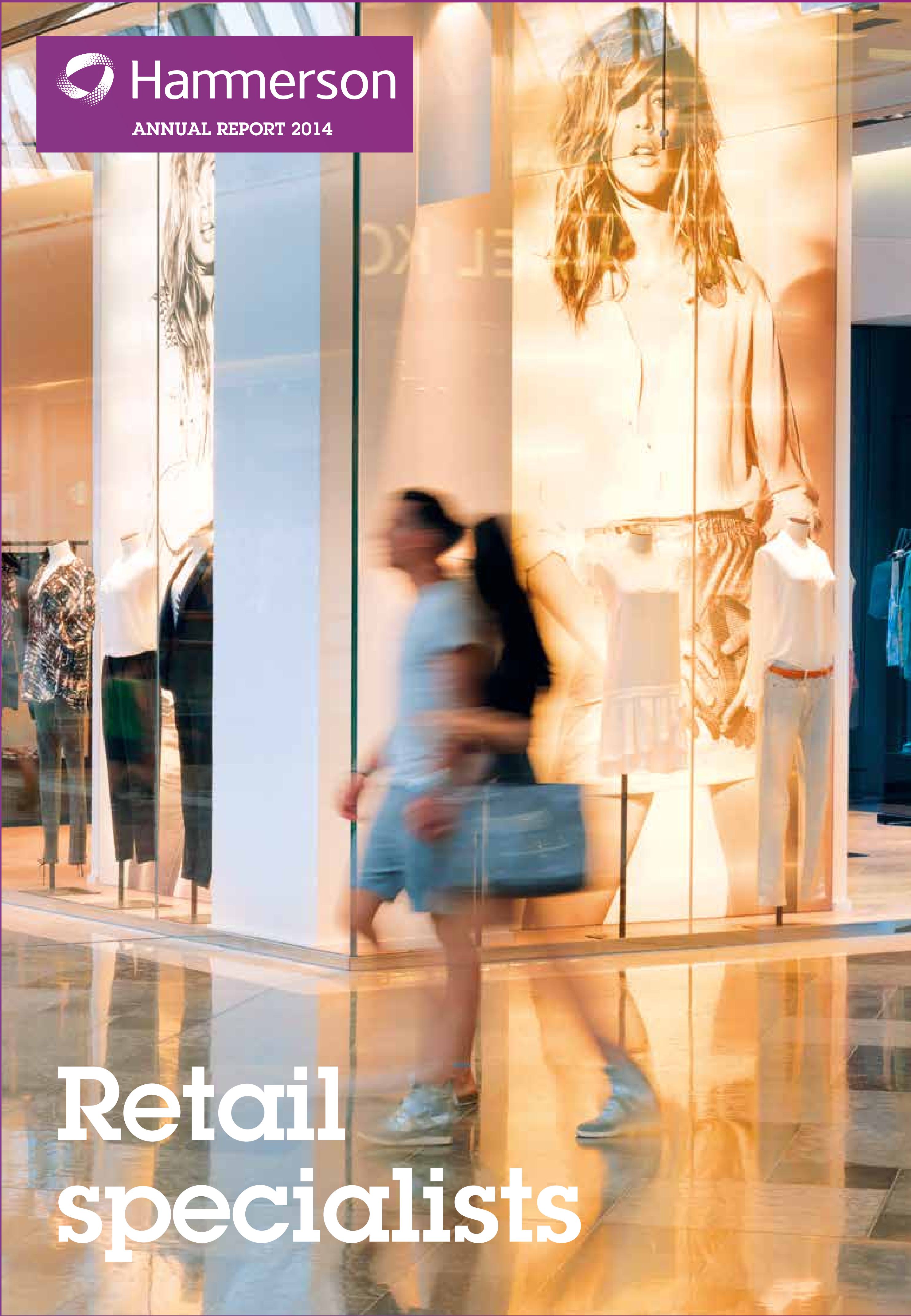
Hammerson

ANNUAL REPORT 2014



Retail specialists

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Our business model designed to generate value

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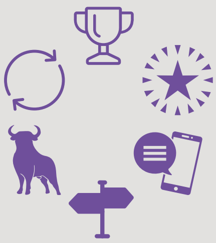

BUSINESS REVIEW

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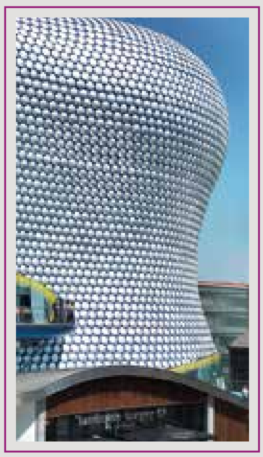


FINANCIAL STATEMENTS

Detailed information for the year ended 31 December 2014

PAGE 101

Retail specialists

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

Our properties bring together the best in physical and digital retail environments to give the consumer the most enjoyable shopping experience.

We are **retail specialists** and our strategy to deliver exceptional retail destinations is underpinned by our six unique areas of focus:

Hammerson delivers
the best @ retail
Read more on page 10

Hammerson centres are
entertaining & exciting
Read more on page 12

Hammerson centres are
interactive & engaging
Read more on page 14

Hammerson centres are
convenient & easy
Read more on page 16

Hammerson develops
iconic destinations
Read more on page 18

Hammerson creates
Positive Places
Read more on page 24

HOW WE CREATE VALUE

WHAT WE DO

We are an owner, manager and developer of retail destinations in Europe with a portfolio of around £7.7 billion with investments in 22 prime shopping centres, 22 convenient retail parks and investments in 15 European premium outlet villages. Together they provide a total of 2.2 million m^2 of retail space.

SHOPPING CENTRES

- UK and France
- 22 prime shopping centres
- Around 250 million visitors each year

RETAIL PARKS

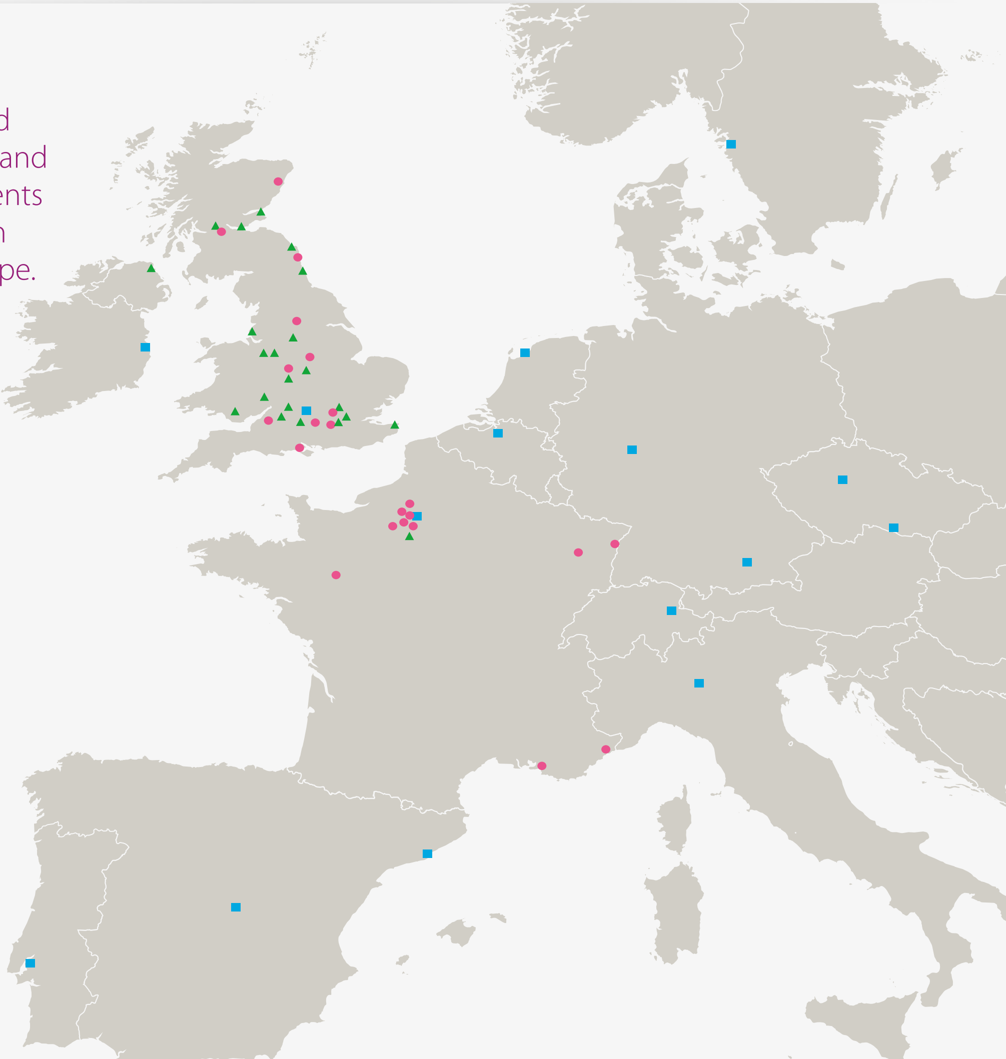
- 2nd largest direct owner of retail parks in the UK
- Providing over 500,000m^2 of space

PREMIUM OUTLETS

We are active in the European outlet market through our investments in luxury designer Villages with Value Retail and our joint venture VIA Outlets

WHERE WE DO IT

We operate prime shopping centres and retail parks in the UK and France with investments in premium outlets in locations across Europe.



For a full list of locations, please visit our website at www.hammerson.com

- Shopping centres
- Retail parks
- Premium outlets

HOW WE DO IT

We have three strategic priorities, shown below, which guide our operating model, capital deployment and financial management and which we believe drive sustained financial outperformance over the longer term.

1 HIGH-QUALITY PROPERTY

Our aim is to create and manage leading retail destinations which are attractive to both retailers and consumers. The retail environment is constantly evolving and our venues must respond to this challenge. We do this by applying a framework of six unique focus areas:

BEST @ RETAIL

Strong relationships with our retailers allow us to offer the best brand line-up for our shoppers across the portfolio

More on page 10

ENTERTAINING & EXCITING

We create new reasons for consumers to visit our centres through a winning retail and leisure offer enhanced by exciting events and entertainment

More on page 12

INTERACTIVE & ENGAGING

We support the shopping journey with outstanding customer service and digital engagement, creating enjoyable and modern spaces

More on page 14

CONVENIENT & EASY

We aim to provide facilities that make life simple and stress free. We constantly strive to improve and renew our centres

More on page 16

ICONIC DESTINATIONS

We develop and manage iconic destinations that enhance the local environment through outstanding architecture and provide the best experience for both visitors and residents

More on page 18

POSITIVE PLACES

Our Positive Places framework supports the creation of retail destinations which lead the sector environmentally, socially and economically

More on page 24

2 INCOME GENERATION

We actively manage our properties to generate sustainable income growth. We recognise the importance of strong retailer relationships and the requirement for tenant rotation to enhance the vibrancy of the consumer experience.

3 CAPITAL STRENGTH

We maintain a strong balance sheet with our prime property portfolio underpinned by a robust capital base of bank borrowing, bond debt and shareholder equity. Our financing structure provides us with the capacity and flexibility to deliver our business objectives and take advantage of opportunistic investments to further enhance the Group's performance.

DELIVERING STRONG PERFORMANCE

FINANCIAL KPIs

TOTAL PROPERTY RETURNS	GROWTH IN LIKE-FOR-LIKE NRI	GROWTH IN ADJUSTED EPS	EPRA COST RATIO
13.6%	2.1%	3.5%	23.4%

OPERATIONAL KPIs

OCCUPANCY	LEASING ACTIVITY	GLOBAL EMISSIONS INTENSITY RATIO
97.5%	£29.5m	180 $mtCO_2e$/£m

Further details of the Group's KPIs are on pages 36-38

EXCEPTIONAL RETURNS AND GROWTH OPPORTUNITIES

2014 Highlights at a glance:

£306m
NET RENTAL INCOME[1]

£703m
PROFIT BEFORE TAX

23.9p
ADJUSTED EPS

£6.38
EPRA NAV PER SHARE

34%
LOAN TO VALUE[1]

24.7%
TOTAL SHAREHOLDER RETURN

1. Including share of Property joint ventures.

Q&A
with David Atkins

2014 has been a year of momentum for Hammerson. Our retail focus is now fully immersed across the business and our strategic investment activity has accelerated our future growth ambitions. Here, David answers some key questions.

Q What have been the highlights for the business in 2014?

A The year has been marked by a number of achievements, and I believe the strong numbers we have delivered reflect the progress we have made across the business. Key 2014 highlights include:

- The successful opening of Les Terrasses du Port in Marseille which resulted in £107 million profit on cost for the business. The 62,800m² shopping and leisure development combines our best design and operational expertise and the positive response from consumers and retailers has been truly overwhelming, with over 8 million visitors to date.
- Notable progress across our development pipeline with planning approval granted at Brent Cross Cricklewood, and at our Whitgift JV in Croydon and starts on site at both Victoria Gate in Leeds and WestQuay Watermark in Southampton.
- Securing robust shareholder support for our £399 million share placing. A significant portion of the proceeds has been deployed to acquire the remaining 40% of Highcross, Leicester from our JV partner.
- Extending our strategic exposure to the European outlet sector with a £100 million investment in the newly created VIA Outlets venture. The 47% stake was financed through the share placing.

Q How have consumer and occupier markets evolved over the past 12 months?

A A year ago we saw the first tentative signs of growing consumer confidence and increasing retailer demand for physical space. I am pleased to report that in the UK we have seen significant improvement over the year in retail sales growth which was up 2.6% across our centres. This momentum in consumer spending is now driving stronger demand from retailers for our prime retail space, which is starting to reflect positively in rental values.

Importantly this story of renewed consumer growth and occupier demand is not just London centric. We have seen strong performance in our centres in major cities across the UK. During 2014 we signed 413 leases totalling 179,000m² of retail space. Like-for-like net rental income for the year was 2.1% up on 2013 and occupancy remained strong at 97.5%. Despite continuing economic challenges in France, the success of Les Terrasses du Port indicates that consumer demand remains strong for the right retailing propositions. At Le Jeu de Paume in Beauvais we are encouraged by the letting progress of the development, with 62% already pre-let. The centre will provide 23,800m² of retailing and leisure facilities and is on track to open later this year.

Q Will your investment in the luxury and outlet markets continue to grow?

A Global appetite for designer and luxury goods continues, with research from our Considered Consumer report indicating that one third of shoppers spent more on luxury purchases in 2014 compared with the preceding 12 month period. We are the only REIT with strategic exposure to the sector and we continue to see good growth from our investment in Value Retail.

The newly created VIA Outlets venture with our partners Value Retail, APG and Meyer Bergman further increases our scale in European outlets. The newly acquired portfolio in major European cities has the potential to deliver strong returns through the combined expertise of this unique partnership.

There is a clear and growing requirement for premium outlet space from retailers and we are enormously excited by the new opportunities that this opens up for Hammerson.

Q

Sustainability underpins the focus for the business. What have been the standout achievements in the past 12 months?

A

We have made significant sustainability progress during 2014. We achieved BREEAM Excellent at Les Terrasses du Port, our first shopping centre development in France. In the UK we have been working with retail customers delivering much needed apprenticeships at Highcross in Leicester. 2014 also saw the launch of the Big Positive Weekend, our first national sustainability roadshow, which reached nine cities in over nine weekends across the UK portfolio.

Q

How has the team evolved to enable the business to deliver strong performance?

A

During 2014 we introduced a number of new initiatives and targets to support our objective of promoting diversity and inclusion within the business. These targets are detailed on page 35 of the Report.

We have welcomed additional talent to the business with a number of new colleagues joining the team from non-property backgrounds. While we are still a property company the business has been significantly enriched through the skills and knowledge of experts from different sectors who have bolstered our retail and digital expertise and provided a fresh approach.

At the end of 2014 we opened a new office in Reading, which is the operational hub for the UK business. 2015 will see us relocate to a new head office in King's Cross. The move signals a continued commitment towards our retail focus and, along with enhancing operational efficiency and reducing costs, I believe it will foster more creativity and collaboration across the teams.

Q

Which qualities differentiate Hammerson's shopping destinations from the competition?

A

We believe the key to winning in retail property is to own and manage destinations which excel against each of our six unique areas of focus, set out on page 3 of the Report.

By applying a rigorous approach to this Product Framework, we ensure that our shopping centres and retail parks bring together the best in physical and digital retailing to offer consumers the most enjoyable shopping experience.

Q

What are the business priorities and outlook for 2015?

A

Planning for, and the development of, major retail schemes in Leeds and London will continue to be a focus for the team in 2015. Including Croydon and Brent Cross, these projects will deliver over 400,000m^2 of new retail space over the coming years. Our plans to redevelop the Whitgift Centre and Centrale in partnership with Westfield moved a step closer when the outline application for the development was formally consented in February 2014.

Our strategic focus on the luxury sector will continue in 2015 as we look to increase our exposure to premium outlets alongside our partners in the VIA Outlets venture.

OUTLOOK

The recovery in UK consumer sentiment has continued to strengthen as economic indicators have improved. With diverse regional exposure through our portfolio of prime retailing destinations, I believe that Hammerson is well-placed to benefit from this continuing trend. In France, the overwhelming success of our new scheme in Marseille, together with improving footfall figures, give us confidence that consumer demand remains strong for the right retail proposition. Despite continuing economic challenges, we expect trading in France to remain stable in 2015.

It is anticipated that growing demand from global investors for high-quality retail assets will continue in 2015, potentially compressing yields and boosting capital values further. Against this backdrop, I am confident that Hammerson will continue to deliver strong returns for its shareholders.

David Tyler, Chairman

READ MY INTRODUCTION TO THE CORPORATE GOVERNANCE REPORT ON PAGE 60

Reflecting on my first full year as Chairman, I am pleased we are able to report that the business has achieved strong returns in 2014. My role is to help ensure that the Board creates maximum value for shareholders over the long term, working effectively in support of the Group's strategy. You can read more about how the Board operates in the Governance Report that starts on page 60.

LEADER IN THE RETAIL REAL ESTATE MARKET

INTRODUCTION

2014 was a strong year for the performance of the retail real estate market in the UK and Europe.

Retail property offers a number of fundamental attractions versus other categories of commercial real estate, including sustainable and long-term returns, with lower volatility and a granular and diverse tenant mix which mitigates certain risks.

Hammerson's assets are in the sub sectors of prime shopping centres, retail parks and premium outlet villages. We aim to be among the market leaders in each of our sub sectors so as to capitalise on the favourable market trends identified and exercise scale efficiencies.

MARKET DESCRIPTION AND POSITION

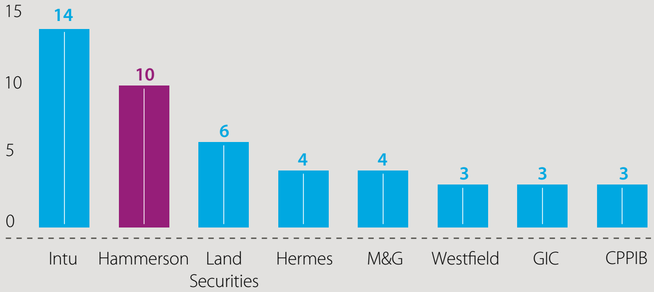
Prime Shopping Centres

Prime shopping centres are those that are dominant in their catchment, include large anchor stores and flagship units, and offer consumers a lifestyle experience alongside their shopping visit. The relative attractiveness of prime shopping centres, against other secondary centres or high street locations, drives growing demand from retail tenants.

Chart Fig 1

Largest owners of the top 30 UK shopping centres (including JVs) (Number of centres)

(Total UK space 17.9 million m²)

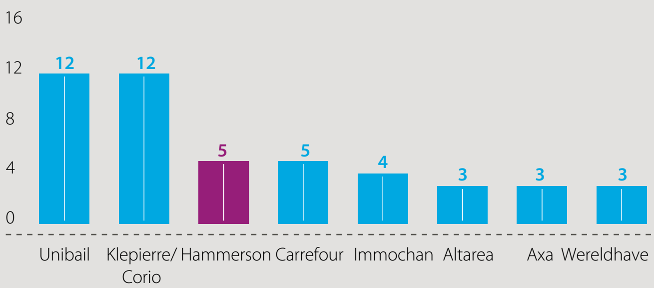


Source: Company

Chart Fig 2

Largest owners of the top 30 French shopping centres (including JVs) (Number of centres)

(Total France space 15.6 million m²)



Source: Company; merger of Klepierre/Corio received shareholder approval January 2015

The rents achievable at shopping centres are driven by their size, location, demographic catchment and competing centres. High tenant demand and low vacancy drives growth in ERV (estimated rental value).

In France, leases are linked to a price inflation index and this is also reflected in the rental performance and portfolio value in France.

With ownership stakes in 22 prime shopping centres across the UK and France and a total of 1.1 million square metres of retail and leisure space, Hammerson is a leading European player. Hammerson is a top 3 owner of large shopping centres in the UK and France. We have over 200 different international retail brands in our shopping centres and 13% of our space is let to catering and leisure.

Retail Parks

Retail parks are predominantly situated in out of town locations which are most easily accessible by car. Units are on average larger and rents are lower per square metre than in shopping centres. Retailers' demand for efficient space to meet consumers' growing need for convenient and accessible shopping locations drives rental growth in retail parks.

Hammerson is the second largest direct owner of retail parks in the UK with 500,000 square metres across 21 assets. The total UK market comprises 11 million square metres and is a fragmented market.

Premium Outlets

There are approximately 200 outlet centres across Europe. Ownership is fragmented and the largest three operators Value Retail, McArthur Glen and Neinver together account for around 25% of the market.

The premium outlets market in Europe comprises outlet centres which are of an institutional investment quality, and this market can be broadly categorised according to the type of customer it serves. At the high end there are outlet centres that attract luxury and fashion consumers; the middle segment caters to the mainstream fashion customer; and the third segment to the high street customer.

Value Retail, in which Hammerson is a major investor, is positioned at the top level, with its unique shopping-tourism Villages serving the international luxury and fashion consumer. It has nine Villages serving major cities across Europe.

Hammerson is also invested with a 47% stake in VIA Outlets. VIA Outlets currently owns six centres which predominantly cater to customers in the mainstream fashion segment.

Demand for outlet space is driven by retailers' desire to sell excess inventory while maintaining brand equity. The supply of new outlet centres is limited by planning consents and the availability of excess inventory to sell.

Outlet centre rents are usually directly linked to tenant sales. Sales growth for outlet centres has been 7-9% per annum over the last five years (source: Cushman & Wakefield). Investment yields for outlet centres are high, around 6-7% across Europe.

GROWING DEMAND FOR PRIME RETAIL SPACE

In 2014, an improvement in consumer confidence and spending supported demand for space in our prime retail locations in the UK, and the French consumer backdrop stabilised. Our tenants' strategies in retail, food & beverage and leisure continue to evolve and we are adapting with them to match their needs with the needs of the consumer.

OCCUPIER MARKETS

Consumer trends – The Considered Consumer

Consumers' habits are evolving. Our research shows they are taking a more 'considered' approach: browsing; researching; and comparing for longer. The internet plays an increasing role for retail transactions and as a result when consumers visit shopping centres they expect more excitement and entertainment.

Online orders now account for 11% of retail sales in the UK, up from 6% in 2009. The role of physical retail space is changing as a result. Retailers are rationalising store portfolios requiring fewer, larger, better-ranged stores to support their digital platform.

Fulfillment of online orders is driving strong growth in click & collect.

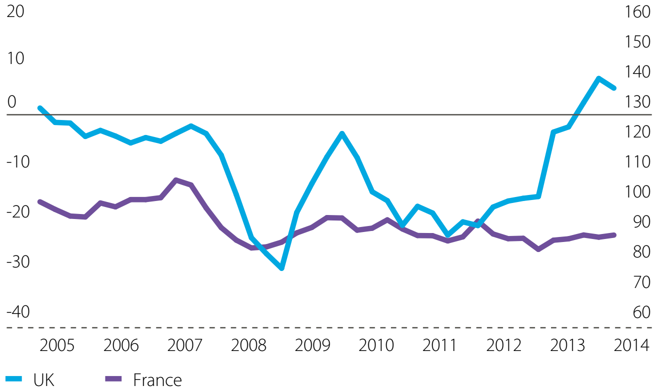
Retailers recognise that a multi-channel strategy is essential to meet customer needs. Physical retail space is critical for brand interaction, which is supported by the whole shopping centre experience.

Retailers such as John Lewis now see more online purchases collected in store than delivered to home. The intensity of online promotional activity around Black Friday in November served to highlight the logistical challenges of servicing growing online demand. Retail parks' traditional strengths of convenience, accessibility, free parking and proximity to food stores makes them ideal to support click & collect.

Online sales are growing in France but with less penetration than in the UK. The click & collect model is popular in France, however shoppers favour a locker model versus collecting in store.

Chart Fig 3

Consumer confidence survey index



Source: ONS, Banque de France

CONSUMER RECOVERY

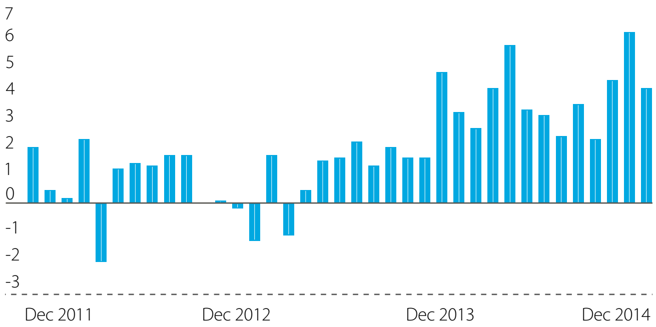
The recovery in consumer confidence in 2014 was significant in the UK and stable in France. The combination of supportive benign domestic economic factors in the UK – low interest rates, lower energy prices, real wage stabilisation and strong GDP growth – is driving consumer confidence.

> "Spending power at record highs" – Lloyds Bank Spending Power Report

As a result, retail sales volumes grew 3.8% in the UK in 2014, the strongest annual growth since 2004 and the market saw the longest period of sustained monthly growth since November 2007. Retail sales growth was more evenly spread across all regions of the UK.

Chart Fig 4

UK retail sales volume growth, YoY (%)

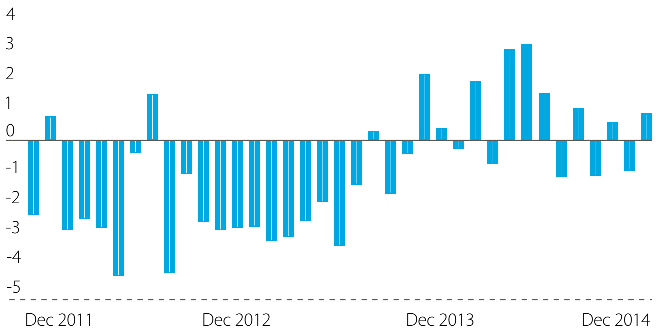


Source: ONS

In France, retail sales volumes grew 0.6% across the year but demonstrated monthly volatility.

Chart Fig 5

France retail sales volume growth, YoY (%)



Source: Banque de France

TENANT DEMAND

Retailers are reporting a confident outlook. A BRC survey in the UK revealed 76% of retailers expect sales to improve in 2015 compared with last year, while 67% said their investment levels were set to increase.

Administration levels of UK retailers are running lower than previous years limiting the drag which new vacancies have on rents.

This retailer confidence translated into ERV growth, which in 2014 turned positive for the first time since the financial crisis, according to PMA.

UK shopping centre ERV growth was 0.7% in 2014. ERV trends also reflect changing retailer demand with large prime shopping centres outperforming secondary and also smaller prime shopping centres.

UK retail park ERV growth was 0.1% in 2014. As well as traditional bulky goods retailers, fashion and high street brands (eg M&S, Debenhams) are taking space in parks, resulting in higher market ERV growth at these type of 'fashion parks'.

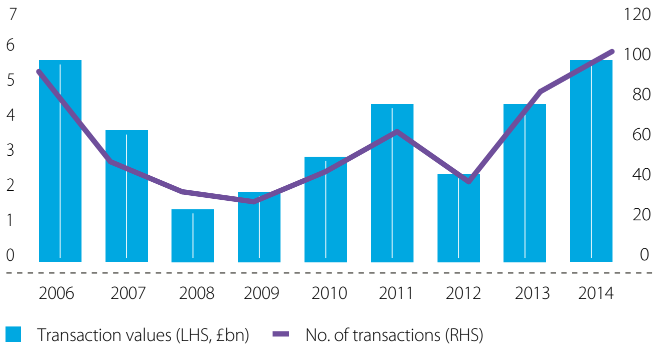
INVESTMENT MARKET

The persistence of a low interest rate environment is driving record investment into direct property: the so-called 'hunt for yield'. Forecast muted economic growth across Europe and low inflation could mean European property continues to look very attractively priced through into 2015.

Direct investment in UK shopping centres was at levels not seen since 2006. As well as domestic transactions (70%), Asian investors accounted for 13% of total volume and North American investors 10%.

Chart Fig 6

UK shopping centre direct property investment



Source: DTZ

UK shopping centre investment volumes were at record levels as shown in the chart above.

Transaction volumes in retail parks exceeded £2.0bn in 2014 (2013:£1.5bn) with 43 transactions (2013: 44).

French retail property markets saw a record level of transactions in 2014, up 45% on 2013. This was driven by four major portfolio transactions which together represented 51% of the total volume.

The weight of capital pushed investment yields lower across all retail sub-sectors.

OUTLOOK

With low interest rates, low inflation and lower energy prices expected to persist through 2015, consumer spending power in the UK is forecast to continue rising, driving further growth in retail sales. The economic outlook in France is still not supportive of a definitive upturn in consumer confidence.

Driven by the continued growth of online sales and rationalisation of retailers' portfolios, there will be greater polarisation in demand for premium UK retail space which favours rents across Hammerson's portfolio.

Indexation of rents in France was 0.8% in 2014 and will be flat in 2015.

Yield compression, leading to increased capital values, is expected to continue in the UK and France in 2015, although not at the same rates as in 2014.

	Consumer confidence	Retail sales	ERVs	Capital values
UK	↑	↑	↑	↑
France	→	→	→	↑
European premium outlets	↑	↑	↑	↑

Source: Company

Hammerson delivers the best @ retail

We create retail destinations where leading and emerging brands want to be. Our focus on continually reinvigorating our leisure and retail mix means we are able to offer consumers the leading line-up in the catchment. This means thinking creatively, using our customer insight and responding to consumer demand to create space where shoppers return again and again.

IAIN MITCHELL
UK Commercial Director

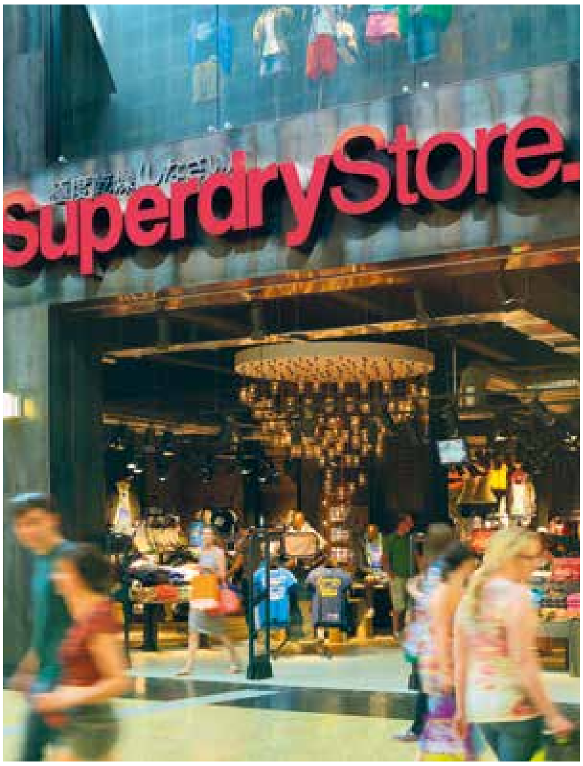
"Our aim is to be top of the list when retailers are looking for new space. We have an exceptional portfolio with strong consumer loyalty. This combined with our extensive depth of expertise and disciplined analysis of consumer spending habits, means we are able to support our retail brands and help them achieve their growth potential."

23%
INCREASE IN LEASING ACTIVITY IN 2014*

* by income.

27
RETAILERS OPENING THEIR FIRST SHOPPING CENTRE STORE IN FRANCE

99
NEW BRANDS INTRODUCED TO THE UK AND FRENCH PORTFOLIOS



Photos from Les Terrasses du Port, Marseille; Bullring, Birmingham; and WestQuay, Southampton.

You can read more about our shopping centres in the Property Portfolio section on page 164

Hammerson centres are
entertaining & exciting

We want to push the boundaries of what a shopping centre can be. Our centres aim to energise and uplift the consumer, creating destinations that add another dimension to their shopping trip. Our retail mix, integrated leisure and dining offer and programme of events are designed to delight and surprise our shoppers, meaning there is always something new to capture their attention and drive frequency of visits.

FIONA CAMPBELL-ROBERTS
UK Head of Marketing

"In 2014 we introduced portfolio wide events. Our initiatives included "Dine till 9", our extension of dining hours, student nights and fashion & beauty themed events such as Spring and Autumn Fashion Fix. These campaigns enhanced centre performance and gave us the opportunity to engage further with our shoppers and retailers."

500,000
VISITORS
Attracted to our exclusive student nights across the portfolio

£1m
SALES INCREASE
During the "Dine 'till 9" event at Brent Cross and WestQuay

+17%
FOOTFALL INCREASE
During Black Friday events across the portfolio

28 Nov

Photos from Summer Dine at Highcross, Leicester; Autumn Fashion Fix at Bullring, Birmingham and Student Night at WestQuay, Southampton.

Hammerson centres are interactive & engaging

Engaging with our consumers before, during and after their shopping experience is key to gaining their loyalty and increasing spend. Our digital infrastructure, which includes Wi-Fi, loyalty apps and our social media channels, connects with shoppers to ensure their visit is tailored to their individual needs and delivers meaningful insight for our retailers.

SOPHIE ROSS
Group Head of Multichannel

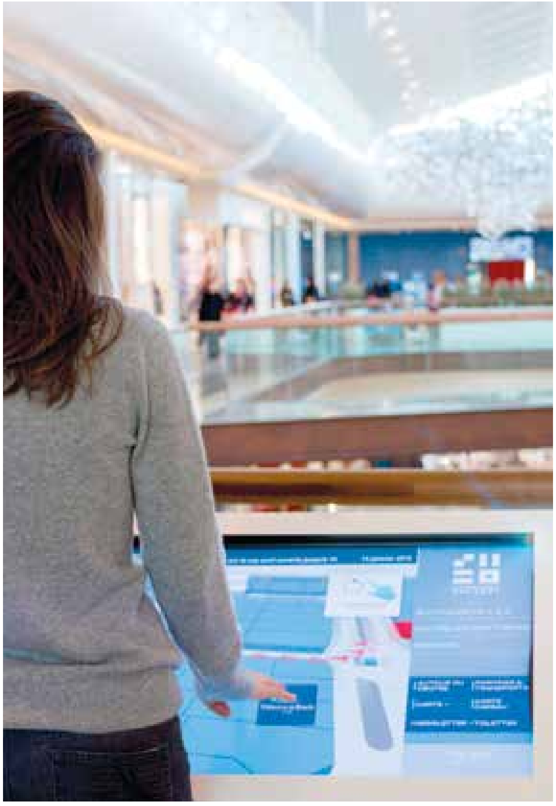
"Hammerson's digital insight team has its finger on the pulse of shifting consumer patterns, guiding how shoppers want to consume. Our insight enables us to offer the best possible experience, across physical locations and digital platforms."

1 MILLION
FACEBOOK FOLLOWERS ACROSS THE PORTFOLIO

+24%
FOOTFALL GENERATED BY WESTQUAY'S STUDENT EVENT

150,000
TOTAL NUMBER OF WiFi USERS PER MONTH*

* (UK Portfolio).



Photos from Les Terrasses du Port, Marseille; Highcross, Leicester; and Bullring, Birmingham.

Hammerson centres are convenient & easy

Our retail parks and shopping centres are designed to make life simple and the customer experience stress free. From family friendly parking to best-in-class customer service, our aim is to make shoppers' lives easier. We have responded to consumer demand for click & collect, convenient "grab and go" catering and delivered improved facilities such as enhanced parking, crèches and family lounges.

ANDREW BERGER-NORTH
Director of Retail Parks

"The convenience shopper is no less discerning than those spending a day out with the family at our centres. We are increasingly bringing new fashion retailers to retail parks, responding to the demands of the convenience shopper who wants more fashion, catering and high-quality facilities from their shop."

34%
of convenience shoppers are shopping for fashion items during their convenience shop

61%
of convenience shoppers use click & collect

66%
say that the brand line-up is key to their convenience shop

Photos from Brent Cross, London; WestQuay, Southampton; Italie Deux, Paris; The Oracle, Reading; Manor Walks, Cramlington; and Fife Central Retail Park, Kirkcaldy.

Hammerson develops iconic destinations

Hammerson has been creating and managing some of the most iconic retail destinations for over 60 years, combining world-class architecture, flexible retail space and technology to create venues for retailers to thrive and places where shoppers want to spend time. Delivering complex regeneration projects, our schemes bring transformational change to towns and cities, enhance their surrounding environments and become a focal point for the wider community.

MARTIN PLOCICA

Director of UK Shopping Centres

"Bullring's distinctive design has become an internationally recognised symbol of Birmingham and a major attraction within the region. Its iconic architecture and constantly evolving brand line-up are widely viewed as having raised the city's prestige and retail offer."

MICHAËL FARBOS

Director of Investment and Asset Management, France

"Striking architecture and intelligent retail design are key to ensuring our schemes enhance the environment and the retail reputation of the area. Les Terrasses du Port in Marseille is a great example of this. It has become an important leisure destination for both residents and visitors."

Photos from Union Square, Aberdeen; Les Terrasses du Port, Marseille; Bullring, Birmingham; and Highcross, Leicester.

Read more about our Property Portfolio on page 164

Hammerson's development programme, shown here, including our most recently completed schemes, will create some of the most exciting retail destinations of the future.

Completed

LES TERRASSES DU PORT

MARSEILLE

SIZE:

62,800m^2

PROFIT ON COST:

£107m

As at 31 December 2014.

MONUMENT MALL

NEWCASTLE

SIZE:

9,500m^2

PROFIT ON COST:

£16m

ABBOTSINCH RETAIL PARK

PAISLEY

SIZE:

5,000m^2

PROFIT ON COST:

£7m

On-site

WESTQUAY WATERMARK

SOUTHAMPTON

SIZE:

17,000m^2

ESTIMATED ANNUAL INCOME:

£5m

VICTORIA GATE

LEEDS

SIZE:

34,300m^2

ESTIMATED ANNUAL INCOME:

£10m

LE JEU DE PAUME

BEAUVAIS

SIZE:

23,800m^2

ESTIMATED ANNUAL INCOME:

£5m

Pipeline

CROYDON TOWN CENTRE

SOUTH LONDON

SIZE:

200,000m^2

EARLIEST START ON SITE:

2016

BRENT CROSS EXTENSION

LONDON, NW4

SIZE:

90,000m^2

EARLIEST START ON SITE:

2017

THE GOODSYARD

LONDON, E1

SIZE:

260,000m^2

EARLIEST START ON SITE:

2016

LES TERRASSES DU PORT
MARSEILLE

COMPLETED
2014

62,800m²
LETTABLE AREA

150,000
VISITORS AT OPENING WEEKEND

260m
RESTAURANT TERRACE

A WORLD CLASS EUROPEAN RETAIL DESTINATION

Les Terrasses du Port is located in the heart of the largest urban regeneration programme in Southern Europe and was our first major shopping centre development in France. The centre is home to 190 stores and has a unique location overlooking the Mediterranean Sea which includes a 260 metre long restaurant terrace. Anchored by Printemps, taking their first store outside Paris for over 30 years, the centre is home to high-end designers including Michael Kors, Sandro, Bose, G-Star and Maje. The centre also hosts the best international brands ranging from Zara, H&M and Mango to Pull & Bear and Uniqlo.

Les Terrasses du Port was the first of our centres to launch the integrated digital system using the "Plus" app, allowing consumers to access real-time content and offers via the app, website and kiosks.

Since opening, the scheme has had over 8 million visitors with an average dwell time of 92 minutes and we have received extremely positive trading reports from our retail customers.

POSITIVE TRADING

"Above expectations" – Zara

"Very good results, above targets" – Uniqlo

VICTORIA GATE
LEEDS

COMPLETION
2016

34,300m²
LETTABLE AREA

£104m
ESTIMATED COST TO COMPLETE

£10m
ESTIMATED ANNUAL INCOME

A LUXURY RETAIL DESTINATION

The Victoria Gate development is an exciting addition to the vibrant shopping scene in Leeds. Delivering John Lewis's first store in the city and a range of high-quality and premium brands, the scheme will capture the heritage of Victoria Quarter, acquired in 2012, which is anchored by Harvey Nichols and is home to leading luxury designers including Mulberry and Vivienne Westwood.

The scheme's design will build on the city's arcade history to provide a 21st century-inspired retail arcade, offering 30 retail and catering units together with a new 21,000m² flagship John Lewis department store with a striking façade drawing on Leeds' textile heritage. The scheme will also include a multi-storey car park for up to 800 cars.

Planning approval was granted in September 2013 and construction of the £150 million development began in April 2014.

As well as regenerating the physical space, the scheme will also deliver up to 1,000 retail and hospitality jobs and 1,000 construction jobs.

Victoria Gate represents a huge opportunity for retailers with £540 million of additional sales available from the highly affluent areas of Harrogate, Ilkley and York as well as attracting the city's fashion conscious shoppers, international visitors and students. Proposals are in place for a further phase of up to 73,000m² of retail scheme.

CROYDON TOWN CENTRE
SOUTH LONDON

COMPLETION
2019/2020

200,000m^2
LETTABLE AREA

£625-750m
TOTAL DEVELOPMENT COST (50%)

2016
ANTICIPATED START ON SITE

THE RETAIL OPPORTUNITY

The redevelopment of the Whitgift Centre offers the chance to capture the south London corridor, attracting over £1billion of retail spend and creating a diverse, vibrant and well connected town centre. The mixed-use development will lead the transformation of the centre of Croydon and restore the town to its rightful place as one of the UK's leading shopping destinations.

The Croydon Partnership was formed in January 2013 between Hammerson and Westfield and achieved outline planning consent in February 2014. The scheme has been designed specifically to fit in with the town's heritage including the Allders façade and existing streetscape, reinstating North End's role as the town centre's main retail street. The refurbishment of the existing Centrale shopping centre together with a new Whitgift will provide Croydon with a new retail core of over 200,000m^2 of retail and leisure space.

Home to the best high street brands and international retailers, the new shopping destination will be anchored by M&S and a major new department store which, when combined with Debenhams and House of Fraser at Centrale, will create a new retail circuit for Croydon.

Hammerson creates

Positive Places

Our Positive Places programme has continued to deliver great outputs during 2014. Our retail park and shopping centre developments set high sustainability standards; we have handed over the B&Q Eco-Learning Store at Merthyr Tydfil, are delivering a new, low carbon EcoPod for Costa Coffee at Wrekin, Telford and achieved design stage BREEAM Excellent at both Les Terrasses du Port and Le Jeu de Paume in France.

