aggregate accommodate 1,300 retail and catering occupiers. The Company's centres attract over 180 million shoppers each year that spend in excess of £2 billion and generate annual rents of £145 million. The portfolio comprises nine of the UK's top 40 shopping centres. Major tenants include John Lewis, House of Fraser, Marks & Spencer, H&M and National Amusements.

High tenant demand, high investor demand and constrained supply combine to ensure occupancy remains high and rental and capital values grow.

The UK shopping centre development pipeline is expected to add only 62,700m^2 (0.4% of total floorspace) of gross lettable area to the market in 2014 and income yields for prime shopping centres are stable at 5.25%. The largest transaction in 2013 was the sale of a 33% ownership stake in The Bullring, Birmingham by Future Fund to a joint venture of Hammerson and CPPIB. The total consideration was £307 million.

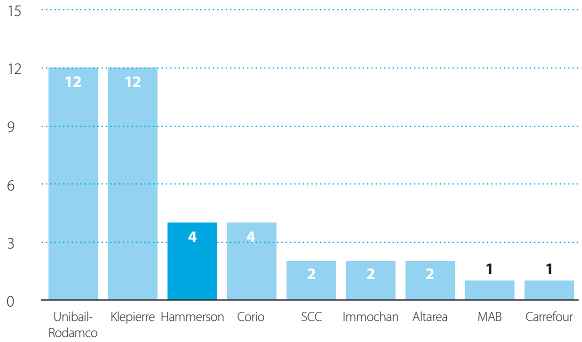
OWNERSHIP OF TOP 40 UK SHOPPING CENTRES
(including joint ventures)



Source: Company

Hammerson's French portfolio is one of the largest in the country. The Company owns nine shopping centres, concentrated in the greater Paris region and attracting over 70 million shoppers per annum, which spend over £1 billion per annum. The portfolio comprises approximately 300,000m^2 and its 900 occupiers generate annual rents of £70 million per annum.

OWNERSHIP OF TOP 40 FRENCH SHOPPING CENTRES
(including joint ventures)



Source: Company

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

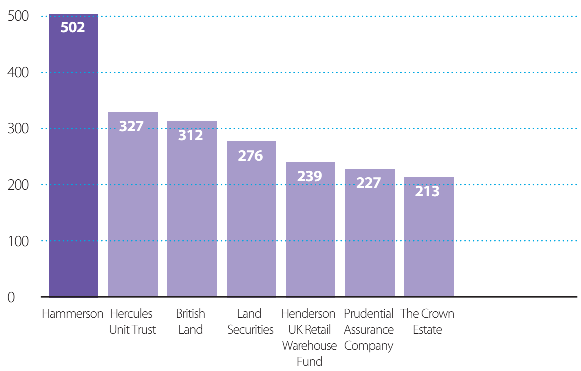
Investors continue to show a keen interest for French assets, most notably for prime and city centre locations. A key factor that underpins investor demand is the annual indexation of rents in French leases. Future supply is mostly concentrated in the Greater Paris area and recent notable completions have been limited to Aeroville (80,000m^2), Beaugrenelle (50,000m^2) and Villeneuve La Garenne (86,000m^2). Prime shopping centre yields have remained stable at c. 4.90%.

Convenience – Retail Parks

The retail park market is highly fragmented and benefits from convenient locations that suit time-poor consumers. These retail locations succeed by meeting consumers' needs for convenience as well as retailers' requirements for accessible locations to support the fulfillment of multi-channel sales, an increasingly important driver of store traffic and incremental sales. Often situated in out-of-town locations, prevailing rents at retail parks are lower than those in shopping centres which supports profitability and underpins demand.

The Company owns 21 of the UK's leading retail parks, accommodating 440 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. Following the acquisition of The Junction Fund in November 2012, Hammerson became the largest direct owner of retail parks in the UK. The Company utilises this strong market position to secure favorable terms with occupiers and other counterparties.

TOP DIRECT OWNERS OF UK RETAIL PARKS
('000m^2)



Source: Company

As of December 2013 retail park net initial yields stood at 5.25% for fashion parks and 6.25% for traditional parks. A fundamental attraction of retail parks are their modest relative lot size that provides excellent liquidity.

Luxury – Premium Designer Outlets

We estimate that there are now around 205 outlets across Europe with a combined total area of 3.3 million m^2.

Sales growth at designer outlet centres in Europe has substantially outperformed the region's non-food retail industry average. This strong performance has encouraged continued investment in the sector. Recent outlet openings were concentrated in Poland, Russia and Germany which accounted for 65% of new floor space. In 2012 and 2013 only four schemes opened in mature Western European markets, specifically in Austria, Italy and Sweden. Most of the new supply is concentrated in the mass market segment of this sector.

Hammerson is a major investor in Value Retail, the only company in Western 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. Value Retail's portfolio is valued over at £3 billion and represents the largest single collection of outlet Villages in Europe.

MAP OF VALUE RETAIL ASSETS

The portfolio is home to a high concentration of luxury and aspirational brands such as Gucci, Prada, Salvatore Ferragamo, 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, brand sales at Value Retail Villages have grown at an average annual rate of 17% and the Villages are among some of the most successful retail locations in the world. Brand sales at Bicester Village now exceed £25,000 per m^2.

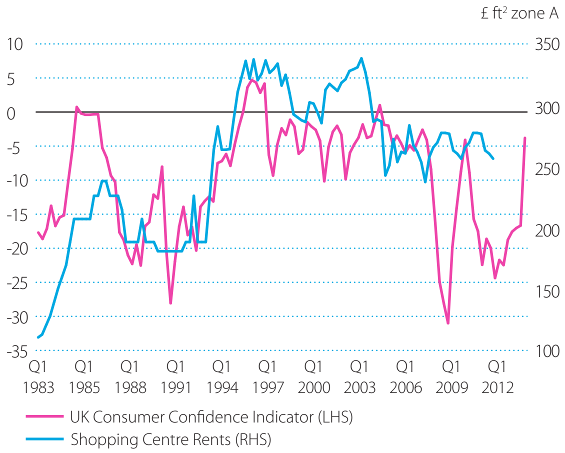
LEAD INDICATORS AND OUTLOOK

In recent years, general economic weakness has impacted household budgets and constrained consumer spending. Consequently, rental value growth for retail property has been relatively weak in both the UK and France.

However, as the UK economy continues to improve and lead indicators such as employment growth, disposable income and consumer confidence turn positive, the outlook for retail property also improves. We continue to see good demand from retailers in response to these improving economic indicators.

Since 1985 there has been a strong connection between consumer confidence and retail rents. A two-year lag has been applied to shopping centre rents, demonstrating how improving consumer confidence drives higher retail rents, over time.

UK CONSUMER CONFIDENCE VS SHOPPING CENTRE RENTS

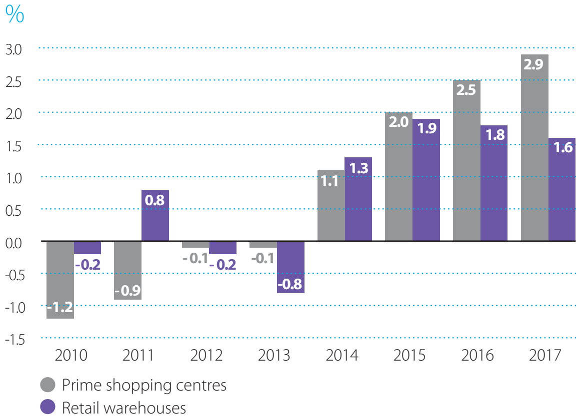


Source: JP Morgan Cazenove equity research

Given the increasing polarisation of consumer spending, it is anticipated that the improvement in consumer sentiment and increase in discretionary spending will be concentrated in the best retail venues.

LEADING TO MARKET ERV GROWTH

FORECAST UK RETAIL ERV GROWTH PER ANNUM



Source: PMA

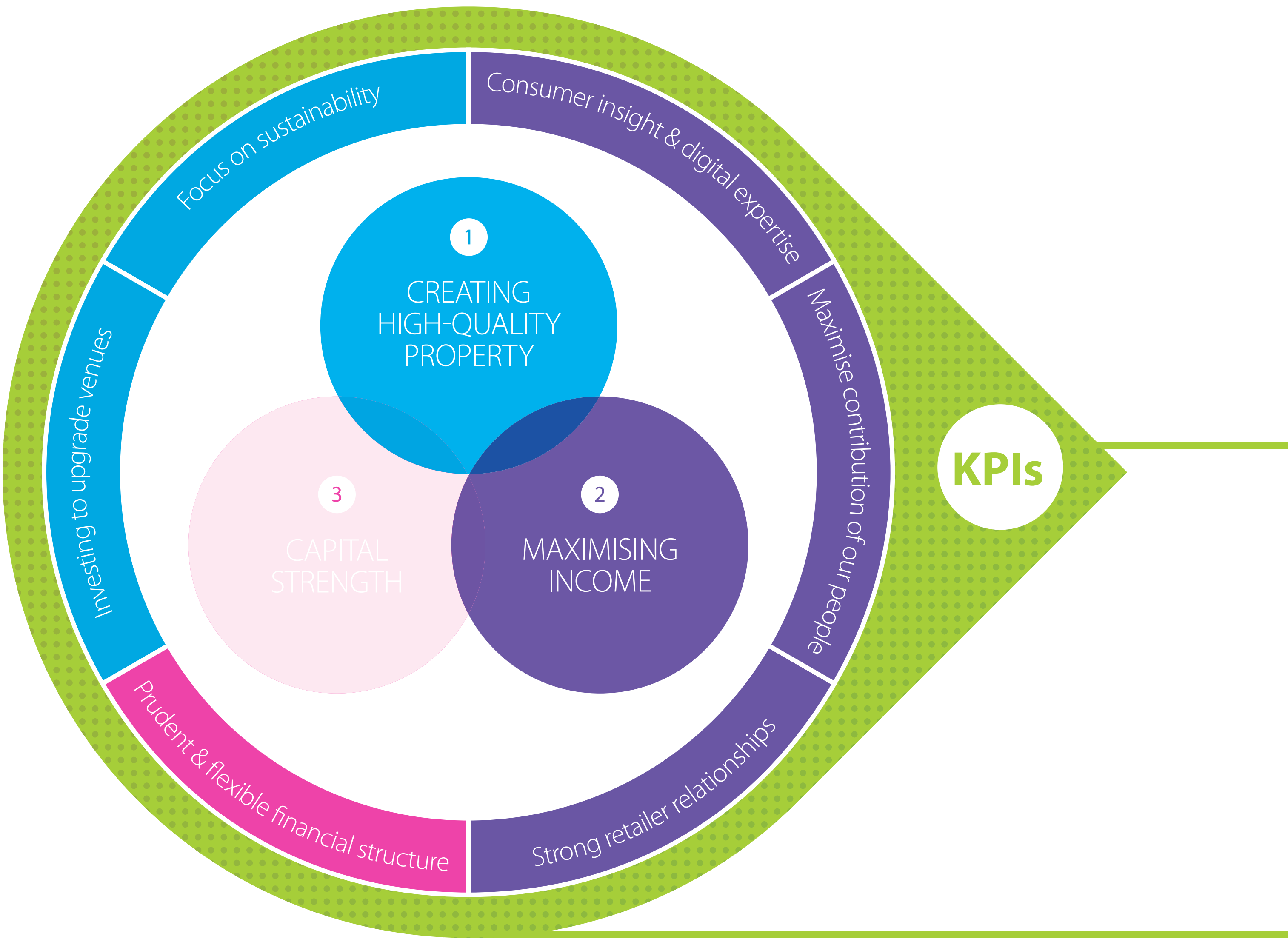
Against this improving market background we are confident our portfolio of prime retail assets, in "winning" locations, that are actively and professionally managed will continue to attract consumers and gain market share. This is driving occupier demand that, combined with low levels of supply, is shifting the balance of pricing power in our favour and points to an environment of improving rental and capital values.

HOW WE CREATE VALUE

We have three strategic priorities which guide our capital deployment, operating model and financial management:

1. CREATING HIGH-QUALITY PROPERTY
2. MAXIMISING INCOME
3. CAPITAL STRENGTH

Our strategy is underpinned by high-quality real estate. We create compelling retail venues in successful locations with services and experiences tailored to the local consumer demographic.



OUR KEY STRENGTHS

1 CREATING HIGH-QUALITY PROPERTY

INVESTING TO UPGRADE VENUES

We develop or acquire to create compelling retail venues in successful locations. We have a high-quality portfolio and market leading positions in our chosen sectors of the retail market: large pre-eminent shopping centres that meet consumers' wish for a special experience; convenient retail parks; and luxury designer outlets.

The quality of our portfolio is enhanced through:

- DEVELOPMENT
- EXTENSIONS
- REFURBISHMENT
- INVESTMENT ACTIVITY

More within our case study section on page 14

FOCUS ON SUSTAINABILITY

Our focus on sustainability drives resource efficiencies throughout our portfolio and ensures we create assets fit for the future through our development pipeline.

More on sustainability on page 26

2 MAXIMISING INCOME

CONSUMER INSIGHT AND DIGITAL EXPERTISE

We are leading change in the way we engage with our customers and consumers. We use social media, mobile applications, augmented reality and tailored marketing campaigns to maximise footfall and sales at each destination. We constantly refresh and enhance the consumer experience at our properties to ensure they remain vibrant.

More within our case study section on page 16

MAXIMISE CONTRIBUTION OF OUR PEOPLE

Our people create value for shareholders through their skills, knowledge and commitment in acquiring, managing, developing and adding value to our assets.

More within our people section on page 24

STRONG RETAILER RELATIONSHIPS

We foster close, long standing relationships with retailers across the globe – working together to deliver innovative commercial solutions to changing retailer requirements.

More within our case study section on page 18

3 CAPITAL STRENGTH

PRUDENT AND FLEXIBLE FINANCIAL STRUCTURE

We operate within a prudent and flexible financial structure. Our low gearing provides financial stability whilst giving capacity and flexibility to progress future investment.

More within our Business Review on page 42

DELIVERING HIGH PERFORMANCE

CREATING HIGH-QUALITY PROPERTY

Total property return relative to IPD

8.5% (IPD 8.3%)

(2012: 5.0% (IPD 3.7%))

We compare the total return achieved from the portfolio, including our interest in the Value Retail portfolio, against the relevant IPD index.

MAXIMISING INCOME

Occupancy

97.7% (2012: 97.7%)

The ERV of the space in the portfolio which is currently let, as a percentage of the total portfolio.

Growth in like-for-like NRI

2.1% (2012: 2.1%)

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.

CAPITAL STRENGTH

Growth in adjusted EPS

10.5% (2012: 8.3%)

The increase in adjusted EPS expressed as a percentage of the prior year figure.

INVESTING TO UPGRADE VENUES

VICTORIA QUARTER AND VICTORIA GATE, LEEDS

Our portfolio is tailored to meet the needs of the local consumer.

In Leeds, we own Victoria Quarter – Leeds' premier upmarket retail venue anchored by a Harvey Nichols department store. The centre comprises 18,900m² of floorspace and provides 72 boutiques and restaurants all set within a stunning Victorian arcade. It is home to high-end retailers such as Louis Vuitton, Mulberry, Vivienne Westwood and Oliver Sweeney. It has successfully established itself as the leading retail destination in Leeds and attracts over 8 million visitors each year. The asset reinforces our interest in the fast growing luxury retail sector.

To capitalise on local demand and build on the strong profile already established by Victoria Quarter, we are progressing Victoria Gate, the 34,300m² retail development adjacent to the existing arcade. In September, we secured planning permission for the development. This project will be anchored by a new 21,000m² John Lewis department store and provide over 30 new boutiques and restaurants, as well as a new 800 space car park. We have commenced work on site in 2014, with the scheme opening to the public in 2016.

KEY STATISTICS

- Leeds is the 3rd largest city in the UK, with a population over 750,000
- Victoria Quarter occupancy is 99.6%, with annual rents of more than £7.3m
- Victoria Gate development to provide an additional 34,300m²
- Pre-letting agreement exchanged with John Lewis for a 21,000m² anchor store
- Anticipated annual rents of £10m from Victoria Gate


REISS

CONSUMER INSIGHT AND DIGITAL EXPERTISE

CONSUMER INSIGHT + DIGITAL = KUDOS

The retail environment is changing more quickly than ever. The digital revolution and ubiquity of smart phones is having a profound effect on how people shop, and how retailers operate, with 50% of all purchases influenced by the internet, in some form.

Consumers are now constantly connected – often on a mobile device. We need to be at the forefront of multi-channel retailing and are working with our customers to trial new technologies and innovate different formats.

In October we successfully launched our loyalty app in Highcross, Leicester and The Oracle, Reading, which enables consumers to receive exclusive offers tailored to their preferences, and allows us to gain greater insight into the way our consumers shop. Usage of the app has been above our expectations, with an average of 1,500 downloads per week at the two centres.

KEY STATISTICS – KUDOS

- 1,500 downloads per week
- 75% of users are female
- 15% average voucher redemption rate
- 2.5 times app is used by shoppers on each visit

STRONG RETAILER RELATIONSHIPS

We keep our centres compelling and vibrant by constantly refreshing the tenant mix. Since 2009, we have introduced 221 premium brands to our retail assets in the UK and France. We seek out expanding international retailers to bring in retail firsts such as Apple, Hollister and Forever 21.

At Les Terrasses du Port, our 61,000m^2 shopping centre development in Marseille, we have secured a number of retail firsts: the first Printemps store in Marseille and its first opening for 20 years; the first Citadium outside Paris; Ted Baker's first French store outside Paris; and Michael Kors' first French shopping centre store. All in one centre.

Les Terrasses du Port is 93% pre-let and is on schedule to open in May 2014.

KEY BRANDS INTRODUCED TO LES TERRASSES DU PORT

TED BAKER®
LONDON

BOSS
HUGO BOSS

PRINTEMPS

KEY STATISTICS

- Lettable area 61,000m^2
- 93% pre-let
- Opening May 2014


Cabot Circus
Highcross
Monument Mall
Brent Cross
The Oracle
Union Square
Bullring
Les Terrasses du Port
BOSS
HUGO BOSS
PRINTEMPS
Les Terrasses du Port
Italie Deux
TED BAKER®
LONDON
Les Terrasses du Port
Cabot Circus
Victoria Quarter

OUR DEVELOPMENT PIPELINE

2014

LES TERRASSES DU PORT
MARSEILLE

93% Pre let

Estimated cost to complete: £80m

Value: £386m

Estimated annual income: £28m

61,000m² Lettable area

CYFARTHFA RETAIL PARK
MERTHYR TYDFIL

14,500m² Lettable area

46% Pre let

Estimated cost to complete: £19m

Estimated annual income: £2m

2015

SILVERBURN EXTENSION
GLASGOW

Estimated cost to complete: £8m

Estimated annual income: £1m

84% Pre let

10,900m² Lettable area

LE JEU DE PAUME
BEAUVAIS

23,800m² Lettable area

42% Pre let

Estimated cost to complete: £60m

Estimated annual income: £5m

* All figures are Hammerson share

Hammerson's development programme will create the vibrant retail destinations of the future. The Company's track record of managing complex development projects and urban regeneration schemes has earned it a reputation as a leading real estate developer in the UK and France. We have a substantial pipeline of future developments and have forged strong relationships with the local authorities and major retail groups that have interests in these schemes.

WATERMARK
SOUTHAMPTON

Estimated cost to complete: £70m

Estimated annual income: £5m

18,000m²

Lettable area

CROYDON TOWN CENTRE
LONDON

Estimated cost to complete: £500m

Estimated annual income: £35m

200,000m²

Lettable area

2016 → 2018

VICTORIA GATE
LEEDS

34,300m²

Lettable area

Estimated cost to complete: £135m

Estimated annual income: £10m

BRENT CROSS EXTENSION
LONDON

90,000m²

Lettable area

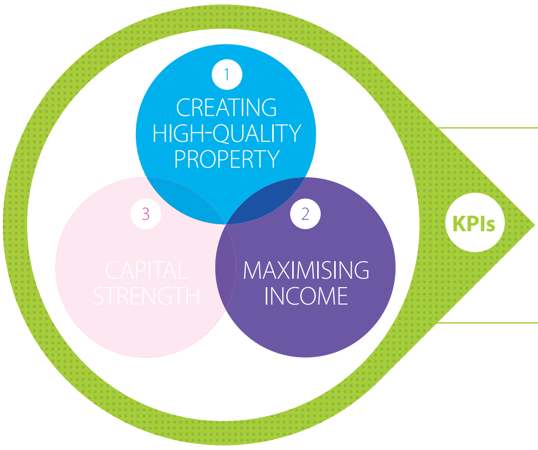
Estimated cost to complete: £350m

Estimated annual income: £26m

DELIVERING HIGH PERFORMANCE

We monitor the performance of our business using four principal measures and appropriate benchmarks: total property returns; occupancy; growth in like-for-like net rental income; and growth in adjusted earnings per share. These Key Performance Indicators, or KPIs, illustrate the relative success of the implementation of our strategic priorities. The KPIs are calculated using data from management reporting systems and IPD.

The Company's Annual Incentive Plan (AIP) and Long Term Incentive Plan (LTIP) for Executive Directors contain performance measures, set out on page 76, that align closely with these KPIs. Total property return relative to IPD is a specific measure in both the AIP and the LTIP and high occupancy and income growth drive increased earnings per share, total shareholder return and net asset value, which are performance measures in either the AIP or the LTIP.



- **Total property return**
- **Occupancy**
- **Like-for-like NRI**
- **Growth in EPS**

The impact of the KPIs on remuneration is set out in the Remuneration Report on pages 73 and 89.

Definitions for occupancy, like-for-like NRI, EPS and total return are provided in the glossary on pages 164 and 165.

STRATEGIC PRIORITY

CREATING HIGH-QUALITY PROPERTY

We invest in high-quality retail real estate which is attractive to customers and consumers and provides a platform from which to grow income and value, generating good returns.

KPI

TOTAL PROPERTY RETURN RELATIVE TO IPD

We compare the total return achieved from the portfolio against the IPD Retail Property Universe. The return includes the Group's share of the Value Retail portfolio for 2013.

BENCHMARK: IPD

PERFORMANCE

8.5% (IPD 8.3%)
(2012: 5.0% (IPD 3.7%))

From 2013, we have included the total return generated by the Group's interests in Value Retail in the Group's total property return. This better represents the exposure which the Group has to its three areas of focus: experience; convenience; and luxury.

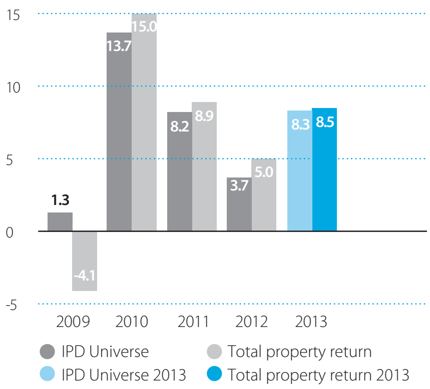
The return for 2013 at 8.5% outperformed the benchmark, based on the quarterly index, of 8.3%. As would be expected from Hammerson's prime assets, the income return of 5.3% was below the IPD equivalent of 5.8%. The IPD capital return was 2.4% whereas our portfolio generated capital growth of 3.1%. The IPD Retail Property Universe includes all types of UK retail property and the 2013 index reflected, in particular,high returns from retail unit shops in and around London.

FOCUS ON 2014

We believe that prime shopping centres, well-located retail parks and luxury outlet Villages of the type to which Hammerson is exposed will outperform other classes of retail real estate over the longer term.

TOTAL PROPERTY RETURNS

(%)



Detail on our development refurbishment and extensions can be found on page 32.

STRATEGIC PRIORITY
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 the mix and location of customers within a property, which should in turn increase rental income and provide capital growth.

KPI
OCCUPANCY

The ERV of the space in the portfolio which is currently let, as a percentage of the total portfolio.

BENCHMARK: 97%

PERFORMANCE

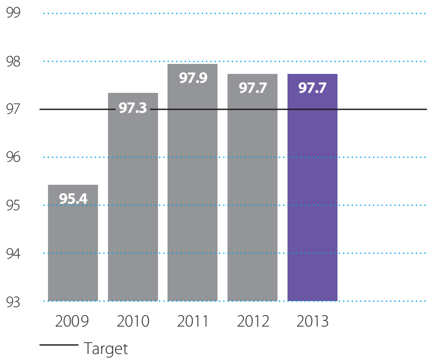
97.7% (2012: 97.7%)

The portfolio was 97.7% occupied at the end of 2013, unchanged compared with a year ago. Our prime retail portfolio has proved resilient in the face of the pressures on retailers from the economic environment and occupancy has been maintained above our target of 97.0%.

FOCUS ON 2014

Although growth has returned to the UK economy, retailers continue to face challenging operating environments in both the UK and France. This may result in further administrations which would increase vacancy. However, we expect the portfolio to remain attractive to potential occupiers, which would continue to support high occupancy.

OCCUPANCY
(%)



Further analysis of occupancy can be found on page 39.

STRATEGIC PRIORITY
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 uplifts from rent reviews, tenant engineering and other 'value adding' initiatives.

KPI
GROWTH IN LIKE-FOR-LIKE NRI

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%

PERFORMANCE

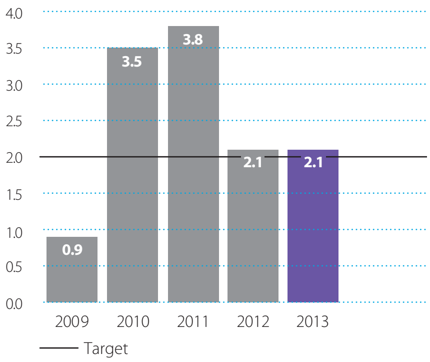
2.1% (2012: 2.1%)

On a like-for-like basis, net rental income grew by 2.1% for the continuing portfolio in 2013, slightly above our target of 2%. Income from UK and French shopping centres grew by 3.2% and 2.6% respectively. UK retail park income increased by 0.2% reflecting significant tenant administrations in the first half of the year.

FOCUS ON 2014

Sustaining strong like-for-like NRI growth in the present environment continues to be challenging. However, the portfolios in both the UK and France provide opportunities to increase rental income by managing lease expiries, breaks and reviews.

GROWTH IN LIKE-FOR-LIKE NRI
(%)



See pages 40 and 41 for detail on net rental income.

STRATEGIC PRIORITY
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 as 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.

KPI
GROWTH IN ADJUSTED EPS

The increase in adjusted EPS expressed as a percentage of the prior year figure.

BENCHMARK: RPI

PERFORMANCE

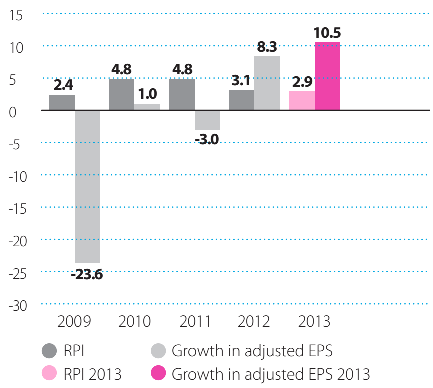
10.5% (2012: 8.3%)

Adjusted EPS increased by 2.2 pence, or 10.5%, to 23.1 pence. This resulted principally from a full year's impact from our increased investment in Value Retail and growth in net rental income. We benchmark this KPI against the Retail Prices Index (RPI) and in 2013 this hurdle was 2.9%.

FOCUS ON 2014

We are confident that net rental income will increase through organic growth, particularly as a result of the opening of Les Terrasses du Port. We have announced cost saving measures which will benefit earnings in 2015, 2016 and beyond, but which will require a one-off restructuring charge in 2014.

GROWTH IN ADJUSTED EPS
(%)



See page 46 for more information on financial performance.

MAXIMISING THE CONTRIBUTION OF OUR PEOPLE

Creating value through our people is one of the core components of our business model and is fundamental to the achievement of our strategic objectives.

Throughout 2013 I have had the opportunity to work on a wide range of assets and developments, to take on more responsibility and to start to manage a small team.

Vincent Sadé / Portfolio Manager / Investment Manager

CULTURE AND VALUES

During 2013 we focused on culture and values within Hammerson as a way of engaging, aligning and maximising the contribution of our people, in order to support our strategic objective of creating successful retail destinations.

A highly-inclusive approach was adopted, inviting every one of our employees to participate in workshops to create the values for our business: ambition, responsibility, collaboration and respect.

Embedding our values has been coordinated both through managers and 'culture champions', who have acted as advocates for the values across the business. Various activities have been implemented, including values-based 360-degree feedback, staff events, job shadowing to build collaboration across teams and interactive workshops to build local action plans.

AMBITION

Hammerson Future

To implement our vision of being the best owner, manager and developer of retail property in Europe, we have launched the Hammerson Future programme.

Through Hammerson Future, we have established cross-functional teams to drive improvements across our business, focusing on four key areas: People, Product, Customer and Performance.

By working collaboratively we are sharing best practices and developing improvements that can benefit the whole of Hammerson. These improvements cover our multi-channel approach, shopping centre design, operational and financial performance, organisational culture, retailer relationships and management capability.

RESPONSIBILITY

Organisation

Through greater alignment of our organisational structure, we have sought to bring increased coordination and collaboration to our teams.

In particular, the increasing importance of multi-channel retail has led to the creation of a Group-wide marketing function, combining our UK and French teams. This important change enables a more cost-effective and coordinated approach to delivering our multi-channel strategy, as well as coordinating local and central marketing activities.

Opportunities for progression and increased responsibility for some of our talented asset managers were also implemented during the year following a management restructure in our French business.

Performance management

We have amended our performance management process to specifically reflect on assessment against values and management capability, in addition to the achievement of personal objectives.

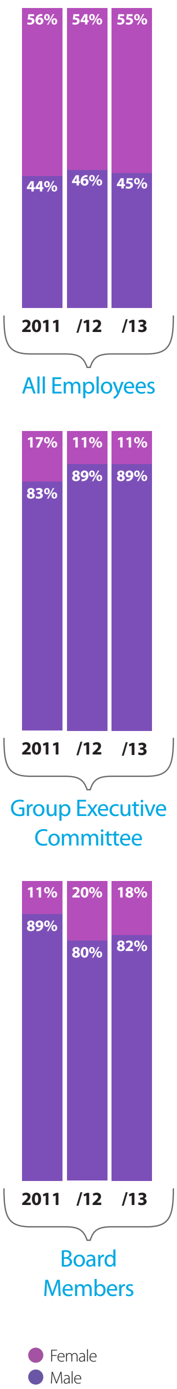
It continues to be important that we deliver operational and financial results but also that we do this in a way that is aligned to our new values.

COLLABORATION

Community engagement

This year over 200 people participated in Hammerson's fifth annual Community Day. We organised activities in 15 locations and worked with 12 different charities. Activities ranged from providing business skills workshops through to weeding, entirely based on what each charity would find most helpful. Community Day provides an opportunity for staff from different areas of the business to meet and work together on something out of the ordinary. This provides valuable team and relationship building opportunities both internally and within our local communities.

GENDER DIVERSITY
(%)



RESPECT

Diversity and equality

Our approach to equal opportunities is based on a belief that having an inclusive culture and diverse workforce is good for our business. Our policy reflects our commitment to objectively assess, recruit and reward based on merit.

We have created a number of new roles and brought new skills into the business to reflect the dynamic retail environment. We have been successful in recruiting senior female talent to Hammerson into roles including Head of Multi-Channel, Head of Shopping Centre Management, and Head of Sustainability. During 2014 we will refine and implement a clear diversity and inclusion action plan focused on increasing diversity within key areas of the business.

Being a Culture Champion has enabled me to engage with others across different parts of the business. Together we focus on bringing our values to life through fun and informative projects including workshops and job shadowing; we have lots of ideas in the pipeline too!

Katie Pattison / B2B Marketing Manager

AT A GLANCE

- Hammerson currently employs 300 people in the UK and 109 in France
- As at 31 December 2013, 204 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 pages 72 to 99

FOCUS ON SUSTAINABILITY

Our creation of world class retail destinations is supported throughout the business by Positive Places, our sustainability framework. Positive Places is built around our five key stakeholder groups: communities, customers, employees, investors and suppliers, and provides strategic direction for all our sustainability activities. It enables us to focus on activities that create value for our customers and preferred destinations for our consumers, supporting the value of our assets.

Our material environmental impacts flow from the energy consumed and waste generated at our assets. As our development activity increases, so will the impact of our on-site activities, but the environmental performance of the completed assets will remain our most significant environmental impact. Our environmental legacy is a fundamental sustainability issue for the business.

Understanding our material impacts enables us to focus on activities which generate the most significant change. This year these have included:

- The continued roll out of energy efficient lighting across our car parks and non-retail areas
- Removal of mall air conditioning at The Oracle, Reading
- Achieving BREEAM Excellent at design stage for Les Terrasses du Port, Marseille
- The introduction of the Positive Growth Awards, piloted at WestQuay, as a means of engaging with our retail customers
- The delivery of a further major research project, Demonstrating the True Value of Shopping Centres, examining the social and economic return generated by shopping centres
- Our Sustainable Supply Chain survey and report, enabling us to identify and encourage good practice and provide feedback to our suppliers.

Our performance against our twelve sustainability indicators is set out in the table below. We have achieved or are on track with 7 out of the 12 targets set in 2010. New targets will be set in 2014.

SUSTAINABILITY PERFORMANCE INDICATORS

Measure (target end date)	Progress	Performance
Reduce carbon emissions by 20% against 2010 baseline (2015)*	On target	-9%
Reduce water consumption by 12% against 2010 baseline (2015)	Achieved in France, Not in UK	-22% France +21% UK
Increase waste recycling to 75% (2013)	Achieved in UK, Not in France	79% UK 41% France
Biodiversity action plans at all assets (2015)	Ahead of target	34 UK 5 France
Community plans for all developments and managed assets (2014)	Ahead of target	30
75% of community activity to be long term community investment (2014)	Not achieved Not achieved	52% UK 66% France
50% of suppliers with contracts >£100k to be engaged with on sustainability (2015)	Ahead of target	71%
Engage with top 20 shareholders (2013)	Not achieved	10 engaged
Complete full life cycle assessment for 2 assets (2012)	Not achieved	1 complete, 1 commissioned
100% of top 75 customers engaged with on sustainability (2013)	Not achieved	32%
Complete 6 research papers, including 2 with a partner	Achieved	6 complete
All employees to complete CR training	On target	90% UK trained

* Our absolute carbon emissions have fallen by 40% since 2010. The reported figure relates to the retail portfolios only.

OUR PEOPLE

Positive sustainability outcomes require close collaboration with many parts of the business. The sustainability, operations and centre-based teams work closely to set sustainability targets at asset level. In support of this approach dedicated Environmental Co-ordinators (ECs) at six of our centres monitor environmental performance and implement initiatives to drive improvements. Working closely with the operational and sustainability teams, the ECs have achieved significant resource efficiencies and cost reductions.

Our sustainability initiatives in 2013 have delivered estimated savings of £400,000 in energy costs. The most effective changes have been achieved through the roll out of energy efficient lighting. This has generated savings of 1,045 tonnes of CO_2e. Lighting remains the biggest source of carbon emissions from retail property. We will therefore continue to focus attention on reducing demand in the areas we control and working with retailers to reduce emissions in their areas.

The different lighting requirements of retail and non-retail areas within the centres, along with rapid changes in technology led to our commissioning of a review of lighting needs and potential solutions. The objective is to deliver a standard brief that will provide state-of-the-art lighting for our retail customers and consumers whilst reducing carbon emissions and saving money.

CUSTOMERS

Lighting within the retail units, which we do not directly control, generates the majority of electricity demand and carbon emissions. We therefore continue to set standards and provide support and guidance to help our customers improve the environmental performance of their in-store lighting systems.

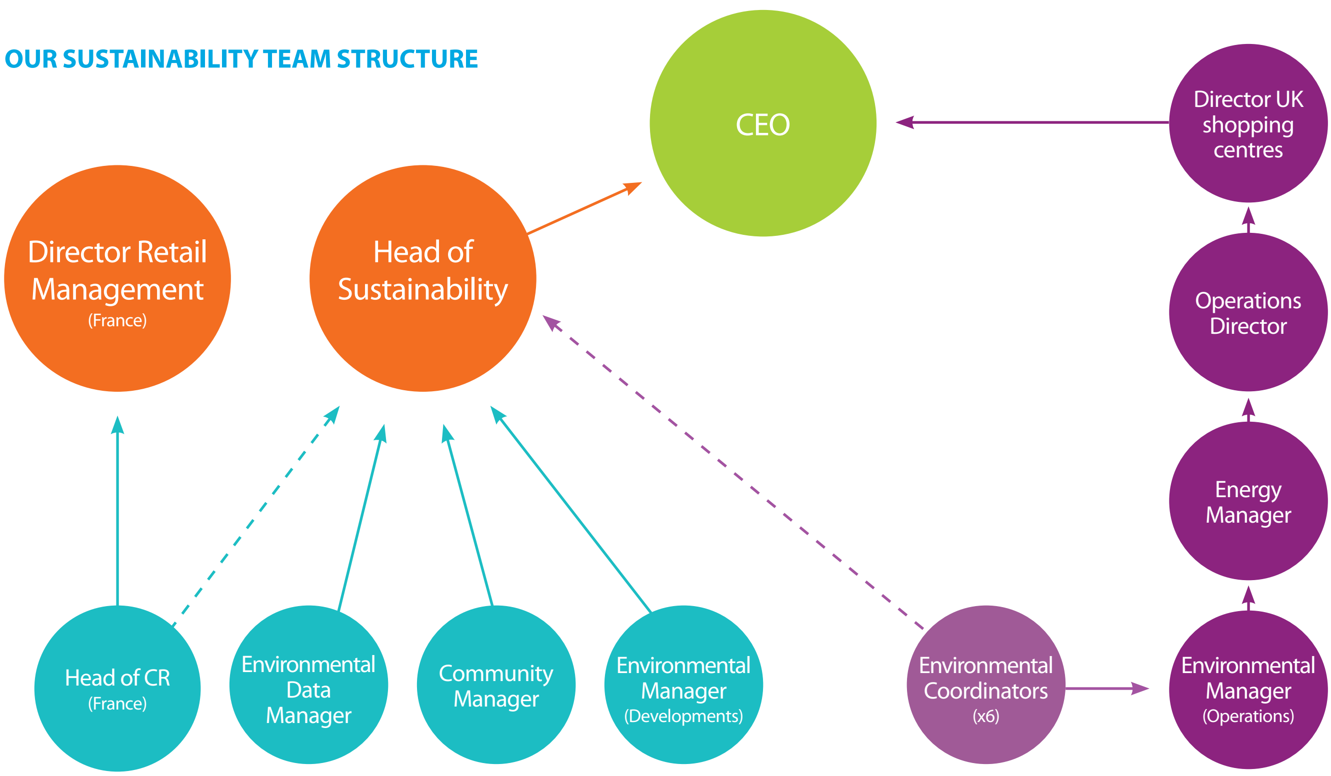
Working closely with B&Q on the delivery of a new eco-learning store at Merthyr Tydfil has demonstrated how much can be achieved when property owners and occupiers work together. By responding to a brief to deliver a low-carbon, highly efficient new store we are expecting the development to achieve energy performance substantially in excess of that required to achieve BREEAM Outstanding and a 50% reduction in carbon emissions against Building Regulations Part L. This is an excellent example of the benefits of collaboration which we intend to replicate through Positive Places.

SUPPLIERS

Positive Places recognises our suppliers as a key stakeholder and fundamental to the delivery of our business objectives. This group has been an area of focus during 2013, which saw the expansion of our Sustainable Supplier Survey. In December we published our first Sustainable Supply Chain report, recognising the excellent practices that our online survey revealed. In 2014 we will continue to ensure we work with companies who share our understanding of, and commitment to, sustainability and are able to support us fully in achieving our targets.

Please see our website for our full GRI compliant sustainability report: www.hammerson.com

OUR SUSTAINABILITY TEAM STRUCTURE



COMMUNITIES

Our latest research report, Understanding the True Value of Shopping Centres, threw new light on the impact our assets have in their local communities. The investment brought by a shopping centre generates positive local economic value. However, this research identified, with much greater granularity, the real local impacts. The centres are seen as an integral part of the visitor experience in towns and cities. In addition to the economic contribution, the qualitative research highlighted that local people see their shopping centres as improving the quality of the public realm, providing space for social activities and improving perceptions of safety and accessibility.

We will be building on this sense of community ownership through the community engagement plans that have been established for each centre as we continue to create retail destinations, supporting footfall and retailer demand.

Human rights

Hammerson has a very clear policy on Human Rights which is part of our Code of Conduct and available on our website at www.hammerson.com. This includes our Legal requirements, Labour standards, Health and Safety and environmental responsibility.

As a major client to a significant number of suppliers we work to encourage high standards of behaviour throughout our supply chain. We require all our suppliers with contracts in excess of £100,000p.a. to complete our supply chain survey and sign up to our Code of Conduct.

LOOKING FORWARD

As our development activity increases, on-site work will become more material to our environmental impacts. Whilst we will retain our focus on environmental and social performance at our existing assets we will increase our focus on resource efficient construction and the delivery of new assets that are fit for the socio-economic and environmental climates into which they will be delivered. This includes designing to be low in both embodied and operational carbon and reflective of the changing expectations and needs of the communities which they serve. Our Positive Places focus for 2014 will therefore be on:

- suppliers – making sure those we are working with can support this vision
- people – building further knowledge within our teams
- communities – ensuring our development programme creates retail destinations that drive both social and economic returns for the areas they serve.

ECONOMIC CONTRIBUTION

Some 87% of people employed within our shopping centres are from the local area. A well run shopping centre brings employment, reduces crime and contributes substantially to the public purse.

30,940
CURRENT JOBS

87%
LOCAL EMPLOYEES

93.5%
RETAIL JOBS

£421m
TOTAL WAGES GENERATED

ONE FTE JOB IS SUPPORTED BY EVERY $36M^2$ OF RETAIL SPACE

MANDATORY GHG EMISSIONS REPORTING

Reporting period and methodology

In line with new requirements set out in the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013, this statement reports the Company's GHG emissions for the reporting period 1 October 2012 to 30 September 2013. A different reporting period from our financial reporting year has been selected, in accordance with the DEFRA Environmental Reporting Guidance, to avoid the use of estimated utility consumption data. The data has been calculated and recorded in accordance with the GHG Protocol and ISO 14064.

Reporting boundaries

We have adopted operational control as our reporting approach. GHG emissions data is provided for those assets where we have authority to introduce and implement operating policies. This includes properties held in joint ventures where JV Board approval is required. We have reported 100% of emissions data for all reported assets.

A more detailed basis of reporting statement and a full list of operating entities and assets included within the reporting boundary can be found on our website www.hammerson.com.

In addition to our mandatory GHG reporting our connected reporting framework on pages 30-31 contains further details of our sustainability performance in 2013.

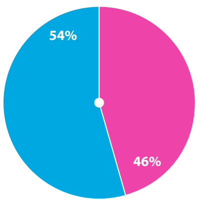
GHG EMISSIONS TABLE

Baseline year	1/10/12 – 30/09/13
Boundary summary	All assets and facilities under Hammerson **direct operational control** are included
Consistency with Financial Statements	Variations from the financial statements are set out on page 28
Emissions factor data source	2013 DEFRA GHG Conversion Factors for Company Reporting for UK assets for all emissions excluding electricity and Combined Heat and Power at WestQuay, Southampton. IEA GHG Emissions Factors for electricity Cofely data for the Combined Heat and Power plant at WestQuay, Southampton
Assessment methodology	GHG Protocol and ISO 14064 (2006)
Materiality threshold	Activities generating emissions of <5% relative to total group emissions have been excluded
Intensity ratio	Adjusted profit before tax 1/10/12 – 30/09/13*
Target	20% reduction in carbon emissions against 2010 baseline by 2015
Independent verification	Scope 1, 2 & 3 GHG Emissions data has been independently verified by Deloitte LLP. The independent assurance statement can be seen here: http://www.hammerson.com/about/responsibility/our-reports/

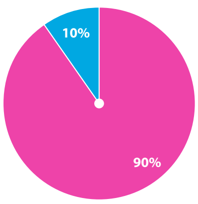
* Profit before tax derived from unaudited management accounts.