Other major projects delivered this year include our sustainability road show, the Big Positive Weekend, and an extensive materiality and stakeholder engagement exercise that informed the setting of our new sustainability targets. More detail of our 2014 performance and new targets is provided below and on the Positive Places pages at www.hammerson.com

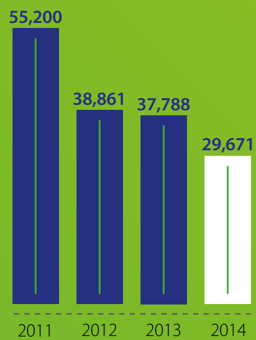
LOUISE ELLISON
Head of Sustainability

“Consumer awareness of supply chain ethics and environmental impacts has never been higher. Our Positive Places strategy is designed to directly support our retailers in responding to this by providing the most sustainable shopping centres and retail parks we can and by engaging with all our stakeholders to continue raising our game.”

www.hammerson.com
for more on our sustainability initiatives

Hammerson's Global CO_2e emissions ($mtCO_2e$)

29,671



20%

REDUCTION IN LIKE-FOR-LIKE CARBON EMISSIONS SINCE 2010

£420,000

SAVINGS IN ENERGY AND CARBON COSTS THROUGH OPERATIONAL EFFICIENCIES IN 2014

PERFORMANCE AGAINST OUR 2010 – 2015 SUSTAINABILITY TARGETS

Measure	Target end date	Progress	2014 Performance	Comments
Reduce like-for-like carbon emissions from 2010 by 20%	2015	Achieved ahead of target	20%	Combined good management practices and targeted investment are continuing to deliver substantial carbon savings across our portfolios.
Reduce water consumption from 2010 by 12%	2015	Achieved ahead of target	-59% France +34% UK -26% Global	Limited sub-metering of water data continues to make consumption management challenging. Combined with the increase in catering across the portfolio makes our underperformance here disappointing but not unexpected. It is an area we are targeting through installation of sub-metering alongside our water efficient fit outs.
Biodiversity action plans at all retail assets	2015	On track	34 UK, 5 France	Our bio diversity action plans will be reviewed during 2015.
Community plans for all developments and managed assets	2014	Achieved on target	41	Our UK community plans are due for revision in 2015. We will use this opportunity to improve consistency across the business.
75% of community activity to be long-term community investment	2014	Not achieved	31% Global	New relationships have developed during 2014 as development activity has increased, reducing ratio of long term.
45% of suppliers by value to be engaged (questionnaire(£/100k)	2015	Achieved ahead of target	71%	Our supply chain survey and annual Supplier Report are recognising and encouraging improved performance across the supply chain.
All employees to complete CR training biannually	Ongoing	On track	68% UK trained	Role specific CR training is provided across in-house teams on an ongoing basis.

Hammerson participates in a range of industry benchmarks including:

FTSE4Good | Dow Jones Sustainability Indexes | GRESB | CDP | ROBECOSAM Sustainability Investing

REVIEWING OUR MAJOR SUSTAINABILITY IMPACTS

As our medium-term targets end in 2015, in 2014 we carried out a review of our major sustainability impacts to inform our new sustainability targets and refresh our strategy. Energy, waste, water and materials remain our major environmental impacts. Our social impacts and relevance are increasingly important to our stakeholders.

www.hammerson.com
A summary of the findings from our materiality study is available on the Positive Places pages on our website

Working closely with JLL Upstream and Forum for the Future, our impacts review involved:

- Extensive stakeholder engagement across our five stakeholder groups
- Review of our progress against targets
- A study of a key environmental, social and economic impacts
- A peer review and reflection on where we want our sustainability journey to take us

“Hammerson’s embedded approach to sustainability drives environmental efficiencies in asset management and development, as well as enhanced customer and community relationships. It is this approach that is now unlocking commercial opportunities for the ultimate benefit of Hammerson’s shareholders.”

SOPHIE WALKER
Director, Upstream Sustainability Services

Key findings

Key stakeholder messages
Hammerson is expected to maintain its leadership position as a sustainability innovator by, for example

- Supporting tenants in meeting their sustainability targets
- Actively managing energy supply and pricing risks
- Driving high sustainability standards with suppliers

Top 5 environmental and social issues raised

- Energy security and demand
- Minimising waste
- Water
- Community engagement investment and relevance
- Materials use and procurement

Peer review
The JLL study identified Hammerson as a sector leader on sustainability with particular strengths in[1]:

- Leadership and Governance
- Everyone Understands Sustainability
- Sustainability Delivers Value
- Value Chain
- Culture of Innovation

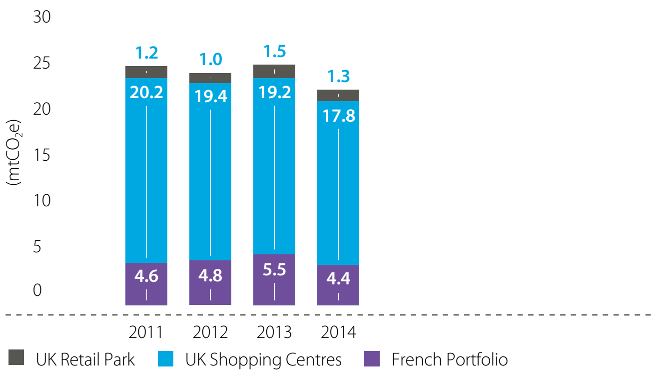
1. Findings based on the JLL Sustainability Journey Model ©.

Our stakeholder groups

- CUSTOMERS
- SUPPLIERS
- INVESTORS
- COMMUNITIES
- EMPLOYEES

Charts 7, 8 and 9 show our performance in carbon, water and waste management. Further information is available on pages 28-30.

Chart Fig 7
Like-for-like scope 1 and 2 CO_2e for Hammerson’s retail portfolios ($mtCO_2e$)



OUR RESPONSE

Building on these findings we have developed an ambitious set of new sustainability targets designed to take the business to a new level in terms of sustainability leadership. The targets are arranged under seven key themes drawn from the findings of the materiality study.

Lead & challenge

The transition to a sustainable business model requires leaders to challenge current practice. We aim to lead the way, working with our retailers, communities and suppliers to change the status quo. Key target areas will be whole life costing , the links between sustainability, value and risk and understanding the carbon footprint of our business.

Innovate & learn

To create the retail destinations of the future, we have to invest in trialling new approaches. Key targets under this theme include establishing a portfolio of "Pioneer Places" to showcase and test innovative sustainability solutions before successes are mainstreamed across the portfolios.

Partner & collaborate

Systemic change requires active collaboration with like-minded partners. Our stakeholder-led approach reflects this and key targets have been set for each group. These include establishing a sustainability learning group with our customers, an engagement programme for our investors and further development of our supply chain survey.

Protect & enhance

We recognise our responsibility to protect the environment by minimising our resource consumption but also to enhance it through restorative projects and renewables. Key targets include 20% reduction in our like-for-like CO_2 emissions by 2020 and installing 2mWh of renewable capacity across the portfolio.

Serve & invest

Our assets deliver important social value in our communities, measured in jobs, skills , civic pride and investment. We have set ambitious new targets to understand and maximise these place-making impacts as we strive to ensure all our assets are truly Positive Places.

Develop & inspire

We are investing in developing the skills of our people, as well as recognising and rewarding those delivering change. New approaches will be supported with role specific training and ensuring personal objectives are linked to sustainability outcomes.

Monitor & evolve

Measurement, monitoring and transparency are key to progress. We will publish annual targets that support our five-year targets and continue to report our progress annually. Our internal governance structure will support the evolution of our approach to sustainability as our teams learn from each other, our stakeholders and our results.

Our current targets run until the end of the 2015 calendar year. Our new targets will take effect from 1 January 2016.

Chart Fig 8

Total Landlord obtained water (m³)

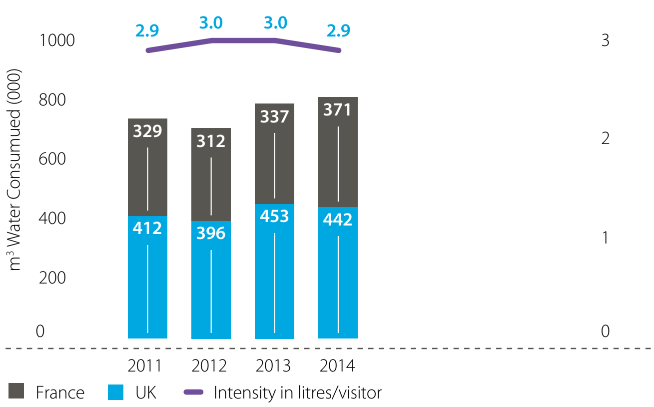
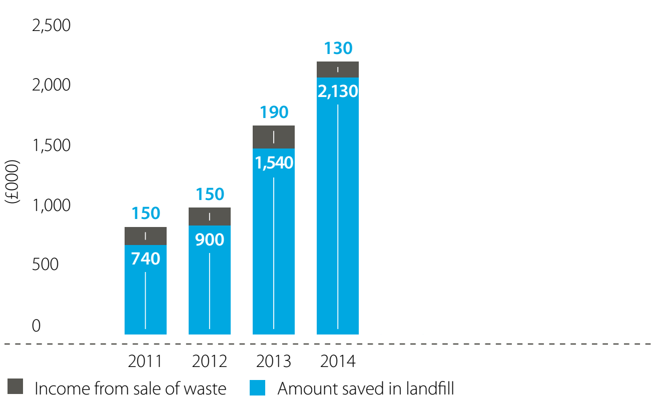


Chart Fig 9

Global Waste



KEY STAKEHOLDER OUTPUTS 2014

CUSTOMERS

One of our biggest sustainability events for 2014 was The Big Positive Weekend, our sustainability road show. This was our first consumer facing event and the first sustainability road show ever to be taken across a whole shopping centre portfolio.

The event generated over 200,000 positive actions and connected with 2.4 million people to raise awareness of their own power to make a positive change. Sponsorship from Nationwide, Eon, Renault, Sealife Centres and H&M is a clear indication of the appetite amongst the consumer facing brands for a platform to communicate their sustainability initiatives.

67% OF PURCHASES DRIVEN BY ETHICAL SUPPLY CHAIN*

		2011	2012	2013	**2014**
Top 75 customers engaged on sustainability (%)	UK	n/a	24	32	**28**
Number of green leases in portfolio	UK/Fr	896	1,250	1,401	**1,637**

SUPPLIERS

In 2014, 62 new suppliers completed our sustainable supply chain survey, three of them achieving platinum status. Detailed results are available in our Annual Supplier Report.

In 2015 we will update the supply chain survey as part of our ongoing monitoring. The increasingly sophisticated approaches to these issues adopted by many of our suppliers to these issues makes it important to refresh our questions.

87% OF OUR SUPPLIERS HAVE DEVELOPED A CORPORATE RESPONSIBILITY POLICY

		2011	2012	2013	**2014**
Percentage of total suppliers by value engaged on sustainability (%)	UK	n/a	100	71	**71**
Number of suppliers over £100k by contract value	UK	107	302	165	**148**
Value of contracts with suppliers we engaged on sustainability (£m)	UK	86	193	87	**87**

INVESTORS

Active engagement with our shareholders during 2014 confirmed strong interest in sustainability amongst our major investors and an expectation that we will continue to perform as industry leaders in this area.

Working with our Joint Venture partners we have agreed forward funding of major investment in LED lighting at Bullring. Once installed this will deliver immediate returns in reduced carbon emissions and is expected to pay for itself in under five years. During 2015 we will be investing in further LED lighting projects across the portfolio.

A new way to communicate with investors

The launch of our Positive Places web pages this year has established a more dynamic, engaging way of communicating with our investors. Our performance against targets and our Global Reporting Initiative (GRI) and EPRA compliant reporting remain a key element of our communications and are available alongside regularly updated information on Positive Places activities.

		2011	2012	2013	**2014**
Direct number of investors with whom we had collective or individual meetings	UK/Fr	25	13	1	**12**
Total number of shares held by the top 20 investors (31.12.14) (m)		417	395	407	**451**
Total number of shares held by those top 20 investors with whom Hammerson engaged on sustainability (31.12.14) (m)		148	170	108	**184**

* Big Positive weekend consumer survey.

GREENHOUSE GAS (GHG) EMISSIONS 2014

Reporting period and methodology

In line with 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 2013 to 30 September 2014. 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 GHG emissions data for these reported assets.

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

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 above.
Emissions factor data source	2014 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 1/10/13 – 30/09/14*.
Target	20% reduction in life-for-like carbon emissions against 2010 baseline by 2015.
Independent assurance	Scope 1, 2 & 3 GHG emissions data, indicated by an † have been independently assured by Deloitte LLP. The independent assurance statement is available on the sustainability pages of our website.

* Profit before tax derived from unaudited management accounts.

GHG Emissions Analysis

Source	Global emissions ($mtCO_2e$)	UK emissions ($mtCO_2e$)	France emissions ($mtCO_2e$)	Global emissions intensity ($mtCO_2e$/£m)
Total GHG emissions metric tonnes (mt)†	**31,488**	**24,525**	**6,963**	**180**
Scope 1: Direct emissions from owned/controlled operations				
a. Direct emissions from stationery combustion	4,344	2,457	1,887	25
b. Direct emissions from mobile combustion	399	13	386	2
c. Direct emissions from process sources	0	0	0	0
d. Direct emissions from fugitive sources	220	220	0	1
Totals	**4,963**	**2,690**	**2,273**	**28**
Scope 2: Indirect emissions from the use of purchased electricity, steam, heating and cooling				
a. Indirect emissions from purchased/acquired electricity	22,701	20,498	2,203	130
b. Indirect emissions from purchased/acquired steam	0	0	0	0
c. Indirect emissions from purchased/acquired heating	1,388	151	1,237	8
d. Indirect emissions from purchased/acquired cooling	49	49	0	0
Totals	**24,138**	**20,698**	**3,440**	**138**
Scope 3: Upstream emissions				
a. Business travel	587	322	265	3
b. Waste	1,520	660	860	9
c. Water	280	155	125	2
Totals	**2,387**	**1,137**	**1,250**	**14**

www.hammerson.com
Our connected reporting framework on pages 28-30 and on the Positive Places pages on our website contain further details of our sustainability performance in 2014

CONNECTED REPORTING FRAMEWORK

A CONSISTENT REPORTING FRAMEWORK

Hammerson has reported extensively on its sustainability performance since 2008. For the past six years Hammerson reporting has complied with Global Reporting Initiative (GRI) standards. In doing so, we aim to provide data and disclosures that facilitate comparison with other real estate companies and enable stakeholders to gain an objective view of our approach and performance. All our data are available on the Sustainability pages of our website.

Energy (Hammerson global)

	2011	2012	2013	**2014**
Cost of landlord obtained energy (£000)	9,707	9,404	7,025	**6,604**
Estimated energy savings (£000)	1,231	1,032	407	**421**
Energy efficiency investment (£000)	1,157	3,616	1,854	**637**

Carbon

Year-on-year CO_2e emissions building intensity by portfolio

		2011	2012	2013	**2014**
UK shopping centres	$kgCO_2e$ per m^2 common parts/year	100	84	99	**96**
UK retail parks	$kgCO_2e$ per car parking space/year	96	79	90	**85**
French shopping centres	$kgCO_2e$ per m^2 common parts/year	102	97	71	**53**

Water (Hammerson global)

	2011	2012	2013	**2014**
Cost of landlord obtained water (£000)	1,896	1,751	1,305	**717**
Investment in water management improvements (£000)	16	312	27	**30**
Estimated water savings (£000)	218	191	290	**588**

Waste

		2011	2012	2013	**2014**
Total waste UK shopping centres	tonnes (000)	19	19	23	**25**
Total waste French shopping centres	tonnes (000)	6	10	5	**9**
Total cost of waste disposal UK and French shopping centres	£m	2.0	1.8	2.0	**2.1**
Percentage recycled UK shopping centres	%	59	64	77	**75**
Percentage recycled French shopping centres	%	42	27	40	**31**
Percentage diverted from landfill UK	%	70	83	89	**95**
Percentage diverted from landfill France	%	67	40	67	**49**
Percentage diverted from landfill Global	%	70	71	86	**84**

* Note: Historic figures restated due to more accurate waste streams.

COMMUNITIES

Our community engagement programme focuses on four key areas:

- Skills and employment
- Health and wellbeing
- Young people
- Regeneration

Let's Talk Shop

At Brent Cross Shopping Centre the Let's Talk Shop initiative supported by London Borough of Barnet and National Skills Academy for Retail has placed 18 people into jobs at the Centre. By providing a single point of contact for retailers and training support for applicants this initiative has streamlined the application process, making it easier for employers to alert potential employees to forthcoming roles.

Retail pathways

Highcross in Leicester is one of five centres across the UK piloting the Retail Pathways project led by the BCSC Education Trust. Three young people have taken up apprenticeships and will be working with six different retailers and the centre management team over a 12- month placement. The training they receive through this innovative scheme will provide a firm foundation for their future careers.

Somewhereto_

Somewhereto_ at High Cross links young people with underused spaces. It has created enlivenment for the centre while supporting enterprising young people. Read more about our work with Somewhereto_ on http://sustainability.hammerson.com

Lives not knives

The Lives Not Knives unit at Centrale has supported 109 young people in to employment or training during its fist year, saving over £150k in public spending. Read more about our Lives not knives programme on http://sustainability.hammerson.com

	2011	2012	2013	2014
Direct contributions (£000)	932	599	431	**1,700**
Indirect contributions (£000)	366	446	299	**407**
Number of organisations that benefited from Hammerson's direct and indirect contributions	389	347	398	**332**

EMPLOYEES

Achieving our ambition of creating Positive Places relies on the skills and enthusiasm of our employees. During 2014 we have maintained our sustainability training objectives delivering a range of role specific training in addition to the basic training provided through corporate induction. This includes sustainability away-days, learning lunches and breakfast briefings. All new joiners also receive role specific training with a member of the sustainability team. Our Centre-based staff receive regular, role appropriate training on environmental management issues and systems.

Making sure our staff remain inspired and enthusiastic is supported by providing opportunities to tackle something outside the routine, especially whilst raising money or contributing practically to a good cause. 2014 saw many such events, including our annual Community Day, a Paris to Marseille bike ride, and a trip to Haiti to support the Haiti Hospital Appeal. More details on this event and on our work with our charity partners is available on page 34.

Investment in employee training

	2011	2012	2013	2014
Total expenditure on training (£000)	482	357	212	**179**
Total hours spent on training	7,400	5,000	6,000	**4,000**

PREPARING FOR GROWTH

2014 was a year in which we progressed our people agenda significantly.

Embedding our values, organisational change and resourcing were key areas of focus. In addition, our actions to improve management capability and develop talent will strengthen the business in the years ahead. Positive steps were taken to improve collaboration and working practices throughout the organisation and our diversity and inclusion agenda was progressed.

LEADERSHIP AND MANAGEMENT CAPABILITY

During 2014 we focused on improving management capability within the business.

For the first time, we developed a clear and concise competence model for those who manage teams of people. The Management Framework, developed by a representative group of managers from across the organisation, was launched in spring 2014. The Management Framework clearly defines the capabilities and skills we want to see from our management teams.

Furthermore, we redesigned our comprehensive recruitment processes to incorporate the new Management Framework and our management assessment centres in the UK now include a greater focus on management capability than ever before.

The Management Framework also gave us the benchmark against which to design a completely new Management Development Programme. Aimed at existing and potential managers, the Programme was launched to much acclaim in the autumn and will form the foundation of our management development. With this in mind, a comprehensive schedule has been planned for 2015.

ORGANISATIONAL DESIGN AND STRUCTURE

Our commitment to operate the most effective organisational structures and to maximise the contribution of our people through collaborative working continued throughout 2014.

This was best evidenced by the opening of our new Reading office, Aquis House, where our integrated UK Finance team, the recently restructured Group IT Infrastructure function, HR administration and a number of UK shopping centre support roles are based. As a result of this move, 25 employees will be leaving the business in 2015.

Recent changes to our Asset Management, Leasing, Development and Property Management functions – designed, in part, to allow for greater scalability – enabled us to integrate new employees easily into these teams during the course of the year.

Our group-wide Marketing function, restructured in 2013 to improve efficiency and better leverage the expertise of our UK and France teams, saw significant economies of scale whilst delivering a broad range of marketing activity across our portfolio.

TALENT MANAGEMENT AND RESOURCING

The Company was successful in retaining and developing talent whilst attracting high-calibre individuals to the business in 2014.

Voluntary staff turnover across the UK and France remained low at 10.3% despite improved labour market conditions.

Our established approach to performance management, including the bi-annual assessment of employees' potential as well as performance, contributed towards a high number of promotions during the year; 13 in the UK and six in France.

Primarily driven by the progression of the Company's development projects and the Reading office move, the need for external recruitment was high and 96 new people joined Hammerson during the course of the year. A number of restructuring initiatives resulted in 14 employees leaving the business during the year.

In order to improve our Company-wide approach to talent management and succession planning we objectively evaluated the majority of UK and France roles during the course of the year. Using the established Hay Group evaluation methodology, we developed the Hammerson Career Framework.

Going forward we will use the Career Framework to help identify career paths for high-potential employees and our aspiration is for this to support the mobility of our workforce across the UK and France. Furthermore, we will use the Career Framework to enhance our succession planning practices within the organisation, particularly for senior management and business-critical roles.

KEY FACTS AT A GLANCE

445 HEADCOUNT*

334 IN THE UK

111 IN FRANCE

96 NEW HIRES

10.3% VOLUNTARY STAFF TURNOVER

35 INTERNAL MOVES & PROMOTIONS

* as at 31/12/14.

THE SURVEYORS OF THE FUTURE

103 APPLICATIONS TO OUR UK GRADUATE PROGRAMME DURING 2014, RESULTING IN TWO APPOINTMENTS

The Hammerson Graduate Programme was launched in 2011 and our first graduate surveyors joined the Company in the autumn of that year.

Introduced with the purpose of developing our own surveyors for the future, the programme has been designed to give graduates experience in asset management, leasing, development and investment whilst working towards chartered status with the Royal Institute of Chartered Surveyors.

2014 was a significant year with both our first recruits – Shelley Taylor and Robert van Vliet – gaining their RICS accreditation and subsequently moving into asset management roles within the organisation.

With further graduates already on the programme and more set to join the Company in 2015, we are well placed to nurture our own talent in the future.

SHELLEY TAYLOR

"I passed my APC (Assessment of Professional Competence) in April 2014, having successfully completed five six-monthly rotations across key areas of the business as part of the graduate development programme. The high quality of training and flexibility offered by the programme provided me with the confidence and ability to pass my APC and to accept an asset management position within the shopping centre portfolio. I am enthusiastic about the future success of the graduate development programme and excited about opportunities for my career with Hammerson."

CULTURE AND VALUES

2014 was a year in which our values – Ambition, Responsibility, Collaboration and Respect – started to become embedded within the business and have a real impact on the way we work.

Good internal communication is important to us and in 2014 an increasingly collaborative approach was enhanced through regular staff briefings and the introduction of a single Intranet for the entire organisation. As a matter of course, the Company regularly consults with its employees on a wide range of topics such as changes to reward, our approach to internal communications and flexible working. Internal updates on business news and performance take place on a regular basis.

Our staff conference, held at Les Terrasses du Port, was themed around the values with awards given to those employees who had demonstrated them to best effect.

Within our shopping centres there were numerous examples of values-driven activities with our participation at Highcross in Retail Path being of particular note. This new initiative, launched by the BCSC Educational Trust and the National Skills Academy for Retail, aims to attract young people into the property and retail sectors and support their development through its high-quality apprenticeship programme.

A YEAR IN SHOPPING CENTRES

In France, the opening of Les Terrasses du Port was certainly the highlight but, in addition, the decision to in-source shopping centre management services will enable us to maximise performance and improve synergies across the portfolio in the years ahead.

In the UK, WestQuay, Highcross and The Oracle maintained their Investors in People accreditations and the taking over of the asset management at Cabot Circus resulted in 11 new employees joining the Company. Growth in our Property Management, Technical Services and Car Parking teams enabled us to deliver an increasing number of cross-portfolio solutions, all with the aim of improving performance and standards in all our shopping centres.

COMMUNITY ENGAGEMENT

POSITIVE PLACES

The 2014 Community Day in the UK was our sixth to date and was met with the usual enthusiasm from head office and shopping centre employees. 214 employees participated in 15 events ranging from the Hammerson Games with 220 young people from Whitmore, Sebright, Daubenay and Burbage Primary Schools to painting, weeding and gardening at the Coram headquarters in central London. This once again proved a valuable team building event, providing an opportunity for employees across the business to work together.

Every two years employees select two charity partners with whom to work. The selected charities receive a cash donation and, more importantly, an opportunity to develop a relationship with the business. Employees are incredibly supportive of this process and highly engaged with the charities selected, which for 2014/2016 are Samaritans and Elifar. Employees are also encouraged to support other charities through our match funding programme. In 2014, £18,989 was raised by employees for 22 charities, which was supplemented by £6,970 in company contributions.

In May six employees ventured to Haiti for two weeks to show their support for the Haiti Hospital Appeal. With nearly £11,500 raised our team were able to see first-hand how far that money goes. With some of the funds raised, the Appeal was able to buy nearly 500 banana tree roots which our team loaded, unloaded and planted. To further support the appeal, we sent a container funded by the Guernsey Overseas Aid Commission, loaded up with solar panels and batteries for a backup system, clothes donated by Primark and medical equipment from the Swiss Paraplegic Foundation.

1412
VOLUNTEERING DAYS

DIVERSITY AND INCLUSION

During 2014 the Company enhanced a number of business practices which support our objective of promoting diversity within the organisation. In addition, we advanced a number of new initiatives as well as introducing clearly stated targets for the first time.

In the summer our Group Executive Committee attended a workshop on unconscious bias. Delivered by Brook Graham, our diversity and inclusion advisors, the session was designed to broaden awareness of diversity in the workplace and to foster debate about actions to take in order to create a more diverse workforce. Our UK and France senior management teams will attend similar workshops during 2015.

We continue to place particular emphasis on gender diversity when recruiting. Of the 96 new employees recruited in 2014, 52 were female (54%) with many of these in senior professional roles. Seven of our 18 shopping centre General Managers are female.

Our 2014 graduate intake was once again split 50/50 by gender, as it has been since the programme's inception in 2011.

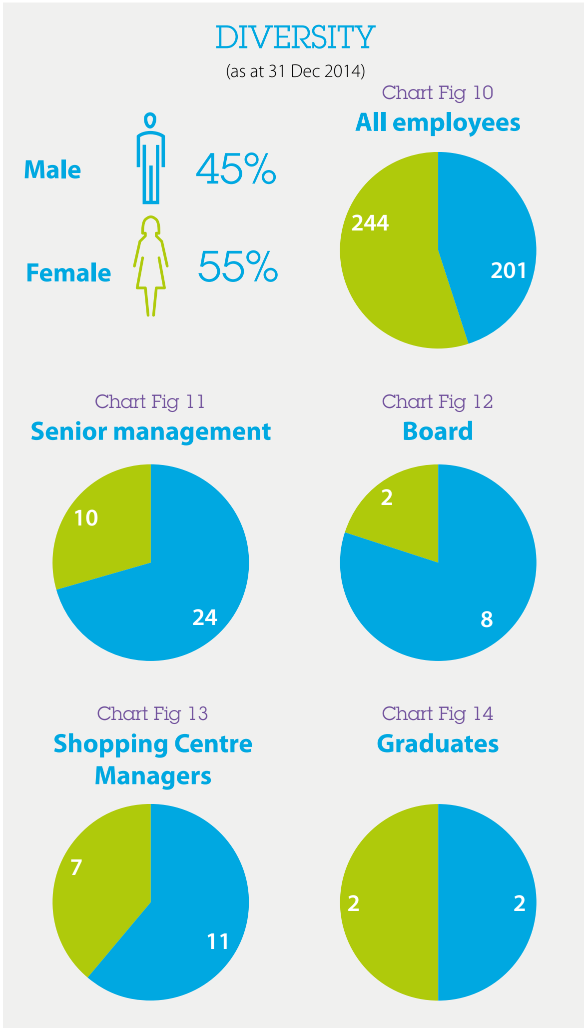
The Company continued to support a range of activities focused on broadening awareness of the property industry, particularly amongst under-represented groups in society. Specific actions taken during 2014 included the ongoing sponsorship of the Pathways to Property scheme, participation in the Capital South mentoring scheme in Croydon, sponsorship and participation of Retail Path and the promotion of Inspiring the Future events across the business.

The latter part of 2014 saw us introduce a number of objectives, against which we will measure our progress. Specifically, these are:

- That women will hold a minimum of 30% of the senior management roles throughout the organisation.
- That women are represented in no less than 30% of roles identified in the senior management succession plan.
- That the gender gap for employee engagement, as measured by our bi-annual employee survey, is no greater than 5%.

The Board's stated aim is to maintain 20% female representation at Board level whenever practicable.

The Company welcomes and fully considers all suitable applications for employment, irrespective of gender, race, ethnicity, religion, age, sexual orientation or disability. All employees are eligible to participate in career development and promotion opportunities. Support also exists for employees who become disabled to continue in their employment or to be retrained for other suitable roles.



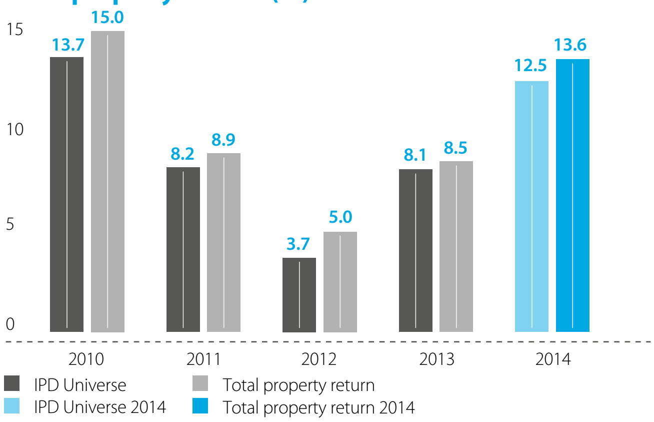
MEASURING PERFORMANCE

During 2014, we reviewed the Key Performance Indicators (KPIs) by which we monitor our business. This was to ensure they provided the most appropriate metrics for monitoring the achievement of the Group's three strategic priorities which are designed to deliver value for shareholders. In order to better align the KPIs with these strategic priorities we have introduced three new KPIs: Cost ratio, Leasing activity and Global emissions intensity ratio. The Group's seven KPIs are split between financial and operational measures and the KPIs and associated benchmarks are set out below.

FINANCIAL KPIs

Chart Fig 15

Total property returns (%)



Description

We compare the total return achieved by the Group's property investments on a proportionally consolidated basis, including premium outlets, against the IPD Retail Property Universe. The IPD benchmark is weighted 70:30 between the UK and French indices to be comparable with the geographical allocation of the Group's properties. As the final 2014 IPD indices are not published until after the publication of this Annual Report, the benchmark is management's best estimate using available IPD data.

Link to strategy 1 3

We invest in, create and operate high-quality real estate which is attractive to both customers and consumers and provides a platform from which to grow income and value to deliver returns in excess of the benchmark.

Performance

13.6% (IPD 12.5%) (2013: 8.5% (IPD 8.1%))

During 2014, the Group's property investments produced a total return of 13.6% which was 110bp ahead of the estimated IPD benchmark. The Group's outperformance was principally due to our premium outlets business which delivered a total return of 19.9%.

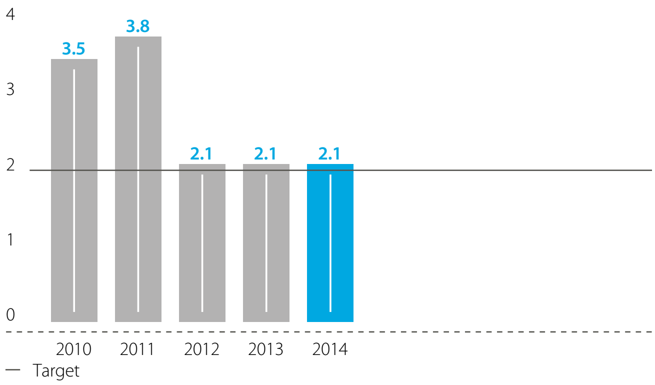
2015 focus

We believe prime shopping centres, convenient retail parks and premium outlets of the type in which Hammerson invests will outperform other classes of retail real estate over the longer term.

More on page 49

Chart Fig 16

Growth in like-for-like NRI (%)*



Description

The annual growth in the Group's net rental income (NRI) for investment properties owned throughout the current and prior periods, excluding the impact of acquisitions, disposals, developments and exchange rate movements.

Link to strategy 2

Net rental income from the property portfolio is the primary source of the Group's operating cash flow and the main contributor to earnings. We aim to grow like-for-like NRI through leasing vacant space, capturing uplifts from rent reviews and indexation, tenant engineering and other 'value adding' initiatives.

Performance

2.1% (2013: 2.1%)

On a like-for-like basis, net rental income grew by 2.1% for the portfolio in 2014, above our target of 2.0%. Income from UK and French shopping centres grew by 2.2% and 2.0% respectively. UK retail parks income increased by 2.4%.

2015 focus

Demand for new retail space continues to improve, particularly in the UK. Near-term lease expiries, breaks and rent reviews provide the opportunity to increase rental income and implement tenant rotation to improve the quality of the retail offer across our portfolio.

More on page 46

* On a proportionally consolidated basis but excluding the Group's premium outlet interests.

Key to alignment to strategic priorities

1 High-quality property

2 Income generation

3 Capital strength

The remuneration of Executive Directors is aligned closely with the Group's KPIs through the Company's Annual Incentive Plan (AIP) and Long Term Incentive Plan (LTIP).

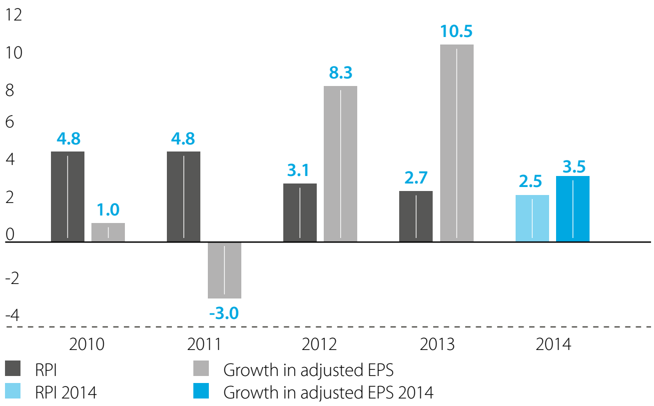
For 2014, the AIP contains all four of the Financial KPIs, and Total Group property returns and the Growth in EPS KPIs are also included as performance measures within a number of the annual LTIP awards.

The operational KPIs are consistent with the Group's strategic priorities and good performance in these areas should deliver improved financial results for the Group.

Details of Executive Director remuneration is included in the Remuneration Report on pages 75 to 93.

Chart Fig 17

Growth in adjusted EPS (%)



Description

The increase in adjusted earnings per share (EPS) expressed as a percentage of the prior year figure.

Link to strategy 2 3

Adjusted 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. Sustained growth in earnings reflects the sound capital structure of the Group and will support a progressive dividend policy and increased shareholder returns.

Performance

3.5% (2013: 10.5%)

In 2014, adjusted EPS increased by 0.8 pence, or 3.5%, to 23.9 pence. We benchmark this KPI against the Retail Prices Index (RPI) and in 2014 RPI was 2.5%. Adjusted EPS increased through additional income from the like-for-like portfolio, increased earnings from our premium outlet investments and new income from developments. This was partly offset by the dilution associated with the share placing, lost income from disposals outweighing new income from acquisitions and financing activity, where savings will be generated in the future.

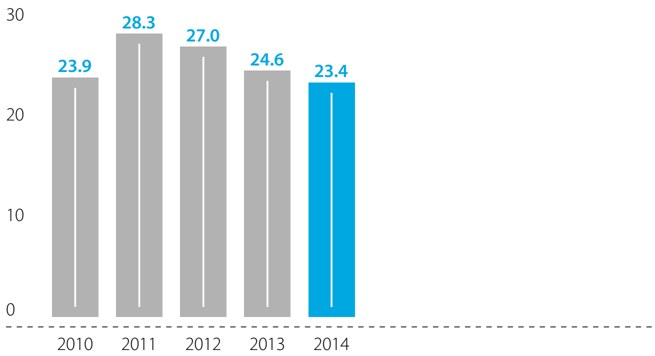
2015 focus

EPS growth will be driven by new rental income from recent acquisitions and the completion of developments such as Les Terrasses du Port. It will also be enhanced by cost saving measures undertaken during 2014.

More on page 52

Chart Fig 18

Cost ratio (%)*



Description

The cost ratio shows the total operating costs, including the cost of vacancy, as a percentage of gross rental income for the Group's property portfolio.

The ratio is not directly comparable between different companies, as it is impacted by different business models and accounting treatments. The ratios for 2011 to 2013 exclude the impact of the discontinued operations associated with the sale of the Group's office portfolio.

Link to strategy 2

Maintaining an efficient operating structure supports the growth in the Group's profitability and enhances shareholder returns and the potential for future dividend growth.

Performance

23.4% (2013: 24.6%)

During 2014, further progress has been made in reducing the cost ratio as the income generated from the property portfolio has increased whilst operating costs have been tightly controlled. The 2014 ratio excludes a net one-off restructuring cost of £3.0 million incurred implementing a number of cost saving initiatives during the year.

2015 focus

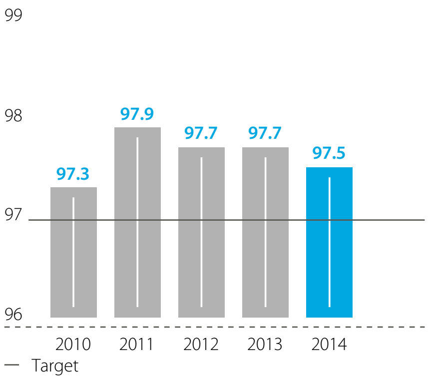
The ratio is forecast to improve as additional income from recent acquisitions and completed developments will more than offset investment in growing business areas such as digital and development.

More on page 53

OPERATIONAL KPIs

Chart Fig 19

Occupancy (%)*



Description

The ERV of the space in the Group's investment portfolio which is currently let, as a percentage of the ERV of the portfolio.

Link to strategy 1 2 3

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 provides an opportunity for us to manage the mix and location of customers within a property. This enhances the consumer experience and should generate rental income and capital growth.

Performance

97.5% (2013: 97.7%)

High occupancy has been maintained during 2014, with the portfolio being 97.5% occupied at the year end. This was marginally lower than the prior year, but above our target of 97.0%.

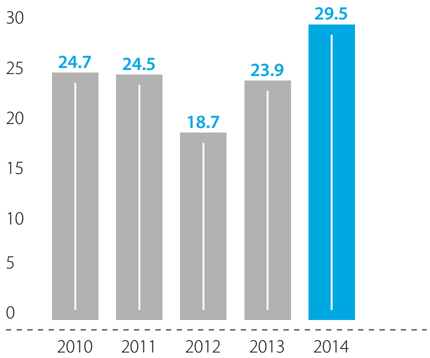
2015 focus

We expect occupancy to remain high as retailers in both the UK and France seek space in the best trading locations.

More on page 46

Chart Fig 20

Leasing activity (£m)*



Description

The amount of income secured through leasing activity during the period. This includes income from both new leases and lease renewals across the investment portfolio. This is an absolute, not a like-for-like, figure.

Link to strategy 1 2

Leasing is directly linked to rental income growth and also enables the Group to enhance the retail offer across the portfolio through active tenant rotation.

Performance

£29.5m (2013: £23.9m)

In an improving economic environment, during 2014 we have seen an increase in leasing activity across all sectors of the portfolio. On average, these leases have been secured at 6% above December 2013 ERVs and 5% above the previous passing rent.

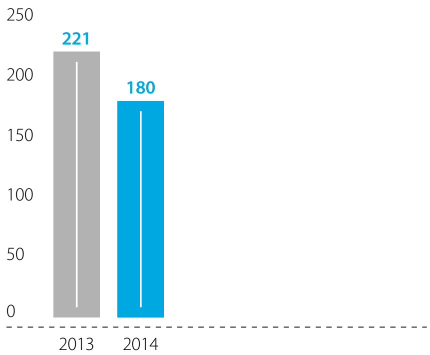
2015 focus

With retailer demand for new space strengthening, we are focused on delivering tenant rotation to enhance the retail offer across our portfolio.

More on page 46

Chart Fig 21

Global emissions intensity ratio ($mtCO_2e$/£m)



Description

Tonnes of CO_2e emissions from properties and facilities under our direct control including corporate operations. This metric is calculated as a ratio of the Group's adjusted profit before tax.

The measure is calculated over the 12 months ended 30 September each year. The ratio has only been calculated from 2013 when mandatory GHG emissions reporting was introduced.

Link to strategy 1 2

High-quality property is increasingly expected to be carbon efficient. Hammerson is committed to leading the property industry in delivering energy efficient retail assets, with low operational cost.

Performance

180$mtCO_2e$/£m (2013: 221$mtCO_2e$/£m)

The ratio has improved during 2014 as we have made efficiencies in our operational activities which have significantly reduced carbon emissions across the portfolio.

2015 focus

We will continue to drive down carbon emissions across the portfolio, through initiatives such as investment in renewables, energy efficient technology and lighting.

More on page 29

* On a proportionally consolidated basis but excluding the Group's premium outlet interests.

EPRA Financial Reporting Best Practice Recommendations

Hammerson is a member of European Public Real Estate Association (EPRA) and actively participates in a number of EPRA committees and initiatives. This involves working with peer group companies, real estate investors and analysts, and the large audit firms, to improve the transparency, comparability and relevance of the published results of listed real estate companies in Europe.

We have adopted the recommendations in the December 2014 Best Practice Recommendation report and the key EPRA metrics are shown in the table below.

EPRA Best Practice Recommendations (BPR) on sustainability reporting

Absolute measures for energy and water usage, greenhouse gas emission and waste, together with intensity measures for the same areas as defined by EPRA, are set out in the full Global Reporting Initiative and EPRA Best Practice Recommendation compliance pack which can be found online at www.hammerson.com.

Table Fig 22

EPRA performance measures

Performance measure	2014 Performance	2013 performance	Definition	Page
Earnings	**£171.3m**	£164.5m	Recurring earnings from core operational activities. In 2014, EPRA earnings differ from the Group's adjusted earnings of £174.3 million which exclude a net one-off restructuring cost of £3.0 million	128
Earnings per share	**23.4p**	23.1p	Recurring earnings from core operational activities divided by the weighted average number of shares in issue during the period. As for the 2014 EPRA earnings above, the Group's adjusted EPS of 23.9p excludes a net one-off restructuring cost of £3.0 million	128
Net asset value (NAV) per share	**£6.38**	£5.73	Net Asset Value (NAV) to exclude the fair value of financial instruments, debt and deferred tax balances divided by the number of issued shares	129
Triple net asset value (NNNAV) per share	**£5.96**	£5.41	NAV adjusted to include the fair values of financial instruments, debt and deferred taxes	129
Net Initial Yield (NIY)	**4.7%**	5.2%	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	163
Topped-up NIY	**4.9%**	5.5%	EPRA NIY adjusted for the expiry of rent-free periods	163
Vacancy	**2.5%**	2.3%	Estimated market rental value (ERV) of vacant space divided by the ERV of the whole portfolio (occupancy is the inverse of vacancy)	46
Cost ratio	**23.4%**	24.6%	Total operating costs as a percentage of gross rental income, after rents payable. The 2014 ratio excludes a net one-off restructuring cost of £3.0 million	53

ANOTHER SUCCESSFUL YEAR

The 2014 Business Review provides an overview of the achievements made against our three strategic priorities during the year.

1 HIGH-QUALITY PROPERTY

During 2014, we have introduced a Product Framework which has been embedded across the business. This is based on six unique focus areas as shown on page 3, which have been designed to ensure our portfolio is able to perform in the evolving retail environment.

We aim to apply the framework consistently to ensure our properties are attractive to retailers and consumers and are vibrant places to visit.

PORTFOLIO SUMMARY

The Group's property portfolio includes 22 prime shopping centres, 22 convenient retail parks and investment in 15 premium outlets across Europe providing a total of 2.2 million m^2 of retail space. At the end of 2014, the combined portfolio was valued at £7.7 billion, with 69% of the portfolio by value located in the UK, 25% in France and the balance representing premium outlets in ten European countries.

The average lot size for the portfolio was £93 million and the ten most valuable properties represented 50% of the portfolio value.

DEVELOPMENTS AND EXTENSIONS

The Group has a proven track record of delivering iconic retail developments. We have a large number of development opportunities in both the UK and France, including six on-site schemes and three major London developments. These will require expenditure of approximately £1.5 billion and have the potential to significantly grow the business and create new retail destinations. In addition, we are working to bring forward a number of potential development projects, but are conscious of the need to tightly control expenditure while these opportunities are fully assessed.

During 2014 we completed three projects and have continued to make good progress in advancing our other development schemes as shown in the table below.

Completed developments

In May, we opened Les Terrasses du Port, Marseille, the 62,800m^2 shopping and leisure destination, which has traded ahead of expectations. The centre was valued at £480 million at December 2014, £107 million above its development cost, and is now 98% let. Further details of this successful project are on page 21.

At Abbotsinch Retail Park, Paisley, which was acquired as part of the Junction Fund portfolio in October 2012, a 5,000m^2, £9 million terrace extension was completed in June. The extension created five new units which are fully let, and increased the park to 20,900m^2.

A 7,200m^2 extension of O'Parinor, Paris creating a 14-screen cinema and food court was completed towards the end of the year. The extension is fully let and is part of a wider refurbishment of the centre, including Primark's first Paris store. Retailers have witnessed sales growth and a significant increase in footfall.

PROGRESS MADE IN ADVANCING OUR DEVELOPMENT PROGRAMME IN 2014

Planning

- Achieved planning approval for:
  - Brent Cross, London NW4
  - Elliott's Field Shopping Park, Rugby
  - WestQuay Watermark, Southampton
- Council resolution for compulsory purchase order at:
  - Croydon town centre, South London
- Submitted planning application for:
  - The Goodsyard, London E1

Letting

- Signed lettings at:
  - Abbotsinch Retail Park, Paisley
  - Cyfarthfa Retail Park, Merthyr Tydfil
  - Elliott's Field Shopping Park, Rugby
  - Le Jeu de Paume, Beauvais
  - Les Terrasses du Port, Marseille
  - Silverburn extension, Glasgow
  - Victoria Gate, Leeds
  - WestQuay Watermark, Southampton

Construction

- Completed works at:
  - Abbotsinch Retail Park, Paisley
  - Les Terrasses du Port, Marseille
  - O'Parinor, Paris
- Progressed construction at:
  - Cyfarthfa Retail Park, Merthyr Tydfil
  - Le Jeu de Paume, Beauvais
  - Silverburn extension, Glasgow
- Started construction at:
  - Elliott's Field Shopping Park, Rugby
  - Victoria Gate, Leeds
  - WestQuay Watermark, Southampton

On-site developments

Table Fig 23

Scheme	Ownership[1] %	Lettable area m^2	Expected completion	Current value[2] £m	Estimated cost to complete[3] £m	Estimated annual income[4] £m	Let[5] %
Silverburn extension, Glasgow	50	10,900	Q1 2015	n/a	3	1	97
Cyfarthfa Retail Park extension, Merthyr Tydfil	100	14,500	Q2 2015	n/a	10	2	65
Elliott's Field Shopping Park, Rugby	100	15,700	Q3 2015	n/a	29	3	62
Le Jeu de Paume, Beauvais	100	23,800	Q4 2015	34	34	5	62
Victoria Gate, Leeds (Phase 1)	100	34,300	Q3 2016	49	104	10	40
WestQuay Watermark, Southampton	100	17,000	Q1 2017	8	72	5	58
Total		**116,200**			**252**	**26**	

Notes

1. Value, costs and income represent Hammerson's share for properties held in joint ventures.
2. Valuation at 31 December 2014. Values are not included for extension projects as they are incorporated into the valuation of the existing property.
3. Incremental capital cost including capitalised interest.
4. Incremental income net of head rents and after expiry of rent-free periods.
5. Let or in solicitors' hands by income at 13 February 2015.

The first group of new catering operators have successfully opened at the 10,900m^2 leisure-led extension of Silverburn, Glasgow which will increase the centre to in excess of 100,000m^2. The project is almost fully let and features a 14-screen Cineworld and a total of nine new restaurants, including Five Guys, Chimichanga and Carluccios. The restaurants are due to open by Easter 2015, with the cinema opening in the summer.

We have progressed the 14,500m^2 extension to Cyfarthfa Retail Park, Merthyr Tydfil where works commenced in 2013. The first phase of the extension, including B&Q's first Eco-learning store, opened in September. The remaining 8,700m^2 of the scheme, including a 4,600m^2 full-line M&S store offering clothing, homeware and a foodhall, will open in summer 2015. The scheme has provided over 250 jobs during the construction phase and will create the equivalent of up to 230 full-time jobs when complete.

In March, planning consent for the extension of Elliott's Field Shopping Park, Rugby was upheld following a Judicial Review and we started on site in the autumn. The scheme will be anchored by a 5,600m^2 full-line Debenhams and a 4,600m^2 M&S general merchandise store and also involves the construction of a new retail terrace. The extension will accommodate a further 13 new fashion and homeware brands and provide new catering space, improved car parking facilities and improvements to the external environment. Completion is expected in autumn this year and 62% of the estimated annual income has been secured. The scheme is targetting BREEAM Excellent and the integration of 130kWp of solar photovoltaic panels will enable the generation of approximately 1mWh of renewable energy each year.

Our 23,800m^2 development in Le Jeu de Paume, Beauvais is due for completion this year, and will be anchored by Carrefour Market. The scheme will also include 86 retail units, including H&M and Furet du Nord and 37 residential apartments. Leases representing 62% of the anticipated income have already been signed or are in solicitors' hands.

Construction work for the first phase of Victoria Gate, Leeds commenced in April 2014. The 34,300m^2 scheme is adjacent to Victoria Quarter, which was acquired in 2012. The £150 million development will consist of three main buildings: a flagship John Lewis store; a two-street arcade with more than 30 aspirational retailers and restaurants; and an 800-space multi-storey car park. Leasing progress is encouraging, with 40% of the retail income let or in solicitors' hands. Further details of this scheme are on page 22.

Following planning approval in June, we started on-site with the first phase of WestQuay Watermark. The 17,000m^2 leisure and catering scheme is in the centre of Southampton, next to our jointly owned WestQuay Shopping Centre. The scheme includes a 10-screen Showcase Cinema de Lux, up to 20 restaurants and a new public piazza in front of the city's historic walls. The scheme is scheduled to be fully open by spring 2017. Estimated income for the £80 million development is £5 million per annum, of which 58% has been pre-let to catering operators including Wahaca, Zizzi and Byron. The scheme is targetting BREEAM Excellent.

Major developments

Table Fig 24

Scheme	Ownership %	Lettable area m^2	Earliest start	Potential completion	Estimated cost to complete[1] £m
Croydon town centre, South London	50	200,000	2016	2019/20	625-750
The Goodsyard, London E1[2]	50	260,000	2016	Phased	140-160
Brent Cross extension, London, NW4	41	90,000	2017	2020/21	475-550
Total		**550,000**			**1,240-1,460**

Notes

1. Hammerson's share of incremental capital cost including capitalised interest. These costs are indicative as full scheme details are yet to be finalised.
2. Cost reflects phase 1 only. Due to residential component of scheme, area is gross external.

We have continued to progress our three major developments in London. In addition to creating new retail destinations, these complex schemes offer the potential for significant urban regeneration and to deliver attractive financial returns over the longer term.

The redevelopment of Croydon town centre involves the regeneration of the retail heart of this area to attract £1 billion of annual retail spend. The scheme is being advanced by the Croydon Partnership, a 50:50 joint venture with Westfield which was formed at the beginning of 2013. The joint venture owns Centrale shopping centre and a 25% interest in the 155-year headlease of the Whitgift Centre. The redevelopment of the Whitgift Centre and refurbishment of Centrale will result in 200,000m^2 of retail, leisure and residential space. Planning permission was granted in April 2014. Since this date, Croydon Council has resolved to make a compulsory purchase order (CPO) to assemble the land required for the scheme and the CPO inquiry began in February 2015. The planning process and design of this significant regeneration project has taken longer than originally expected and, assuming a successful CPO outcome, works are due to start in 2016 with completion scheduled for 2019/20. Further details of this major project are on page 23.

In conjunction with our joint venture partner, Ballymore Properties, a planning application to develop The Goodsyard, London E1 was submitted in July 2014. The 4.2ha site in Shoreditch has the potential to deliver a 260,000m^2 mixed-use development that will include 19,000m^2 of retail space, 60,000m^2 of offices and up to 1,500 homes and will cater for the growing Tech City media and technology start ups attracted to the area. The regeneration will also provide substantial public realm including a new park. The public consultation has been completed and we are working with the local authorities. A planning decision is targeted for late 2015.

Following approval by Barnet Council in January 2014 of a revised planning application, work continues on the regeneration of Brent Cross Cricklewood in north-west London. The submission followed extensive consultation with local stakeholders and amended the outline planning permission granted for the scheme in 2010. A reserved matters application for the extensive highways and infrastructure works was submitted in January 2015. A key element of the regeneration is a 90,000m^2 extension to Brent Cross shopping centre which will deliver a world-class retail, dining and leisure environment. The scheme will also provide new parks and community facilities and much enhanced transport connections. In conjunction with our joint venture partner, Standard Life Investments, we are in the process of refining the scheme design and programme prior to working up and submitting a reserved matters application for the shopping centre extension. This application is anticipated for late 2015 and, subject to confirmation of CPO powers, we anticipate a start on-site in 2017 with completion in 2020/21.

Development pipeline opportunities
Table Fig 25

Scheme	Lettable area m^2	Key facts
Italie Deux, Paris 13ème	5,100	• Retail extension of existing shopping centre • Progressing necessary consents to enable start on-site
Les 3 Fontaines, Cergy Pontoise	22,000	• Retail and leisure extension • Working towards obtaining the necessary consents in 2015
Orchard Centre, Didcot	14,000	• Retail-led extension to existing centre • Planning application submitted in February 2015
Parc Tawe, Swansea	20,600	• A refurbishment and modernisation of existing retail park • Planning permission granted in August 2014 for a potential start on-site in late 2015
Silverburn (Phase 4), Glasgow	50,000	• Masterplan planning application submitted in July 2014 for future extension of existing centre • Masterplan also includes retail, hotel and leisure uses
SQY Ouest, Saint Quentin-en-Yvelines	30,200	• Opportunity to reposition existing shopping centre, creating a leisure-led destination
Victoria Gate, Leeds (Phase 2)	73,000	• Planning consent for retail-led scheme, including up to 2,700 car park spaces • Freehold control of site obtained
WestQuay Watermark, Southampton (Phase 2)	58,000	• Outline planning consent for mixed use scheme • Council owned land, with joint review of scheme under way
Total	**272,900**	

We have a number of potential pipeline schemes which we continue to advance. These include new-build and extension projects across all three of the Group's sectors: UK and French shopping centres, and UK retail parks.

The precise nature and design of these schemes are fluid and the speed of delivery will be dependent on a variety of factors including: planning permission, retailer demand, anchor tenant negotiations, land assembly, and scheme design. The Group's principal opportunities are shown in Table 25 above.

REFURBISHMENTS
The £100 million refurbishment programme across the majority of our French centres, which began in 2013, was completed during 2014. The programme introduced upgraded interiors, new services and improved leisure provision to our centres.

Following completion of the programme we intend to undertake increased levels of tenant rotation across the French portfolio to further enliven the retail offer and work up refurbishment projects for San Sébastien, Nancy; Villebon, Paris and Les 3 Fontaines, Cergy Pontoise.

ACQUISITIONS AND DISPOSALS
We closely monitor the performance of our existing portfolio to ensure that it meets our strategic requirements. Proceeds from disposals may be reinvested in the investment portfolio or used to fund acquisitions or developments to generate higher returns.

In January 2014, together with our 50% partner Aviva Investors, we sold Queensgate Shopping Centre in Peterborough. Hammerson's share of net rental income from the asset in 2013 was £6 million and we received net proceeds of £99 million.

We acquired Saint Sébastien shopping centre in Nancy, north-east France for £109 million in February 2014. The city has an affluent population and is advancing the Nancy Grand Coeur regeneration project which should benefit the centre's footfall. The 24,000m^2 centre has passing rents of £6 million and there is scope for a number of future asset management initiatives to improve the centre and increase income.

In September, we completed the sale of the Group's 50% stake in 10 Grosvenor Street, W1 for £54 million. The building was our remaining office asset and is currently Hammerson's head office, ahead of the relocation to Kings Place, King's Cross in June.

Also in September, we bought our joint venture partner's 40% interest in Highcross, Leicester for £180 million. The 105,600m^2 centre is anchored by John Lewis, generates passing rents of £27 million and was extended and refurbished by Hammerson in 2008. There are a number of asset management opportunities which will attract retailers and consumers and to grow the income stream.

Since the year end, in conjunction with our joint venture partner Allianz, we completed the acquisition of Nicetoile shopping centre in Nice. The 17,600m^2 centre was recently refurbished and trades on four levels. It attracts 13 million visitors each year and generates rental income of £13 million. Allianz has a 90% stake in the centre, with Hammerson holding 10% and the management contract for the property. Our share of the acquisition costs was £24 million.

PREMIUM OUTLETS

Hammerson is the only European REIT to have a strategic exposure to the premium outlets market which comprises outlet centres of institutional investment quality. We believe the outlet centre market is a critical distribution channel for retailers, in particular for luxury and fashion brands, as it complements their multichannel strategies and enables effective inventory management. The European outlet centre market is highly fragmented, but well managed high-quality centres can deliver high sales densities and annual total returns above 10%.

The Group has been increasing its exposure to the premium outlet sector over recent years and has investments through its long-term holding in Value Retail and also a new joint venture, VIA Outlets. At 31 December 2014, these investments represent 13% of the Group's total property value.

Value Retail (VR)

VR operates nine luxury outlet Villages in the UK and Western Europe with 170,000m^2 of floor space and over 1,000 stores. Their Villages, which include Bicester Village, Oxfordshire and La Vallée Village, Paris, serve the luxury, fashion and international shopping-tourism customer and are amongst the best outlet centres in Europe. The Group's stake in VR has increased over recent years but remained unchanged during 2014. We hold a 22% interest in the VR holding companies as well as direct investments in certain Villages. When these holdings are combined, the Group has an economic interest in the net assets of VR of approximately 38%. Hammerson also provides loan finance to VR which totalled £64 million at 31 December 2014.

Our investment in VR is consistent with our high-quality property strategy. During 2014, La Roca Village, Barcelona opened a 5,800m^2 extension, and this, together with the introduction of Sunday trading, has led to significant footfall growth. Further expansions are on-site or planned with work having commenced on a 5,800m^2 extension at Kildare Village, Dublin which will add 36 new international brands when open at the end of 2015. Planning has been granted for a 4,300m^2 extension at Bicester Village to add new retail and catering and improve road access to the Village.

The Villages have continued to perform strongly during 2014 with brand sales growth of 11% across the portfolio. During the year, around 21% of the like-for-like retail space in the Villages was remerchandised, with around half of that resulting from the introduction of new brands. Occupancy currently stands at 95%. Future growth is expected to be supported by global tourism, new emerging brands, consumers' more considered approach to shopping and the importance of perceived value.

At 31 December 2014, the nine Villages were valued at €3.7 billion, reflecting underlying valuation growth of 12.1%. VR's EBITDA in 2014, as prepared under IFRS, grew by 13.4% to €125.4 million. Hammerson's share of the property valuations and EBITDA were £885 million and £33.5 million respectively.

We continue to benefit from our relationship with VR management and utilise the knowledge gained to enhance the positioning of the Group's portfolio, for example at Victoria Gate, Leeds. Hammerson enjoys a supportive relationship with VR, whose expansion into China includes Villages at Shanghai and Suzhou.

VIA Outlets (VIA)

In September we announced the Group had invested in a 47% stake in a new outlet joint venture, VIA Outlets, formed in partnership with APG, Value Retail and Meyer Bergman. The new venture aims to acquire existing European outlet centres with strong catchments and potential for growth.

During 2014, VIA acquired six outlet centres including Batavia Stad, near Amsterdam and Alcochete, Lisbon. The most recent acquisition is Landquart, in Switzerland where Hammerson's share of the acquisition costs was £28 million. This centre is 21,000m^2 and has 90 retail units including Calvin Klein, Desigual and Hugo Boss and it benefits from its proximity to the wealthy catchment of Zurich as well as tourists visiting the region.

In total the VIA outlet centres provide 180,000m^2 of floor space and over 600 stores and were valued at €393 million at 31 December 2014. Hammerson's share of the property valuations and post acquisition operating profit were £143 million and £2.1 million respectively.

The operational performance of VIA is summarised in Table 26 below:

Table Fig 26

	VIA Outlets
Operational performance*	**2014**
Brand sales (€m)	**386**
Brand sales growth (%)	**13**
Footfall (millions)	**11.7**
Average spend per visit (€)	**33**
Average sales densities (€000/m^2)	**2.9**
Occupancy (%)	**92**

* The above figures reflect overall portfolio performance, not Hammerson's ownership share and the year-on-year figures include pre-acquisition performance.

The VIA partners intend to make further acquisitions in Europe with the strategy of creating a c. €1 billion portfolio. In addition to building up the portfolio, the focus in 2015 will be on improving the performance of the outlet centres by changing the tenant mix; enhancing the leisure and food offers; right-sizing some of the units; creating flagship units for key brands; and targeted marketing to increase tourist visits. Hammerson intends to contribute personnel and expertise to VIA to support this strategy.

Page 53 of the Financial Review provides further information on how our investments in Value Retail and VIA Outlets have impacted the Group's financial performance during 2014.

2 INCOME GENERATION

We actively manage our portfolio to generate sustainable income growth.

We recognise the importance of strong retailer relationships and the need to deliver tenant rotation to enhance the vibrancy of the consumer experience.

Technology is becoming an integral part of the shopping experience. Consumers are shopping across multiple channels and the ability to engage with consumers is the key to success in a multichannel age.

Introduction

Retailers are focusing their space requirements on high-quality, prime shopping centres, conveniently located retail parks and premium outlets of the types invested in by Hammerson. Retailers are making these choices because they understand the changing preferences of consumers.

As retail specialists, we understand that in order to keep generating income growth, we need to stay ahead of consumer and retail trends and supporting technologies. Our innovation agenda will ensure that the Group's properties are best-in-class and ready to deliver exceptional performance in this new retail environment.

This specialist approach, alongside improving consumer confidence, low interest rates and inflation, and the limited delivery of new retail space, combine to create the conditions for ERV growth.

Adapting to retail in a multichannel age

Consumers are increasingly considered in their approach to shopping. They have more choices than ever before and are using multiple channels to research, buy and complete their purchases. Retailers are adapting their offer to react to these changes. We are working to a tightly defined strategy to ensure that our product offer of proactively managed, outstanding retail space meets the demands of both consumers and retailers.

We actively rotate tenants to ensure the retail offer is optimised and enlivened at each location. Our strategy also recognises the need for superb customer service and facilities that make shopping easy, more convenient and enjoyable throughout the day. Our catering and leisure offers, accessible parking, customer information and world-class facilities are constantly refined and improved.

In 2014, we launched a click & collect service at Brent Cross, in partnership with Collect+, which is already performing very strongly.

A core focus is the seamless integration of digitally enabled services into our retail space which is increasingly a differentiator in the selection of retail locations. As well as offering free high speed Wi-Fi to our shoppers, we are upgrading our web capabilities to assist customers with researching their shopping trips. Digital tools also allow us to communicate with shoppers in a timely, relevant and highly targeted way, driving loyalty and spend.

Following successful trials of our award winning mobile app in 2013 at The Oracle, Reading and Highcross, Leicester, we launched our updated platform 'Plus' at Les Terrasses du Port, Marseille in May. This mobile app allows us to communicate directly with shoppers in real-time, with personalised content and offers based on their interests, browsing and redemption history, and stores visited. The innovative geo-location technology uses Bluetooth low energy beacons.

We have strengthened our team with digital and loyalty experts and invested in class-leading analytic platforms to ensure that the true value of this data is realised. The 'Plus' app, upgraded websites and analytics tools will be rolled out across our shopping centre portfolio in 2015.

In addition to the new digital platform, we continue to deliver engaging content across social media channels to more than one million followers, as well as supporting successful physical events that enliven our mall space such as Autumn Fashion Fix, Student Nights, Love Food and The Big Positive Weekend.

OPERATIONAL PERFORMANCE

Presentation of information

This overview provides information on a number of key operational metrics which management monitor to ensure the portfolio generates sustainable income growth. The information presented is consistent with our management reporting systems and includes metrics prepared on a proportionally consolidated basis. However, it excludes metrics from our investments in the premium outlet shopping sector which are shown in the previous section of the Business Review, as the Group has less day-to-day management involvement and the sector has different operational characteristics from the Group's shopping centre and retail parks interests. 2013 figures also exclude the office properties which were sold and treated as discontinued during that year.

Operational performance summary

The table below shows the strong operational performance achieved during 2014, demonstrating our ability to adapt to the changing retail environment. The highlights are an increased level of letting activity across the portfolio and the recovery in tenant sales in the UK. The weaker French sales figures reflect the more challenging economic environment in France, although other metrics remain robust.

Table Fig 27

Operational performance	2014	2013
Net rental income growth – like-for-like (%)	**2.1**	2.1
Occupancy (%)	**97.5**	97.7
Leasing activity – new rent from units leased (£m)	**29.5**	23.9
Area of new lettings (000m^2)	**178.9**	153.9
Leasing v ERV (% above 31 December 2013/2012 ERV)	**6**	2
Leasing v previous passing rents (%)	**5**	2
Like-for-like ERV growth (%)		
UK	**1.8**	(0.2)
France	**0.2**	1.3
Retail sales change (%)*		
UK	**2.6**	(0.4)
France	**(1.0)**	(2.7)
Footfall change (%)*		
UK	**(1.3)**	(1.0)
France	**1.5**	(4.9)
Occupational cost ratio (%)*		
UK	**20.8**	21.5
France	**14.3**	13.9
Collection rates (%)		
UK	**98**	99
France	**84**	87
Non-rental income (£m)		
UK	**21.6**	20.4
France	**3.1**	1.4

* Shopping centres only.

Further information is provided in the Portfolio Analysis tables on pages 158 to 163.

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 2014. UK shopping centre growth of 2.2% was driven by leasing activity, rent reviews and increased turnover rent and commercial income, notably at Cabot Circus, Highcross and Union Square. However, these positive factors were partially offset by the impact of lease expiries and tenant reconfigurations.

Leasing activity associated with tenant rotation at the newly refurbished centres was the principal factor behind French shopping centre income growth of 2.0%. UK retail parks recovered from a flat year in 2013 to record like-for-like growth of 2.4%, again due to leasing activity and the permanent letting of space which had previously been impacted by retailer administrations.

Table Fig 28

Like-for-like net rental income growth (%)	UK shopping centres	France retail	UK retail parks	Other UK	Total portfolio
31 December 2014	**2.2**	**2.0**	**2.4**	**(1.2)**	**2.1**
30 June 2014	2.0	1.1	1.2	(0.2)	1.5
31 December 2013	3.2	2.6	0.2	(4.0)	2.1

Further analysis of like-for-like net rental income by business segment is on page 160.

Occupancy

At 31 December 2014, occupancy was 97.5%, ahead of our 97.0% target. French occupancy fell marginally during the year as a result of lease expiries, although this will enable future tenant rotation.

Table Fig 29

Occupancy (%)	UK shopping centres	France retail	UK retail parks	Other UK	Total portfolio
31 December 2014	**98.1**	**96.6**	**98.5**	**91.3**	**97.5**
30 June 2014	97.7	96.6	98.2	91.6	97.2
31 December 2013	98.1	97.4	98.4	91.3	97.7

Further analysis of occupancy by business segment is on page 158.

Leasing

Leasing activity increased during 2014, with 413 leases signed representing annual rental income of £29.5 million and 178,900m^2 of space. This compares to 364 leases, £23.9 million of income and 153,900m^2 in the prior year. For principal leases in the Group as a whole, rents secured were 5% greater than previous passing rents and 6% greater than December 2013 ERVs.

We continue to be encouraged by improving retailer demand and there is an improving trend of ERV growth. Across the portfolio ERVs grew by 1.5% during 2014, with growth of 0.9% in the second half of the year. This annual growth varied across the Group's three sectors, with UK shopping centres seeing growth of 2.6% and retail parks 0.5%, whilst the French shopping centres suffered from low indexation, achieving ERV growth of 0.2%.

Lease expiries and rent reviews

Our prime property portfolio provides a secure income stream, with a weighted average unexpired lease term of eight years. However, there are a significant number of leases across the portfolio which will be subject to rent reviews, break clauses or expiry in the near term. These provide the opportunity to secure additional income for the Group, if reviews or new leases are agreed at ERV.

Over the three years to 31 December 2017, leases with current rents passing of £78.0 million are due to expire, or are subject to tenants' break clauses. If these were renewed at ERV, additional annual rental income of £7.4 million would be secured.

Including outstanding reviews and those falling due over the next three years, leases in the UK with rents passing of £150.2 million are subject to review and, if reviewed at ERV, would generate additional annual income of £9.6 million. Rents in our French portfolio are subject to annual indexation, which is nil in 2015 for the majority of leases. These figures do not represent a forecast and take no account of void periods, lease incentives or potential changes to future rental values.

Further information on lease expiries and rent reviews is included on page 159.

Retailer sales, footfall and occupancy cost

The picture for sales at our UK shopping centres improved during the year, with tenant sales growth, calculated on a same centre basis, of 2.6%, compared to a 0.4% reduction in sales in 2013. Jewellery, sports and outdoors and health and beauty sales recorded the highest sales growth during 2014. Footfall in the UK reduced by 1.3%, however, consumers are spending more time and money during each visit to our centres.

In France, the poor economic environment continued to hinder retail sales, and same centre sales fell by 1.0% during 2014, compared to a 2.7% decline in 2013. Footfall increased by 1.5% in 2014, compared to a decline of 4.9% in 2013. This is an encouraging trend with shoppers attracted to our centres following the completion of the refurbishment programme.

The occupational cost ratio, defined as tenant sales as a proportion of total occupancy cost (rent, business rates and service charge) fell in the UK from 21.5% to 20.8% as a result of the growth in tenant sales during 2014. In France, the ratio was 14.3%, an increase from 13.9% at the beginning of the year, this change is consistent with the reduction in retailer sales during the year.

Non-rental income

Non-rental income, being net income from car parks and the sale of advertising and merchandising opportunities, continues to grow across the portfolio and is included within 'net rental income'.

In the UK, non-rental income increased by 5.9% to £21.6 million, principally reflecting additional income at Union Square, Bullring and Highcross, partly offset by the impact of the sale of Queensgate at the beginning of 2014. In France, non-rental income increased by £1.7 million to £3.1 million, reflecting additional income from the new car park at Les Terrasses du Port.

Collection rates and tenant covenants

Our collection rates remain strong and demonstrate the underlying strength of the Group's income stream. 98% of UK billings and 84% of French billings were collected within 14 days of the December 2014 due date.

Our credit control function assesses the covenant strength of prospective tenants and monitors the credit standing of key retailers using a credit rating agency. The agency has a four-point indicator scale which runs from one ('low risk') to four ('high risk'). As at 31 December 2014, weighted by passing rent, 90% of UK tenants and 83% of French tenants were rated within the two lowest risk categories.

Incidents of tenant administrations have reduced during 2014 and, at 31 December 2014, 55 retail units were let to tenants in administration, of which 42 continued to trade. In total, 1.0% of the Group's total passing rents was derived from tenants in administration, and for those tenants no longer trading the figures was just 0.4%.The equivalent figures at 31 December 2013 were 1.2% and 0.5% respectively.

3 CAPITAL STRENGTH

We maintain a strong balance sheet with our prime property portfolio supported by a robust capital base. Our unsecured financing strategy provides the Group with financial security and the flexibility and capacity to deliver our business objectives. It also enables the Group to act swiftly and decisively when opportunities arise to further enhance performance.

PROPERTY PORTFOLIO

Presentation of information

As in the previous 'Income generation' section on page 45, the information presented in this section of the Business Review is prepared on a proportionally consolidated basis and, unless stated, excludes our investments in the premium outlet shopping sector. The 2013 figures also exclude the office properties which were sold and treated as discontinued in that year.

Portfolio valuation

During 2014, the valuation of the portfolio increased by £776 million, including an underlying valuation increase of £437 million. The movement in the portfolio valuation is set out in Table 31 above.

Table Fig 31

Movement in portfolio value in the year to 31 December 2014

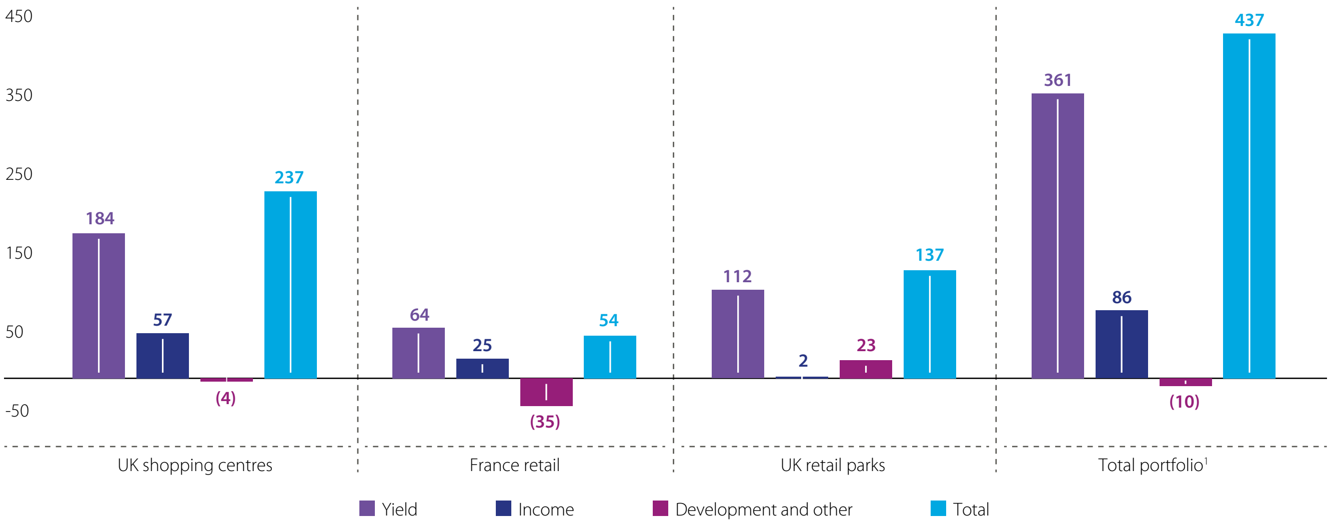
	Investment £m	Development £m	Total £m
Portfolio value at 1 January 2014	5,434	497	**5,931**
Valuation increase	419	18	**437**
Capital expenditure			
Acquisitions	306	–	**306**
Developments	–	165	**165**
Expenditure on existing portfolio	90	–	**90**
Tenant incentive amortisation	5	–	**5**
Capitalised interest	1	8	**9**
Disposals	(126)	–	**(126)**
Foreign exchange	(83)	(27)	**(110)**
Transfers	453	(453)	**–**
Portfolio value at 31 December 2014	**6,499**	**208**	**6,707**

Chart 30 below analyses the sources of valuation change for the Group's property portfolio. During 2014, investment yields fell and increased valuations for UK shopping centres, retail parks and French retail properties. The yield movement for retail parks and the French properties was weighted towards the second half of the year. The benefit of leasing and modest rental value growth further boosted valuations, although this was principally at the UK and French shopping centres. In total, yield improvements accounted for 83% of the total portfolio valuation increase during 2014.

Further valuation and yield analysis is included on pages 162 and 163.

Chart Fig 30

Components of valuation change in 2014 – Total property portfolio (£m)



1. Total portfolio includes the valuation change of £9m for UK Other properties.

Table Fig 32

Returns data for 2014

Return	%	Benchmark	%
UK portfolio income return	5.1	UK IPD All Retail Universe income return	5.4
UK portfolio capital return	8.8	UK IPD All Retail Universe capital return	8.4
UK portfolio total return	14.3	UK IPD All Retail Universe total return	14.3
Group income return	5.1	Group weighted IPD All Retail Universe income return	5.1
Group capital return	8.0	Group weighted IPD All Retail Universe capital return	7.0
Group total return	13.6	Group weighted IPD All Retail Universe total return	12.5
Total shareholder return over one year	24.7	FTSE EPRA/NAREIT UK index over one year	21.3
Total shareholder return over three years p.a.	23.3	FTSE EPRA/NAREIT UK index over three years p.a.	24.9
Total shareholder return over five years p.a.	11.5	FTSE EPRA/NAREIT UK index over five years p.a.	13.5

Property returns

The table above compares the financial returns generated in 2014 with benchmark IPD indices. The above returns include development properties and the Group's returns include those from the properties held by its premium outlet investments in Value Retail and VIA Outlets. The Group weighted IPD All Retail Universe total return benchmark of 12.5% is weighted 70:30 between the UK and French indices. The All Retail Universe indices include returns from all types of retail property.

As the Annual IPD benchmarks for both countries are not available until after this Annual Report has been published, the IPD benchmarks have been estimated and are subject to revision. The UK IPD data is based on the Quarterly All Retail Universe to December 2014. As there is less data available for France, we have assumed that the French benchmark is equal to the total return generated by our French portfolio of 8.3%.

The Group's total return was 13.6%, compared with an estimated weighted IPD benchmark of 12.5%. The total return for the UK portfolio was 14.3% which was in-line with the IPD index, although income return was 30bp lower than the index which is indicative of the prime nature of the Group's UK portfolio. The Group's investments in premium outlets properties produced a total return of 19.9%.

An analysis of the capital and total returns by business segment is included on page 162.

SHAREHOLDER RETURNS

For the year ended 31 December 2014, Hammerson's return on shareholders' equity was 16.3%. This compares to the Group's estimated cost of equity of 8.0%. The income element of the return on equity tends to be relatively low given the prime quality of the property portfolio. The capital element of the return was driven by the portfolio's strong valuation performance during the year.

Hammerson's total shareholder return for 2014 was 24.7% which outperformed the FTSE EPRA/NAREIT UK index by 340bp. Over the last five years, Hammerson's average annual total shareholder return has been 11.5% compared with 13.5% for the FTSE EPRA/NAREIT UK index.

FINANCING

Our financing strategy is to generally borrow on an unsecured basis on the strength of the Group's covenant in order to maintain operational flexibility. This strategy has ensured access to a wide range of debt capital markets at competitive pricing. 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 which we maintain strong working relationships. Long-term debt principally comprises the Group's fixed rate unsecured bonds.

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.

The Board approves financing guidelines against which it monitors the Group's financial structure. These guidelines, together with the relevant metrics, including the Group's share of joint ventures but excluding balances held in our premium outlet investments are summarised in Table 33 below which illustrates the Group's robust financial condition.

Table Fig 33

Key financing metric	Guideline	31 December 2014	31 December 2013
Net debt (£m) – note 25B		**2,265**	2,252
Gearing (%)	Maximum 85% for an extended period	**46**	56
Loan to value (%)	Up to 40%	**34**	38
Liquidity (£m)		**648**	716
Weighted average cost of finance (%)		**4.7**	4.8
Interest cover (times)	At least 2.0	**2.8**	2.8
Net debt/EBITDA (times)	Less than 10.0	**8.0**	8.2
FX hedging (%)	80%-90%	**88**	79
Fixed debt (%)		**79**	70

During the first half of the year, we received the funds from the $443 million US private placement signed in November 2013. The fixed rate senior notes mature in seven, ten and twelve years and are denominated in US Dollar, British Pound Sterling and Euro, with the US Dollar portion swapped to fixed rate Euro. The weighted average coupon is fixed at 3.6% and the proceeds have been used to repay existing floating rate debt and increase the proportion of fixed rate debt.

In July 2014, we issued a new eight year €500 million bond at a coupon of 2.0%. The proceeds were partly used in December 2014 to redeem the outstanding €480 million 4.875% coupon bond, originally maturing in June 2015. This refinancing will result in a saving of 2.875%, or €14 million, per annum and is in line with the Group's objectives to manage down the cost of debt and extend the debt maturity profile. At 31 December 2014, the average maturity of the Group's debt was 6.5 years. The maturity profile of the Group's borrowings is shown in Chart 34 below.

Funds raised through the bond issue and, the share placing in September, were used in the short term to repay floating rate debt on the revolving credit facilities at low floating rates of interest. The timing of this has led to the weighted average cost of finance rising from 4.6% at the half year to 4.7% for the full year. However, following the €480 million bond redemption in December, the running cost of debt fell to below 4.3%. We believe that the sterling and euro bond markets will continue to be available in the medium term to refinance existing bonds as they mature and we will access these markets as appropriate. In addition, bank lending markets have continued to improve during 2014, with falling margins, and we expect to be able to take advantage of this situation with upcoming refinancings of unsecured credit facilities.

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 2014, 79% of debt was fixed, compared with 70% at the beginning of the year. We expect interest rates to increase in the medium to long term and our fixed/floating profile will partly mitigate that risk.

Exposure to exchange translation differences on euro-denominated assets is managed through a combination of euro borrowings and derivatives. At 31 December 2014, 88% of euro-denominated assets were hedged by euro-denominated debt, compared to 79% at the beginning of the year. The purpose of this increase was to offset the impact of increased euro-denominated rental income following the opening of Les Terrasses du Port in May. Interest on euro debt acts as a hedge against exchange differences arising on rental income from our French business. On average during 2014, approximately 82% of our French income was hedged in this way. However, falling euro interest rates have led to higher euro-denominated earnings and the hedge of euro income is forecast to fall to approximately two-thirds during 2015.

The Group's unsecured bank facilities and the US private placement senior notes contain financial covenants, requiring 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% and have no covenant for interest cover. The calculation of these ratios includes the Group's share of joint ventures. Hammerson's financial ratios are comfortably within these covenants. Fitch and Moody's rate Hammerson's unsecured credit as A- and Baa2 (positive outlook) respectively. Moody's upgraded their outlook from stable to positive in June 2014.

Premium outlets

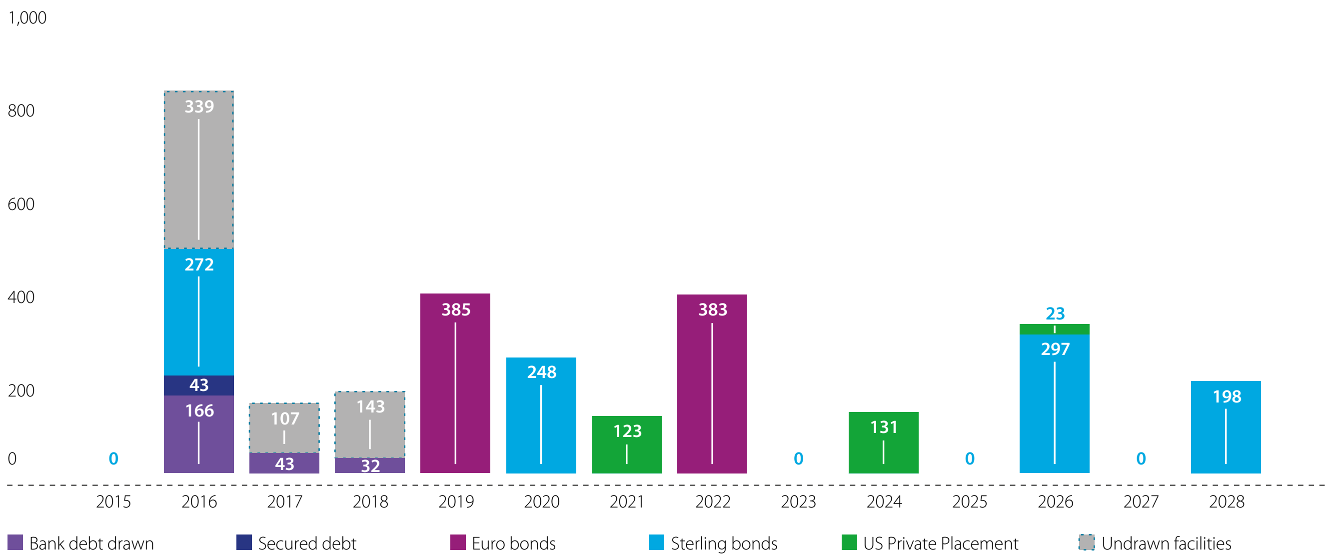
As explained at the beginning of this section, we do not proportionally consolidate our two premium outlet interests, Value Retail and VIA Outlets. These are financed independently from the rest of the Group's financing arrangements. Both VR and VIA utilise a combination of secured borrowings and partner loans to fund their structures. At 31 December 2014, Hammerson's share of VR's and VIA's net debt was £275 million and £31 million respectively. If the Group's share of net debt, properties and other net assets of the two premium outlet investments were included within the Group's financing metrics, the Group's proforma gearing would increase from 46% to 52%, whilst the loan to value ratio would reduce from 34% to 33%.

EQUITY ISSUE

Hammerson raised gross proceeds of £399 million in September 2014 through a successful share placing. 71.3 million shares were issued at £5.60 each, representing a 4% discount to the prevailing share price. The proceeds were used to finance the £180 million acquisition of a 40% stake in Highcross, Leicester and our 47% investment in VIA Outlets. The remaining proceeds will fund the Group's development expenditure.

Chart Fig 34

Debt maturity profile at 31 December 2014 (£m)



FINANCIAL REVIEW

The Group's strategic priorities of high-quality property, income generation and capital strength provide the basis to enhance the Group's financial performance and 2014 has been another successful year for Hammerson.

Presentation of financial information

The Group's financial statements are prepared under IFRS and for 2014 the Group has adopted IFRS 11 Joint Arrangements. The new standard requires that the Group's joint arrangements, which were previously proportionally consolidated, are classified as joint ventures and are equity accounted. This presentation is consistent with the treatment of the Group's investment in Value Retail, which is classified as an associate.

The income statement on page 106 and the balance sheet on page 108 include single lines showing the Group's share of post-tax profit and the net investment in joint ventures and associates respectively. The Group's profit for the year and equity shareholders' funds are unaffected by the presentational changes associated with the new accounting standard. Further details of the impact of adopting this accounting policy are given in note 1 to the accounts on page 113.

Adjusted profit is a key measure of the Group's financial performance as it reflects the underlying earnings of the Group. Details of adjustments in calculating adjusted earnings are given in note 11A to the accounts on page 128.

As explained in the Business Review on page 46, management continues to monitor the performance of the business principally on a proportionally consolidated basis, except for its interests in premium outlets through its investments in Value Retail and VIA Outlets where the Group has less day-to-day involvement in operational activities. The commentary in this Financial Review is consistent with this approach.

Table 35 below highlights the presentational impact of the adoption of IFRS 11 on the Group's proportionally consolidated adjusted profit.