EMISSIONS

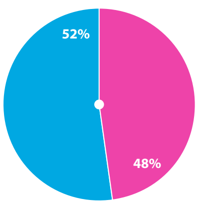
SCOPE 1



SCOPE 2



SCOPE 3



1 UK 2 France

EMISSIONS DISAGGREGATED BY COUNTRY

	Country			
Source	Global emissions ($mtCO_2e$)	UK emissions ($mtCO_2e$)	France emissions ($mtCO_2e$)	Global emissions ($mtCO_2e$/£m)
Total GHG emissions metric tonnes (mt)	**36,163**	**29,834**	**6,329**	**221**
SCOPE 1:				
Direct emissions from owned/controlled operations				
a. Direct emissions from stationery combustion	4,342	1,926	2,416	26
b. Direct emissions from mobile combustion	120	41	79	1
c. Direct emissions from process sources	0	0	0	0
d. Direct emissions from fugitive sources	1,077	474	603	7
Totals	5,539	2,441	3,098	34
SCOPE 2:				
Indirect emissions from the use of purchased electricity, steam, heating and cooling				
a. Indirect emissions from purchased/acquired electricity	28,541	26,835	1,706	175
b. Indirect emissions from purchased/acquired steam	0	0	0	0
c. Indirect emissions from purchased/acquired heating	1,577	292	1,285	10
d. Indirect emissions from purchased/acquired cooling	44	44	0	0
Totals	30,162	27,171	2,991	185
SCOPE 3:				
Upstream emissions				
a. Business travel	462	222	240	3
Totals	462	222	240	3

CONNECTED REPORTING FRAMEWORK

CARBON AND ENERGY

YEAR ON YEAR GREENHOUSE GAS EMISSIONS BUILDING INTENSITY BY PORTFOLIO
($kgCO_2$ per m^2/year)

PERCENTAGE CHANGE IN EMISSION CO_2e
(Absolute like-for-like)

	2011	2012	2013
UK shopping centres (%)	12.2	-2.2	**-4.5**
UK retail parks (%)	10	-12.9	**17.5**
French shopping centres (%)	-28.6	0.1	**14.3**

ENERGY
(£000)

	2011	2012	2013
Estimated energy savings	1,231	1,032	**407**
Energy Efficiency Investment	1,157	3,616	**1,854**

COST OF ENERGY
(Global, £000)

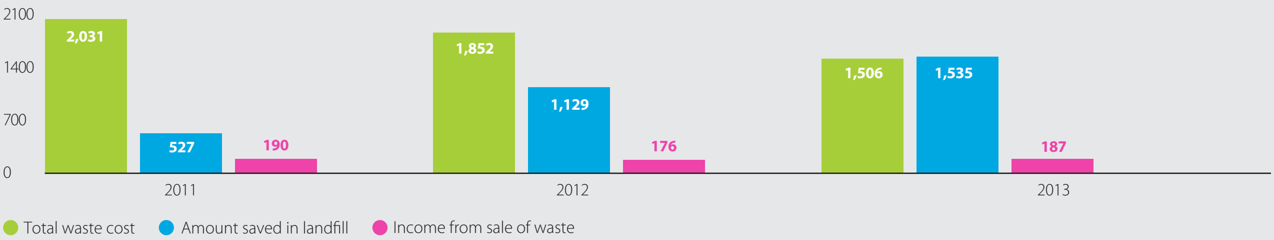
* Restated following data validation in 2011 and 2012
^ Restated based on re-measured areas

WASTE

WASTE
(tonnes)

	2011	2012	2013
Percentage diverted from landfill Global	74	96	**92**
Percentage diverted from landfill French SC	62	79	**60**
Percentage diverted from landfill UK SC	76	91	**98**
Total Waste France	3637	5567	**5593**
Total Waste UK	21645	19208	**17772**

WASTE
(£000)



WATER

WATER
(£000)

	2011	2012	**2013**
Cost of water	1,896	1,751	**1,305**
Investment in water management improvements	16	312	**27**
Estimated water savings	218	275	**n/a[B]**

BUILDING WATER INTENSITY
(Litres per visit)

[B] Under review for 2013

	2011	2012	**2013**
SUPPLIERS			
Percentage of total suppliers by value engaged on sustainability (%)	n/a	100	**71**
Number of suppliers over £100k by contract value	107	302	**165**
Value of contracts with suppliers we engaged on sustainability (£m)	86	193	**87**
COMMUNITIES			
Community plans created at developments and assets (%)	n/a	1	**30**
Percentage of community investment that is long term	n/a	63	**59**
Direct contributions	931,569	598,795	**431,200**
Indirect contributions	365,788	446,352	**298,996**
Number of organisations that benefited from Hammerson's direct and indirect contributions	389	347	**398**
CUSTOMERS			
Top 75 customers engaged on sustainability (%)	n/a	24	**32**
Number of green leases in portfolio	896	1,250	**1,401**
INVESTORS			
Engage top 20 investors	n/a	24	**3**
Direct number of investors with whom we had collective or individual meetings	25	13	**1**
Total number of shares held by the top 20 investors (m)	417,375	395,220	**406,980**
Total number of shares held by those top 20 investors with whom Hammerson engaged on sustainability (m)	147,690	169,862	**108,121**
EMPLOYEES			
All employees to complete relevant CR training bi annually depending on department/position			
Total expenditure on training	481,791	357,401	**212,196**
Total hours spent on training (hrs)	7,386	5,081	**6,018**

BUSINESS REVIEW

Our ambition is to drive financial performance by creating exciting retail destinations through focusing on three strategic priorities:

1. CREATING HIGH-QUALITY PROPERTY
2. MAXIMISING INCOME
3. CAPITAL STRENGTH

Our activities in the year in support of these priorities are detailed in the following pages.

1

CREATING HIGH-QUALITY PROPERTY

We develop or acquire to create compelling retail venues in successful locations. The quality of our portfolio is enhanced through: development; extensions; refurbishment; and investment activity.

DEVELOPMENTS AND EXTENSIONS

Hammerson's development programme will create vibrant retail destinations by delivering high-quality properties. We have made good progress in advancing these schemes over the course of 2013 and early 2014. Key milestones are noted in the table below.

OVERVIEW OF RECENT PROGRESS IN ADVANCING THE DEVELOPMENT PROGRAMME

Site assembly

- Entered into a 50:50 joint venture with Westfield for the retail-led regeneration of central Croydon
- Acquired:
  - the site for Le Jeu de Paume, Beauvais
  - a 25% interest in Whitgift, Croydon

Planning

- Achieved planning approval for:
  - Silverburn extension, Glasgow
  - Cyfarthfa Retail Park, Merthyr Tydfil
  - Elliott's Field Retail Park, Rugby
  - Watermark WestQuay, Southampton
  - Victoria Gate, Leeds
  - Whitgift, Croydon
  - Brent Cross, Cricklewood

Letting

- Signed lettings for:
  - Les Terrasses du Port, Marseille
  - Manor Walks shopping centre and retail park, Cramlington
  - Monument Mall, Newcastle
  - Cyfarthfa Retail Park, Merthyr Tydfil
  - Silverburn extension, Glasgow
  - Le Jeu de Paume, Beauvais
  - Abbotsinch, Paisley

Construction

- Completed works at:
  - Monument Mall, Newcastle
  - Manor Walks shopping centre and retail park extension, Cramlington
- Progressed construction at:
  - Les Terrasses du Port, Marseille
- Started on-site at:
  - Silverburn extension, Glasgow
  - Cyfarthfa Retail Park, Merthyr Tydfil
  - Le Jeu de Paume, Beauvais
  - Abbotsinch, Paisley
  - Victoria Gate, Leeds

Go online to see more of our exciting, vibrant portfolio
www.hammerson.com

CURRENT AND FUTURE DEVELOPMENTS

Scheme	Ownership %	Lettable area m^2	Earliest start	Potential completion	Value at 31/12/13 £m	Estimated cost to complete[1] £m	Estimated annual income[2] £m	Let[3] %
On-site								
Les Terrasses du Port, Marseille	100	61,000	Commenced	Q2 2014	386	80	28	93
Abbotsinch Retail Park extension, Paisley	100	5,000	Commenced	Q2 2014	n/a	7	1	87
O'Parinor extension, Aulnay-sous-bois, Paris	25	7,200	Commenced	Q4 2014	n/a	2	1	100
Cyfarthfa Retail Park extension, Merthyr Tydfil	100	14,500	Commenced	Q1 2015	n/a	19	2	46
Silverburn extension, Glasgow	50	10,900	Commenced	Q1 2015	n/a	8	1	84
Le Jeu de Paume, Beauvais	100	23,800	Commenced	Q3 2015	9	60	5	42
Victoria Gate, Leeds (Phase 1)	100	34,300	Commenced	Q3 2016	10	135	10	28
		156,700				**311**	**48**	
Major developments (>30,000m^2)								
Croydon town centre	50	200,000	2015	2018		500	35	–
The Goodsyard, London E1[4]	50	260,000	2016	Phased		140	–	–
Brent Cross extension, London	41	90,000	2016	2019		350	26	–
		550,000				**990**	**61**	
Extensions/redevelopments (<30,000m^2)								
Elliott's Field Retail Park, Rugby	100	16,000	2014	2015		36	3	13
Watermark WestQuay, Southampton	100	18,000	2014	2016		70	5	29
Brent Cross Leisure, London	41	9,000	2016	2018		20	2	–
		43,000				**126**	**10**	
Pipeline								
SQY Ouest, Saint Quentin-en-Yvelines	50	31,700	2014	2015		11	2	–
Halle en Ville, Mantes	100	32,000	2015	2017		120	9	30
Italie Deux, Paris 13ème	100	4,800	2015	2017		25	2	–
Victoria Gate, Leeds (Phase 2)	100	73,000	2018	2021		480	40	–
		141,500				**636**	**53**	
Total		**891,200**				**2,063**	**172**	

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 31 January 2014.
4. Cost reflects phase 1 only. Due to residential component of scheme, area is gross external and income is not applicable.
5. € converted at £1 = €1.202. Value, costs and income represent Hammerson's share for joint ventures.

Completed developments

The redevelopment of Monument Mall in Newcastle is now complete and 83% of the anticipated rental income from the £20 million scheme has been secured. TK Maxx occupy a 3,300m^2 flagship store and Jack Wills, Reiss and Rox have also recently opened at the scheme.

At Manor Walks, Cramlington, the 5,400m^2 shopping centre extension opened in July. Vue Cinema is operating its 2,600m^2 state-of-the-art nine-screen cinema and Prezzo and Frankie & Benny's have signed as part of the family restaurant line-up. The retail park extension completed in December. Currys and Dunelm were trading before Christmas and a Marks & Spencer Simply Food store will open in the spring.

On-site developments

Work is on schedule to complete construction of Les Terrasses du Port, Marseille, which will open in May. The 61,000m^2 shopping and leisure destination is part of the impressive regeneration of the wider port area of Marseille. The city was the European Capital of Culture in 2013, leading to increased tourism. Anchored by Printemps and comprising 190 shops and 2,600 car parking spaces, the centre was valued at £386 million at December 2013, £77 million above cost. Michael Kors and Gant are opening their first shops in France's second city with Bose and G-Star taking flagship stores. French fashion operator Groupe SMCP (Sandro, Maje and Claudine Pierlot) will open three stores within the scheme and Monoprix, Zara, Levi's, Agatha and Fossil are also in the tenant line-up. The top floor of the centre is dedicated to high-end and designer brands and has stunning views over the Mediterranean Sea. Vinci Park will operate the car park, and the scheme as a whole is now 93% let or in solicitors' hands. We are selectively targeting a number of well-known international retailers to lease the remaining space.

At Abbotsinch Retail Park, Paisley, which was acquired as part of the Junction Fund portfolio in October 2012, works have begun on the extension, which is 87% pre-let to Maplin, Wren, Dunelm and ScS. The 5,000m^2 terrace will provide five new units.

Primark will anchor the 7,200m^2 extension of O'Parinor, with one of its first stores in Paris. The space is now fully pre-let or in solicitors' hands and scheduled to complete towards the end of 2014.

We are on-site at the 14,500m^2 extension to Cyfarthfa Retail Park, Merthyr Tydfil. Marks & Spencer will anchor the scheme with a 4,300m^2 full-line store offering clothing, homeware and a food hall. The project will also provide 9,900m^2 of additional retail space, to which B&Q will be relocated and which will accommodate up to six new fashion brands. The scheme will provide approximately 200 jobs during the construction phase and create the equivalent of up to 230 full-time jobs when complete.

Work on the leisure-led extension of Silverburn, Glasgow started in July. Cineworld will operate the 14-screen cinema and the scheme will also feature nine new restaurants. To date, 84% of the anticipated rental income of £1 million has been secured. The restaurants are expected to operate from autumn 2014 with the remainder of the 10,900m^2 scheme open for business in early 2015.

The construction of Le Jeu de Paume, Beauvais commenced in December and leases signed or in solicitors' hands already represent 42% of the expected income. The tenant line-up includes H&M and Furet du Nord, and Carrefour Market will anchor the centre with a 3,000m^2 store. A further 83 retail units and 37 residential apartments will complete the 23,800m^2 city centre scheme, 80km to the north of Paris. Discussions continue with retailers interested in the remaining larger units.

The £150 million development of Victoria Gate, Leeds received planning approval from the city council in September. The 34,300m^2 first phase of the scheme is set to generate 1,000 construction jobs and a further 1,000 retail and hospitality jobs when it opens in autumn 2016. Housing more than 30 retailers, six restaurants and new leisure space, the development will be anchored by a 21,000m^2 flagship John Lewis store, will link to our existing Victoria Quarter centre and include an 800-space multi-storey car park. The estimated annual income from the scheme is £10 million, of which 28% has been let or is in solicitors' hands. Work has commenced on-site.

Major developments (> 30,000m^2)

To ensure that our capital and human resources are appropriately focused on completion of schemes which offer the most attractive returns over the medium to long term, the focus of our strategic UK development projects will be on the major retail schemes in Leeds and London. Including Croydon and Brent Cross, these projects will deliver circa 333,000m^2 of new retail space over the coming years, in addition to the refurbishment programme of existing centres and retail park extensions. Consequently, in 2013 Hammerson reached mutual agreement with Sheffield City Council not to progress Sevenstone, the proposed new retail quarter for Sheffield city centre.

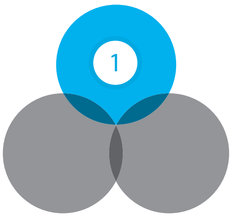
We formed a 50:50 joint venture with Westfield in January 2013 to regenerate the retail heart of Croydon, south London and restore the town as one of the UK's leading shopping destinations. Hammerson contributed Centrale shopping centre to the joint venture at a valuation of £115 million, and ownership of the centre is now shared with Westfield. The joint venture went on to acquire in March a 25% interest in the 155-year headlease of the Whitgift Centre for £65 million. We intend to redevelop the Whitgift Centre and Centrale to create a 200,000m^2 mixed-use scheme to include retail, leisure and residential space, with the potential for hotels and offices. Over 5,000 new jobs will be created when the new centre opens. Planning permission for the scheme was granted in November.

MONUMENT MALL, NEWCASTLE

£20M
RE-DEVELOPMENT COMPLETED 2013

3,300m^2
T·K·maxx
FLAGSHIP STORE

Jack Wills
REISS
THE WHITE COMPANY
ROX



The Goodsyard, London E1, is a 4.3ha site in Shoreditch held in a 50:50 joint venture with Ballymore Properties. The site has the potential to deliver a 260,000m^2 mixed-use development that will include 19,000m^2 of retail, 60,000m^2 of offices and more than 1,400 homes. The regeneration will also provide substantial public realm including a new park. A planning application is due to be submitted in spring 2014.

In January 2014, Barnet Council approved a revised planning application for three improvements to our proposals for the regeneration of Brent Cross, Cricklewood in north-west London. The submission, made with our partner Standard Life Investments, followed extensive consultation with local stakeholders and amended the outline planning permission granted for the scheme in 2010. The updated scheme will deliver a world-class retail, dining and leisure environment and some of the proposed transport improvements will be accelerated. It includes a new network of covered streets and spaces in and around Brent Cross as part of a 90,000m^2 extension costing £350 million. The complete regeneration will support 27,000 full-time jobs, of which retail and leisure will account for 5,500 in the first phase. Local residents will also benefit from new parks and community facilities as well as much improved transport connections. We expect to be able to start work on the first phase of the regeneration in 2016.

Extensions/redevelopments (< 30,000m^2)

In May, Rugby Borough Council approved plans for the redevelopment of Elliott's Field Retail Park. The £36 million extension will include a new retail terrace accommodating 15 new fashion and homeware brands and be anchored by Debenhams operating a 5,600m^2 full-line store including a cafe/restaurant. New catering space, improved car parking facilities and improvements to the external environment also feature in the scheme. Subject to letting progress, work is expected to start on-site in autumn 2014, with expected completion a year later. We have secured 13% of the estimated annual income from the project.

Southampton City Council approved in July proposals for the leisure-led development at Watermark WestQuay. The 4ha brownfield site in the centre of Southampton is next to our jointly owned WestQuay Shopping Centre. The mixed-use scheme will be delivered in two phases, with the first phase of 18,000m^2 comprising a landmark cinema building, up to 15 restaurants, retail space and new public realm. The second phase has the potential to include a residential tower, hotel, offices, restaurants and additional public space. Estimated income from the first phase is £5 million per annum and development costs are £70 million.

Work on the 9,000m^2 leisure and catering extension at Brent Cross is expected to start on-site in 2016. The cost of the project is estimated at £20 million.

Focus on sustainability

As we bring forward developments to create the retail destinations of the future, sustainability is an integral part of the process. The Venue, a digital youth project at Manor Walks, has set a new benchmark for intergenerational community engagement. Praised by Downing Street, the project has received the Northumberland High Sheriff Award for 'Services to the Community' as well as Newcastle Building Society's 'Community Team Award'. In contributing a retail outlet space and offices, Hammerson enabled social enterprise company Digital Community Youth to grow far beyond its original purpose of providing a place for young people to develop creative skills. It is a focus for all age groups in the community, and its popularity has led to a second-floor expansion. The Venue's positive impact on the wider community has seen youth crime and antisocial behaviour fall by 30%, while private sector businesses keen to engage with the project have contributed over £40,000 in funding. This has turned the risk of rising levels of antisocial behaviour, into a positive outcome for the scheme, encouraging footfall and ensuring the local community feel positively connected with our asset now and into the future.

We are working closely with B&Q to deliver an Eco Learning store at Cyfarthfa retail park in Merthyr Tydfil. The ambition is for the environmental performance of the store to be 50% better than the industry benchmark (2010 Part L), achieve an EPC A rating, and contain 23% less embodied carbon relative to similar buildings of its type.

Terrasses du Port, Marseille, achieved BREEAM Excellent at its design stage, a significant achievement for an enclosed retail scheme. We are confident that it will maintain this rating on completion.

REFURBISHMENT

We relaunched three of our French shopping centres in September as part of a €100 million refurbishment programme: Italie Deux, Paris 13ème; Grand Maine, Angers; and Place des Halles, Strasbourg feature renovated interiors, new services and improved leisure provision. Renovations are also underway at O'Parinor, Espace Saint Quentin and Bercy 2 and being planned for Les Trois Fontaines.

INVESTMENT

We have rebalanced our portfolio to focus exclusively on the retail sector by completing the sales of the remaining office properties and acquiring further interests in two of our chosen retail sub-sectors: 'experience', in the form of Bullring, Birmingham; and 'luxury', represented by Value Retail.

The Group's ownership of Bullring now stands at 50% following the acquisition in May of an additional 16.7% stake. A new 50:50 joint venture with Canada Pension Plan Investment Board (CPPIB) acquired Future Fund's 33.3% stake for £307 million, with Hammerson's share being £153.5 million. Taking into account transaction costs, the net initial yield on the purchase was 5.7%. Bullring is one of Europe's leading shopping centres, attracting 40 million visitors per annum, and is almost fully occupied. Passing rents at the centre have grown at an annual compound rate of 5.5% since opening in 2003, to £52 million per annum. Following the successful Spiceal Street restaurant extension in 2011, there remain a number of asset management and development opportunities to drive future growth at the centre, including the introduction of a cinema and additional catering. Hammerson continues as asset and development manager for the centre.

Since the year end, we have acquired Saint Sébastien shopping centre in Nancy, north-east France. The city has an affluent population and Saint Sébastien, with an annual footfall of eight million, is its only shopping centre. The purchase price of £109 million and passing rents of £7 million imply a 6% yield, after transaction costs. We have opportunities to refurbish, reconfigure and extend the 24,000m^2 centre to improve the retail and catering offers and improve the external environment.

In January 2014, together with our 50% partner Aviva Investors, we sold Queensgate, Peterborough. Hammerson's share of net rental income from the asset in 2013 was £6 million. Our share of the net proceeds, amounting to £101 million, will be reinvested to generate higher returns in the development programme.

We completed in June 2013 the sales to Brookfield of the Group's 50% interest in 125 Old Broad Street, London EC2 and 1 Leadenhall Court, London EC3. The aggregate proceeds were £189 million and net rental income generated by the properties in the year to the date of disposal was £6 million.

Value Retail

Our investment in Value Retail (VR), which develops and operates luxury outlet Villages in the UK and Western Europe, is the principal route through which we gain exposure to the luxury retail sector. We have a 22% interest in the VR holding companies and investments in the Villages themselves, including Bicester Village, Oxfordshire and La Vallée Village near Paris.

In June, at an aggregate cost of £56 million, we acquired for the first time a direct investment in La Vallée Village and increased our investments in Las Rozas and La Roca Villages, which are located close to Madrid and Barcelona respectively. In July, we also took a €25 million (£22 million) participation in the refinancing of the senior loan facility at Fidenza Village, near Milan.

VR's financial performance has been impressive over the year to December 2013. The nine European Villages were valued for Hammerson at a total of €3.1 billion at 31 December, reflecting an underlying valuation increase of 11.8% during 2013, and the portfolio's brand sales exhibited double-digit growth over the same period. EBITDA, as prepared under IFRS, was €111 million, an increase of 12% over the year ended 31 December 2012.

During 2013, around 21% of the selling space in the Villages was remerchandised, with 57% of that resulting from the introduction of new brands, and the balance reflecting unit refitting or the relocation of existing brands. Construction work on the extension of La Roca Village is on schedule and the project will increase the gross lettable area of the Village by about a third. The extension will be open for trading in summer 2014. At Kildare Village, Dublin, VR have planning consent for a 6,177m^2 extension.

External debt increased by 8.6% to €1.3 billion or 40% of the property portfolio value at 31 December 2013. Page 48 in the Financial Review provides further information on how our investment in VR has impacted Hammerson's financial performance.

MAXIMISING INCOME

Retailers are focusing their space requirements on high-quality, prime shopping centres, conveniently located retail parks and premium designer outlets of the types invested in by Hammerson. Our response is to exploit developing trends and technologies to maximise income growth from the portfolio by optimising occupancy and footfall at our properties. A stronger economic position in the UK is driving consumer confidence, supporting retail sales and leading to increased space requirements. This recovery is happening against a limited delivery of new retail space, creating the conditions for selected market ERV growth.

STRONG RELATIONSHIPS WITH MAJOR RETAILERS

The globalisation of brands, combined with the ability to research product availability and provenance online, means that consumers increasingly know what they want before visiting a centre. This is evidenced by our own consumer research which shows that consumers are spending more time researching products before committing to a purchase. Consequently, retailers use flagship stores as brand support. We continually refresh the tenant mix by bringing new, relevant, exciting brands to an area. This not only helps support tenants' sales, but enhances vibrancy and footfall, adding to the overall experience. We have introduced more than 200 premium retailers into our shopping centres since 2009.

CONSUMER INSIGHT AND DIGITAL EXPERTISE

Last year Hammerson completed the roll-out of free wi-fi and mobile-enabled websites for our UK shopping centres. This was in addition to the bespoke social media promotional activity already being undertaken for each site. The project has proved highly successful with social media followers growing by 64% year-on-year. Our strategy is to use multi-channel initiatives to support the core rental business. We use digital technologies to drive footfall, improve the customer experience and increase dwell time, all of which support retail sales.

In 2013 we launched the KUDOS loyalty app, which delivers tailored, real-time offers to consumers and provides us with a greater understanding of their preferences. The KUDOS performance has been encouraging, with over 12,000 downloads at just two centres to date, and a high voucher redemption rate. Our next initiative is an integrated digital platform which will provide a consistent consumer experience across the loyalty app, centre website and the physical environment. It is our ambition to launch this product at the opening of Les Terrasses du Port in May.

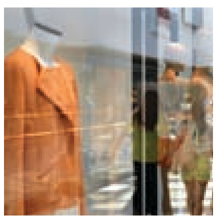
The consumer desire for a wider experience at shopping centres is evidenced by the increasing demand for catering and leisure facilities. Leisure and catering now accounts for 10% of our portfolio floorspace, and a third of all shoppers visit our cinemas or restaurants. We have leisure extensions completed in Manor Walks, Cramlington and underway at O'Parinor, Paris and Silverburn, Glasgow to capitalise on this trend. Further similar extensions are scheduled to start on-site next year.

Focus on sustainability

We are always looking at ways to create new interest and provide wider benefits to the community through our centres. At Centrale we have supported Croydon Voluntary Action by allowing them to take a vacant unit within the shopping centre. Offering them a base both in the middle of the shopping centre, and the centre of the town itself, has provided a perfect location to capture passing footfall and as a result their first few months have seen a steady increase in the numbers of people visiting to find out more and registering to volunteer. Apprentices from Croydon College fitted out the store which was opened by the Mayor of Croydon, Yvette Hopley, and attended by a number of local representatives such as Gavin Barwell MP, and retailers.

Our student 'lock-ins' are always popular and are guaranteed to be busy, so this year we encouraged some of our charity partners to attend and use the opportunity to promote their work. At Highcross, Leicester, 35,000 people attended the lock-in which lasted until midnight. Delete Blood Cancer used the evening to promote stem cell donorship. The key ages for donating are 18-30 years old so the event provided a good opportunity to talk with potential donors. A partnership between the Rick Basra Foundation, Delete Blood Cancer, the Square Mile Project and Somewhereto_Leicester, the initiative saw a record 907 people sign up on the night.

Victoria Quarter supported Wool Week in October. This annual event provided students with an opportunity to showcase fashion, textile design and other wool products from the local area. Harvey Nichols supported the Wool School initiative, selling an exclusive woollen garment designed by a fashion student. The additional interest in the event contributed to a week-on-week rise of 8% in the centre's footfall.



OPERATIONAL PERFORMANCE

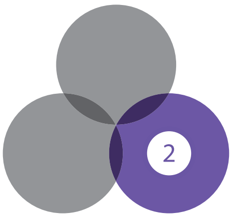
Strong letting and vacancy data for 2013 shown in the table below belie the challenging economic conditions faced by consumers. This supports the premise that retailers continue to seek representation in winning locations to complement their online and multi-channel strategies. The poor French sales and footfall figures reflect the weakness in the French economy relative to that in the UK and also the impact of the shopping centre refurbishment programme.

Operational performance – continuing operations	**2013**	2012
Occupancy (%)	**97.7**	97.7
Net rental income growth – like-for-like (%)	**2.1**	2.1
Leasing activity – new rent from units leased (£m)	**23.9**	18.7
Area of new lettings (000m^2)	**153.9**	123.3
Leasing v ERV (% above 31 December 2012/2011 ERV)	**2**	4
Retail sales change (%)		
UK shopping centres	**(0.4)**	0.4
France shopping centres	**(2.7)**	(3.0)
Footfall change (%)		
UK shopping centres	**(1.0)**	(2.3)
France shopping centres	**(4.9)**	(3.4)
Non-rental income (£m)		
UK	**20.4**	18.6
France	**1.4**	1.6

OCCUPANCY

At 31 December 2013, occupancy remained ahead of our 97.0% target at 97.7% as a strong letting performance compensated for the impact of tenant administrations. Tenants in administration represent a small proportion of the Group's total income, as noted in Security and Quality of Income on page 51.

Occupancy (%)	UK shopping centres	France retail	UK retail parks	Other UK	Total continuing portfolio
31 December 2013	98.1	97.4	98.4	91.3	97.7
30 June 2013	97.5	97.3	98.6	90.6	97.4
31 December 2012	98.1	97.5	98.2	90.9	97.7



Like-for-like net rental income

On a like-for-like basis, net rental income generated by the continuing portfolio grew by 2.1% during 2013. Strong UK shopping centre growth of 3.2% was driven by leasing activity, rent reviews and increased turnover and commercial income, notably at Union Square and Brent Cross, although these positives were partially offset by the impact of retailer administrations. Indexation was the principal factor in French shopping centre net rental income growth of 2.6%. The benefit of strong leasing activity was largely offset by administrations at UK retail parks, and like-for-like rental income was marginally up in that portfolio.

Net rental income for the year ended 31 December 2013

	Properties owned throughout 2012/13 £m	**Increase/ (Decrease) for properties owned throughout 2012/13 %**	Acquisitions £m	Disposals £m	Developments £m	Total net rental income £m
United Kingdom						
Shopping centres	111.7	**3.2**	12.6	–	0.4	124.7
Retail parks	63.7	**0.2**	18.2	0.2	–	82.1
Other UK	7.2	**(4.0)**	1.1	3.8	1.2	13.3
Total United Kingdom	182.6	**1.9**	31.9	4.0	1.6	220.1
Continental Europe						
France retail	63.1	**2.6**	0.1	–	(0.5)	62.7
Group						
Retail	238.5	**2.3**	30.9	0.2	(0.1)	269.5
Other UK	7.2	**(4.0)**	1.1	3.8	1.2	13.3
Total continuing operations	245.7	**2.1**	32.0	4.0	1.1	282.8
Discontinued operations	0.3	**(1.5)**	–	7.1	–	7.4
Total	246.0	**2.1**	32.0	11.1	1.1	290.2

Net rental income for the year ended 31 December 2012

	Properties owned throughout 2012/13 £m	Exchange £m	Acquisitions £m	Disposals £m	Developments £m	Total net rental income £m
United Kingdom						
Shopping centres	108.2	–	1.3	–	(0.1)	109.4
Retail parks	63.6	–	3.4	–	–	67.0
Other UK	7.6	–	–	12.3	1.5	21.4
Total United Kingdom	179.4	–	4.7	12.3	1.4	197.8
Continental Europe						
France retail	61.4	(2.7)	0.4	2.2	(0.3)	61.0
Group						
Retail	233.2	(2.7)	5.1	2.2	(0.4)	237.4
Other UK	7.6	–	–	12.3	1.5	21.4
Total continuing operations	240.8	(2.7)	5.1	14.5	1.1	258.8
Discontinued operations	0.3	–	–	23.8	–	24.1
Total	241.1	(2.7)	5.1	38.3	1.1	282.9

For the purposes of this analysis Centrale, Croydon, has been reclassified from 'Shopping centres' to 'Other UK' to reflect the intention to redevelop this property as part of the regeneration of Croydon town centre.

LEASING ACTIVITY

During 2013, 364 leases were signed representing annual rental income of £23.9 million and 154,000m^2 of space. For principal leases in the Group as a whole, rents secured were approximately 2% greater than previous passing rents and December 2012 ERVs. Average ERVs were broadly unchanged over the year.

RETAILER SALES

The picture for UK sales at our shopping centres was slightly down over 2013, with the negative impact of poor weather at the start of the year partly offset by encouraging growth in the last quarter. A strong performance from department stores compensated for sales declines in electricals and media. In France, sales fell 2.7% partly due to the impact of our €100 million refurbishment programme, and the additional two days' trading in the prior year.

NON-RENTAL INCOME

Net income from car parks and the sale of advertising and merchandising opportunities at our shopping centres is a growing supplement to the rental income from our portfolio. This is included within 'net rental income'. The increase of £1.6 million in total non-rental income to £21.8 million principally reflected an uplift at Union Square and the acquisition of the additional interest in Bullring.

3

CAPITAL STRENGTH

Our prudent and flexible financial structure provides financial security with the flexibility to act swiftly and decisively when opportunities arise.

PORTFOLIO OVERVIEW

In this overview, 'the portfolio' refers to the continuing portfolio, excluding the office properties sold during 2013 and also excluding our investment in the Value Retail portfolio. At the end of the year, the portfolio included 20 prime shopping centres in the UK and France and 22 conveniently located retail parks, provided 1.7 million m^2 of space and was valued at £5.9 billion.

At 31 December 2013, 72% of the portfolio by value was located in the UK, with the balance in France, whilst developments comprised 8%. Joint ventures accounted for 42% of the portfolio, including eight major shopping centres in the UK and two in France. The average lot size for the portfolio as a whole was £87 million and the ten most valuable properties represented 49% of the portfolio value. The movement in portfolio value during 2013 is set out below.

MOVEMENT IN PORTFOLIO VALUE IN THE YEAR TO 31 DECEMBER 2013

	£m
Portfolio value at 1 January	5,458
Valuation increase	89
Capital expenditure	
Developments	128
Expenditure on existing portfolio	69
Acquisitions	192
Capitalised interest	13
Disposals	(62)
Exchange	37
Transfer from assets held for sale	7
Portfolio value at 31 December*	**5,931**

* Includes developments

Income yields for the portfolio are low relative to other property classes and reflect the prime nature of the assets. Net and gross valuations, income and yields for the investment portfolio are analysed in the table opposite.

CONTINUING INVESTMENT PORTFOLIO AT 31 DECEMBER 2013	Income £m	Gross value £m	Net book value £m
Portfolio value (net of cost to complete)		5,736	5,736
Purchasers' costs[1]			(302)
Net investment portfolio valuation as reported in the financial statements			5,434
Income and yields			
Rent for valuers' initial yield (equivalent to EPRA Net Initial Yield)	299.2	5.2%	5.5%
Rent-free periods (including pre-lets)	13.7	0.3%	0.3%
Rent for 'topped-up' initial yield[2]	312.9	5.5%	5.8%
Non-recoverable costs (net of outstanding rent reviews)	7.1	0.1%	0.1%
Passing rents	320.0	5.6%	5.9%
ERV of vacant space	7.3	0.1%	0.1%
Reversions	6.0	0.1%	0.1%
Total ERV/Reversionary yield	333.3	5.8%	6.1%
True equivalent yield		5.9%	
Nominal equivalent yield		5.7%	

Notes

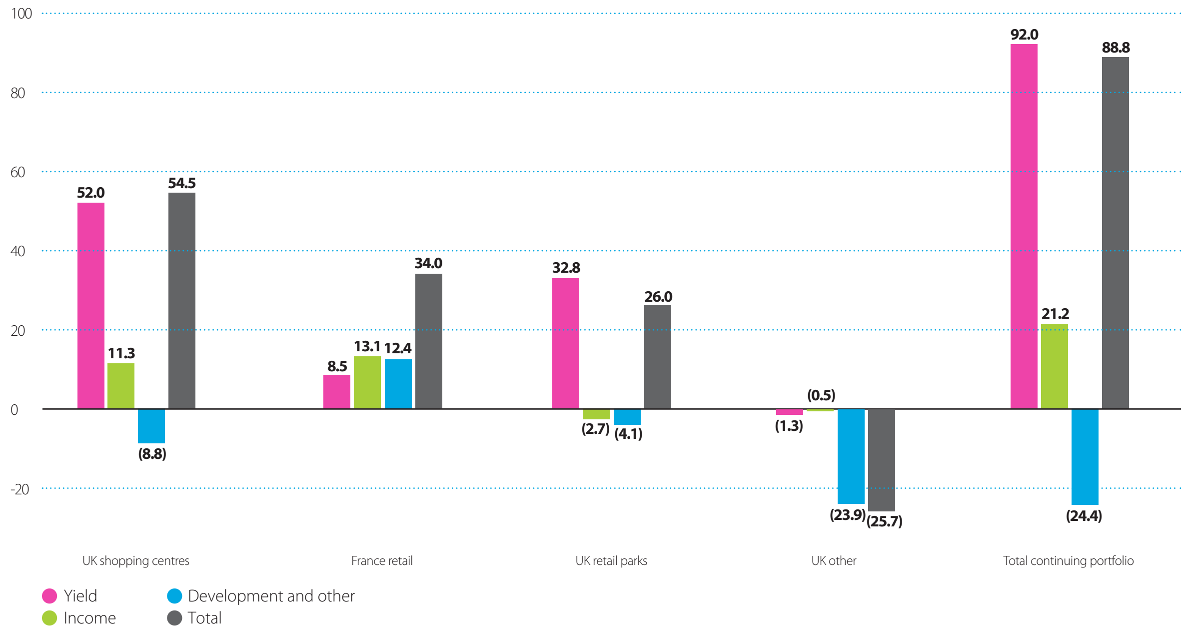
1. Purchasers' costs equate to 5.6% of the net portfolio value.
2. The yield of 5.5% based on passing rents and the gross portfolio value is equivalent to EPRA's 'topped-up' Net Initial Yield.

CAPITAL RETURNS

For the calendar year 2013, the total return of the portfolio as a whole, excluding Value Retail, was 7.2%, with capital and income returns of 2.0% and 5.1% respectively. For the continuing portfolio, total, capital and income returns were 7.0%, 1.8% and 5.1%. Returns are shown for each of the portfolio segments in the valuation data table on page 53.

The chart below analyses the sources of the valuation change for the continuing portfolio. During the course of 2013, and principally in the second half of the year, investment yields fell and increased valuations for the UK shopping centres, UK retail parks and French retail properties. Rising rental values at shopping centres in the UK and France boosted valuations, but declined marginally for UK retail park assets. The positive effect of yields, rents and the development progress at Les Terrasses du Port on the valuation of the continuing portfolio was offset to some extent by capital expenditure including that to progress the development pipeline.

COMPONENTS OF VALUATION CHANGE IN 2013 – CONTINUING PORTFOLIO
(£m)



FINANCIAL AND PROPERTY RETURNS

We aim to generate a return on equity which is greater than our cost of equity, with the objective of providing good shareholder returns. 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.

The table overleaf compares the financial returns of 2013 with benchmark indices. The IPD data shown for the UK portfolio are based on the quarterly All Retail Universe. 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 2013 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 51.

The IPD Universe includes returns for all types of retail property in the UK. Hammerson's UK capital return was lower than the IPD Universe capital return principally reflecting a strong performance by retail shop units in and around London which pushed up the index. Prime shopping centres provide low initial yields, reflecting their high quality. Consequently, the income returns for our portfolio are lower than the index.

The Group capital and total returns, including the Group's share of the return from the Value Retail portfolio, outperformed the index.

For the year ended 31 December 2013, Hammerson's return on shareholders' equity was 8.8%. The income element of the return on shareholders' equity tends to be relatively low given the quality of the property portfolio, as described above. The capital element of the return on equity in 2013 reflected the increase in the portfolio value during the year.

Hammerson's total shareholder return for 2013 underperformed the FTSE EPRA/NAREIT UK index, principally reflecting the strong share price performance of companies in the index with an exposure to the London property sector, which performed well in 2013. Over the last five years, Hammerson's average annual total shareholder return has been 11.4% compared with 12.3% 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 overleaf.

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 2013

Return*	%	Benchmark	%
UK portfolio capital return	1.7	UK IPD All Retail Universe – capital	2.4
UK portfolio income return	5.5	UK IPD All Retail Universe – income	5.8
UK portfolio total return	7.2	UK IPD All Retail Universe – total	8.3
Group capital return	3.1	n/a	
Group income return	5.3	n/a	
Group total return	8.5	n/a	
Return on shareholders' equity	8.8	Estimated cost of equity	8.0
Total shareholder return over one year	6.7	FTSE EPRA/NAREIT UK index over one year	23.8
Total shareholder return over three years p.a.	10.4	FTSE EPRA/NAREIT UK index over three years p.a.	14.0
Total shareholder return over five years p.a.	11.4	FTSE EPRA/NAREIT UK index over five years p.a.	12.3

* Portfolio returns include developments, continuing and discontinued operations. Group returns include those of the Group's share of the Value Retail portfolio.

EPRA PERFORMANCE MEASURES

Performance measure	2013 Performance	Definition	Page	Purpose
EPRA Earnings	23.1p per share	Recurring earnings from core operational activities	132	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	£5.73 per share	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	132	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)	£5.41 per share	EPRA NAV adjusted to include the fair values of financial instruments, debt and deferred taxes	132	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)	5.5%	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	43	Comparable measure for portfolio valuations
EPRA 'topped-up' NIY	5.6%	EPRA NIY adjusted for the expiry of rent-free periods	43	Comparable measure for portfolio valuations
Vacancy	97.7%	Estimated market rental value (ERV) of vacant space divided by the ERV of the whole portfolio (occupancy is the inverse of vacancy)	39	A measure of investment property space that is vacant, based on ERV

FINANCIAL REVIEW

INTRODUCTION

In compliance with IFRS, the income and expenditure directly attributable to discontinued operations, principally the Group's former office portfolio, the remainder of which was sold during 2013, has been disclosed separately in the consolidated income statement. The assets and liabilities related to discontinued operations, are described as 'held for sale' in the comparative figures for the consolidated balance sheet. Note 9B on page 130 analyses the components of the net profit related to discontinued operations. With the exception of Hammerson's former share of the secured loan on 125 Old Broad Street, assets held for sale at 31 December 2012 were funded from the Group's unsecured debt, so no finance costs have been attributed to these assets within the profit related to discontinued operations.

PROFIT BEFORE TAX

The Group's profit before tax for 2013, including discontinued operations, was £341.2 million compared with £142.2 million in 2012. As analysed in the table below, the year-on-year increase reflected a full year's contribution from revaluations within Value Retail, for which we have equity accounted since August 2012, and portfolio revaluation gains of £90.3 million. Property revaluation losses in 2012 amounted to £49.9 million. The majority of the office portfolio was sold in 2012, and this explains the lower gain on sale of investment properties in 2013. A good operational performance also contributed to the increase in profit. Losses on derivative revaluations were partly offset by lower costs relating to bond redemptions.

Analysis of profit before tax	Notes	Year ended 31 December 2013 £m	Year ended 31 December 2012 £m
Adjusted profit before tax – continuing and discontinued operations	2, 9B	**168.9**	152.5
Adjustments:			
Gain on the sale of investment properties	2, 9B	**11.7**	42.6
Net revaluation gains/(losses) on property portfolio	2, 9B	**90.3**	(49.9)
Net revaluation and other gains in associate – Value Retail	2	**88.1**	43.2
Premium and costs on redemption of bonds	7	**(3.9)**	(55.5)
Change in fair value of derivatives	7, 9B	**(13.9)**	9.3
Profit before tax – continuing and discontinued operations	2, 9B	**341.2**	142.2

At £168.9 million, adjusted profit before tax was £16.4 million up on 2012, an increase of 10.8%. The table below bridges adjusted profit before tax between the current and prior years. The principal contributors to the increase were the positive impact from acquisitions, income growth at the like-for-like portfolio and a combination of a strong operating performance at Value Retail and equity accounting for that investment for a full year. Higher financing costs partly offset these increases.

Reconciliation of adjusted profit before tax	Adjusted profit before tax £m	EPRA EPS pence
Adjusted profit before tax 2012	**152.5**	20.9
Net financing expense	**(3.4)**	(0.5)
Net administration expenses decrease	**1.5**	0.2
Net investment and development activity	**8.0**	1.0
Like-for-like net rental income increase	**4.9**	0.7
Additional income from Value Retail	**4.0**	0.6
Exchange and other	**1.4**	0.2
Adjusted profit before tax 2013	**168.9**	23.1

EPRA earnings per share increased by 10.5% to 23.1 pence in the year, principally reflecting the changes noted above. Calculations for earnings per share are set out in note 11A to the accounts on page 132.

NET RENTAL INCOME

An analysis of net rental income is set out on page 40. In 2013, the portfolio as a whole generated net rental income of £290.2 million, to which continuing operations contributed £282.8 million compared with £258.8 million in the prior year. Growth of 2.1% in income from the like-for-like portfolio and the impact from acquisitions more than offset the income lost from disposals.

ADMINISTRATION EXPENSES

Administration expenses are analysed in the following table.

Administration expenses	Notes	Year ended 31 December 2013 £m	Year ended 31 December 2012 £m
Continuing operations	2		
Cost of property activities		**33.2**	31.4
Corporate expenses		**15.6**	17.4
		48.8	48.8
Management fees receivable		**(6.7)**	(5.9)
		42.1	42.9
Discontinued operations	9B		
Cost of property activities		**0.4**	1.1
Management fees receivable		**(0.2)**	(0.7)
		0.2	0.4
Total administration expenses		**42.3**	43.3

In 2013 administration expenses, net of management fees receivable, for continuing operations were £42.1 million, a reduction of £0.8 million over the year, as a result of higher management fees. Administration expenses for discontinued operations represent the costs of staff made redundant as a result of the sale of the office portfolio, and fees receivable relate to the joint ventures for 125 Old Broad Street and 10 Gresham Street.

COST RATIO

The table below follows the guidance published by EPRA in respect of a standard cost ratio, calculated as total operating costs as a percentage of gross rental income. The ratio is not necessarily comparable between different companies as business models and expense accounting and classification practices vary. Hammerson's ratio for continuing operations, including the cost of vacancy, has dropped by 240 bp from 27.0% in 2012 to 24.6% in 2013, principally reflecting increased management fees and additional rental income. As refurbishments, extensions and completed developments come on stream, we expect the ratio to decline further over time.

Cost ratio – continuing operations	Notes	Year ended 31 December 2013 £m	Year ended 31 December 2012 £m
Net service charge expenses – non-vacancy		**2.0**	2.3
Net service charge expenses – vacancy		**7.9**	5.9
Net service charge expenses – total	2	**9.9**	8.2
Other property outgoings	2	**26.6**	28.7
Cost of property activities	2	**33.2**	31.4
Corporate expenses	2	**15.6**	17.4
Management fees receivable	2	**(6.7)**	(5.9)
Total operating costs		**78.6**	79.8
Gross rental income (after rents payable)	2	**319.3**	295.7
Cost ratio including net service charge expenses – vacancy (%)		**24.6**	27.0
Cost ratio excluding net service charge expenses – vacancy (%)		**22.1**	25.0

Staff costs amounting to £1.5 million (2012: £0.8 million) 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.

We are taking measures to improve efficiency and to increase resources deployed to our development pipeline and digital marketing. Gross savings of £6 million per annum are targeted, derived from: consolidating senior positions in London and Paris; relocating our London head office to more cost effective premises and transferring some roles to a larger operations centre in Reading; lowering share benefits; reviewing pension benefits; and integrating activities between London and Paris. The savings will be invested to boost our development capabilities and enhance our digital services to retailers and shoppers, both of which are sources of growth for our business. This rebalancing of our cost base will result in a £5 million implementation charge in 2014.

SHARE OF RESULTS AND NET ASSETS OF ASSOCIATE – VALUE RETAIL (VR)

Since August 2012 we have equity accounted for the Group's investment in VR. Prior to that date, our interests were treated as investments and distributions received were recognised as income. VR's contribution to the Group's income statement and balance sheet is set out in the table below. EPRA net income from our investment in 2013 was £19.0 million, or 2.7 pence per share, compared with £12.6 million, or 1.8 pence per share, in 2012. Including the Group's loan to VR, our net interest at the end of 2013 was valued at £633.8 million on an EPRA basis, equivalent to 89.0 pence per share. The changes reflect the revised accounting basis as well as the acquisition of additional interests in VR over the last 18 months. Excluding our share of VR's income for the period, this investment contributed £82 million, or 11 pence per share, to the increase in the Group's EPRA net asset value in 2013, principally through property valuation increases.

The operating performance of VR is described on page 37 of the Business review.

Value Retail	Notes	**Year ended 31 December 2013 £m**	Year ended 31 December 2012 £m
Income statement			
Share of results of associate	14A	**101.5**	47.5
Less: EPRA adjustments	14A	**(88.1)**	(43.2)
EPRA adjusted earnings of associate		**13.4**	4.3
Distributions received	Within net rental income	**–**	4.9
Interest receivable	Within net finance costs	**5.6**	3.4
Total impact of VR on income statement – EPRA basis		**19.0**	12.6

	Notes	**Year ended 31 December 2013 £m**	Year ended 31 December 2012 £m
Balance sheet			
Investment in associate	14B	**545.4**	428.4
Add: EPRA adjustments	14B	**19.7**	16.2
EPRA adjusted investment in associate		**565.1**	444.6
Loan to VR	16	**68.7**	47.0
Total impact of VR on balance sheet – EPRA basis		**633.8**	491.6

FINANCE COSTS

We have successfully reduced the average cost of borrowings for the Group to 4.8% during 2013 from 5.0% in the prior year. We remain alert to the capital markets for further opportunities for savings. Underlying finance costs, comprising gross interest costs less finance income as shown in note 7 to the accounts, were £103.6 million compared with £96.3 million in 2012.

Interest capitalised during the year was £13.1 million and related principally to the development of Les Terrasses du Port. The finance costs for discontinued activities 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, for which the sale was completed in June 2013. No finance charges have been allocated to discontinued operations as the other office properties which had been held for sale were financed from the Group's pooled unsecured borrowings.