Table Fig 35

Adjusted profit analysis

		Year ended 31 December 2014			Year ended 31 December 2013		
	Notes to the Accounts	Reported Group £m	Share of Property joint ventures £m	Proportionally consolidated £m	Reported Group £m	Share of Property joint ventures £m	Proportionally consolidated £m
Gross rental income, after rents payable	2	**205.9**	**136.3**	**342.2**	175.5	143.8	319.3
Property outgoings	2	**(17.8)**	**(18.8)**	**(36.6)**	(15.3)	(21.2)	(36.5)
Net rental income	2	**188.1**	**117.5**	**305.6**	160.2	122.6	282.8
Administration expenses	2	**(42.6)**	**(0.9)**	**(43.5)**	(41.1)	(1.0)	(42.1)
Net finance costs	2	**(97.4)**	**(2.7)**	**(100.1)**	(88.6)	(1.9)	(90.5)
Share of results of joint ventures[1]	13B	**114.8**	**(113.9)**	**0.9**	121.1	(121.1)	–
Share of results of associate	14A	**16.0**	**–**	**16.0**	13.4	–	13.4
Profit from discontinued operations	9	**–**	**–**	**–**	3.9	1.4	5.3
Adjusted profit before tax	2	**178.9**	**–**	**178.9**	168.9	–	168.9
Tax charge	2	**(0.9)**	**–**	**(0.9)**	(0.8)	–	(0.8)
Non-controlling interests	2	**(3.7)**	**–**	**(3.7)**	(3.6)	–	(3.6)
Adjusted profit for the year	2,11	**174.3**	**–**	**174.3**	164.5	–	164.5
Adjusted EPS, pence	11	**23.9p**		**23.9p**	23.1p		23.1p
Total dividend per share, pence	10	**20.4p**		**20.4p**	19.1p		19.1p

Notes

1. The £0.9 million shown as "Share of results from joint ventures" for the year ended 31 December 2014 represents the share of adjusted profit from the Group's investment in VIA Outlets which is not proportionally consolidated. All other joint venture interests are proportionally consolidated in this analysis.

Further analysis on the proportionally consolidated income statement is in note 2 to the accounts on pages 117 and 118.

Profit before tax

The Group's profit before tax for 2014 was £703.1 million compared with £341.2 million in 2013, the latter figures includes discontinued operations. As analysed in Table 36 below, the year-on-year increase reflected portfolio revaluation gains of £436.8 million in 2014, compared to £90.3 million in 2013. A good operational performance also contributed to the increase in profit.

Other profit variances related to the net loss of £6.5 million on the sale of properties and joint venture interests in 2014 compared to a profit of £11.7 million in 2013 and a £13.7 million increase in the fair value of derivatives compared to a decrease of £13.9 million in the prior year.

Table Fig 36

Analysis of profit before tax

Proportionally consolidated, excluding premium outlets and including discontinued operations in 2013	Notes	**Year ended 31 December 2014 £m**	Year ended 31 December 2013 £m
Adjusted profit before tax	2	**178.9**	168.9
Adjustments:			
(Loss)/Gain on the sale of properties and joint ventures interests	2	**(6.5)**	11.7
Net revaluation gains on property portfolio	2	**436.8**	90.3
Net revaluation and other losses in joint venture not proportionally consolidated – VIA Outlets	2,13B	**(2.0)**	–
Net revaluation and other gains in associate – Value Retail	2,14A	**93.9**	88.1
Bond redemption – premium and costs	7	**(8.7)**	(3.9)
Net one-off restructuring charge	11A	**(3.0)**	–
Change in fair value of derivatives	11A,13B	**13.7**	(13.9)
Profit before tax	2	**703.1**	341.2

At £178.9 million, adjusted profit before tax was £10.0 million up on 2013, an increase of 5.9%. Table 37 below reconciles the movement in adjusted profit before tax between the current and prior years. The principal contributors to the increase were new income from acquisitions and developments, additional income from the like-for-like portfolio and Value Retail. These were partly offset by higher financing costs associated with reduced levels of floating rate debt.

Table Fig 37

Reconciliation of adjusted profit before tax

Proportionally consolidated, excluding premium outlets and including discontinued operations in 2013	Adjusted profit before tax £m	Adjusted EPS pence
Adjusted profit before tax 2013	168.9	23.1
Net financing expense	(4.7)	(0.7)
Net administration expense	(0.9)	(0.1)
Net investment and development activity	6.8	1.1
Like-for-like net rental income increase	5.4	0.7
VIA EPRA earnings	0.9	0.1
Value Retail EPRA earnings	2.6	0.3
Impact of share placing	1.4	(0.5)
Exchange and other	(1.5)	(0.1)
Adjusted profit before tax 2014	**178.9**	**23.9**

In 2014, adjusted earnings per share increased by 3.5% to 23.9 pence, reflecting the changes noted in Table 37. Calculations for earnings per share are set out in note 11A to the accounts on page 128.

Table Fig 38

Net rental income

Proportionally consolidated, excluding premium outlets and including discontinued operations in 2013	**Year ended 31 December 2014 £m**	Year ended 31 December 2013 £m	Change £m
Like-for-like investment properties	**266.4**	261.0	5.4
Acquisitions	**16.3**	5.5	10.8
Disposals	**2.0**	16.7	(14.7)
Developments	**20.9**	3.8	17.1
Exchange	**–**	3.2	(3.2)
Net rental income	**305.6**	290.2	15.4

In 2014, the portfolio as a whole generated net rental income of £305.6 million, compared with £290.2 million in the prior year. Growth of 2.1% in income from the like-for-like portfolio was principally driven by leasing activity at Cabot Circus and Italie Deux. Net rental income also increased with additional income of £17.1 million from developments, principally Les Terrasses du Port and £10.8 million from acquisitions. This was partly offset by £14.7 million of income lost from disposals, principally Queensgate sold in January 2014 and the remainder of the office portfolio sold in June 2013.

Further analysis of net rental income by business segment is on page 160.

Administration expenses

As announced with the 2013 annual results, we intended to rebalance the Group's cost base by increasing resources to grow the development and digital marketing areas of our business.

During 2014 a number of initiatives were implemented and we have: consolidated senior positions in London; contracted to relocate our London head office to King's Cross in June; reduced employee share scheme benefits; closed the UK defined benefit pension scheme to future accrual; and transferred a number of head office roles to a new operations centre in Reading.

We have incurred a net £3.0 million one-off restructuring charge which has been recognised within administration expenses, but excluded from adjusted earnings. The gross cost is £5.5 million, of which £3.0 million relates to occupational changes, £1.5 million to staff restructuring and £1.0 million to the other initiatives. These costs are partly offset by a curtailment gain of £2.5 million recognised on the closure to future accrual of the defined benefit pension scheme.

We anticipate constraining total operating costs, whilst increasing rental income to further improve the cost ratio over the next few years.

Administration expenses are analysed in the following table.

Table Fig 39

Administration expenses

Proportionally consolidated, excluding premium outlets and including discontinued operations in 2013	Year ended 31 December 2014 £m	Year ended 31 December 2013 £m
Employee and corporate costs	52.1	49.2
Management fees receivable	(5.6)	(6.9)
Administration expenses	**46.5**	42.3
Less:		
Restructuring cost	(5.5)	–
Pension curtailment gain	2.5	–
One-off restructuring charge	(3.0)	–
Underlying net administration expenses	**43.5**	42.3

In 2014, underlying administration expenses, net of management fees receivable, were £43.5 million, an increase of £1.2 million, or 2.8%, compared with 2013. The increase was principally due to marginally higher staff costs and reduced management fees associated with joint venture disposals and an outperformance fee received in 2013.

Cost ratio

The EPRA cost ratio for the year ended 31 December 2014 is 23.4%, a reduction of 120bp from 24.6% for 2013. The ratio is calculated as total operating costs, including the cost of vacancy, as a percentage of gross rental income and the 2013 ratio is for continuing operations. The reduction in 2014 reflects a £22.9 million increase in gross rental income whilst operating costs increased by £1.5 million.

The 2014 ratio has been adjusted to exclude the £3.0 million one-off net restructuring charge explained on page 52. Including this item would increase the 2014 cost ratio to 24.3%.

The ratio is not necessarily comparable between different companies as business models and expense accounting and classification practices vary.

The Cost ratio calculation is shown on page 161.

Share of results and net assets from investments in premium outlets – Value Retail and VIA Outlets

The operating performance of our investments in Value Retail and VIA Outlets is described on page 44 of the Business Review.

As explained above, for the management reporting purposes we do not proportionally consolidate the results of these interests as the Group has less day-to-day involvement in these operations.

Value Retail (VR)

As the Group has significant influence over the operations of Value Retail PLC and its associated entities, our investment in VR is treated as an associated undertaking and equity accounted. VR's contribution to the Group's income statement and balance sheet is set out in Tables 40 and 41.

Table Fig 40

Value Retail – Adjusted earnings analysis	Notes	Year ended 31 December 2014 £m	Year ended 31 December 2013 £m
Income statement			
Share of results of associate	14A	109.9	101.5
Less: EPRA adjustments	14A	(93.9)	(88.1)
Adjusted earnings of associate		**16.0**	13.4
Interest receivable	Within net finance costs	5.8	5.6
Total impact of VR on income statement – adjusted basis		**21.8**	19.0

Table Fig 41

Value Retail – EPRA NAV analysis	Notes	31 December 2014 £m	31 December 2013 £m
Balance sheet			
Investment in associate	14B	628.8	545.4
Add: EPRA adjustments	14B	31.9	19.7
EPRA adjusted investment in associate		**660.7**	565.1
Loan to VR	15	63.5	68.7
Total impact of VR on balance sheet – EPRA basis		**724.2**	633.8

In 2014, EPRA net income from our investment was £21.8 million, or 3.0 pence per share, compared with £19.0 million, or 2.7 pence per share in 2013. The uplift in income reflects the continued brand sales growth driving additional rental income.

During 2014, on an EPRA adjusted basis, the value of the Group's investment in VR increased by £95.6 million. This was principally due to the valuation uplift within the VR property portfolio, the Group's share of which was £111.1 million.

Including the Group's loan to VR, our net interest at the end of 2014 was valued at £724.2 million on an EPRA basis, equivalent to 92 pence per share.

VIA Outlets (VIA)

The Group acquired a 47% stake in VIA Outlets in July, which is a joint venture formed in partnership with APG, Value Retail and Meyer Bergman. VIA acquired six assets during 2014 and for management reporting purposes we do not proportionally consolidate the results of VIA and instead using equity accounting.

In 2014, VIA contributed £0.9 million to EPRA earnings. At 31 December 2014, the Group's investment in VIA totalled £104.2 million, or £108.2 million on an EPRA NAV basis excluding deferred tax, goodwill on acquisition and the fair value of financial instruments. Further details of the Group's interest in VIA are shown in Note 13 to the accounts.

Finance costs

We reduced the average cost of borrowings for the Group to 4.7% in 2014 from 4.8% in the prior year. This was primarily due to the increased use of floating rate debt during the year. The €500 million bond issue in July and earlier $443 million US private placement have been retained at fixed rates of interest. Underlying finance costs, comprising gross interest less finance income were £109.2 million compared with £103.6 million in 2013.

Interest capitalised during the year was £8.8 million and related principally to the developments of Les Terrasses du Port, which completed in May, and Victoria Gate in Leeds.

Tax

The Group is a UK REIT and French SIIC for tax purposes and hence is exempt from corporation tax on rental income and gains arising on property sales. The tax charge at 31 December 2014 remains low at £1.0 million, of which £0.1 million relates to deferred tax.

Dividend

The Directors have proposed a final dividend of 11.6 pence per share. Together with the interim dividend of 8.8 pence, the total for 2014 is 20.4 pence, representing an increase of 6.8% compared with the prior year. The final dividend is payable on 24 April 2015 to shareholders on the register at the close of business on 13 March 2015 and 2.0 pence will be paid as a PID, net of withholding tax where appropriate, with the balance of 9.6 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

During 2014, equity shareholders' funds increased by £914 million to £4,974 million at 31 December 2014.

Net assets, calculated on an EPRA basis, were £4,999 million, an increase of 22.4% during the year. On a per share basis, net assets increased by 65 pence, or 11.3%, to £6.38 and the movement during the year is shown in Table 42 below:

Table Fig 42

Movement in EPRA net asset value

Proportionally consolidated	Net assets* £m	EPRA NAV* £ per share
31 December 2013	4,083	5.73
Revaluation – property portfolio	437	0.56
Revaluation – investment in Value Retail	111	0.14
Revaluation – investment in VIA Outlets	(2)	–
EPRA profit for the year	171	0.22
Dividends	(140)	(0.18)
Equity share issue (net of costs)	393	(0.02)
Exchange and other	(54)	(0.07)
31 December 2014	**4,999**	**6.38**

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

The increase in EPRA net asset value was principally due to the valuation surplus on the property portfolio due to yield improvements. Other improvements resulted from the gains from our Value Retail investment, the equity share issue and retained earnings.

Financing and cash flow

At 31 December 2014, net debt was £2,265 million, including our share of net debt held in joint ventures which totalled £12 million.

Net debt comprised borrowings and currency swaps of £2,324 million and cash and deposits of £59 million. During the year, net debt was almost unchanged with a small increase of £13 million. The movement in net debt during 2014 are summarised in Table 43 below:

Table Fig 43

Movement in net debt

Proportionally consolidated excluding premium outlets	£m
Net debt at 1 January 2014	2,252
Acquisitions	414
Disposals	(155)
Development and other capital expenditure	244
Proceeds from equity issue (net of costs)	(393)
Net cash inflow from operations	(162)
Dividends paid	139
Exchange and other	(74)
Net debt at 31 December 2014	**2,265**

At 31 December 2014, liquidity, comprising cash and undrawn committed facilities, was £648 million, compared with £716 million at the end of 2013.

Going concern

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Business Review, this Financial Review and the Principal Risks and Uncertainties sections of the Annual Report on pages 40 to 59. The financial position of the Group, its liquidity position and borrowing facilities are also described on pages 49 and 50 and in notes 17, 19 and 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.

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.

This framework is subject to regular management review, and is approved annually by the Audit Committee, on behalf of the Board. For 2014, we have added two new principal risk areas in relation to Tax and Regulatory matters and Ownership structures as well as updating a number of key risks and mitigation actions. The updated framework is shown in the table overleaf. Macroeconomics and government policies continue to dominate the risk landscape, particularly with the uncertainty associated with the forthcoming UK general election and the slow economic recovery in the eurozone. 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 instilled in the culture and values at Hammerson. Improved team integration and a flat management structure mean that the senior team is involved in all key decision making, and risk identification and mitigation.

Monitoring and reporting responsibility ↑

Implementation and compliance responsibility ↓

BOARD	– Overall responsibility for corporate strategy, governance, performance, internal controls and risk management – Defines the Group's appetite for risk
AUDIT COMMITTEE	– Reviews effectiveness of Group's risk management framework and internal controls on behalf of the Board – Ensures compliance with relevant legislation, rules and regulations – Oversees effectiveness of the Group's internal audit function
EXECUTIVE MANAGEMENT – **Group Executive Committee**	– Management of the business and delivery of strategy – Monitoring of key risk indicators – Regular reviews of the risk management framework
RISK AND CONTROLS COMMITTEE	– Responsible for integration of the risk management framework throughout the business – Monitors compliance with the Group's internal control systems – Management of the internal audit function
DIVISIONAL MANAGEMENT – **UK Executive** – **Hammerson France Management Board**	– Responsible for implementation of risk mitigation actions and compliance with internal controls and procedures at the operational level of the business – Formal reviews of risk management framework to identify risk trends – Oversight of project level risk management activities

PRINCIPAL RISKS

Risk, impact and related strategic priority	Mitigation	Further commentary	Change from 2013
Business strategy			Reduced
• Implementation of a strategy inconsistent with the market environment, risking poor investment decisions and inadequate returns. • Shopping centre, retail parks or premium outlet markets in UK or France underperform relative to other sectors or markets, eroding shareholder value. • Consumer spending stalls, particularly in France, adversely impacting future performance Related strategic priorities 1 2	• 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. • The Group'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 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 euro-denominated 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 multichannel retailing and introduce innovative new concepts to our portfolio when appropriate.	Chief Executive's report (page 4) Our markets (page 7) Business review (page 40) Financial review (page 51)	The UK economy has seen accelerated growth, although the recovery in the eurozone has been subdued with further monetary stimulus expected in 2015. Stock markets have performed strongly despite potential uncertainty associated with forthcoming elections. But downside risks remain, especially given recent election results in Greece. Retailers are becoming more confident in their outlook but must 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			Reduced
• 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 1 3	• 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 high-quality, geographically diversified and let to a large number of tenants.	Our markets (page 9) Business review (page 43)	2014 has seen an increase in investor demand for real estate, reinforced by an appetite from overseas investors for relatively safe returns from prime assets in the UK and France. This is further encouraged by the continuing low interest rate and inflation environment. These factors have contributed to a rise in real estate values during 2014 and this trend is forecast to continue into 2015. However, in the event that there is further instability in the eurozone, significant volatility could return to financial markets in the short to medium term, which could have a negative effect on real estate values.

Key to the principal risks table

Strategic priority	Change in risk from 2013
1 High-quality property	Increased
2 Income generation	Same
3 Capital strength	Reduced

Risk, impact and related strategic priority	Mitigation	Further commentary	Change from 2013
Property development			
• 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. • Failure to achieve key project milestones, such as planning consents and land acquisitions, on a timely basis damages project viability and corporate reputation. Related strategic priorities 1 2 3	• 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. This process also considers future resourcing requirements. • We produce regular management reporting to enable effective monitoring of development projects. • Detailed analysis, including market research, is undertaken prior to the approval of expenditure on 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', and these are supported by external expertise. • Constructive relationships are maintained with local councils/government. • 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. Developments only represent 3% of the Group property portfolio at 31 December 2014, and leasing is progressing as expected on the six on-site developments.	Business review (page 40)	We successfully completed Les Terrasses du Port in May and were on-site with six projects at 31 December 2014. Our three major London schemes have been advanced and this coincides with improving demand from retailers for new prime trading locations. Local and national politicial support is still required to bring these schemes to fruition, and uncertainty caused by UK elections may act to adversely impact the delivery of these projects. We have also seen cost inflation in the construction sector, fuelled by growing demand for skills and raw materials as economic growth returns. The recent fall in the oil price should act to cool these inflationary trends.
Treasury			
• Breach of borrowing covenants triggers default and/or repayment of facilities or bonds. Related strategic priorities 3	• 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 46% at 31 December 2014, significantly lower than the Group's most stringent borrowing covenant that gearing should not exceed 150%. We estimate that values could fall by 52% from their December 2014 levels before covenants would be endangered.	Business review (page 49) Notes 19 and 20 to the accounts (pages 140 to 141)	The improved economic picture has supported property valuations for prime assets and hence maintained the safety margin for borrowing covenants. The Group's balance sheet and financial ratios were further strengthened by the £399 million share placing in September.
Interest rate and exchange risk			
• Adverse currency or interest rate movements result in financial losses. Related strategic priorities 3	• We set guidelines for our exposure to fixed and floating interest rates, using interest rate and currency swaps as appropriate. At 31 December 2014, 79% 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 2014, 88% of the value of the Group's euro-denominated assets was hedged in this way.	Business review (page 49)	Interest rates have remained low over the last 12 months, and the pressure for a near-term increase has diminished as inflationary pressures have reduced. However, there remains an expectation that they will rise in the medium term. Sterling has strengthened against the euro during 2014 and the risk of volatility remains at times of heightened uncertainty in the eurozone.

Risk, impact and related strategic priority	Mitigation	Further commentary	Change from 2013
Treasury (continued)			
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 3	• 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 a proactive 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 2014 have been favourable for debt issuers, there is a risk that this could change. The Group's recent funding strategy has therefore sought to raise new funds to refinance near-term maturities. This strategy was demonstrated in 2014 by the issue of an 8-year €500 million bond in July where the funds were partly used in December to redeem the outstanding €480 million 4.875% bond maturing in June 2015. At 31 December, the Group had liquidity of £648 million and an average debt maturity of 6.5 years.	Business review (page 49)	Lenders have become more willing to lend during 2014, although continue 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 to the Group.
Ownership structures			
Joint ventures (JV) • Strategic differences with joint venture partners impact operational activities and reduce financial performance. • Loss of liquidity through joint venture structures. Related strategic priorities 1 2 3	• The Group has a diverse range of joint venture partners and an annual liquidity review is undertaken. At 31 December 2014, 43% of our properties are classified as being held within joint ventures or associated undertakings. • Joint venture documentation drafted to align strategic direction and to provide liquidity and flexibilty for partners and to protect the Group's ownership.	Note 13 to the accounts (page 131)	We have reduced the number of JVs through the disposal of Queensgate and 10 Grosvenor Street and the acquisition of partner shares in Highcross and SQY Ouest. The property market remains liquid with a number of JV stakes, such as Cabot Circus, having been successfully traded on the open market.
Premium outlets • Lack of direct control over externally managed premium outlet interests results in inconsistent strategies and governance structures. Related strategic priorities 1 2 3	• Strong working relationships and regular meetings with partners to proactively manage any issues. Formal annual business planning process used to ensure strategic alignment. • Influence over strategy and governance gained through board representation for both Value Retail and VIA Outlets. • Entities subject to external audit and property independently valued for Hammerson.	Business review (page 44) Note 14 to the accounts (page 137)	We continue to have a productive working relationship with Value Retail which is a partner in VIA Outlets. Our investment in VIA Outlet contains provisions to enable effective joint governance and control to protect the Group's position.

Risk, impact and related strategic priority	Mitigation	Further commentary	Change from 2013
Tax and Regulatory			
• 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. • Emerging EU/UK environmental regulation acts to disrupt transaction processes and increase costs. Related strategic priorities 2 3	• 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. • Monitoring of exposure to key regulations at portfolio level combined with strategic plan to mitigate. Active participation in policy consultations and industry led dialogue with policy makers.	Financial review (page 54) Note 8 to the accounts (page 125)	No significant changes during 2014, although governments continue to seek to reduce fiscal deficits and regulators examine 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			
• Management structure or resourcing levels are inappropriate for achieving business objectives. • Failure to recruit and retain key executives and staff with appropriate skills and calibre. Related strategic priorities 1 2 3	• A Human Resources plan features as part of the annual Business Plan which considers team structures and talent management. • 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. • Management competency framework launched with management skills formally assessed with annual appraisal process.	Our people (page 32) Governance (pages 60 to 74) Remuneration Report (pages 75 to 93)	The recruitment market has become more active with rising demand for good people. This will put upward pressure on salaries for the best candidates. We recognise the importance of motivating and developing our staff and have plans in action to help to mitigate the impact of third party recruitment approaches.
Catastrophic event			
• The Group's operations or financial security are significantly affected by disruption to financial markets following a major event such as a power shortage, extreme weather, environmental incident, civil unrest or terrorist or cyber attack. Related strategic priorities 1 2 3	• Continuity plans established at both corporate and individual property levels. • Properties reviewed for flood risk and to ensure appropriate defence measures and insurance cover is in place. • 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.		Whilst the overall risk of a major incident remains low, assessments for terrorist and cyber risks indicate a heightened risk status in both the UK and France.

2014 STRATEGIC REPORT

Pages 1 to 59 of this Annual Report constitute the Strategic Report. It has been approved and signed on behalf of the Board on 13 February 2015.

DAVID ATKINS
Director

TIMON DRAKESMITH
Director

CORPORATE GOVERNANCE REPORT

COMPLIANCE STATEMENT

The Company complied in full with the provisions of the UK Corporate Governance Code published in September 2012, which applied throughout the financial year ended 31 December 2014.

CHAIRMAN'S INTRODUCTION

SUPPORTING THE GROUP'S STRATEGY

David Tyler
Chairman

My objective as Chairman is to help ensure the Board creates maximum value for shareholders over the long term. We do our best to balance opportunity against risk and to lead the organisation in an ethical way.

This Corporate Governance Report is intended to give an insight into how the Board operated in 2014 to achieve these aims. Full details of the Company's governance arrangements in compliance with the Principles of the UK Corporate Governance Code are included on pages 94 to 97.

As you will have read in the Chief Executive's Report on pages 4 to 6, 2014 has been a year in which the business has achieved strong returns and is well placed to continue to deliver its strategic goals. The year has seen economic and consumer recovery gather momentum which has helped stimulate improved sales in our shopping centres and retail parks. Our newly created VIA Outlets investment will provide exciting opportunities for Hammerson. Our investment in this sector is a key differentiator of our business. Last year I said that I was particularly struck by the capabilities of the management team and their energy and vision and one year on I remain impressed. I want to thank them and indeed all our people for delivering a strong performance in the year.

An effective Board

As Chairman I am responsible for ensuring that your Board works effectively under my leadership in support of the Group's strategy. In last year's Annual Report I reported on my intention to change the structure and frequency of Board and Committee meetings during 2014. Board agendas have been revised and some items moved to the agendas of the Committees in order to enable the Board to spend more time discussing investment, marketing and development. Senior executives have met with Non-Executive Directors both formally and informally to discuss specific projects. The Board has evaluated the new approach and I can report that the Directors are satisfied with the way the Board is operating. Further detail on this year's internal evaluation of Board effectiveness can be found on page 67 of the Corporate Governance Report.

One of the recommendations from the 2013 external Board effectiveness review was to introduce an electronic board paper portal as a more efficient, secure and sustainable way of disseminating Board papers. A project to explore suitable software was managed by the Company Secretary and her team. Following an evaluation exercise, a provider was chosen and the software implemented. It is now being used for the Board and all Committees and feedback from Directors indicates that it has been received very positively.

Board changes and succession planning

Since my last report to you a number of changes have happened to the Board and its Committees. After the Annual General Meeting (AGM) in 2014 we said goodbye to John Hirst at which point Jacques Espinasse took on the role of Chairman of the Audit Committee. Gwyn Burr assumed the role of Chairman of the Remuneration Committee after the AGM, having been appointed to that Committee in February 2014.

Anthony Watson will be stepping down at the conclusion of this year's AGM, after nine years on the Board. On behalf of the Board I would like to thank Anthony for his commitment to the Company and the valuable and significant contribution he has made as a Non-Executive Director. Anthony has been a member of the Remuneration, Audit and Nomination Committees and was Chairman of the Remuneration Committee from January 2006 to April 2014. He has held the role of Senior Independent Director since January 2010. I would also like to add my personal thanks to Anthony for the significant role he has played in ensuring that the Board meets its responsibilities to shareholders and stakeholders in these roles.

Jacques Espinasse will have served on the Board for nine years in 2016 and has indicated his intention to step down from the Board at the AGM in 2016.

In July, we decided that all Non-Executive Directors would become members of the Nomination Committee and so membership increased by three. The Nomination Committee report can be found on pages 68 to 70.

I am delighted to welcome Pierre Bouchut, who was appointed to the Board on 13 February 2015 and a report on the recruitment process is described in the Nomination Committee report on page 70. His strong financial expertise combined with an in-depth knowledge and experience of the retail industry in an international environment complement the skills of the Board.

In light of Anthony Watson's decision to stand down from the Board in April 2015, the Nomination Committee considered possible successors to the role of Senior Independent Director in consultation with all the Board and the Company Secretary. I am delighted that Terry Duddy has agreed to accept the role and he will be appointed with effect from 22 April 2015. He has both the right personal qualities and deep commercial and shareholder relations experience, culminating in his years as Chief Executive of Home Retail Group.

It is my responsibility to ensure that Board members have independence of mind and action and that the Board as a whole has an appropriate balance and diversity of skills, experience and background. This has been in my mind as the changes noted above have taken place. Further changes to the Board will continue to reflect these points as well as the long-term demands of the business as it develops in the coming years.

Changes to the UK Corporate Governance Code

The Board and I remain committed to following best practice in corporate governance. I am pleased to report that the Company complied fully with the Code in 2014. Following the publication by the Financial Reporting Council of a revised edition of the UK Corporate Governance Code in September 2014, we have already taken steps to comply with the updated requirements. We plan to comply fully with these requirements in 2015.

David Tyler
Chairman

COMMITTED TO THE HIGHEST STANDARDS

From left to right

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

Biographical details for all Directors are on pages 98 and 99. Further details of the Board's balance of skills and experience is on page 69.

BRINGING CORPORATE GOVERNANCE TO LIFE

This section of the Corporate Governance Report highlights some of the key activities of the Board during 2014. It should be read in conjunction with the section on compliance with the UK Corporate Governance Code on pages 94 to 97.

JANUARY TO SEPTEMBER

For further information on financing see page 49.

RAISING CAPITAL TO FUND ACQUISITIONS AND DEVELOPMENTS

During the year, the Board explored various financing and re-financing options proposed by management to enable the Company to advance its acquisition and development strategy whilst retaining a robust capital structure. Financing options considered by the Board included a bond buy-back, the issue of shares to be listed on the London Stock Exchange, a bond issue and hedging strategies. Market conditions were kept under review during this time and management and the Board received feedback on likely shareholder responses to various debt and equity raising options. Proposals came forward for a share placing as part of funding plans for an investment in Highcross and the VIA Outlet venture. The Board reviewed and approved a proposal to fund the acquisitions through a placing of up to 10% of the Company's existing issued share capital. On 25 September 2014 the Company announced that the placing had been successfully completed and would fund the acquisition of the remaining interest in Highcross, provide investment in the European outlet sector and partly fund the Company's significant development pipeline.

Key steps in the Board's process in reaching its decision to proceed with the placing are set out below. During the process the Board worked closely with management, the Company's legal team and its advisers.

PLACING OF SHARES – KEY STEPS

- Review of the implications of a cashbox structure, how the placing would be received by shareholders and the process, timing and costs of a placing.
- Consideration of the pre-market process, due diligence and other comfort which the banks would require.
- Discussions between the Executive Directors and the Company's major shareholders to gauge expressions of shareholder interest.

  Review of market conditions which were favourable; approval of the legal documents required for a placing and approval of the placing as an appropriate means of raising funds.
- The Company announced its intention to the Stock Exchange to place up to 71.3 million new ordinary shares.
- Announcement of successful completion of the placing which raised approximately £399m (before expenses).

JANUARY TO DECEMBER

SHAREHOLDER ENGAGEMENT

The Board recognises the importance of communicating regularly with its shareholders and during 2014 the Company undertook a variety of investor relations activities which were organised both for institutional and private shareholders. As well as the formal programme of events, ad hoc meetings took place throughout the year.

The majority of shareholder contact is between the Company's institutional shareholders and the Chief Executive and the Chief Financial Officer. During 2014 a number of events were either attended or hosted by the Company. The programme of events is set out opposite.

January 2014	• Analysts' visit to O'Parinor, France. • One-to-one investor meetings hosted by David Atkins and Timon Drakesmith at the JP Morgan Property Conference, London.
February 2014	• 31 investor road show meetings held in London, Paris and Amsterdam.
March 2014	• 20 one-to-one meetings arranged at the Citi Global Conference, Miami. • Invitations to major shareholders from the Chairman to attend a meeting. Subsequent meetings were arranged.
April 2014	• Annual General Meeting.
June 2014	• 20 one-to-one investor meetings arranged at the Kempen Conference in Amsterdam. • Investor and analyst visit to Les Terrasses du Port, Marseille. David Atkins and Jean-Philippe Mouton gave a presentation and the French project team were available to answer questions. The visit included a tour of the Centre.
July 2014	• Half-year investor road shows. 32 meetings held in London, Amsterdam and Paris.
August – September 2014	• Meetings held with the Head of Sustainability and shareholders to discuss sustainability performance. • 14 one-to-one investor meetings arranged at the Bank of America Merrill Lynch Conference in New York.
November 2014	• Telephone meetings held with the Company Secretary and shareholders to discuss corporate governance and corporate reporting for 2015.
December 2014	• Seven one-to-one investor meetings arranged at the UBS Conference in London. • Investor meeting with Value Retail representatives presenting on the outlet sector.

APRIL

DEVELOPMENT PROGRAMME FOR NEW CHAIRMAN OF AUDIT COMMITTEE

Jacques Espinasse succeeded John Hirst as Chairman of the Audit Committee following the Annual General Meeting in 2014. Shortly after his appointment, the Company Secretary organised a full briefing focusing on the role of Audit Committee Chairman, accompanied by a comprehensive pack of briefing papers. The briefing covered amongst other matters:

- A detailed update session on financial and tax-related matters from senior managers in the finance team;
- A meeting with the Group's external valuer, DTZ, to discuss the valuation process and opportunities to refine the reporting process;
- A discussion with the external auditor, Deloitte, covering corporate governance developments and an update on the role and responsibilities of the Audit Committee and Audit Committee Chairman;
- A session with the Company Secretary and Group Financial Controller to review the Audit Committee's work plan for the year and consider any improvements; and
- A private meeting with Deloitte, with whom the Audit Committee Chairman engages separately outside the Committee timetable.

OCTOBER

BOARD VISIT TO MARSEILLE

In October 2014, the Board held its scheduled Board meeting at Les Terrasses du Port, Marseille. Having seen the Centre in the final stages of construction last year this provided an opportunity for the Board to see the Centre open for shoppers. The Board toured the Centre and received presentations from the local project and management teams including progress on store openings and occupancy rate, feedback on the opening of the Centre in May 2014 and an update on Centre performance. The Board also received a presentation on how the multi-channel digital programme at Les Terrasses du Port is positively driving customer engagement and is also providing new insights into customer behaviour.

BOARD STRATEGY DAY

The Board's annual Strategy Day was held at Les Terrasses du Port, Marseille the day after the Board meeting. As in previous years, the Board prepared for the day by reviewing background commentary on the UK and French economies and real estate markets and current Hammerson data including the Group's corporate profile, operational data and financial forecasts.

Members of senior management joined the Board for discussions which included branding, strategy, capital allocation and operational efficiency. The agenda for the Strategy Day also covered:

- Review of progress against 2014 Business Plan objectives;
- Overview of the UK and European property and retail markets and future trends;
- Evaluation of risks in relation to economic forecasts, their impact on the Company and mitigation;
- Presentation from external advisers on linking the Company's strategy to its brand proposition;
- Improving financial performance through optimal capital allocation;
- Growth opportunities in other territories and sectors;
- Review sustainability performance and opportunities to create sustainability leadership;
- Improving the performance of the Group's winning retail venues; and
- Increasing retail spend through operational strategies.

A number of initiatives identified as a result of the Strategy Day have been incorporated into the Business Plan for 2015. The Business Plan influences objectives set for the Executive Directors and throughout the business for 2015.

DAVID ATKINS' PERSPECTIVE

"

Holding this year's Strategy Day in Les Terrasses du Port, Marseille had a huge impact. Being in our newest centre brought our strategy to life and gave the Directors real insight into current themes and trading through direct contact with our staff and our shoppers. We experienced and saw first hand, the latest technology, design innovation and industry-leading sustainability in the Centre. This really helped to inspire us to challenge our ideas about the future strategy of the business.

For me, the importance of the Strategy Day lies not in the discussion of day-to-day issues – that's the job of the Executive Directors and management – but rather in the opportunity to be ambitious in setting our strategic goals as a Board, to propose the unconventional and evaluate our reactions to new themes and ideas. We do not confine ourselves to our sector but look at other sectors too – for example, other consumer-facing businesses – and we evaluate the best of what they are doing.

The key to a successful Strategy Day is that broad-ranging discussions are stimulated through posing ourselves challenging questions and scenarios. This is especially important for the Non-Executive Directors who are not involved in the running of the business. The insights and ideas generated through discussion will not all find their way into our strategy but we take away the best initiatives to be refined and included in the Business Plan.

"

DECEMBER

BOARD EFFECTIVENESS REVIEW

The Board recognises that Board evaluation is a continuous process. A thorough and extensive external Board evaluation was carried out in 2013, progress against which was reviewed as part of the 2014 evaluation and is reported on in the table below.

The 2014 Board effectiveness review was facilitated by the Company Secretary and focused on questions grouped around governance themes taken from the UK Corporate Governance Code. Each Director gave feedback to the Company Secretary who discussed her interviews with the Chairman and a report with recommendations was tabled to the Board and actions agreed. The evaluation was conducted in this way to allow the Directors to make more informative responses and to establish any specific areas where the Board could improve its performance.

In general the 2014 evaluation highlighted that satisfactory progress had been made against 2013 actions and in the way the Board continued to operate. The Board continues to strive for excellence and identified further opportunities for consideration. These included:

- The continued focus on succession planning, particularly for Executive Directors, and talent development;
- Refining the structure of the Strategy Day and how strategic discussions may be facilitated and made more effective;
- Keeping abreast of the opportunities and risks of Value Retail and how they are managed; and
- Further engagement with senior management below Board level.

Where appropriate these actions have been incorporated into the 2015 Board work plan.

A summary of the Board's progress against actions arising from the 2013 externally facilitated Board effectiveness review is set out below:

Recommendations from 2013 Board Effectiveness Review	Progress on actions
Clearly identify optimum mix of skills that the Board needs.	During the year the Nomination Committee commenced a phased plan for recruiting two new Non-Executive Directors. Pierre Bouchut was appointed on 13 February 2015. The appointment of a second Non-Executive Director is underway and will be a particular focus for the Nomination Committee following the 2015 AGM.
Identify the internal talent pool of new executives with high potential and create development plans for them.	The Nomination Committee reviewed succession plans in June and continues to focus on this area.
Reduced use of printed Board papers should be considered.	An electronic Board portal has been introduced as described in the Chairman's introduction on page 61.
Board agendas should be revised to ensure adequate focus on development projects and marketing. The layout of Board papers should also be reviewed.	The Board agendas have been revised, as described in the Chairman's introduction on page 61. The layout of Board papers has been reviewed in light of the introduction of an electronic Board portal.
Effectiveness of reduced number of formal Board meetings should be reviewed once a full calendar cycle has been completed.	The Board will continue to keep this under review.
Additional engagement between Non-Executive Directors and management should be arranged.	Senior managers are invited to attend Board meetings for papers with which they have been involved. During the year various Non-Executive Directors have met senior managers formally and informally for business specific purposes and general networking. Two UK centre visits are in the 2015 Board work plan where further opportunities will be scheduled to meet employees.

NOMINATION COMMITTEE MEMBERS

- David Tyler (Chairman)
- Gwyn Burr
- Terry Duddy
- Jacques Espinasse
- Judy Gibbons
- Anthony Watson
- Pierre Bouchut (Appointed 13 February 2015)

ENSURING THE BALANCE IS RIGHT

DEAR SHAREHOLDER

During the year the membership of the Committee was increased to include all of the Non-Executive Directors. This enables the Committee to assist the Board better in discharging its responsibilities including reviewing and evaluating the Board's balance and composition, and making recommendations to the Board with regard to any proposed recruitment and other changes.

The Board is mindful of the need to ensure that both it and the Committees continue to have the right balance of skills, experience and knowledge to carry out their duties and responsibilities effectively. In particular, during the year and in light of the changes to the Board which are described on page 61, the Committee has focused its attention on selecting potential new Non-Executive Directors to join the Board. The appointment process was conducted with Spencer Stuart, an executive search consultant, and culminated in the appointment of Pierre Bouchut as a Non-Executive Director on 13 February 2015. The appointment process is described in more detail on page 70.

The Committee has also considered a successor for Anthony Watson's role as Senior Independent Director. The Senior Independent Director acts as a sounding board for the Chairman, serves as an intermediary for the Directors when necessary and is available to shareholders if they have concerns which they have been unable to resolve through the normal channels or for which such contact is inappropriate. Following my discussions with each of the members of the Committee, we decided that Terry Duddy had the right personal qualities and appropriate skills and experience for the role of Senior Independent Director. The Board approved the proposal that Terry Duddy be appointed to the role from the conclusion of the Annual General Meeting.

One of my key responsibilities in ensuring Board effectiveness is to review, with the assistance of the Nomination Committee, succession planning for the Board. During the year the Nomination Committee spent time considering the mix of qualifications, skills, experience and knowledge required for an effective Board. Further detail on the mix of skills is described on page 69.

In addition, the Committee considered a progress report on the Company's approach to diversity and was pleased to note steps taken to promote diversity within the business, and short to medium-term objectives to focus further progress in this area were agreed. You can read more details on the steps the Company has taken in the 'Our People' section on page 35.

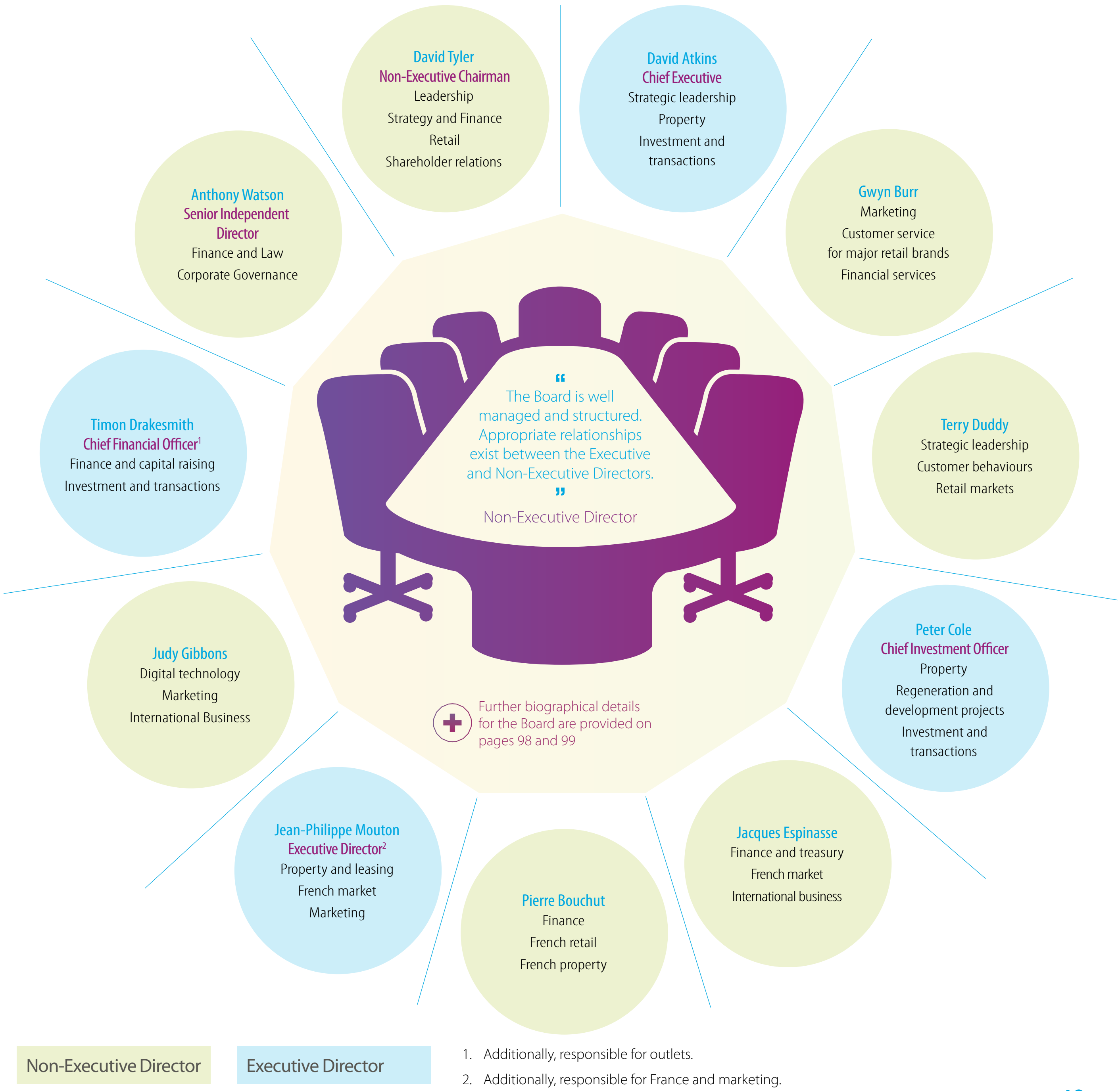
David Tyler
Chairman of the Nomination Committee

Board balance and mix of skills

During the year the Committee considered the composition of the Board. Each Director brings a particular range of skills and expertise to the deliberations of the Board which facilitates constructive and challenging debate around the boardroom table. Background professions of the Board include property, banking, auditing, treasury, retail, media, marketing and technology. All Executive Directors have a strong property background as well as professional qualifications in their technical sphere and chart 44 below provides further details of the range of skills and expertise on the Board. Following the 2013 external Board effectiveness review and subsequent discussion the Board had determined that at least one of the next two Non-Executive Directors appointed to the Board should be recruited with continental European experience and a wider background in areas such as investment, banking, financing and fund management or asset allocation. These skills would complement the other skills on the Board to ensure an appropriate balance. Pierre Bouchut's appointment to the Board in February 2015 adds to the Board's existing expertise in finance. In addition, he brings considerable senior management experience in the retail sector and a broader European perspective.

Chart Fig 44

Around the boardroom table – array of skills and expertise



1. Additionally, responsible for outlets.
2. Additionally, responsible for France and marketing.

Appointment of Non-Executive Director

The Committee led the process that resulted in the appointment of Pierre Bouchut. Key steps in the process are outlined below:

- The Committee considered three executive search consultancy firms after which Spencer Stuart was appointed to facilitate and advise on the search. Spencer Stuart has no other connection with the Group and is a signatory to the Voluntary Code of Conduct of Executive Search Firms.
- The Committee's preference was to recruit a senior business person with deep experience in the French market and ideally with expertise in both retail and finance. Having considered the knowledge and experience required a candidate profile was prepared.
- It was agreed that the Chairman and the Company Secretary review a range of candidates following which a long list was prepared for the Chairman by Spencer Stuart.
- The Chairman met and interviewed seven candidates and reviewed the respective skills, experience and fit of each of the candidates with the Board's candidate profile.
- Members of the Committee interviewed the shortlisted candidates and the Committee made a recommendation to the Board.
- The Board approved the appointment of Pierre Bouchut on 13 February 2015.

Succession planning

The Committee considered succession planning for the Executive Directors and other key roles in the organisation. Due to the size of the organisation the Committee acknowledges that there are not necessarily obvious successors for every senior role. Management's plans for the identification, development and readiness of talented successors to the Group Executive Committee and senior management roles are kept under review. The Committee noted that management's review of individuals' performance and potential took account of the diversity profile within the organisation. Succession planning provides an opportunity to ensure that Hammerson is developing a capable and diverse talent pool for the future. For further details refer to the 'Our People' section in the Strategic Report on pages 32 to 35.

Diversity

The Board considers that encouraging diversity, including gender diversity, within the Group, is an essential driver of long-term success and recognises that potential needs to be identified and nurtured at all levels of the organisation. The charts on the right illustrate some of the factors the Committee takes into account when considering the composition of the Board. As at the year end female representation on the Board stands at 20%. The Committee will continue to consider gender diversity when recommending any future Board appointments. However, future appointments will always be made on merit.

Chart Fig 45
Board gender diversity

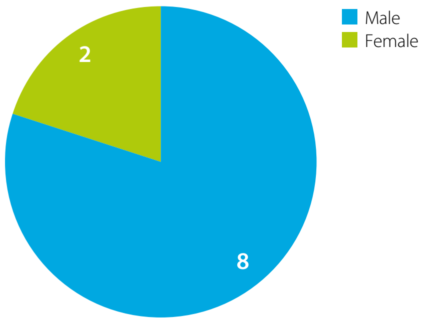


Chart Fig 46
Board composition

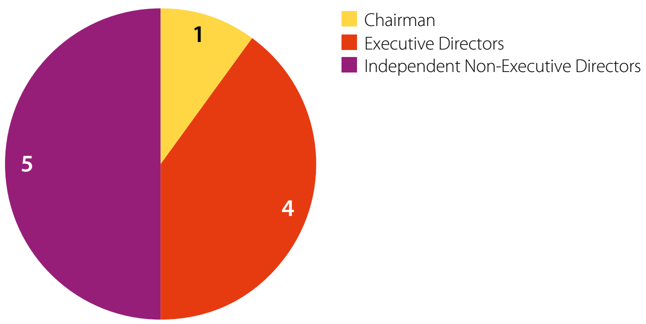
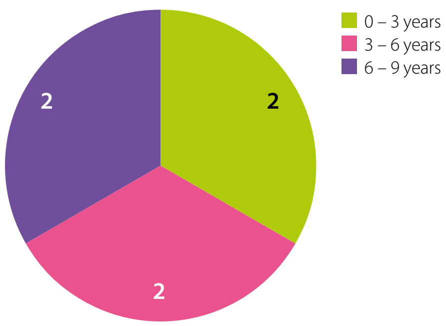


Chart Fig 47
Length of tenure of Non-Executive Directors



As at 31 December 2014.

AUDIT COMMITTEE MEMBERS

- Jacques Espinasse (Chairman)
- Gwyn Burr
- Judy Gibbons
- Anthony Watson
- Pierre Bouchut (Appointed 13 February 2015)

Fair

✓ All important elements have been included.

Balanced

✓ Consistency achieved between the Strategic Report and Financial Statements.

✓ An appropriate balance between statutory and adjusted measures.

✓ Adjustments are clearly explained.

Understandable

✓ Greater use of diagrams and briefer text.

✓ Clear contents pages to aid navigation.

✓ Colour coding to distinguish different sections.

✓ Code Compliance in a separate section.

✓ Strategy presented consistently throughout.

✓ Clear cross references.

✓ Jargon is avoided where possible.

ENSURING ACCOUNTABILITY

DEAR SHAREHOLDER

On behalf of the Audit Committee, I am pleased to present its report for the year ended 31 December 2014. Although this is my first report as Chairman of the Committee, I have been a member of the Committee since May 2007. I succeeded John Hirst who stepped down after last year's Annual General Meeting (AGM) after nine years of service and I would like to thank John for his considerable contribution to the work of the Committee. Shortly after my appointment as Chairman of the Committee I undertook a development briefing focusing on the role of Audit Committee Chairman and more details are provided on this on page 65.

I fulfil the requirement of the UK Corporate Governance Code (Code) as the member of the Committee nominated as having recent and relevant financial experience. In addition, my fellow Committee members are individuals who hold or have held senior office in business and have both the knowledge and experience to properly discharge their duties and a good understanding of the issues under consideration. We are supported in turn by members of the senior management of the Company and by the expertise of the external auditor, Deloitte LLP (Deloitte), whose representatives regularly attend meetings. In addition, the Committee met with Deloitte and the internal auditor, Ernst & Young LLP (EY) without management being present to enable full and frank discussion and to satisfy itself that the external and internal auditors had not been unduly influenced by management.

The Committee met three times during the year and attendance at these meetings is set out in the Company's report on compliance with the Code on page 94. During the year, the Committee paid particular attention to significant judgements in relation to the Group's financial statements. These are significant by virtue of their impact on the Group's results and the remuneration of senior management. The main areas of focus during the year are set out in table 48 on page 72.

An essential element of the Committee's work during the year is the scrutiny applied to the valuation of the Group's property portfolio. Having carried out a review of the Committee's schedule of meetings, I decided that an additional meeting would be held in January to allow the Committee extra time to review, debate and challenge the valuation prepared by the Company's external valuer DTZ Debenham Tie Leung (DTZ) and also Cushman and Wakefield (C&W) who valued the premium outlet centres. This January meeting will be included in future in the Committee's schedule.

The Committee satisfied itself that the Annual Report is a document which allows shareholders to assess the Company's position and performance, business model and strategy. The Committee considered a paper from management on how each of the elements highlighted on the left had been addressed. In addition the Annual Report was reviewed by a number of external parties as part of the process before the Committee made its recommendation to the Board that the Annual Report is fair, balanced and understandable.

In December, the Committee carried out an assessment of its performance and, in its opinion, continues to perform its role efficiently and effectively. I am confident that the Committee continues to satisfy itself that the internal and external systems of control and safeguards at Hammerson are working well throughout the business to ensure that risks are mitigated and managed appropriately.

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

Jacques Espinasse
Chairman of the Audit Committee

Table Fig 48

Significant financial judgements

During the year, the Committee considered the appropriateness of significant financial judgements made in connection with the financial statements as set out below:

Significant financial judgement considered during the year	Why this issue is considered significant	How the Committee addressed the issue
Valuation of the Group's property portfolio (excluding Premium Outlets) Please see page 114 for more details about Valuations.	The valuation of the Group's property portfolio, including those held in joint ventures, is a key risk due to its significance in the context of the Group's net asset value. Although valuations are conducted externally by DTZ, the nature of the valuation process and estimates are inherently subjective. The outcome of this judgement is also a key determinant of the Group's results and affects investment decisions.	The Committee has a robust process in place to satisfy itself that the external valuation of the Group's property portfolio is appropriate. The Committee recognises that the Group operates in two liquid and mature markets, the UK and France, in which there are well established and respected valuation professionals. The Committee reviewed the outcomes of DTZ's valuations, challenged their assumptions and was satisfied that procedures and methodologies used were appropriate. The Committee is also familiar with the processes by which management provides information to DTZ. Current conditions and recent transactions in the market were reviewed to provide context. DTZ were asked to highlight any significant judgements and disagreements with management and the Committee satisfied itself of DTZ's independence. The Committee was satisfied that the valuation of the Group's property portfolio was prudent and reasonably based.
Accounting for property transactions Please see page 114 for more details about property transactions.	During the year, the Group made several acquisitions and disposals including interests in joint ventures. There are risks in the accounting process for these complex transactions.	The Committee, in conjunction with Deloitte, reviewed and challenged management's accounting proposal and key judgements, and was satisfied that the approach adopted was appropriate.
Premium Outlet investments (Value Retail and VIA Outlets) Please see page 44 for more details about outlets.	The Group has a significant investment in Value Retail (VR) and acquired a 47% interest in VIA Outlets (VIA) during 2014. These investments are externally managed and due to the complexity of the underlying structures, there is a risk of inaccurate and inconsistent reporting.	The Committee discussed the proposed accounting treatment for the Group's interests in VR and VIA, which is based on the nature of the Group's control over those investments. The Committee also reviewed the accounting associated with the VIA acquisition and the valuations of each investment's property portfolio which are undertaken by C&W. The Committee concluded that both investments had been recognised appropriately.
REIT status Please see page 125 for more details about Tax.	Maintenance of the Group's REIT status for its UK operations and under the SIIC rules for its French operations is dependent on compliance with certain conditions in each jurisdiction. The beneficial tax regime resulting from REIT status has a significant impact on the Group's results.	The Committee reviewed compliance with UK REIT and French SIIC legislation and concluded that the Group continues to meet the requirements.
Adoption of IFRS 11 joint arrangements Please see page 131 for more details about joint arrangements.	The Group has adopted IFRS 11 in 2014 which requires the Group to equity account for its joint ventures (previously proportionally consolidated). This change has a significant impact on the presentation of the Group's financial statements.	The Committee, in conjunction with Deloitte, has reviewed the disclosure requirements. Management's methodology, as presented in its paper to the Committee, was considered. The Committee was satisfied that management has appropriately adopted the accounting standard and explained the presentational impact of the new standard to shareholders in an appropriate manner.
Going concern Please see page 54 for more details about Going concern.	A critical risk is the Company's solvency and liquidity and the appropriateness of preparing the Group's financial statements on a going concern basis.	The Committee evaluated management's assessment of the appropriateness of the Group preparing its half-year and annual financial statements on a going concern basis and approved the Statement which appears on page 54. The Committee considered the Group's liquidity by reviewing reports on the renewal and maturity profile of debt, forecast cash flows (including the level of committed expenditure), funding requirements and contingent liabilities. The Committee also considered these forecasts against the financial covenants in the Group's borrowing facilities and concluded that the going concern basis was appropriate.

Effectiveness of the external audit process

The Committee assessed the effectiveness of the external audit process during the year by monitoring Deloitte's fulfilment of the agreed audit plan and its reports on the significant matters and judgements that arose from the audit plan. The Committee received regular feedback from management on the level of support provided by Deloitte. The Committee determined that Deloitte provides an appropriate level of service delivered by a team which consistently looks for ways to maintain and improve the high standards it sets itself. During the year the Committee also considered the re-appointment of Deloitte and assessed their independence.

In forming its opinion of the independence and objectivity of Deloitte the Committee reviewed:

- The independence safeguards operating within Deloitte;
- Deloitte's Audit Transparency Report for the year ended 31 May 2014; and
- The extent of non-audit services provided by Deloitte.

Deloitte or its predecessor firms have been the Company's external auditors since the Company was founded in 1942. Deloitte is required to rotate the audit partner responsible for the Group audit at least every five years to protect auditor independence and objectivity. Ian Waller, the current audit lead partner has been in place since April 2012 and is expected to continue until the conclusion of the financial statements for 2016. Under the Company's current interpretation of the transitional arrangements for mandatory audit rotation, the Company will be required to rotate the audit for the financial statements for 2021. In advance of that date the Committee will reflect on retendering the Auditor's appointment.

The Committee has concluded that the external audit was carried out effectively and efficiently with the necessary objectivity and independence. It has recommended to the Board that Deloitte be re-appointed at the 2015 AGM.

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 Audit Committee.

The full policy on non-audit services is available at www.hammerson.com.

As shown in note 4 to the accounts on page 122, Deloitte's remuneration for the year ended 31 December 2014 was £0.7m. 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 2014 non-audit services provided by Deloitte to the Company included acting as reporting accountants for tax related work and the Group's sustainability reporting. Fees for non-audit services provided to the Company by Deloitte for the year ended 31 December 2014 were £0.1m.

Risk management and internal control

The Committee assists the Board to fulfil its responsibilities in relation to the adequacy and effectiveness of the control environment and the Group's compliance with the Code.

Throughout the year, the Committee monitored the effectiveness of the Group's systems of risk management and internal control, including financial, operational and compliance controls. In particular the Committee reviewed:

- Deloitte's management letters;
- Internal audit reports, including monitoring the implementation of recommendations arising from them;
- Reports on the system of internal control and the risk management framework;
- The Company's approach to compliance with legislation and the prevention of fraud;
- Business continuity and cyber risk; and
- Gifts and entertainment and expenses registers.

Internal audit

EY has provided an internal audit service to the Group since August 2013. During the year the Committee has monitored the internal audit process through management updates and reviewing EY reports, and EY has been challenged on its findings at Committee meetings. The Committee continues to be satisfied with the service provided by EY since their appointment and has approved the continuation of EY's appointment as internal auditor for 2015. Now that a full annual internal audit cycle has been completed the Committee will review more formally the effectiveness of EY during 2015.

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

- Shopping centre property management and operational controls;
- Car park controls;
- Management of tenant credit risk;
- Joint venture management processes; and
- Leasing processes.

These reviews and the implementation of recommendations arising from them are overseen and coordinated by a Risk and Controls Committee whose primary role is to ensure that internal control is integrated into the Group's daily operations.

Risk and Controls Committee

This committee is not a committee of the Board but of executives from across the business, including UK shopping centres, retail parks, French shopping centres and finance and project management teams and is chaired by the Chief Financial Officer. The committee reports its activities to the Group Executive Committee.

The role of the Risk and Controls Committee is to:

- Promote the application of the risk management framework throughout the business;
- Encourage pro-active discussion of risk around the business;
- Manage the annual internal audit programme;
- Consider the results and recommendations of reviews; and
- Monitor the implementation of recommendations.

Anti bribery and corruption

The Committee oversees and monitors the policies and procedures which form the core components of the Group's adequate procedures under the Bribery Act, including the Code of Conduct and Whistleblowing Policy. During the year the Code of Conduct and the Whistleblowing Policy were reviewed, updated and approved by the Committee.

The Code of Conduct 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.

The Whistleblowing Policy sets out a procedure by which employees may report suspicion of fraud, financial irregularity or other malpractice. No reports of any such matters have been received during the year. The Company subscribes to the independent charity, Public Concern at Work, so that employees may have free access to its helpline.

RISK MANAGEMENT IN ACTION – ELEVATING RISKS

At the beginning of 2014 each Group Executive Committee member was asked to consider and submit their top five risks to the business. The responses were reviewed and collated into a schedule for further discussion by the Group Executive Committee and as a basis for reviewing the status of risks or capturing new risks in the risk management framework (which is described in further detail on pages 55 to 59 of the Annual Report). This exercise was repeated during the year and the summary review of risks was compared against the key risks KPIs set out in the risk management framework to ensure that they were being adequately monitored and addressed. As a result some risk KPIs were updated. The Risk and Controls Committee discussed the risks identified which were incorporated into the risk management framework with appropriate risk mitigation steps identified.

The intention of these regular reviews was to make the risk management framework a dynamic document, promoting discussions about how risks are evolving and whether they are being addressed effectively across the business.

REMUNERATION COMMITTEE MEMBERS

- Gwyn Burr (Chairman)
- Terry Duddy
- Judy Gibbons
- David Tyler
- Anthony Watson

See pages 91 and 92 for 2015 implementation and updated scenarios.

See page 94, table 81 for Remuneration Committee attendance in 2014.

See page 170 for the remuneration policy.

MATCHING REWARD TO PERFORMANCE

DEAR SHAREHOLDER

I am pleased to present the Directors' Remuneration Report for the year ended 31 December 2014. This is my first year as Chairman of the Remuneration Committee (Committee), having succeeded Anthony Watson. I would like to thank Anthony for chairing the Committee for a number of years, and for the assistance and support he has given me in 2014.

At our AGM in 2014, our remuneration policy (Policy) was approved. No changes are being made to that Policy.

As you will have read earlier in this Annual Report, this was another successful year for the Company. Adjusted earnings per share grew to 23.9 pence; like-for-like NRI increased by 2.1% and the cost: income ratio reduced to 23.4%. Using estimated numbers for total property return (TPR), the outcome of financial and personal objective performance measures resulted in an average of 65% of maximum bonus opportunity for 2014. Our TPR relative to an appropriate peer group is a component of both annual bonus (AIP) and long term incentives (LTIP). For 2014, we changed the indices for AIP. These indices are published by IPD each April and so, for 2014 and in future, the TPR component of AIP reported in the Annual Report will be estimated. No bonus payments for TPR are made until the actual index data becomes available. We will report the actual outturn on this measure, and the bonus payment, in our 2015 Annual Report.

In April, the Committee was disappointed when, despite good performance relative to our peer group, the 2011 LTIP awards did not vest to any material extent, contributing to an overall reduction in Executive Director total remuneration of 16%. This was largely a result of the continued comparison with office portfolios, which is now inappropriate given the change of focus of the Company in late 2012 to retail only. The Committee will decide at its April 2015 meeting whether the TPR element of the 2012 LTIP awards should be compared solely against our retail property peer group. The policy of granting LTIP awards to each Executive Director remains unchanged. However, Executive Directors continue to set an example given on-going cost control measures, and have requested that 2015 LTIP awards should again be at less than the agreed norm of 200% of salary, and grants will be made at a reduced level of 150% of salary. There are also no planned increases in base salaries for Executive Directors in 2015.

Following member consultation, the Company's defined benefit pension scheme (Scheme) was closed to future accruals for all participating employees during the year. David Atkins and Peter Cole ceased to accrue further benefits within the Scheme and became eligible for salary supplements instead.

In December, the Company received a 'PWC Building Public Trust Award' for the best executive remuneration report within the FTSE 100. A substantial amount of effort goes into presenting shareholders with a clear and comprehensive remuneration report, and I am pleased that this work has received public recognition.

Gwyn Burr
Chairman of the Remuneration Committee

2014 EXECUTIVE DIRECTORS' REMUNERATION AT A GLANCE

Table Fig 49

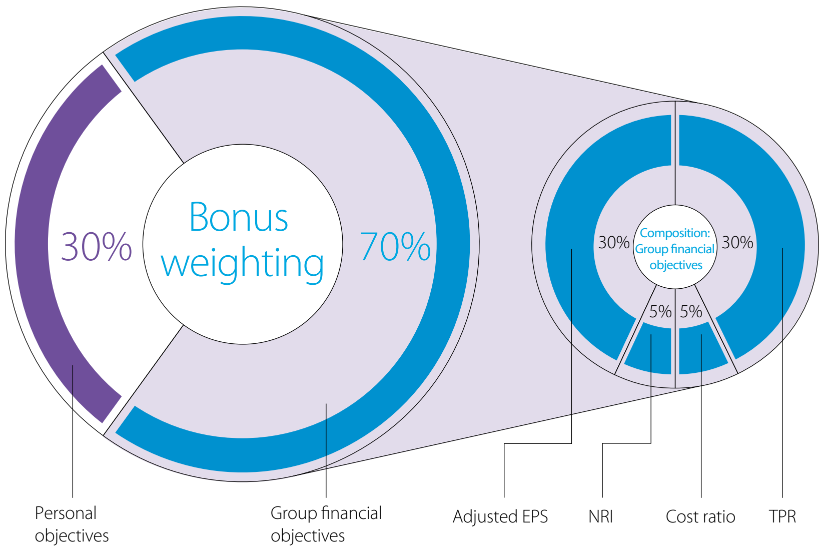
Total remuneration

	Salary £000	Benefits £000	Annual bonus[1] £000	Long Term Incentive[1] £000	Pension £000	Total £000
David Atkins	594	22	776	–	177	1,569
Peter Cole	431	22	526	–	203	1,182
Timon Drakesmith	406	19	579	177	81	1,262
Jean-Philippe Mouton	329	25	427	–	74	855

1. These figures contain estimates. See notes 5 and 6 on page 77.

Chart Fig 50

AIP (bonus) structure



Bonus targets are outlined on page 78. Key measures are as follows:
Adjusted EPS: Adjusted earnings per share compared to target levels. See page 128.
TPR: % total property returns. See page 36.
NRI: % growth in like-for-like Group net rental income. See page 36.
Cost ratio: Group total operating costs as a percentage of gross rental income. See page 37.

Table Fig 51

AIP (bonus) outcome: financial targets

Performance measure	Entry threshold measure to earn any bonus	% of vesting for that measure achieved at entry threshold	2014 target to achieve full vesting for that measure	2014 closing measurement[1]	2014 payout level[2]
Adjusted EPS	22.8p	20%	24.4p	23.9p	75%
TPR	IPD+0.5%	25%	IPD+2.5%	IPD+1.1%	40%
NRI	1.5%	0%	3.5%	2.1%	30%
Cost ratio	24.4%	0%	23.8%	23.4%	100%

1. The 2014 closing measurement for TPR is estimated.
2. Actual bonus paid is based on an interpolation between the entry threshold and the target to achieve a bonus of 100% of payout for each performance measure. See page 79 for more details on AIP.

2014 REMUNERATION: IMPLEMENTATION REPORT

(*) denotes audited information

Table 52 shows the remuneration of the Executive Directors for the year ended 31 December 2014, and the comparative figures for the year ended 31 December 2013.

Table Fig 52

EXECUTIVE DIRECTORS: SINGLE FIGURE REMUNERATION TABLE*

		Salary		Benefits		Annual bonus AIP		Long Term Incentive Plan LTIP		Pension		Total	
	Note	2014 £000	2013 £000	2014 £000	2013 £000	2014 £000	2013 £000	2014 £000	2013 £000	2014 £000	2013 £000	2014 £000	2013 £000
David Atkins	1, 4 – 8	594	585	22	16	776	657	–	798	177	160	1,569	2,216
Peter Cole	4 – 8	431	420	22	16	526	472	–	627	203	90	1,182	1,625
Timon Drakesmith	2, 4 – 8	406	400	19	19	579	449	177	170	81	80	1,262	1,118
Jean-Philippe Mouton	3, 4 – 8	329	340	25	28	427	351	–	42	74	78	855	839
Total		1,760	1,745	88	79	2,308	1,929	177	1,637	535	408	4,868	5,798

Notes

1. David Atkins has external non-executive appointments, disclosed in the Directors' Biographies on page 98. He does not receive a fee for any of these appointments.
2. 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.
3. For consistency and comparison against other Executive Directors, Jean-Philippe Mouton's remuneration has been converted from euros into sterling in table 52. The exchange rate that has been used is £1: €1.241 (2013: £1:€1.178). His base salary was €400,000 in 2013 and €408,000 in 2014.
4. Benefits: 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 the UK Executive Directors, SIP and Sharesave; for the France Executive Director, profit sharing scheme and employer's contribution to an employee savings scheme).
5. AIP: Achievement against Company financial targets and personal objectives (using estimated TPR outcomes) resulted in an average entitlement for Executive Directors of approximately 65% (2013: 54%) of the maximum bonus opportunity. Details of annual bonus outcomes are on page 79.
6. LTIP: 2013 figures were estimated in the 2013 Annual Report as final data for the TPR performance measure was not available at the date of publication. The 2013 figures above have been updated to reflect the actual outcome using final TPR data. Details of the calculation for the 2013 and 2014 LTIP are at table 53 below. Final figures for 2014 will be presented in the 2015 Annual Report. Estimates are for reporting purposes only.
7. Pension: Full pension details and the method for calculating the pension figures above are given on pages 82 and 83.
8. 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.

Basis for calculating the values attributable to each performance measure for the LTIP

Table 53 provides a breakdown of the values attributable to each performance measure that when aggregated produce the single figure for the LTIP in table 52. The basis for any assumptions used is also detailed. Details of the LTIP award that vested in 2014 can be found at table 59.

Table Fig 53	TSR measure		TPR measure		Absolute NAV measure		Total	
	2014 £000	2013 £000	2014 £000	2013 £000	2014 £000	2013 £000	2014 £000	2013 £000
David Atkins	–	651	–	147	–	–	–	798
Peter Cole	–	521	–	106	–	–	–	627
Timon Drakesmith	177	n/a	–	170	–	–	177	170
Jean-Philippe Mouton	–	–	–	42	–	–	–	42

Performance measure data and notes on estimation

TSR	The 2014 figure for TSR is for the 2011 LTIP award that vested in 2014. The performance period ended on 1 April 2014 for awards to David Atkins, Peter Cole and Jean-Philippe Mouton. For Timon Drakesmith, the performance period ended on 6 June 2014 (2011 LTIP award and second tranche of the Recruitment Share Award). Values are calculated using actual performance and the share price on the date of vesting (615.50p for Timon Drakesmith).
TPR	The 2014 figures are estimated values for awards scheduled to vest in 2015 (where the performance period ended on 31 December 2014) as final IPD index data is not available at the date of publication. The estimate compares the Company's actual TPR figures with the best available information. Final IPD data will be available in April 2015 and the award will vest in May 2015. The estimated value is nil. The actual 2014 figure for TPR will be reported in the 2015 Annual Report. The 2013 figures for TPR where the performance period ended on 31 December 2013 was estimated 'nil' in the 2013 Annual Report as some IPD index data was not available at the date of publication. The 2013 figures for TPR are the actual values that vested (see table 59). The values are calculated using the share price on the date of vesting (615.50p for Timon Drakesmith, 576.00p for other Directors).
Absolute NAV	The 2014 figures for Absolute NAV are the values for awards that are scheduled to vest in 2015 (where the performance period ended on 31 December 2014). The value for 2014 is nil.

BASE SALARY

As reported last year, base salary levels for the Executive Directors increased in 2014 by between 2% and 3.6%. For 2015, the Committee determined that there would be no increase in base salaries. A number of factors were considered in making this decision including the impact of historically low inflationary pressure and the Company's cost reduction objectives. Executive remuneration benchmarking data was reviewed to ensure that base salaries remain competitive.

Jean-Philippe Mouton's salary (and the other elements of his remuneration) is denominated in euros. When converted, the sterling equivalent will vary with currency movements.

Table Fig 54

Executive Directors' base salary 2015 and 2014

	Base Salary	
	2015 £000	2014 £000
David Atkins	**597**	597
Peter Cole	**435**	435
Timon Drakesmith	**408**	408
Jean-Philippe Mouton[1]	**329**	329

1. The exchange rate that has been used above is £1:€1.241. Jean-Philippe Mouton's base salary for 2014 and 2015 is €408,000.

ANNUAL INCENTIVE PLAN (AIP)

Table 55 details the performance conditions and composition of financial targets for the AIP.

Table Fig 55

Year of award	Maximum award potential	Proportion of award paid in cash	Proportion of award paid in shares[1]	Weighting of performance measures	Composition of financial targets
2015 award (to be paid in 2016)	Up to 200% of salary	60%	40% subject to a two-year vesting period	70% for Group financial targets[2]	25% based on adjusted Group earnings per share 25% based on Total Property Return relative to IPD[3] 20% for Group operational targets
				30% for personal objectives[2]	
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[4]	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[4]	
2013 award (paid in 2014)	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[5] 10% for Group operational targets
				30% for personal objectives	

Notes

1. The proportion paid in shares is granted as an award under the Deferred Bonus Share Scheme (DBSS). Awards are not subject to further performance conditions.
2. In the opinion of the Board AIP performance conditions and personal objectives for 2015 are commercially sensitive and accordingly are not disclosed. These will be reported on in the 2015 Annual Report.
3. IPD is the Investment Property Databank's aggregate full-year UK Retail Property (70%) and France Retail Property (30%) indices.
4. Details of the estimated AIP outcome for 2014 are on page 79.
5. IPD is the Investment Property Databank's UK Quarterly Property Index, annualised. In 2013, the metric was adjusted from All Property to Retail Property, to reflect the Company's retail focus.

AIP (BONUS) OUTCOME: FINANCIAL TARGETS

Table Fig 56

Performance measure	Entry threshold measure to earn any bonus	% of vesting for that measure achieved at entry threshold	**2014 target to achieve full vesting for that measure**	**2014 closing measurement**	**2014 payout level**
Adjusted EPS	22.8p	20%	**24.4p**	**23.9p**	**75%**
TPR	IPD+0.5%	25%	**IPD+2.5%**	**IPD+1.1%**	**40%**
NRI	1.5%	0%	**3.5%**	**2.1%**	**30%**
Cost ratio	24.4%	0%	**23.8%**	**23.4%**	**100%**

The TPR performance measure is based on IPD UK Retail Property (70%) and France Retail Property (30%) indices. However, data for the IPD France Retail Property index is published each year in April, and is not available at 13 February 2015. Accordingly, the level of payout for 2014 is estimated, based on management's best estimate using available data (see page 49, table 32 for property returns data). The TPR element of any bonus payment to Executive Directors (including the deferred shares element awarded under the DBSS) is made only when all the IPD index data is available for the calculation of the TPR performance measure.

The element of bonus determined for each performance measure is calculated by interpolating the actual performance achieved for each measure against the scale between entry threshold for vesting and the target to achieve full vesting.

The cost control target was changed in 2014 from an absolute measure to a ratio to align it with the Company's stated intention of reducing the Group total operating costs as a percentage of the income to 21% by 2016.

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 2014, but also on the strategic objectives set out on page 3.

Table 57 below provides detail of some of the significant achievements against personal objectives for the Executive Directors. The personal objectives for each Executive Director in 2014 were not disclosed in the 2013 Annual Report as the Board considered them to be commercially sensitive. Payout levels were 100% for Timon Drakesmith, 80% for David Atkins and Jean-Philippe Mouton and 65% for Peter Cole.

Table Fig 57

	2014 personal objectives
David Atkins	• Provide strategic leadership for vision, values, performance and key retailer relationships • Lead review of sustainability strategy and create ambition for future • Ensure company performance exceeds Business Plan
Peter Cole	• Imbed product framework to define future for Hammerson retail property • Progress key developments including start on-site at Leeds and WestQuay • Provide strategic leadership to French developments
Timon Drakesmith	• Extend strategic exposure to European outlet sector • Lead implementation of operating cost savings whilst delivering Business Plan • Optimise timing and strategy for capital raising
Jean-Philippe Mouton	• Open Les Terrasses du Port on budget, with BREEAM excellent rating • Complete major refurbishments and retenanting • Roll out digital marketing solutions and lead brand review

LONG TERM INCENTIVE PLAN (LTIP)

The structure of the LTIP awards, as well as the performance measures and conditions attached to the awards align closely with the Company's strategic focus. Since 2011, the awards have incorporated a balance of relative and absolute measures, and the Remuneration Committee believes that this balance remains appropriate.

The structure of the 2015 awards remains the same as the 2014 awards. The comparator group for the Total Shareholder Return (TSR) measure 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, earnings per share (EPS) continues to align the interests of Executive Directors with those of shareholders. Details of the LTIP structure are set out in table 58.

Table Fig 58

LTIP structure showing awards

Year of grant	Level of award	Performance period	Performance measures	Weighting of performance measures	TSR comparator group
2015	150% of salary	Four years	TSR	33.33%	Altarea, British Land, Capital and Regional, Intu Properties, Eurocommercial, Klepierre, Land Securities, London Metric, SEGRO, Shaftesbury, Unibail-Rodamco, New River Retail and the FTSE 100 Index.[1]
			TPR	33.33%	
			EPS	33.33%	
2014	100% of salary	Four years	TSR	33.33%	Altarea, British Land, Capital and Regional, Intu Properties (previously called Capital Shopping Centres), Corio, Eurocommercial, Klepierre, Land Securities, London Metric, SEGRO, Shaftesbury, Unibail-Rodamco, Wereldhave and the FTSE 100 Index[2].
			TPR	33.33%	
			EPS	33.33%	
2013	200% of salary	Four years	TSR	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.
			TPR	33.33%	
			EPS	33.33%	
2012	200% of salary	Four years	TSR	33.33%	As for 2011.
			TPR	33.33%	
			Absolute NAV	33.33%	
2011[3]	150% of salary	Four years	TSR	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.
			TPR	33.33%	
			Absolute NAV	33.33%	

1. Corio will be excluded from the comparator group on the assumption that the takeover offer by Klepierre announced in July 2014, will proceed.
2. Subsequent to publishing the 2013 Annual Report but prior to granting awards, IVG entered into insolvency. It was excluded from the comparator group when the awards were made.
3. 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 in 2011, with half of the award subject to a three-year performance period (which vested in 2014) and half subject to a four-year performance period (vesting in 2015). This avoided a vesting 'gap' in 2014 and, overall, results in only a modest reduction in potential awards vesting to Executive Directors in the three-year period from 2014 to 2016 (assuming a consistent level of performance is achieved). The second half of the award (i.e. 150% of salary) is shown above, as it remains outstanding and will, subject to performance, vest in 2015.

Awards vested in 2014

Table 59 provides a breakdown of the value of LTIP awards that vested in 2014. The number of shares vested includes notional dividend shares accruing to the date of vesting.

Table Fig 59

			TSR[1]			TPR[2]			Absolute NAV[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	Vesting level	Number of shares vested	Value of award that vested £000	**Total value of award vested £000**
David Atkins	02/05/2014	576.00	–	–	–	35.9%	25,543	147	–	–	–	**147**
Peter Cole	02/05/2014	576.00	–	–	–	35.9%	18,337	106	–	–	–	**106**
Timon Drakesmith[3]	06/06/2014	615.50	37.5%	28,814	177	35.9%	27,582	170	–	–	–	**347**
Jean-Philippe Mouton	02/05/2014	576.00	–	–	–	35.9%	7,357	42	–	–	–	**42**

1. The performance period for TSR for David Atkins, Peter Cole and Jean-Philippe Mouton ended on 1 April 2014 and for Timon Drakesmith on 6 June 2014. The value of the TSR element in respect of 2014 is included in the Single Figure Remuneration Table for 2014 (table 52).
2. The performance period for TPR and Absolute NAV ended on 31 December 2013. The value of these elements is included in the Single Figure Remuneration Table for 2013 (table 52).
3. The vesting data for Timon Drakesmith aggregates the 2011 LTIP award and the second tranche of his Recruitment Share Award, both of which vested on 6 June 2014.

Table Fig 60

LTIP PERFORMANCE MEASURES

TSR	TPR	EPS/Absolute NAV
Performance is measured over the four-year period from the date of grant, in comparison with a comparator group, including some European real estate companies.	Performance is measured over the four financial years commencing with the year of grant and in comparison with a composite index comprising: • For awards granted from 2013: 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.	Performance is measured over the four-year period from 1 January in the year of grant, and is calculated with reference to the EPRA Best Practices recommendations. EPS (for awards granted from 2013). The composition of the EPS measure may vary with each grant to ensure it reflects the Company's portfolio. From 2015, a blend of UK and French CPI will be used, whereas in 2012 to 2014 RPI was used. Absolute NAV (for awards granted in 2011 and 2012). Calculated as adjusted shareholders' funds divided by the adjusted number of shares in issue.

Table Fig 61

LTIP 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 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 straight-line basis between 25% and 100%.

EPS/Absolute NAV

Vesting under the EPS performance measure for the 2015 awards is as follows:

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

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 straight-line basis between 25% and 100%.

PENSION*

Pension arrangements for the year ended 31 December 2014 are detailed below. All salary supplements paid to Executive Directors as part of their pension arrangements are subject to deductions as required for income tax and social security contributions in the UK and France. Salary supplements and the pension benefit received by Jean-Philippe Mouton do not qualify for AIP purposes or entitlements under the LTIP. All benefits accruing under the Group's defined benefit pension scheme (Scheme) and all salary supplements are reflected in the Single Figure Remuneration Table (table 52).

Timon Drakesmith

Timon Drakesmith receives a salary supplement of 20% of base salary by way of pension provision. The actual amount paid by the Company for the year ended 31 December 2014 was £81,200 (2013: £80,000).

Jean-Philippe Mouton

Jean-Philippe Mouton receives a salary supplement of €80,000 in lieu of any supplementary pension benefit. In addition, 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 2014, the benefit he received under this scheme was €12,105 (2013: €11,939).

David Atkins

David Atkins receives a salary supplement of 30% of base salary by way of pension provision. This was effective from 2 April 2014, when he ceased to accrue further benefits in the Scheme.

For the period 1 January 2014 to 1 April 2014, David Atkins received a salary supplement in lieu of pension benefits as he elected to restrict the value of the pension benefits accrued in the Scheme over the 2013/2014 tax year to the annual allowance defined under pension legislation (currently £40,000). The salary supplement was calculated to be equal in value to the pension benefits that David Atkins would otherwise have accrued in the Scheme over the period, at a rate of 1/60th of final salary for each year of service.

On ceasing to accrue further benefits in the Scheme, David Atkins became eligible for a deferred pension based on his pensionable salary and service at that point. Further details of this are provided below.

The actual salary supplement paid by the Company for the year ended 31 December 2014 was £177,214 (2013: £97,829).

Peter Cole

Peter Cole receives a salary supplement of 30% of base salary by way of pension provision. This was effective from 1 July 2014, when he ceased to accrue further benefits in the Scheme.

For the period 1 January 2014 to 30 June 2014, Peter Cole accrued benefits in the Scheme at a rate of approximately 1/45th of final salary for each year of service.

On ceasing to accrue further benefits in the Scheme, Peter Cole became eligible for a deferred pension based on his pensionable salary and service at that point. Further details of this are provided below.

The pension figure disclosed for Peter Cole represents the increase in accrued pension in the Scheme over the year (net of inflation) multiplied by a factor of 20, plus a salary supplement of £65,250 in respect of the period 1 July 2014 to 31 December 2014.

Defined Benefit Pension Scheme

In 2014, David Atkins and Peter Cole ceased to accrue benefits in the Scheme. Pension entitlements are calculated by reference to base salary. The Scheme is non-contributory for members. The normal retirement age under the Scheme is 60; members may draw their pension from age 55, subject to actuarial reduction and the Trustees' consent. Further information concerning the Scheme can be found in note 6 to the accounts on pages 122 to 124 and the Policy reproduced from page 170. A detailed breakdown of deferred benefits under the Scheme for David Atkins and Peter Cole is provided in tables 62, 63 and 64.

Executive Directors' deferred benefits under the Scheme

In the table below, the total accrued benefit at 31 December 2014 represents the annual pension that is expected to be payable on retirement, given the length of pensionable service and salary of each Executive Director at the date each ceased accruing benefits under the Scheme. 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 2013. The increase in accrued benefit during the year excluding the effect of inflation is also shown.

Table Fig 62

Executive Directors' accrued pension benefits

	Age at 31 December 2014	Years' service at 31 December 2014	Normal retirement age	**Total accrued benefit at 31 December 2014 (£000)**	**Increase in accrued benefit during the year (£000)**	**Increase in accrued benefit during the year excluding inflation (£000)**
David Atkins	48	16	60	**82**	**0**	**0**
Peter Cole	55	25	60	**245**	**13**	**7**

Table 63 shows the transfer values calculated in accordance with regulations 7 to 7E of the Occupational Pensions Schemes (Transfer Values) Regulations 1996 and subsequent amendments.

The Listing Rules figures in table 63 represent the transfer value of the increase in accrued benefits during the period to 31 December 2014 (excluding inflation) for each Director.

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.

Table Fig 63

Executive Directors' accrued pension benefits: Listing Rules transfer values

	The Listing Rules
	Transfer value at 31 December 2014 of increase in accrued benefit over 2014 (excluding inflation) £000
David Atkins	**0**
Peter Cole	**105**

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 table 64.

Table Fig 64

Executive Directors' accrued pension benefits: Companies Act 2006 transfer values

	Companies Act 2006		
	Transfer value at 31 December 2013 of total accrued benefit £000	**Transfer value at 31 December 2014 of total accrued benefit £000**	Increase in transfer value in 2014 £000
David Atkins	920	**984**	64
Peter Cole	3,411	**3,744**	333

PAYMENTS TO PAST DIRECTORS*

There were no payments to past Directors in 2014.

PAYMENTS FOR LOSS OF OFFICE*

There were no payments for loss of office to any past Directors in 2014. John Hirst received a discretionary gift on retiring as a Director as detailed in the Single Figure Remuneration Table for Non-Executive Directors (table 70).

RELATIVE IMPORTANCE OF SPEND ON PAY

Table 65 below shows the Company's total employee costs compared with dividends paid. The Company did not buy back any of its own shares during 2014.

Table Fig 65

Total employee costs compared with dividends paid

	Employee Remuneration[1]	Shareholder Distributions[2]
2014	£44.7m	£139.5m
2013	£44.0m	£130.1m
Difference	1.6%	7.2%

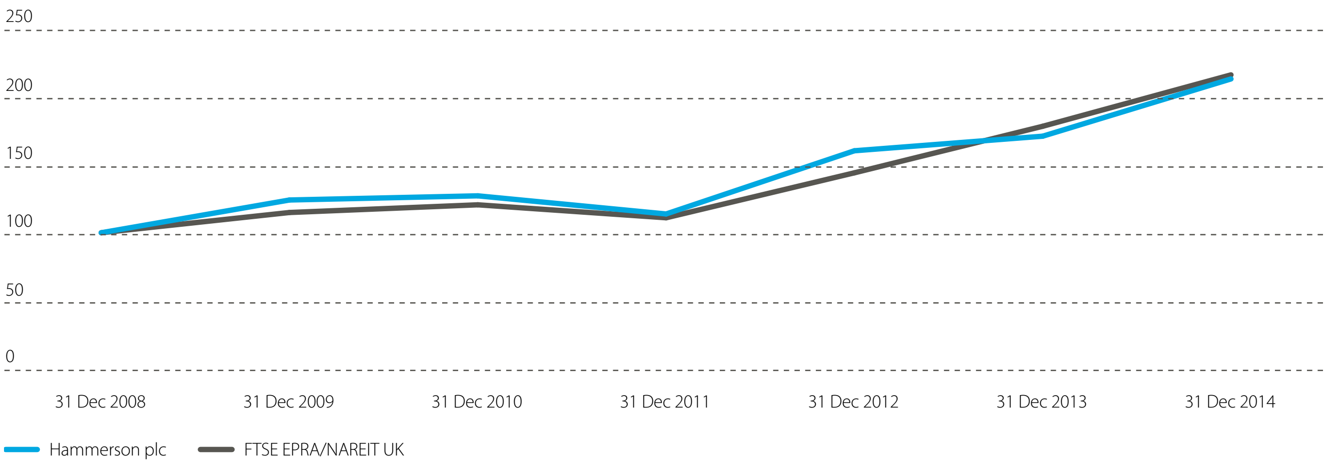
Notes

1. These figures have been extracted from Note 4 (Administration expenses) to the accounts on page 121.
2. These figures have been extracted from Note 10 (Dividends) to the accounts on page 127.

Chart Fig 66

TOTAL SHAREHOLDER RETURN

31 December 2008 = 100



Source: Thomson Reuters

Chart 66 above shows the total shareholder return in respect of the Company's ordinary shares of 25 pence each for the six years ended 31 December 2014 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 SIX YEARS

Table 67 shows the remuneration of the holder of the office of Chief Executive for the period from 1 January 2009 to 31 December 2014.