TAX

The Group is a UK REIT and French SIIC for tax purposes.

DIVIDEND

The Directors have proposed a final dividend of 10.8 pence per share. Together with the interim dividend of 8.3 pence, the total for 2013 is 19.1 pence, representing an increase of 7.9% on the prior year. The final dividend is payable on 25 April 2014 to shareholders on the register at the close of business on 14 March and 3.6 pence will be paid as a PID, net of withholding tax where appropriate, with the balance of 7.2 pence paid as a normal dividend. As has been the case in recent years, there will be no scrip alternative although the dividend reinvestment plan continues to be available to shareholders.

BALANCE SHEET

Equity shareholders' funds were £4.1 billion at 31 December 2013, having increased by £209 million during the year. Net assets, calculated on an EPRA basis, increased by £223 million during 2013 and the movement over the year is shown in the table below. There was a corresponding 5.7% rise in EPRA net asset value per share to £5.73 at 31 December 2013. The valuation surplus on the investment property portfolio was augmented by the gains from our Value Retail investment, developments and retained earnings.

Movement in net asset value	Net assets* £m	EPRA NAV* £ per share
31 December 2012	3,860	5.42
Revaluation – investment portfolio	63	0.09
Revaluation – developments	27	0.04
Revaluation – investment in Value Retail	82	0.11
Profit on disposals	12	0.02
Premium and costs on redemption of bonds	(4)	(0.01)
Adjusted profit for the year	165	0.23
Dividends	(130)	(0.18)
Exchange and other	8	0.01
31 December 2013	**4,083**	**5.73**

* Excluding deferred tax and the fair value of derivatives, calculated in accordance with EPRA best practice as shown in note 11B.

FINANCING AND CASHFLOW

At 31 December 2013, net debt was £2.3 billion and comprised borrowings of £2.3 billion and cash and deposits of £57 million. Over the year net debt increased by £216 million, principally a reflection that development expenditure, dividends and the impact of exchange exceeded the net proceeds from investment activity, retained earnings and distributions from Value Retail. Cash and deposits closed approximately £10 million lower on the year following a £129 million cash inflow from operating activities, capital expenditure of £202 million, net outflows from investment activity of £11 million, £45 million of distributions received from Value Retail and a £28 million net inflow from financing activities. Liquidity, comprising cash and undrawn committed facilities, was £716 million at the end of 2013.

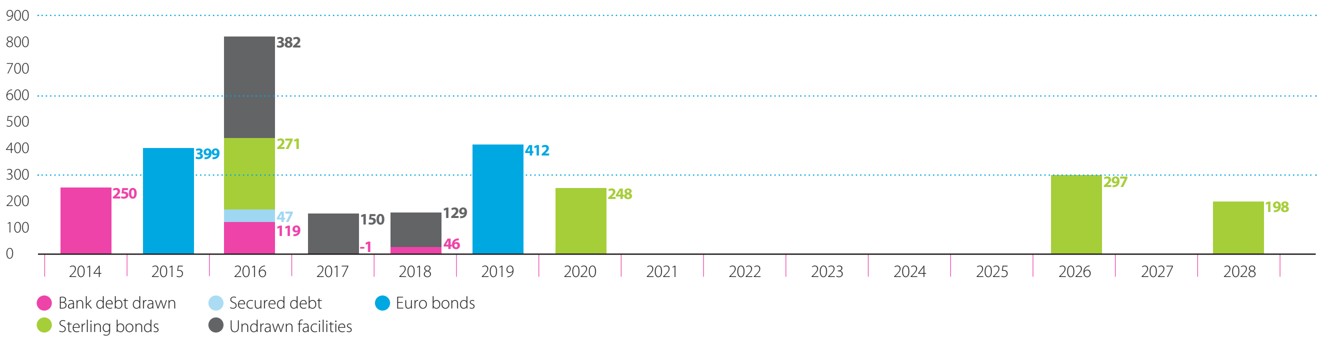
Our policy for interest rate hedging is to fix the rate of at least 50% of debt, although we may increase this at higher gearing levels. At 31 December 2013 70% of debt was fixed, compared with 80% at the beginning of the year. Increased exposure to floating rate debt enables us to benefit from the continuing low interest rate environment whilst maintaining the security offered by fixed rates of interest on the majority of debt. Recent market pricing indicates that interest rates may increase in the medium to long term and our fixed/floating profile will partly mitigate that risk. Furthermore, debt that will be drawn in respect of the private placement noted below will be at rates that have already been fixed, reducing the Group's exposure to interest rate fluctuations.

Exposure to exchange translation differences on euro denominated assets is managed through a combination of euro borrowings and derivatives, and at the end of 2013, 79% of the value of euro denominated assets was hedged, consistent with our policy. Interest on euro debt also acts as a hedge against exchange differences arising on rental income from our French business and during the year, all of the relevant income was hedged in this way.

The maturity profile of the Group's borrowings is shown in the chart overleaf. At 31 December 2013, the average maturity of the Group's debt was more than five years. We monitor the capital markets with a view to managing short-term maturities. In May we completed a tender offer for £28 million of the Group's £300 million 5.25% unsecured bonds due in 2016. The premium and costs paid on the repurchased bonds resulted in an exceptional charge of £3.9 million. The interest cost of the bond was 5.25% and the debt was refinanced at an incremental finance cost of 1.4%, so we secured a lower running cost of debt. We expect this to result in a saving of approximately £1.0 million per annum.

DEBT MATURITY PROFILE AT 31 DECEMBER 2013

£m



Two new credit facilities became available during the year: in April a £175 million syndicated five-year revolving credit facility, carrying a margin of 150 basis points over LIBOR which matures in 2018 and which was used to refinance an existing £150 million facility maturing at the same time; and a £250 million loan, maturing in June 2014, became effective which increased our access to low floating rates of interest. In addition, an existing £125 million facility maturing in 2017 was increased to £150 million in April.

In November we signed an agreement with nine US institutions for the placement of $443 million fixed rate notes, which will fund in two tranches in 2014. These notes mature in seven, 10 and 12 years and are denominated in US Dollar, British Pound Sterling and Euro, with the US Dollar portion swapped to fixed Euro. The resultant weighted average coupon is fixed at 3.6%, with a weighted average maturity of nine years. The attractiveness of this transaction was enhanced by the ability of the US investors to defer closing, enabling Hammerson to maximise the benefit from low floating rates on its banking facilities. By final drawdown in June 2014, the placement will repay existing floating rate debt and increase the proportion of the Group's fixed rate debt by approximately 12% and extend the weighted average debt maturity by approximately 0.4 years. We believe that the sterling and euro bond markets will be available in the medium term to replace existing bank borrowings and bonds as they mature. We will access these markets as appropriate.

The Board approves financing guidelines against which it monitors the Group's financial structure. These guidelines, together with the relevant metrics, are summarised in the table below which illustrates the Group's robust financial condition as at the end of 2013.

The Group's unsecured bank facilities, and the recently issued Private Placement loan notes, contain financial covenants 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 not be 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. Hammerson's financial ratios are comfortably within these covenants. Principal Risks and Uncertainties on pages 55 to 59 provide further context for financing risk.

Fitch and Moody's rate Hammerson's unsecured credit as A- and Baa2 respectively.

Key Financing Metrics	Guideline	**31 December 2013**	31 December 2012
Net debt (£m)		**2,252**	2,036
Gearing (%)	maximum 85% for an extended period	**56**	53
Loan to value (%)	up to 40%	**38**	36
Liquidity (£m)		**716**	696
Weighted average cost of finance (%)		**4.8**	5.0
Interest cover (times)	at least 2.0	**2.8**	2.8
Net debt/EBITDA (times)	less than 10.0	**8.2**	7.9
Debt fixed (%)		**70**	80

SECURITY AND QUALITY OF INCOME

Our portfolio provides a secure income stream, with a weighted average unexpired lease term of eight years, and opportunities for growth. The portfolio was 1.8% reversionary at 31 December 2013, with the UK and French portfolios 1.0% and 4.9% reversionary respectively. Assuming that leases are renewed or re-let and rent reviews are agreed at current ERVs an estimated £12.6 million of additional annual income could be secured from the portfolio by 2016.

LEASE EXPIRIES AND BREAKS

The table below shows that leases with current rents passing of £84.6 million will expire, or are subject to tenants' break clauses, during the period from 2014 to 2016. Additional annual rental income of £3.7 million could be secured in respect of expiries, on the assumption that renewals take place at current rental value levels. This estimate excludes tenant break options, as we think there is a low probability that these will be exercised. This is not a forecast and takes no account of void periods, lease incentives or potential changes to rental values.

LEASE EXPIRIES AND BREAKS AS AT 31 DECEMBER 2013

		Rents passing that expire/break in			ERV of leases that expire/break in			Weighted average unexpired lease term	
		2014 £m	2015 £m	2016 £m	2014 £m	2015 £m	2016 £m	to break years	to expiry years
Notes		1	1	1	2	2	2		
United Kingdom									
Retail:	Shopping centres	17.9	12.4	8.5	23.6	12.6	8.2	6.6	8.2
	Retail parks	8.0	4.7	2.3	9.2	4.4	2.2	8.9	9.8
		25.9	17.1	10.8	32.8	17.0	10.4	7.6	8.9
Other UK		3.5	2.7	0.7	3.7	3.3	0.6	7.2	8.9
Total United Kingdom		**29.4**	**19.8**	**11.5**	**36.5**	**20.3**	**11.0**	**7.5**	**8.9**
France: Retail		**16.4**	**3.6**	**3.9**	**17.4**	**3.8**	**4.0**	**1.3**	**5.0**
Group									
Retail		42.3	20.7	14.7	50.2	20.8	14.4	6.0	7.9
Other UK		3.5	2.7	0.7	3.7	3.3	0.6	7.2	8.9
Total Group		**45.8**	**23.4**	**15.4**	**53.9**	**24.1**	**15.0**	**6.1**	**8.0**

Notes

1. The amount by which rental income, based on rents passing at 31 December 2013, 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 2013 for leases that expire or break in each year and ignoring the impact of rental growth and any rent-free periods.

RENT REVIEWS

Rent reviews as at 31 December 2013		Rents passing subject to review in Outstanding £m	2014 £m	2015 £m	2016 £m	Projected rents at current ERV of leases subject to review in Outstanding £m	2014 £m	2015 £m	2016 £m
Notes		1	1	1	1	2	2	2	2
United Kingdom									
Retail:	Shopping centres	40.8	15.8	9.3	9.9	43.7	17.1	10.4	10.8
	Retail parks	19.5	9.4	24.5	15.9	20.2	9.8	25.1	16.2
		60.3	25.2	33.8	25.8	63.9	26.9	35.5	27.0
Other UK		4.1	1.9	3.3	0.9	4.2	2.1	3.7	0.9
Total United Kingdom		**64.4**	**27.1**	**37.1**	**26.7**	**68.1**	**29.0**	**39.2**	**27.9**

Notes

1. Rents passing at 31 December 2013, 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 2013 and ignoring the impact of changes in rental values before the review date.

The UK portfolio could provide additional rental income of £3.7 million per annum, assuming that outstanding rent review negotiations are concluded at rental values prevailing at the time of review. Over the period to 2016, leases with rents passing of £90.9 million are subject to review and if reviewed to current rental values, would generate additional £5.2 million per annum. This is not a forecast and takes no account of potential changes in rental values before the relevant review dates.

Rents in our French portfolio are subject to annual indexation, which is 0.8% in 2014 for the majority of leases.

TENANT COVENANT STRENGTH

At 31 December 2013, our ten most significant retailers, listed in the table below, accounted for £64.4 million, or 20%, of rents passing.

Tenant	% of total passing rent
B&Q	3.9
Home Retail Group	2.3
H&M	2.2
Arcadia	2.1
DSG Retail	2.0
Next	1.9
Boots	1.7
New Look	1.5
TK Maxx	1.3
SportsDirect	1.2
Total	**20.1**

We assess the covenant strength of prospective tenants and monitor the credit standing of our key retailers using a credit rating agency. The agency has a five-point risk indicator scale which runs from one ('low') to five ('high'). All of the top ten retail tenants were rated at 'low' or 'lower than average' risk at the end of 2013. For the UK portfolio as a whole, tenants rated within these lowest risk categories represented 83% of the passing rents of the UK retail portfolio and 1.6 was the average score.

In the French portfolio, 80% of tenants scored 'lower risk' and the average score was also 1.6.

At 31 December 2013, 49 UK retail units were let to tenants in administration, of which 27 continued to trade. In our French portfolio, all of the 21 units let to tenants in administration continued to trade. For the portfolio as a whole income equating to 1.2% of the Group's total passing rents was derived from tenants in administration. The equivalent figure for tenants in administration and no longer trading, however, was just 0.5%.

COLLECTION RATES

Our rent collection rates demonstrate the underlying strength of the Group's income stream. In the UK and France 99% and 87% of the respective rents were collected within 14 days of the December 2013 due date.

INVESTMENT PORTFOLIO – VALUATION DATA

Valuation data for investment portfolio for the year ended 31 December 2013		Properties at valuation £m	Revaluation in the year £m	Capital return %	Total return %	Initial yield %	True equivalent yield %	Nominal equivalent yield %
Notes						1	2	3
United Kingdom								
Retail:	Shopping centres	2,523.5	58.0	2.4	7.8	5.1	5.8	5.6
	Retail parks	1,471.1	25.1	1.7	7.8	5.4	6.1	5.9
		3,994.6	83.1	2.1	7.8	5.2	5.9	5.7
Other UK		199.4	(17.7)	(6.5)	(1.0)	6.3	7.4	7.0
Total United Kingdom		4,194.0	65.4	1.9	7.6	5.2	6.0	5.8
Continental Europe								
France:	Retail	1,240.2	(4.1)	(0.3)	4.9	5.0	5.5	5.3
Group								
Retail		5,234.8	79.0	1.6	7.1	5.1	5.8	5.6
Other UK		199.4	(17.7)	(6.5)	(1.0)	6.3	7.4	7.0
Total investment portfolio		**5,434.2**	**61.3**	**1.4**	**7.0**	**5.2**	**5.9**	**5.7**
Developments[5]		497.0	27.5	10.4	10.5			
Total continuing operations		**5,931.2**	**88.8**	**1.8**	**7.0**			
Discontinued operations		–	1.5	3.7	10.8			
Total portfolio		**5,931.2**	**90.3**	**2.0**	**7.2**			
Value Retail[4]				12.6	19.3			
Total Group				**3.1**	**8.5**			

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. Nominal equivalent yields, which are similar to the true equivalent yields but assume rents are received annually in arrears, are included within the unobservable inputs to the portfolio valuations as defined by IFRS 13.
4. Represents the returns for the Group's share of the Value Retail portfolio.
5. Further analysis of development properties by segment is provided in note 3B on page 123.
6. The weighted average remaining rent-free period is 0.7 years.

INVESTMENT PORTFOLIO – RENTAL DATA

Rental data for investment portfolio for the year ended 31 December 2013		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	145.1	124.3	1.9	510	148.4	152.9	1.3
	Retail parks	86.6	82.1	1.6	185	87.5	89.5	0.6
		231.7	206.4	1.8	340	235.9	242.4	1.0
Other UK		14.9	12.1	8.7	210	14.4	15.8	0.4
Total United Kingdom		246.6	218.5	2.2	330	250.3	258.2	1.0
Continental Europe								
France: Retail		71.6	63.2	2.6	335	69.7	75.1	4.9
Group								
Retail		303.3	269.6	2.0	340	305.6	317.5	1.9
Other UK		14.9	12.1	8.7	210	14.4	15.8	0.4
Total continuing investment portfolio		**318.2**	**281.7**	**2.3**	**330**	**320.0**	**333.3**	**1.8**
Developments		3.0	1.1					
Total continuing operations		**321.2**	**282.8**					
Discontinued operations		7.4	7.4					
Total Group – as disclosed in note 3A to the accounts		**328.6**	**290.2**					

Selected data for the year ended 31 December 2012							
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	2.6
Total continuing investment portfolio	**297.4**	**259.0**	**2.3**	**325**	**311.7**	**325.1**	**2.0**

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 rents passing at 31 December 2013 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 2013, 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 2013, after deducting head and equity rents, calculated by the Group's valuers. ERVs in the above table are included within the unobservable inputs to the portfolio valuations as defined by IFRS 13.
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 2013.

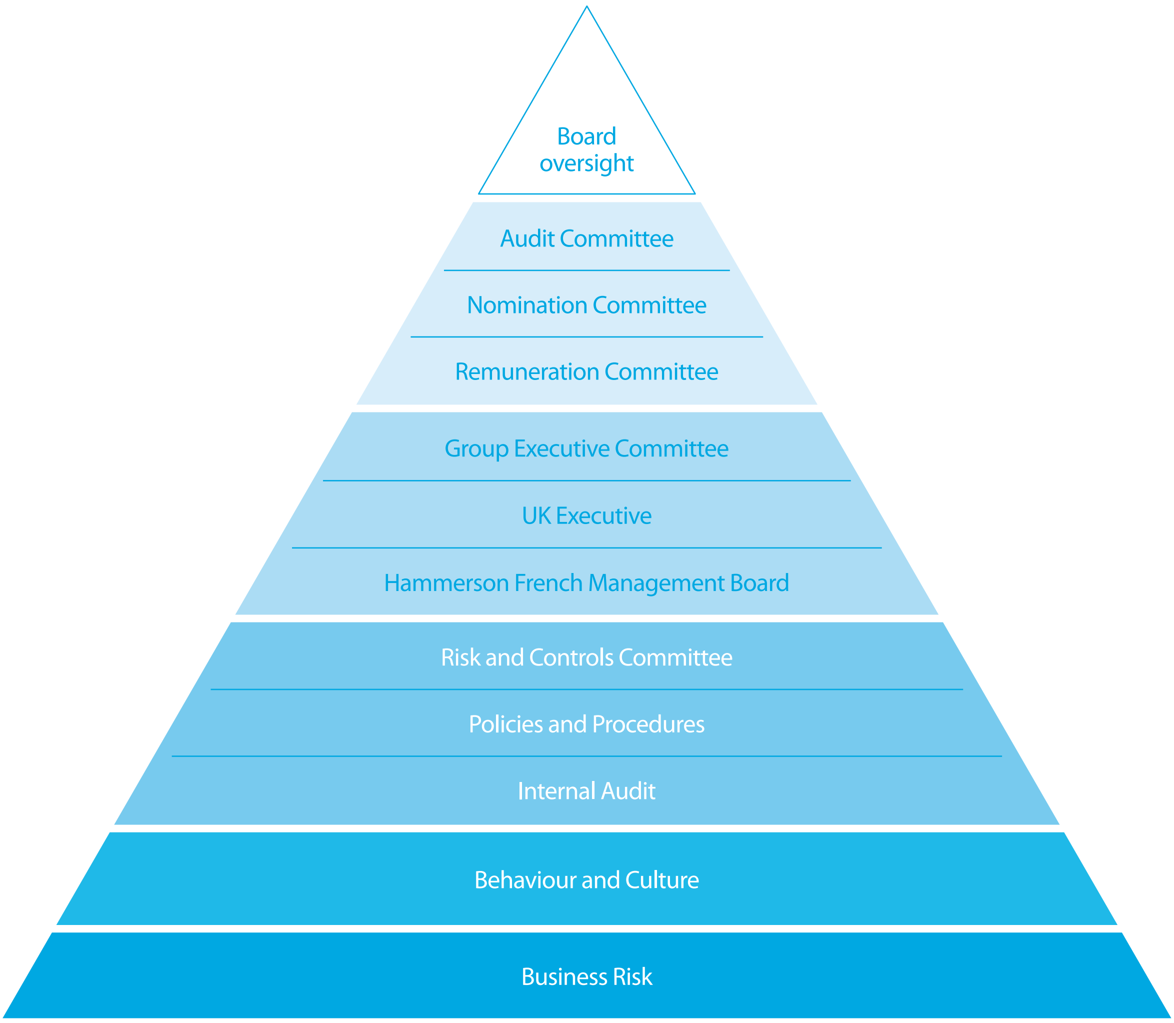
MANAGING UNCERTAINTY

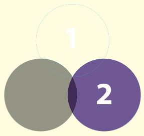
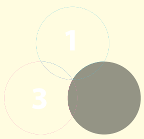
The management of risk is integrated with our operating, financial and governance activities. The policies for risk management are designed to reduce the chances of financial loss, protect our reputation and optimise performance when opportunities arise. We identify, control and communicate risk management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

The six principal areas of risk in that framework, together with the related mitigations, are shown in the table opposite. Macroeconomics and government policies continue to dominate the risk landscape. Although there is now a sense of stability, and growth has returned to some Western economies, including the UK, the recovery is slow and downside risks remain. We have also included references in the table to the pages in this Annual Report where the risks, or the elements of the business affected by them, are discussed further, and where relevant linked the risks with our strategic priorities.

Responsibility for risk management rests ultimately with the Board. However, the foundations of our approach are 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 involved in all key decision making, and risk identification and mitigation.

OUR RISK MANAGEMENT MODEL



Risk, impact and related strategic priority	Mitigation	Further commentary	Change from 2012
BUSINESS STRATEGY			
Property and financial markets			
• 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. Related strategic priorities 	• 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 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. • Stress-testing of our business model against a severe downside economic scenario has confirmed that the Group is robust. Low gearing, long-term secure income streams from our leases, the currency hedging of the value of and income from our French portfolio, a good spread of debt maturities and the flexibility to phase or halt our development programme all point to resilience to market shocks. • 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 7) Our markets (page 8) Business review (page 32) Financial review (page 49)	Financial markets have stabilised over the last year. Growth has returned to some Western economies, in part thanks to continued fiscal stimuli, stock markets have performed strongly and uncertainty over the future of the eurozone has diminished. However, levels of growth remain subdued and the risk of market shocks remains. Retailers are continuing to ensure that their sales channels remain relevant in the digital age and provide consumers with the flexibility and convenience they require. Real estate remains a cornerstone of their plans.
PROPERTY AND CORPORATE INVESTMENT			
Property valuations			
• 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. Related strategic priorities 	• 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, with documentation supporting leases, rights and obligations readily accessible. • The Group's property portfolio is of high quality, geographically diversified and let to a large number of tenants.	Our markets (page 8) Business review (page 37) Property portfolio information (page 51)	As noted above, the economic environment has become more benign with a corresponding increase in investor demand for real estate, reinforced by an appetite by overseas investors for 'safer' returns from prime assets in the UK and France. The result is that values for such properties have risen over the year. However, in the event that there is further instability in the eurozone, significant volatility could return to financial markets in the short to medium terms, which could have a knock-on effect on real estate values.

Key to the principal risks table

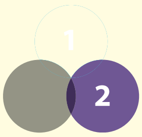
Strategic priority	Change in risk from 2012
1 Creating high-quality property	Increased
2 Maximising income	Same
3 Capital strength	Reduced

Risk, impact and related strategic priority	Mitigation	Further commentary	Change from 2012

PROPERTY AND CORPORATE INVESTMENT CONTINUED

Tenant default

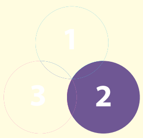
Risk, impact and related strategic priority	Mitigation	Further commentary	Change from 2012
• Financial loss arises through tenant default. Related strategic priorities	• We regularly monitor the credit status of tenants and adopt a flexible approach to tenant requests for changes to payment terms. • Arrears are reported monthly and we report six-monthly on Group-wide tenant exposures. • The Group's geographical diversity and its large number of tenants mean the impact of individual tenant default for Hammerson is low. • Our occupational leases are generally long-term contracts, making the income stream relatively secure.	Security and quality of income (page 51) Tenant covenant strength and collection rates (page 52)	The rate of tenant administrations has fallen as economic conditions have improved. Some retailers are now planning to expand their representation, but are expected to concentrate on prime retail sites.



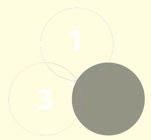
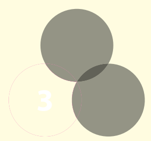
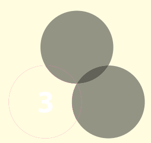
PROPERTY DEVELOPMENT

Development and letting

Risk, impact and related strategic priority	Mitigation	Further commentary	Change from 2012
• 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 or inflationary pressures results in inadequate returns. • Poor management and inadequate resourcing leads to failed projects. Related strategic priorities	• 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. • Where possible, guaranteed maximum price contracts are agreed with building contractors and fixed prices agreed for other advisers. • Multi-disciplinary teams are assembled for each development under a project 'owner'. • A programme of post-completion reviews ensures potential improvements to processes are identified. • 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. • We currently have a limited number of developments underway. At the largest, Les Terrasses du Port in Marseille, 93% of the income has been contracted or is in solicitors' hands.	Creating high-quality property (page 32)	As retailers' plans for expansion have gathered pace, so has their interest in our planned and potential developments. However, we are seeing inflationary pressures building in the construction sector, fuelled by growing demand for skills and raw materials as economic growth returns.



TREASURY, TAX AND REGULATORY

Risk, impact and related strategic priority	Mitigation	Further commentary	Change from 2012
Property valuations			
• Breach of borrowing covenants triggers default and/or repayment of facilities or bonds. Related strategic priorities 	• 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. • Gearing stood at 56% at 31 December 2013, significantly lower than the Group's most stringent borrowing covenant that gearing should not exceed 150%. We estimate that values could fall by 43% from their December 2013 levels before covenants would be endangered.	Financial review (page 49) Notes 20 and 21 to the accounts (pages 142 to 149)	The improved economic picture has supported property valuations for prime assets and hence maintained the safety margin for borrowing covenants.
Liquidity risk			
• Poor planning 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. • 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. Related strategic priorities 	• 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. • 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. • While credit conditions during 2013 have been favourable for debt issuers, there is a risk that this could change. The Group's recent funding strategy has therefore sought to refinance near-term maturities early to minimise refinancing risk. In November we entered into a private placement for \$443 million (£275 million) with funding deferred to February and June 2014. Combined with our high liquidity of £716 million, we are therefore well positioned for the Group's nearest bank debt maturity of £250 million in 2014 and the €480 million (£399 million) bond which matures in 2015.	Financial review (page 49)	Lenders have continued to be selective in their choice of counterparty and the corporate bond market is open to borrowers with an appropriate risk profile. Alternatives to the traditional bank lending and bond markets, such as private placement, remain open.
Interest rate and exchange risk			
• Adverse currency or interest rate movements result in financial losses. Related strategic priorities 	• We set guidelines for our exposure to fixed and floating interest rates, using interest rate and currency swaps as appropriate. At 31 December 2013, 70% of the Group's gross debt was at fixed rates of interest. • Exchange risk is managed principally by matching foreign currency assets with foreign currency borrowings or derivatives. At the end of 2013, 79% of the value of the Group's French portfolio was hedged in this way.	Financial review (page 49)	Interest rates have remained low over the last 12 months, but there is a growing expectation that they will rise in the medium term as economic growth and inflation return. The sterling/euro exchange rate has stabilised, but continues to be susceptible to volatility at times of heightened uncertainty in the eurozone.

Risk, impact and related strategic priority	Mitigation	Further commentary	Change from 2012

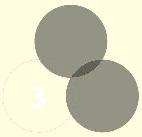
TREASURY, TAX AND REGULATORY CONTINUED

Tax and regulatory

Risk, impact and related strategic priority

- 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.

Related strategic priorities



Mitigation

- Speculation and comment relating to changes in tax regimes in the UK and Europe is monitored with the help of specialist advisers.
- Developments in regulation are monitored and governments and regulators lobbied through representation by UK and European real estate trade bodies.

Change from 2012

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.

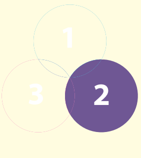
The real estate sector is sometimes perceived by regulators to be part of the financial services sector rather than as an operating business and the industry could be adversely affected by misdirected regulation designed to stabilise financial markets.

BUSINESS ORGANISATION AND HUMAN RESOURCES

Risk, impact and related strategic priority

- Inappropriate management structure or resourcing levels for achieving business objectives.
- Failure to recruit and retain key executives and staff with appropriate skills and calibre.

Related strategic priorities



Mitigation

- 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.

Further commentary

Maximising the contribution of our people (page 24)

Governance (pages 60 to 71)

Remuneration Report (pages 72 to 99)

Change from 2012

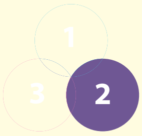
As conditions have improved, the recruitment market has become more active with rising demand for good people. This will put upward pressure on salaries for the best candidates.

CATASTROPHIC EVENT

Risk, impact and related strategic priority

- The Group's operations or financial security are significantly affected by disruption to financial markets following a wide-scale event such as a power shortage, extreme weather, environmental incident, civil unrest or terrorist or cyber attack.

Related strategic priorities



Mitigation

- Continuity plans established at both corporate and individual property levels.
- Crisis management group established with predetermined processes and escalation.
- Physical security measures in place at properties.
- Senior management, including crisis management group, receive media training for crisis events.
- Security threat assessed regularly through links with security agencies.
- Insurance policies include terrorism cover.

Change from 2012

Risk assessments for terrorist and cyber risks remain elevated.

The Strategic Report is approved and signed on behalf of the Board on 14 February 2014

David Atkins
Director

Timon Drakesmith
Director

CHAIRMAN'S INTRODUCTION

I am very pleased to introduce my first Governance Report as Chairman of the Board of Hammerson plc. I joined the Board in January 2013 and succeeded John Nelson as Chairman in May 2013.

The Company's objective is to create retail destinations by developing high-quality property, maximising income and ensuring capital strength. Therefore, during my first year on the Board I have taken the opportunity to gain insight into the business and understand how the Company delivers its objectives by meeting our people throughout the Company and visiting our retail destinations in the UK and France. I look forward very much to leading the Board through the next phase of the Company's evolution and achievement of its strategic priorities. Further details of my induction are provided on page 65.

The business is in very good shape, focused wholly on retail property. The management team has huge expertise in this sector and has forged close relationships with its retail and other customers in the UK and France. With a high-quality development pipeline and a strong balance sheet, we have the opportunity to provide very satisfactory returns to shareholders in the years ahead.

OPERATION OF THE BOARD

My main responsibility is to lead the Board and ensure its effectiveness in everything it does. During my initial discussions with the Directors it became apparent that the operation and structure of Board and Committee meetings should be reviewed. With this in mind, I have considered ways in which the Board timetable might operate more effectively with my fellow Directors. As a result, I have proposed a trial period with meetings being longer than previously, allowing deeper focus on strategy while also ensuring sufficient time to conduct all the other Board business required. The number of formal meetings has been reduced from 10 to six per year with meetings taking place approximately every two months. Board conference calls are scheduled in the intervening months between Board meetings to allow for matters requiring attention at that time. Later this year the Board will evaluate whether this approach works and I will report on our conclusions next year. Regular Board dinners are also now held on the evening preceding the Board meetings with all Directors and the Company Secretary normally invited to attend. These provide an invaluable opportunity for the Board to discuss topics in an informal and constructive environment outside the more formal setting of the Board meeting. I believe that this fosters openness and effective debate between Directors while developing strong working relationships.

BOARD EFFECTIVENESS

The Board appreciates the insights gained from an independent external evaluation of its effectiveness and that of its Committees. During the autumn such an evaluation was facilitated by IDDAS. The process and outcome of the external evaluation of the Board is discussed in greater detail on page 66.

THE BOARD

1. David Tyler, Chairman
2. David Atkins, Chief Executive
3. Gwyn Burr, Non-Executive Director
4. Terry Duddy, Non-Executive Director
5. Jean-Philippe Mouton, Executive Director
6. Jacques Espinasse, Non-Executive Director
7. Judy Gibbons, Non-Executive Director
8. John Hirst, Non-Executive Director
9. Anthony Watson, Non-Executive Director and Senior Independent Director
10. Peter Cole, Chief Investment Officer
11. Timon Drakesmith, Chief Financial Officer

CHANGES TO CORPORATE REPORTING

The Board continues to keep abreast of changes to company reporting regulations. This year has seen the culmination of several years of policy development with the finalisation of legislation affecting the structure and contents of the Annual Report. The new Strategic Report on pages 1 to 59 includes, amongst other matters, the Group's strategy, progress and performance for the year. Disclosures in the Governance Report comply with changes to the UK Corporate Governance Code (Code) which came into force for the financial year and includes expanded disclosures on the work of the Audit Committee on pages 68 to 71. Changes to remuneration reporting in particular are significant and these are fully covered in the Directors' Remuneration Report on pages 72 to 99.

STRUCTURE OF THE GOVERNANCE REPORT

In the Governance Report we have provided an overview of how the Board operated during the year, focusing specifically on the Board's activities during 2013. A separate section of the Governance Report on pages 100 to 103 provides a detailed description of how the Company has complied with the Principles set out in the Code. We hope that this new layout will assist readers to navigate this section of the Annual Report with greater ease.

SHAREHOLDER ENGAGEMENT

We actively seek channels through which to engage with investors and during 2013 the Company undertook a wide variety of investor relations activities which were organised for both institutional and private shareholders. The formal programme of events was accompanied by additional meetings as requested.

Institutional shareholders represent the largest group of shareholders and much of the activity is focused on this group. During 2013, over 20 events were either attended or hosted by the Company. These included investor road shows in the UK, Europe, America and Asia, four round-table events and six investor conferences. Visits to Place des Halles in Strasbourg, Italie 2 and O'Parinor in 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.

During late autumn the Company Secretary held conference calls with a number of investors' governance teams to discuss corporate governance issues generally. The outcome of those discussions has provided useful insights which have informed our approach to corporate reporting this year.

Your Board is fully committed to supporting both the principles and application of best practice in corporate governance. I believe we maintained effective corporate governance procedures during 2013. These underpin the continued success of the Group.

David Tyler / Chairman

YOUR BOARD

DAVID TYLER

Non-Executive Director and Chairman (Age 61)

Appointed to the Board: 12 January 2013 and appointed Chairman on 9 May 2013.

Committee membership: Remuneration Committee and Chairman of the Nomination 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. David is a Fellow of the Chartered Institute of Management Accountants and a member of the Association of Corporate Treasurers.

Other appointments: Non-executive director of Burberry plc.

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. Non-executive director of Experian plc and Reckitt Benckiser Group plc.

DAVID ATKINS

Chief Executive (Age 47)

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.

PETER COLE

Chief Investment Officer (Age 55)

Appointed to the Board: 1 October 1999.

Skills and experience: Peter Cole is a Chartered Surveyor who has considerable knowledge of, and experience in the property sector. He joined the Company in 1989 as a Senior Development Surveyor and was appointed to the board of the Company's UK business in 1992. In 1999, Peter assumed responsibility for Hammerson's development, acquisition and disposal programme. He implemented the disposal of the London offices in 2012. Peter has led the Company's major regeneration and investment projects including retail schemes in Reading (Oracle) and Birmingham (Bullring) and currently Croydon (Centrale and Whitgift Centre) and Les Terrasses du Port, Marseille.

Past appointments: President and general council member of the City Property Association.

TIMON DRAKESMITH

Chief Financial Officer (Age 48)

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 six 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.

JEAN-PHILIPPE MOUTON

Executive Director (Age 52)

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.

ANTHONY WATSON CBE

Non-Executive Director and Senior Independent Director (Age 68)

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 Vodafone Group plc and senior independent director of both Witan Investment Trust plc and Lloyds Banking Group plc. Member of the Norges Bank Investment Management corporate governance advisory board. Chairman of Lincoln's Inn investment committee. Director of the Queen's University of Belfast foundation board. Member of the advisory board of the Association of Corporate Treasurers.

Past appointments: Chairman of Marks and Spencer Pension Trust Limited, Asian Infrastructure Fund Limited and Strategic Investment Board (Northern Ireland).

GWYN BURR

Non-Executive Director (Age 51)

Appointed to the Board: 21 May 2012.

Committee membership: Audit Committee and (from 14 February 2014) Remuneration Committee.

Skills and experience: Gwyn Burr has expertise in marketing and leading customer service processes for major retail brands which supports Hammerson's focus on retail.

Other appointments: 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.

Past appointments: Senior roles in marketing, customer service and financial services at Asda plc. Customer service and colleague director at J Sainsbury plc. Non-executive director of the Principality Building Society. Director of the Incorporated Society of British Advertisers. Chair of Business in the Community community investment board.

TERRY DUDDY

Non-Executive Director (Age 57)

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 Employers Taskforce.

Past appointments: Director of DSG Retail Limited.

JACQUES ESPINASSE

Non-Executive Director (Age 70)

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 La Banque Postale Asset Management 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.

JUDY GIBBONS

Non-Executive Director (Age 57)

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.

JOHN HIRST CBE

Non-Executive Director (Age 61)

Appointed to the Board: 1 March 2004.

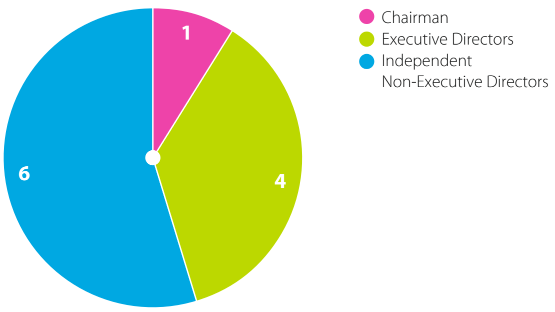
Committee membership: Chairman of Audit Committee.

Skills and experience: John Hirst is a Chartered Accountant. He has extensive corporate and financial experience having held senior positions at ICI plc and Premier Farnell plc where he successfully led a repositioning 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.

BOARD COMPOSITION



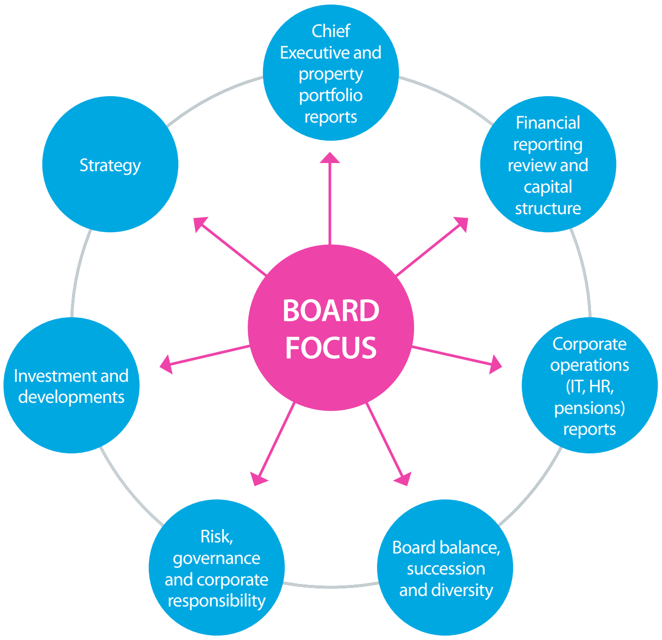
YOUR BOARD'S YEAR

BOARD FOCUS DURING 2013

The Board concentrated on the following key areas in support of the Company's strategic priorities:

- Conclusion of a 50:50 joint venture with Westfield to combine and redevelop the Whitgift Centre and Centrale in Croydon;
- Approval of the acquisition of a further 16.7% stake in the Bullring, Birmingham for £153.5 million and the investment of a further £78 million in Value Retail's premium designer outlet villages;
- Acquisition of Saint Sébastien shopping centre in Nancy, France, for £109 million;
- Disposal of Queensgate shopping centre in Peterborough for £101 million;
- Review of the Group's development pipeline. This led to decisions on developments at Leeds, Brent Cross, Sheffield and Croydon and was the basis for carrying out future strategic, financial and human resource planning across the Group;
- Regular review of the Group's capital structure, funding options and requirements. This included the approval of a tender offer of the Group's £300 million 5.25% bonds and approval of terms for the issuance of US$443 million (£275 million) seven, 10 and 12 year notes in a US private placement transaction;
- Approval of the Group's Culture and Values project, to embed a positive culture to support the Group's strategy;
- Annual review of the Group's health and safety arrangements including the Group's response to civil unrest and terrorism threats;
- Review of succession planning for senior roles within the Group;
- Update on the Group's insurance arrangements and a review of progress towards the consolidation and standardisation of the Group's information technology infrastructure.

AREAS OF BOARD FOCUS DURING 2013



BOARD VISIT TO MARSEILLE

In May 2013 the Board visited the Group's development at Les Terrasses du Port, Marseille. The visit provided an opportunity for the Board to meet with local management and stakeholders and review progress on the construction.

During the visit, the Board toured the Company's development. The project management team gave a presentation covering the project background and investment rationale; background details on Marseille and the region; key aspects of the development including the retail mix and target customers; and an update on pre-letting progress in comparison to other recent Hammerson developments. The main risks of the project were identified as on-time and on-budget completion and the letting targets. The Board satisfied itself that plans were in place to mitigate these risks. The Board also considered the financial performance expected from the development. Board visits provide invaluable insight into the business for Directors.

VIEW FROM GWYN BURR

This was my first visit to Les Terrasses du Port. Arriving on the bus with the Board and project team, I was struck by the scale of our project. The site is right in the heart of an exciting larger redevelopment of Marseille, and there was a real energy around the city. It's much easier to feel properly connected to the project and the teams delivering it wearing a hard hat, high viz vest and boots, than from the distance of a Board room. I had plenty of opportunity to talk to the teams about the challenges they have faced in getting to this stage. I was impressed by their commitment and determination to succeed, and to tackle and resolve the many challenges they have faced. I am really excited about visiting again in 2014 to see Les Terrasses du Port opened for consumers.

Gwyn Burr / Non-Executive Director

BOARD STRATEGY DAY

In October 2013 the Board held its annual Strategy Day in order to test, refine and set the Company's strategy. The focus of the day was operational and capital efficiency. Members of senior management joined the Board for discussions on three key areas: financial performance and capital structure of the Group; creating winning retail destinations; and capturing and improving retail spend. The agenda for the Strategy Day included, amongst other matters, the following:

- Review of progress against 2013 Business Plan objectives;
- Assessment of Hammerson's current strategic positioning;
- Discussion on the global economic outlook;
- Presentation on creating successful mixed use and leisure destinations;
- Debate on the Group's portfolio mix, strategic opportunities and asset allocation, both geographically and between different classes of asset;
- Consideration of strategies for working even better with Hammerson's customers (retailers, leisure providers and caterers) and the delivery of improved service levels and experience to consumers in Hammerson's shopping centres and retail parks;
- Review of progress and future plans for 'Hammerson Future', a programme to identify and implement improvements throughout the business in a number of key operational areas.

Initiatives identified as a result of the Strategy Day have been incorporated into the Business Plan for 2014. They also influence the objectives set for the Executive Directors and throughout the business for 2014.

Directors were asked to comment on the Strategy Day during the Board evaluation exercise. Comments received indicated that they found the event useful and that it plays an important part in debating initiatives and refining strategy.

BOARD VISIT TO CROYDON

The December Board meeting was held in the Almshouses of the Whitgift Foundation, Croydon to enable the Board to see the Croydon redevelopment project and receive an update on progress from the project team. During the day's visit the Board received presentations on the local history of Croydon, the opportunities presented by the development and the progress of the joint venture between Hammerson and Westfield. In particular the Board discussed the challenges of combining and redeveloping the two existing centres, the profitability and viability of the project and opportunities to enhance the consumer experience of the future. The Board also visited the Whitgift Centre and Centrale during a tour of Croydon town centre.

INDUCTION PROGRAMME FOR NEW DIRECTORS

The induction programme for Non-Executive Directors is based on the guidelines issued by the Institute of Chartered Secretaries and Administrators and is tailored to the specific needs of newly appointed external directors. An induction programme was planned for David Tyler who joined the Board in January 2013. Following his appointment to the Board, David had a number of meetings with John Nelson, the outgoing Chairman, which covered a comprehensive agenda of matters. He also held discussions with the Chief Executive, the Chief Financial Officer, the other Directors and the Company Secretary. He was briefed on the Company's strategy, finances, operations, risks, and procedures. In addition, David met with senior executives, other employees and key advisors. A wide programme of site visits in France and the UK enabled David to gain further insight into the Group's activities.

On appointment, Executive Directors receive an induction programme appropriate to their needs. At the time of his appointment to the Board in January 2013, Jean-Philippe Mouton already had considerable knowledge of the Company, having joined Hammerson in 2003. Jean-Philippe received an overview of relevant legislation and regulation about which he needed to be aware as a director of a listed company. Further personal and professional development needs for all Directors are considered as part of their annual performance development reviews.

As part of the continuing development of the Directors, the Company Secretary ensures that the Board is kept up to date with key governance developments throughout the business.

DAVID TYLER'S FIRST YEAR

For me, the first 12 months of a job have often proved some of the most challenging and fulfilling. That may well be the case at Hammerson, a business I knew relatively little about before I joined the Board in January 2013. I wanted to understand the key aspects of the business model of the Company – what really makes it tick – as soon as possible.

My induction programme gave me that opportunity, allowing me to engage quickly with management and employees in many of our retail destinations in the UK and in France, and in our corporate functions in London and Paris. I also took the opportunity to meet individuals at other key relationships, for example, Value Retail and retailers, to understand their attitudes to their relationships with Hammerson.

At the end of my first year in the Company, I am particularly struck by the capabilities of the management team, their energy and their vision. I believe that all this will pay dividends for shareholders in the years ahead.

David Tyler / Chairman

BOARD EFFECTIVENESS

The 2012 internal Board effectiveness review was facilitated by the Company Secretary. Actions carried out in 2013 as a result of the recommendations arising from the 2012 evaluation are reported below:

Recommendation	Action
Review the composition of the Board.	This was carried out by the Nomination Committee following David Tyler's appointment and succession requirements were identified.
Review the division of responsibilities between the Chief Executive and Chairman.	Following David Tyler's appointment as Chairman and the outcome of the 2013 external Board evaluation, the division of responsibilities has been updated.
Include additional property visits in the Board calendar.	The Board visited Marseille and Croydon in 2013.

BOARD EFFECTIVENESS REVIEW 2013

In the autumn of 2013 an external evaluation of the effectiveness of the Board and its Committees was undertaken. Four potential providers were interviewed by the Chairman and Company Secretary and their different approaches and methodologies were considered. IDDAS, an independent board effectiveness consultancy, was appointed and as this is its only connection with the Company, it is considered independent.

IDDAS met with the Chairman and Company Secretary to discuss and agree issues to be explored during the evaluation. The Financial Reporting Council's Framework on Board Effectiveness and Principles of the Code were borne in mind while agreeing the process. The review also specifically sought to explore a number of areas for feedback and to identify opportunities to improve the effectiveness of the Board and its Committees. IDDAS met the Board at a subsequent Board meeting to brief it on the agreed process. Each Director and the Company Secretary had an individual interview, based on structured questioning to ensure consistency. IDDAS also reviewed a year's worth of Board and Committee papers. A summary of the interviews, together with analysis and recommendations from IDDAS, were presented to the Board in December. The Board then discussed and agreed the action plan set out below:

Recommendation	Action
Clearly identify optimum mix of skills that the Board needs.	The Nomination Committee debated this in December 2013 and the Board has approved the recruitment requirements.
Identify the internal talent pool of new executives with high potential and create development plans for them.	The Chief Executive will lead this work and progress will be reviewed during 2014.
Board agendas should be revised to ensure adequate focus on the development projects and marketing. The layout of Board papers should also be reviewed.	The 2014 Board work plan has been revised to reflect the recommendation. The layout and content of Board papers will be reviewed during 2014.
Reduced use of printed Board papers should be considered.	Options for electronic Board paper portals will be explored.
Effectiveness of reduced number of formal Board meetings should be reviewed once a full calendar cycle has been completed.	The Company Secretary will arrange for this review to be undertaken.
Additional engagement between Non-Executive Directors and management should be arranged.	The 2014 Board work plan envisages that a number of senior managers will attend Board meetings from time to time. Other opportunities will be arranged.

Full details of Code compliance are provided on pages 100 to 103.

NOMINATION COMMITTEE REPORT

David Tyler
Chairman of the Nomination Committee

COMMITTEE MEMBERS

Terry Duddy

Anthony Watson

DEAR SHAREHOLDER

During 2013 the Committee considered succession planning for the Executive Directors and management's succession plans for the identification and development of senior employees. As part of these reviews, the Committee also explored ways of providing better integration of functions across the Group.

During the year the Committee reviewed the composition of the Board and the balance of Executive and Non-Executive Directors. As reported in last year's Annual Report, it is planned that John Hirst will retire from the Board at the conclusion of the 2014 Annual General Meeting (AGM) and will be succeeded as Chairman of the Audit Committee by Jacques Espinasse. I am very pleased that Jacques has agreed to take on the role of Chairman of the Audit Committee following the AGM.

Anthony Watson and Jacques Espinasse will have each served on the Board for nine years in the spring of 2015 and 2016 respectively. Discussions on a successor for each were undertaken as part of the review of succession plans for the Non-Executive Directors held during the year. Anthony Watson will stand down in his capacity as Chairman of the Remuneration Committee following the AGM and will be succeeded by Gwyn Burr. I am delighted that Gwyn has agreed to take over as Chairman of the Remuneration Committee following the AGM.

Diversity

The Board has continued to follow the important debate on gender diversity. The Board believes that a diverse workforce and management team improve the culture of the organisation and add value to the business as a whole. The Board's stated aim is to reach 20% female representation as soon as practicable. After the AGM and John Hirst's retirement from the Board, female representation will rise to 20%. The Committee will continue to consider gender diversity when recommending any future Board appointments. Final appointments will always be made on merit.

In December, the Committee considered a report on progress on diversity in the business. The Company recognises that in some areas of the Group women are under-represented including at the most senior management levels. Further details on diversity and equality are found on page 25 and we will report on progress in this area next year.

David Tyler / Chairman of the Nomination Committee

AUDIT COMMITTEE REPORT

John Hirst CBE
Chairman of the Audit Committee

COMMITTEE MEMBERS

Gwyn Burr
Jacques Espinasse
Judy Gibbons
Anthony Watson

DEAR SHAREHOLDER

This is my final report as Chairman of the Audit Committee (Committee) as I will step down as a Non-Executive Director following the 2014 Annual General Meeting (AGM). It has been a great privilege to serve on the Board of Hammerson and as Chairman of the Committee. Jacques Espinasse, a fellow Non-Executive Director and current member of the Committee will succeed me as Chairman. Jacques has served as chief financial officer of Vivendi and has extensive experience of serving on the audit committees of a number of European companies.

One of the significant requirements of the UK Corporate Governance Code (Code) is that the Board confirms the Annual Report presents a fair, balanced and understandable assessment of the Company's performance, business model and strategy. The Committee assists the Board in this task. The relatively simple and transparent nature of the real estate business, the high standard of reporting fostered by EPRA and the maturity of Hammerson's reporting and accounting processes enable us to convey our message clearly to shareholders. With this in mind, the Committee considered management's analysis supporting the assertion that the Annual Report is fair, balanced and understandable, and confirmed and recommended to the Board that it is.

An essential element of the Committee's work during the year has been to consider the appropriateness of significant judgements made in connection with the financial statements and further details are provided in this Committee Report. A key area of judgement on which the Committee focused its scrutiny related to the valuation of the Group's property portfolio. The Company's external valuer, DTZ (DTZ), presented the conclusions of their half-year and year end valuations to the Committee. Their presentation is always the subject of serious and full discussion between DTZ, management and the Committee. The valuation is a significant measurement of the Group's performance and determinant of Executive Directors' remuneration. In addition to meetings held by the Committee with the external auditor Deloitte LLP (Deloitte) and DTZ, I met with both as part of the full and half-year valuation process to ensure that each was satisfied that there had been a full and open exchange of views.

The Committee's work will continue to evolve in the light of guidance issued by the Financial Reporting Council (FRC) as a result of its latest consultations on risk management and internal control and the implementation of the Sharman Inquiry's recommendations on going concern.

David Tyler refers to changes to the structure of the Governance Report in his introduction on page 61 and consequently, we have concentrated here on the activities of the Committee during 2013. Further details of our compliance with the Code can be found on pages 100 to 103. This Report should therefore be read in conjunction with that section of the Governance Report. We hope that this new layout will help inform readers whilst still providing full details of our compliance with the Code.

We stated in last year's Annual Report that the Committee's intention is to review the requirement to tender the appointment of the external auditor closer to the time when the Deloitte audit partner next rotates and our reasons are more fully explained on page 69.

On behalf of the Board I would like to thank Deloitte for the continuing high quality of the audit services they have provided to the Group.

John Hirst / Chairman of the Audit Committee

MAIN ACTIVITIES DURING THE YEAR

The agendas for the four scheduled meetings of the Committee during 2013 were organised around the Company's reporting schedule. To help the Committee review and challenge the integrity of the Company's financial reporting, representatives from Deloitte attended appropriate parts of each meeting. During the year the Committee considered amongst other matters:

- Deloitte's conclusions for the 2012 audit and the audit plan for 2013;
- Risks to the Group identified in the 2013 audit plan and monitoring those risks;
- The half-year results and the Annual Report;
- Property valuation reports from DTZ;
- Proposed changes to the risk management framework and management's mitigation of identified risks;
- The re-appointment of Deloitte for recommendation to the Board;
- A report on the Company's approach to tax risk;
- A number of standing items including the Company's Whistleblowing policy and anti-fraud procedures; and
- Compliance and regulatory developments.

SIGNIFICANT FINANCIAL JUDGEMENTS

Before recommending the half-year and annual financial statements to the Board for approval, the Committee reviewed, amongst other things, the following matters:

Valuation of the Property Portfolio

The Committee has a robust process through which it satisfies itself that the external valuation of the Group's property portfolio, including developments, is appropriate. The Committee recognises that the Group operates in two liquid and mature property markets, the UK and France, in which there are well established and respected valuation professionals. The Committee is also familiar with the processes surrounding the provision of information by management to DTZ. Current conditions and recent transactions in the market were discussed with both management and DTZ as a means of providing context for the valuations, after which assumptions and judgements made by both parties were challenged by the Committee. Deloitte also presented its findings on the valuation. The Committee was satisfied that there were no significant areas of contention and that the valuation procedures and methodologies used and the valuations themselves were appropriate.

Investment in Value Retail

The Committee discussed with management the proposed accounting treatment for the Group's investment in Value Retail and the process by which the Group's share of Value Retail was recognised in the Group's accounts. The Committee discussed, in particular, the valuation performance of Value Retail's property portfolio in the context of their operational performance and concluded that the investment was appropriately recognised in the Group's financial statements.

Going Concern

Management's assessment of the appropriateness of the Group preparing its half-year and annual financial statements on a going concern basis was evaluated by the Committee. Corporate liquidity, including undrawn facilities and the financial covenants in the Group's borrowing facilities were reviewed in particular. The Committee considered reports on the renewal and maturity profile of debt, forecast cash flows, funding requirements and contingent liabilities. The Committee also recognised the contractual long-term nature of tenant leases and concluded that the going concern basis was appropriate.

Accounting for Property Transactions

During the year there were several sales and purchases of property and corporate interests, including interests in joint ventures. Management explained to the Committee how transactions were to be accounted for, particularly in respect of the timing at which the transactions were recognised. The Committee concurred with these judgements.

APPOINTMENT OF THE EXTERNAL AUDITOR

Deloitte or its predecessor firms have been the Company's external auditor since the Company was founded in 1942. In accordance with professional and regulatory standards the lead audit partner is rotated at least every five years in order to protect auditor independence and objectivity. The current lead audit partner, Ian Waller, has been in place since April 2012 and will continue until the conclusion of the audit of the financial statements for 2016.

The Committee considers the re-appointment of the external auditor each year. Early in 2013 the Committee assessed whether the Group should consider tendering the appointment of the external auditor. The Committee concluded that Deloitte was effective and independent and provides an appropriate level of service delivered by a team with an in-depth understanding of Hammerson's business and the broader real estate sector. In forming its opinion on the independence and objectivity of the external auditor, the Committee reviewed:

- The independence safeguards operating within Deloitte;
- A report from Deloitte describing its arrangements to ensure objectivity and to identify, report and manage any conflicts of interest; and
- The extent of non-audit services provided by Deloitte.

To assess Deloitte's effectiveness the Committee monitored the firm's fulfilment of the agreed audit plan and its reports on the significant matters and judgements that arose from the audit plan. The FRC's Audit Quality Report on Deloitte issued in May 2013 was also reviewed. An independent client service assessment was performed by Deloitte during the year which included interviews with appropriate Hammerson senior management and the Chairman of the Committee. The initial results of the assessment, which were presented to the Committee in December, supported the overall satisfaction rating of Deloitte's services. The Committee has recommended to the Board that Deloitte be re-appointed at the 2014 AGM.

While the Committee is mindful of the Code requirement to re-tender the external audit contract at least every 10 years, the exact timing remains a matter for the Company's discretion. The Committee's present intention is to review the requirement to tender the external audit closer to the time when the audit partner next rotates, as was noted in last year's Annual Report. However, the Committee will continue to review this position annually.

NON-AUDIT SERVICES

The Committee is responsible for the development, implementation and monitoring of the Group's policy on the engagement of the external auditor to supply non-audit services to the Group, the principal requirements of which are that:

- The external auditor may not provide a service which places it in a position where it may be required to audit its own work, such as book keeping or valuation services; and
- Some services may be provided in specific and exceptional circumstances and may 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 by the Chairman of the Committee.

The full policy is available at www.hammerson.com.

Deloitte's remuneration for the year ended 31 December 2013 was £563,000 (2012: £754,000) for half-year review and year end audit work. Consideration is given to the nature of and remuneration received for other services provided by Deloitte to the Company and confirmation is sought that the fee payable for the annual audit is sufficient to enable Deloitte to perform its obligations in accordance with the scope of the audit.

During 2013, non-audit services provided by Deloitte to the Company included acting as reporting accountants for intra-Group distributions, assistance with the electronic filing of accounts, tax returns and bond compliance work. Fees for non-audit services are based on the work undertaken and are not success-related.

The total fees paid for non-audit services provided by Deloitte for the year ended 31 December 2013 were £61,000 (2012: £375,000).

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 of creating high-quality retail property, maximising income and maintaining capital strength. It is also responsible for establishing sound risk management and internal control systems and for reviewing their effectiveness. 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;
- Identify and, as far as possible, mitigate potential impediments to the Group achieving its objectives; and
- Ensure compliance with relevant legislation, rules and regulations.

EFFECTIVENESS OF THE CONTROL ENVIRONMENT

The Committee assists the Board to fulfil its responsibilities relating to the adequacy and effectiveness of the control environment and the Group's compliance with the Code. To this end, during the year the Committee's review included:

- Deloitte's management letters;
- Internal audit reports, including recommendations arising therein 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 whistleblowing arrangements;
- Business continuity risk and cyber risk;
- Gifts and entertainment and expenses registers; and
- Deloitte's audit planning reports.

There is a regular on-going review of the effectiveness of the Group's systems of risk management and internal control, including financial, operational and compliance controls. 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 sufficient procedures necessary to enable the Directors to report on internal controls in compliance with the Code. These 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. Reports on the key risks to the Group are made regularly to the Board via the Committee. The Board allocates responsibility for the management of each key risk to Executive Directors and senior executives within the Group. A more detailed explanation of the Company's approach to risk management is set out on pages 55 to 59.

INTERNAL AUDIT

The Committee considers annually the requirement for an internal audit function. BDO LLP had fulfilled the function of internal auditor since August 2006, directed by Hammerson's management and the Committee. Following a review in 2013, the Committee decided to re-tender the appointment. Four firms were invited to present their credentials, including the incumbent auditor, BDO. Ernst & Young LLP was subsequently appointed on 6 August 2013.

A programme of reviews of the controls established to mitigate the risk areas identified in the risk management framework is undertaken to ensure they are operating correctly. During the year internal audits were carried out on a number of business processes, including:

- Treasury policies and procedures;
- IT business interruption testing in France;
- Financial controls at managing agents; and
- Controls and procedures implemented in the French business for the prevention of bribery.

These reviews and the implementation of recommendations arising from them are overseen and coordinated by a Risk and Controls

Committee (see further details in the box to the right) to ensure that internal control is integrated into Hammerson's daily operations. The Committee is satisfied that these arrangements continue to 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 Committee whose overall responsibilities are set out in this Committee Report and elsewhere in the Annual Report;
- A management structure that is designed to enable effective decision-making with clearly defined responsibilities and limits of authority;
- 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; and
- 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 Annual Report and the process accords with the Turnbull guidance.

CODE OF CONDUCT

The Group has a Code of Conduct which explains how employees are expected to fulfil their responsibilities by acting in the best interests of the Group 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 control 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 Group has a whistleblowing procedure by which employees may report 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 employees may have free access to its helpline. The whistleblowing procedure is reviewed and if necessary updated annually to ensure it remains appropriate.

RISK AND CONTROLS COMMITTEE

This committee comprises executives from across the business, including the UK shopping centres, retail parks, French shopping centres and finance and project management teams, and is chaired by the Chief Financial Officer.

The role of the Risk and Controls Committee is to:

- Promote the application of the risk management framework throughout the business;
- Agree the annual internal control review programme; and
- Consider the results and recommendations of reviews and monitor the implementation of those recommendations.

In 2013 the committee met four times with meetings scheduled in advance of each Audit Committee meeting.

DIRECTORS' REMUNERATION REPORT

Anthony Watson CBE
Chairman of the
Remuneration Committee

COMMITTEE MEMBERS

Terry Duddy
Judy Gibbons
David Tyler

DEAR SHAREHOLDER

The Remuneration Committee (Committee) is conscious of the need to have a remuneration policy with a structure and level of reward that will incentivise the Executive Directors to deliver the Company's strategy and annual targets as approved by the Board.

In 2013, overall performance was good with adjusted earnings per share growing by 10.5% to 23.1p, Group like-for-like NRI increasing by 2.1% to £290.2 million and controllable overheads reducing to £37.8 million. The Company did not outperform the relevant IPD Indexes. This level of financial performance, combined with the achievement of a number of significant personal objectives, suggested an average of 54% of maximum bonus for 2013 for the Executive Directors. The Committee considered that this appropriately reflected the Company's performance whilst achieving a fair balance between the interests of shareholders and those of Executive Directors. More about the detailed financial targets and personal objectives upon which Executive Directors were measured can be found on page 89.

During the year the Committee reviewed the remuneration policy and as a result a number of small adjustments have been made in order to clarify and align certain areas of the reward structure. The arrangements for 2014 follow the same approach as for 2013 other than in one material respect. While the policy of granting to each Executive Director an annual Long Term Incentive Plan (LTIP) award of shares worth twice their salary remains unaffected, the Executive Directors made a request to the Committee that their 2014 awards be reduced to one times salary only. This reflects their wish to set an example given the environment in which other cost control steps are being introduced within the Company. The Committee will be making the 2014 awards at this lower level. It is anticipated that awards in 2015 will, subject to any further review of the long-term incentive arrangements more generally, return to the policy level.

The Committee approved modest base pay increases of between 2% and 3.6% for the Executive Directors, effective from 1 April 2014, and consistent with the budget for employees generally. This was the first inflationary increase in Executive Director base pay since 2011.

As reported last year, on 1 January 2013, Jean-Philippe Mouton was appointed to the Board, having joined Hammerson in 2003. The Committee is satisfied that his reward structure is broadly in line with that of other Executive Directors.

In May 2013, the Committee considered the vesting of the LTIP awards which had been made in 2009. For the first time in a number of years as a consequence of a good long-term sustained level of performance by the Company, the Executive Directors benefitted from a partial vesting. Further details of this can also be found on page 90.

Like many other companies, the Company has kept a close watch on the debate on remuneration disclosure. The GC100 and Investor Group Guidance has proved helpful in this regard and the Directors' Remuneration Report has been prepared with those guidelines in mind.

Having served for a number of years as Chairman of the Committee, I am delighted that Gwyn Burr, a fellow Non-Executive Director joined the Committee on 14 February 2014 and will succeed me as Committee Chairman at the Annual General Meeting (AGM) in April 2014.

I hope that shareholders will find the remuneration policy, upon which they will be asked to vote separately for the first time at the AGM in April 2014, appropriate in light of both the Company's strategy and its key performance indicators for 2014 and the longer term.

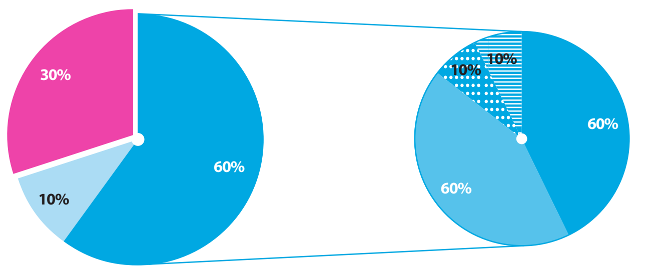
Anthony Watson / Chairman of the Remuneration Committee

2013 EXECUTIVE DIRECTORS' REMUNERATION: AT A GLANCE

TOTAL REMUNERATION

	Salary £000	Benefits £000	Annual bonus £000	Long Term Incentive £000	Pension £000	Total £000
David Atkins	**585**	**16**	**657**	**651**	**160**	**2,069**
Peter Cole	**420**	**16**	**472**	**521**	**90**	**1,519**
Timon Drakesmith	**400**	**19**	**449**	**–**	**80**	**948**
Jean-Philippe Mouton	**340**	**28**	**351**	**–**	**78**	**797**

AIP (BONUS) STRUCTURE



Personal objectives weighting 30%
Group financial targets weighting 70%:
- Group financial element
- Group operational element

- % Salary: Earnings Per Share
- % Salary: TPR relative to IPD
- % Salary: Growth in NRI
- % Salary: Overhead control

AIP (BONUS) OUTCOME: FINANCIAL TARGETS

Performance measure	2013: target to achieve 100% bonus	2013 closing measurement	Level of payout
EPS	23.2p	23.1p	95%
TPR relative to IPD	IPD +2.5%	IPD +0.2%	0%
Growth in NRI	3.5%	2.1%	30%
Overhead control	£36.6m	£37.8m	42.8%

See page 89 for full details

2013 DIRECTORS' REMUNERATION REPORT: INDEX

POLICY

DIRECTORS' REMUNERATION REPORT

The Directors' Remuneration Report (Report) is presented to reflect the recent changes in reporting requirements on remuneration matters, particularly the UK's new Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013. The Report and pages 100 to 103 also describe how the Board has complied with the provisions set out in the UK Corporate Governance Code relating to remuneration matters.

Two votes on remuneration matters will be presented at the 2014 Annual General Meeting (AGM): a binding vote on the Directors' Remuneration Policy as set out in the policy section of this Report, and an advisory vote on the 2013 Annual Remuneration Report section of this Report.

The auditors have reported on certain parts of the Report and stated whether, in their opinion, those parts of the Report have been properly prepared. Those sections which have been subject to audit are clearly indicated with an asterisk (*).

DIRECTORS' REMUNERATION POLICY

The Directors' Remuneration Policy as set out below (Policy) will take effect for all payments made to Directors with effect from the conclusion of the AGM to be held on 23 April 2014, subject to approval by the shareholders at that meeting. The table below must be read alongside its footnotes which together set out and explain the Policy.

FIXED REMUNERATION

Element	Purpose, policy and role in supporting the Company's strategic objectives	Operation and opportunity

Base salary
For 2013 and 2014 see pages 87 and 88.
	• Ensure the Company continues to attract and retain quality leaders.
	• Recognise:
	  • Accountabilities
	  • Skills
	  • Experience
	  • Value
	• Benchmarked against the main markets in which Hammerson competes for talent.
		• Paid monthly in cash.
		• Pensionable.
		• Reviewed annually by the Committee.

Pension For 2013 see pages 87 and 92 to 93.	• Ensure the Company continues to attract and retain quality leaders. • Provide market-competitive retirement benefits.	• Executive Directors may receive an allowance (Pension Choice) to be paid either (i) as an employer contribution to the Company's defined contribution pension plan or (ii) as a payment to a SIPP personal pension plan or (iii) as a salary supplement or (iv) a combination of all three. The Pension Choice is up to an aggregate limit of 30% of base salary. • The salary supplement is non-pensionable and does not qualify for AIP or LTIP entitlements. • No compensation for public policy or tax changes. • Non-contributory for Executive Directors. • The Company keeps the pension arrangements for Executive Directors under review to ensure they remain appropriate.

APPROACH TO REMUNERATION POLICY

The overall objective of the Remuneration Committee (Committee) is to determine an appropriate remuneration policy for recommendation to the Board that ensures that the Company can continue to attract, retain and motivate quality leaders who are capable of making a major contribution to the Company's success whilst avoiding paying more than the Committee considers necessary. In implementing the Policy, the Committee takes into account various factors, including remuneration packages available within other comparable companies, the Company's overall performance, internal relativities, achievement of corporate objectives, individual performance and experience, published views of institutional investors and general market trends/performance.

Generally, two-thirds of the Executive Directors' total target remuneration (excluding pension and benefits) is performance related, through an annual performance-related bonus plan (Annual Incentive Plan or AIP) and a long term incentive plan (Long Term Incentive Plan or LTIP), and this is considered to be appropriate.

The Committee has received clear advice that formal limits are required in the Policy and has retained sufficient flexibility to enable it to continue to act in the interests of the Company and its shareholders. The limits will not lead to pressure on reward levels and the Committee is satisfied that it has adopted a suitably conservative approach to date and will continue to do so.

- In undertaking reviews, the Committee will take into account factors including market conditions and the level of salary increases awarded to other employees of the Group, and a comparison against both a relevant property peer group and a market cap group as selected by the Committee (currently the largest REITs and an appropriate pan-sector group of companies with a comparable market capitalisation).
- Benchmarking considered at both base salary and total remuneration level, and the Committee generally considers that pay will be within a range of +/- 10% of median benchmark but also takes into account such other factors as it considers appropriate and is not constrained by this default.
- The base salary for any Executive Director shall not exceed £850,000 per annum (or the equivalent if denominated in a different currency).

Arrangements for Executive Directors who participate in the Hammerson Group Management Pension and Life Assurance Scheme (Scheme)

The Scheme closed to new joiners at the start of 2003. Peter Cole and David Atkins participate in the Scheme instead of the arrangements described on page 74.

- Scheme members affected by the UK annual allowance may choose to limit their benefit and receive a salary supplement of the actuarially assessed balance, which is paid shortly after the end of the relevant tax year.
- The maximum benefit (including in respect of any salary supplement in lieu of accrual) will remain 2/3 of final pensionable salary although the costs of such provision will change depending on, for example, actuarial assumptions.
- Entitlement to receive Pension Choice of 30% of base salary if the Executive Director chooses to cease accruing service in the Scheme, payable only whilst employment continues.

Other

- In addition to receiving a salary supplement, Jean-Philippe Mouton participates in the collective supplementary defined contributions retirement plan operated by his French employing company, and employer contributions are made at the annual statutory limit.
- The contractual pension entitlements of existing Executive Directors are set out in the summary of Executive Directors' service agreements on pages 82 and 83.
- The Company will comply with any local legal obligations in respect of pensions.

FIXED REMUNERATION CONTINUED

Element	Purpose, policy and role in supporting the Company's strategic objectives	Operation and opportunity
Benefits For 2013 see page 87.	• Provide a range of benefits in line with general practice. • Ensure the Company continues to attract and retain quality leaders.	• Executive Directors may receive such contractual and non-contractual benefits as the Committee considers to be appropriate and consistent with market practice in the relevant market in which the Executive Director is based. • These benefits currently include a car allowance or a company car, private medical insurance (for the Executive Director and their spouse/life partner), and permanent health insurance and life assurance. • Benefits additionally available to employees of Hammerson France currently include seniority allowance and an employer's contribution of up to €2,000 per annum to an employee savings scheme.

VARIABLE, PERFORMANCE RELATED REMUNERATION

Element	Purpose, policy and role in supporting the Company's strategic objectives	Operation and opportunity
Annual Incentive Plan (AIP), with deferral under the Deferred Bonus Share Scheme (DBSS) For 2013 see pages 87 and 88 to 89.	• Align Executive Director remuneration with annual financial and Company strategic targets as determined by the Company's Business Plan for the relevant financial year. • In the view of the Committee, to differentiate appropriately on the basis of performance. • Partial award in shares aligns interests with shareholders and supports retention.	• The current maximum bonus opportunity is 200% of base salary. • The Committee reserves the power to increase the maximum bonus opportunity to up to 300% of base salary, although there is no current intention to do so. The Committee would only increase the maximum bonus level above the current 200% of base salary after appropriate consultation with shareholders. • Awards are subject to continued employment, save in the leaver circumstances described in the Payment for Loss of Office section of this Policy. • Awards are paid in a mix of cash and deferred shares, with the deferred shares element being at least 40% of the total award. • 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. • Non-pensionable.
Long Term Incentive Plan (LTIP) For outstanding awards and 2014 awards see pages 90 to 91.	• Incentivise the creation of long-term returns for shareholders. • Align interests of Executive Directors with shareholders. • Support 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 up to a value of 200% of base salary. The Committee reserves the power to increase the maximum award to 300% of base salary in exceptional circumstances, although there is no current intention to do so. The extent of vesting is determined by the performance conditions. • Awards are subject to continued employment, save in the leaver circumstances described in the Payment for Loss of Office section of this Policy. • Awards are normally structured as nil-cost share options but can take other forms – for example, awards made to France-based employees may be made in the form of a conditional award of shares.

- Benefits are non-pensionable.
- Where benefits are provided by a third-party provider, the Company covers the cost at market rates.
- The aggregate value of contractual and non-contractual benefits received by each Executive Director (based on the value included in the individual's annual P11D tax calculation or a broadly equivalent basis for a non-UK based Executive Director) shall not exceed £100,000 per annum (with this maximum increasing annually at the rate of RPI).

In addition to the benefits outlined:

- Where Executive Directors are relocated to work in a different country the Company may (i) pay global relocation support (up to a maximum of £400,000); and/or (ii) provide tax equalisation arrangements in relation to all elements of remuneration.
- While the Committee does not consider it to form part of benefits in the normal sense, Executive Directors can participate in corporate hospitality (including travel and where appropriate, with a family member), whether paid for by the Company or another, within its agreed policies.

Deferred shares element

- The deferred shares element is currently awarded under the DBSS (but may be delivered under a different plan with equivalent terms).
- The deferral period is currently two years, and may not be shorter.
- The deferred shares are subject to the leaver conditions as set out in the Payment for Loss of Office section of this Policy.
- No further performance targets apply to the deferred shares as these represent previously earned bonuses.
- The awards are structured as nil-cost share options.
- Participants are entitled to a dividend equivalent for the period from grant until the vesting date, delivered as additional shares when the shares are transferred to the participant.

Performance

- The performance measures and conditions will be set by the Committee on an annual basis.
- The performance conditions will be assessed over a period of one year, and may consist of a combination of:
  - Financial measures (at the group or divisional level);
  - Operational measures; and
  - Individual performance objectives.
- The Committee reserves the right to include such other measures as it considers to be an appropriate means of assessing the performance of the Executive Directors.
- The Committee retains discretion to amend the vesting level (up or down) where it considers it to be appropriate, but not so as to exceed the maximum bonus potential.
- Once set, performance measures and conditions will generally remain unchanged for the year, except in exceptional circumstances.

- Participants are entitled to a dividend equivalent for the period from grant until the vesting date, delivered as additional shares when the shares are transferred to the participant.
- The Committee has discretion to settle awards as a cash payment in place of the transfer of shares.
- 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.

- The performance measures may consist of a combination of financial and non-financial measures.
- Vesting under each condition is on a straight line basis with no more than 25% vesting at threshold performance.
- The LTIP rules impose a minimum performance period of three years. However, the Committee has determined that the performance period should be four years.
- The Committee retains the discretion to amend the performance measures and/or conditions used, and/or the weighting of each for future awards and/or the performance measurement periods. It is the current intention of the Committee that future awards be granted with the same performance measures and conditions as for the 2014 awards detailed on page 90 to 91.
- Once set, the Committee may only amend the performance conditions in respect of outstanding awards in the event that exceptional circumstances occur which make it appropriate to do so, provided that the amended condition is not, in the view of the Committee, materially less difficult to satisfy.

OTHER

Element	Purpose, policy and role in supporting the Company's strategic objectives	Operation and opportunity

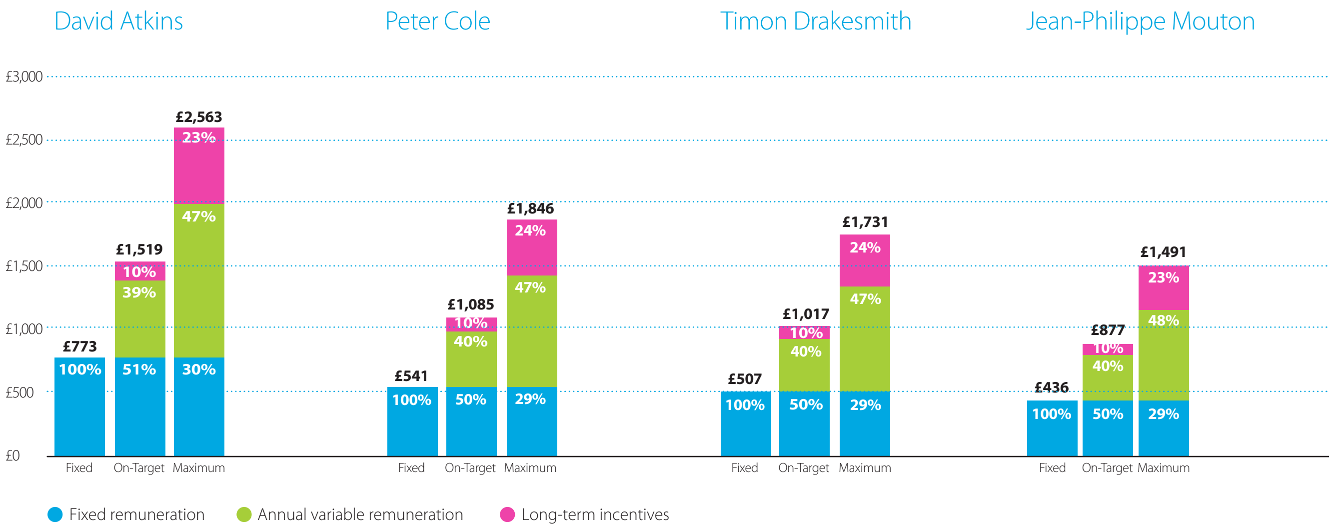
Share ownership guidelines
 	
Details of all Directors' shareholdings are set out in the table on page 98.
	• To encourage share ownership by the Executive Directors, in order to ensure alignment with shareholders.	• The Chief Executive is expected to accumulate and maintain a holding in ordinary shares in the Company equivalent to no less than 150% of base salary.
		• Other Executive Directors are expected to accumulate and maintain a holding in ordinary shares in the Company equivalent in value to no less than 100% of base salary.
		• Shares to be included in the calculation are:
		  • Shares held beneficially by the Executive Director and the Executive Director's spouse/life partner.
		  • Shares held by the Executive Director under the Share Incentive Plan.
		• Executive Directors are normally required to achieve the minimum shareholding requirement within five years of the date of appointment.
		• The share price to be used for annual calculation of shareholdings as a percentage of salary is the closing middle market quotation on the last business day in December.
		• No formal sanctions exist for non-compliance.

All-employee arrangements For 2013 see page 87.	• In order to be able to offer participation in these plans to employees generally, the Company is either required by the relevant UK and French legislation to allow Executive Directors to participate on the same terms, or chooses so to do.	*UK based Executive Directors* • Eligible UK employees may participate in the Sharesave and Share Incentive Plan, and the Executive Directors will be entitled to participate on those same terms. Maximum participation levels for all staff, including Executive Directors are set by relevant UK legislation. *France based Executive Director* • All employees of Hammerson France are eligible to participate in a profit share plan, which rewards performance against such measures as the Committee considers to be appropriate. • Awards are subject to an annual limit determined by French legislation.

Notes

1. The Committee considers the performance measures currently applied to the AIP and LTIP to be appropriate measures of performance. It recognises the need to balance the enhancement of the portfolio (including increasing net rental income) and the efficient management of capital and, over the longer term, should be aligned to the interests of shareholders.
2. For details regarding remuneration of other Company employees, please refer to the section on Employee Pay and Conditions elsewhere in the Group on page 85.
3. Details of outstanding LTIP and DBSS awards granted to the Executive Directors prior to this Policy coming into force, including awards granted in 2013, and details of the performance targets are set out on pages 88 to 91 and 96 to 97. All awards granted prior to this Policy coming into force, together with any awards outstanding on the appointment of an existing employee as a new Executive Director, will continue on their existing terms, including as to the exercise of discretion to amend such awards. Those Awards granted as nil cost options prior to this Policy coming into force entitle participants to a dividend equivalent for the period from grant until exercise of the option, rather than only until vesting as is the Company's future policy.
4. Please refer to the section on Payment for Loss of Office on pages 84 to 85 for details regarding impact on the AIP, the DBSS and the LTIP following a change of control.
5. The Committee will determine components of remuneration for new Executive Directors, as outlined in the section on Recruitment on page 80.
6. For the AIP, DBSS and LTIP, clawback and malus provisions were introduced for awards made from 2012 onwards.

SCENARIOS



ASSUMPTIONS

Fixed

- Consists of base salary, benefits, pension and participation in the UK all-employee share plans.
- Base salary is that to be paid in 2014.
- Benefits are as shown in the Single Figure Remuneration Table for 2013 on page 87 (except for Jean-Philippe Mouton where the amount he received under the profit sharing plan has been excluded from his 2013 benefits figure for these purposes. See On-Target and Maximum below).
- Pensions are as shown in the Single Figure Remuneration Table for 2013.
- Jean-Philippe Mouton's data has been converted at a rate of £1: €1.178.

	Base Salary £000	Benefits £000	Pension £000	Total Fixed £000
David Atkins	597	16	160	773
Peter Cole	435	16	90	541
Timon Drakesmtih	408	19	80	507
Jean-Philippe Mouton	346	12	78	436

On-Target

Based on what the Executive Director would receive if performance was in line with expectation (excluding share price appreciation and dividends):

- AIP: consists of on-target levels (equal to 50% of bonus maximum).
- LTIP: consists of the threshold level of vesting, being 25% of the face value of the award.
- France profit sharing (Jean-Philippe Mouton only): consists of on-target levels (equal to 50% of the current capped vesting level of €18,186).

Maximum

Based on the maximum remuneration receivable (excluding share price appreciation and dividends):

- AIP: consists of the maximum bonus (200% of base salary).
- LTIP: assumes maximum vesting of awards (100% of base salary for 2014 only).
- France profit sharing (Jean-Philippe Mouton only): assumes maximum vesting at the current capped vesting level of €18,186.

RECRUITMENT

Approach to recruitment for Executive Directors

Statement of Principles

The Company will pay total remuneration for new Executive Directors that enables the Company to attract appropriately skilled and experienced individuals, but is not, in the opinion of the Committee, excessive.

The Company will not pay new Executive Directors any inducements to join the Company over and above buy-outs of existing forfeited awards, as outlined below.

The Company may provide a new Executive Director with global relocation support and/or tax equalisation arrangements as set out in the Policy on page 77 although, to date, the Company has not had occasion to do so. Additionally, the Company may make a contribution towards legal fees in connection with agreeing employment terms.

Approach and limits

Annual salary, pension, benefits, annual bonus and long-term incentive arrangements (including performance measures and/or conditions and maximum award levels) as described in the Policy will be the starting point for the structure of any package. The level of variable remuneration that may be awarded to a new Executive Director will not exceed the maximum AIP and LTIP limits that can be awarded in line with the principles set out in the Policy, with the exception of any compensation for variable remuneration forfeited. The limits contained within the Policy for base salary do not apply to a new Executive Director either on joining or for any subsequent salary review within the period of this Policy, although the Committee would seek to avoid exceeding those limits in practice.

For a new Executive Director who is an internal appointment, the Company may also continue to honour contractual commitments made prior to the internal appointment even if those commitments are otherwise inconsistent with the Policy in force when the commitments are satisfied. Any relevant incentive plan participation may either continue on its original terms or the performance conditions and/or measures may be amended to reflect the individual's new role, as the Committee considers appropriate.

Compensation for variable remuneration forfeited by a new Executive Director

The Company may, where appropriate, compensate a new Executive Director for variable remuneration that has been forfeited as a result of accepting the appointment with the Company. Where the Company compensates a new Executive Director in this way, it will seek to do so under the terms of the Company's existing variable remuneration arrangements, but may compensate on terms that are more bespoke than the existing arrangements where the Committee considers that to be appropriate. In such instances, the Company will disclose a full explanation of the detail and rationale for such recruitment related compensation. In making such awards the Committee will seek to take into account the nature (including whether awards are cash or share-based), vesting period and performance measures and/or conditions for any remuneration forfeited by the individual when leaving a previous employer. Where such awards had outstanding performance or service conditions (which are not significantly completed) the Company will generally impose equivalent conditions. In exceptional cases, the Committee may relax those requirements where it considers this to be in the interests of shareholders, for example through a significant discount to the face value of the replacement awards.

SERVICE AGREEMENTS

Service agreements: New Executive Director appointments from 23 April 2014

The Committee's approach is for new Executive Directors to have service agreements that have regard to market practice at the date of appointment.

The key elements for service agreements for newly appointed Executive Directors will be:

Notice period	12 months' notice (both notice to and from the Executive Director). A longer period of notice from the Company may apply to new appointments for a limited time if the Committee considers this is appropriate, but would then reduce to no more than 12 months.
Retirement date	There is no default retirement age. Requests for retirement are considered on a case-by-case basis. At Executive Director level, it is anticipated that 12 months' notice will be provided.
Post-termination restrictions	To protect the Group's confidential information for an appropriate period for that information, and to prevent poaching of its senior workforce and its customer and supplier connections for 12 months after termination.
Payment in lieu of notice (PILON)	Employment can be terminated with immediate effect by paying a PILON comprising base pay, pension, medical insurance and car allowance. A PILON will not apply on termination for gross misconduct, in which situation no compensation will be due. The Company will have discretion to pay on a phased basis, subject to mitigation.
Expiry date	There will be no fixed expiry date. The appointment of new Executive Directors will be terminable in accordance with the notice period.
Change of control and liquidated damages	The Executive Director will not have a right to liquidated damages.

The terms summarised above will be subject to any local statutory (or collective bargaining) requirements where applicable.

OTHER APPOINTMENTS

Executive Directors are able to accept, with the consent of the Company's Board of Directors, non-executive appointments outside the Company (provided that such appointments do not lead to a conflict of interests) on the basis that such external appointments can enhance their experience and skills and add value to the Company. Any fees received by an Executive Director for such external appointments can be retained by the individual (except where the Executive Director is appointed as the Company's representative).

SERVICE AGREEMENTS CONTINUED

Service agreements: Executive Directors in office as at 31 December 2013

The following table sets out a description of any obligations contained in the UK Executive Directors' service agreements which could give rise to, or impact upon, remuneration payments or payments for loss of office.

		Peter Cole	David Atkins	Timon Drakesmith
Date of service contract		28 February 2002	11 January 2008	18 January 2011
Expiry date		Rolling service contracts with no fixed expiry date.		
Notice period		12 months' notice to the Executive Director and six months' notice from the Executive Director.	12 months' notice (both notice to and from the Executive Director).	
Base salary/fee		Base salary, subject to annual review (save where the Executive Director is under notice of termination). There is no obligation to increase base salary following a review.		
Incentive plans		Participation in the annual bonus arrangements and the LTIP. The rules of the annual bonus arrangements and the LTIP that apply on cessation of employment are set out in the Payment for Loss of Office section of this Policy on page 84. In addition, Timon Drakesmith's service agreement provides that he will be treated as a good leaver in respect of the bonus arrangements in the event of a successful claim for constructive dismissal.		
Pension contributions		Entitled to participate in the Scheme, subject to its rules.[1] Entitled to have benefits of the Scheme maintained or, on three months' notice, to be provided with alternative arrangements which are actuarially no worse.		Entitled to a Pension Choice[2] of 20% of base salary.
Contractual benefits	*Insurance*	• Permanent disability insurance. • Personal accident and life insurance. • Private medical insurance (for the Executive Director and his spouse/life partner).		
	Car	Each Executive Director receives a car allowance.		
	Sick pay	Base salary plus contractual benefits for up to 26 weeks in any 12 month period.		
Termination payments	*Notice*	Entitled to 12 months' base pay and contractual benefits.		
	Payment in lieu of notice (PILON)	Employment can be terminated with immediate effect by paying a lump sum PILON comprising base salary, contractual benefits and a bonus based on the Executive Director's average bonus over the previous three years (but pro-rated to reflect the part of the bonus year actually worked). PILON will not apply on termination for gross misconduct.		Employment can be terminated with immediate effect by paying a PILON comprising base salary, pension, medical insurance and car allowance. PILON will not apply on termination for gross misconduct. The Company has discretion to pay on a phased basis, subject to mitigation.
			The Company has discretion to pay on a phased basis, subject to mitigation.	
	Liquidated damages/ Change of Control	Entitlement to liquidated damages calculated by reference to PILON if the Company terminates the employment in breach of the service agreement or if, within 12 months after a change of control, the Company terminates the employment or the Executive Director terminates the employment because of a fundamental breach by the Company.		
			Liquidated damages are subject to deductions for new earnings.	

Notes

1. For details of Scheme participation please see Pension disclosures on pages 92-93 for further details.
2. Pension Choice is explained on page 74.

Jean-Philippe Mouton has been employed by Hammerson Asset Management SAS (HAM) since 14 April 2003 as Divisional Director (France). He is based and works in France and, as a result, it was considered appropriate for him to continue to be employed under a French law governed employment contract with HAM upon his appointment as Executive Director. His employment contract with HAM means that French law applies to his terms and conditions of employment as Divisional Director (France). Jean-Philippe Mouton entered into a separate English law letter of appointment, which governs his directorship of the Company. Jean-Philippe Mouton also holds French corporate offices, including Chairman and Unique General Director of Hammerson France SAS and General Manager of Hammerson SAS, to which he was appointed by written resolution of the board of Hammerson France SAS.

As at 1 January 2013, his aggregate "global" gross base salary in respect of his directorship of the Company, his role as Divisional Director (France) and his French corporate offices is €400,000 per annum. In addition, he is paid a supplementary pension benefit. While, of necessity, to comply with French law, his termination provisions are more complex than the UK based Executive Directors and split between three distinct parts as summarised below, the overall financial implications, before the impact of any collective bargaining agreements, are very similar and in aggregate the outcome would broadly equate to one times his global base salary.

		Jean-Philippe Mouton
Date of service agreement and appointments		• French employment: 25 March 2013. • UK directorship: 25 March 2013. • French corporate offices: 9 February 2014
Expiry date		Rolling service contract (French employment) with no fixed expiry date.
Notice period		Three months' notice (both notice to and from the Executive).
Base salary/fee		• French employment: base salary. • UK directorship: basic annual fee, subject to annual review. • French corporate offices: basic annual fee.
Incentive plans		Participation in the annual bonus arrangements and the LTIP.
Pension contributions		Eligibility to benefit from the statutory retirement regimes in force from time to time in France, and the collective supplementary defined contributions retirement plan, which was put in place at HAM level (subject to the annual statutory limits on contributions). Entitlement to receive an annual salary supplement of €80,000 per annum in lieu of any other supplementary pension benefit.
Contractual benefits	*Insurance*	Insurance benefits are provided under a French collective scheme applicable to all employees of HAM.
	Car	Receives a company car.
	Sick pay	Entitlement to receive the minimum benefits set out in the collective bargaining agreement – currently 90% of his global base salary, contractual remuneration and benefits (less statutory sick pay) for a duration determined by the length of his continuity of service. Thereafter any global base salary, contractual remuneration and benefits are payable under the health insurance (prévoyance) scheme.[1]
Termination payments	*Notice*	• French employment: entitlement to three months' fixed and variable remuneration. • UK directorship: entitlement to three months' fees. • French corporate offices: no notice.
	Severance payment	Entitlement to a severance payment equal to 25% of average global base salary and contractual remuneration over the 12 months preceding termination multiplied by years of service (capped at six months if terminated on grounds of redundancy and if in excess of the legal minimum termination payment).
	Restrictive covenants	Entitlement to 30% of global base salary for the duration of the 12 month non-competition covenant (to the extent such covenant is enforced).

Notes

1. As a senior executive, Jean-Philippe Mouton may also be entitled to receive enhanced benefits under the prévoyance, which applies on a mandatory basis to executive level employees pursuant to the terms of the collective bargaining agreement.

PAYMENT FOR LOSS OF OFFICE

Notice periods and contractual rights

The notice periods and contractual rights on termination of each of the Executive Directors, and the key terms that will apply under service agreements for new recruits, are set out in the section on Service Agreements on pages 81-83.

Annual bonus and long-term incentives

The following table describes the provisions which apply to leavers and the discretions available under the annual bonus arrangements and the LTIP. Further detail as to the potential exercise of discretion by the Committee is set out below the table.