Table Fig 67

CEO remuneration history over the last six years

Year	Notes	Total remuneration £000	Annual bonus[5]	LTIP vesting[5]
2014	1	1,569	65.3%	–
2013	2	2,216	56.2%	51.6%
2012		2,451	88.9%	52.6%
2011		1,515	51.7%	–
2010		1,594	68.2%	–
2009 (David Atkins)	3	242	55.0%	–
2009 (John Richards)	4	895	48.8%	49.4%

Notes
1. The total remuneration and annual bonus figures for 2014 include certain estimated values for the LTIP and AIP vesting. See pages 77 and 79 for details.
2. The total remuneration reported in the 2013 Annual Report contained estimates and these numbers are the actual values (see table 52).
3. David Atkins became Chief Executive on 1 October 2009, having been an Executive Director since 2007. The figure for 2009 has been pro-rated accordingly.
4. John Richards retired as Chief Executive on 30 September 2009.
5. All numbers are expressed as a percentage of the maximum opportunity.

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

Table 68 shows the percentage change from 31 December 2013 to 31 December 2014 in base salary, taxable benefits and bonus for the Chief Executive compared to all employees of the Hammerson group.

Table Fig 68

Percentage change in CEO base salary, taxable benefits and bonus

		Movement %			
	Notes	Salary	Benefits	Annual bonus	Total[1]
David Atkins	1,2	1.5%	-0.3%	18.2%	10.2%
Total Group	1,3,4	0.4%	-6.8%	14.6%	3.4%

Notes
1. The percentage movement in annual bonus is based on calculations that incorporate an estimated value for the TPR performance measure within the AIP.
2. The percentage change in total remuneration is calculated without including the LTIP. Using the total remuneration set out in table 52, David Atkins' total remuneration declined by 29.2%.
3. The exchange rates used to convert data for French employees are £1:€1.241 for 31 December 2014 and £1:€1.178 for 31 December 2013.
4. David Atkins has been excluded from the Group calculation. Retention bonuses for employees who left the Company in February 2015 have been included.

DIRECTORS' SERVICE AGREEMENTS AND LETTERS OF APPOINTMENT

Executive Directors' service agreements are terminable on 12 months' notice by either party. Dates of service agreements for the UK Directors are as follows: David Atkins (11 January 2008), Peter Cole (28 February 2002), Timon Drakesmith (18 January 2011). Jean-Phillipe Mouton was appointed as an Executive Director on 1 January 2013 and his service agreement is dated 25 March 2013. Further details on the terms of the Executive Directors' service agreements are set out in the Policy (see pages 178 and 179).

Table Fig 69

Non-Executive Directors' letters of appointment

Non-Executive Director	Date of original appointment to the Board	Commencement date of current term	Unexpired term as at April 2015[1]
Pierre Bouchut[2]	13 February 2015	13 February 2015	2 years, 10 months
Gwyn Burr[3]	21 May 2012	21 May 2012	1 month
Terry Duddy[4]	3 December 2009	3 December 2012	8 months
Jacques Espinasse	1 May 2007	1 May 2013	1 year, 1 month
Judy Gibbons	1 May 2011	1 May 2014	2 years 1 month
David Tyler	12 January 2013	12 January 2013	10 months
Anthony Watson	1 February 2006	1 February 2012	Retiring at the end of 2015 AGM

Notes
1. Appointments are terminable on 3 months' notice by either party.
2. Subject to election at the 2015 AGM.
3. Subject to re-election at the Annual General Meeting, Gwyn Burr's appointment has been renewed for a further three year period from 21 May 2015.
4. Subject to re-election at the Annual General Meeting, Terry Duddy's appointment has been renewed for a further three year period from 3 December 2015.

NON-EXECUTIVE DIRECTORS: SINGLE FIGURE REMUNERATION TABLE*

Table 70 shows the remuneration of Non-Executive Directors for the year ended 31 December 2014, and the comparative figures for the year ended 31 December 2013. 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.

Table Fig 70

Non-Executive Directors' remuneration for year ended 31 December 2014

			Fees		Benefits		Total	
	Note	Additional responsibilities	2014 £000	2013 £000	2014 £000	2013 £000	2014 £000	2013 £000
David Tyler	1,7	Chairman Remuneration Committee member Nomination Committee Chairman	320	226	–	–	320	226
Gwyn Burr	2,5,7	Audit Committee member Nomination Committee member Remuneration Committee Chairman∆	68	58	2	–	70	58
Terry Duddy	7	Nomination Committee member Remuneration Committee member	60	58	–	–	60	58
Jacques Espinasse	2,6,7	Nomination Committee member Audit Committee Chairman∆	67	58	8	–	75	58
Judy Gibbons	7	Audit Committee member Nomination Committee member Remuneration Committee member	65	63	1	–	66	63
John Hirst	3,6,7	Audit Committee Chairman∆∆	22	68	4	–	26	68
John Nelson (retired 9 May 2013)	4,7	Chairman Remuneration Committee member	–	108	–	14	–	122
Anthony Watson	5,7	Senior Independent Director Audit Committee member Nomination Committee member Remuneration Committee Chairman∆∆	77	78	1	–	77	78
Total			679	717	16	14	694	731

∆ From 23 April 2014.

∆∆ To 23 April 2014.

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 or Nomination Committees.
2. The fees payable to Gwyn Burr and Jacques Espinasse in 2014 reflect their membership of and subsequent appointments to chairman of the Remuneration Committee and Audit Committee, respectively.
3. John Hirst was Audit Committee Chairman to 23 April 2014. He retired at the end of the 2014 AGM and in line with the Policy, received a departing gift to the value of £1,820 (post tax). The gross value has been disclosed above.
4. John Nelson retired from the Board on 9 May 2013.
5. Gwyn Burr became Remuneration Committee Chairman on 23 April 2014 when Anthony Watson stepped down as chairman to become a member of that committee.
6. Jacques Espinasse became Audit Committee Chairman on 23 April 2014 when John Hirst stepped down from that role, prior to retiring from the Board on the same date.
7. The benefits to Non-Executive Directors disclosed in the table above relate to the reimbursement of travel and accommodation expenses in attending Board meetings at the Company's London office. The gross value has been disclosed and, in accordance with the Policy, the tax arising will be settled by the Company.

The figures shown in tables 52 and 70, the Single Figure Remuneration Tables for Executive Directors and for Non-Executive Directors respectively, have been rounded to the nearest thousand. The actual aggregate total remuneration (being salary/fees, benefits and bonus) for all Executive Directors and Non-Executive Directors for 2014 was £4,849,721 (2013: £4,480,460).

FEES PAYABLE TO NON-EXECUTIVE DIRECTORS

In 2014, annual fees payable to the Chairman and Non-Executive Directors were as detailed below. No fee increases are planned for 2015.

Table Fig 71

Non-Executive Director fees during 2014

Base fees £000		Additional fees £000[3]				
Chairman[1]	Non-Executive Director: base fee[2]	Senior Independent Director	Chair of Audit Committee	Audit Committee member	Chair of Remuneration Committee	Remuneration Committee member
320	55	10	15	5	10	5

Notes

1. The Company Chairman does not receive any additional fee in respect of membership of any of the Committees.
2. The Non-Executive Directors' base fee was last increased in July 2013.
3. No additional fees are payable for becoming either a member or Chairman of the Nomination Committee.

DIRECTORS' SHAREHOLDINGS*

Tables 72 and 73 show the beneficial interests in the ordinary shares of the Company held by Directors who were in office during the year ended 31 December 2014. For Executive Directors, the table also shows actual share ownership compared with the share ownership guidelines (full details of which can be found in the Policy on page 174). Non-Executive Directors are encouraged to acquire a shareholding in the Company.

Table Fig 72

Executive Directors' shareholdings

	1 January 2014	31 December 2014	13 February 2015	Guideline on share ownership as % of salary	Actual beneficial share ownership as % of salary[1]	Guideline met
David Atkins	296,414	363,968	363,968	150%	371%	Yes
Peter Cole	247,105	272,072	272,072	100%	382%	Yes
Timon Drakesmith	177,147	219,313	219,405[2]	100%	327%	Yes
Jean-Philippe Mouton	215,623	249,767	249,767	100%	459%	Yes

Notes

1. As at and based on the share price of 605p on 31 December 2014. The exchange rate that has been used to convert Jean-Philippe Mouton's global base salary from euros to sterling is £1: €1.241.
2. The change in share interests for Timon Drakesmith from 31 December 2014 to 13 February 2015 is due to share purchases/awards made under the SIP on 5 January 2015 (50 shares) and 5 February 2015 (42 shares).

Table Fig 73

Non-Executive Directors' shareholdings

	1 January 2014	31 December 2014
David Tyler	20,000	25,000
Gwyn Burr	5,000	5,000
Terry Duddy	40,000	40,000
Jacques Espinasse	12,235	17,235
Judy Gibbons	4,000	4,000
John Hirst[1]	13,495	13,495
Anthony Watson	12,000	12,000

1. Shareholding shown as at 23 April 2014, the date of John Hirst's retirement from the Board.

Between 1 January 2014 and 13 February 2015, the Non-Executive Directors' beneficial interests above remain unchanged.

At 31 December 2014, 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.

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

Tables 74 and 75 set out the Executive Directors' interests under the Deferred Bonus Share Scheme (DBSS), the LTIP and the Sharesave schemes. Awards under the DBSS and 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 81. Also shown are details of the second tranche of Timon Drakesmith's Recruitment Share Award (RSA) which vested in June 2014. The award was made on materially the same terms as the 2011 LTIP award.

Table Fig 74

	Award date	Awards held at 1 January 2014	Granted in 2014	Notional dividend shares accrued in 2014	Exercised/ vested in 2014	Lapsed/ forfeited in 2014	Awards held at 31 December 2014	Face value of awards granted in 2014 (£000)	Exercise price (in pence)	If share options, date from which exercisable	Expiry date
David Atkins											
DBSS^Δ	12/03/2012	63,594	–	1,166	64,760	–	–		0.00	Mar-14	Mar-19
DBSS^Δ	11/03/2013	83,024	–	2,513	–	–	85,537		0.00	Mar-15	Mar-20
DBSS^Δ	03/03/2014	–	45,548	1,378	–	–	46,926	263	0.00	Mar-16	Mar-21
							132,463				
LTIP	01/04/2011	209,632	–	3,845	25,543	187,934	–		n/a	n/a	n/a
LTIP	01/04/2011	209,632	–	6,344	–	–	215,976		n/a	n/a	n/a
LTIP^Δ	02/04/2012	294,883	–	8,923	–	–	303,806		0.00	Apr-16	Apr-19
LTIP^Δ	02/04/2013	247,862	–	7,501	–	–	255,363		0.00	Apr-17	Apr-20
LTIP^Δ	01/04/2014	–	107,490	1,258	–	–	108,748	597	0.00	Apr-18	Apr-21
							883,893				
Sharesave^Δ	05/04/2012	2,735	–	–	–	–	2,735		329.04	May-15	Oct-15
Peter Cole											
DBSS^Δ	12/03/2012	46,760	–	858	–	–	47,618		0.00	Mar-14	Mar-19
DBSS^Δ	11/03/2013	61,619	–	1,864	–	–	63,483		0.00	Mar-15	Mar-20
DBSS^Δ	03/03/2014	–	32,701	989	–	–	33,690	189	0.00	Mar-16	Mar-21
							144,791				
LTIP	01/04/2011	150,504	–	2,761	18,337	134,928	–		n/a	n/a	n/a
LTIP	01/04/2011	150,504	–	4,555	–	–	155,059		n/a	n/a	n/a
LTIP^Δ	02/04/2012	211,710	–	6,407	–	–	218,117		0.00	Apr-16	Apr-19
LTIP^Δ	02/04/2013	177,951	–	5,385	–	–	183,336		0.00	Apr-17	Apr-20
LTIP^Δ	01/04/2014	–	78,321	916	–	–	79,237	435	0.00	Apr-18	Apr-21
							635,749				
Sharesave^Δ	01/04/2010	4,980	–	–	–	–	4,980		312.24	May-15	Oct-15

Δ Indicates awards granted in the form of share options.

Table Fig 75

	Award date	Awards held at 1 January 2014	Granted in 2014	Notional dividend shares accrued in 2014	Exercised/ vested in 2014	Lapsed/ forfeited in 2014	Awards held at 31 December 2014	Face value of awards granted in 2014 (£000)	Exercise price (in pence)	If share options, date from which exercisable	Expiry date
Timon Drakesmith											
DBSSΔ	12/03/2012	37,348	–	685	–	–	38,033		0.00	Mar-14	Mar-19
DBSSΔ	11/03/2013	56,768	–	1,717	–	–	58,485		0.00	Mar-15	Mar-20
DBSSΔ	03/03/2014	–	31,144	942	–	–	32,086	180	0.00	Mar-16	Mar-21
							128,604				
LTIP	06/06/2011	135,841	–	2,492	33,838	104,495	–		n/a	n/a	n/a
LTIP	06/06/2011	135,841	–	4,111	–	–	139,952		n/a	n/a	n/a
LTIPΔ	02/04/2012	201,628	–	6,102	–	–	207,730		0.00	Apr-16	Apr-19
LTIPΔ	02/04/2013	169,477	–	5,129	–	–	174,606		0.00	Apr-17	Apr-20
LTIPΔ	01/04/2014	–	73,460	859	–	–	74,319	408	0.00	Apr-18	Apr-21
							596,607				
RSA	06/06/2011	90,561	–	1,661	22,558	69,664	–				
SharesaveΔ	05/04/2012	4,558	–	–	–	–	4,558		329.04	May-17	Oct-17
Jean-Philippe Mouton											
DBSSΔ	12/03/2012	14,625	–	268	14,893	–	–		0.00	Mar-14	Mar-19
DBSSΔ	11/03/2013	18,086	–	547	–	–	18,633		0.00	Mar-15	Mar-20
DBSSΔ	03/03/2014	–	23,617	715	–	–	24,332	136	0.00	Mar-16	Mar-21
							42,965				
LTIP	01/04/2011	61,483	–	–	7,357	54,126	–		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		0.00	Apr-17	Apr-20
LTIP	01/04/2014	–	60,711	–	–	–	60,711	337	0.00	Apr-18	Apr-21
							346,047				

Δ Indicates awards granted in the form of share options.

General notes

1. Face values for the DBSS and LTIP awards made in 2014 have been calculated using the grant price in accordance with the respective plan rules:
   – For the DBSS, the grant price was 576.83 pence, which was the average share price over the three business days immediately preceding the award date; and
   – For the LTIP, the grant price was 555.40 pence, which was the average share price over the five business days immediately preceding the award date.
   – Notional dividend shares accruing are not included in the calculation.
2. Details of the performance measures and conditions for the LTIP can be found on page 81.
3. The aggregate gain from share awards that vested during 2014 was £1,081,131 (2013: £3,025,252).
4. For LTIP awards made to Jean-Philippe Mouton prior to 2014, there is no accrual of notional dividend shares. For French tax reasons, LTIP awards granted to Jean-Philippe Mouton are in the form of conditional awards of free shares, not share options.

The Executive Directors' interests in ordinary shares of the Company under the Share Incentive Plan (SIP) as at 31 December 2014 are shown in table 76. The shares are held under a SIP trust. Jean-Philippe Mouton is not eligible to participate in the SIP.

Table Fig 76

Executive Directors' SIP interests as at 31 December 2014

	Total SIP shares 1 January 2014	**Partnership shares purchased**	**Matching shares awarded**	**Free shares[1] awarded**	**Dividend shares purchased**	**Total SIP shares 31 December 2014**
David Atkins	9,874	**578**	**843**	**535**	**324**	**12,154**
Peter Cole	11,144	**578**	**843**	**535**	**362**	**13,462**
Timon Drakesmith	3,348	**293**	**385**	**535**	**117**	**4,678**

Note

1. The free shares were awarded on 17 April 2014 at 560.00 pence per share.

ADVISORS

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

- FIT Remuneration Consultants LLP (FIT) was appointed by the Committee as advisors on 17 August 2011. FIT provided advice on reward structures and levels and aspects of the Company's future remuneration policy. FIT is a member of the Remuneration Consultants Group and complies with their code of conduct. However, to avoid any conflict of interest, the terms of engagement (available on request to shareholders) specify that FIT will only provide advice expressly authorised by or on behalf of the Committee. Additionally, where instructions are taken on behalf of the Committee from employees of the Company, FIT ensures that the Committee is kept informed of the broad scope of such matters. The fees paid to FIT during 2014, which were charged on their standard terms, were £84,277 (excluding VAT) (2013: £98,852, excluding VAT). FIT did not provide any other services to the Company during 2014, and the Committee remains satisfied that all advice was objective and independent.
- Herbert Smith Freehills LLP (HSF) provide legal advice to the Company, and Lane Clark & Peacock LLP (LCP) provide actuarial advice to the Company. Advice from HSF and LCP, concerning the closure of the defined benefit pension scheme and the consequences for Executive Directors who would no longer participate as a result, was made available to the Committee during 2014.
- The Chief Executive, Chief Financial Officer and senior Human Resources staff attend meetings by invitation, but are not present during discussions concerning their own remuneration. The Company Secretary is the Secretary to the Committee. The Chief Executive, senior Human Resources staff and the Company Secretary provided advice to the Committee on matters relating to the Policy and also Company practices.

2014 AGM: STATEMENT OF VOTING

At the Company's Annual General Meeting held on 23 April 2014, votes cast by proxy at the meeting in respect of the Directors' Remuneration Report were as follows. No issues concerning remuneration were raised by shareholders during the Annual General Meeting.

Table Fig 77

	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 Directors' Remuneration Policy	534,234,020	97.11%	15,898,048	2.89%	77.17%	175,583[2]
To receive and approve the 2013 Directors' Annual Remuneration Report (excluding the Remuneration Policy)	537,765,609	97.75%	12,366,033	2.25%	77.17%	176,009[2]

Notes

1. Issued share capital as at the record date for voting at the Annual General Meeting (17 April 2014) was 712,902,066 ordinary shares.
2. Represents 0.02% of the issued share capital as at the record date.

IMPLEMENTATION OF REMUNERATION POLICY IN 2015

Shareholder approval for the remuneration policy (Policy) was received at the 2014 Annual General Meeting and the Company is not making changes to the Policy that require shareholder approval at the 2015 Annual General Meeting. The Policy is reproduced for reference from page 170.

A statement on the implementation of the Policy during 2015 is presented in table 78. The remuneration scenarios as shown in the Policy have been updated overleaf to reflect 2015 planned implementation.

Table Fig 78

Summary – 2015 planned implementation of the Policy

Policy element	Implementation of Policy during 2015
Base Salary Details on page 78	No increases to current salaries are proposed for 2015.
Pension Details on page 82	All Directors will receive a salary supplement by way of pension provision.
Benefits	No changes to current arrangements are proposed for 2015.
Annual Incentive Plan (AIP) and deferral under the Deferred Bonus Share Scheme (DBSS) Details on page 78	AIP maximum for Executive Directors in 2015 will remain at 200% of base salary. Performance measures for the AIP in 2015 remain weighted 70% towards Group financial targets and 30% personal objectives. Group financial targets comprise: 25% adjusted Group earnings per share; 25% Total Property Return relative to IPD; 20% Group operational targets. 40% of AIP vesting for 2015 will be deferred by making an award of shares under the DBSS (deferral period of 2 years).
Long Term Incentive Plan Details on page 81	As explained in the Chairman's letter, award levels for Executive Directors for 2015 will be 150% of base salary, below the normal level stated within the Policy of 200%. Performance measures for LTIP awards granted in 2015 are unchanged, except that the earnings per share performance measure is calculated by reference to outperformance relative to a blend of CPI in the UK and France.
All-employee arrangements	Continued opportunity to participate in all-employee arrangements on the same basis as all staff in the UK or France as appropriate.
Share Ownership Guidelines	Remain at 150% of base salary for the Chief Executive and 100% of base salary for all other Executive Directors.
Chairman and Non-Executive Directors' fees	Chairman's fee – £320,000 p.a. Non-Executive Director's fee – £55,000 p.a. There are also additional fees paid to the Senior Independent Director, Chairmen of the Audit and Remuneration Committees and for membership of these committees.

Chart Fig 79

Scenarios: 2015 Implementation

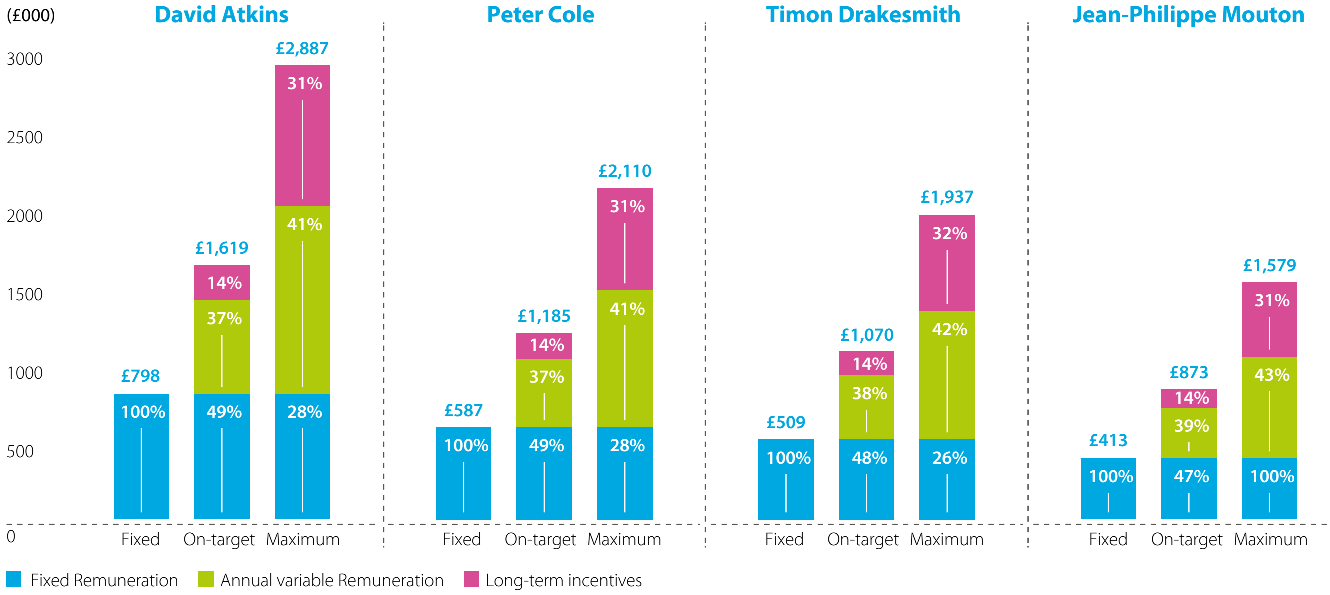


Table Fig 80

Assumptions – 2015 Executive Director remuneration scenario

Assumptions

Fixed

- Compares base salary, benefits, pension and participation in the UK all-employee share plans. Jean-Philippe Mouton's data has been converted at a rate of £1: €1.241.
- Base salary is that to be paid in 2015.
- Benefits are as shown in the Single Figure Remuneration Table for 2014 (table 52) on page 77 (except for Jean-Philippe Mouton where the amount he received under the profit sharing plan has been excluded from his 2014 benefits figure for these purposes (see On-Target and Maximum below).
- Pensions reflect salary supplements in lieu of pensions (see page 82). The pension figure for Jean-Philippe Mouton is as shown on the Single Figure Remuneration Table on page 77.

	Base Salary £000	Benefits £000	Pension £000	Total Fixed £000
David Atkins	597	22	179	798
Peter Cole	435	22	130	587
Timon Drakesmtih	408	19	82	509
Jean-Philippe Mouton	329	10	74	413

On-Target

Based on the reward that 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 €18,774).

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 (150% of base salary for 2015).
- France profit sharing (Jean-Philippe Mouton only): assumes maximum vesting at the current capped vesting level of €18,774.

The objective of the Committee in implementing the Policy during 2015, in line with the Main Principle D.1 of the UK Corporate Governance Code, is to ensure that the design of Executive Directors' remuneration promotes the long-term success of the Company and that performance-related elements should be transparent, stretching and rigorously applied. The variable pay arrangements reflect the Company's strategic priorities, taking suitable account of risk and corporate social responsibility factors. Variable pay structures include provision for malus and claw-back as set out in the Policy, which is reproduced from page 170.

Implementation of the Policy requires the Committee to continue to take into account 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 and performance.

Generally, two-thirds of the Executive Directors' total target remuneration (excluding pension and benefits) is performance related, through the annual performance-related bonus plan (AIP) and a long term incentive plan (LTIP). Performance measures associated with remuneration are linked to key performance indicators incorporating group financial targets, as set out on page 3 and stretching personal performance objectives.

By order of the Board

Sarah Booth
General Counsel and Company Secretary
13 February 2015

This section of the Corporate 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.uk. This section should be read in conjunction with the Corporate Governance Report as a whole as set out on pages 60 to 99.

On 17 September 2014, a revised UK Corporate Governance Code was published. The new Code applies to companies with reporting periods beginning on or after 1 October 2014. Hammerson will report in accordance with the requirements of the new Code in 2015.

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 73 to 74.

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 held six scheduled meetings in 2014. Additional Board conference calls are held as required between the formal Board meetings. The table below includes attendance at formal Board meetings and scheduled Board conference calls. 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 2014 are set out in the table below.

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 2014 Board Strategy Day can be found on page 66.

At the time of becoming Chairman in 2013, 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.

Table Fig 81

Board and Committee meetings attendance

	Board	Audit	Remuneration	Nomination
David Tyler	10/10	–	4/4	2/2
David Atkins	10/10	–	–	–
Peter Cole	10/10	–	–	–
Timon Drakesmith	10/10	–	–	–
Jean-Philippe Mouton	10/10	–	–	–
Gwyn Burr[1,3,5]	9/10	3/3	4/4	2/2
Terry Duddy	10/10	–	4/4	2/2
Jacques Espinasse[1,3]	9/10	3/3	–	2/2
Judy Gibbons[3]	10/10	3/3	4/4	2/2
John Hirst[2]	2/2	1/1	–	–
Anthony Watson[1,4]	9/10	3/3	4/4	2/2

1. The Director concerned was unable to attend one Board meeting due to a diary clash with another Board.
2. John Hirst retired following the AGM on 23 April 2014.
3. Appointed to the Nomination Committee on 23 July 2014.
4. Chairman of Remuneration Committee to 23 April 2014.
5. Chairman of Remuneration Committee from 23 April 2014. Present at January Remuneration Committee meeting by invitation.

Anthony Watson will retire from the Board following the 2015 AGM and will be succeeded by Terry Duddy as Senior Independent Director.

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

If any Director has concerns about the running of the Company or a proposed action which cannot be resolved, such concerns will be recorded in the Board minutes. No such concerns arose in 2014.

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.

Anthony Watson will retire following the 2015 AGM and it is planned that Jacques Espinasse will retire from the Board in April 2016.

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 and consisting of all Non-Executive Directors, 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.

Further details of the work of the Nomination Committee can be found on pages 68 to 70.

Disclosures on diversity can be found on pages 35 and 70.

During the year the Nomination Committee appointed Spencer Stuart, an independent executive search firm, which does not have any other connection with the Company, to identify non-executive director candidates. Following a thorough search carried out by Spencer Stuart, Pierre Bouchut was identified as a potential candidate and subsequently recommended to the Board by the Committee. Pierre Bouchut was appointed as a Non-Executive Director and member of the Audit and Nomination Committees on 13 February 2015.

Further details of the recruitment process are described on page 70.

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 98 and 99.

Each Executive Director is encouraged to take a non-executive position in another company or organisation. The appointment to such a position 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.

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.

Details of the development programme for Jacques Espinasse can be found on page 65.

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. The Board and its Committees receive high-quality, up-to-date information for review in good time before each meeting. The Company Secretary 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. Details of that evaluation were provided in last year's Annual Report. The next externally facilitated performance evaluation of the Board and its Committees is likely to be conducted in 2016.

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 early 2015 and the Board was updated subsequently.

The Directors concluded that following the internal Board effectiveness evaluation in 2014 the Board and its Committees operate effectively and that each Director continues to contribute effectively and demonstrates commitment to the role.

More details of the internal Board effectiveness evaluation are provided on page 67.

B.7 Election and re-election

All Directors are subject to election at the first AGM following their appointment. Pierre Bouchut will stand for election at the AGM in April 2015 and the Board recommends his election. It is planned that Anthony Watson will retire from the Board at the conclusion of the AGM in April 2015. With that exception, all the other Directors are submitting themselves for re-election at the 2015 AGM and are subject to annual re-election.

Biographical details for all Directors are on pages 98 and 99. Further discussion on the balance of skills and experience on the Board is provided on page 69.

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 position and performance, business model and strategy.

A statement of the Directors' responsibilities regarding the financial statements is set out on page 102.

A statement on the status of the Company as a going concern is set out on page 54.

An explanation of the Group's strategy and business model is available on pages 1 to 31. An assessment of the principal risks facing the Company are set out on pages 55 to 59 and performance metrics are set out on pages 36 to 39.

C.2 Risk Management and internal control

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

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 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.

It must be recognised that the Group's internal controls 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 key risks to the Group are made regularly to the Board via the Audit Committee. The Board allocates responsibility for the management of each key risk to the Executive Directors and senior executives within the Group.

Further explanation of the Company's approach to risk management is on pages 55 to 59 and 73 to 74.

C.3 Audit Committee and Auditors

The Audit Committee comprises five independent Non-Executive Directors. It has three scheduled meetings per year, organised around the Company's reporting schedule. During 2014 the Audit Committee met three times. In 2015, and in future years, it is planned that there will be an additional scheduled meeting to review the year-end valuation of the Group's property portfolio by the valuers, DTZ Debenham Tie Leung (DTZ).

Details of the composition of the Audit Committee are set out on pages 71.

The experience and background of members of the Audit Committee are on pages 69 and 98 to 99.

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.

Jacques Espinasse, the Chairman of the Audit Committee, has been determined by the Board to have recent and relevant financial experience as required by the Code. It is planned that Jacques Espinasse will retire as Chairman of the Audit Committee and as a Non-Executive Director of the Board at the conclusion of the 2016 AGM.

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 Ernst & Young LLP, the internal auditor (which undertakes the majority of the Company's internal audit reviews), in the absence of management at least once each year.

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 pages 71 to 74.

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. The terms of reference are reviewed annually by the Board. The Chairman of the Committee reports on the Committee's activities at the subsequent Board meeting.

Gwyn Burr joined the Remuneration Committee in February 2014 and succeeded Anthony Watson as Chairman of the Committee after the 2014 AGM.

The Directors' Remuneration Report can be found on pages 75 to 93.

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 75.

Details of advisors who provided services to the Remuneration Committee during the year are on page 90.

During 2014 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 Investment Association 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 Corporate Governance Report on page 65 and in the Directors' Remuneration Policy on page 182.

E.2 Constructive use of General Meetings

At general meetings, the proxy appointment form provides shareholders with the option to direct their proxy vote for each resolution 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 general meeting and is made available on the Company's website. Notice of general meetings is despatched to shareholders at least 14 days in advance.

Separate resolutions are proposed on each substantially separate issue.

In the event that, in the opinion of the Board, a significant proportion of the votes is cast against a resolution at any general meeting, the Company would explain the actions it intends to take to understand the reasons behind the vote result, when announcing the results of voting.

The AGM will be held on 22 April 2015 and is an opportunity for shareholders to attend and vote on the resolutions proposed.

The Notice of AGM 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.

David Tyler
Non-Executive Director and Chairman (Age 62)

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

Committee membership: Remuneration Committee and Chairman of the Nomination Committee.

Other appointments: Chairman of J Sainsbury plc and non-executive director of Burberry plc.

Past appointments: Chairman of Logica plc and 3i Quoted Private Equity plc. 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 48)

Appointed to the Board: 1 January 2007 and appointed Chief Executive on 1 October 2009.

Other appointments: Member of the executive board of the European Public Real Estate Association. President, director and member of the advisory committee of the British Council of Shopping Centres. Member of the policy committee of the British Property Federation. Director and trustee of the Reading Real Estate Foundation.

Peter Cole
Chief Investment Officer (Age 56)

Appointed to the Board: 1 October 1999.

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

Timon Drakesmith
Chief Financial Officer (Age 49)

Appointed to the Board: 30 June 2011.

Other appointments: Non-executive director of Value Retail PLC. Chairman of VIA Outlets advisory committee and of the British Property Federation's finance committee.

Past appointments: Finance director of Great Portland Estates plc and the MK Electric division of Novar plc. 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 53)

Appointed to the Board: 1 January 2013.

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 69)

Appointed to the Board: 1 February 2006.

Committee membership: Audit Committee, Nomination Committee and Remuneration Committee.

Other appointments: 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). Non-executive director of Vodafone Group plc.

Gwyn Burr

Non-Executive Director (Age 52)

Appointed to the Board: 21 May 2012.

Committee membership: Audit Committee, Nomination Committee and Chairman of the Remuneration Committee.

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, Wembley Stadium, Just Eat plc, Metro SG and DFS Trading Limited.

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 58)

Appointed to the Board: 3 December 2009.

Committee membership: Nomination Committee and Remuneration Committee.

Other appointments: Chairman of Retail Trust.

Past appointments: Chief executive of Home Retail Group plc. Director of DSG Retail Limited and trustee of Education and Employers Taskforce.

Jacques Espinasse

Non-Executive Director (Age 71)

Appointed to the Board: 1 May 2007.

Committee membership: Nomination Committee and Chairman of the Audit Committee.

Other appointments: Non-executive director and member of the audit and remuneration committees of La Banque Postale Asset Management and SES. Non-executive director and chairman of the audit committee of AXA Belgium. Chairman of the Fondation JED-Belgique.

Past appointments: Chief financial officer of Vivendi. Non-executive director of Canal+ France, Maroc Telecom, SFR and Universal Music Group. Non-executive director and chairman of the audit committee of AXA Bank Europe and AXA (Holdings) Belgium.

Judy Gibbons

Non-Executive Director (Age 58)

Appointed to the Board: 1 May 2011.

Committee membership: Audit Committee, Nomination Committee and Remuneration Committee.

Other appointments: Non-executive director of Guardian Media Group plc, Michael Kors Holdings Limited and Virgin Money Giving Limited. 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.

Pierre Bouchut

Non-Executive Director (Age 59)

Appointed to the Board: 13 February 2015.

Committee membership: Audit Committee and Nomination Committee.

Other appointments: Executive vice president and chief financial officer of Delhaize Group SA. Non-executive director of La Rinascente SpA. Non-executive member of the advisory boards of both Qualium Investissement and Lombard Odier Asset Management (Switzerland) SA.

Past appointments: Executive director growth markets zone and chief financial officer of Carrefour SA. Chief financial officer and member of the management board of Schneider Electric SA. Chief executive officer and member of the board of Casino Guichard-Perrachon SA.

Sarah Booth

General Counsel and Company Secretary (Age 48)

Sarah joined Hammerson as General Counsel in March 2010 and was appointed Company Secretary in September 2011. Prior to joining Hammerson, Sarah had been General Counsel at Christian Salvesen plc and Sodexo amongst others. Sarah qualified as a solicitor in Scotland.

See the Nomination Committee Report for further details on Directors' skills and expertise on page 69.

This report (Report) forms part of the management report as required under Disclosure and Transparency Rule (DTR) 4. The Strategic Report on pages 1 to 59, includes an indication of future likely developments in the Company, details of important events since the year ended 31 December 2014, the Company's business model and strategy. The Corporate Governance Report on pages 60 to 99 is incorporated in this Report by reference.

Articles of Association (Articles)

The Company's Articles may be amended by special resolution in accordance with the Companies Act 2006 (Act) and are available at www.hammerson.com.

Branches

Details of the Company's operations in France are provided on pages 167 to 168.

Directors

Details of the Directors who served during the year are set out on pages 98 to 99. John Hirst served as a Non-Executive Director until 23 April 2014 when he retired. Directors are appointed and replaced in accordance with the Articles, the Act and the UK Corporate Governance Code. The powers of the Directors are set out in the Articles and the Act.

Indemnification of and insurance for Directors and officers

The Company maintains directors' and officers' liability insurance, which is reviewed annually. The Company's Directors and officers are adequately insured in line with best practice. Directors are indemnified under the Company's Articles.

Dividends

Details of the recommended final dividend can be found on page 54.

Employees

Details of the Company's policies regarding the employment of disabled persons and its engagement with employees are provided on pages 34 and 35.

Financial Instruments

Details of the Group's financial risk management in relation to its financial instruments are available on pages 141 to 147.

Going Concern

The Company's going concern statement can be found on page 54.

Greenhouse Gas Emissions Reporting

Information regarding the Company's greenhouse gas emissions can be found on page 29.

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 and private placement notes, the lending banks or holders may require repayment of outstanding amounts within 30 and 52 days respectively, of any change of control.

Purchase of own shares

At the 2014 Annual General Meeting (AGM), the Company was granted authority by shareholders to purchase up to 71,289,894 ordinary shares (10% of the Company's issued ordinary share capital as at 21 February 2014). This authority will expire at the conclusion of the 2015 AGM at which a resolution will be proposed for its renewal.

Re-appointment of External Auditor and Disclosure of Information

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

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 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.

Responsibility Statement

The Directors' responsibility statement is set out on page 102.

Share Capital and Substantial Shareholders

Details of the Company's capital structure are set out on pages 147 to 149. The rights and obligations attached to the Company's shares are set out in the Articles. There are no restrictions on the transfer of shares except the UK REIT restrictions.

At 31 December 2014 the following interests in voting rights over the issued share capital of the Company had been notified in accordance with DTR 5:

Table Fig 82

	Ordinary shares of 25p each	At 31 December 2014 percentage of total voting rights
APG Algemene Pensioen Groep N.V.	68,227,094	9.57%
BlackRock Inc.	50,223,602	7.05%
Legal & General Investment Management Ltd	25,717,804	3.61%

No changes to the above have been disclosed to the Company between 31 December 2014 and 13 February 2015.

Sarah Booth
General Counsel and Company Secretary
13 February 2015

FINANCIAL STATEMENTS

OTHER INFORMATION

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
13 February 2015

Timon Drakesmith
Chief Financial Officer
13 February 2015

Opinion on the 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 2014 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 29 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 102 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

There has been no significant change in the Group's operations and our assessed risks of material misstatement described below, which are those that had the greatest effect on the audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team, are the same risks as in the prior year:

Risk	How the scope of our audit responded to the risk
Valuation of the property portfolio	
• Hammerson plc ("Hammerson") owns a portfolio of retail property assets valued at £6,706.5 million at 31 December 2014 of which £4,427.3 million are held by subsidiaries and £2,279.2 million by joint ventures (Hammerson's share excluding VIA Outlets). 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 ('the residual method'). • Please see note 12 to the financial statements	• 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 benchmarked these assumptions to relevant market evidence including specific property sales and other external data; • For development properties we assessed future costs to complete based on development appraisals. We also tested controls around the development cycle; • 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.
Investment property transactions	
• Hammerson undertook acquisitions and disposals during the year including acquiring a full controlling interest in Highcross, Leicester for £180 million, acquiring Saint Sébastien, Nancy for £109 million and disposing of its interests in Queensgate Shopping Centre, Peterborough for £99 million. • There is a risk that transactions may have complexity which includes deferred consideration arrangements, rental top-up payments or other contractual obligations which are not appropriately recorded within the financial statements.	• We challenged management's judgements by reviewing sale and purchase agreements and other related documents; • We assessed each transaction against the recognition, measurement and classification criteria of the Group's accounting policies set out in note 1 and applicable IFRSs; and • We tested the accuracy and completeness of the disclosures in the financial statements.

Risk	How the scope of our audit responded to the risk
Accounting for the investment in Value Retail	
• Hammerson's interest in Value Retail (carrying value of £629 million) is equity accounted as an associate. • The valuation of the Group's investment in Value Retail is primarily driven by the valuation of the Value Retail property portfolio of £2,703 million of which Hammerson's share is £885 million. This is subject to similar judgements to those of the Group's own property portfolio above, including future rental income and yields. • Please see note 14 of the financial statements.	• We planned the scope of the audit and instructed the auditor of Value Retail accordingly; • We met with the auditor, Value Retail management and the external valuer of the Value Retail property portfolio to discuss and challenge the valuation assumptions including future rental income and yields; and • We assessed the competence, independence and integrity of the external valuer.

The description of risks above should be read in conjunction with the significant issues considered by the Audit Committee discussed on page 72 and the significant accounting policies disclosed in note 1.

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.

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 (2013: £30 million), which is below 1% (2013: 1%) of shareholders' equity. We determined materiality based on shareholders' equity as net asset value is a key performance indicator as it takes into consideration the valuation of Hammerson's property portfolio and the investment in Value Retail.

In addition to net assets, we consider EPRA Adjusted Profit Before Tax as a critical performance measure for the Group and a measure used within the Real Estate industry. We applied a lower threshold of £7.8 million (2013: £6.5 million) which equates to 4.5% (2013: 4%) of that measure for testing all balances impacting that measure.

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £0.6 million (2013: £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 was scoped by obtaining an understanding of the Group and its environment, including group-wide controls, and assessing the risks of material misstatement at the group level.

Based on that assessment, we focused our group audit scope primarily on the audit work at four significant components being the UK, France, Value Retail and VIA Outlets (VIA). VIA was included within scope for the first time in 2014 following the investment made in the year. These four (2013: three) components together comprise 99% (2013: 99%) of the Group's net assets and 100% (2013: 100%) of profit before tax.

The UK and French components were subject to a full scope audit, whilst Value Retail (accounted for as an associate) and VIA (accounted for as a joint venture) were subject to an audit of specified account balances, where the extent of our testing was based on our assessment of the risks of material misstatement and of the materiality of the Group's operations at those components.

Our audit work at the four locations was executed at levels of materiality applicable to each individual entity which were lower than group materiality and ranged from £12.6 million to £16.5 million (2013: £12.6 million to £16.5 million). For those balances impacting EPRA Adjusted Profit Before Tax the materiality range was £3.2 million to £4.35 million (2013: £3.2 million to £4.35 million).

The group audit team continued to follow a programme of planned visits that has been designed so that the Senior Statutory Auditor or a senior member of the group audit team visits each of the locations where the group audit scope was focused at least once every two years. In years when we do not visit a significant component we will include the component audit team in our team briefing, discuss their risk assessment, and review documentation of the findings from their work.

At the parent entity level we also tested the consolidation process and carried out analytical procedures to confirm our conclusion that there were no significant risks of material misstatement of the aggregated financial information of the remaining components not subject to audit or audit of specified account balances. 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 ten 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. We also comply with International Standard on Quality Control 1 (UK and Ireland). Our audit methodology and tools aim to ensure that our quality control procedures are effective, understood and applied. Our quality controls and systems include our dedicated professional standards review team and independent partner reviews.

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

13 February 2015

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2014

Continuing operations	Notes	2014 £m	Restated* 2013 £m
Gross rental income	2	**206.5**	176.0
Operating profit before other net gains and share of results of joint ventures and associate	2	**142.5**	119.1
Other net gains	2	**264.7**	86.3
Share of results of joint ventures	13A	**279.0**	128.7
Share of results of associate	14A	**109.9**	101.5
Operating profit	2	**796.1**	435.6
Finance costs		**(106.7)**	(95.0)
Bond redemption – premium and costs		**(8.7)**	(3.9)
Change in fair value of derivatives		**13.4**	(16.8)
Finance income		**9.0**	6.4
Net finance costs	7	**(93.0)**	(109.3)
Profit before tax		**703.1**	326.3
Tax charge	8A	**(1.0)**	(0.7)
Profit from continuing operations		**702.1**	325.6
Profit from discontinued operations			
Group		**–**	5.4
Share of results of joint ventures		**–**	9.5
		–	14.9
Profit for the year		**702.1**	340.5
Attributable to:			
Equity shareholders		**699.1**	337.4
Non-controlling interests**	29C	**3.0**	3.1
Profit for the year		**702.1**	340.5
Basic and diluted earnings per share			
Continuing operations		**95.7p**	45.3p
Discontinued operations		**–**	2.1p
Total	11A	**95.7p**	47.4p
Adjusted earnings per share	11A	**23.9p**	23.1p

* Comparative figures have been restated following the change in accounting policy resulting from the adoption of IFRS 11 Joint Arrangements (see note 1 on page 113).

** Non-controlling interests relate to continuing operations.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2014

Continuing and discontinued operations	2014 £m	2013 £m
Foreign exchange translation differences*	(136.4)	32.2
Net gain/(loss) on hedging activities*	103.8	(31.9)
Revaluation gains on owner-occupied property held in joint venture	–	3.2
Revaluation gains on participative loans within investment in associate	0.6	2.9
Net actuarial losses on pension schemes	(11.5)	(2.4)
Net (loss)/gain recognised directly in equity	(43.5)	4.0
Profit for the year from continuing operations	702.1	325.6
Profit for the year from discontinued operations	–	14.9
Profit for the year	702.1	340.5
Total comprehensive income for the year	**658.6**	344.5
Attributable to:		
Equity shareholders	660.9	339.6
Non-controlling interests	(2.3)	4.9
Total comprehensive income for the year	**658.6**	344.5

* 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.

FINANCIAL STATEMENTS

CONSOLIDATED BALANCE SHEET

As at 31 December 2014

	Notes	2014 £m	Restated* 2013 £m
Non-current assets			
Investment and development properties	12	**4,427.3**	3,447.8
Interests in leasehold properties		**33.2**	35.1
Plant and equipment		**5.0**	6.3
Investment in joint ventures	13A	**2,341.5**	2,470.8
Investment in associate	14B	**628.8**	545.4
Other investments		**1.4**	1.4
Receivables	15	**79.3**	71.8
		7,516.5	6,578.6
Current assets			
Receivables	16	**97.8**	78.1
Cash and deposits	17	**28.6**	15.7
		126.4	93.8
Total assets		**7,642.9**	6,672.4
Current liabilities			
Payables	18	**204.4**	169.5
Tax	8C	**0.3**	1.0
Borrowings	19A	**–**	246.2
		204.7	416.7
Non-current liabilities			
Borrowings	19A	**2,287.1**	2,017.8
Deferred tax	8C	**0.5**	0.4
Obligations under finance leases	21	**33.0**	34.9
Payables	22	**72.5**	66.0
		2,393.1	2,119.1
Total liabilities		**2,597.8**	2,535.8
Net assets		**5,045.1**	4,136.6
Equity			
Share capital	23	**196.1**	178.2
Share premium		**1,222.9**	1,222.4
Translation reserve		**239.0**	370.1
Hedging reserve		**(207.5)**	(311.3)
Merger reserve		**374.2**	–
Other reserves		**19.6**	17.2
Retained earnings		**3,136.2**	2,588.2
Investment in own shares	24	**(6.8)**	(4.9)
Equity shareholders' funds		**4,973.7**	4,059.9
Non-controlling interests**	29C	**71.4**	76.7
Total equity		**5,045.1**	4,136.6
Diluted net asset value per share	11B	**£6.35**	£5.70
EPRA net asset value per share	11B	**£6.38**	£5.73

* Comparative figures have been restated following the change in accounting policy resulting from the adoption of IFRS11 Joint Arrangements (see note 1 on page 113).

** Non-controlling interests relate to continuing operations.

These financial statements were approved by the Board of Directors on 13 February 2015.
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 2014

	Share capital £m	Share premium £m	Translation reserve £m	Hedging reserve £m	Merger reserve £m	Other reserves £m	Retained earnings £m	Investment in own shares** £m	Equity shareholders' funds £m	Non-controlling interests £m	Total equity £m
Balance at 1 January 2014 – restated*	178.2	1,222.4	370.1	(311.3)	–	17.2	2,588.2	(4.9)	4,059.9	76.7	4,136.6
Issue of shares	17.9	0.5	–	–	381.4	–	–	–	399.8	–	399.8
Share issue costs	–	–	–	–	(7.2)	–	–	–	(7.2)	–	(7.2)
Share-based employee remuneration	–	–	–	–	–	5.1	–	–	5.1	–	5.1
Cost of shares awarded to employees	–	–	–	–	–	(3.6)	–	3.6	–	–	–
Transfer on award of own shares to employees	–	–	–	–	–	0.9	(0.9)	–	–	–	–
Proceeds on award of own shares to employees	–	–	–	–	–	–	0.2	–	0.2	–	0.2
Purchase of own shares	–	–	–	–	–	–	–	(5.5)	(5.5)	–	(5.5)
Dividends	–	–	–	–	–	–	(139.5)	–	(139.5)	(3.0)	(142.5)
Foreign exchange translation differences	–	–	(131.1)	–	–	–	–	–	(131.1)	(5.3)	(136.4)
Net gain on hedging activities	–	–	–	103.8	–	–	–	–	103.8	–	103.8
Revaluation gains on participative loans within investment in associate	–	–	–	–	–	–	0.6	–	0.6	–	0.6
Net actuarial losses on pension schemes	–	–	–	–	–	–	(11.5)	–	(11.5)	–	(11.5)
Profit for the year attributable to equity shareholders	–	–	–	–	–	–	699.1	–	699.1	3.0	702.1
Total comprehensive income/(loss) for the year	–	–	(131.1)	103.8	–	–	688.2	–	660.9	(2.3)	658.6
Balance at 31 December 2014	196.1	1,222.9	239.0	(207.5)	374.2	19.6	3,136.2	(6.8)	4,973.7	71.4	5,045.1
Notes	23				23			24			

* Comparative figures have been restated following the change in accounting policy resulting from the adoption of IFRS11 Joint Arrangements (see note 1 on page 113). In addition, the balance of £7.2 million on the capital redemption reserve has been aggregated within other reserves.

** Investment in own shares is stated at cost.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2013

Restated*	Share capital £m	Share premium £m	Translation reserve £m	Hedging reserve £m	Other reserves £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)	18.1	2,378.3	(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 held in joint venture	–	–	–	–	–	3.2	–	3.2	–	3.2
Revaluation gains on participative loans within investment in associate	–	–	–	–	–	2.9	–	2.9	–	2.9
Net 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)	–	341.1	–	339.6	4.9	344.5
Balance at 31 December 2013	178.2	1,222.4	370.1	(311.3)	17.2	2,588.2	(4.9)	4,059.9	76.7	4,136.6
Notes	23						24			

* Comparative figures have been restated following the change in accounting policy resulting from the adoption of IFRS11 Joint Arrangements (see note 1 on page 113). In addition, the balance of £7.2 million on the capital redemption reserve has been aggregated within other reserves as at 1 January 2013.

** Investment in own shares is stated at cost.

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2014

	Notes	2014 £m	Restated* 2013 £m
Operating activities			
Operating profit before other net gains and share of results of joint ventures and associate			
– continuing operations	2	**142.5**	119.1
– discontinued operations	9	**–**	4.6
		142.5	123.7
Increase in receivables		**(21.1)**	(6.0)
Increase/(Decrease)in payables		**23.5**	(23.3)
Adjustment for non-cash items	26	**12.2**	6.1
Cash generated from operations		**157.1**	100.5
Interest paid		**(122.2)**	(106.6)
Interest received		**9.1**	6.4
Tax paid	8C	**(1.5)**	(1.0)
Distributions and other receivables from property joint ventures		**85.6**	98.7
Cash flows from operating activities		**128.1**	98.0
Investing activities			
Property acquisitions		**(302.7)**	–
Development and major refurbishments		**(164.0)**	(165.8)
Other capital expenditure		**(39.8)**	(9.1)
Sale of properties		**5.8**	174.5
Acquisition of interest in associate		**–**	(54.7)
Distribution received from associate		**11.5**	45.0
Investment in joint ventures		**(110.8)**	(245.1)
Sale of interests in joint ventures		**149.6**	76.3
Increase in loans to joint ventures		**(8.1)**	(2.1)
Decrease/(Increase) in non-current receivables		**0.9**	(20.7)
Cash flows from investing activities		**(457.6)**	(201.7)
Financing activities			
Issue of shares		**392.6**	0.2
Proceeds from award of own shares		**0.2**	0.1
Purchase of own shares		**(5.5)**	(4.9)
Bond redemption premium and costs paid	7	**(8.7)**	(3.9)
Increase in non-current borrowings		**340.7**	146.0
(Decrease)/Increase in current borrowings		**(234.3)**	86.9
Dividends paid to non-controlling interests		**(3.0)**	(2.7)
Equity dividends paid	10	**(139.1)**	(129.4)
Cash flows from financing activities		**342.9**	92.3
Net increase/(decrease) in cash and deposits		**13.4**	(11.4)
Opening cash and deposits		**15.7**	26.8
Exchange translation movement		**(0.5)**	0.3
Closing cash and deposits	17	**28.6**	15.7

* Comparative figures have been restated following the change in accounting policy resulting from the adoption of IFRS 11 Joint Arrangements (see note 1 on page 113). The cash flows for 2013 above relate to continuing and discontinued operations.

FINANCIAL STATEMENTS

ANALYSIS OF MOVEMENT IN NET DEBT

For the year ended 31 December 2014

	Short-term deposits £m	Cash at bank £m	Current borrowings including currency swaps £m	Non-current borrowings £m	Net debt £m
At 1 January 2014 – restated*	–	15.7	(246.2)	(2,017.8)	(2,248.3)
Cash flow	0.1	13.3	234.3	(340.7)	(93.0)
Exchange	–	(0.5)	17.0	71.4	87.9
Balance at 31 December 2014	0.1	28.5	5.1	(2,287.1)	(2,253.4)

Restated*	Short-term deposits £m	Cash at bank £m	Current borrowings including currency swaps £m	Non-current borrowings £m	Net debt £m
At 1 January 2013	14.4	12.4	(158.0)	(1,836.4)	(1,967.6)
Cash flow	(14.4)	3.0	(86.9)	(146.0)	(244.3)
Exchange	–	0.3	(1.3)	(35.4)	(36.4)
Balance at 31 December 2013	–	15.7	(246.2)	(2,017.8)	(2,248.3)

* Comparative figures have been restated following the change in accounting policy resulting from the adoption of IFRS 11 Joint Arrangements (see note 1 on page 113).

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 2014, the following new and revised Standards and Interpretations have been adopted and have affected the amounts reported in these financial statements:

- IFRS 10 Consolidated Financial Statements
- IFRS 11 Joint Arrangements
- IFRS 12 Disclosure of Interests in Other Entities
- Amendments to IAS 27 Separate Financial Statements
- Amendments to IAS 28 Investments in Associates and Joint Ventures
- Amendments to IAS 32 Financial Instruments: Presentation
- Amendments to IAS 36 Impairment of Assets arising from Recoverable Amount Disclosures for non-financial assets
- Amendments to IAS 39 Financial Instruments: Recognition and Measurement.

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

- Amendments to IAS 1 Disclosure Initiatives; effective for accounting periods beginning on or after 1 January 2017
- IFRS 9 Financial Instruments; effective for accounting periods beginning on or after 1 July 2015
- IFRS 15 Revenue from Contracts with Customers; effective for accounting periods beginning on or after 1 January 2017.

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

- Defined benefit plans: Employee Contributions (Amendments to IAS 19 Employee Benefits); effective for accounting periods beginning on or after 1 July 2014.

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.

In the 2014 financial statements, the Group has adopted IFRS 11 Joint Arrangements which is effective for accounting periods beginning on or after 1 January 2014. Under IFRS 11, joint arrangements are classified as either joint operations or joint ventures, depending on the Company's rights to the assets and obligations for the liabilities of the arrangements. The new standard requires joint ventures to be accounted for under the equity method and joint operations to be reported on a proportionally consolidated basis recognising the Company's share of assets, liabilities, revenues and expenses.

The classification of the Group's joint arrangements has been evaluated and it has been concluded that the joint arrangements fall within the definition of joint ventures. As a result the Group's interests, which were previously proportionally consolidated have been presented on an equity accounted basis. The consolidated income statement reflects the Group's share of its joint ventures' post-tax profit as 'Share of results of joint ventures' and the consolidated balance sheet reflects the Group's share of its joint ventures' net assets as 'Investment in joint ventures'. The Group's profit for the year and equity shareholders' funds are unaffected by the change, but other income statement and balance sheet items in the consolidated financial statements, such as net rental income and investment and development properties have decreased reflecting the reclassification from those line items of the amounts relating to joint ventures.

The comparative figures have been restated to reflect the change in accounting policy. The impact of these changes on the income statement has been reflected in notes 2 and 3. The impact on the balance sheet and net debt are shown in note 25. The share of results from joint ventures is separately disclosed in note 13. Previously reported cash flows have been reclassified within the cash flow statement, and the cumulative gains on owner-occupied property of £21.2 million, which was held in a joint venture, have been reclassified from the 'Revaluation reserve' to 'Retained earnings' within the statement of changes in equity.

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 Financial Review on page 54.

The financial statements are presented in sterling. They are prepared on the historical cost basis, except that investment and development 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 the comparative period to reflect the discontinuation of the Group's office property activities, which was considered to be a major line of business. Details of discontinued operations in 2013 are set out in note 9.

1: Significant accounting policies (continued)

Significant judgements and key estimates

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

Property valuations

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

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.

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. Where the acquired corporate vehicle 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.

Business combinations are accounted for using the acquisition method. Any excess of the purchase consideration over the fair value of the net assets acquired is recognised as goodwill, and reviewed annually for impairment. Any discount received or acquisition related costs are recognised in the income statement.

Accounting for joint ventures and associates

The accounting treatment for joint ventures and associates 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.

Associates are those entities over which the Group is in a position to exercise significant influence, but not control or joint control.

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.

Joint ventures and associates

The results, assets and liabilities of joint ventures and associates are accounted for using the equity method. Investments in joint ventures and 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 joint venture or associate, less any impairment. Losses of a joint venture or associate in excess of the Group's interest in that entity are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the entity. The Group eliminates upstream and downstream transactions with its joint ventures, including interest, management fees and partner loan balances.

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 = €1.289 (2013: £1 = €1.202). The principal exchange rate used for the income statement is the average rate, £1 = €1.241 (2013: £1 = €1.178).

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, at 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. Further details are given in note 12.

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.

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.

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.

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 or losses on sale of properties

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

1: Significant accounting policies (continued)

Plant and equipment

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 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.

Management fees

Management fees are recognised in the period to which they relate. Performance fee related elements are recognised at the end of the performance period when the fee can be reliably estimated and is due for payment. Management fees between the Group and its joint ventures are eliminated on consolidation.

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

As a result of the change in accounting policy resulting from the adoption of IFRS 11 referred to in note 1 on page 113, the Reported Group results, as presented in column A in the following tables, have been amended to show the share of results from joint ventures on a separate line. To show the impact of this change on the current and previously reported figures, the total share of results from Property joint ventures has been shown separately in column B, and reallocated to the relevant financial statement lines. The Group's share of results arising from its interest in premium outlets have not been reallocated as management does not review these interests on a proportionally consolidated basis (see note 3). The Group's share of results in column C, aggregates these elements on a proportionally consolidated basis, which is then allocated between 'Adjusted' and 'Capital and other' for the purposes of calculating figures in accordance with EPRA best practice.

					2014	
					Total	
	Notes	Reported Group £m	Share of Property joint ventures £m	Total £m	Adjusted £m	Capital and other £m
Notes		A	B	C	D	D
Gross rental income	3A	**206.5**	137.6	344.1	**344.1**	**–**
Ground and equity rents payable		**(0.6)**	(1.3)	(1.9)	**(1.9)**	**–**
Gross rental income, after rents payable		**205.9**	136.3	342.2	**342.2**	**–**
Service charge income		**34.6**	25.1	59.7	**59.7**	**–**
Service charge expenses		**(40.0)**	(30.1)	(70.1)	**(70.1)**	**–**
Net service charge expenses		**(5.4)**	(5.0)	(10.4)	**(10.4)**	**–**
Other property outgoings		**(12.4)**	(13.8)	(26.2)	**(26.2)**	**–**
Property outgoings		**(17.8)**	(18.8)	(36.6)	**(36.6)**	**–**
Net rental income	3A	**188.1**	117.5	305.6	**305.6**	**–**
Management fees receivable/(payable)		**6.3**	(0.7)	5.6	**5.6**	**–**
Employee and corporate costs		**(48.9)**	(0.2)	(49.1)	**(49.1)**	**–**
Net one-off restructuring costs		**(3.0)**	–	(3.0)	**–**	**(3.0)**
Administration expenses		**(45.6)**	(0.9)	(46.5)	**(43.5)**	**(3.0)**
Operating profit before other net gains/(losses) and share of results of joint ventures and associate		**142.5**	116.6	259.1	**262.1**	**(3.0)**
Profit on the sale of properties		**0.6**	–	0.6	**–**	**0.6**
Loss on the sale of joint ventures		**(4.0)**	–	(4.0)	**–**	**(4.0)**
Joint venture formation costs written off		**(3.1)**	–	(3.1)	**–**	**(3.1)**
Revaluation gains on properties		**271.2**	165.6	436.8	**–**	**436.8**
Other net gains		**264.7**	165.6	430.3	**–**	**430.3**
Share of results of joint ventures	13A	**279.0**	(280.1)	(1.1)	**0.9**	**(2.0)**
Share of results of associate	14A	**109.9**	–	109.9	**16.0**	**93.9**
Operating profit		**796.1**	2.1	798.2	**279.0**	**519.2**
Net finance (costs)/income	7	**(93.0)**	(2.1)	(95.1)	**(100.1)**	**5.0**
Profit before tax		**703.1**	–	703.1	**178.9**	**524.2**
Current tax charge	8A	**(0.9)**	–	(0.9)	**(0.9)**	**–**
Deferred tax charge	8A	**(0.1)**	–	(0.1)	**–**	**(0.1)**
Profit for the year		**702.1**	–	702.1	**178.0**	**524.1**
Non-controlling interests		**(3.0)**	–	(3.0)	**(3.7)**	**0.7**
Profit for the year attributable to equity shareholders	11A	**699.1**	–	699.1	**174.3**	**524.8**

Notes

A Reported Group results as shown in the consolidated income statement on page 106.

B Share of results of Property joint ventures as shown in note 13A.

C Aggregated results on a proportionally consolidated basis showing Reported Group together with share of Property joint ventures.

D Aggregated results on a proportionally consolidated basis allocated between 'Adjusted' and 'Capital and other' for the purposes of calculating EPRA earnings per share as shown in note 11A.

2: Profit for the year (continued)

	Notes	Restated Reported Group £m	Share of Property joint ventures £m	Total £m	2013 Total Adjusted £m	2013 Total Capital and other £m
Notes (see page 117)		A	B	C	D	D
Gross rental income	3A	176.0	145.2	321.2	321.2	–
Ground and equity rents payable		(0.5)	(1.4)	(1.9)	(1.9)	–
Gross rental income, after rents payable		175.5	143.8	319.3	319.3	–
Service charge income		28.7	29.4	58.1	58.1	–
Service charge expenses		(33.4)	(34.6)	(68.0)	(68.0)	–
Net service charge expenses		(4.7)	(5.2)	(9.9)	(9.9)	–
Other property outgoings		(10.6)	(16.0)	(26.6)	(26.6)	–
Property outgoings		(15.3)	(21.2)	(36.5)	(36.5)	–
Net rental income	3A	160.2	122.6	282.8	282.8	–
Management fees receivable/(payable)		7.5	(0.8)	6.7	6.7	–
Employee and corporate costs		(48.6)	(0.2)	(48.8)	(48.8)	–
Administration expenses		(41.1)	(1.0)	(42.1)	(42.1)	–
Operating profit before other net gains and share of results of joint ventures and associate		119.1	121.6	240.7	240.7	–
Gain on the sale of properties		2.6	1.6	4.2	–	4.2
Revaluation gains on properties		83.7	5.1	88.8	–	88.8
Other net gains		86.3	6.7	93.0	–	93.0
Share of results of joint ventures	13A	128.7	(128.7)	–	–	–
Share of results of associate	14A	101.5	–	101.5	13.4	88.1
Operating profit/(loss)		435.6	(0.4)	435.2	254.1	181.1
Net finance (costs)/income	7	(109.3)	0.4	(108.9)	(90.5)	(18.4)
Profit before tax		326.3	–	326.3	163.6	162.7
Current tax charge	8A	(0.8)	–	(0.8)	(0.8)	–
Deferred tax credit	8A	0.1	–	0.1	–	0.1
Profit from continuing operations		325.6	–	325.6	162.8	162.8
Profit from discontinued operations		5.4	9.5	14.9	5.3	9.6
Share of results of joint ventures	13A	9.5	(9.5)	–	–	–
Profit for the year		340.5	–	340.5	168.1	172.4
Non-controlling interests – continuing operations		(3.1)	–	(3.1)	(3.6)	0.5
Profit for the year attributable to equity shareholders	11A	337.4	–	337.4	164.5	172.9
Profit for the year attributable to equity shareholders						
Continuing operations	11A	322.5	–	322.5	159.2	163.3
Discontinued operations	11A	14.9	–	14.9	5.3	9.6
		337.4	–	337.4	164.5	172.9

Included in gross rental income on a proportionally consolidated basis is £6.9 million (2013: £8.0 million) of contingent rents calculated by reference to tenants' turnover.

3: Segmental analysis

The factors used to determine the Group's reportable segments are the geographic locations, UK and France, 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.

As stated in the Financial Review on page 51, management reviews the business principally on a proportionally consolidated basis, except for its interests in premium outlets held through its investments in Value Retail and VIA Outlets, where the Group has less day-to-day involvement in the financial performance and which have different operational characteristics compared with the Group's property portfolio. The segmental analysis has been prepared on the basis that management uses to review the business, rather than on a statutory basis. For reconciliation purposes the Reported Group figures are shown in the following tables.

A: Revenue and profit by segment

	2014			2013		
	Gross rental income £m	Net rental income £m	Non-cash items within net rental income £m	Gross rental income £m	Net rental income £m	Non-cash items within net rental income £m
United Kingdom						
Shopping centres	149.4	127.9	(4.2)	145.1	124.3	(7.5)
Retail parks	86.2	83.0	1.1	86.6	82.1	0.2
Other	14.5	11.3	(0.1)	14.9	12.1	(0.1)
Total	250.1	222.2	(3.2)	246.6	218.5	(7.4)
France	91.8	82.4	2.5	71.6	63.2	(0.1)
Total investment portfolio	341.9	304.6	(0.7)	318.2	281.7	(7.5)
Developments	2.2	1.0	–	3.0	1.1	–
Total property portfolio – continuing operations	344.1	305.6	(0.7)	321.2	282.8	(7.5)
Discontinued operations						
Offices	–	–	–	7.4	7.4	(0.8)
Total portfolio	344.1	305.6	(0.7)	328.6	290.2	(8.3)
Less share of Property joint ventures	(137.6)	(117.5)	2.3	(148.0)	(125.4)	5.6
Reported Group – total	206.5	188.1	1.6	180.6	164.8	(2.7)
Reported Group:						
Continuing operations	206.5	188.1	1.6	176.0	160.2	(2.7)
Discontinued operations	–	–	–	4.6	4.6	–
Reported Group – total	206.5	188.1	1.6	180.6	164.8	(2.7)

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.

3: Segmental analysis (continued)

B: Investment and development property assets by segment

	2014			2013		
	Property valuation £m	**Capital expenditure £m**	**Revaluation gains £m**	Property valuation £m	Capital expenditure £m	Revaluation gains/(losses) £m
United Kingdom						
Shopping centres	**2,930.8**	**249.3**	**236.4**	2,534.4	169.7	54.4
Retail parks	**1,653.5**	**43.7**	**136.8**	1,478.5	24.3	26.1
Other	**288.0**	**26.7**	**9.4**	280.8	56.0	(25.7)
Total	**4,872.3**	**319.7**	**382.6**	4,293.7	250.0	54.8
France	**1,834.2**	**246.6**	**54.2**	1,637.5	138.6	34.0
Total non-current assets	**6,706.5**	**566.3**	**436.8**	5,931.2	388.6	88.8
Assets held for sale	**–**	**–**	**–**	–	(0.6)	1.5
Total property assets	**6,706.5**	**566.3**	**436.8**	5,931.2	388.0	90.3
Less share of Property joint ventures	**(2,279.2)**	**(40.1)**	**(165.6)**	(2,483.4)	(212.8)	(5.1)
Reported Group – total	**4,427.3**	**526.2**	**271.2**	3,447.8	175.2	85.2

C: Analysis of non-current assets employed

	Non-current assets employed	
	2014 £m	2013 £m
United Kingdom	**4,895.0**	4,336.4
Continental Europe	**2,621.5**	2,242.2
	7,516.5	6,578.6

Included in the above table are investments in joint ventures of £2,341.5 million (2013: £2,470.8 million), which are further analysed in note 13 on pages 131 to 136. Hammerson's share of the property valuations held within Property joint ventures of £2,279.2 million (2013: £2,483.4 million) has been included in note 3B above, of which £2,134.9 million (2013: £2,317.7 million) relates to the United Kingdom and £144.3 million (2013: £165.7 million) relates to Continental Europe.

4: Administration expenses

Administration expenses include the following items:

Staff costs, including Directors

		Note	2014 £m	2013 £m
Salaries and wages			25.6	24.4
Performance-related bonuses	– payable in cash		6.7	5.7
	– payable in shares		1.2	0.8
			7.9	6.5
Other share-based employee remuneration			3.9	3.0
Social security			6.3	6.5
Net pension expense	– defined contribution scheme	6	3.0	2.0
	– defined benefit schemes	6	(2.0)	1.2
			1.0	3.2
Continuing operations			44.7	43.6
Discontinued operations*			–	0.4
Total			44.7	44.0

* Includes £0.1 million in respect of share-based employee remuneration in 2013.

Of the above amount, £11.6 million (2013: £10.6 million) was recharged to tenants through service charges and £1.5 million (2013: £1.5 million) capitalised in respect of development projects.

In addition to the figures above, redundancy related costs of £1.7 million (2013: £0.6 million) were incurred during the year.

Staff throughout the Company, including Executive Directors, participate in a performance-related bonus scheme, part payable in cash and part payable in shares. The Company also operates a number of share plans under which employees, including Executive Directors, are eligible to participate. Further details of share-based payment arrangements, some of which have performance conditions, are provided in the Directors' Remuneration Report on pages 75 to 93. 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 174 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

	2014 Number	2013 Number
Average number of staff	419	410
Staff recharged to tenants, included above	181	174

4: Administration expenses (continued)

Other information

		2014 £m	2013 £m
Auditor's remuneration:	Audit of the Company's annual accounts	**0.2**	0.2
	Audit of subsidiaries, pursuant to legislation	**0.3**	0.2
	Audit-related assurance services	**0.1**	0.1
	Audit and audit-related assurance services	**0.6**	0.5
	Other fees[1]	**0.1**	0.1
	Total auditor's remuneration	**0.7**	0.6
Depreciation of plant and equipment		**1.4**	1.5

Note

1. Other fees payable to the Company's auditor are principally for tax related work and a review of the Group's sustainability reporting.

5: Directors' emoluments

The Executive Directors are considered to be 'Key Management' for the purposes of IAS 24 'Related party transactions'. The total remuneration of the Directors is set out in aggregate in note 29B. 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 75 to 93.

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 £3.0 million (2013: £2.0 million).

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, was closed to new entrants on 31 December 2002, and was closed to future accrual for all participating employees on 30 June 2014, which led to a curtailment gain of £2.5 million.

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

	2014 %	2013 %
Discount rate for scheme liabilities	**3.6**	4.6
Increase in pensionable salaries	**n/a**	3.9
Increase in retail price index	**3.1**	3.4
Increase in pensions in payment	**3.1**	3.4
Mortality table	**SAPS Light CMI 1.0%**	SAPS Light CMI 1.0%

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

	Included in income statement line	2014 £m	2013 £m
Current service cost	Administration expenses	**0.5**	1.2
Curtailment gain*	Administration expenses	**(2.5)**	–
		(2.0)	1.2
Net interest cost	Other interest payable	**1.3**	1.1
Total pension (income)/expense		**(0.7)**	2.3

* The curtailment gain is shown after the deduction of past service costs of £0.3 million (2013: nil).

The Group expects to make contributions totalling £2.5 million to the Scheme in the next financial year.

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

	2014 £m	2013 £m
Fair value of Scheme assets	**61.9**	58.4
Present value of Scheme obligations	**(89.4)**	(79.6)
	(27.5)	(21.2)
Present value of unfunded defined benefit obligations	**(5.4)**	(5.1)
Present value of US unfunded defined benefit obligations	**(6.9)**	(6.6)
Net pension liability	**(39.8)**	(32.9)
Analysed as:		
Current liabilities: Other payables	**(0.8)**	(0.7)
Non-current liabilities	**(39.0)**	(32.2)
	(39.8)	(32.9)

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.

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

Experience gains and losses

	2014 £m	2013 £m
Experience gains/(losses) on plan liabilities	**0.9**	(0.5)
Experience gains on plan assets	**–**	1.1

6: Pensions (continued)

Changes in the present value of defined benefit pension scheme obligations

		2014 £m	2013 £m
At 1 January		**91.3**	85.5
Service cost – current		**0.5**	1.2
Curtailment gain*		**(2.5)**	–
		(2.0)	1.2
Interest cost		**4.0**	3.6
Net actuarial losses	– experience on plan liabilities	**(0.9)**	0.5
	– changes in financial assumptions	**12.4**	1.4
	– changes in demographic assumptions	**–**	1.6
		11.5	3.5
Benefits		**(3.2)**	(2.5)
Exchange gains		**0.1**	–
At 31 December		**101.7**	91.3

* Curtailment gain includes past service costs of £0.3 million (2013: nil).

Changes in the fair value of defined benefit pension scheme assets

	2014 £m	2013 £m
At 1 January	**58.4**	55.0
Interest on assets	**2.7**	2.5
Actuarial gains	**–**	1.1
Contributions by employer	**3.2**	1.5
Benefits	**(2.4)**	(1.7)
At 31 December	**61.9**	58.4

7: Net finance costs

	2014 £m	2013 £m
Interest on bank loans and overdrafts	**9.5**	11.8
Interest on other borrowings	**103.3**	94.8
Interest on obligations under finance leases	**1.1**	–
Other interest payable	**1.6**	1.5
Gross interest costs	**115.5**	108.1
Less: Interest capitalised	**(8.8)**	(13.1)
Finance costs	**106.7**	95.0
Bond redemption – premium and costs	**8.7**	3.9
Change in fair value of interest rate swaps	**(13.1)**	16.8
Change in fair value of currency swaps outside hedge accounting designation	**(0.3)**	–
Change in fair value of derivatives	**(13.4)**	16.8
Finance income	**(9.0)**	(6.4)
Net finance costs	**93.0**	109.3
Underlying finance costs		
Gross interest costs	**115.5**	108.1
Finance income	**(9.0)**	(6.4)
Net underlying finance costs	**106.5**	101.7

8: Tax

A: Tax charge

	2014 £m	2013 £m
UK current tax	**0.1**	0.3
Foreign current tax	**0.8**	0.5
Current tax charge	**0.9**	0.8
Deferred tax charge/(credit)	**0.1**	(0.1)
Tax charge	**1.0**	0.7

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

B: Tax charge reconciliation

	Notes	2014 £m	2013 £m
Profit before tax – continuing operations	2	**703.1**	326.3
Profit before tax – discontinued operations	9	**–**	14.9
Profit before tax		**703.1**	341.2
Less: Profit after tax of joint ventures	13A	**(279.0)**	(138.2)
Less: Profit after tax of associate	14	**(109.9)**	(101.5)
Profit on ordinary activities before tax		**314.2**	101.5
Profit multiplied by the UK corporation tax rate of 21.5% (2013: 23.25%)		**67.6**	23.6
UK REIT tax exemption		**(42.8)**	(1.2)
French SIIC tax exemption		**(24.0)**	(23.8)
Non-deductible and other items		**0.2**	2.1
Tax charge		**1.0**	0.7

C: Current and deferred tax movements

	1 January 2014 £m	Recognised in income £m	Tax paid £m	31 December 2014 £m
Current tax	0.8	0.9	(1.5)	**0.2**
Deferred tax	0.4	0.1	–	**0.5**
	1.2	1.0	(1.5)	**0.7**
Analysed as:				
Current assets: Corporation tax	(0.2)			**(0.1)**
Current liabilities: Tax	1.0			**0.3**
Non-current liabilities: Deferred tax	0.4			**0.5**
	1.2			**0.7**

D: Unrecognised deferred tax

At 31 December 2014, the Group had unrecognised deferred tax assets calculated at a tax rate of 20% (2013: 20%) of £64 million (2013: £68 million) for surplus UK revenue tax losses carried forward and £90 million (2013: £90 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 2014 the total of such gains was £250 million (2013: £235 million) and the potential tax effect before the offset of losses was £50 million (2013: £47 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 2013 or 2014.

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.

8: Tax (continued)

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 2014 amount to £26 million (2013: £30 million) and are expected to be settled within dividends paid by Hammerson plc over the following four years. A further £400 million (2013: £300 million) of dividends would be payable if the properties were realised at their 31 December 2014 values. Since 1 July 2009, qualifying foreign dividends have been exempt from UK tax and therefore no deferred tax provision is recognised. 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

As part of the Group's strategy to focus on the retail sector, a number of office properties, and related entities, were disposed of between July 2012 and June 2013. The income and expenditure was classified as discontinued operations in 2012 and 2013, and the summarised income statement for 2013 allocated between 'Adjusted' and 'Capital and other' for the purposes of calculating figures in accordance with EPRA best practice is shown below.

Profit for 2013

					2013 Total	
	Note	Reported Group £m	Share of joint ventures £m	Total £m	Adjusted £m	Capital and other £m
Gross rental income		4.6	2.8	7.4	7.4	–
Net rental income		4.6	2.8	7.4	7.4	–
Administration expenses		–	(0.2)	(0.2)	(0.2)	–
Operating profit before other net gains		4.6	2.6	7.2	7.2	–
Gain on the sale of properties		–	7.5	7.5	–	7.5
Revaluation gains on properties		1.5	–	1.5	–	1.5
Other net gains		1.5	7.5	9.0	–	9.0
Net finance costs		(0.7)	(0.6)	(1.3)	(1.9)	0.6
Profit for the year	2	5.4	9.5	14.9	5.3	9.6

10: Dividends

The proposed final dividend of 11.6 pence per share was recommended by the Board on 13 February 2015 and, subject to approval by shareholders, is payable on 24 April 2015 to shareholders on the register at the close of business on 13 March 2015. 2.0 pence per share will be paid as a PID, net of withholding tax at the basic rate (currently 20%) if applicable, and the remainder of 9.6 pence per share will be paid as a normal dividend. There will be no scrip alternative. The aggregate amount of the 2014 final dividend is £91.0 million. This has been calculated using the total number of eligible shares outstanding at 31 December 2014.

The interim dividend of 8.8 pence per share was paid on 2 October 2014, as a PID, net of withholding tax where appropriate.

The total dividend for the year ended 31 December 2014 would be 20.4 pence per share (2013: 19.1 pence per share).

	PID pence per share	Non-PID pence per share	Total pence per share	Equity dividends 2014 £m	Equity dividends 2013 £m
Current year					
2014 final dividend	**2.0**	**9.6**	**11.6**	**–**	–
2014 interim dividend	**8.8**	**–**	**8.8**	**62.6**	–
	10.8	**9.6**	**20.4**		
Prior years					
2013 final dividend	3.6	7.2	10.8	**76.9**	–
2013 interim dividend	8.3	–	8.3	**–**	59.0
	11.9	7.2	19.1		
2012 final dividend	4.0	6.0	10.0	**–**	71.1
Dividends as reported in the consolidated statement of changes in equity				**139.5**	130.1
2012 interim dividend withholding tax (paid January 2013)				**–**	8.7
2013 interim dividend withholding tax (paid January 2014)				**9.4**	(9.4)
2014 interim dividend withholding tax (paid January 2015)				**(9.8)**	–
Dividends paid as reported in the consolidated cash flow statement				**139.1**	129.4

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 and B.

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 24), which are treated as cancelled.

		Notes	2014 Earnings £m	2014 Shares million	2014 Pence per share	2013 Earnings £m	2013 Shares million	2013 Pence per share
Basic – continuing operations		2	699.1	730.6	95.7	322.5	711.8	45.3
Basic – discontinued operations		2	–		–	14.9		2.1
Basic – total		2	699.1	730.6	95.7	337.4		47.4
Dilutive share options			–	0.2	–	–	0.2	–
Diluted			699.1	730.8	95.7	337.4	712.0	47.4
Adjustments*:								
Revaluation gains on properties:	Reported Group	2	(271.2)		(37.1)	(83.7)		(11.8)
	Joint ventures	13B	(164.3)		(22.5)	(5.1)		(0.7)
	Associate	14A	(111.1)		(15.2)	(85.5)		(12.0)
			(546.6)		(74.8)	(174.3)		(24.5)
Change in fair value of derivatives:	Reported Group	7	(13.1)		(1.8)	16.8		2.3
	Joint ventures	13B	(0.3)		–	(2.3)		(0.3)
	Joint ventures – discontinued operations	13B	–		–	(0.6)		(0.1)
	Associate	14A	9.9		1.3	(5.0)		(0.7)
			(3.5)		(0.5)	8.9		1.2
Deferred tax:	Reported Group	2	0.1		–	(0.1)		–
	Joint ventures	13B	0.4		0.1	–		–
	Associate	14A	11.9		1.6	9.0		1.3
			12.4		1.7	8.9		1.3
Other adjustments:								
Reported Group:	Gain on sale of properties	2	(0.6)		(0.1)	(2.6)		(0.4)
	Gain on sale of properties – discontinued operations	9	–		–	(1.5)		(0.2)
	Loss on sale of joint ventures	2	4.0		0.5	–		–
	Joint venture formation costs written off	2	3.1		0.4	–		–
	Non-controlling interests	2	(0.7)		(0.1)	(0.5)		(0.1)
	Bond redemption – premium and costs	7	8.7		1.2	3.9		0.5
Joint ventures:	Gain on sale of properties	13B	–		–	(1.6)		(0.2)
	Gain on sale of properties – discontinued operations	13B	–		–	(7.5)		(1.0)
Associate:	Changes in fair value of participative loans	14A	(4.6)		(0.6)	(7.1)		(1.0)
	Capitalised loan finance fees written off	14A	–		–	0.5		0.1
			9.9		1.3	(16.4)		(2.3)
Total adjustments			(527.8)		(72.3)	(172.9)		(24.3)
EPRA			171.3	730.8	23.4	164.5	712.0	23.1
Net one-off restructuring charge			3.0		0.5	–		–
Adjusted earnings			174.3	730.8	23.9	164.5	712.0	23.1

* Adjustments relate to continuing operations unless otherwise stated.

See page 52 for further details of the restructuring charge of £3.0 million incurred in 2014.

B: Net asset value per share

	Notes	2014 Equity shareholders' funds £m	2014 Shares million	2014 Net asset value per share £	2013 Equity shareholders' funds £m	2013 Shares million	2013 Net asset value per share £
Basic		**4,973.7**	**784.3**	**6.34**	4,059.9	712.9	5.70
Company's own shares held in Employee Share Ownership Plan		**–**	**(1.2)**	**n/a**	–	(1.0)	n/a
Unexercised share options		**1.9**	**0.4**	**n/a**	2.3	0.5	n/a
Diluted		**4,975.6**	**783.5**	**6.35**	4,062.2	712.4	5.70
Fair value adjustment to borrowings[1]	20I	**(306.3)**		**(0.39)**	(210.9)		(0.29)
EPRA triple net		**4,669.3**		**5.96**	3,851.3		5.41
Fair value of derivatives	20I	**(13.1)**		**(0.02)**	0.8		–
Fair value adjustment to borrowings[1]	20I	**306.3**		**0.39**	210.9		0.29
Adjustment for associate	14B	**31.9**		**0.04**	19.7		0.03
Adjustment for joint venture	13C	**4.0**		**0.01**	–		–
Deferred tax	8C	**0.5**		**–**	0.4		–
EPRA		**4,998.9**	**783.5**	**6.38**	4,083.1	712.4	5.73

Note

1. Adjustments include amounts relating to the Group's share of joint ventures.

Commentary on earnings and net asset value per share is provided in the Financial Review on pages 51 to 54.

12: Investment and development properties

	Investment properties Valuation £m	Development properties Valuation £m	Total Valuation £m
Balance at 1 January 2014	**2,988.7**	**459.1**	**3,447.8**
Exchange adjustment	**(72.1)**	**(27.1)**	**(99.2)**
Additions			
– capital expenditure	**70.0**	**153.5**	**223.5**
– asset acquisitions	**302.7**	**–**	**302.7**
	372.7	**153.5**	**526.2**
Transfer from investment in joint venture	**279.1**	**–**	**279.1**
Disposals	**(6.6)**	**–**	**(6.6)**
Transfers	**453.4**	**(453.4)**	**–**
Capitalised interest	**0.5**	**8.3**	**8.8**
Revaluation	**257.5**	**13.7**	**271.2**
Balance at 31 December 2014	**4,273.2**	**154.1**	**4,427.3**

Restated	Investment properties Valuation £m	Development properties Valuation £m	Total Valuation £m
Balance at 1 January 2013	2,896.2	244.2	3,140.4
Exchange adjustment	26.2	5.7	31.9
Additions – capital expenditure	51.9	123.3	175.2
Disposals	(3.4)	(0.6)	(4.0)
Transfers	(48.5)	48.5	–
Capitalised interest	1.1	12.0	13.1
Revaluation	57.8	26.0	83.8
Transfer from assets held for sale	7.4	–	7.4
Balance at 31 December 2013	2,988.7	459.1	3,447.8

12: Investment and development properties (continued)

Properties are stated at fair value as at 31 December 2014, 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 2014 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 21) and 'Interests in leasehold properties' respectively. Further information is provided in 'Significant accounting policies' on page 115.

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 page 114, 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 158 and 162. 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.

The total amount of interest included in development properties at 31 December 2014 was £2.4 million (2013: £24.6 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 2014 was 4.7% (2013: 4.8%). At 31 December 2014 the historic cost of investment and development properties was £3,930.1 million (2013: £3,124.7 million).

Analysis of properties by tenure	Freehold £m	Long leasehold £m	Total £m
Balance at 31 December 2014	**3,365.0**	**1,062.3**	**4,427.3**
Balance at 31 December 2013	2,557.8	890.0	3,447.8

	2014 £m	2013 £m
Capital commitments	**237.1**	142.1

13: Investment in joint ventures

As at 31 December 2014 certain property and corporate interests, being jointly controlled entities, have been equity accounted, and the significant interests are set out in the following table:

	Partner	Property interest[1]	Group share %
United Kingdom			
Bishopsgate Goodsyard Regeneration Limited	Ballymore Properties	The Goodsyard	50
Brent Cross Shopping Centre	Standard Life	Brent Cross	41.2
Brent South Shopping Park	Standard Life	Brent Cross	40.6
Bristol Alliance Limited Partnership	AXA Real Estate	Cabot Circus	50
Croydon Limited Partnership/Whitgift Limited Partnership	Westfield	Centrale/Whitgift	50
Retail Property Holdings Limited	CPPIB	Silverburn	50
The Bull Ring Limited Partnership	TH Real Estate, CPPIB	Bullring	50
The Martineau Galleries Limited Partnership	Land Securities, Phoenix Group	Martineau Galleries	33.33
The Oracle Limited Partnership	ADIA	The Oracle	50
The West Quay Limited Partnership	GIC	WestQuay	50
VIA Limited Partnership	APG, Meyer Bergman, Value Retail	Various European Outlet centres	47
France			
SCI ESQ	Allianz	Espace Saint Quentin	25
SCI RC Aulnay 1 and SCI RC Aulnay 2	Client of Rockspring Property Investment Managers	O'Parinor	25

In July 2014 the Group acquired a 47% interest in VIA Outlets.