Arrangements	Leaver provisions
AIP	Under the rules of the AIP, where prior to the end of the performance period an Executive Director gives or receives notice, or ceases to be employed by the Group, due to death, ill-health, injury or disability, then the Executive Director remains entitled to a bonus, subject to the performance conditions. Any bonus payable will, unless the Committee determines otherwise, be time pro-rated. Where the date of cessation or notice is after the end of the performance period but prior to payment, the Executive Director will remain entitled to payment if the cessation is for any of the reasons above, or in addition if the cessation is due to retirement, redundancy or the sale of the company or business for which he works. Where the cessation or notice does not fall within the above provisions, the bonus shall not be payable, unless the Committee determines otherwise which it may do at its discretion. Payment will be on the normal payment date, unless the Committee decides to accelerate payment.
DBSS (deferred share element of AIP)	Share awards, which represent deferrals of previously earned bonus, lapse on the Executive Director resigning or giving notice of resignation, provided that the Committee may exercise its discretion to treat the Executive Director as a good leaver. Share awards will also lapse on the Executive Director being dismissed for cause. In any other case the share award will continue and will vest in full on the normal vesting date, unless the Committee decides to accelerate vesting.
LTIP	An Executive Director who ceases to be a Director or employee of the Group by reason of death, retirement, ill-health, injury or disability, redundancy, or the sale of the company or business for which he works will be a good leaver. Where the cessation is on any other grounds, awards will lapse, provided that the Committee has a discretion to treat the Executive Director as a good leaver. Awards held by good leavers will continue and will vest on the normal vesting date, unless the Committee decides to accelerate vesting. Awards will remain subject to the performance conditions and, unless the Committee determines otherwise, be time pro-rated.

In exercising discretion in respect of the annual bonus arrangements or under the LTIP, the Committee will take into account all factors it determines to be appropriate at the relevant time including, but not limited to the duration of the Executive Directors' service and its assessment of the contribution towards to the success of the Company during that period; whether the Executive Director has worked any notice period or whether a PILON payment is being made; the need to ensure an orderly handover of duties and continuity in the business operations of the Company and the need to compromise any claims which the Executive Director may have. In exercising any discretion the members of the Committee will take account of their duties as Directors.

No discretion will be exercisable to treat an Executive Director as a good leaver where he is dismissed summarily for cause or following a formal disciplinary process.

In respect of the Company's HMRC-approved, all-employee share plans, the Sharesave and the SIP, and the profit share plan for employees of Hammerson France, the Executive Directors are subject to the same leaver provisions as all other participants.

Other

If the Company terminates an Executive Director's employment by reason of redundancy, the Company will make a redundancy payment to the Executive Director in line with his service agreement, any applicable collective bargaining agreement and under statute, and reserves the right to adjust for unfair dismissal.

In addition, and consistent with market practice, the Company may pay a contribution towards the Executive Director's legal fees for entering into a statutory settlement agreement and may pay a contribution of up to £50,000, plus VAT, towards fees for outplacement services as part of a negotiated settlement.

Payment to a departing Executive Director may be made in respect of accrued benefit and untaken holiday.

In connection with an Executive Director ceasing employment, the Company may, if the Committee believes it necessary and in the best interests of the Company, enter into appropriate new contractual arrangements with the departing Executive Director including (but not limited to) settlement, confidentiality, restrictive covenants and/or consultancy arrangements on such terms as it considers appropriate. In such case, the Company will make appropriate disclosures of such terms.

A departing gift may be provided up to a value of £5,000 (plus related taxes) per Executive Director on termination of office.

Change of control

On a corporate action affecting the Company, the rules of the AIP, DBSS and the LTIP will apply. In summary, on a change of control of the Company awards under the LTIP will vest, subject to the performance conditions and, unless the Committee determines otherwise, be time pro-rated. Bonuses may be awarded under the AIP, based on performance to the date of the change of control and, unless the Committee determines otherwise, be time pro-rated. Awards under the DBSS, which represented deferrals of previously earned bonus, will vest in full. Under the LTIP, the Committee may also determine that a demerger or similar event shall constitute a corporate action. On a variation of share capital or similar event, the Committee may make such adjustment to awards under the LTIP and DBSS as the Committee considers appropriate.

EMPLOYEE PAY AND CONDITIONS ELSEWHERE IN THE GROUP

Employee remuneration packages

Remuneration packages for all Company employees may comprise both fixed and variable elements. The more senior the individual, the greater their general opportunity to impact directly upon Company performance, and therefore the remuneration packages of senior managers and Executive Directors have a greater emphasis on variable pay than those of more junior employees.

Executive Directors are eligible to participate in the full range of Company benefits offered to employees. In addition, they are eligible for certain remuneration to which other employees are not eligible. Executive Directors may opt to receive a salary supplement in lieu of pension, which is not available to other employees. Executive Directors are eligible to participate in an LTIP, whereas senior managers across the Group participate in other share and incentive plans. Eligible employees, including Executive Directors, may participate in the relevant all-employee share plans (namely UK plans for employees in the UK and French plans for employees in France).

Considerations in setting Executive Director remuneration

When setting Executive Director remuneration, the Committee takes into account Group-wide pay and employment conditions, along with market and commercial factors.

The Company strives to pay competitively and to ensure its reward structures recognise superior performance. The Company therefore undertakes external benchmarking and internal moderation to ensure that, in its view, at all levels the Company's remuneration approach reflects the appropriate market rate position. When determining base salary increases for Executive Directors, the Committee reviews the average Group-wide increase, paying particular attention to the senior manager population.

The Committee reviews performance against the AIP's performance measures. Personal performance rating impacts bonus calculations for all employees and these ratings are calibrated internally to ensure consistency. Executive Director performance ratings are calibrated annually by the Committee. Having reviewed both Company and personal performance, and considering payments being made to shareholders, the Committee makes a judgement as to what level of bonus payment, if any, is reasonable. The Committee retains discretion to review bonus payments upwards as well as downwards (subject to the over-riding limits).

In accordance with prevailing commercial practice, the Committee did not consult with employees in preparing the Policy or the implementation thereof.

CHAIRMAN AND NON-EXECUTIVE DIRECTORS' REMUNERATION

Policy as relates to Non-Executive Directors

Element	Approach to determining element of fees and operation
Fees	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. Fee levels are reviewed periodically taking into account independent advice and the time commitment required of Non-Executive Directors. Aggregate total fees payable annually to all Non-Executive Directors is subject to the limit as stated in the Company's Articles of Association from time to time. The Committee reserves the right to provide additional fees within the stated limit including for membership of any additional committee the Board may establish. The fees paid to the Chairman and the fees of the other Non-Executive Directors aim to be competitive with other fully listed companies which the Committee (in the case of the Chairman) and the Board (in respect of the Non-Executive Directors) consider to be of equivalent size and complexity but are not set by reference to a prescribed benchmark. Fees are paid monthly in cash in arrears and are not pensionable.
Additional fees	The Chairman does not receive any additional fee in respect of membership of any of the Committees. Other Non-Executive Directors may receive additional fees for membership and/or chairmanship of the Remuneration and Audit Committees. There is also an additional fee for the Senior Independent Director. The level of additional fees is set to reflect the responsibilities of the role.
Other benefits	There are no other benefits currently available to any of the Non-Executive Directors. Whilst the Company does not consider that reimbursing travel and accommodation expense (including to the Company's London office) is a benefit in the normal sense, should any assessment to tax be made on such reimbursement, the Company reserves the ability to settle such liability on behalf of the Non-Executive Director. Non-Executive Directors are not eligible for performance-related bonuses or participation in the Company's share plans. While the Committee does not consider it to form part of benefits in the normal sense, Non-Executive Directors can participate in corporate hospitality (including travel and, where appropriate, with a family member), whether paid for by the Company or another, within its agreed policies. A departing gift may be provided up to a value of £5,000 (plus related taxes) per Non-Executive Director on termination of office.

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 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 or immediately should a conflict of interest arise. If any Non-Executive Director is not re-elected at the Company's Annual General Meeting, the appointment will cease automatically.

On termination of an appointment, a Non-Executive Director is only entitled to such fees as may have accrued to the date of termination, together with the reimbursement in the normal way of any expenses properly incurred prior to that date.

The dates of the appointments of the Non-Executive Directors in office as at 31 December 2013 are set out below.

	Date of original appointment to Board	Commencement date of current term	Unexpired term as at April 2014
Gwyn Burr	21 May 2012	21 May 2012	1 year, 1 month
Terry Duddy	3 December 2009	3 December 2012	1 year, 8 months
Jacques Espinasse	1 May 2007	1 May 2013	2 years, 1 month
Judy Gibbons[1]	1 May 2011	1 May 2011	1 month
John Hirst[2]	1 March 2004	1 May 2013	Retiring at the end of 2014 AGM
David Tyler	12 January 2013	12 January 2013	1 year, 10 months
Anthony Watson	1 February 2006	1 February 2012	10 months

Notes

1. Judy Gibbons' appointment has been extended for three years with effect from 1 May 2014.
2. John Hirst's appointment was renewed for a further period to expire at the end of the 2014 AGM.

SHAREHOLDER VIEWS

The Company welcomes dialogue with its significant shareholders and seeks their views when major changes are being made to remuneration policy. Recently, following feedback from representatives of shareholders, the accumulation period for dividends on shares held in the LTIP and DBSS schemes was shortened to cover only the period from the date of grant of the award to vesting for awards from 2014 onwards.

2013 ANNUAL REMUNERATION REPORT

2013: DIRECTORS' REMUNERATION

The table below demonstrates the remuneration of the Executive Directors for the year ended 31 December 2013, and the comparative figures for the year ended 31 December 2012. During the year, no payments were made to Executive Directors for expenses other than those incurred wholly and directly in the course of their employment.

EXECUTIVE DIRECTORS: SINGLE FIGURE REMUNERATION TABLE*

	Note	Salary		Benefits		Annual bonus		Long Term Incentive		Pension		Total	
		2013 £000	2012 £000	**2013 £000**	2012 £000	**2013 £000**	2012 £000	**2013 £000**	2012 £000	**2013 £000**	2012 £000	**2013 £000**	2012 £000
David Atkins	1, 5 – 8	**585**	585	**16**	21	**657**	1,040	**651**	672	**160**	133	**2,069**	2,451
Peter Cole	2, 5 – 8	**420**	420	**16**	17	**472**	772	**521**	538	**90**	0	**1,519**	1,747
Timon Drakesmith	3, 5 – 8	**400**	400	**19**	26	**449**	711	**–**	–	**80**	80	**948**	1,217
Jean-Philippe Mouton	4, 5 – 8	**340**	–	**28**	–	**351**	–	**–**	–	**78**	–	**797**	–
Total		**1,745**	1,405	**79**	64	**1,929**	2,523	**1,172**	1,210	**408**	213	**5,333**	5,415

Notes

1. Details of David Atkins' external non-executive appointments are disclosed in the Your Board section on page 62. He does not receive a fee for any of his external appointments. The pension figures disclosed in the above table incorporate a cash supplement of £97,829 (2012: £69,744) plus the increase in accrued pension over the year (net of inflation) multiplied by a factor of 20.
2. The pension figures disclosed in the above table represent the increase in accrued pension over the year (net of inflation) multiplied by a factor of 20. For 2012, this produces a nil answer reflecting that Peter Cole's accrued pension increased by less than inflation over 2012.
3. Timon Drakesmith acts as the Company's representative as a non-executive director of Value Retail PLC. He does not receive a fee for this appointment.
4. For the purposes of consistency and to facilitate comparison against other Executive Directors, Jean-Philippe Mouton's remuneration has been converted from euros into sterling in the above table. The exchange rate that has been used is £1: €1.178 Jean-Philippe Mouton was appointed as an Executive Director on 1 January 2013 and so only his 2013 remuneration has been disclosed in the above table.
5. Benefits include taxable benefits (company car or car allowance and private medical health and for Jean-Philippe Mouton, a seniority allowance and welfare contribution) and all-employee arrangements (for UK Executive Directors, SIP and Sharesave; for France Executive Director, profit sharing scheme and employer's contribution to an employee saving scheme).
6. The Company financial targets together with individual achievement against personal objectives resulted in an average payout to Executive Directors represents approximately 54% (2012:90%) of the maximum opportunity. Details of annual bonus outcomes are on page 89.
7. Full Pension details are on pages 92 and 93.
8. The table below sets out the values attributable to each performance measure for the LTIP for all Executive Directors and, for Timon Drakesmith only for the second tranche of his Recruitment Share Award that is scheduled to vest in June 2014.

	TSR[1]		TPR[2]		Absolute NAV[3]		Total	
	2013 £000	2012 £000	**2013 £000**	2012 £000	**2013 £000**	2012 £000	**2013 £000**	2012 £000
David Atkins	**651**	–	**–**	672	**–**	n/a	**651**	672
Peter Cole	**521**	–	**–**	538	**–**	n/a	**521**	538
Timon Drakesmith	**n/a**	n/a	**–**	n/a	**–**	n/a	**–**	n/a
Jean-Philippe Mouton	**–**	–	**–**	–	**–**	n/a	**–**	n/a

Notes

1. The 2013 figure for TSR is shown for the LTIP award that vested in 2013. The performance period ended on 29 April 2013 (for awards for David Atkins and Peter Cole) and 13 December 2013 (for the award for Jean-Philippe Mouton). There was no LTIP vesting in 2012.
2. The 2013 figure for TPR is an estimated value for the awards that are scheduled to vest in 2014 (where the performance period ended on 31 December 2013 as the relevant IPD data is not available at 14 February 2014). The estimated vesting value is nil. The 2012 figure for TPR is the actual value for the awards that vested in 2013 (but where the performance period ended on 31 December 2012).
3. The 2013 figure for Absolute NAV is an actual value for the awards that are scheduled to vest in 2014 (where the performance period ended on 31 December 2013). Absolute NAV was not a performance measure for the LTIP awards that vested in 2013.
4. For outcomes of the LTIP award that vested in 2013, please see page 90.

BASE SALARY

- During 2013, no salary increases were awarded to Executive Directors who were in office as at 31 December 2012, which was consistent with the approach for most senior managers across the Group.
- Jean-Philippe Mouton was appointed as an Executive Director with effect from 1 January 2013 and received a salary increase to €400,000 (inclusive of directorship fees as summarised in the section on service agreements on page 83) upon appointment. His salary (and the other elements of his remuneration) is denominated in euros. When converted, the sterling equivalent will vary with currency movements.
- In respect of 2014, the Committee reviewed benchmark data, the personal contributions of Executive Directors, and Group-wide salary increases for all employees. The Committee determined the revised base salaries as set out on page 79, all to take effect from 1 April 2014, and which represent a range of between a 2% and 3.6% increase on 2013 base salaries.

ANNUAL INCENTIVE PLAN

The following table details the performance conditions and composition of financial targets for the AIP.

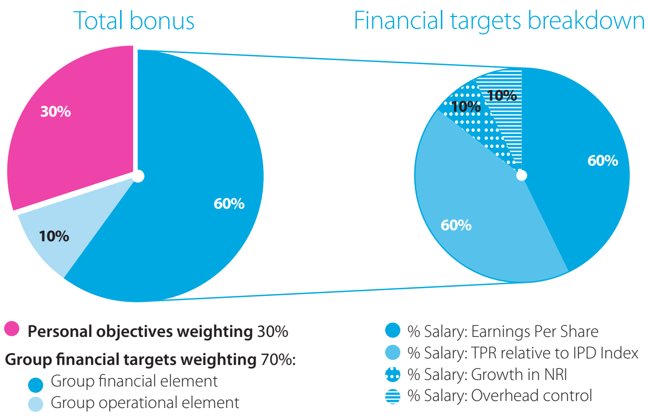
Year of award	Maximum award potential	Proportion of award paid in cash	Proportion of award paid in shares	Weighting of performance measures	Composition of financial targets
2014 award (to be paid in 2015)	Up to 200% of salary	60%	40% subject to a two-year vesting period	70% for Group financial targets[1]	30% based on adjusted Group earnings per share 30% based on Total Property Return relative to IPD[3] 10% for Group operational targets
				30% for personal objectives[1]	
2013 award (to be paid in 2014)	Up to 200% of salary	60%	40% subject to a two-year vesting period	70% for Group financial targets[2]	30% based on adjusted Group earnings per share 30% based on Total Property Return relative to IPD[4] 10% for Group operational targets[2]
				30% for personal objectives[2]	
2012 award (paid in 2013)	Up to 200% of salary	60%	40% subject to a two-year vesting period	70% for Group financial targets	30% based on adjusted Group earnings per share 30% based on Total Property Return relative to IPD[4] 10% for Group operational targets
				30% for personal objectives	

Notes

1. In the opinion of the Board AIP performance conditions and personal objectives for 2014 are commercially sensitive and accordingly are not disclosed. These will be reported upon with disclosure next year.
2. Details of the AIP outcome for 2013 are on page 89.
3. IPD is the Investment Property Databank's aggregate full-year UK Retail Property (70%) and France Retail Property (30%) indexes.
4. IPD is the Investment Property Databank's UK Quarterly Property Index, annualised. From 2013, the metric has been adjusted from All Property to Retail Property only, to reflect the Company's new retail focus.

The following table shows how the Executive Directors' AIP structure works.

AIP (BONUS) STRUCTURE



AIP (BONUS) OUTCOME: FINANCIAL TARGETS

Performance measure	2013: target to achieve 100% bonus	2013 closing measurement	Level of payout
EPS	23.2p	23.1p	95%
TPR relative to IPD	IPD +2.5%	IPD +0.2%	0%
Growth in NRI	3.5%	2.1%	30%
Overhead control	£36.6m	£37.8m	42.8%

The targets for each performance measure to achieve any bonus payout, and the percentage of maximum for the measure that such performance would achieve were:

- for EPS, 21.1p would pay 10%;
- for TPR, IPD +0.5% would pay 25%;
- for Growth in NRI, no bonus is payable until growth is greater than 1.5% from which point payment is pro-rated;
- for Overhead Control, no bonus is payable until the overheads are less than £38.7m from which point payment is pro-rated.

EXECUTIVE DIRECTORS' PERSONAL OBJECTIVES

Executive Directors are able to earn up to 30% of the maximum award for achieving personal objectives. All Executive Directors' personal objectives were designed to focus not only on the delivery of the Business Plan for 2013, but also on the strategic objectives of creating high-quality property, maximising income and maintaining capital strength. Targets addressed the areas of investing to upgrade venues; focusing on sustainability; improving consumer insight and digital expertise; maximising the contribution of our people; strengthening our retailer relationships; and maintaining a prudent and flexible financial structure. Payout levels for David Atkins, Peter Cole and Timon Drakesmith were 80%, and for Jean-Philippe Mouton, it was 65%.

The table below provides detail of some of the significant personal objectives for each of the Executive Directors.

David Atkins	Develop and lead the retail strategy of the business to create best in class retail destinations. Maximise the financial performance of the business and its standing with all key stakeholders. Particular focus on EPS and TPR growth. Review of capital and human resources with a particular focus on key developments, multi-channel and marketing.
Peter Cole	Progress the key developments including Leeds, Brent Cross, Croydon and Bishopsgate Goodsyard. Effect capital recycling in order to boost portfolio returns. Complete the sale of the residue of the London Office portfolio.
Timon Drakesmith	Improve the Company's rating from an equity and capital markets view point. 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. Further develop the Company's relationship with Value Retail.
Jean-Philippe Mouton	Drive operational and financial performance in the French portfolio and target selective accretive acquisitions. Progress key developments at Marseille and Beauvais. Review group marketing and accelerate multi-channel proposition.

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 to ensure that they continue to align closely with the business' strategic focus. 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 2014 awards remains the same as the 2013 awards. In 2013, the relative performance measures were 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 now focuses on major European retail real estate companies and the Total Property Return (TPR) measure compares performance against a retail only property index.

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

Year of grant	Level of award	Performance period	Performance measures	Weighting of performance measures	TSR comparator group
2014	100% of salary	Four years	TSR TPR EPS	33.33% 33.33% 33.33%	Altarea, 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
2013	200% of salary	Four years	TSR TPR EPS	33.33% 33.33% 33.33%	As for 2014
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[2]	200% of salary	Three years	TSR TPR	50% 50%	British Land, 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

Notes

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).
2. This award vested during 2013, in the amounts as set out below:

			TSR[1]			TPR[2]		
	Vesting date	Share price on vesting	Vesting level	Number of shares vested	Value of award that vested £000	Vesting level	Number of shares vested	Value of award that vested £000
David Atkins	09/05/2013	534.00	85.1%	121,904	651	87.85%	125,843	672
Peter Cole	09/05/2013	534.00	85.1%	97,523	521	87.85%	100,674	538
Jean-Philippe Mouton	19/12/2013	498.55	00.0%	–	–	87.85%	37,010	185

Notes

1. The performance period for TSR for the awards made to David Atkins and Peter Cole ended on 29 April 2013 and for the award made to Jean-Philippe Mouton ended on 13 December 2013. Therefore, the value of the award that vested under this performance measure is included in the Single Figure Remuneration Table for 2013 on page 87.
2. The performance period for TPR for all awards ended on 31 December 2012. Therefore the value of the award that vested under this performance measure is included in the Single Figure Remuneration Table for 2012 on page 87 (except for Jean-Philippe Mouton who became an Executive Director on 1 January 2013.

* The value of the award that vested under this performance measure.

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 to be granted from 2013 onwards: Investment Property Databank's UK Annual Retail Property Index and France Annual Retail Property Index.
- For awards granted from 2009 to 2012: Investment Property Databank's UK Annual All Property Index and France Annual All Property Index.
- The relative composition of the indices may vary with each grant to ensure that it reflects the Company's portfolio.

EPS/Absolute NAV

EPS (For awards granted from 2013).

Performance is measured over the four-year period from1 January in the year of grant, and is calculated with reference to the EPRA Best Practices recommendations.

Absolute NAV (For awards granted in 2011 and 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 EPRA, being the adjusted shareholders' funds divided by the adjusted number of shares in issue.

THE PERFORMANCE CONDITIONS

TSR

Vesting under the TSR performance measure 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%. For awards prior to 2014, this was calculated by interpolating by ranking. For awards made from 2014 onwards interpolation is between the TSR of the median and upper quartile-ranked companies on a straight line basis on performance of those positions between 25% and 100% .

Vesting under the TSR performance measure 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.

TPR

Vesting under the TPR performance measure 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-rated on a linear basis between 25% and 100%.

EPS/Absolute NAV

Vesting under the EPS performance measure for the 2013 and 2014 awards 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 Absolute NAV performance measure 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 Absolute NAV performance measure 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 15.0% p.a. growth	100%

Vesting for intermediate performance for all awards will be pro-rated on a linear basis between 25% and 100%.

PENSION*

In accordance with his service agreement Timon Drakesmith receives a Pension Choice of 20% of base salary. He has elected not to participate in the Company's defined contribution pension scheme. Part of his Pension Choice is paid by way of an employer contribution into an approved SIPP and the balance as a salary supplement subject to Income Tax and National Insurance Contributions (NIC). The amount paid by the Company for the year ended 31 December 2013 was £80,000.

Jean-Philippe Mouton was appointed as an Executive Director with effect from 1 January 2013. In accordance with his service agreement, he receives a salary supplement of €80,000 in lieu of any supplementary pension benefit. He participates in a legacy collective supplementary defined contribution pension scheme operated by his French employing company where the contributions are subject to statutory limits. For 2013, the benefit he received under this plan was €11,939.

Neither the salary supplements paid to Timon Drakesmith and to Jean-Philippe Mouton, nor the pension benefit received by Jean-Philippe Mouton, qualify for AIP purposes or entitlements under the LTIP.

David Atkins and Peter Cole currently participate in the Scheme, the Company's defined benefit pension scheme, as outlined in the table on page 75 and more fully described in note 6 to the accounts on pages 125 to 127. The normal retirement age is 60; members may retire from age 55 subject to actuarial reduction and the Company's consent. Members may draw their pension from age 55 whilst remaining in employment.

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

The Finance Act 2004 resulted in various changes to the taxation of pension benefits, including the introduction of the annual allowance, which is the maximum amount of an individual's pension savings that can benefit from tax relief each year.

David Atkins' pension in 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. David Atkins elects to restrict the value of the pension benefits he accrues each year to the annual allowance (currently £50,000). In return, the Company pays David Atkins a cash supplement during his employment in respect of the pension benefits above the annual allowance that he would otherwise have accrued each year. For the year ended 31 December 2013, David Atkins will receive a cash supplement of £97,829 (2012: £69,744). This supplement will be subject to Income Tax and NIC and will not qualify for AIP purposes or entitlements under the LTIP.

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 approximately 1/45th.

The Company has agreed that if either David Atkins or Peter Cole chooses to cease accruing service in the Scheme and continues to be employed by the Company, they will be entitled to a Pension Choice of 30% of base salary. Any part of the Pension Choice paid as a salary supplement will be subject to deductions for Income Tax and NIC and will not qualify for AIP purposes or entitlements under the LTIP.

The following tables set out information on Executive Directors' entitlements under the scheme.

In the table below, for each Executive Director, the total accrued benefit at 31 December 2013 represents the annual pension that is expected to be payable on eventual retirement, given the length of service and salary of each Executive Director at 31 December 2013. 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 2012. The increase in accrued benefit during the year excluding the effect of inflation over the year is also shown.

	Age at 31 December 2013	Years' service at 31 December 2013	Normal retirement age	Total accrued benefit at 31 December 2013 (£000)	Increase in accrued benefit during the year (£000)	Increase in accrued benefit during the year excluding inflation (£000)
David Atkins	47	15	60	82	4	3
Peter Cole	54	24	60	232	9	5

In the table below, the transfer values have been calculated in accordance with regulations 7 to 7E of the Occupational Pensions Schemes (Transfer Values) Regulations 1996 and subsequent amendments. For each Executive Director, the transfer value of the increase in accrued benefits under the Listing Rules is the transfer value at 31 December 2013 of the increase in accrued benefits during the period (excluding inflation).

Transfer values of 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 Executive Director's pension benefits. They do not represent sums paid or payable to individual Executive Directors and therefore cannot be added meaningfully to annual remuneration. Instead, they represent a potential liability of the Scheme. The statutory disclosures are based on required assumptions; from the perspective of the participants, it is generally felt that the economic benefit of final salary pension promise is higher than indicated above.

	The Listing Rules
	Transfer value at 31 December 2013 of increase in accrued benefit over 2013 (net of inflation) £000
David Atkins	35
Peter Cole	66

Whilst the calculation of transfer values under the Companies Act 2006 is not required to be disclosed, it is believed that these are still meaningful and so details of these calculations are included in the table below:

	Companies Act 2006		
	Transfer value at 31 December 2012 of total accrued benefit £000	Transfer value at 31 December 2013 of total accrued benefit £000	Value of increase in accrued benefit during the year £000
David Atkins	834	920	86
Peter Cole	3,150	3,411	261

PAYMENTS TO PAST DIRECTORS*

Simon Melliss retired as an Executive Director in June 2011 and retained a pro-rated interest in share awards granted to him prior to his retirement. During 2013, the LTIP award granted to Simon Melliss on 30 April 2010 vested in the amounts shown in the table below:

	Award date	Awards held at 1 January 2013	Notional dividend shares accrued during 2013	Vested on 9 May 2013	Lapsed/ forfeited on 9 May 2013	Share price on vesting on 9 May 2013
LTIP	30 April 2010	92,015	1,739	81,067	12,687	£5.34

PAYMENTS FOR LOSS OF OFFICE

There were no payments for loss of office to any former Directors in 2013.

RELATIVE IMPORTANCE OF SPEND ON PAY

The table below demonstrates the Company's total employee costs compared with dividends paid. The Company did not buy back any of its own shares during 2013.

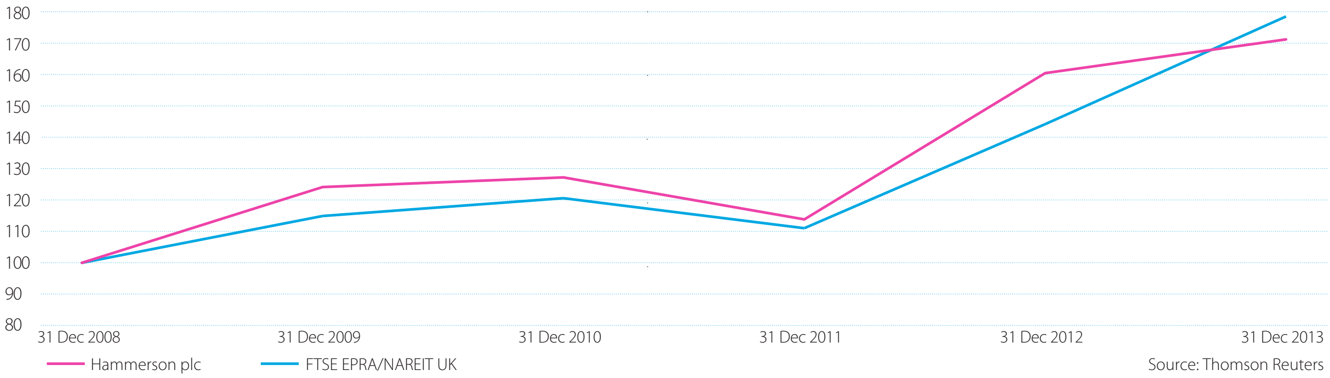
	Employee Remuneration[1]	Shareholder Distributions[2]
2013	£44.0m	£130.1m
2012	£44.9m	£120.9m
Difference	-2.0%	7.6%

Notes

1. These figures have been extracted from Note 4 (Administration Expenses) to the accounts on page 124.
2. These figures have been extracted from Note 10 (Dividends) to the accounts on page 131.

TOTAL SHAREHOLDER RETURN INDEX

31 December 2008 = 100



Source: Thomson Reuters

The graph above shows the total shareholder return in respect of the Company's ordinary shares of 25 pence each for the five years ended 31 December 2013 relative to the 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 2008. The other points plotted are the values at intervening financial year ends.

REMUNERATION OF THE CHIEF EXECUTIVE OVER THE LAST FIVE YEARS*

The table below demonstrates the remuneration of the holder of the office of Chief Executive for the last five years for the period from 1 January 2009 to 31 December 2013.

Year	Total remuneration £000	Annual bonus (as % age of maximum opportunity)	LTI vesting (as % age of maximum opportunity)
2013	2,068	56.2%	43.1%
2012	2,451	88.9%	52.6%
2011	1,515	51.7%	–
2010	1,594	68.2%	–
2009 (John Richards)[1]	895	48.8%	49.4%
2009 (David Atkins)[2]	242	55.0%	–

Notes

1. John Richards retired as Chief Executive on 30 September 2009.
2. David Atkins became Chief Executive on 1 October 2009, having been an Executive Director since 2007. The figure shown in the above table for 2009 has been pro-rated accordingly.

REMUNERATION FOR CHIEF EXECUTIVE COMPARED WITH ALL OTHER EMPLOYEES OF THE HAMMERSON GROUP

The table below demonstrates the percentage change from 31 December 2012 to 31 December 2013 in base salary, taxable benefits and bonus for the Chief Executive compared to all employees of the Hammerson group.

	Movement %			
	Salary	Benefits	Annual bonus	Total
David Atkins	–	0.3%	-36.8%	-23.4%
Total Group	3.00%	7.8%	-9.74%	-0.4%

Notes

1. David Atkins is excluded from the Group calculation.
2. London Group employees who have left the Company have been excluded.
3. The exchange rates used to convert data for French employees is £1: €1.178 for 31 December 2013 and £1:1233 for 31 December 2012.

NON-EXECUTIVE DIRECTORS: SINGLE FIGURE REMUNERATION TABLE*

The table below sets out the remuneration of Non-Executive Directors for the year ended 31 December 2013, and the comparative figures for the year ended 31 December 2012. During the year, no payments were made to Non-Executive Directors for expenses other than those incurred wholly and directly in the course of their appointments.

	Additional responsibilities	Notes	Fees 2013 £000	Fees 2012 £000	Benefits 2013 £000	Benefits 2012 £000	Total 2013 £000	Total 2012 £000
David Tyler	Chairman Remuneration Committee member	1	**226**	–	**–**	–	**226**	–
Gwyn Burr	Audit Committee member		**58**	34	**–**	–	**58**	34
Terry Duddy	Remuneration Committee member		**58**	55	**–**	–	**58**	55
Jacques Espinasse	Audit Committee member		**58**	55	**–**	–	**58**	55
Judy Gibbons	Audit Committee member Remuneration Committee member		**63**	60	**–**	–	**63**	60
John Hirst	Audit Committee Chairman		**68**	65	**–**	–	**68**	65
John Nelson	Chairman Remuneration Committee member	2	**108**	270	**14**	–	**122**	270
Anthony Watson	Senior Independent Director Remuneration Committee Chairman		**78**	75	**–**	–	**78**	75
			717	614	**14**	–	**731**	614

Notes

1. David Tyler was appointed as a Non-Executive Director on 12 January 2013. On the same date, he was appointed as a member of the Remuneration Committee. For the period from 12 January 2013 to 8 May 2013 inclusive, he received fees of £50,000 (pro-rated) as a Non-Executive Director and £5,000 (pro-rated) as a member of the Remuneration Committee. When he became Chairman of the Company on 9 May 2013, he received the Chairman's fee of £320,000 (pro-rated). He does not receive any additional fees for his membership of the Remuneration Committee.
2. John Nelson received the Chairman's fee of £300,000 (pro-rated) for the period from 1 January 2013 to 9 May 2013 inclusive when he retired from the Board. He did not receive any additional fee for his membership of the Remuneration Committee. On his retirement, John Nelson received a leaving gift to the value of £7,366 (post-tax) prior to a formal policy on leaving gifts being set. The gross value has been disclosed in the above table.
3. The figures shown in the Single Figure Remuneration Tables for Executive Directors on page 87 and for Non-Executive Directors above have been rounded to the nearest thousand. The actual aggregate total remuneration emoluments (being salary/fees, benefits and bonus) for all Executive and Non-Executive Directors for 2013 was £4,480,432 (2012: £4,604,126).

FEES PAYABLE TO NON-EXECUTIVE DIRECTORS

In 2013, annual fees payable to the Chairman and Non-Executive Directors were increased as follows:

	Previous fee £000	Revised fee £000	Increase effective from
Chairman[1] (John Nelson)	270	300	1 January 2013
Chairman[1] (David Tyler)	–	320	9 May 2013
Non-Executive Director: base fee[2]	50	55	1 July 2013

Notes

1. As disclosed last year, prior to 2013, the Chairman's fee was last increased to £270,000 in April 2010. The Chairman's fee was reviewed in 2012 and it was determined that the appropriate fee for the Chairmanship of the Company was £320,000. It was decided that David Tyler would receive this fee when he assumed Chairmanship of the Company in May 2013. In light of the review, it was determined that John Nelson's fee should also be increased from £270,000 to £300,000 with effect from 1 January 2013.
2. The Non-Executive Directors' base fee was last increased in April 2010.

Further fees payable to the Senior Independent Director, and Chairmen and members of the Audit and Remuneration Committees have not been increased and remain as follows:

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

Notes

1. The Company Chairman does not receive any additional fee in respect of membership of any Committees. No additional fees are payable for Chairmanship or membership of the Nomination Committee.
2. At the 2013 Annual General Meeting, the limit as stated in the Company's Articles of Association for aggregate total fees payable annually to all Non-Executive Directors was increased from £750,000 to £1,000,000.
3. No fee increases are planned for 2014.

EXECUTIVE DIRECTORS' SHARE PLAN INTERESTS (INCLUDING SHARE OPTIONS)*

The table below sets out the Executive Directors' interests under the Annual Bonus Scheme (ABS) (which preceded the AIP), the DBSS, the LTIP and the Sharesave. Awards under the ABS, the DBSS and the Sharesave are not subject to any performance conditions (other than continued employment as at the vesting date). The LTIP awards are subject to performance conditions, details of which can be found on page 91. The table also shows details of the second tranche of Timon Drakesmith's Recruitment Share Award (RSA) which is scheduled to vest in June 2014. The award has been made on materially the same terms as the 2011 LTIP award.

	Award date	Awards held at 1 January 2013	Granted in 2013	Notional dividend shares accrued in 2013	Exercised/ vested in 2013	Lapsed/ forfeited in 2013	Awards held at 31 December 2013	Face value of awards granted in 2013 (£000)	Exercise price (in pence)	If share options, date from which exercisable	Expiry date
David Atkins											
ABS	03/03/2011	44,324	–	–	44,324	–	–		n/a	n/a	n/a
DBSS△	12/03/2012	61,577	–	2,017	–	–	63,594		0.00	Mar-14	Mar-19
DBSS△	11/03/2013	–	80,391	2,633	–	–	83,024	416	0.00	Mar-15	Mar-20
							146,618				
LTIP	30/04/2010	281,189	–	5,314	247,747	38,756	–		n/a	n/a	n/a
LTIP	01/04/2011	202,982	–	6,650	–	–	209,632		n/a	n/a	n/a
LTIP	01/04/2011	202,982	–	6,650	–	–	209,632		n/a	n/a	n/a
LTIP△	02/04/2012	285,529	–	9,354	–	–	294,883		0.00	Apr-16	Apr-19
LTIP△	02/04/2013	–	240,000	7,862	–	–	247,862	1,170	0.00	Apr-17	Apr-20
							962,009				
Sharesave△	05/04/2012	2,735	–	–	–	–	2,735		329.04	May-15	Oct-15
Peter Cole											
ABS	03/03/2011	39,620	–	–	39,620	–	–		n/a	n/a	n/a
DBSS△	12/03/2012	45,277	–	1,483	–	–	46,760		0.00	Mar-14	Mar-19
DBSS△	11/03/2013	–	59,665	1,954	–	–	61,619	309	0.00	Mar-15	Mar-20
							108,379				
LTIP	30/04/2010	224,951	–	4,252	198,197	31,006	–		n/a	n/a	n/a
LTIP	01/04/2011	145,730	–	4,774	–	–	150,504		n/a	n/a	n/a
LTIP	01/04/2011	145,730	–	4,774	–	–	150,504		n/a	n/a	n/a
LTIP△	02/04/2012	204,995	–	6,715	–	–	211,710		0.00	Apr-16	Apr-19
LTIP△	02/04/2013	–	172,307	5,644	–	–	177,951	840	0.00	Apr-17	Apr-20
							690,669				
Sharesave△	01/04/2010	4,980	–	–	–	–	4,980		312.24	May-15	Oct-15

	Award date	Awards held at 1 January 2013	Granted in 2013	Notional dividend shares accrued in 2013	Exercised/ vested in 2013	Lapsed/ forfeited in 2013	Awards held at 31 December 2013	Face value of awards granted in 2013 (£000)	Exercise price (in pence)	If share options, date from which exercisable	Expiry date
Timon Drakesmith											
DBSS△	12/03/2012	36,163	–	1,185	–	–	37,348		0.00	Mar-14	Mar-19
DBSS△	11/03/2013	–	54,968	1,800	–	–	56,768	284	0.00	Mar-15	Mar-20
							94,116				
LTIP	06/06/2011	131,532	–	4,309	–	–	135,841		n/a	n/a	n/a
LTIP	06/06/2011	131,532	–	4,309	–	–	135,841		n/a	n/a	n/a
LTIP△	02/04/2012	195,233	–	6,395	–	–	201,628		0.00	Apr-16	Apr-19
LTIP△	02/04/2013	–	164,102	5,375	–	–	169,477	400	0.00	Apr-17	Apr-20
							642,787				
RSA	06/06/2011	87,688	–	2,873	–	–	90,561				
Sharesave△	05/04/2012	4,558	–	–	–	–	4,558		329.04	May-17	Oct-17
Jean-Philippe Mouton											
ABS	03/03/2011	7,139	–	–	7,139	–	–		n/a	n/a	n/a
DBSS△	12/03/2012	14,161	–	464	–	–	14,625		0.00	Mar-14	Mar-19
DBSS△	11/03/2013	–	17,513	573	–	–	18,086	91	0.00	Mar-15	Mar-20
							32,711				
LTIP	16/12/2010	84,259	–	–	37,010	55,571	–		n/a	n/a	n/a
LTIP	01/04/2011	61,483	–	–	–	–	61,483		n/a	n/a	n/a
LTIP	01/04/2011	61,483	–	–	–	–	61,483		n/a	n/a	n/a
LTIP△	02/04/2012	84,426	–	–	–	–	84,426		0.00	Apr-16	Apr-19
LTIP△	02/04/2013	–	138,717	–	–	–	138,717	676	0.00	Apr-17	Apr-20
							346,109				

△ Indicates awards granted in the form of share options.

Notes

1. Face value of DBSS and LTIP awards made in 2013 have been calculated using the grant price in accordance with the respective plan rules:
   - For the DBSS, the grant price was £5.173, which was the average share price over the three business days immediately preceding the award date; and
   - For the LTIP, the grant price was £4.8750, which was the average share price over the five business days immediately preceding the award date.
2. The threshold vesting percentage for the LTIP awards made in 2013 was 25% for each performance measure. Details of the performance measures can be found on page 91.
3. The aggregate gain of Directors from share awards that vested during 2013 was £3,025,252 (2012: £257,339). The higher gain in 2013 was attributable to the vesting of the LTIP award that was granted in 2010. Details can be found on page 90.
4. For LTIP awards made to Jean-Philippe Mouton prior to 2014, there is no accrual of notional dividend shares.

The Executive Directors' interests in ordinary shares of the Company under the SIP as at 31 December 2013 are shown in the table below. The shares are held under a SIP trust. Jean-Philippe Mouton is not eligible to participate in the SIP.

	Total SIP shares 1 January 2013	Partnership shares purchased	Matching shares awarded	Free shares awarded[1]	Dividend shares purchased	Total SIP shares 31 December 2013
David Atkins	9,006	–	–	588	280	9,874
Peter Cole	10,239	–	–	588	317	11,144
Timon Drakesmith	1,795	297	594	588	74	3,348

Note

1. The free shares were awarded on 19 April 2013 at a price of 510.00 pence per share.

DIRECTORS' SHAREHOLDINGS*

The beneficial interests in the ordinary shares of the Company held by Directors who were in office during the year ended 31 December 2013 are set out below. For Executive Directors, the table also shows actual share ownership against guidelines (full details of which can be found on page 78). The Company does not operate a share ownership policy for Non-Executive Directors, although they are encouraged to acquire a shareholding in the Company.

Executive Directors' shareholdings

	1 January 2013	31 December 2013	14 February 2014	Guideline on share ownership as % of salary	Actual beneficial share ownership as % of salary[1]	Guideline met
David Atkins	177,938	296,414	296,414	150%	254%	Yes
Peter Cole	246,200	247,105	247,105	100%	295%	Yes
Timon Drakesmith	175,594	177,147	177,291[2]	100%	222%	Yes
Jean-Philippe Mouton	171,474	215,623	215,623	100%	318%	Yes

Notes

1. As at and based on the share price of 502.00p on 31 December 2013. The exchange rate that has been used to convert Jean-Philippe Mouton's global base salary from euros to sterling is £1: €1.178.
2. The change in share interests for Timon Drakesmith from 31 December 2013 to 14 February 2014 is due to share purchases/awards made under the SIP on 14 January 2014 (72 shares) and 4 February 2014 (72 shares).

Non-Executive Directors' shareholdings

	1 January 2013	31 December 2013
David Tyler[1]	–[1]	20,000
Gwyn Burr	–	5,000
Terry Duddy	40,000	40,000
Jacques Espinasse	12,235	12,235
Judy Gibbons	4,000	4,000
John Hirst	13,495	13,495
John Nelson[2]	49,000	49,000[2]
Anthony Watson	12,000	12,000

Notes

1. Shareholding shown as at 12 January 2013, this being the date of David Tyler's appointment to the Board.
2. Shareholding shown as at 9 May 2013, this being the date of John Nelson's retirement from the Board.

Between 1 January 2014 and 14 February 2014, the Non-Executive Directors' beneficial interests above have remained unchanged.

At 31 December 2013, 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.

THE REMUNERATION 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 annually by the Board, and if necessary updated. They were most recently reviewed in December 2013.

Member	Date of appointment to the Committee	Meetings attended during 2013
Anthony Watson (Chairman)	01/02/2006	5/5
Terry Duddy	18/02/2011	5/5
Judy Gibbons	03/02/2012	5/5
John Nelson[1]	21/07/2006	2/2
David Tyler	12/01/2013	5/5

Notes

1. John Nelson retired as a Director immediately following the end of the Annual General Meeting on 9 May 2013.
2. Gwyn Burr was appointed as a member of the Remuneration Committee with effect from 14 February 2014.

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

ADVISORS

The following advisors 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 advisors on 17 August 2011. Since then, they have provided advice on reward structures and levels and aspects of the Company's future remuneration policy. 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 2013 were £98,852 (excluding VAT) (2012: £62,625 (excluding VAT)). FIT did not provide any other services to the Company during 2013, and the Committee was therefore satisfied that all advice was objective and independent.
- Herbert Smith Freehills LLP (HSF) provided legal advice to the Company throughout the year which was available to be considered by the Committee. In particular during 2013, HSF provided advice on aspects of the Company's future remuneration policy and Jean-Philippe Mouton's service agreement.
- The Chief Executive and Group HR Director attend all meetings of the Committee by invitation, except when their own remuneration is being discussed. The Company Secretary is the Secretary to the Committee. The Chief Executive, Group HR Director and the Company Secretary provided advice to the Committee on matters relating to remuneration policy and also Company practices.

2013 AGM: STATEMENT OF VOTING

At the Company's Annual General Meeting held on 9 May 2013, votes cast by proxy at the meeting in respect of the Directors' Remuneration Report were as follows:

	Votes For		Votes Against		Total votes cast	Votes withheld
Resolution	No. of shares	% of shares voted	No. of shares	% of shares voted	% of issued share capital[1]	No. of shares
To receive and approve the 2012 remuneration report	525,502,119	98.40%	8,546,335	1.60%	74.92%	5,377,234[2]

Notes

1. Issued share capital as at 9 May 2013 was 712,855,554 ordinary shares.
2. Represents less than 1% of the issued share capital.

By order of the Board

Sarah Booth / General Counsel and Company Secretary

14 February 2014

COMPLIANCE WITH THE UK CORPORATE GOVERNANCE CODE

This section of the Governance Report details the Company's compliance with the Principles set out in the UK Corporate Governance Code (Code) which is available at www.frc.org. This section should be read in conjunction with the Governance Report as a whole as set out on pages 60 to 99.

Hammerson is fully committed to operating in accordance with the requirements of the Code and has complied in full with the Code throughout the year ended 31 December 2013.

A. LEADERSHIP

A.1 The Role of the Board

The Board is collectively responsible to the Company's shareholders for the long-term success of the Group and the delivery of 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 operates through a sound risk management and internal control system, details of which can be found on pages 55 to 59 and 70 to 71.

The Board has a formal schedule of matters specifically reserved for its decision which can be accessed at www.hammerson.com.

The Board has regular scheduled meetings throughout the year and met nine times in 2013. Additional telephone meetings are held as required. Non-Executive Directors are encouraged to communicate directly with Executive Directors and senior management between formal Board meetings. All Directors are expected to attend all meetings of the Board, and of those Committees on which they serve and the Annual General Meeting (AGM), and to devote sufficient time to the Company's affairs to enable them to fulfil their duties as Directors. Details of Directors' attendance at each of the Board and Committee meetings during 2013 are set out in the table below.

BOARD AND COMMITTEE MEETINGS ATTENDANCE

	Board	Audit	Remuneration	Nomination
John Nelson[1]	3/3	1/1	–	–
David Tyler[2]	9/9	–	5/5	2/2
David Atkins	9/9	–	–	–
Peter Cole	9/9	–	–	–
Timon Drakesmith	9/9	–	–	–
Jean-Philippe Mouton	9/9	–	–	–
Gwyn Burr	9/9	4/4	–	–
Terry Duddy	9/9	–	5/5	2/2
Jacques Espinasse[3]	8/9	3/4	–	–
Judy Gibbons	9/9	4/4	5/5	–
John Hirst	9/9	4/4	–	–
Anthony Watson[4]	8/9	4/4	5/5	2/2

1. John Nelson retired as a Director and Chairman of the Company, Chairman of the Nomination Committee and Member of the Remuneration Committee on 9 May 2013.
2. David Tyler was appointed as a Non-Executive Director and a member of the Remuneration Committee on 12 January 2013. On 9 May 2013 he became Chairman of the Company and Chairman of the Nomination Committee.
3. Jacques Espinasse was unable to attend the Board meeting held on 25 July 2013 as he was attending the Board and Audit Committee meetings of SES in Luxembourg.
4. Anthony Watson was unable to attend the Board meeting held on 28 March 2013 due to family commitments.

A.2 Division of Responsibilities

The roles and responsibilities of the Chairman and Chief Executive are separate. They are clearly defined and documented and approved by the Board. The Chairman, David Tyler, is responsible for the operation of the Board. The Chief Executive, David Atkins, is responsible for leading and managing the business within the authorities delegated by the Board.

A.3 The Chairman

The Chairman sets the Board's agenda and ensures that important matters and in particular strategic issues, receive adequate time and attention at meetings. The annual Board Strategy Day is dedicated to considering the future direction of the Company at the start of the business planning process.

Further details of the 2013 Board Strategy Day can be found on page 65.

At the time he succeeded John Nelson as Chairman at the conclusion of the 2013 AGM, David Tyler was considered independent. In accordance with the Code, the continuing test of independence for the Chairman is not appropriate.

A.4 Non-Executive Directors

Anthony Watson is the Senior Independent Director. He 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, 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.

The Senior Independent Director chairs an annual meeting of Executive and Non-Executive Directors without the Chairman present to appraise the Chairman's performance and to address any other matters which the Directors might wish to raise. The outcome of these discussions is conveyed by the Senior Independent Director to the Chairman.

The Chairman meets with the Non-Executive Directors as necessary, but at least twice each year without the Executive Directors present.

During the year there were no unresolved concerns about the running of the Company.

B. EFFECTIVENESS

B.1 The Composition of the Board

During the year the Board reviewed the overall balance of skills, experience, independence and knowledge of the Board and Committee members.

The Board is satisfied that the Non-Executive Directors, each of whom is independent from management and has no material or other connection with the Company, are able to exercise independent judgement.

The Board undertakes an annual review of the independence of its Non-Executive Directors in accordance with the criteria set out within the Code.

The Nomination Committee considered the fact that at the 2013 AGM, John Hirst had served on the Board for more than nine years. In accordance with the Code the Board determined that John Hirst continued to be independent in judgement, notwithstanding his length of service. It is planned that John Hirst will retire from the Board following the 2014 AGM.

There are currently seven Non-Executive Directors (including the Chairman) and four Executive Directors on the Board.

B.2 Appointments to the Board

The Nomination Committee, chaired by the Chairman, leads the process for Board appointments and makes recommendations to the Board. The Committee's terms of reference can be found at www.hammerson.com.

Jean-Philippe Mouton was appointed as an Executive Director on 1 January 2013. David Tyler was appointed to the Board on 12 January 2013. He became Chairman of the Board on John Nelson's retirement at the 2013 AGM. The process for the appointment of Jean-Philippe Mouton and David Tyler was overseen by the Nomination Committee. Details of the recruitment process for David Tyler were fully disclosed in last year's Annual Report.

Further details of the work of the Nomination Committee can be found on page 67.

Disclosures on diversity can be found on pages 25 and 67.

B.3 Commitment

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 asked to confirm that they can make the required commitment. Their commitment to their role is reviewed annually as part of their annual appraisal. Letters of appointment for the Non-Executive Directors are available for inspection at the AGM.

Positions held by Non-Executive Directors are set out on pages 62 and 63.

Executive Directors are encouraged to take non-executive positions in other companies and organisations. The appointment to such positions is subject to the approval of the Board which considers, in particular, the time commitment required.

B.4 Development

All Directors appointed to the Board receive an induction programme which takes into account their qualifications and experience. 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 advisors and external auditor, where appropriate. Executive Directors are subject to the Company's annual performance development review process through which their performance against pre-determined objectives is reviewed and their personal and professional development needs are considered.

Details of the induction programmes for David Tyler, and Jean-Philippe Mouton can be found on page 65.

Non-Executive Directors' training and personal development requirements are reviewed and agreed as part of the annual appraisal of their performance, conducted by the Chairman. Non-Executive Directors are encouraged to attend seminars and undertake external training at the Company's expense in areas considered appropriate for their professional development including on issues relevant to the Board and Committees to which they belong.

B.5 Information and Support

The Directors have access to independent professional advice at the Company's expense and to the advice and services of the Company Secretary who advises the Board on corporate governance matters and ensures that Board procedures are followed and that the Company and the Board operate within applicable legislation. The Company Secretary is also responsible for facilitating Directors' induction and assisting with identifying and enabling appropriate training and for Board performance evaluation.

The appointment and removal of the Company Secretary is a matter requiring approval of the Board.

B.6 Evaluation

In 2013 an external performance evaluation of the Board and its Committees was facilitated by IDDAS, which had no other connection with the Company. The evaluation considered the balance of skills of the Board, diversity, independence, knowledge of the Company and the Board's effectiveness.

Further details of the evaluation are provided on page 66.

The Chairman carries out a formal annual performance evaluation individually with each Non-Executive Director to review whether the Non-Executive Director continues to contribute effectively and demonstrates commitment to the role.

The Non-Executive Directors, led by the Senior Independent Director are responsible for the annual performance evaluation of the Chairman. The Chairman's evaluation was carried out in January 2014 and the Board was updated subsequently.

The Directors concluded that following the Board effectiveness evaluation in 2013 the Board and its Committees operate effectively and that each Director continues to contribute effectively and demonstrates commitment to the role.

B.7 Election and Re-Election

All Directors are subject to election at the first AGM following their appointment. It is planned that John Hirst will retire from the Board at the conclusion of the AGM in April 2014. With that exception, all Directors are submitting themselves for re-election at the 2014 AGM and are subject to annual re-election. The Board unanimously recommends their re-election.

Full biographical details for all Directors are on pages 62 and 63.

C. ACCOUNTABILITY

C.1 Financial and Business Reporting

The Board considers that the Annual Report, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, business model and strategy.

A statement of the Directors responsibilities regarding the financial statements is set out on page 106. A statement on the status of the Company as a going concern is set out on page 104.

An explanation of the Group's strategy and business model together with relevant risks and performance metrics, is set out on pages 8 to 23.

C.2 Risk Management and Internal Control

The Board has established processes for maintaining sound risk management and internal control which allow it to assess the effectiveness of the systems in place within the Group.

Further details are on pages 55 and 70 to 71.

It must be recognised that the Group's internal controls provide reasonable and not absolute assurance against material misstatement or loss.

C.3 Audit Committee and Auditors

Details of the composition of the Audit Committee are set out on page 68.

The experience and background of members are on pages 62 and 63.

The Audit Committee assists the Board to fulfil its responsibility in relation to: ensuring that management has systems and procedures in place to ensure the integrity of financial information; maintaining an appropriate relationship with the Group's external auditor Deloitte LLP (Deloitte); reviewing the effectiveness, objectivity and independence of Deloitte including the scope of work and the fees paid to Deloitte; and reviewing the Company's internal audit arrangements. Further details are provided in the terms of reference for the Audit Committee which are available at www.hammerson.com.

The Audit Committee Chairman regularly reports to the Board details of the work carried out by the Audit Committee in accordance with its terms of reference.

The Audit Committee comprises five independent Non-Executive Directors. During 2013 the Chairman of the Board agreed a trial period for a revised Board and Committee meeting structure, as described on page 60. As a result, the Audit Committee now has three scheduled meetings per year, organised around the Company's reporting schedule. During 2013 the Audit Committee met four times.

John Hirst, the Chairman of the Audit Committee, as a Chartered Accountant, has been determined by the Board to have recent and relevant financial experience as required by the Code. With effect from the conclusion of the 2014 AGM John Hirst will be retiring as Chairman of the Audit Committee and will be succeeded by Jacques Espinasse.

The Chairman of the Board, the Chief Executive, the Chief Financial Officer and other members of the senior finance management team together with senior representatives of Deloitte 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 Deloitte.

The Audit Committee meets with Deloitte and with the internal auditor (which undertakes the majority of the Company's internal audit reviews), in the absence of management at least once each year. During the year the appointment of the internal auditor was re-tendered and Ernst and Young LLP was appointed in place of BDO LLP on 6 August 2013, as described more fully on page 70.

DTZ, the external valuer (DTZ) and Deloitte have full access to each other and the Chairman of the Committee meets with DTZ and Deloitte as part of the half-year and year end valuations to ensure that they are each satisfied that there has been a full and open exchange of information and views.

The Audit 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 meets these recommendations.

Details of how the Audit Committee has discharged its responsibilities during the year are provided in the Audit Committee Report on page 68.

D. REMUNERATION

D.1 The level and components of Remuneration

The principal responsibilities of the Remuneration Committee are determining and agreeing with the Board the overall remuneration principles and framework for the remuneration of the Executive Directors, the Company Secretary and the other members of the Group Executive Committee. The terms of reference for the Committee are available at www.hammerson.com.

Full details of the Committee's activities during the year are set out in the Directors' Remuneration Report on pages 72 to 99.

D.2 Procedure

In determining policy on executive remuneration the Remuneration Committee takes into account all factors which it deems necessary including relevant legal and regulatory requirements, the provisions of the Code and associated guidance. Further details are provided in the terms of reference for the Remuneration Committee which are available at www.hammerson.com.

Details of the composition of the Remuneration Committee are on page 99.

Details of advisors who provided services to the Remuneration Committee during the year are on page 99.

During 2013 no individual was present when his or her own remuneration was being determined.

E. RELATIONS WITH SHAREHOLDERS

E.1 Dialogue with Shareholders

The Company actively engages with shareholders.

Throughout the year the Company has undertaken a wide variety of meetings, presentations and road shows.

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

Hammerson's website contains information of interest to both institutional and private shareholders.

Further details about relations with shareholders can be found in the Chairman's Statement on page 5, the Chairman's Introduction to the Governance Report on page 61 and in the Directors' Remuneration Report on page 86.

E.2 Constructive use of the Annual General Meeting

The Annual General Meeting will be held on 23 April 2014 and is an opportunity for shareholders to attend and vote on the resolutions proposed.

The Notice of Annual General Meeting is available at www.hammerson.com and is despatched to shareholders who have requested a hard copy of the documentation from the Company, together with explanatory notes, at least 20 working days before the AGM. Separate resolutions are proposed on each substantially separate issue, including a resolution to approve the Annual Report.

All Directors normally attend the AGM as well as the Company Secretary. The Chairmen of the Audit, Remuneration and Nomination Committees are available to answer questions.

The Board welcomes questions from shareholders. They have an opportunity to raise issues formally at the AGM or informally with Directors before or after the meeting.

For each resolution, the proxy appointment form provides 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, is given at the AGM and is made available on the Company's website.

FINANCIAL AND BUSINESS REPORTING

This Annual Report aims to tell a cohesive story, with the narrative section giving a consistent presentation and a fair, balanced and understandable assessment of the Company's performance, business model and strategy. A description of the Company's business model and strategy is set out in the Chief Executive's Report on pages 6 and 7. The Going Concern Statement is presented below, and the Directors' and Auditor's responsibility statements are on pages 106 to 109.

The Directors' Report and other sections of this Annual Report contain forward-looking statements. The extent to which the Company's shareholders or anyone may rely on these forward-looking statements is set out in the glossary on page 165.

This Directors' Report encompasses the Strategic Report on pages 1 to 59 and the Governance Report on pages 60 to 103.

DIVIDENDS

The Directors recommend a final dividend of 10.8 pence per share which, together with the interim dividend paid on 3 October 2013, will make a total dividend for the year of 19.1 pence (2012: 17.7 pence). It is intended that the final dividend will be paid on 25 April 2014 to shareholders on the register at the close of business on 14 March 2014.

It is intended that 3.6 pence per share will be paid as a Property Income Distribution, net of withholding tax where appropriate, and the remainder of 7.2 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.

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 133 to 135, whilst details of Hammerson's property portfolio are provided on pages 158 to 163.

SHARE CAPITAL

Changes to the Company's share capital during the year are set out in note 24 to the accounts on pages 149 to 151.

On 31 December 2013 there were 712,876,870 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 2013 was therefore 712,876,870.

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.

PURCHASE OF OWN SHARES

The Company was granted authority at the Annual General Meeting (AGM) in 2013 to purchase up to 10% of its issued ordinary share capital. That authority will expire at the conclusion of the 2014 AGM at which a resolution will be proposed for its renewal.

GOING CONCERN

The current economic conditions have created a number of uncertainties as set out on pages 55 to 59. The Group's business activities, together with the factors likely to affect its future development, performance and position are set out on pages 32 to 43. The financial position of the Group, its liquidity position and borrowing facilities are described on pages 49 and 50 and in notes 18 to 20 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 financial statements.

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.

EMPLOYEES

It is the Group's policy to give full consideration to suitable applications for employment from 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 employees 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 and question and answer sessions on the half-year and annual results.

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 (Scheme), is administered by two corporate trustees, one of which is an independent trustee. The other company, Hammerson Pension Scheme Trustees Limited (HPST) is a subsidiary of the Company. The chairman of HPST, David Edmonds, will be stepping down on 27 April 2014 and will be succeeded by John Hirst. The Scheme's funds are invested and managed independently of the Company.

SUBSTANTIAL SHAREHOLDERS

At 31 December 2013 the following interests in voting rights over the issued share capital of the Company had been notified:

	Ordinary shares of 25p each	At 31 December 2013 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	28,351,479	3.98%
Legal & General Investment Management Ltd	25,717,804	3.61%

On 16 January 2014 Norges Bank Investment Management disclosed a decrease in shareholding to 2.62% (18,703,515 shares). No other changes to the above have been disclosed to the Company in accordance with Rule 5 of the Disclosure and Transparency Rules between 31 December 2013 and 14 February 2014.

DIRECTORS

The biographical details of the Directors are shown on pages 62 and 63. David Tyler was appointed as a Non-Executive Director on 12 January 2013 and became Chairman on 9 May 2013 following John Nelson's retirement. John Hirst will be retiring as a Non-Executive Director following the AGM on 23 April 2014.

In accordance with the UK Corporate Governance Code, all of the Directors (other than John Hirst) will retire and offer themselves for re-election at the forthcoming AGM.

David Atkins, Peter Cole, Timon Drakesmith and Jean-Philippe Mouton 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 letters of appointment are set out in the Directors' Remuneration Report on pages 81, 82 and 86. Details of the Directors' interests in the share capital of the Company are set out in the Directors' Remuneration Report on page 98.

DIRECTORS' REMUNERATION REPORT

Details of the remuneration of each of the Directors are set out in the Directors' Remuneration Report on pages 72 to 99.

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.

FINANCIAL INSTRUMENTS

Details of the financial instruments used by the Group and the Company are set out in note 21 to the accounts on pages 143 to 149.

EXTERNAL AUDITOR

Deloitte LLP (Deloitte) is willing to be re-appointed as the external auditor to the Company. Their re-appointment has been considered and recommended by the Audit Committee to the Board and a resolution concerning Deloitte's re-appointment will be proposed at the AGM.

DISCLOSURE OF INFORMATION TO THE EXTERNAL AUDITOR

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

- So far as she or he is aware, there is no relevant audit information of which the Company's external auditor is unaware; and
- She or he has taken all the steps that she or he ought to have taken as a Director in order to make herself or himself aware of any relevant audit information and to establish that the Company's external 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.

ANNUAL GENERAL MEETING

The Annual General Meeting will be held on 23 April 2014 at 10 Grosvenor Street, London, W1K 4BJ at 11.00 am. The Notice of Meeting and the explanatory notes will be available separately on the Company's website and paper copies will be posted to shareholders who have elected to receive the documents in that format.

GREENHOUSE GAS (GHG) EMISSIONS REPORTING

In accordance with Schedule 7 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008, information regarding the Company's greenhouse gas emissions can be found on pages 28 and 29.

By Order of the Board

Sarah Booth / General Counsel and Company Secretary

14 February 2014

DIRECTORS' RESPONSIBILITIES STATEMENT

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

The Directors are responsible for preparing the Annual 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. Under that law the Directors are required to prepare the Group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and Article 4 of the IAS Regulation and 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). Under company law the directors must not approve the accounts unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing the parent company financial statements, the Directors are required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgments and accounting 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.

In preparing the group financial statements, International Accounting Standard 1 requires that Directors:

- Properly select and apply accounting policies;
- Present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- 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; and
- Make an assessment of the Company's ability to continue as a going concern.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 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 financial statements may differ from legislation in other jurisdictions.

RESPONSIBILITY STATEMENT

We confirm that to the best of our knowledge:

- The financial statements, prepared in accordance with the relevant financial reporting framework, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole;
- The Strategic 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 that they face; and
- The Annual Report and financial statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Company's performance, business model and strategy.

By order of the Board

David Atkins / Chief Executive Officer

14 February 2014

Timon Drakesmith / Chief Financial Officer

14 February 2014

OPINION ON FINANCIAL STATEMENTS OF HAMMERSON PLC

In our opinion:

- The financial statements give a true and fair view of the state of the Group's and of the parent company's affairs as at 31 December 2013 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

The financial statements comprise the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated and Company Balance Sheets, 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 28 for the consolidated financial statements and the related notes A to L for the parent company financial statements. The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and IFRSs as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

GOING CONCERN

As required by the Listing Rules we have reviewed the Directors' Responsibilities Statement contained on page 106 that the Group is a going concern. We confirm that:

- we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate; and
- we have not identified material uncertainties related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Group's ability to continue as a going concern.

OUR ASSESSMENT OF RISKS OF MATERIAL MISSTATEMENT

The assessed risks of material misstatement described below are those that had the greatest effect on our audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team:

Risk	How the scope of our audit responded to the risk
• Hammerson plc ("Hammerson") owns a portfolio of retail property assets. The valuation of the portfolio (including a number of development properties) is a significant judgement area and is underpinned by a number of assumptions. • The Group uses professionally qualified external valuers to fair value the Group's portfolio at six-monthly intervals. The portfolio (excluding development properties) is valued by the investment method of valuation with development properties valued by the same methodology with a deduction for all costs necessary to complete the development together with an allowance for remaining risk.	• We assessed management's process for reviewing and challenging the work of the external valuer and development appraisals; • We met with the external valuers of the portfolio to discuss and challenge the valuation process, performance of the portfolio and significant assumptions and critical judgement areas, including future lease income and yields; • We assessed the competence, independence and integrity of the external valuer; and • We performed audit procedures to assess the integrity of information provided to the independent valuer including agreement on a sample basis back to actual leases. Please see note 12 of the Financial Statements.
• Hammerson plc has undertaken a number of acquisitions and disposals during the year including acquiring an additional share in the Bullring shopping centre. The Group also completed the disposal of its office property portfolio.	• We challenged the fair value of consideration by reference to acquisition or disposal agreements and other external evidence; • We considered the date at which the transactions completed based on the acquisition or disposal agreements and considered the impact of these transactions on revenue recognition; • We considered the adequacy of the disclosure of the transactions in the financial statements.
• Hammerson's interest in Value Retail is equity accounted as an associate. There is a risk in relation to the valuation attributed to the Company's investment in Value Retail.	• We planned the scope of the audit and instructed the auditors of Value Retail accordingly. We met with the auditors, challenged the audit work undertaken and reviewed the reporting received, requesting additional information as necessary; • We audited equity and debt injections made by Hammerson during the year via agreement to original documentation; • We met with Value Retail management and the external valuers of the Value Retail property portfolio to discuss and challenge the valuation assumptions and critical judgement areas. We also challenged the judgements taken by Hammerson. Please see note 14 of the Financial Statements.

The Audit Committee's consideration of these risks is set out on page 69. Our audit procedures relating to these matters were designed in the context of our audit of the financial statements as a whole, and not to express an opinion on individual accounts or disclosures. Our opinion on the financial statements is not modified with respect to any of the risks described above, and we do not express an opinion on these individual matters.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HAMMERSON PLC CONTINUED

OUR APPLICATION OF MATERIALITY

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

We determined materiality for the Group to be £30 million which is below 1% of shareholders equity.

In addition to net assets, we consider EPRA Adjusted Profit Before Tax as a critical performance measure for the Group and we applied a lower threshold of £6.5 million based on 5% of that measure for testing of all balances impacting that measure, primarily being income statement balances with the exception of fair value movements on investment and development property.

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £0.6 million, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

AN OVERVIEW OF THE SCOPE OF OUR AUDIT

Our group audit scope focused primarily on the audit work of three significant components being the UK, France and Value Retail. These three components together comprise c99% of total group net assets. The UK and French components were subject to a full scope audit, while Value Retail is subject to an audit of specified account balances.

Our audit work at each of these components was executed at levels of materiality applicable to each component, which in all instances was lower than Group materiality. The group audit team conduct a programme of planned visits designed so that the Senior Statutory Auditor visits each of the key components at least once a year, in order that appropriate oversight and guidance is provided to component auditors.

We have obtained an understanding of the Group's system of internal controls and undertaken a combination of procedures, all of which are designed to target the Group's identified risks of material misstatement in the most effective manner possible.

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 Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

Adequacy of explanations received and accounting records

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

- we have not received all the information and explanations we require for our audit; or
- 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 are not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

Directors' remuneration

Under the Companies Act 2006 we are also required to report if in our opinion certain disclosures of Directors' remuneration have not been made or the part of the Directors' Remuneration Report to be audited is not in agreement with the accounting records and returns. We have nothing to report arising from these matters.

Corporate Governance Statement

Under the Listing Rules we are also required to review the part of the Corporate Governance Statement relating to the Company's compliance with nine provisions of the UK Corporate Governance Code. We have nothing to report arising from our review.

OUR DUTY TO READ OTHER INFORMATION IN THE ANNUAL REPORT

Under International Standards on Auditing (UK and Ireland), we are required to report to you if, in our opinion, information in the Annual Report is:

- materially inconsistent with the information in the audited financial statements; or
- apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Group acquired in the course of performing our audit; or
- otherwise misleading.

In particular, we are required to consider whether we have identified any inconsistencies between our knowledge acquired during the audit and the Directors' statement that they consider the Annual Report is fair, balanced and understandable and whether the Annual Report appropriately discloses those matters that we communicated to the Audit Committee which we consider should have been disclosed. We confirm that we have not identified any such inconsistencies or misleading statements.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITOR

As explained more fully in the Directors' Responsibilities Statement, the Directors are responsible for the preparation of the 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 Ethical Standards for Auditors.

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.

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 and 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 audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Ian Waller (Senior Statutory Auditor)

for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
London, United Kingdom

14 February 2014

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2013

Continuing operations	Notes	2013 £m	2012 £m
Gross rental income	2	**321.2**	297.6
Operating profit before other net gains/(losses) and share of results of associate	2	**240.7**	215.9
Other net gains/(losses)	2	**93.0**	(36.3)
Share of results of associate	14A	**101.5**	47.5
Operating profit	2	**435.2**	227.1
Finance costs		**(97.0)**	(94.0)
Bond redemption – premium and costs		**(3.9)**	(13.8)
Floating rate reset bonds redemption – premium and costs		**–**	(41.7)
Change in fair value of derivatives		**(14.5)**	9.4
Finance income		**6.5**	6.5
Net finance costs	7	**(108.9)**	(133.6)
Profit before tax		**326.3**	93.5
Tax charge	8A	**(0.7)**	(0.4)
Profit from continuing operations		**325.6**	93.1
Profit from discontinued operations	9B	**14.9**	48.7
Profit for the year		**340.5**	141.8
Attributable to:			
Equity shareholders		**337.4**	138.4
Non-controlling interests*		**3.1**	3.4
Profit for the year		**340.5**	141.8
Basic and diluted earnings per share			
Continuing operations		**45.3p**	12.6p
Discontinued operations		**2.1p**	6.8p
Total	11A	**47.4p**	19.4p
EPRA earnings per share	11A	**23.1p**	20.9p

* Non-controlling interests relate to continuing operations.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2013

Continuing and discontinued operations	2013 £m	2012 £m
Foreign exchange translation differences*	**32.2**	(43.6)
Net (loss)/gain on hedging activities*	**(31.9)**	27.3
Revaluation gains on owner-occupied property	**3.2**	0.1
Revaluation gains on investment in associate	**2.9**	–
Revaluation gains on other investments	**–**	74.4
Actuarial losses on pension schemes	**(2.4)**	(0.7)
Net gain recognised directly in equity	**4.0**	57.5
Profit for the year from continuing operations	**325.6**	93.1
Profit for the year from discontinued operations	**14.9**	48.7
Profit for the year	**340.5**	141.8
Total comprehensive income for the year	**344.5**	199.3
Attributable to:		
Equity shareholders	**339.6**	198.1
Non-controlling interests	**4.9**	1.2
Total comprehensive income for the year	**344.5**	199.3

* Foreign exchange translation differences and net losses or gains on hedging activities would be recycled through the income statement in the event that foreign operations were disposed.

CONSOLIDATED BALANCE SHEET

As at 31 December 2013

	Notes	2013 £m	2012 £m
Non-current assets			
Investment and development properties	12	**5,931.2**	5,458.4
Interests in leasehold properties		**44.9**	42.3
Plant, equipment and owner-occupied property	13	**39.5**	36.7
Investment in associate	14B	**545.4**	428.4
Other investments		**1.4**	1.4
Receivables	16	**72.3**	66.6
		6,634.7	6,033.8
Current assets			
Assets held for sale	9D	**–**	212.6
Receivables	17	**113.1**	102.7
Cash and deposits	18	**56.7**	57.1
		169.8	372.4
Total assets		**6,804.5**	6,406.2
Current liabilities			
Liabilities associated with assets held for sale	9D	**–**	90.4
Payables	19	**240.5**	243.7
Tax	8C	**1.0**	1.4
Borrowings	20A	**246.2**	158.0
		487.7	493.5
Non-current liabilities			
Borrowings	20A	**2,062.8**	1,880.1
Deferred tax	8C	**0.4**	0.5
Obligations under finance leases	22	**44.7**	42.3
Payables	23	**72.3**	64.1
		2,180.2	1,987.0
Total liabilities		**2,667.9**	2,480.5
Net assets		**4,136.6**	3,925.7
Equity			
Share capital	24	**178.2**	178.2
Share premium		**1,222.4**	1,222.3
Translation reserve		**370.1**	339.7
Hedging reserve		**(311.3)**	(279.4)
Capital redemption reserve		**7.2**	7.2
Other reserves		**10.0**	10.9
Revaluation reserve		**21.2**	18.0
Retained earnings		**2,567.0**	2,360.3
Investment in own shares	25	**(4.9)**	(6.0)
Equity shareholders' funds		**4,059.9**	3,851.2
Non-controlling interests*		**76.7**	74.5
Total equity		**4,136.6**	3,925.7
Diluted net asset value per share	11B	**£5.70**	£5.41
EPRA net asset value per share	11B	**£5.73**	£5.42

* Non-controlling interests relate to continuing operations..

These financial statements were approved by the Board of Directors on 14 February 2014. 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 2013

	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	Equity shareholders' funds £m	Non-controlling interests £m	Total equity £m
Balance at 1 January 2013	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
Issue of shares	–	0.1	–	–	–	–	–	–	–	0.1	–	0.1
Share-based employee remuneration	–	–	–	–	–	3.9	–	–	–	3.9	–	3.9
Cost of shares awarded to employees	–	–	–	–	–	(6.0)	–	–	6.0	–	–	–
Transfer on award of own shares to employees	–	–	–	–	–	1.2	–	(1.2)	–	–	–	–
Proceeds on award of own shares to employees	–	–	–	–	–	–	–	0.1	–	0.1	–	0.1
Purchase of own shares	–	–	–	–	–	–	–	–	(4.9)	(4.9)	–	(4.9)
Dividends	–	–	–	–	–	–	–	(130.1)	–	(130.1)	(2.7)	(132.8)
Foreign exchange translation differences	–	–	30.4	–	–	–	–	–	–	30.4	1.8	32.2
Net loss on hedging activities	–	–	–	(31.9)	–	–	–	–	–	(31.9)	–	(31.9)
Revaluation gains on owner-occupied property	–	–	–	–	–	–	3.2	–	–	3.2	–	3.2
Revaluation gains on investment in associate	–	–	–	–	–	–	–	2.9	–	2.9	–	2.9
Actuarial losses on pension schemes	–	–	–	–	–	–	–	(2.4)	–	(2.4)	–	(2.4)
Profit for the year attributable to equity shareholders	–	–	–	–	–	–	–	337.4	–	337.4	3.1	340.5
Total comprehensive income/(loss) for the year	–	–	30.4	(31.9)	–	–	3.2	337.9	–	339.6	4.9	344.5
Balance at 31 December 2013	178.2	1,222.4	370.1	(311.3)	7.2	10.0	21.2	2,567.0	(4.9)	4,059.9	76.7	4,136.6
Notes	24								25			

Investment in own shares is stated at cost.

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	24								25				

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

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2013

	Notes	2013 £m	2012 £m
Operating activities			
Operating profit before other net gains/(losses) and share of results of associate			
– continuing operations	2	**240.7**	215.9
– discontinued operations	9B	**7.2**	23.7
		247.9	239.6
Increase in receivables		**(6.0)**	(14.5)
(Decrease)/Increase in payables		**(22.4)**	13.5
Adjustment for non-cash items	26	**14.3**	14.0
Cash generated from operations		**233.8**	252.6
Interest paid		**(109.9)**	(117.6)
Interest received		**6.5**	5.7
Tax paid	8C	**(1.0)**	(0.8)
Cash flows from operating activities		**129.4**	139.9
Investing activities			
Property acquisitions		**(191.1)**	(397.3)
Development and major refurbishments		**(184.4)**	(122.9)
Other capital expenditure		**(17.5)**	(48.0)
Sale of properties		**256.3**	585.0
Acquisition of interest in associate		**(54.7)**	(80.0)
Distribution received from associate		**45.0**	2.4
(Increase)/Decrease in non-current receivables		**(21.1)**	5.2
Cash flows from investing activities		**(167.5)**	(55.6)
Financing activities			
Issue of shares		**0.2**	0.5
Proceeds from award of own shares		**0.1**	0.2
Purchase of own shares		**(4.9)**	(3.4)
Interest rate swap cancellation costs paid		**–**	(5.2)
Bond redemption premium and costs paid	7	**(3.9)**	(13.8)
Floating rate reset bonds redemption premium and costs paid	7	**–**	(41.7)
Increase/(Decrease) in non-current borrowings		**83.0**	(20.0)
Increase in current borrowings		**85.7**	87.1
Dividends paid to non-controlling interests		**(2.7)**	(3.2)
Equity dividends paid	10	**(129.4)**	(118.4)
Cash flows from financing activities		**28.1**	(117.9)
Net decrease in cash and deposits		**(10.0)**	(33.6)
Opening cash and deposits		**66.4**	100.7
Exchange translation movement		**0.3**	(0.7)
Closing cash and deposits	18	**56.7**	66.4
Cash and deposits classified as assets held for sale	9D	**–**	(9.3)
Cash and deposits as stated on balance sheet	18	**56.7**	57.1

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 2013

	Short-term deposits £m	Cash at bank £m	Current borrowings including currency swaps £m	Non-current borrowings £m	Net debt £m
As stated on balance sheet at 1 January 2013	**12.0**	**45.1**	**(158.0)**	**(1,880.1)**	**(1,981.0)**
Cash and deposits and borrowings classified as held for sale (note 9D)	**–**	**9.3**	**(1.3)**	**(63.3)**	**(55.3)**
Balance at 1 January 2013	**12.0**	**54.4**	**(159.3)**	**(1,943.4)**	**(2,036.3)**
Cash flow	**(0.8)**	**(9.2)**	**(85.7)**	**(83.0)**	**(178.7)**
Exchange	**–**	**0.3**	**(1.2)**	**(36.4)**	**(37.3)**
Balance at 31 December 2013	**11.2**	**45.5**	**(246.2)**	**(2,062.8)**	**(2,252.3)**

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 2013, the following new and revised Standards and Interpretations have been adopted and have affected the amounts reported in these financial statements:

- Revised IAS 19 Employee Benefits
- IFRS 13 Fair value measurement
- Amendments to IFRS 7 Disclosures – Offsetting Financial Assets and Financial Liabilities
- Amendments to IAS 1 Presentation of items of other comprehensive income
- Amendments resulting from Annual improvements to IFRS (2009-2011).

At the date of approval of these financial statements the following Standards and Interpretations relevant to the Group were in issue but not yet effective and in some cases had not been adopted for use in the European Union:

Issued, not yet effective and not yet endorsed for use in the European Union

- IFRS 9 Financial Instruments; effective for accounting periods beginning on or after 31 December 2017.

Endorsed by the European Union in December 2013

- Amendments to IAS 36 'Impairment of assets' regarding recoverable amount disclosures for non-financial assets; effective for accounting periods beginning on or after 1 January 2014
- IAS 39 'Financial instruments; Recognition and Measurement' Novation of Derivatives and Continuation of Hedge Accounting; effective for accounting periods beginning on or after 1 January 2014

Issued and endorsed for use in the European Union but not yet effective

- IFRS 10 Consolidated Financial Statements; effective for accounting periods beginning on or after 1 January 2014
- IFRS 11 Joint Arrangements; effective for accounting periods beginning on or after 1 January 2014
- IFRS 12 Disclosure of Interests in Other Entities; effective for accounting periods beginning on or after 1 January 2014
- IAS 27 Separate Financial Statements; effective for accounting periods beginning on or after 1 January 2014
- IAS 28 Investments in Associates and Joint Ventures; effective for periods commencing on or after 1 January 2014
- Amendments to IFRS 10, IFRS 12 and IAS 27 Investment entities; effective for accounting periods beginning on or after 1 January 2014
- Amendments to IAS 32 Offsetting Financial Assets and Financial Liabilities; effective for accounting periods beginning on or after 1 January 2014

With the exception of IFRS 11 and IFRS 9, these pronouncements, when applied, will either result in changes in presentation and disclosure, or are not expected to have a material impact on the financial statements.

The Directors have assessed the impact that the adoption of IFRS 11 will have on the financial statements of the Group in future periods. Joint arrangements which are currently proportionally consolidated will be classified as joint ventures as defined by IFRS 11 and equity accounted from 1 January 2014. The Group's share of joint ventures' net assets will be presented on a separate line on the face of the Balance Sheet as 'Investment in joint ventures' and the Group's share of joint ventures' profit or loss will be presented on the face of the Income Statement as 'Share of results of joint ventures'. The Group's profit for the year and equity shareholders' funds will be unaffected by the change, but other income statement and balance sheet line items in the consolidated financial statements, such as net rental income and investment and development properties, will decrease reflecting the reclassification of the amounts relating to joint ventures from those line items. Group balances due to and from joint ventures will be included in payables or receivables as appropriate.

IFRS 9 will impact the measurement and classification of the Group's financial assets and financial liabilities. The Group has not yet completed its evaluation of the effect of adoption.

Basis of preparation

The financial statements are prepared on a going concern basis, as explained in the Directors' Report on page 104.

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.

As part of the Group's strategy to focus on the retail sector, the Group completed the disposal of the majority of its office portfolio between July 2012 and June 2013. Consequently, the relevant assets and liabilities were classified as held for sale. The income and expenditure of these properties are classified as discontinued operations in both the current and comparative periods to reflect the discontinuation of the Group's office property activities, which was considered to be a major line of business. At 31 December 2013 the residual office properties, with a value of £7.4 million, were reclassified to continuing operations as they form a minor proportion of the Group's portfolio. Details of discontinued operations and assets and liabilities previously 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.

1: SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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. The impact of changes to property valuations is a principal uncertainty of the Group, as noted on page 134.

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.

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. As noted on page 117, joint ventures will be equity accounted under IFRS 11 with effect from 1 January 2014.

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 = €1.202 (2012: £1 = €1.233). The principal exchange rate used for the income statement is the average rate, £1 = €1.178 (2012: £1 = €1.233).

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 and of debt raised in non-functional currencies. 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 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.

NOTES TO THE ACCOUNTS CONTINUED

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.

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.

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.

2: PROFIT FOR THE YEAR

	Notes	Adjusted £m	Capital and other £m	Total 2013 £m	Adjusted £m	Capital and other £m	Total 2012 £m
Gross rental income	3A	**321.2**	**–**	**321.2**	297.6	–	297.6
Ground and equity rents payable		**(1.9)**	**–**	**(1.9)**	(1.9)	–	(1.9)
Gross rental income, after rents payable		**319.3**	**–**	**319.3**	295.7	–	295.7
Service charge income		**58.1**	**–**	**58.1**	54.5	–	54.5
Service charge expenses		**(68.0)**	**–**	**(68.0)**	(62.7)	–	(62.7)
Net service charge expenses		**(9.9)**	**–**	**(9.9)**	(8.2)	–	(8.2)
Other property outgoings		**(26.6)**	**–**	**(26.6)**	(28.7)	–	(28.7)
Property outgoings		**(36.5)**	**–**	**(36.5)**	(36.9)	–	(36.9)
Net rental income	3A	**282.8**	**–**	**282.8**	258.8	–	258.8
Management fees receivable		**6.7**	**–**	**6.7**	5.9	–	5.9
Cost of property activities		**(33.2)**	**–**	**(33.2)**	(31.4)	–	(31.4)
Corporate expenses		**(15.6)**	**–**	**(15.6)**	(17.4)	–	(17.4)
Administration expenses		**(42.1)**	**–**	**(42.1)**	(42.9)	–	(42.9)
Operating profit before other net gains/(losses) and share of results of associate		**240.7**	**–**	**240.7**	215.9	–	215.9
Gain on the sale of investment properties		**–**	**4.2**	**4.2**	–	12.2	12.2
Revaluation gains/(losses) on investment properties		**–**	**61.3**	**61.3**	–	(68.3)	(68.3)
Revaluation gains on development properties		**–**	**27.5**	**27.5**	–	19.8	19.8
Other net gains/(losses)		**–**	**93.0**	**93.0**	–	(36.3)	(36.3)
Share of results of associate	14A	**13.4**	**88.1**	**101.5**	4.3	43.2	47.5
Operating profit		**254.1**	**181.1**	**435.2**	220.2	6.9	227.1
Net finance costs	7	**(90.5)**	**(18.4)**	**(108.9)**	(87.5)	(46.1)	(133.6)
Profit before tax		**163.6**	**162.7**	**326.3**	132.7	(39.2)	93.5
Current tax charge	8A	**(0.8)**	**–**	**(0.8)**	(0.4)	–	(0.4)
Deferred tax credit	8A	**–**	**0.1**	**0.1**	–	–	–
Profit from continuing operations		**162.8**	**162.8**	**325.6**	132.3	(39.2)	93.1
Profit from discontinued operations	9B	**5.3**	**9.6**	**14.9**	19.8	28.9	48.7
Profit for the year		**168.1**	**172.4**	**340.5**	152.1	(10.3)	141.8
Non-controlling interests – continuing operations	11A	**(3.6)**	**0.5**	**(3.1)**	(3.3)	(0.1)	(3.4)
Profit for the year attributable to equity shareholders	11A	**164.5**	**172.9**	**337.4**	148.8	(10.4)	138.4
Profit for the year attributable to equity shareholders							
Continuing operations	11A	**159.2**	**163.3**	**322.5**	129.0	(39.3)	89.7
Discontinued operations	11A	**5.3**	**9.6**	**14.9**	19.8	28.9	48.7
		164.5	**172.9**	**337.4**	148.8	(10.4)	138.4

Included in gross rental income is £8.0 million (2012: £6.3 million) of contingent rents calculated by reference to tenants' turnover.

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 for the transaction with a Non-Executive Director noted in the 2012 annual report, and in relation to Directors' remuneration, all other related party transactions are eliminated on consolidation.

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 127.

NOTES TO THE ACCOUNTS CONTINUED

3: SEGMENTAL ANALYSIS

The factors used to determine the Group's reportable segments are the geographic locations (UK and Continental Europe) and sectors in which it operates, which are generally managed by separate teams and are the basis on which performance is assessed and resources allocated. Gross rental income represents the Group's revenue from its 'customers' or tenants. Net rental income is the principal profit measure used to determine the performance of each sector. Total assets are not monitored by segment and resource allocation is based on the distribution of property assets between segments.

A: Revenue and profit by segment

	2013				2012			
			Non-cash items				Non-cash items	
Continuing operations	Gross rental income £m	Net rental income £m	Within net rental income £m	Revaluation gains/(losses) on properties £m	Gross rental income £m	Net rental income £m	Within net rental income £m	Revaluation gains/(losses) on properties £m
United Kingdom								
Retail: Shopping centres	**145.1**	**124.3**	**(7.5)**	**58.0**	141.2	117.0	(7.2)	(21.2)
Retail parks	**86.6**	**82.1**	**0.2**	**25.1**	70.9	66.8	(0.9)	(30.6)
	231.7	**206.4**	**(7.3)**	**83.1**	212.1	183.8	(8.1)	(51.8)
Other UK	**14.9**	**12.1**	**(0.1)**	**(17.7)**	16.2	13.9	(0.2)	(17.3)
Total United Kingdom	**246.6**	**218.5**	**(7.4)**	**65.4**	228.3	197.7	(8.3)	(69.1)
Continental Europe								
France: Retail	**71.6**	**63.2**	**(0.1)**	**(4.1)**	69.1	61.3	–	0.8
Group								
Retail	**303.3**	**269.6**	**(7.4)**	**79.0**	281.2	245.1	(8.1)	(51.0)
Other UK	**14.9**	**12.1**	**(0.1)**	**(17.7)**	16.2	13.9	(0.2)	(17.3)
Total investment portfolio	**318.2**	**281.7**	**(7.5)**	**61.3**	297.4	259.0	(8.3)	(68.3)
Developments and other sources not analysed above	**3.0**	**1.1**	**–**	**27.5**	0.2	(0.2)	–	19.8
Total continuing operations	**321.2**	**282.8**	**(7.5)**	**88.8**	297.6	258.8	(8.3)	(48.5)
As disclosed in note	2	2	26	2, 12	2	2	26	2, 12
Discontinued operations								
Other UK	**7.4**	**7.4**	**(0.8)**	**1.5**	28.0	24.1	1.5	(1.4)
As disclosed in note	9B	9B	26	9B, 12	9B	9B	26	9B, 12
Total portfolio	**328.6**	**290.2**	**(8.3)**	**90.3**	325.6	282.9	(6.8)	(49.9)

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

B: Investment and development property assets by segment

		2013				2012			
		Investment properties £m	Development properties £m	Total £m	Capital expenditure £m	Investment properties £m	Development properties £m	Total £m	Capital expenditure £m
United Kingdom									
Retail:	Shopping centres	**2,523.5**	**10.9**	**2,534.4**	**169.7**	2,412.9	11.5	2,424.4	159.2
	Retail parks	**1,471.1**	**7.4**	**1,478.5**	**24.3**	1,422.6	5.2	1,427.8	273.0
		3,994.6	**18.3**	**4,012.9**	**194.0**	3,835.5	16.7	3,852.2	432.2
Other UK		**199.4**	**81.4**	**280.8**	**56.0**	158.9	27.5	186.4	3.7
Total United Kingdom		**4,194.0**	**99.7**	**4,293.7**	**250.0**	3,994.4	44.2	4,038.6	435.9
Continental Europe									
France:	Retail	**1,240.2**	**397.3**	**1,637.5**	**138.6**	1,188.3	231.5	1,419.8	104.5
Group									
Retail		**5,234.8**	**415.6**	**5,650.4**	**332.6**	5,023.8	248.2	5,272.0	536.7
Other UK		**199.4**	**81.4**	**280.8**	**56.0**	158.9	27.5	186.4	3.7
Total non-current assets		**5,434.2**	**497.0**	**5,931.2**	**388.6**	5,182.7	275.7	5,458.4	540.4
Assets held for sale		**–**	**–**	**–**	**(0.6)**	194.5	–	194.5	18.7
Total property assets		**5,434.2**	**497.0**	**5,931.2**	**388.0**	5,377.2	275.7	5,652.9	559.1

C: Analysis of equity shareholders' funds

	Assets employed		Net debt		Equity shareholders' funds	
	2013 £m	2012 £m	2013 £m	2012 £m	2013 £m	2012 £m
United Kingdom	**4,481.1**	4,514.4	**(838.3)**	(861.1)	**3,642.8**	3,653.3
Continental Europe	**1,831.1**	1,373.1	**(1,414.0)**	(1,175.2)	**417.1**	197.9
	6,312.2	5,887.5	**(2,252.3)**	(2,036.3)	**4,059.9**	3,851.2

As part of the Group's foreign currency hedging programme, at 31 December 2013 the Group had currency swaps outstanding, which are included in the analysis above. Further details are set out in note 21C.

NOTES TO THE ACCOUNTS CONTINUED

4: ADMINISTRATION EXPENSES

Administration expenses include the following items:

Staff costs, including Directors

		Note	2013 £m	2012 £m
Salaries and wages			**24.4**	22.7
Performance-related bonuses	– payable in cash		**5.7**	7.2
	– payable in shares		**0.8**	1.1
			6.5	8.3
Other share-based employee remuneration			**3.0**	3.7
Social security			**6.5**	5.8
Net pension expense	– defined contribution scheme	6	**2.0**	2.0
	– defined benefit schemes	6	**1.2**	1.3
			3.2	3.3
Continuing operations			**43.6**	43.8
Discontinued operations*		9B	**0.4**	1.1
Total			**44.0**	44.9

* Includes £0.1 million (2012: £0.1 million) in respect of share-based employee remuneration.

Of the above amount, £10.6 million (2012: £10.8 million) was recharged to tenants through service charges and £1.5 million (2012: £0.8 million) capitalised in respect of development projects. Further details of share-based payment arrangements, some of which have performance conditions, are provided in the Directors' Remuneration Report on pages 72 to 86. In addition to the figures above, redundancy related costs of £0.6 million (2012: £0.1 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 Directors' Remuneration Report on pages 76 to 78. 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 78 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

	2013 Number	2012 Number
Average number of staff	**410**	405
Staff recharged to tenants, included above	**174**	161

Other information

		2013 £m	2012 £m
Auditor's remuneration:	Audit of the Company's annual accounts	**0.2**	0.3
	Audit of subsidiaries, pursuant to legislation	**0.4**	0.4
	Other services	**0.1**	0.4
Other auditor's remuneration:	Audit of subsidiaries, pursuant to legislation, and other services	**0.1**	0.2
Depreciation of plant, equipment and owner-occupied property		**1.5**	1.5

Auditor's remuneration: Other services in 2012 included £0.2 million for due diligence services in relation to the acquisition of additional interests in Value Retail, and £0.2 million payable to Drivers Jonas Deloitte in respect of advice for the acquisition of The Junction Fund.

5: DIRECTORS' EMOLUMENTS

Full details of the Directors' emoluments, as required by the Companies Act 2006, are disclosed in the audited sections of the Directors' Remuneration Report on pages 87 to 99. 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 contribution pension scheme

The Company operates the UK funded approved Group Personal Pension Plan which is a defined contribution pension scheme. The Group's cost for the year was £2.0 million (2012: £2.1 million), being £2.0 million (2012: £2.0 million) relating to continuing operations and £nil (2012: £0.1 million) in respect of discontinued operations.

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.

Principal actuarial assumptions used for defined benefit pension schemes

	2013 %	2012 %
Discount rate for scheme liabilities	**4.6**	4.5
Increase in pensionable salaries	**3.9**	3.5
Increase in retail price index	**3.4**	3.0
Increase in pensions in payment	**3.4**	3.0
Mortality table	**SAPS Light CMI 1.0%**	SAPS Light CMI 0.5%

NOTES TO THE ACCOUNTS CONTINUED

6: PENSIONS (CONTINUED)

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

	Included in income statement line	2013 £m	2012 £m
Current service cost	Administration expenses	**1.2**	1.3
Net interest cost	Other interest payable	**1.1**	0.4
Total pension expense		**2.3**	1.7

The Group expects to make regular contributions totalling £3.5 million to the Scheme in the next financial year.

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

	2013 £m	2012 £m
Fair value of Scheme assets	**58.4**	55.0
Present value of Scheme obligations	**(79.6)**	(72.9)
	(21.2)	(17.9)
Present value of unfunded defined benefit obligations	**(5.1)**	(5.1)
Present value of US unfunded defined benefit obligations	**(6.6)**	(7.5)
Net pension liability	**(32.9)**	(30.5)
Analysed as:		
Current liabilities: Other payables	**(0.7)**	(0.8)
Non-current liabilities	**(32.2)**	(29.7)
	(32.9)	(30.5)

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 method and allowing for projected compensation.

All defined benefit pension scheme assets are investments with target returns linked to LIBOR.

Experience gains and losses for current and prior years

	2013 £m	2012 £m
Experience (losses)/gains on plan liabilities	**(0.5)**	0.6
Experience (losses)/gains on plan assets	**1.1**	0.4

Changes in the present value of defined benefit pension scheme obligations

		2013 £m	2012 £m
At 1 January		**85.5**	82.2
Service cost		**1.2**	1.3
Interest cost		**3.6**	3.7
Actuarial losses	– experience on plan liabilities	**0.5**	(0.6)
	– changes in financial assumptions	**1.4**	1.7
	– changes in demographic assumptions	**1.6**	–
		3.5	1.1
Benefits		**(2.5)**	(2.4)
Exchange gains		**–**	(0.4)
At 31 December		**91.3**	85.5

Changes in the fair value of defined benefit pension scheme assets

	2013 £m	2012 £m
At 1 January	**55.0**	51.5
Interest on assets	**2.5**	3.3
Actuarial gains	**1.1**	0.4
Contributions by employer	**1.5**	1.5
Benefits	**(1.7)**	(1.7)
At 31 December	**58.4**	55.0

7: NET FINANCE COSTS

	2013 £m	2012 £m
Interest on bank loans and overdrafts	**12.3**	11.6
Interest on other borrowings	**94.8**	89.2
Interest on obligations under finance leases	**0.6**	0.6
Other interest payable	**2.4**	1.4
Gross interest costs	**110.1**	102.8
Less: Interest capitalised	**(13.1)**	(8.8)
Finance costs	**97.0**	94.0
Bond redemption – premium and costs*	**3.9**	13.8
Floating rate reset bonds redemption – premium and costs*	**–**	41.7
Change in fair value of interest rate swaps	**14.5**	(8.3)
Change in fair value of currency swaps outside hedge accounting designation	**–**	(1.1)
Change in fair value of derivatives*	**14.5**	(9.4)
Finance income	**(6.5)**	(6.5)
Net finance costs	**108.9**	133.6
Underlying finance costs		
Gross interest costs	**110.1**	102.8
Finance income	**(6.5)**	(6.5)
Net underlying finance costs	**103.6**	96.3

* Total of £18.4 million (2012: £46.1 million) included in 'Capital and other' in note 2.

NOTES TO THE ACCOUNTS CONTINUED

8: TAX

A: Tax charge

	2013 £m	2012 £m
UK current tax	**0.3**	0.3
Foreign current tax	**0.5**	0.1
Current tax charge	**0.8**	0.4
Deferred tax credit	**(0.1)**	–
Tax charge	**0.7**	0.4

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

B: Tax charge reconciliation

	Notes	2013 £m	2012 £m
Profit before tax – continuing operations	2	**326.3**	93.5
Profit before tax – discontinued operations	9B	**14.9**	48.7
Profit before tax		**341.2**	142.2
Less: Profit after tax of associate		**(101.5)**	(47.5)
Profit on ordinary activities before tax		**239.7**	94.7
Profit multiplied by the UK corporation tax rate of 23.25% (2012: 24.5%)		**55.7**	23.2
UK REIT tax exemption on net income before revaluations and disposals		**(19.3)**	(21.1)
UK REIT tax exemption on revaluations and disposals		**(15.2)**	7.9
SIIC tax exemption		**(22.7)**	(19.9)
Non-deductible and other items		**2.2**	10.3
Tax charge		**0.7**	0.4

C: Current and deferred tax movements

	1 January 2013 £m	Recognised in income £m	Tax paid £m	Acquisitions £m	31 December 2013 £m
Current tax	1.2	0.8	(1.0)	(0.2)	**0.8**
Deferred tax	0.5	(0.1)	–	–	**0.4**
	1.7	0.7	(1.0)	(0.2)	**1.2**
Analysed as:					
Current assets: Corporation tax	(0.2)				**(0.2)**
Current liabilities: Tax	1.4				**1.0**
Non-current liabilities: Deferred tax	0.5				**0.4**
	1.7				**1.2**

D: Unrecognised deferred tax

At 31 December 2013, the Group had unrecognised deferred tax assets as calculated at a tax rate of 20% (2012: 23%) of £68 million (2012: £69 million) for surplus UK revenue tax losses carried forward and £90 million (2012: £63 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 2013 the total of such gains was £235 million (2012: £175 million) and the potential tax effect before the offset of losses was £47 million (2012: £40 million). If a UK REIT sells a property within three years of completion of development, the REIT exemption will not apply. There were no such properties at 31 December 2012 or 2013.

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 then designates 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 2013 amount to £30 million (2012: £80 million) and are expected to be settled within dividends paid by Hammerson plc over the following four years. A further £300 million (2012: £265 million) of dividends would be payable if the properties were realised at their 31 December 2013 values. Since 1 July 2009, qualifying foreign dividends have been exempt from UK tax and therefore no deferred tax provision is recognised.

At 31 December 2013, Hammerson had been a SIIC for 10 years so the period during which penalties may be imposed for leaving the regime has ended. To remain a SIIC, 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.

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 following entities and office properties were disposed of between July 2012 and June 2013. Further information is included in the Business Review on page 37:

Entity

Hammerson (99 Bishopsgate) Limited
Hammerson Bishopsgate LLP
99 Bishopsgate Management Limited
10 Gresham Street LLP
Hammerson Gresham Street Unit Trust
Hammerson (Victoria) Limited
125 OBS Limited Partnership
Hammerson 125 OBS Unit Trust
125 OBS (General Partner) Limited
Hammerson (125 OBS LP) Limited
Hammerson (Leadenhall Court) Limited

Property

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

At 31 December 2013, the residual properties Victoria Station, SW1 and Spitalfields, E1 were reclassified to continuing operations as they form a minor proportion of the Group's portfolio.

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

NOTES TO THE ACCOUNTS CONTINUED

9: DISCONTINUED OPERATIONS AND ASSETS AND LIABILITIES CLASSIFIED AS HELD FOR SALE (CONTINUED)

B: Profit for the year

	Notes	2013 Adjusted £m	2013 Capital and other £m	2013 Total £m	2012 Adjusted £m	2012 Capital and other £m	2012 Total £m
Gross rental income	3A	**7.4**	**–**	**7.4**	28.0	–	28.0
Ground and equity rents payable		**–**	**–**	**–**	(0.3)	–	(0.3)
Gross rental income, after rents payable		**7.4**	**–**	**7.4**	27.7	–	27.7
Service charge income		**0.9**	**–**	**0.9**	4.0	–	4.0
Service charge expenses		**(0.9)**	**–**	**(0.9)**	(6.7)	–	(6.7)
Net service charge expenses		**–**	**–**	**–**	(2.7)	–	(2.7)
Other property outgoings		**–**	**–**	**–**	(0.9)	–	(0.9)
Property outgoings		**–**	**–**	**–**	(3.6)	–	(3.6)
Net rental income	3A	**7.4**	**–**	**7.4**	24.1	–	24.1
Management fees receivable		**0.2**	**–**	**0.2**	0.7	–	0.7
Cost of property activities	4	**(0.4)**	**–**	**(0.4)**	(1.1)	–	(1.1)
Administration expenses		**(0.2)**	**–**	**(0.2)**	(0.4)	–	(0.4)
Operating profit before other net gains		**7.2**	**–**	**7.2**	23.7	–	23.7
Gain on the sale of investment properties		**–**	**7.5**	**7.5**	–	30.4	30.4
Revaluation gains/(losses) on investment properties		**–**	**1.5**	**1.5**	–	(1.4)	(1.4)
Other net gains		**–**	**9.0**	**9.0**	–	29.0	29.0
Operating profit		**7.2**	**9.0**	**16.2**	23.7	29.0	52.7
Net finance costs		**(1.9)**	**0.6**	**(1.3)**	(3.9)	(0.1)	(4.0)
Profit before and after tax and profit for the year attributable to equity shareholders	2, 11A	**5.3**	**9.6**	**14.9**	19.8	28.9	48.7

C: Cashflows from discontinued operations

	2013 £m	2012 £m
Cash flows from operating activities	**(8.6)**	26.5
Cash flows from investing activities	**195.2**	352.5
Cash flows used in financing activities	**(64.6)**	(0.7)
Net cash inflow from discontinued operations	**122.0**	378.3

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

	2013 £m	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 10.8 pence per share was recommended by the Board on 14 February 2014 and, subject to approval by shareholders, is payable on 25 April 2014 to shareholders on the register at the close of business on 14 March 2014. 3.6 pence per share will be paid as a PID, net of withholding tax if applicable, and the remainder of 7.2 pence per share will be paid as a normal dividend. There will be no scrip alternative. The aggregate amount of the 2013 final dividend is £77.0 million. This has been calculated using the total number of eligible shares outstanding at 31 December 2013.

The interim dividend of 8.3 pence per share was paid on 3 October 2013, as a PID, net of withholding tax where appropriate.

The total dividend for the year ended 31 December 2013 would be 19.1 pence per share (2012: 17.7 pence per share).

	PID pence per share	Non-PID pence per share	Total pence per share	Equity dividends 2013 £m	Equity dividends 2012 £m
Current year					
2013 final dividend	**3.6**	**7.2**	**10.8**	**–**	–
2013 interim dividend	**8.3**	**–**	**8.3**	**59.0**	–
	11.9	**7.2**	**19.1**		
Prior years					
2012 final dividend	**4.0**	**6.0**	**10.0**	**71.1**	–
2012 interim dividend	**7.7**	**–**	**7.7**	**–**	54.8
	11.7	**6.0**	**17.7**		
2011 final dividend	**7.0**	**2.3**	**9.3**	**–**	66.1
Dividends as reported in the consolidated statement of changes in equity				**130.1**	120.9
2011 interim dividend withholding tax (paid January 2012)				**–**	6.2
2012 interim dividend withholding tax (paid January 2013)				**8.7**	(8.7)
2013 interim dividend withholding tax (paid January 2014)				**(9.4)**	–
Dividends paid as reported in the consolidated cash flow statement				**129.4**	118.4

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 25), which are treated as cancelled.

	Notes	2013 Earnings £m	2013 Shares million	2013 Pence per share	2012 Earnings £m	2012 Shares million	2012 Pence per share
Basic – continuing operations	2	**322.5**	**711.8**	**45.3**	89.7	711.7	12.6
Basic – discontinued operations	2	**14.9**		**2.1**	48.7		6.8
Basic – total	2	**337.4**		**47.4**	138.4		19.4
Dilutive share options		**–**	**0.2**	**–**	–	0.2	–
Diluted		**337.4**	**712.0**	**47.4**	138.4	711.9	19.4
Adjustments:							
Other net (gains)/losses							
– continuing operations	2	**(93.0)**		**(13.1)**	36.3		5.1
– discontinued operations	9B	**(9.0)**		**(1.2)**	(29.0)		(4.1)
		(102.0)		**(14.3)**	7.3		1.0
Adjustment for associate	14A	**(88.1)**		**(12.3)**	(43.2)		(6.1)
Change in fair value of derivatives							
– continuing operations	7	**14.5**		**2.0**	(9.4)		(1.3)
– discontinued operations	9B	**(0.6)**		**(0.1)**	0.1		–
		13.9		**1.9**	(9.3)		(1.3)
Bond redemption – premium and costs	7	**3.9**		**0.5**	13.8		2.0
Floating rate reset bonds redemption – premium and costs	7	**–**		**–**	41.7		5.9
Deferred tax credit	8A	**(0.1)**		**–**	–		–
Non-controlling interests in respect of the above[1]	2	**(0.5)**		**(0.1)**	0.1		–
EPRA		**164.5**		**23.1**	148.8		20.9

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 46 to 50.

B: Net asset value per share

	Notes	2013 Equity shareholders' funds £m	2013 Shares million	2013 Net asset value per share £	2012 Equity shareholders' funds £m	2012 Shares million	2012 Net asset value per share £
Basic		**4,059.9**	**712.9**	**5.70**	3,851.2	712.8	5.40
Company's own shares held in Employee Share Ownership Plan		**–**	**(1.0)**	**n/a**	–	(1.3)	n/a
Unexercised share options		**2.3**	**0.5**	**n/a**	3.7	0.7	n/a
Diluted		**4,062.2**	**712.4**	**5.70**	3,854.9	712.2	5.41
Fair value adjustment to borrowings	21I	**(210.9)**		**(0.29)**	(289.5)		(0.41)
EPRA triple net		**3,851.3**		**5.41**	3,565.4		5.00
Fair value of derivatives	21I	**0.8**		**–**	(11.6)		(0.02)
Fair value adjustment to borrowings	21I	**210.9**		**0.29**	289.5		0.41
Adjustment for associate	14B	**19.7**		**0.03**	16.2		0.03
Deferred tax	8C	**0.4**		**–**	0.5		–
EPRA		**4,083.1**		**5.73**	3,860.0		5.42

12: INVESTMENT AND DEVELOPMENT PROPERTIES

Continuing operations

	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 2013	**4,546.3**	**5,182.7**	**266.5**	**275.7**	**4,812.8**	**5,458.4**
Exchange adjustment	**17.2**	**30.7**	**5.0**	**6.0**	**22.2**	**36.7**
Additions						
– capital expenditure	**68.4**	**68.4**	**128.2**	**128.2**	**196.6**	**196.6**
– asset acquisitions	**192.0**	**192.0**	**–**	**–**	**192.0**	**192.0**
	260.4	**260.4**	**128.2**	**128.2**	**388.6**	**388.6**
Disposals	**(59.1)**	**(60.9)**	**(0.6)**	**(0.6)**	**(59.7)**	**(61.5)**
Transfers	**(95.4)**	**(48.5)**	**95.4**	**48.5**	**–**	**–**
Capitalised interest	**1.1**	**1.1**	**11.7**	**11.7**	**12.8**	**12.8**
Revaluation	**–**	**61.3**	**–**	**27.5**	**–**	**88.8**
Transfer from assets held for sale	**6.3**	**7.4**	**–**	**–**	**6.3**	**7.4**
Balance at 31 December 2013	**4,676.8**	**5,434.2**	**506.2**	**497.0**	**5,183.0**	**5,931.2**

Discontinued operations

	Investment properties Cost £m	Investment properties Valuation £m
Balance at 1 January 2013	**176.6**	**194.5**
Additions	**(0.6)**	**(0.6)**
Disposals	**(169.7)**	**(188.0)**
Revaluation	**–**	**1.5**
Transfer to continuing operations	**(6.3)**	**(7.4)**
Balance at 31 December 2013	**–**	**–**

	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

NOTES TO THE ACCOUNTS CONTINUED

12: INVESTMENT AND DEVELOPMENT PROPERTIES (CONTINUED)

Properties are stated at fair value as at 31 December 2013, 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.

In the case of leasehold properties, 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 22) and 'Interests in leasehold properties' respectively. Further information is provided in 'Significant accounting policies' on page 119.

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

As noted in 'Significant judgements and key estimates' on pages 117 and 118, real estate valuations are complex, derived from data which is not widely publicly available and involve a degree of judgement. For these reasons, and consistent with EPRA's guidance, we have classified the valuations of our property portfolio as Level 3 as defined by IFRS 13. Inputs to the valuations, some of which are 'unobservable' as defined by IFRS 13, include nominal equivalent yield and rental income. These inputs to the valuations are analysed by segment in the valuation and rental data tables on pages 53 and 54. All other factors remaining constant, an increase in rental income would increase valuations, whilst increases in nominal equivalent yield and discount rate would result in a fall in values and vice versa. However, there are interrelationships between unobservable inputs as they are determined by market conditions. The existence of an increase of more than one unobservable input would augment the impact on valuation. The impact on the valuation would be mitigated by the interrelationship between unobservable inputs moving in opposite directions. For example, an increase in rents may be offset by an increase in yield, resulting in no net impact on the valuation.

At 31 December 2013, investment properties included a property held for sale with a value of £100.6 million (2012: £nil). The property sale completed in January 2014.

The total amount of interest included in development properties at 31 December 2013 was £24.6 million (2012: £12.5 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 2013 was 4.8% (2012: 5.2%).

Analysis of properties by tenure	Freehold £m	Long leasehold £m	Total £m
Balance at 31 December 2013	**3,377.1**	**2,554.1**	**5,931.2**
Balance at 31 December 2012	3,282.3	2,176.1	5,458.4

	2013 £m	2012 £m
Capital commitments	**156.9**	158.1

At 31 December 2013 Hammerson's share of the capital commitments in respect of joint ventures, which is included in the table above, was £14.8 million (2012: £4.2 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 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 2012/1 January 2013	**30.0**	**14.7**	**44.7**
Exchange adjustment	**–**	**0.2**	**0.2**
Additions	**–**	**1.1**	**1.1**
Disposals	**–**	**(1.1)**	**(1.1)**
Revaluation	**3.2**	**–**	**3.2**
Balance at 31 December 2013	**33.2**	**14.9**	**48.1**
Depreciation			
Balance at 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 2012/1 January 2013	**–**	**(8.0)**	**(8.0)**
Exchange adjustment	**–**	**(0.2)**	**(0.2)**
Disposals	**–**	**1.1**	**1.1**
Depreciation charge for the year	**–**	**(1.5)**	**(1.5)**
Balance at 31 December 2013	**–**	**(8.6)**	**(8.6)**
Book value at 31 December 2013	**33.2**	**6.3**	**39.5**
Book value at 31 December 2012	30.0	6.7	36.7

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 2013 was £12.0 million (2012: £12.0 million).

NOTES TO THE ACCOUNTS CONTINUED

14: INVESTMENT IN ASSOCIATE

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

A: Share of results of associate

	2013		2012 (21 August to 31 December)	
	100% £m	Hammerson share £m	100% £m	Hammerson share £m
Revenue	**231.4**	**66.5**	61.9	18.1
Depreciation and amortisation	**(3.8)**	**(1.1)**	(1.7)	(0.6)
Operating profit before other net gains	**227.6**	**65.4**	60.2	17.5
Revaluation gains on investment properties	**273.6**	**85.5**	124.3	38.1
Other net operating costs	**(151.6)**	**(39.7)**	(35.9)	(9.1)
Operating profit	**349.6**	**111.2**	148.6	46.5
Interest income	**3.6**	**1.0**	1.3	0.4
Interest expense	**(47.8)**	**(13.0)**	(15.7)	(4.2)
Change in fair value of financial instruments	**8.3**	**5.0**	(17.6)	(3.4)
Change in fair value of participative loans – revaluation movement	**–**	**7.1**	–	12.0
Change in fair value of participative loans – other movement	**–**	**0.8**	–	–
Profit before tax	**313.7**	**112.1**	116.6	51.3
Current tax charge	**(7.3)**	**(1.6)**	(1.7)	(0.3)
Deferred tax charge	**(43.8)**	**(9.0)**	(23.3)	(3.5)
Profit for the period	**262.6**	**101.5**	91.6	47.5
Foreign exchange translation differences	**8.6**	**(0.4)**	12.7	1.6
Total comprehensive income	**271.2**	**101.1**	104.3	49.1

Reconciliation to note 14A

Profit for the period	**262.6**	**101.5**	91.6	47.5
Revaluation gains on investment properties	**(273.6)**	**(85.5)**	(124.3)	(38.1)
Change in fair value of financial instruments	**(8.3)**	**(5.0)**	17.6	3.4
Change in fair value of participate loans – revaluation movement	**–**	**(7.1)**	–	(12.0)
Capitalised loan finance fees written off	**–**	**0.5**	–	–
Deferred tax charge	**43.8**	**9.0**	23.3	3.5
Adjustment for associate	**(238.1)**	**(88.1)**	(83.4)	(43.2)
EPRA adjusted earnings of associate	**24.5**	**13.4**	8.2	4.3

When aggregated, the Group's share of VR's operating profit before other net gains amounted to 28.7% for the year ended 31 December 2013 (29.1% for the period ended 31 December 2012).

B: Share of assets and liabilities of associate

	2013 100% £m	2013 Hammerson share £m	2012 100% £m	2012 Hammerson share £m
Goodwill on acquisition of associate	–	65.7	–	58.5
Other non-current assets	2,546.8	777.0	2,224.6	579.1
Non-current assets	2,546.8	842.7	2,224.6	637.6
Other current assets	169.6	33.4	140.3	43.5
Cash and deposits	110.3	30.0	87.3	21.7
Current assets	279.9	63.4	227.6	65.2
Total assets	2,826.7	906.1	2,452.2	702.8
Current liabilities	(132.5)	(32.7)	(40.8)	(9.8)
Other liabilities	(976.5)	(297.0)	(944.3)	(235.2)
Fair value of financial instruments	(126.9)	(27.0)	(132.8)	(33.0)
Deferred tax	(322.6)	(75.0)	(273.6)	(39.2)
Non-current liabilities	(1,426.0)	(399.0)	(1,350.7)	(307.4)
Total liabilities	(1,558.5)	(431.7)	(1,391.5)	(317.2)
Net assets	1,268.2	474.4	1,060.7	385.6
Participative loans*		71.0		42.8
Investment in associate		545.4		428.4

The table above excludes liabilities in respect of distributions received in advance from VR amounting to £13.4 million (2012: £10.2 million) which are included within non-current liabilities in note 23.

When aggregated, the Group's share of VR's net assets amounted to 37.4% at 31 December 2013 (2012: 36.4%).

* 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 14B

	2013 Hammerson share £m	2012 Hammerson share £m
Total investment in associate	545.4	428.4
Fair value of derivatives	(8.3)	5.7
Deferred tax	75.0	39.2
Goodwill as a result of deferred tax	(47.0)	(28.7)
Adjustment for associate	19.7	16.2
EPRA adjusted investment in associate	565.1	444.6

C: Reconciliation of movements in investment in associate

	Note	2013 £m	2012 £m
Balance at 1 January		428.4	–
Transfer from other investments on 21 August 2012		–	381.7
Acquisitions		59.4	–
Share of results of associate		101.5	47.5
Distributions		(46.4)	(2.4)
Revaluation movement on participative loan		2.9	–
Foreign exchange translation differences		(0.4)	1.6
Balance at 31 December	14B	545.4	428.4

NOTES TO THE ACCOUNTS CONTINUED

15: JOINT VENTURES

As at 31 December 2013 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
Croydon 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	50
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
Whitgift Limited Partnership	50
125 OBS Limited Partnership (sold June 2013)	50
Developments	
Bishopsgate Goodsyard Regeneration Limited	50

In May 2013 the Group acquired an additional 16.7% stake in The Bull Ring Limited Partnership, increasing Hammerson's interest to 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 139 and 140, show the proportion of the Group's results, assets and liabilities that are derived from its joint ventures.

Income statements for the year ended 31 December 2013

	Brent Cross[1] £m	Bristol Alliance Limited Partnership £m	Bullring Limited Partnership[2] £m	Oracle Limited Partnership £m	Queensgate Limited Partnership £m	Highcross Limited Partnership £m	West Quay Limited Partnership £m	Retail Property Holdings Limited £m	Croydon and Whitgift Limited Partnerships £m	SCI RC Aulnay £m	Other £m	Total 2013 £m
Net rental income	18.8	14.5	22.0	13.3	6.2	13.3	12.3	9.0	4.0	4.6	4.6	122.6
Administration expenses	–	(0.4)	–	–	(0.1)	–	–	(0.1)	(0.4)	–	–	(1.0)
Operating profit before other net gains/(losses)	18.8	14.1	22.0	13.3	6.1	13.3	12.3	8.9	3.6	4.6	4.6	121.6
Other net gains/(losses)	(0.9)	1.9	16.3	9.7	(9.2)	(3.3)	8.7	4.6	(12.0)	(5.3)	(0.6)	9.9
Net finance costs	–	(0.4)	–	–	–	–	(0.2)	–	–	0.9	0.1	0.4
Profit before tax – continuing operations	17.9	15.6	38.3	23.0	(3.1)	10.0	20.8	13.5	(8.4)	0.2	4.1	131.9
Profit before tax – discontinued operations	–	–	–	–	–	–	–	–	–	–	9.5	9.5
Profit before tax	17.9	15.6	38.3	23.0	(3.1)	10.0	20.8	13.5	(8.4)	0.2	13.6	141.4

Balance sheets as at 31 December 2013

	Brent Cross[1] £m	Bristol Alliance Limited Partnership £m	Bullring Limited Partnership[2] £m	Oracle Limited Partnership £m	Queensgate Limited Partnership £m	Highcross Limited Partnership £m	West Quay Limited Partnership £m	Retail Property Holdings Limited £m	Croydon and Whitgift Limited Partnerships £m	SCI RC Aulnay £m	Other £m	Total 2013 £m
Non-current assets												
Investment and development properties at valuation	366.0	269.2	477.6	276.1	101.0	259.5	253.2	176.5	84.0	92.1	161.4	2,516.6
Interests in leasehold properties	–	7.3	–	–	–	–	2.1	–	–	–	0.4	9.8
Receivables	–	–	–	–	–	0.5	–	–	–	–	–	0.5
	366.0	276.5	477.6	276.1	101.0	260.0	255.3	176.5	84.0	92.1	161.8	2,526.9
Current assets												
Other current assets	11.1	1.7	3.1	1.5	1.8	2.9	1.9	2.2	1.0	2.9	4.9	35.0
Cash and deposits	0.6	5.6	7.8	3.9	2.5	5.4	4.9	3.2	3.2	1.9	2.0	41.0
	11.7	7.3	10.9	5.4	4.3	8.3	6.8	5.4	4.2	4.8	6.9	76.0
Current liabilities												
Other liabilities	(21.4)	(7.4)	(8.8)	(4.6)	(2.9)	(5.9)	(4.9)	(3.9)	(4.1)	(1.7)	(5.4)	(71.0)
Non-current liabilities												
Borrowings	–	–	–	–	–	–	–	–	–	(45.0)	–	(45.0)
Other liabilities	(0.2)	(7.4)	(0.4)	(0.1)	(0.1)	(0.2)	(2.4)	–	–	(3.9)	(1.4)	(16.1)
	(0.2)	(7.4)	(0.4)	(0.1)	(0.1)	(0.2)	(2.4)	–	–	(48.9)	(1.4)	(61.1)
Net assets	356.1	269.0	479.3	276.8	102.3	262.2	254.8	178.0	84.1	46.3	161.9	2,470.8

1. Includes Brent Cross Shopping Centre and Brent South Shopping Park.
2. Reflects the Group's acquisition in May 2013 of an additional 16.7% stake in The Bull Ring Limited Partnership, increasing Hammerson's interest to 50%.

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

15: JOINT VENTURES (CONTINUED)

Income statements for the year ended 31 December 2012

	Brent Cross[1] £m	Bristol Alliance Limited Partnership £m	Bullring Limited Partnership[2] £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	Bullring Limited Partnership[2] £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.
2. Reflects the Group's interest of 33.33% during 2012.

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.

16: RECEIVABLES: NON-CURRENT ASSETS

	2013 £m	2012 £m
Loans receivable	**68.7**	47.0
Other receivables	**1.6**	1.1
Fair value of interest rate swaps	**2.0**	18.5
	72.3	66.6

Loans receivable includes a loan of €58.0 million (£48.2 million) (2012: €58.0 million, £47.0 million) to Value Retail European Holdings BV bearing interest at 10% and maturing on 11 September 2016, except a residual €2 million tranche which matures on 30 November 2043.

Loans receivable also includes a loan to VR Milan S.R.L of €25.0 million granted on 30 July 2013 bearing interest at Euribor plus a 5% margin and maturing on 13 December 2017. This loan is repayable in quarterly instalments and the balance outstanding at 31 December 2013 is €24.6 million (£20.5 million). Both loans are classified as available for sale.

17: RECEIVABLES: CURRENT ASSETS

	2013 £m	2012 £m
Trade receivables	**48.1**	53.2
Other receivables	**61.1**	38.6
Corporation tax	**0.2**	0.2
Prepayments	**3.7**	10.7
	113.1	102.7

Trade receivables are shown after deducting a provision for bad and doubtful debts of £13.8 million (2012: £13.2 million), as set out in the table below. The movement in the provision during the year was recognised entirely in income. Credit risk is discussed in note 21F.

	Gross receivable £m	Provision £m	2013 Net receivable £m	Gross receivable £m	Provision £m	2012 Net receivable £m
Not yet due	**28.5**	**–**	**28.5**	36.4	–	36.4
1-30 days overdue	**10.3**	**0.8**	**9.5**	11.5	0.7	10.8
31-60 days overdue	**1.7**	**0.5**	**1.2**	1.4	0.7	0.7
61-90 days overdue	**1.0**	**0.2**	**0.8**	0.4	0.1	0.3
91-120 days overdue	**2.1**	**0.9**	**1.2**	2.3	0.6	1.7
More than 120 days overdue	**18.3**	**11.4**	**6.9**	14.4	11.1	3.3
	61.9	**13.8**	**48.1**	66.4	13.2	53.2

18: CASH AND DEPOSITS

	2013 £m	2012 Total £m	Associated with assets held for sale £m	2012 As stated on balance sheet £m
Cash at bank	**45.5**	54.4	(9.3)	45.1
Short-term deposits	**11.2**	12.0	–	12.0
	56.7	66.4	(9.3)	57.1
Currency profile				
Sterling	**47.3**	52.6	(9.3)	43.3
Euro	**9.4**	13.8	–	13.8
	56.7	66.4	(9.3)	57.1

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 0.5% (2012: 0.3%). Such deposits are considered to be cash equivalents. Included in the cash balance is £nil (2012: £1.9 million) that may be used only in relation to certain development projects or in respect of secured borrowings.

NOTES TO THE ACCOUNTS CONTINUED

19: PAYABLES: CURRENT LIABILITIES

	2013 £m	2012 £m
Trade payables	**26.9**	36.3
Other payables	**137.2**	132.3
Accruals	**25.9**	25.3
Deferred income	**50.5**	49.8
	240.5	243.7

20: BORROWINGS

A: Maturity

	Bank loans and overdrafts £m	Other borrowings £m	Total 2013 £m	Total 2012 £m	Associated with assets held for sale £m	2012 As stated on balance sheet £m
After five years	**–**	**1,160.1**	**1,160.1**	1,142.4	–	1,142.4
From two to five years	**210.8**	**292.8**	**503.6**	799.7	(62.0)	737.7
From one to two years	**–**	**399.1**	**399.1**	1.3	(1.3)	–
Due after more than one year	**210.8**	**1,852.0**	**2,062.8**	1,943.4	(63.3)	1,880.1
Due within one year	**249.9**	**(3.7)**	**246.2**	159.3	(1.3)	158.0
	460.7	**1,848.3**	**2,309.0**	2,102.7	(64.6)	2,038.1

At 31 December 2012 and 2013 no borrowings due after five years were repayable by instalments.

B: Analysis

	2013 £m	2012 £m
Unsecured		
£200 million 7.25% sterling bonds due 2028	**197.9**	197.9
£300 million 6% sterling bonds due 2026	**297.2**	297.1
£250 million 6.875% sterling bonds due 2020	**248.2**	247.9
€500 million 2.75% euro bonds due 2019	**412.2**	401.2
£272 million (2012: £300 million) 5.25% sterling bonds due 2016	**271.1**	298.7
€480 million 4.875% euro bonds due 2015	**399.1**	388.9
Bank loans and overdrafts	**415.7**	151.6
	2,241.4	1,983.3
Fair value of currency swaps	**22.6**	11.1
	2,264.0	1,994.4
Secured		
Euro variable rate mortgage due 2016	**45.0**	43.7
Sterling variable rate mortgage due 2015*	**–**	64.6
	2,309.0	2,102.7

* Associated with assets previously held for sale.

Security for secured euro borrowings as at 31 December 2013 is provided by a first legal charge on one property, for which the Group's share of the carrying value was £103.7 million.

C: Undrawn committed facilities

	2013 £m	2012 £m
Expiring after more than two years	**659.0**	630.0

D: Interest rate and currency profile

	Fixed rate borrowings			Other variable rate borrowings	2013 Total
	%	Years	£m	£m	£m
Sterling	**6.5**	**13**	**475.0**	**410.5**	**885.5**
Euro	**4.1**	**3**	**1,168.0**	**255.5**	**1,423.5**
	4.8	**6**	**1,643.0**	**666.0**	**2,309.0**

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

The analysis above reflects the effect of currency and interest rate swaps in place at 31 December 2012 and 2013, further details of which are set out in note 21.

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

21: 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 Principle Risks and Uncertainties on page 58.

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 2013, the Group had interest rate swaps of £41.0 million (2012: £40.0 million), maturing in 2016. Under this swap the Group pays interest at a fixed rate of 3.075% and receives interest linked to EURIBOR. In addition, the Group had interest rate swaps of £250.0 million (2012: £250.0 million) maturing in 2020 under which the Group pays interest linked to LIBOR and receives interest at 6.875%. At 31 December 2012, the Group also had an interest rate swap of £60.7 million maturing in 2015 which was associated with assets previously held for sale. Under this swap the Group paid interest at a fixed rate and received interest linked to LIBOR.

At 31 December 2013, the fair value of interest rate swaps was a liability of £0.8 million (2012: £11.6 million asset). 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. The Group also hedges the impact of foreign exchange movements in debt raised in foreign currencies through the use of derivatives to swap the cash flows back to either sterling or euros.

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 2013 was £811.3 million (2012: £790.1 million) and their fair value was £845.7 million (2012: £841.4 million).

NOTES TO THE ACCOUNTS CONTINUED

21: FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

At 31 December 2013, the Group had currency swaps of £735.9 million, being €302.5 million sold forward against sterling for value in February 2014 at a rate of £1 = €1.184, €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%, and cross currency swaps to swap $291 million of USPP notes commencing in February and June 2014 and maturing in June 2021 and 2024, into euro at a rate of €1 = $1.3415. 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 the €379.6 million of cross currency swaps as described above. The fair value of currency swaps is shown in note 21I.

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 46 to 50.

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 21A 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 payable quarterly in advance and the average unexpired lease term at 31 December 2013 was 8.0 years (2012: 8.2 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 52.

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 16 and 17 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 17.

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 2013, the Group's maximum exposure to credit risk was £242.1 million (2012: £237.5 million).

G: Financial maturity analysis

The following table is a maturity analysis for income-earning financial assets and interest-bearing financial liabilities.

					2013 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	(56.7)	(56.7)	–	–	–
Euro variable rate secured bank loan	45.0	–	–	45.0	–
Unsecured bonds					
– Sterling fixed rate bonds	1,014.4	–	–	271.1	743.3
– Euro fixed rate bonds	811.3	–	399.1	–	412.2
Interest rate swaps (variable)	209.0	–	–	(41.0)	250.0
Interest rate swaps (fixed)	(209.0)	–	–	41.0	(250.0)
Unsecured bank loans and overdrafts	415.7	249.9	–	165.8	–
Fair value of currency swaps	22.6	(3.7)	–	21.7	4.6
Net debt	2,252.3	189.5	399.1	503.6	1,160.1
Loans receivable	(68.7)	–	–	(68.7)	–
	2,183.6	189.5	399.1	434.9	1,160.1

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.

					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

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. The tables below provide indicative sensitivity data.

	2013		2012	
Effect on profit before tax:	**Increase in interest rates by 1%**	**Decrease in interest rates by 1%**	Increase in interest rates by 1%	Decrease in interest rates by 1%
(Decrease)/Increase (£m)	**(17.3)**	**18.1**	(15.3)	16.3

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.

	2013		2012	
Effect on financial instruments:	**Strengthening of sterling against euro by 10%**	**Weakening of sterling against euro by 10%**	Strengthening of sterling against euro by 10%	Weakening of sterling against euro by 10%
Increase/(Decrease) in net gain taken to equity (£m)	**129.4**	**(158.1)**	109.4	(133.8)

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.

NOTES TO THE ACCOUNTS CONTINUED

21: FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

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:

	2013		2012	
	Book value £m	**Fair value £m**	Book value £m	Fair value £m
Borrowings, excluding currency swaps	**2,286.4**	**2,497.3**	2,091.6	2,381.1
Currency swaps	**22.6**	**22.6**	11.1	11.1
Total	**2,309.0**	**2,519.9**	2,102.7	2,392.2
Interest rate swaps	**0.8**	**0.8**	(11.6)	(11.6)
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 2013, the fair value of financial instruments exceeded their book value by £210.9 million (2012: £289.5 million), equivalent to 29 pence per share (2012: 41 pence per share) on an EPRA net asset value per share basis.

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 18. 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 16 and 17. 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 note 14. 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	**2013 £m**	2012 £m
Balance at 1 January	**91.2**	267.7
Total gains		
– in profit and loss	**13.8**	16.0
– in other comprehensive income	**3.4**	72.8
Other movements		
– acquisitions	**–**	95.2
– settlement of interest	**(5.6)**	(4.3)
– loan issue/(repayment)	**21.4**	(5.3)
Net additions to participative loan to associate recognised as available for sale	**16.9**	30.8
Transfer to investment in associate	**–**	(381.7)
Balance at 31 December	**141.1**	91.2

J: Carrying amounts, gains and losses of financial instruments

	Notes	2013 Carrying amount £m	2013 Gain/(Loss) to income £m	2013 Gain/(Loss) to equity £m	2012 Carrying amount £m	2012 Gain/(Loss) to income £m	2012 Gain/(Loss) to equity £m
Trade receivables	17	**48.1**	**(0.6)**	**–**	53.2	(0.8)	–
Cash and deposits	18	**56.7**	**0.1**	**–**	57.1	0.6	–
Discontinued operations		**–**	**–**	**–**	10.7	–	–
Loans and receivables		**104.8**	**(0.5)**	**–**	121.0	(0.2)	–
Other investments		**1.4**	**–**	**–**	1.4	–	72.8
Loans receivable	16	**68.7**	**5.9**	**–**	47.0	4.0	–
Participative loan to associate	14B	**71.0**	**7.9**	**3.4**	42.8	12.0	–
Available for sale loans and investments		**141.1**	**13.8**	**3.4**	91.2	16.0	72.8
Interest rate swaps	16, 23	**(0.8)**	**(12.4)**	**–**	14.6	9.2	–
Discontinued operations	21I	**–**	**–**	**–**	(3.0)	(1.0)	–
Assets/(Liabilities) at fair value (held for trading)		**(0.8)**	**(12.4)**	**–**	11.6	8.2	–
Currency swaps	20B	**(22.6)**	**0.7**	**(11.8)**	(11.1)	1.4	15.7
Derivatives in effective hedging relationships		**(22.6)**	**0.7**	**(11.8)**	(11.1)	1.4	15.7
Payables	19, 23	**(227.0)**	**–**	**–**	(224.1)	–	–
Borrowings, excluding currency swaps	20	**(2,286.4)**	**(115.7)**	**(20.1)**	(2,027.0)	(158.2)	11.6
Obligations under finance leases	22	**(44.7)**	**(0.6)**	**–**	(42.3)	(0.7)	–
Discontinued operations		**–**	**(1.3)**	**–**	(83.6)	(3.0)	–
Liabilities at amortised cost		**(2,558.1)**	**(117.6)**	**(20.1)**	(2,377.0)	(161.9)	11.6
Total for financial instruments		**(2,335.6)**	**(116.0)**	**(28.5)**	(2,164.3)	(136.5)	100.1

The total loss to income for the year ended 31 December 2013 in respect of interest rate swaps shown above includes the loss arising from the change in fair value of £14.5 million (2012: £8.3 million gain), included within net finance costs in note 7, and a gain of £0.6 million (2012: £0.1 million loss) 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	2013 £m	2012 £m
Total loss on financial instruments to income			**(116.0)**	(136.5)
Add back:	Trade receivables loss		**0.6**	0.8
	Other interest income		**–**	0.2
	Loss to income on currency swaps outside hedge accounting designation	7	**–**	1.1
	Interest capitalised	7	**13.1**	8.8
	Discontinued operations	9B	**1.3**	4.0
Deduct:	Change in participative loan to associate shown in share of results of associate		**(7.9)**	(12.0)
Net finance costs		7	**(108.9)**	(133.6)

No financial instruments were designated as at fair value through profit and loss on initial recognition, nor 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 losses in relation to currency swaps of £11.8 million (2012: £15.7 million gain) and borrowings of £20.1 million (2012: £11.6 million gain) is £31.9 million (2012: £27.3 million gain) is shown in the movement in the hedging reserve in the consolidated statement of changes in equity.

NOTES TO THE ACCOUNTS CONTINUED

21: FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

K: Maturity analysis of financial liabilities

The remaining contractual maturities are as follows:

2013	Payables £m	Interest rate swaps £m	Currency swaps £m	Financial liability cash flows £m	Finance leases: Continuing £m	Finance leases: Discontinued £m	Total 2013 £m
Notes				21L	22		
After 25 years	–	–	–	–	**331.6**	–	**331.6**
From five to 25 years	**25.6**	–	–	**1,519.9**	**52.7**	–	**1,598.2**
From two to five years	**4.9**	**2.8**	**315.8**	**713.2**	**7.9**	–	**1,044.6**
From one to two years	**6.7**	–	–	**499.6**	**2.6**	–	**508.9**
Due after more than one year	**37.2**	**2.8**	**315.8**	**2,732.7**	**394.8**	–	**3,483.3**
Due within one year	**189.8**	–	**251.6**	**349.8**	**2.0**	–	**793.2**
	227.0	**2.8**	**567.4**	**3,082.5**	**396.8**		**4,276.5**

2012	Payables* £m	Interest rate swaps £m	Currency swaps £m	Financial liability cash flows £m	Finance leases: Continuing £m	Finance leases: Discontinued £m	Total 2012 £m
Notes				21L	22		
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.

At 31 December 2013, the currency swap liability is offset by an asset of £544.8 million (2012: £344.1 million), so that the fair value of the currency swaps is a liability of £22.6 million (2012: £11.1 million), as reported in note 20B.

L: Reconciliation of maturity analyses in notes 20 and 21K

The maturity analysis in note 21K 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 20 with the financial maturity analysis in note 21K.

2013	Borrowings £m	Interest £m	Unamortised borrowing costs £m	Financial liability cash flows £m
Notes	20A			21K
From five to 25 years	**1,160.1**	**349.3**	**10.5**	**1,519.9**
From two to five years	**503.6**	**203.1**	**6.5**	**713.2**
From one to two years	**399.1**	**100.2**	**0.3**	**499.6**
Due after more than one year	**2,062.8**	**652.6**	**17.3**	**2,732.7**
Due within one year	**246.2**	**103.5**	**0.1**	**349.8**
	2,309.0	**756.1**	**17.4**	**3,082.5**

2012	Borrowings £m	Interest £m	Unamortised borrowing costs £m	Financial liability cash flows £m
Notes	20A			21K
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

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 49 and information on share capital and changes therein is set out in note 24 below and in the Statement of Changes in Equity on page 113.

22: OBLIGATIONS UNDER FINANCE LEASES

Finance lease obligations in respect of rents payable on leasehold properties are payable as follows:

	2013			2012		
	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	**331.6**	**(289.7)**	**41.9**	332.2	(291.0)	41.2
From five to 25 years	**52.7**	**(49.6)**	**3.1**	51.7	(48.8)	2.9
From two to five years	**7.9**	**(7.7)**	**0.2**	7.8	(7.5)	0.3
From one to two years	**2.6**	**(2.5)**	**0.1**	2.0	(2.5)	(0.5)
Within one year	**2.0**	**(2.6)**	**(0.6)**	3.1	(4.7)	(1.6)
	396.8	**(352.1)**	**44.7**	396.8	(354.5)	42.3

23: PAYABLES: NON-CURRENT LIABILITIES

	2013 £m	2012 £m
Net pension liability	**32.2**	29.7
Other payables	**37.3**	30.5
Fair value of interest rate swaps	**2.8**	3.9
	72.3	64.1

24: SHARE CAPITAL

	Called up, allotted and fully paid	
	2013 £m	2012 £m
Ordinary shares of 25p each	**178.2**	178.2

	Number
Movements in number of shares in issue	
Number of shares in issue at 1 January 2013	712,830,959
Share options exercised – Executive Share Option Scheme	18,700
Share options exercised – Savings-related Share Option Scheme	27,211
Number of shares in issue at 31 December 2013	**712,876,870**

NOTES TO THE ACCOUNTS CONTINUED

24: SHARE CAPITAL (CONTINUED)

Share options

At 31 December 2013, 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
2014	440	25,519
2015	583	34,481
2016	839	107,732
		167,732

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 or five 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 year contract). For contracts entered into prior to 2013, a seven year term, was also available. 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 2013, 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
2014	217.2 - 368.0	65,863
2015	312.24 - 329.04	132,702
2016	217.2 - 420.0	77,464
2017	312.24 - 329.04	18,001
2018	368.0 - 420.0	13,318
2019	329.04	9,360
		316,708

The number and weighted average exercise prices of share options under the Company's Executive Share Option Scheme are as follows:

	2013 Number of options	**2013 Weighted average exercise price £**	2012 Number of options	2012 Weighted average exercise price £
Outstanding at 1 January	**205,211**	**7.06**	425,647	6.37
Forfeited during the year	**(18,779)**	**8.19**	(13,466)	7.00
Expired during the year	**–**	**–**	(193,322)	5.83
Exercised during the year	**(18,700)**	**4.16**	(13,648)	2.94
Outstanding and exercisable at 31 December	**167,732**	**7.26**	205,211	7.06

The weighted average share price at the date of exercise for share options exercised during the year was £5.26 (2012: £4.86). The options outstanding at 31 December 2013 had a weighted average remaining contractual life of 2 years (2012: 2 years). The number and weighted average exercise price of share options under the Company's Savings-related Share Option Scheme are as follows:

	2013 Number of options	**2013 Weighted average exercise price £**	2012 Number of options	2012 Weighted average exercise price £
Outstanding at 1 January	**316,173**	**3.23**	398,402	2.67
Granted during the year	**54,102**	**4.20**	176,669	3.29
Forfeited during the year	**(16,575)**	**3.72**	(55,729)	3.24
Expired during the year	**(9,781)**	**3.19**	(1,067)	2.35
Exercised during the year	**(27,211)**	**3.00**	(202,102)	2.18
Outstanding at 31 December	**316,708**	**3.39**	316,173	3.23

The weighted average share price at the date of exercise for share options exercised during the year was £5.15 (2012: £4.30). No options outstanding under the Company's Savings-related Share Option Scheme were exercisable at 31 December 2013 or 31 December 2012. The weighted average fair value of options granted during the year was £1.30 (2012: £1.01).

At 31 December 2013, 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	
	2013	2012	**2013**	2012
Outstanding at 1 January	**1,002,236**	985,502	**2,778,141**	3,160,051
Awarded during the year	**303,790**	352,258	**766,408**	904,012
Notional dividend shares accrued during the year	**36,927**	32,377	**79,578**	99,170
Vested during the year	**(351,325)**	(285,893)	**(648,466)**	–
Forfeited during the year	**(90,434)**	(82,008)	**–**	(156,337)
Lapsed during the year	**–**	–	**(142,922)**	(1,228,755)
Outstanding at 31 December	**901,194**	1,002,236	**2,832,739**	2,778,141

	Number of ordinary shares of 25p each			
	Restricted Share Plan		Long-Term Incentive Plan	
Year of grant	**2013**	2012	**2013**	2012
2010	**–**	347,562	**–**	783,657
2011	**311,251**	325,703	**1,179,503**	1,151,874
2012	**301,553**	328,971	**866,268**	842,610
2013	**288,390**	–	**786,968**	–
	901,194	1,002,236	**2,832,739**	2,778,141

25: INVESTMENT IN OWN SHARES

At cost	**2013 £m**	2012 £m
Balance at 1 January	**6.0**	1.8
Transfer from treasury shares	**–**	4.7
Purchase of own shares	**4.9**	3.4
Cost of shares awarded to employees	**(6.0)**	(3.9)
Balance at 31 December	**4.9**	6.0

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 2013 was 984,463 (2012: 1,337,807) following awards to participants during the year of 1,353,344 shares (2012: 975,037), and a purchase of 1,000,000 shares (2012: 700,000).

26: ADJUSTMENT FOR NON-CASH ITEMS IN THE CASH FLOW STATEMENT

	Note	**2013 £m**	2012 £m
Amortisation of lease incentives and other costs		**8.5**	7.3
Increase in accrued rents receivable		**(0.2)**	(0.5)
Non-cash items included within net rental income*		**8.3**	6.8
Depreciation	13	**1.5**	1.5
Share-based employee remuneration		**3.9**	4.9
Exchange and other items		**0.6**	0.8
		14.3	14.0

* Consists of £7.5 million relating to continuing operations and £0.8 million relating to discontinued operations (see note 3A). For 2012, £8.3 million related to continuing operations offset by £1.5 million relating to discontinued operations.

NOTES TO THE ACCOUNTS CONTINUED

27: 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 Property Portfolio Information on pages 51 and 52 and credit risk related to the trade receivables is discussed in note 21F.

	2013 £m	2012 £m
Within one year	**190.1**	225.0
From one to two years	**203.6**	193.1
From two to five years	**463.5**	456.4
After five years	**936.1**	971.9
	1,793.3	1,846.4

28: CONTINGENT LIABILITIES

There are contingent liabilities of £31.1 million (2012: £32.1 million) relating to guarantees given by the Group and a further £27.4 million (2012: £29.2 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 £17.0 million (2012: £14.0 million). Principal risks and uncertainties facing the Group are detailed on pages 55 to 59.

COMPANY BALANCE SHEET

	Notes	2013 £m	2012 £m
Non-current assets			
Investments in subsidiary companies	C	**2,948.6**	2,668.1
Receivables	D	**4,545.0**	4,195.0
		7,493.6	6,863.1
Current assets			
Receivables	E	**5.6**	6.2
Cash and short-term deposits		**0.8**	1.4
		6.4	7.6
Total assets		**7,500.0**	6,870.7
Current liabilities			
Payables	F	**1,176.1**	1,025.1
Borrowings	G	**246.2**	158.0
		1,422.3	1,183.1
Non-current liabilities			
Borrowings	G	**2,017.8**	1,836.4
Total liabilities		**3,440.1**	3,019.5
Net assets		**4,059.9**	3,851.2
Equity			
Called up share capital	24	**178.2**	178.2
Share premium	H	**1,222.4**	1,222.3
Capital redemption reserve	H	**7.2**	7.2
Other reserves	H	**0.1**	0.1
Revaluation reserve	H	**1,353.0**	1,072.5
Retained earnings	H	**1,303.9**	1,376.9
Investment in own shares	I	**(4.9)**	(6.0)
Equity shareholders' funds	J	**4,059.9**	3,851.2

These financial statements were approved by the Board of Directors on 14 February 2014.

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 £57.1 million (2012: £155.9 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 2013	**1,561.7**	**2,668.1**
Revaluation adjustment	**–**	**280.5**
Balance at 31 December 2013	**1,561.7**	**2,948.6**

Investments are stated at Directors' valuation. A list of the principal subsidiary companies at 31 December 2013 is included in note L.

D: Receivables: non-current assets

	2013 £m	2012 £m
Amounts owed by subsidiaries	**4,474.3**	4,129.5
Loans receivable (see note 16)	**68.7**	47.0
Fair value of interest rate swaps	**2.0**	18.5
	4,545.0	4,195.0

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 2014.

E: Receivables: current assets

	2013 £m	2012 £m
Other receivables	**5.6**	6.2

F: Payables

	2013 £m	2012 £m
Amounts owed to subsidiaries	**1,112.9**	963.4
Other payables and accruals	**63.2**	61.7
	1,176.1	1,025.1

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	2013 Total £m	2012 Total £m
After five years	–	**1,160.1**	**1,160.1**	1,142.4
From two to five years	**165.8**	**292.8**	**458.6**	694.0
From one to two years	–	**399.1**	**399.1**	–
Due after more than one year	**165.8**	**1,852.0**	**2,017.8**	1,836.4
Due within one year	**249.9**	**(3.7)**	**246.2**	158.0
	415.7	**1,848.3**	**2,264.0**	1,994.4

Details of the Group's borrowings and financial instruments are given in notes 20 and 21 to the consolidated accounts. The Company's borrowings are unsecured and comprise sterling and euro denominated bonds, bank loans and overdrafts.

H: Equity

	Note	Share premium £m	Capital redemption reserve £m	Other reserves £m	Revaluation reserve £m	Retained earnings £m
Balance at 1 January 2013		1,222.3	7.2	0.1	1,072.5	1,376.9
Issue of shares		0.1	–	–	–	–
Dividends	10	–	–	–	–	(130.1)
Revaluation gains on investments in subsidiary companies		–	–	–	280.5	–
Profit for the year		–	–	–	–	57.1
Balance at 31 December 2013		**1,222.4**	**7.2**	**0.1**	**1,353.0**	**1,303.9**

I: Investment in own shares

At cost	2013 £m	2012 £m
Balance at 1 January	**6.0**	1.8
Transfer from treasury shares	–	4.7
Purchase of own shares	**4.9**	3.4
Transfer to employing subsidiaries – cost of shares awarded to employees	**(6.0)**	(3.9)
Balance at 31 December	**4.9**	6.0

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 24 and 25 to the consolidated accounts.

J: Reconciliation of movements in equity shareholders' funds

	2013 £m	2012 £m
Balance at 1 January	**3,851.2**	3,771.9
Issues of shares	**0.1**	0.4
Dividends	**(130.1)**	(120.9)
Revaluation gains on investments in subsidiary companies	**280.5**	43.4
Cost of shares awarded to employees	**6.0**	3.9
Purchase of own shares	**(4.9)**	(3.4)
Profit for the year	**57.1**	155.9
Balance at 31 December	**4,059.9**	3,851.2

NOTES TO THE COMPANY ACCOUNTS CONTINUED

K: Fair value of financial instruments

	2013		2012	
	Book value £m	**Fair value £m**	Book value £m	Fair value £m
Borrowings, excluding currency swaps	**2,241.4**	**2,451.7**	1,983.3	2,272.8
Currency swaps	**22.6**	**22.6**	11.1	11.1
Total	**2,264.0**	**2,474.3**	1,994.4	2,283.9
Interest rate swaps	**2.0**	**2.0**	18.5	18.5

L: 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	France	The Netherlands
Hammerson International Holdings Ltd	Hammerson SAS	Hammerson Europe BV
Hammerson UK Properties plc	Hammerson Holding France SAS	
Grantchester Holdings Ltd	Hammerson Centre Commercial Italie SAS	
Hammerson (Brent Cross) Ltd	Société Civile de Développement du Centre Commercial de la Place des Halles SDPH (64.5%)	
Hammerson (Bristol Investments) Ltd		
Hammerson Bull Ring Ltd		
Hammerson Bull Ring (Jersey) Ltd[2]		
Hammerson (Cramlington 1) Ltd		
Hammerson Croydon Investments Ltd[2]		
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		
Hammerson (Victoria Quarter) Limited		
Hammerson Whitgift Investments Ltd[2]		
Union Square Developments Ltd		
West Quay Shopping Centre Ltd		

1 Incorporated/registered and resident in the Isle of Man.

2 Incorporated/registered and resident in Jersey.

TEN-YEAR FINANCIAL SUMMARY

	2013 £m	2012 £m	2011 £m	2010 £m	2009 £m	2008 £m	2007 £m	2006 £m	2005 £m	2004 £m
Income statement*										
Net rental income	**290.2**	282.9	296.0	284.7	293.6	299.8	275.7	237.4	210.3	189.5
Operating profit before other net gains/(losses)	**247.9**	239.6	249.1	248.8	252.6	257.5	234.5	201.3	178.9	162.9
Other net gains/(losses)	**102.0**	(7.3)	209.8	469.9	(590.4)	(1,698.3)	25.2	748.0	607.6	330.2
Share of results of associate	**101.5**	47.5	–	1.5	(0.8)	–	–	–	–	–
Cost of finance (net)	**(110.2)**	(137.6)	(112.6)	(100.0)	(114.5)	(170.7)	(149.3)	(156.9)	(87.9)	(79.7)
Profit/(Loss) before tax	**341.2**	142.2	346.3	620.2	(453.1)	(1,611.5)	110.4	792.4	698.6	413.4
Current tax	**(0.8)**	(0.4)	(0.7)	(0.6)	(0.9)	(0.6)	(16.4)	(99.4)	1.0	(80.9)
Deferred tax	**0.1**	–	–	(0.1)	103.6	38.3	17.6	333.8	(133.9)	104.2
Non-controlling interests	**(3.1)**	(3.4)	(9.9)	(4.1)	5.9	1.2	(10.6)	(9.9)	(11.3)	(5.3)
Profit/(Loss) for the year attributable to equity shareholders	**337.4**	138.4	335.7	615.4	(344.5)	(1,572.6)	101.0	1,016.9	554.4	431.4
Balance sheet										
Investment and development properties	**5,931.2**	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
Investment in associate	**545.4**	428.4	–	–	10.4	–	–	–	–	–
Cash and short-term deposits	**56.7**	57.1	100.7	126.2	182.9	119.9	28.6	39.4	45.5	53.7
Borrowings	**(2,309.0)**	(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)
Other assets	**271.2**	462.3	435.6	323.1	331.6	319.5	318.7	301.1	278.1	194.0
Other liabilities	**(358.5)**	(441.9)	(327.1)	(307.6)	(323.9)	(425.3)	(573.5)	(448.9)	(378.4)	(385.9)
Net deferred tax provision	**(0.4)**	(0.5)	(0.5)	(0.5)	(0.4)	(108.4)	(99.6)	(103.3)	(406.4)	(213.4)
Non-controlling interests	**(76.7)**	(74.5)	(76.5)	(71.7)	(73.4)	(89.3)	(70.4)	(56.6)	(49.9)	(41.7)
Equity shareholders' funds	**4,059.9**	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
Cash flow										
Operating cash flow after tax	**129.4**	139.9	147.8	132.7	105.3	29.8	(29.2)	5.5	44.9	60.5
Dividends	**(129.4)**	(118.4)	(86.1)	(95.4)	(64.5)	(86.7)	(73.1)	(57.7)	(51.0)	(47.4)
Property and corporate acquisitions	**(191.1)**	(397.3)	(374.1)	(218.6)	(39.5)	(123.5)	(163.3)	(219.5)	(308.1)	(320.8)
Developments and major refurbishments	**(184.4)**	(122.9)	(91.2)	(60.8)	(164.1)	(376.7)	(335.5)	(250.5)	(186.3)	(203.3)
Other capital expenditure	**(17.5)**	(48.0)	(23.6)	(25.5)	(23.7)	(13.9)	(44.6)	(29.6)	(36.9)	(20.2)
Disposals	**256.3**	585.0	271.8	554.6	394.2	245.3	537.2	628.0	224.4	398.7
Other cash flows	**(30.8)**	(72.4)	(34.9)	(0.8)	–	–	(10.9)	(10.2)	17.7	5.6
Net cash flow before financing	**(167.5)**	(34.1)	(190.3)	286.2	207.7	(325.7)	(119.4)	66.0	(295.3)	(126.9)
Per share data**										
Basic earnings/(loss) per share	**47.4p**	19.4p	47.3p	87.2p	(54.1)p	(368.9)p	23.7p	242.6p	134.4p	106.0p
EPRA/Adjusted earnings per share	**23.1p**	20.9p	19.3p	19.9p	19.7p	25.8p	27.3p	22.3p	21.2p	19.5p
Dividend per share	**19.1p**	17.7p	16.6p	15.95p	15.45p	18.9p	18.5p	14.7p	13.4p	12.2p
Diluted net asset value per share	**£5.70**	£5.41	£5.30	£4.93	£4.20	£6.61	£10.22	£9.91	£7.44	£5.90
EPRA/Adjusted net asset value per share	**£5.73**	£5.42	£5.30	£4.95	£4.21	£7.03	£10.49	£10.18	£8.39	£6.41
Financial ratios										
Return on shareholders' equity	**8.8%**	5.3%	11.2%	21.1%	-16.9%	-32.5%	4.5%	25.3%	34.0%	21.7%
Gearing	**56%**	53%	52%	52%	72%	118%	57%	54%	66%	72%
Interest cover	**2.8x**	2.8x	2.6x	2.6x	2.2x	1.7x	1.9x	1.8x	1.9x	1.9x
Dividend cover	**1.2x**	1.2x	1.2x	1.2x	1.3x	1.4x	1.5x	1.5x	1.6x	1.6x

* Comprises continuing and discontinued operations.

** Comparative per share data was restated following the rights issue in March 2009.

UK SHOPPING CENTRES

Our 11 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:	118
UNEXPIRED LEASE TERM TO EXPIRY:	6 years
OCCUPANCY RATE:	100%
RENTS PASSING:	£18.3 million p.a.
AVERAGE RENTS PASSING:	£1,095per m^2
ENVIRONMENTAL MANAGEMENT SYSTEM:	ISO 14001
ENERGY INTENSITY*:	131
OWNERSHIP:	41%
PROPERTY NET INTERNAL AREA:	84,200m^2

CENTRALE, CROYDON

JV PARTNER:	Westfield (50%)*
KEY DATES:	1988 developed, 2011 acquired
TENURE:	Freehold
PRINCIPAL OCCUPIERS:	Debenhams, House of Fraser, H&M, Next, Zara
NO. OF TENANTS:	48
UNEXPIRED LEASE TERM TO EXPIRY:	9 years
OCCUPANCY RATE:	90.7%
RENTS PASSING:	£4.7 million p.a.
AVERAGE RENTS PASSING:	£230 per m^2
ENVIRONMENTAL MANAGEMENT SYSTEM:	–
ENERGY INTENSITY*:	169
OWNERSHIP:	50%
PROPERTY NET INTERNAL AREA:	64,700m^2

*JV from January 2013

SILVERBURN, GLASGOW

JV PARTNER:	Canada Pension Plan Investment Board (50%)
KEY DATES:	2007 opened, 2009 acquired
TENURE:	Freehold
PRINCIPAL OCCUPIERS:	Debenhams, Marks & Spencer, Tesco Extra
NO. OF TENANTS:	91
UNEXPIRED LEASE TERM TO EXPIRY:	9 years
OCCUPANCY RATE:	99.8%
RENTS PASSING:	£9.3 million p.a.
AVERAGE RENTS PASSING:	£340 per m^2
ENVIRONMENTAL MANAGEMENT SYSTEM:	ISO 14001
ENERGY INTENSITY*:	114
OWNERSHIP:	50%
PROPERTY NET INTERNAL AREA:	88,700m^2

BULLRING, BIRMINGHAM

JV PARTNER:	CPPIB (16.7%), Henderson Shopping Centre Fund (33.3%)
KEY DATES:	2003 developed
TENURE:	Leasehold
PRINCIPAL OCCUPIERS:	Apple, Debenhams, Forever 21, Selfridges
NO. OF TENANTS:	165
UNEXPIRED LEASE TERM TO EXPIRY:	6 years
OCCUPANCY RATE:	99.6%
RENTS PASSING:	£26.2 million p.a.
AVERAGE RENTS PASSING:	£520 per m^2
ENVIRONMENTAL MANAGEMENT SYSTEM:	ISO 14001
ENERGY INTENSITY*:	133
OWNERSHIP:	50%
PROPERTY NET INTERNAL AREA:	126,900m^2

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:	131
UNEXPIRED LEASE TERM TO EXPIRY:	13 years
OCCUPANCY RATE:	95.3%
RENTS PASSING:	£16.6 million p.a.
AVERAGE RENTS PASSING:	£460 per m^2
ENVIRONMENTAL MANAGEMENT SYSTEM:	ISO 14001
ENERGY INTENSITY*:	91
OWNERSHIP:	60%
PROPERTY NET INTERNAL AREA:	105,600m^2

UNION SQUARE, ABERDEEN

JV PARTNER:	–
KEY DATES:	2009 developed
TENURE:	Freehold
PRINCIPAL OCCUPIERS:	Apple, Cineworld, Marks & Spencer, Next, Zara
NO. OF TENANTS:	80
UNEXPIRED LEASE TERM TO EXPIRY:	11 years
OCCUPANCY RATE:	97.1%
RENTS PASSING:	£17 million p.a.
AVERAGE RENTS PASSING:	£450 per m^2
ENVIRONMENTAL RATING:	BREEAM Very Good
ENERGY INTENSITY*:	119
OWNERSHIP:	100%
PROPERTY NET INTERNAL AREA:	51,600m^2

CABOT CIRCUS, BRISTOL

JV PARTNER:	Land Securities (50%)
KEY DATES:	September 2008 opened
TENURE:	Leasehold
PRINCIPAL OCCUPIERS:	Harvey Nichols, House of Fraser, Cinema de Lux
NO. OF TENANTS:	130
UNEXPIRED LEASE TERM TO EXPIRY:	9 years
OCCUPANCY RATE:	95.8%
RENTS PASSING:	£14.5million p.a.
AVERAGE RENTS PASSING:	£365 per m^2
ENVIRONMENTAL MANAGEMENT SYSTEM:	ISO 14001
ENVIRONMENTAL RATING:	Excellent
OWNERSHIP:	50%
PROPERTY NET INTERNAL AREA:	96,100m^2

THE ORACLE, READING

JV PARTNER:	ADIA (50%)
KEY DATES:	1999 developed
TENURE:	Leasehold
PRINCIPAL OCCUPIERS:	Debenhams, House of Fraser, Hugo Boss, Vue Cinema
NO. OF TENANTS:	111
UNEXPIRED LEASE TERM TO EXPIRY:	6 years
OCCUPANCY RATE:	99.8%
RENTS PASSING:	£15.2 million p.a.
AVERAGE RENTS PASSING:	£525 per m^2
ENVIRONMENTAL MANAGEMENT SYSTEM:	ISO 14001
ENERGY INTENSITY*:	55
OWNERSHIP:	50%
PROPERTY NET INTERNAL AREA:	70,400m^2

VICTORIA QUARTER, LEEDS

JV PARTNER:	–
KEY DATES:	2012 acquired
TENURE:	Freehold
PRINCIPAL OCCUPIERS:	Harvey Nichols, Louis Vuitton, Paul Smith, Vivienne Westwood
NO. OF TENANTS:	72
UNEXPIRED LEASE TERM TO EXPIRY:	6
OCCUPANCY RATE:	99.6%
RENTS PASSING:	£7.3 million p.a.
AVERAGE RENTS PASSING:	£510 per m^2
OWNERSHIP:	100%
PROPERTY NET INTERNAL AREA:	18,900m^2

MONUMENT MALL, NEWCASTLE

JV PARTNER:	–
KEY DATES:	2011 acquired, 2013 redeveloped
TENURE:	Freehold
PRINCIPAL OCCUPIERS:	TK Maxx, Sports Direct
NO. OF TENANTS:	11
UNEXPIRED LEASE TERM TO EXPIRY:	12
OCCUPANCY RATE:	83.1
RENTS PASSING:	£2.6 million p.a.
AVERAGE RENTS PASSING:	£360 per m^2
OWNERSHIP:	100%
PROPERTY NET INTERNAL AREA:	9,500m^2

WESTQUAY, SOUTHAMPTON

JV PARTNER:	GIC (50%)
KEY DATES:	2000 developed
TENURE:	Leasehold
PRINCIPAL OCCUPIERS:	John Lewis, Marks & Spencer, Superdry, Zara
NO. OF TENANTS:	97
UNEXPIRED LEASE TERM TO EXPIRY:	5 years
OCCUPANCY RATE:	99.1%
RENTS PASSING:	£14.0 million p.a.
AVERAGE RENTS PASSING:	£640 per m^2
ENVIRONMENTAL MANAGEMENT SYSTEM:	ISO 14001
ENERGY INTENSITY*:	65
OWNERSHIP:	50%
PROPERTY NET INTERNAL AREA:	76,700m^2

BRISTOL INVESTMENT PROPERTIES

JV PARTNER:	Land Securities (50%)
KEY DATES:	2000-2006 acquired
TENURE:	Leasehold
PRINCIPAL OCCUPIERS:	BHS, Currys, Sainsbury's, HMV, Superdrug
NO. OF TENANTS:	62
UNEXPIRED LEASE TERM TO EXPIRY:	10 years
OCCUPANCY RATE:	92.5%
RENTS PASSING:	£3.6 million p.a.
AVERAGE RENTS PASSING:	£270 per m^2
OWNERSHIP:	50%
PROPERTY NET INTERNAL AREA:	33,800m^2

* Measured by kg/CO_2e/m^2 Common Parts.

UK RETAIL PARKS

Hammerson owns 21 retail parks in the UK, which together provide over 500,000m² 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:	16 years
OCCUPANCY RATE:	100%
PLANNING	Part open A1, part bulky goods
RENTS PASSING:	£3.3 million p.a.
AVERAGE RENTS PASSING:	£145 per m²
ENERGY INTENSITY*:	25
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:	8 years
OCCUPANCY RATE:	100%
PLANNING	Mainly open A1
RENTS PASSING:	£1.8 million p.a.
AVERAGE RENTS PASSING:	£505 per m²
ENERGY INTENSITY*:	40
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:	10 years
OCCUPANCY RATE:	100%
PLANNING	Mixed (open A1, bulky goods, restaurant)
RENTS PASSING:	£5.1 million p.a.
AVERAGE RENTS PASSING:	£215 per m²
ENERGY INTENSITY*:	71
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:	13
OCCUPANCY RATE:	100%
PLANNING	Bulky goods
RENTS PASSING:	£3.1 million p.a.
AVERAGE RENTS PASSING:	£190 per m²
ENERGY INTENSITY*:	65
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:	29
WEIGHTED AVERAGE UNEXPIRED LEASE TERM EXPIRY	10 years
OCCUPANCY RATE:	100%
PLANNING	Mixed
RENTS PASSING:	£5.7 million p.a.
AVERAGE RENTS PASSING:	£175 per m²
ENERGY INTENSITY*:	37
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:	16 years
OCCUPANCY RATE:	100%
PLANNING	Food and bulky goods
RENTS PASSING:	£2.0 million p.a.
AVERAGE RENTS PASSING:	£195 per m²
ENERGY INTENSITY*:	2
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:	7
UNEXPIRED LEASE TERM TO EXPIRY:	6 years
OCCUPANCY RATE:	100%
PLANNING	A1 and restaurants
RENTS PASSING:	£3.9 million p.a.
AVERAGE RENTS PASSING:	£320 per m²
ENERGY INTENSITY*:	57
OWNERSHIP:	100%
PROPERTY NET INTERNAL AREA:	12,100m²

CLEVELAND RETAIL PARK, MIDDLESBROUGH

JV PARTNER:	–
KEY DATES:	2002 acquired, 2006 extended, 2009 reconfiguration
TENURE:	Freehold
PRINCIPAL OCCUPIERS:	Argos, Boots, B&Q, Matalan, M&S Simply Food, Next, Outfit
NO. OF TENANTS:	20
UNEXPIRED LEASE TERM TO EXPIRY:	11 years
OCCUPANCY RATE:	99.8%
PLANNING	Part open A1, part bulky goods
RENTS PASSING:	£4.5 million p.a.
AVERAGE RENTS PASSING:	£160 per m²
ENERGY INTENSITY*:	50
OWNERSHIP:	100%
PROPERTY NET INTERNAL AREA:	27,600m²

DRAKEHOUSE RETAIL PARK, SHEFFIELD

JV PARTNER:	–
KEY DATES:	2003 acquired
TENURE:	Freehold
PRINCIPAL OCCUPIERS:	Carpetright, Currys, Homebase, JD Sports, Oak Furnitureland, Smyths Toys, Wickes
NO. OF TENANTS:	18
UNEXPIRED LEASE TERM TO EXPIRY:	10 years
OCCUPANCY RATE:	95.3%
PLANNING	Restricted open A1
RENTS PASSING:	£3.8 million p.a.
AVERAGE RENTS PASSING:	£185 per m²
ENERGY INTENSITY*:	45
OWNERSHIP:	100%
PROPERTY NET INTERNAL AREA:	21,000m²

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:	£1.9 million p.a.
AVERAGE RENTS PASSING:	£165 per m^2
ENERGY INTENSITY*:	
OWNERSHIP:	100%
PROPERTY NET INTERNAL AREA:	12,700m^2

MANOR WALKS, CRAMLINGTON

JV PARTNER:	–
KEY DATES:	2006 acquired
TENURE:	Freehold
PRINCIPAL OCCUPIERS:	Argos, Asda, Boots, Next, Sainsbury's, Vue
NO. OF TENANTS:	114
UNEXPIRED LEASE TERM TO EXPIRY:	7 years
OCCUPANCY RATE:	95.2%
PLANNING	Open A1
RENTS PASSING:	£7.6 million p.a.
AVERAGE RENTS PASSING:	£140 per m^2
ENERGY INTENSITY*:	226
OWNERSHIP:	100%
PROPERTY NET INTERNAL AREA:	57,600m^2

RAVENHEAD RETAIL PARK, ST HELENS

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:	10 years
OCCUPANCY RATE:	100%
PLANNING	Part open A1, part bulky goods
RENTS PASSING:	£4.8 million p.a.
AVERAGE RENTS PASSING:	£175 per m^2
ENERGY INTENSITY*:	80
OWNERSHIP:	100%
PROPERTY NET INTERNAL AREA:	27,600m^2

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:	19
UNEXPIRED LEASE TERM TO EXPIRY:	9 years
OCCUPANCY RATE:	100%
PLANNING	Part open A1, part bulky goods
RENTS PASSING:	£5.4 million p.a.
AVERAGE RENTS PASSING:	£185 per m^2
ENERGY INTENSITY*:	63
OWNERSHIP:	100%
PROPERTY NET INTERNAL AREA:	28,200m^2

THE ORCHARD CENTRE, DIDCOT

JV PARTNER:	–
KEY DATES:	2006 acquired
TENURE:	Leasehold
PRINCIPAL OCCUPIERS:	Argos, Next, Sainsbury's
NO. OF TENANTS:	49
UNEXPIRED LEASE TERM TO EXPIRY:	14 years
OCCUPANCY RATE:	97%
PLANNING	Open A1
RENTS PASSING:	£3.8 million p.a.
AVERAGE RENTS PASSING:	£205 per m^2
ENERGY INTENSITY*:	200
OWNERSHIP:	100%
PROPERTY NET INTERNAL AREA:	25,500m^2

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:	14years
OCCUPANCY RATE:	100%
PLANNING	Mixed (open A1, bulky goods, restaurant)
RENTS PASSING:	£4.2 million p.a.
AVERAGE RENTS PASSING:	£200 per m^2
ENERGY INTENSITY*:	59
OWNERSHIP:	100%
PROPERTY NET INTERNAL AREA:	20,500m^2

IMPERIAL RETAIL PARK, BRISTOL

JV PARTNER:	–
KEY DATES:	2012 acquired
TENURE:	Freehold
PRINCIPAL OCCUPIERS:	B&Q, Boots, Tesco Home Plus
NO. OF TENANTS:	18
UNEXPIRED LEASE TERM TO EXPIRY	11
OCCUPANCY RATE:	100%
PLANNING	Restricted open A1
RENTS PASSING:	£5.1 million p.a.
AVERAGE RENTS PASSING:	£160 per m^2
ENERGY INTENSITY*:	37
OWNERSHIP:	100%
PROPERTY NET INTERNAL AREA:	32,300m^2

PARC TAWE, SWANSEA

JV PARTNER:	–
KEY DATES:	2006 acquired
TENURE:	Leasehold
PRINCIPAL OCCUPIERS:	Mothercare, Odeon, Toys 'R' Us
NO. OF TENANTS:	13
UNEXPIRED LEASE TERM TO EXPIRY:	1
OCCUPANCY RATE:	89.2%
PLANNING	Open A1
RENTS PASSING:	£1.7 million p.a.
AVERAGE RENTS PASSING:	£85 per m^2
ENERGY INTENSITY*:	44
OWNERSHIP:	100%
PROPERTY NET INTERNAL AREA:	22,600m^2

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:	19
UNEXPIRED LEASE TERM TO EXPIRY:	9 years
OCCUPANCY RATE:	94.9%
PLANNING	Open A1
RENTS PASSING:	£4.9 million p.a.
AVERAGE RENTS PASSING:	£225 per m^2
ENERGY INTENSITY*:	35
OWNERSHIP:	100%
PROPERTY NET INTERNAL AREA:	29,100m^2

* Measured by kg/CO_2e/car parking space.

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:	21
UNEXPIRED LEASE TERM TO EXPIRY:	9 years
OCCUPANCY RATE:	98.8%
PLANNING	Open A1
RENTS PASSING:	£5.7 million p.a.
AVERAGE RENTS PASSING:	£195 per m^2
ENERGY INTENSITY*:	103
OWNERSHIP:	100%
PROPERTY NET INTERNAL AREA:	30,600m^2

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:	9 years
OCCUPANCY RATE:	100%
PLANNING	Part open A1
RENTS PASSING:	£5.1 million p.a.
AVERAGE RENTS PASSING:	£200 per m^2
ENERGY INTENSITY*:	145
OWNERSHIP:	100%
PROPERTY NET INTERNAL AREA:	24,700m^2

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 m^2
ENERGY INTENSITY*:	5
OWNERSHIP:	100%
PROPERTY NET INTERNAL AREA:	13,400m^2

* Measured by kg/CO_2e/car parking space.

FRANCE RETAIL

In France, we own and manage some of the top shopping centres in the Ile-de-France region, including Italie Deux 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 Récré
NO. OF TENANTS:	62
UNEXPIRED LEASE TERM TO EXPIRY:	6 years
OCCUPANCY RATE:	93.6%
RENTS PASSING:	£4.8 million p.a.
AVERAGE RENTS PASSING:	£315 per m^2
ENERGY INTENSITY*:	30
OWNERSHIP:	20,200m^2
PROPERTY NET INTERNAL AREA:	35,200m^2

GRAND MAINE, ANGERS

CO-OWNERSHIP:	Carrefour
KEY DATES:	1983 opened 2007 acquired
TENURE:	Freehold
PRINCIPAL OCCUPIERS:	Caroll, Carrefour, Celio, Etam, Naf Naf, Paul, Yves Rocher
NO. OF TENANTS:	57
UNEXPIRED LEASE TERM TO EXPIRY:	6 years
OCCUPANCY RATE:	95.9%
RENTS PASSING:	£2.7 million p.a.
AVERAGE RENTS PASSING:	£375 per m^2
ENERGY INTENSITY*:	54
OWNERSHIP:	9,100m^2
PROPERTY NET INTERNAL AREA:	22,000m^2

ESPACE SAINT QUENTIN, SAINT QUENTIN-EN-YVELINES

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:	124
UNEXPIRED LEASE TERM TO EXPIRY:	5 years
OCCUPANCY RATE:	98.5%
RENTS PASSING:	£3.2 million p.a.
AVERAGE RENTS PASSING:	£450 per m^2
ENERGY INTENSITY*:	28
OWNERSHIP:	25%
PROPERTY NET INTERNAL AREA:	60,200m^2

(of which JV ownership is 29,400m^2)

ITALIE DEUX AVENUE D'ITALIE, PARIS 13ÈME

JV PARTNER:	–
KEY DATES:	1976 opened, 1998 acquired 2013 refurbished
TENURE:	Freehold
PRINCIPAL OCCUPIERS:	Carrefour Market, Darty, Fnac, Go Sport, La Grande Récré, Printemps, Sephora
NO. OF TENANTS:	126
UNEXPIRED LEASE TERM TO EXPIRY:	5 years
OCCUPANCY RATE:	99.1%
RENTS PASSING:	£19.8 million p.a.
AVERAGE RENTS PASSING:	£420 per m^2
ENERGY INTENSITY*:	107
OWNERSHIP:	56,800m^2
PROPERTY NET INTERNAL AREA:	56,800m^2

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:	78
UNEXPIRED LEASE TERM TO EXPIRY:	5 years
OCCUPANCY RATE:	99.3%
RENTS PASSING:	£12.5 million p.a.
AVERAGE RENTS PASSING:	£515 per m^2
ENERGY INTENSITY*:	31
OWNERSHIP:	24,700m^2
PROPERTY NET INTERNAL AREA:	60,700m^2

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 acquired 2008 redeveloped
TENURE:	Freehold
PRINCIPAL OCCUPIERS:	C&A, Carrefour, Darty, Fnac, H&M, New Look, Primark, UGC, Zara
NO. OF TENANTS:	189
UNEXPIRED LEASE TERM TO EXPIRY:	5 years
OCCUPANCY RATE:	96.8%
RENTS PASSING:	£5.7 million p.a.
AVERAGE RENTS PASSING:	£350 per m^2
ENERGY INTENSITY*:	111
OWNERSHIP:	25%
PROPERTY NET INTERNAL AREA:	93,900m^2

(of which JV ownership is 60,500m^2)

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, Galeries Gourmandes, H&M, New Look, Sephora, Toys 'R' Us, Zara
NO. OF TENANTS:	118
UNEXPIRED LEASE TERM TO EXPIRY:	4 years
OCCUPANCY RATE:	97.1%
RENTS PASSING:	£12.5 million p.a.
AVERAGE RENTS PASSING:	£320 per m^2
ENERGY INTENSITY*:	86
OWNERSHIP:	40,100m^2
PROPERTY NET INTERNAL AREA:	41,400m^2

SQY OUEST, SAINT QUENTIN-EN-YVELINES

JV PARTNER:	Codic France (50%)
KEY DATES:	2005 opened 2011 acquired
TENURE:	Freehold
PRINCIPAL OCCUPIERS:	UGC, La Grande Récré
NO. OF TENANTS:	15
UNEXPIRED LEASE TERM TO EXPIRY:	3 years
OCCUPANCY RATE:	76.2%
RENTS PASSING:	£1.2 million p.a.
AVERAGE RENTS PASSING:	£180 per m^2
ENERGY INTENSITY*:	62
OWNERSHIP:	50%
PROPERTY NET INTERNAL AREA:	18,300m^2

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:	45
UNEXPIRED LEASE TERM TO EXPIRY:	6 years
OCCUPANCY RATE:	98%
RENTS PASSING:	£7.2 million p.a.
AVERAGE RENTS PASSING:	£155 per m^2
ENERGY INTENSITY**:	4
OWNERSHIP:	47,500m^2
PROPERTY NET INTERNAL AREA:	47,500m^2

* Measured in kg/CO_2e/m^2 Common Parts.

** Measured by kg/CO_2e/car parking space.

GLOSSARY

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	Net debt 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.

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.
Value Retail (VR)	Owner and operator of luxury outlet Villages in Europe in which Hammerson has an investment.
Yield on cost	Rents passing expressed as a percentage of the total development cost of a property.

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SHAREHOLDER INFORMATION

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
For assistance with 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 Asset Services
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 9.00 am to 5.30 pm Monday to Friday) or +44 (0)20 8639 3399 (from overseas)

email: shareholderenquiries@capita.co.uk
website: www.capitashareportal.com

Registering on the Hammerson Share Portal website enables shareholders to view their shareholding in the Company, including an indicative share price and valuation, a transaction audit trail and dividend payment history. Shareholders can also amend certain standing data relating to their accounts.

Advisors
Valuer: DTZ Debenham Tie Leung
Auditor: Deloitte LLP
Solicitor: Herbert Smith Freehills LLP
Joint Brokers and Financial Advisors: J. P. Morgan Cazenove and Deutsche Bank AG
Financial Advisor: Lazard Ltd

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 can register at: www.capitashareportal.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 Registrar by completing an application form online at: www.capitashareportal.com or by calling Capita Asset Services:
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@capita.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 25 days before the dividend payment date.

Further details can be found on the website at:
www.hammerson.com

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 the Registrar to cancel their instruction.

International payment service

The Registrar facilitates a service to convert sterling dividends into certain local currencies. For further information, please contact the Registrar (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@capita.co.uk
Further details can be found at:
http://international.capitaregistrars.com

SHAREHOLDER INFORMATION CONTINUED

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 shareholders to trade 'real time' at a known price that will be given to them at the time they give their 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 on 0871 664 0364 (calls cost 10p per minute plus network extras, lines are open 8.00 am to 4.30 pm Monday to Friday), or +44 (0)20 3367 2686 (from overseas).

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 Limited, 17 Carlton House Terrace, London, SW1Y 5AH or by telephone on +44 (0)20 7930 3737.

Website

The Annual Report and other information that shareholders may find useful are available on the Company's website: www.hammerson.com. 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 shareholders receiving unsolicited mail. To limit the receipt of unsolicited mail shareholders may write to the Mailing Preference Service, an independent organisation whose services are free. Once a shareholder's name and address details have been registered, it will advise the companies and other bodies that subscribe to the service not to send unsolicited mail to the address registered. For further details register at: www.mpsonline.org.uk or telephone 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 Conduct Authority (FCA) 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.

Shareholders offered unsolicited investment advice, discounted shares, a premium price for shares they own, or free company or research reports, should take these steps before handing over any money:

- Ask for the name of the person and organisation contacting them;
- Check the FCA Register at: www.fca.org.uk/firms/systems-reporting register to ensure they are authorised;
- Use the details on the FCA Register to contact that organisation;
- Call the FCA Consumer Helpline on 0800 111 6768 if there are no contact details on the FCA Register or shareholders are told they are out of date; and
- Search the FCA's list of unauthorised firms and individuals with whom it is recommended to avoid doing business.

If shareholders use an unauthorised firm to buy or sell shares or other investments, they will not have access to the Financial Ombudsman Service or Financial Services Compensation Scheme if things go wrong.

If shareholders are approached about a share scam they should tell the FCA using the share fraud reporting form at www.fca.org.uk/consumers/scams/investment-scams/share-fraud-and-boiler-room-scams, where they can find out about the latest investment scams. They can also call the Consumer Helpline on 0800 111 6768.

If shareholders have already paid money to share fraudsters they should contact Action Fraud on 0300 123 2040.

More detailed information on this or similar activity can be found on the FCA website at: www.fca.org.uk/consumers/scams/investment-scams/share-fraud-and-boiler-room-scams.

FINANCIAL CALENDAR AND SHARE ANALYSIS

Annual General Meeting

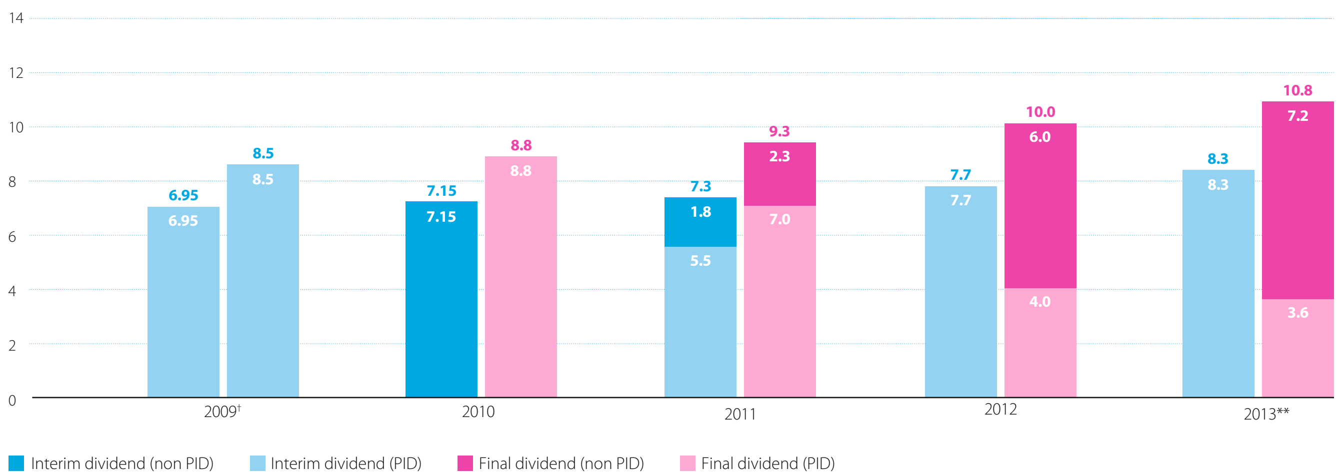
The Annual General Meeting will be held at 11.00 am on 23 April 2014 at 10 Grosvenor Street, London, W1K 4BJ. Details of the Meeting and the resolutions to be voted upon can be found in the Notice of Meeting which is available at: www.hammerson.com.

Full-year results announced		17 February 2014
Recommended final dividend	Ex-dividend date	12 March 2014
	Record date	14 March 2014
	Election (or cancellation) date for Dividend Reinvestment Plan	5.00 pm on 31 March 2014
	Payable on	25 April 2014
Annual General Meeting		23 April 2014
Anticipated 2014 interim dividend	Payable	October 2014

ANALYSIS OF SHARES HELD AS AT 31 DECEMBER 2013

Number of shares held	Number of shareholders	% of total shareholders	Holding	% of total capital
0-500	872	29.76	163,154	0.02
501-1,000	373	12.73	291,261	0.04
1,001-2,000	392	13.38	580,501	0.08
2,001-5,000	411	14.03	1,312,316	0.18
5,001-10,000	163	5.56	1,134,192	0.16
10,001-50,000	286	9.76	6,898,425	0.97
50,001-100,000	103	3.52	7,501,752	1.05
100,001-500,000	185	6.31	45,134,709	6.33
500,001-1,000,000	43	1.47	31,116,264	4.37
1,000,001 and above	102	3.48	618,744,296	86.80
Total	**2,930**	**100.00**	**712,876,870**	**100.00**

FIVE YEAR DIVIDEND HISTORY (pence per share)



† In 2009, a second interim dividend was paid in place of a final dividend.

** The 2013 final dividend is subject to approval by shareholders at the 2014 Annual General Meeting.

The PID element of the dividend is paid net of a 20% withholding tax unless a shareholder is eligible to receive the payment gross.

Where a shareholder previously elected to receive the scrip alternative, the dividend was treated as a non-PID.

Hammerson

Hammerson plc
10 Grosvenor Street,
London, W1K 4BJ

www.hammerson.com

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