In September 2014, the Group acquired an additional 40% stake in The Highcross Limited Partnership, and an additional 50% stake in SCI Espace Plus, a Company which owned SQY Ouest, increasing Hammerson's interest in both partnerships to 100%. The revaluation gains during the year up to the date the Group acquired the additional stakes in these entities totalled £5.0 million, which has been treated as a property revaluation gain within other net gains/(losses) shown in the summarised income statement on page 132.

The Group sold its 50% interests in Queensgate Limited Partnership and The Grosvenor Street Limited Partnership in January 2014 and September 2014 respectively.

1. The names of the principal property operated by each partnership have been used in the summary income statements and balance sheets on pages 132 to 135. The results for Highcross and Queensgate for the period until disposal have been classified as 'Other' in 2014.

13: Investment in joint ventures (continued)

Hammerson's total proportional share of joint ventures is split between Property joint ventures and VIA Outlets as the Property joint ventures are included in the Group's management reporting on a proportional consolidated basis. As explained in note 3, management reviews the business principally on a proportionally consolidated basis, except for its premium outlet investments in Value Retail and VIA Outlets.

A. Summary financial statements of joint ventures

The summarised income statements and balance sheets below and on the adjacent page show 100% of the results, assets and liabilities of joint ventures, and where necessary has been restated to the Group's accounting policies and exclude all balances which are eliminated on consolidation.

Share of results of joint ventures for the year ended 31 December 2014

See page 134 for notes.

	Brent Cross[1] £m	Cabot Circus £m	Bullring £m	The Oracle £m	WestQuay £m
Ownership (%)	41.2	50	50	50	50
Gross rental income	47.5	37.7	56.5	31.4	31.3
Net rental income	43.9	32.0	50.3	26.2	25.2
Administration expenses	–	(0.7)	(0.2)	–	–
Operating profit before other net gains/(losses)	43.9	31.3	50.1	26.2	25.2
Other net gains/(losses)[3]	43.6	39.5	125.7	55.3	25.2
Net finance costs	–	(0.8)	–	–	(0.4)
Tax charge	–	–	–	–	–
Profit for the year	87.5	70.0	175.8	81.5	50.0
Hammerson share of profit for the year	36.1	35.0	87.9	40.7	25.0
Hammerson share of distributions payable	–	15.8	23.0	5.9	0.6

Share of assets and liabilities of joint ventures as at 31 December 2014

	Brent Cross[1] £m	Cabot Circus £m	Bullring £m	The Oracle £m	WestQuay £m
Non-current assets					
Investment and development properties	967.2	575.6	1,085.0	612.6	532.7
Goodwill	–	–	–	–	–
Interests in leasehold properties	–	14.6	–	–	4.2
Receivables	–	–	–	–	–
	967.2	590.2	1,085.0	612.6	536.9
Current assets					
Receivables	33.2	5.7	4.2	7.2	4.2
Cash and deposits	4.0	9.6	18.9	5.7	5.0
	37.2	15.3	23.1	12.9	9.2
Current liabilities					
Payables	(47.6)	(13.3)	(14.9)	(13.5)	(10.4)
Non-current liabilities					
Borrowings – secured	–	–	–	–	–
Obligations under finance leases	–	(14.6)	–	–	(4.2)
Payables	(2.4)	(0.5)	(1.1)	(0.4)	(0.8)
Deferred tax	–	–	–	–	–
	(2.4)	(15.1)	(1.1)	(0.4)	(5.0)
Net assets	954.4	577.1	1,092.1	611.6	530.7
Hammerson share of net assets[3]	393.2	288.6	546.0	305.8	265.4

	Silverburn £m	Centrale/Whitgift £m	O'Parinor £m	Other £m	Total 2014 £m	Hammerson share Property joint ventures £m	VIA Outlets £m	Total £m
	50	50	25	n/a			47	
	20.8	12.4	19.0	56.0	312.6	137.6	4.4	142.0
	18.5	8.3	17.9	39.7	262.0	117.5	2.7	120.2
	(0.1)	(0.6)	(0.1)	(3.0)	(4.7)	(0.9)	(0.6)	(1.5)
	18.4	7.7	17.8	36.7	257.3	116.6	2.1	118.7
	8.4	1.8	3.6	17.4	320.5	165.6	(1.3)	164.3
	–	–	(5.5)	(7.2)	(13.9)	(2.1)	(1.4)	(3.5)
	–	–	–	(1.1)	(1.1)	–	(0.5)	(0.5)
	26.8	9.5	15.9	45.8	562.8			
	13.4	4.8	4.0	32.1	279.0	280.1	(1.1)	279.0
	–	–	–	13.9	59.2			

	Silverburn £m	Centrale/Whitgift £m	O'Parinor £m	Other £m	Total 2014 £m	Hammerson share Property joint ventures £m	VIA Outlets £m	Total £m
	379.3	183.0	356.9	726.9	5,419.2	2,279.2	142.9	2,422.1
	–	–	–	–	–	–	3.1	3.1
	–	–	–	1.2	20.0	9.8	–	9.8
	–	–	–	0.1	0.1	–	0.1	0.1
	379.3	183.0	356.9	728.2	5,439.3	2,289.0	146.1	2,435.1
	6.0	21.9	11.0	7.3	100.7	42.1	1.4	43.5
	6.1	9.0	2.9	23.8	85.0	30.8	7.0	37.8
	12.1	30.9	13.9	31.1	185.7	72.9	8.4	81.3
	(9.5)	(25.8)	(7.7)	(18.1)	(160.8)	(66.5)	(5.1)	(71.6)
	–	–	(168.7)	(102.3)	(271.0)	(42.2)	(37.2)	(79.4)
	–	–	–	(1.2)	(20.0)	(9.8)	–	(9.8)
	–	–	(11.9)	(13.6)	(30.7)	(6.1)	(4.0)	(10.1)
	–	–	–	(11.1)	(11.1)	–	(4.0)	(4.0)
	–	–	(180.6)	(128.2)	(332.8)	(58.1)	(45.2)	(103.3)
	381.9	188.1	182.5	613.0	5,131.4			
	190.9	94.1	45.6	211.9	2,341.5	2,237.3	104.2	2,341.5

13: Investment in joint ventures(continued)

Share of results of joint ventures for the year ended 31 December 2013

	Brent Cross[1] £m	Cabot Circus £m	Bullring[2] £m	The Oracle £m	Queensgate £m
Ownership (%)	41.2	50	50	50	50
Gross rental income	49.2	34.4	53.7	31.8	16.3
Net rental income	45.6	29.1	48.1	26.6	12.5
Administration expenses	–	(0.8)	–	–	(0.2)
Operating profit before other net gains/(losses)	45.6	28.3	48.1	26.6	12.3
Other net gains/(losses)[3]	(2.2)	3.8	32.6	19.4	(18.4)
Net finance costs	–	(0.8)	–	–	–
Profit before and after tax – continuing operations	43.4	31.3	80.7	46.0	(6.1)
Profit before and after tax – discontinued operations	–	–	–	–	–
Profit before and after tax	43.4	31.3	80.7	46.0	(6.1)
Hammerson share of profit	17.9	15.6	38.3	23.0	(3.1)
Hammerson share of distributions payable	–	16.8	20.4	7.1	7.3

Share of assets and liabilities of joint ventures as at 31 December 2013

	Brent Cross[1] £m	Cabot Circus £m	Bullring £m	The Oracle £m	Queensgate £m
Non-current assets					
Investment and development properties	889.6	538.4	955.1	552.1	202.1
Interests in leasehold properties	–	14.6	–	–	–
Owner-occupied property	–	–	–	–	–
Receivables	–	–	–	0.1	–
	889.6	553.0	955.1	552.2	202.1
Current assets					
Receivables	26.9	3.4	6.2	3.0	3.5
Cash and deposits	1.6	11.3	15.6	7.8	5.0
	28.5	14.7	21.8	10.8	8.5
Current liabilities					
Payables	(52.0)	(15.0)	(17.6)	(9.2)	(5.8)
Non-current liabilities					
Borrowings – secured	–	–	–	–	–
Obligations under finance leases	–	(14.6)	–	–	–
Payables	(0.5)	(0.3)	(0.8)	(0.3)	(0.2)
	(0.5)	(14.9)	(0.8)	(0.3)	(0.2)
Net assets	865.6	537.8	958.5	553.5	204.6
Hammerson share of net assets[3]	356.1	269.0	479.3	276.8	102.3

1. Includes the results of Brent South Shopping Park in which Hammerson has a 40.6% interest.
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%.
3. The joint ventures are generally funded by loans from the Company and the relevant partners and this funding has been excluded as it is proportionally eliminated upon consolidation. 'Other net gains/(losses)' principally represent valuation changes on investment properties.

	Highcross £m	WestQuay £m	Silverburn £m	Centrale/Whitgift £m	O'Parinor £m	Other £m	Total 2013 £m	Hammerson share 2013 £m
	60	50	50	50	25	n/a		
	28.4	29.1	19.8	11.8	20.4	21.9	316.8	145.2
	22.2	24.6	18.0	8.0	18.2	15.9	268.8	122.6
	–	–	(0.1)	(0.8)	(0.1)	(0.2)	(2.2)	(1.0)
	22.2	24.6	17.9	7.2	18.1	15.7	266.6	121.6
	(5.6)	17.4	9.1	(24.0)	(21.3)	(9.5)	1.3	6.7
	–	(0.4)	–	–	3.7	0.2	2.7	0.4
	16.6	41.6	27.0	(16.8)	0.5	6.4	270.6	128.7
	–	–	–	–	–	19.0	19.0	9.5
	16.6	41.6	27.0	(16.8)	0.5	25.4	289.6	
	10.0	20.8	13.5	(8.4)	0.2	10.4	138.2	138.2
	6.0	0.6	–	–	–	2.7	60.9	

	Highcross £m	WestQuay £m	Silverburn £m	Centrale/Whitgift £m	O'Parinor £m	Other £m	Total 2013 £m	Hammerson share 2013 £m
	432.4	506.5	352.7	168.0	368.2	382.8	5,347.9	2,483.4
	–	4.2	–	–	–	1.2	20.0	9.8
	–	–	–	–	–	66.4	66.4	33.2
	0.9	–	0.1	–	–	–	1.1	0.5
	433.3	510.7	352.8	168.0	368.2	450.4	5,435.4	2,526.9
	4.7	3.8	4.5	2.1	11.9	11.9	81.9	35.0
	9.0	9.8	6.5	6.3	7.4	5.5	85.8	41.0
	13.7	13.6	11.0	8.4	19.3	17.4	167.7	76.0
	(9.9)	(9.9)	(7.9)	(8.1)	(6.6)	(12.6)	(154.6)	(71.0)
	–	–	–	–	(180.2)	–	(180.2)	(45.0)
	–	(4.2)	–	–	–	(1.2)	(20.0)	(9.8)
	(0.2)	(0.6)	–	–	(15.6)	(3.4)	(21.9)	(6.3)
	(0.2)	(4.8)	–	–	(195.8)	(4.6)	(222.1)	(61.1)
	436.9	509.6	355.9	168.3	185.1	450.6	5,226.4	
	262.2	254.8	178.0	84.1	46.3	161.9	2,470.8	2,470.8

13: Investment in joint ventures (continued)

B. Reconciliation to EPRA adjusted earnings

	Property joint ventures £m	VIA Outlets £m	Total 2014 £m	Total 2013 £m
Profit for the year	280.1	(1.1)	279.0	138.2
Other net (gains)/losses				
Continuing operations	(165.6)	1.3	(164.3)	(6.7)
Discontinued operations	–	–	–	(7.5)
	(165.6)	1.3	(164.3)	(14.2)
Change in fair value of derivatives				
Continuing operations	(0.6)	0.3	(0.3)	(2.3)
Discontinued operations	–	–	–	(0.6)
	(0.6)	0.3	(0.3)	(2.9)
Deferred tax	–	0.4	0.4	–
Total adjustments	(166.2)	2.0	(164.2)	(17.1)
EPRA adjusted earnings of joint ventures	113.9	0.9	114.8	121.1

C. Reconciliation to EPRA adjusted investment in joint ventures

	2014 £m	2013 £m
Investment in joint ventures	2,341.5	2,470.8
Fair value of derivatives	3.1	–
Deferred tax	4.0	–
Goodwill as a result of deferred tax	(3.1)	–
EPRA adjustments	4.0	–
EPRA adjusted investment in joint ventures	2,345.5	2,470.8

D. Reconciliation of movements in investment in joint ventures

	2014 £m	2013 £m
Balance at 1 January	2,470.8	2,250.9
Acquisitions	110.8	245.1
Joint venture formation costs written off	(3.2)	–
Transfer of investment property on acquisition by Reported Group	(279.1)	–
Disposals	(151.8)	(76.3)
Share of results of joint ventures	279.0	138.2
Distributions and other receivables	(100.4)	(103.4)
Revaluation gains on owner-occupied property	–	3.2
Other movements	26.0	9.9
Foreign exchange translation differences	(10.6)	3.2
Balance at 31 December	2,341.5	2,470.8

14: Investment in associate

The Group has significant influence over Value Retail PLC and associated entities ("VR") and equity accounts for its investment.

A: Share of results of associate

	2014 100% £m	2014 Hammerson share £m	2013 100% £m	2013 Hammerson share £m
Gross rental income	**243.1**	**75.1**	227.6	65.4
Net rental income	**157.3**	**49.6**	147.1	43.5
Administration and other expenses	**(73.1)**	**(20.0)**	(71.1)	(17.8)
Operating profit before other net gains	**84.2**	**29.6**	76.0	25.7
Revaluation gains on properties	**314.2**	**111.1**	273.6	85.5
Operating profit	**398.4**	**140.7**	349.6	111.2
Net finance costs	**(39.2)**	**(14.0)**	(44.2)	(12.0)
Change in fair value of financial instruments	**(34.8)**	**(9.9)**	8.3	5.0
Change in fair value of participative loans – revaluation movement	**–**	**4.6**	–	7.1
Change in fair value of participative loans – other movement	**–**	**2.1**	–	0.8
Profit before tax	**324.4**	**123.5**	313.7	112.1
Current tax charge	**(7.4)**	**(1.7)**	(7.3)	(1.6)
Deferred tax charge	**(47.4)**	**(11.9)**	(43.8)	(9.0)
Profit for the year	**269.6**	**109.9**	262.6	101.5
Foreign exchange translation differences	**(49.7)**	**(15.7)**	8.6	(0.4)
Total comprehensive income	**219.9**	**94.2**	271.2	101.1
Reconciliation to EPRA adjusted earnings				
Profit for the year	**269.6**	**109.9**	262.6	101.5
Revaluation gains on properties	**(314.2)**	**(111.1)**	(273.6)	(85.5)
Change in fair value of financial instruments	**34.8**	**9.9**	(8.3)	(5.0)
Change in fair value of participate loans – revaluation movement	**–**	**(4.6)**	–	(7.1)
Capitalised loan finance fees written off	**–**	**–**	1.2	0.5
Deferred tax charge	**47.4**	**11.9**	43.8	9.0
EPRA adjustments	**(232.0)**	**(93.9)**	(236.9)	(88.1)
EPRA adjusted earnings of associate	**37.6**	**16.0**	25.7	13.4

When aggregated, the Group's share of VR's operating profit before other net gains amounted to 35.2% for the year ended 31 December 2014 (33.8% for the year ended 31 December 2013).

14: Investment in associate (continued)

B: Share of assets and liabilities of associate

	2014 100% £m	2014 Hammerson share £m	2013 100% £m	2013 Hammerson share £m
Goodwill on acquisition of associate	–	65.7	–	65.7
Investment properties	2,702.6	884.7	2,462.8	787.9
Other non-current assets	81.1	18.6	84.0	19.6
Non-current assets	2,783.7	969.0	2,546.8	873.2
Other current assets	164.8	30.2	169.6	33.4
Cash and deposits	103.9	28.4	110.3	30.0
Current assets	268.7	58.6	279.9	63.4
Total assets	3,052.4	1,027.6	2,826.7	936.6
Current liabilities	(214.1)	(52.0)	(132.5)	(32.7)
Borrowings	(789.5)	(253.6)	(912.6)	(281.4)
Other liabilities	(226.9)	(83.6)	(190.8)	(73.1)
Deferred tax	(346.6)	(80.8)	(322.6)	(75.0)
Non-current liabilities	(1,363.0)	(418.0)	(1,426.0)	(429.5)
Total liabilities	(1,577.1)	(470.0)	(1,558.5)	(462.2)
Net assets	1,475.3	557.6	1,268.2	474.4
Participative loans*		71.2		71.0
Investment in associate		628.8		545.4

The analysis in the table above excludes liabilities in respect of distributions received in advance from VR amounting to £12.6 million (2013: £13.4 million) which are included within non-current liabilities in note 22.

Hammerson's investment in associate excluding goodwill as a proportion of VR's net assets is 38.2% at 31 December 2014 (2013: 37.8%).

* 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 EPRA adjusted investment in associate

	2014 Hammerson share £m	2013 Hammerson share £m
Investment in associate	628.8	545.4
Fair value of derivatives	(1.9)	(8.3)
Deferred tax	80.8	75.0
Goodwill as a result of deferred tax	(47.0)	(47.0)
EPRA adjustments	31.9	19.7
EPRA adjusted investment in associate	660.7	565.1

C: Reconciliation of movements in investment in associate

	Note	2014 £m	2013 £m
Balance at 1 January		545.4	428.4
Acquisitions		–	59.4
Share of results of associate		109.9	101.5
Distributions		(11.5)	(46.4)
Revaluation movement on participative loans		0.6	2.9
Foreign exchange translation differences		(15.6)	(0.4)
Balance at 31 December	14B	628.8	545.4

15: Receivables: non-current assets

	2014 £m	2013 £m
Loans receivable	**63.5**	68.7
Other receivables	**0.8**	1.1
Fair value of interest rate swaps	**15.0**	2.0
	79.3	71.8

Loans receivable includes a loan of €58.0 million (£45.0 million) (2013: €58.0 million, £48.2 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 2014 is €23.9 million (£18.5 million) (2013: €24.6 million, £20.5 million). Both loans are classified as available for sale and held at fair value.

16: Receivables: current assets

	2014 £m	2013 £m
Trade receivables	**47.7**	24.9
Other receivables	**41.1**	50.9
Corporation tax	**0.1**	0.2
Prepayments	**3.8**	2.1
Fair value of currency swaps	**5.1**	–
	97.8	78.1

Trade receivables are shown after deducting a provision for bad and doubtful debts of £11.6 million (2013: £8.5 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 20F.

	Gross receivable £m	Provision £m	2014 Net receivable £m	Gross receivable £m	Provision £m	2013 Net receivable £m
Not yet due	**31.1**	**–**	**31.1**	13.7	–	13.7
1-30 days overdue	**10.0**	**0.3**	**9.7**	5.7	0.2	5.5
31-60 days overdue	**0.2**	**–**	**0.2**	1.3	0.5	0.8
61-90 days overdue	**0.9**	**0.2**	**0.7**	0.5	0.1	0.4
91-120 days overdue	**3.1**	**0.5**	**2.6**	2.1	0.6	1.5
More than 120 days overdue	**14.0**	**10.6**	**3.4**	10.1	7.1	3.0
	59.3	**11.6**	**47.7**	33.4	8.5	24.9

17: Cash and deposits

	2014 £m	2013 £m
Cash at bank	**28.5**	15.7
Short-term deposits	**0.1**	–
	28.6	15.7
Currency profile		
Sterling	**10.1**	8.8
Euro	**18.5**	6.9
	28.6	15.7

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18: Payables: current liabilities

	2014 £m	2013 £m
Trade payables	**18.3**	11.0
Other payables	**133.4**	118.4
Accruals	**27.5**	19.4
Deferred income	**25.2**	20.7
	204.4	169.5

19: Borrowings

A: Maturity

	Bank loans and overdrafts £m	Other borrowings £m	Total 2014 £m	Bank loans and overdrafts £m	Other borrowings £m	Total 2013 £m
After five years	**–**	**1,399.0**	**1,399.0**	–	1,160.1	1,160.1
From two to five years	**72.9**	**384.8**	**457.7**	165.8	292.8	458.6
From one to two years	**164.6**	**265.8**	**430.4**	–	399.1	399.1
Due after more than one year	**237.5**	**2,049.6**	**2,287.1**	165.8	1,852.0	2,017.8
Due within one year	**–**	**–**	**–**	249.9	(3.7)	246.2
	237.5	**2,049.6**	**2,287.1**	415.7	1,848.3	2,264.0
Current assets: Fair value of currency swaps	**–**	**(5.1)**	**(5.1)**	–	–	–
	237.5	**2,044.5**	**2,282.0**	415.7	1,848.3	2,264.0

At 31 December 2013 and 2014 no borrowings due after five years were repayable by instalments.

At 31 December 2014, the fair value of currency swaps was an asset of £16.1 million of which £5.1 million is due within one year and is included in current receivables (see note 16). At 31 December 2013, the fair value of currency swaps was a liability of £22.6 million.

B: Analysis

	2014 £m	2013 £m
Unsecured		
£200 million 7.25% sterling bonds due 2028	**198.0**	197.9
£300 million 6% sterling bonds due 2026	**297.4**	297.2
€500 million 2% euro bonds due 2022	**383.4**	–
£250 million 6.875% sterling bonds due 2020	**248.4**	248.2
€500 million 2.75% euro bonds due 2019	**384.8**	412.2
£272 million 5.25% sterling bonds due 2016	**271.5**	271.1
€480 million 4.875% euro bonds due 2015	**–**	399.1
Bank loans and overdrafts	**237.5**	415.7
Senior notes due 2026	**23.2**	–
Senior notes due 2024	**131.1**	–
Senior notes due 2021	**122.8**	–
	2,298.1	2,241.4
Fair value of currency swaps	**(16.1)**	22.6
	2,282.0	2,264.0

Financing activities during the year are detailed in the Business Review on pages 49 and 50. Senior notes comprise £185.6 million denominated in US dollars, £46.5 million in euro and £45.0 million in sterling.

C: Undrawn committed facilities

Expiry	2014 £m	2013 £m
Within two to five years	**250.0**	659.0
Within one to two years	**339.0**	–
	589.0	659.0

D: Interest rate and currency profile

	Fixed rate borrowings			Other variable rate borrowings	2014 Total
	%	Years	£m	£m	£m
Sterling	**6.2**	**15**	**425.4**	**74.8**	**500.2**
Euro	**3.3**	**5**	**1,375.3**	**413.3**	**1,788.6**
US Dollar	**–**	**–**	**–**	**(6.8)**	**(6.8)**
	4.0	**7**	**1,800.7**	**481.3**	**2,282.0**

	Fixed rate borrowings			Other variable rate borrowings	2013 Total
	%	Years	£m	£m	£m
Sterling	6.5	13	475.0	410.6	885.6
Euro	4.1	3	1,127.0	251.4	1,378.4
	4.9	6	1,602.0	662.0	2,264.0

The analysis above reflects the effect of currency and interest rate swaps in place at 31 December 2013 and 2014, further details of which are set out in note 20. The interest rates shown are the weighted average for fixed rate borrowings. Variable rate borrowings bear interest based on LIBOR, with the exception of certain euro borrowings whose interest costs are linked to EURIBOR.

20: 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 Principal Risks and Uncertainties on page 55. 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 2014, the Group had interest rate swaps of £250.0 million (2013: £250.0 million), maturing in 2020 under which the Group pays interest at a rate linked to LIBOR and receives interest at 6.875%. At 31 December 2014, the fair value of interest rate swaps was an asset of £15.0 million (2013: £2.0 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 net investment hedges. The carrying amount of the bonds at 31 December 2014 was £775.8 million (2013: £811.3 million) and their fair value was £829.8 million (2013: £845.7 million). Included in the senior notes (USPP) due in June 2021, 2024 and 2026 is a euro-denominated borrowings element of €60.0 million which had a carrying amount of £46.5 million.

20: Financial instruments and risk management (continued)

At 31 December 2014, the Group had currency swaps of £987.3 million, being €121.0 million sold forward against sterling for value in January 2015 at a rate of £1 = €1.273, €412.0 million sold forward against sterling for value in March 2015 at a rate of £1 = €1.272, €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 US$291 million of Senior notes (USPP) maturing in June 2021 and 2024, into euro at a rate of €1 = US$1.3415. 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 and the €379.6 million and US$291 million of cross currency swaps as described above. The fair value of currency swaps is shown in note 20I.

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 51 to 54.

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 20A.

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 2014 was 8.1 years (2013: 8.0 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 Portfolio Analysis on page 161.

Loans receivable and other receivables include available for sale investments and VAT receivables. These items do not give rise to significant credit risk. The receivables in notes 15 and 16 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 16.

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 2014, the Group's maximum exposure to credit risk was £205.7 million (2013: £165.6 million).

G: Financial maturity analysis

The following table is a maturity analysis for income-earning financial assets and interest-bearing financial liabilities.

					2014 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	(28.6)	(28.6)	–	–	–
Unsecured bonds					
– Sterling fixed rate bonds	1,015.3	–	271.5	–	743.8
– Euro fixed rate bonds	768.2	–	–	384.8	383.4
Senior notes	277.1	–	–	–	277.1
Interest rate swaps (variable)	250.0	–	–	–	250.0
Interest rate swaps (fixed)	(250.0)	–	–	–	(250.0)
Unsecured bank loans and overdrafts	237.5	–	164.6	72.9	–
Fair value of currency swaps	(16.1)	(5.1)	(5.7)	–	(5.3)
Net debt	2,253.4	(33.7)	430.4	457.7	1,399.0
Loans receivable	(63.5)	–	(45.0)	(18.5)	–
	2,189.9	(33.7)	385.4	439.2	1,399.0

					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	(15.7)	(15.7)	–	–	–
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	2,248.3	230.5	399.1	458.6	1,160.1
Loans receivable	(68.7)	–	–	(68.7)	–
	2,179.6	230.5	399.1	389.9	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.

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.

		2014		2013
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)	**(17.2)**	**17.9**	(18.4)	19.1

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.

		2014		2013
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)	**166.9**	**(204.0)**	129.4	(158.1)

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.

20: 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 book value included in the balance sheet, are as follows:

Reported Group

	2014 Book value £m	2014 Fair value £m	2013 Book value £m	2013 Fair value £m
Borrowings, excluding currency swaps	**2,298.1**	**2,604.1**	2,241.4	2,451.7
Currency swaps	**(16.1)**	**(16.1)**	22.6	22.6
Total	**2,282.0**	**2,588.0**	2,264.0	2,474.3
Interest rate swaps	**(15.0)**	**(15.0)**	(2.0)	(2.0)

Reported Group including share of Property joint ventures

	2014 Book value £m	2014 Fair value £m	2013 Book value £m	2013 Fair value £m
Borrowings, excluding currency swaps	**2,340.3**	**2,646.6**	2,286.4	2,497.3
Currency swaps	**(16.1)**	**(16.1)**	22.6	22.6
Total	**2,324.2**	**2,630.5**	2,309.0	2,519.9
Interest rate swaps	**(13.1)**	**(13.1)**	0.8	0.8

At 31 December 2014, the fair value of financial instruments, including the Group's share of Property joint ventures, exceeded their book value by £306.3 million (2013: £210.9 million), equivalent to 39 pence per share (2013: 29 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 and Level 2 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 17. 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 15 and 16. The amounts are presented net of allowances for doubtful receivables and allowances for impairment are made where appropriate. 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	2014 £m	2013 £m
Balance at 1 January	**141.1**	91.2
Total gains/(losses)		
– in profit and loss	**7.9**	13.8
– in other comprehensive income	**(4.4)**	3.4
Other movements		
– settlement of interest	**(5.8)**	(5.6)
– loan (repayment)/issue	**(0.6)**	21.4
Net movements in participative loans to associate recognised as available for sale	**(2.1)**	16.9
Balance at 31 December	**136.1**	141.1

J: Carrying amounts, gains and losses of financial instruments

	Notes	2014 Carrying amount £m	2014 Gain/(Loss) to income £m	2014 Gain/(Loss) to equity £m	2013 Carrying amount £m	2013 Gain/(Loss) to income £m	2013 Gain/(Loss) to equity £m
Trade receivables	16	**47.7**	**(3.2)**	**–**	24.9	(0.6)	–
Cash and deposits	17	**28.6**	**0.5**	**–**	15.7	0.1	–
Loans and receivables		**76.3**	**(2.7)**	**–**	40.6	(0.5)	–
Other investments		**1.4**	**–**	**–**	1.4	–	–
Loans receivable	15	**63.5**	**1.2**	**–**	68.7	5.9	–
Participative loans to associate	14B	**71.2**	**6.7**	**(4.4)**	71.0	7.9	3.4
Available for sale loans and investments		**136.1**	**7.9**	**(4.4)**	141.1	13.8	3.4
Interest rate swaps	15	**15.0**	**16.4**	**–**	2.0	(14.2)	–
Assets at fair value (held for trading)		**15.0**	**16.4**	**–**	2.0	(14.2)	–
Currency swaps	19B	**16.1**	**3.5**	**55.4**	(22.6)	0.7	(11.8)
Derivatives in effective hedging relationships		**16.1**	**3.5**	**55.4**	(22.6)	0.7	(11.8)
Payables	18, 22	**(276.9)**	**–**	**–**	(235.5)	–	–
Borrowings, excluding currency swaps	19B	**(2,298.1)**	**(122.3)**	**46.9**	(2,241.4)	(114.6)	(20.1)
Obligations under finance leases	21	**(33.0)**	**(1.1)**	**–**	(34.9)	(0.2)	–
Liabilities at amortised cost		**(2,608.0)**	**(123.4)**	**46.9**	(2,511.8)	(114.8)	(20.1)
Total for financial instruments		**(2,364.5)**	**(98.3)**	**97.9**	(2,350.7)	(115.0)	(28.5)

The table below reconciles the net gain or loss taken through income to net finance costs:

		Notes	2014 £m	2013 £m
Total loss on financial instruments to income			**(98.3)**	(115.0)
Add back:	Trade receivables loss		**3.2**	0.5
	Interest capitalised	7	**8.8**	13.1
Deduct:	Change in participative loans to associate shown in share of results of associate		**(6.7)**	(7.9)
Net finance costs		7	**(93.0)**	(109.3)

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 gains in relation to currency swaps of £55.4 million (2013: £11.8 million loss) and borrowings of £46.9 million (2013: £20.1 million loss) is £102.3 million (2013: £31.9 million loss) and is shown in the movement in the hedging reserve in the consolidated statement of changes in equity.

20: Financial instruments and risk management (continued)

K: Maturity analysis of financial liabilities

The remaining contractual maturities are as follows:

2014	Payables £m	Currency swaps £m	Financial liability cash flows £m	Finance leases £m	Total 2014 £m
Notes			20L		
After 25 years	–	–	–	69.7	69.7
From five to 25 years	25.2	181.4	1,753.9	37.3	1,997.8
From two to five years	3.3	–	703.6	5.6	712.5
From one to two years	5.1	394.3	529.1	1.9	930.4
Due after more than one year	33.6	575.7	2,986.6	114.5	3,710.4
Due within one year	179.2	420.7	89.0	1.9	690.8
	212.8	996.4	3,075.6	116.4	4,401.2

2013	Payables £m	Currency swaps £m	Financial liability cash flows £m	Finance leases £m	Total 2013 £m
Notes			20L		
After 25 years	–	–	–	76.8	76.8
From five to 25 years	24.6	–	1,519.9	40.0	1,584.5
From two to five years	3.3	315.8	662.8	6.0	987.9
From one to two years	5.9	–	497.7	2.0	505.6
Due after more than one year	33.8	315.8	2,680.4	124.8	3,154.8
Due within one year	132.5	251.6	347.0	1.4	732.5
	166.3	567.4	3,027.4	126.2	3,887.3

At 31 December 2014, the currency swap liability is offset by an asset of £1,012.5 million (2013: £544.8 million), so that the fair value of the currency swaps is an asset of £16.1 million (2013: £22.6 million liability), as reported in note 19B.

L: Reconciliation of maturity analyses in notes 19A and 20K

The maturity analysis in note 20K 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 total borrowings column in note 19A with the financial maturity analysis in note 20K.

2014	Borrowings including currency swaps £m	Interest £m	Unamortised borrowing costs £m	Financial liability cash flows £m
Notes	19A			20K
From five to 25 years	1,399.0	343.0	11.9	1,753.9
From two to five years	457.7	240.7	5.2	703.6
From one to two years	430.4	97.0	1.7	529.1
Due after more than one year	2,287.1	680.7	18.8	2,986.6
Due within one year	(5.1)	94.1	–	89.0
	2,282.0	774.8	18.8	3,075.6

2013	Borrowings including currency swaps £m	Interest £m	Unamortised borrowing costs £m	Financial liability cash flows £m
Notes	19A			20K
From five to 25 years	1,160.1	349.3	10.5	1,519.9
From two to five years	458.6	198.2	6.0	662.8
From one to two years	399.1	98.3	0.3	497.7
Due after more than one year	2,017.8	645.8	16.8	2,680.4
Due within one year	246.2	100.7	0.1	347.0
	2,264.0	746.5	16.9	3,027.4

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 Business Review on pages 49 and 50 and information on share capital and changes therein is set out in note 23 below and in the Consolidated Statement of Changes in Equity on page 109.

21: Obligations under finance leases

Finance lease obligations in respect of rents payable on leasehold properties are payable as follows:

	2014			2013		
	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	**69.7**	**(40.1)**	**29.6**	76.8	(44.7)	32.1
From five to 25 years	**37.3**	**(34.3)**	**3.0**	40.0	(37.0)	3.0
From two to five years	**5.6**	**(5.4)**	**0.2**	6.0	(5.8)	0.2
From one to two years	**1.9**	**(1.8)**	**0.1**	2.0	(1.9)	0.1
Within one year	**1.9**	**(1.8)**	**0.1**	1.4	(1.9)	(0.5)
	116.4	**(83.4)**	**33.0**	126.2	(91.3)	34.9

22: Payables: non-current liabilities

	2014 £m	2013 £m
Net pension liability (note 6)	**39.0**	32.2
Other payables	**33.5**	33.8
	72.5	66.0

23: Share capital

	Called up, allotted and fully paid	
	2014 £m	2013 £m
Ordinary shares of 25p each	**196.1**	178.2

The Authorised share capital was removed from the Company's Articles of Association in 2010.

	Number
Movements in number of shares in issue	
Number of shares in issue at 1 January 2014	712,876,870
Issue of shares	71,297,452
Share options exercised – Executive Share Option Scheme	40,708
Share options exercised – Savings-related Share Option Scheme	80,218
Number of shares in issue at 31 December 2014	**784,295,248**

23: Share capital (continued)

On 25 September 2014, the Company completed a placing of shares which resulted in the issue of 71,297,452 new ordinary shares of 25 pence each at a price of 560 pence per placing share, raising proceeds of approximately £399.3 million (before expenses). The placing of shares was effected by way of a cashbox placing. The proceeds of the placing were used to acquire the remaining 40% interest in Highcross Shopping Centre in Leicester, make further investments in the fast-growing premium outlet sector and provide additional capital for our development pipeline. For further details of the share issue and the associated merger reserve, see note H to the Company balance sheet.

Share options

At 31 December 2014, 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
2015	583	14,449
2016	839	88,486
		102,935

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 the invitation is launched.

At 31 December 2014, 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
2015	312.24 – 329.04	111,206
2016	217.2 – 420.0	72,500
2017	312.24 – 462.4	67,695
2018	368 – 420	12,438
2019	329.04 – 462.4	17,481
		281,320

The number and weighted average exercise prices of share options under the Company's Executive Share Option Scheme are as follows:

	2014 Number of options	**2014** Weighted average exercise price £	2013 Number of options	2013 Weighted average exercise price £
Outstanding at 1 January	**167,732**	**7.26**	205,211	7.06
Forfeited during the year	**(24,089)**	**7.59**	(18,779)	8.19
Exercised during the year	**(40,708)**	**5.10**	(18,700)	4.16
Outstanding and exercisable at 31 December	**102,935**	**8.03**	167,732	7.26

The weighted average share price at the date of exercise for share options exercised during the year was £5.83 (2013: £5.26). The options outstanding at 31 December 2014 had a weighted average remaining contractual life of 1 year (2013: 2 years). The number and weighted average exercise price of share options under the Company's Savings-related Share Option Scheme are as follows:

	2014 Number of options	**2014** Weighted average exercise price £	2013 Number of options	2013 Weighted average exercise price £
Outstanding at 1 January	**316,708**	**3.39**	316,173	3.23
Granted during the year	**65,808**	**4.62**	54,102	4.20
Forfeited during the year	**(4,006)**	**3.64**	(16,575)	3.72
Expired during the year	**(16,972)**	**3.56**	(9,781)	3.19
Exercised during the year	**(80,218)**	**3.00**	(27,211)	3.00
Outstanding at 31 December	**281,320**	**3.78**	316,708	3.39

The weighted average share price at the date of exercise for share options exercised during the year was £5.80 (2013: £5.15). No options outstanding under the Company's Savings-related Share Option Scheme were exercisable at 31 December 2014 or 31 December 2013. The weighted average fair value of options granted during the year was £1.56 (2013: £1.30).

At 31 December 2014, 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	
	2014	2013	**2014**	2013
Outstanding at 1 January	**901,194**	1,002,236	**2,832,739**	2,778,141
Awarded during the year	**258,244**	303,790	**356,892**	766,408
Notional dividend shares accrued during the year	**25,651**	36,927	**72,363**	79,578
Vested during the year	**(314,224)**	(351,325)	**(89,565)**	(648,466)
Forfeited during the year	**(147,708)**	(90,434)	**–**	–
Lapsed during the year	**–**	–	**(514,571)**	(142,922)
Outstanding at 31 December	**723,157**	901,194	**2,657,858**	2,832,739

	Number of ordinary shares of 25p each			
	Restricted Share Plan		Long-Term Incentive Plan	
Year of grant	**2014**	2013	**2014**	2013
2011	**–**	311,251	**600,988**	1,179,503
2012	**261,618**	301,553	**889,928**	866,268
2013	**232,940**	288,390	**806,586**	786,968
2014	**228,599**	–	**360,356**	–
	723,157	901,194	**2,657,858**	2,832,739

24: Investment in own shares

At cost	**2014 £m**	2013 £m
Balance at 1 January	**4.9**	6.0
Purchase of own shares	**5.5**	4.9
Cost of shares awarded to employees	**(3.6)**	(6.0)
Balance at 31 December	**6.8**	4.9

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 2014 was 1,163,523 (2013: 984,463) following awards to participants during the year of 720,940 shares (2013: 1,353,344), and the purchase of 900,000 shares (2013: 1,000,000).

25: Impact of change in accounting policy

Following the adoption of IFRS 11 Joint Arrangements with effect from 1 January 2014, the Group's interests in joint ventures are presented on an equity accounting rather than a proportionally consolidated basis. Comparative figures have been restated to reflect the change in accounting policy. The impact of these changes on the balance sheet and net debt are shown in the tables below. Further details of the impact of adopting IFRS 11 are set out in note 1 on page 113.

A. Balance sheet

			2014			2013
	Reported Group £m	Adjustment £m	Proportionally consolidated basis £m	Reported Group £m	Adjustment £m	Proportionally consolidated basis £m
Notes	A	B	C	A	B	D
Non-current assets						
Investment and development properties	**4,427.3**	**2,279.2**	**6,706.5**	3,447.8	2,483.4	5,931.2
Interests in leasehold properties	**33.2**	**9.8**	**43.0**	35.1	9.8	44.9
Plant, equipment and owner-occupied property	**5.0**	**–**	**5.0**	6.3	33.2	39.5
Investment in joint ventures						
Property joint ventures	**2,237.3**	**(2,237.3)**	**–**	2,470.8	(2,470.8)	–
VIA Outlets	**104.2**	**–**	**104.2**	–	–	–
	2,341.5	**(2,237.3)**	**104.2**	2,470.8	(2,470.8)	–
Investment in associate	**628.8**	**–**	**628.8**	545.4	–	545.4
Other non-current assets	**80.7**	**–**	**80.7**	73.2	0.5	73.7
	7,516.5	**51.7**	**7,568.2**	6,578.6	56.1	6,634.7
Current assets						
Receivables	**97.8**	**42.1**	**139.9**	78.1	35.0	113.1
Cash and deposits	**28.6**	**30.8**	**59.4**	15.7	41.0	56.7
	126.4	**72.9**	**199.3**	93.8	76.0	169.8
Total assets	**7,642.9**	**124.6**	**7,767.5**	6,672.4	132.1	6,804.5
Current liabilities						
Payables	**204.4**	**66.5**	**270.9**	169.5	71.0	240.5
Tax	**0.3**	**–**	**0.3**	1.0	–	1.0
Borrowings	**–**	**–**	**–**	246.2	–	246.2
	204.7	**66.5**	**271.2**	416.7	71.0	487.7
Non-current liabilities						
Borrowings	**2,287.1**	**42.2**	**2,329.3**	2,017.8	45.0	2,062.8
Deferred tax	**0.5**	**–**	**0.5**	0.4	–	0.4
Obligations under finance leases	**33.0**	**9.8**	**42.8**	34.9	9.8	44.7
Payables	**72.5**	**6.1**	**78.6**	66.0	6.3	72.3
	2,393.1	**58.1**	**2,451.2**	2,119.1	61.1	2,180.2
Total liabilities	**2,597.8**	**124.6**	**2,722.4**	2,535.8	132.1	2,667.9
Net assets	**5,045.1**	**–**	**5,045.1**	4,136.6	–	4,136.6

Notes

A Reported Group results as shown in the consolidated balance sheet on page 108.

B Adjustment required to present the results on a proportionally consolidated basis.

C 2014 results presented on a proportionally consolidated basis, with the exception of the presentation of the investment in VIA Outlets.

D 2013 results previously reported on a proportionally consolidated basis.

B. Net debt

	2014			2013		
	Reported Group £m	**Adjustment £m**	**Total £m**	Reported Group £m	Adjustment £m	Total £m
Notes	A	B	C	A	B	D
Cash at bank	**28.5**	**27.7**	**56.2**	15.7	29.8	45.5
Short-term deposits	**0.1**	**3.1**	**3.2**	–	11.2	11.2
Cash and deposits	**28.6**	**30.8**	**59.4**	15.7	41.0	56.7
Current borrowings including currency swaps	**5.1**	**–**	**5.1**	(246.2)	–	(246.2)
Non-current borrowings	**(2,287.1)**	**(42.2)**	**(2,329.3)**	(2,017.8)	(45.0)	(2,062.8)
Net debt	**(2,253.4)**	**(11.4)**	**(2,264.8)**	(2,248.3)	(4.0)	(2,252.3)

26: Adjustment for non-cash items in the cash flow statement

	2014 £m	2013 £m
Amortisation of lease incentives and other costs	**4.7**	5.4
Increase in accrued rents receivable	**(6.3)**	(2.7)
Non-cash items included within net rental income	**(1.6)**	2.7
Depreciation	**1.4**	1.5
Share-based employee remuneration	**5.1**	3.9
Exchange and other items	**7.3**	(2.0)
	12.2	6.1

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 Analysis section on page 159 and credit risk related to the trade receivables is discussed in note 20F.

	2014 £m	2013 £m
Within one year	**131.5**	93.9
From one to two years	**129.6**	115.7
From two to five years	**315.2**	271.8
After five years	**861.4**	522.2
	1,437.7	1,003.6

28: Contingent liabilities

There are contingent liabilities of £31.6 million (2013: £31.1 million) relating to guarantees given by the Group and a further £12.3 million (2013: £10.5 million) relating to claims against the Group arising in the normal course of business, which are considered to be unlikely to crystallise.

In addition, Hammerson's share of contingent liabilities arising within Property joint ventures, which is not included in the figures shown above, is £16.2 million (2013: £17.0 million). Principal risks and uncertainties facing the Group are detailed on pages 55 to 59.

29: Related party transactions and non-controlling interests

A. Joint ventures and associates

Related party transactions with the Group's joint ventures and associates primarily comprise management fees, interest receivable and loan balances. The amounts shown below represent the Group's transactions and balances with its related parties and are shown before any consolidation adjustments.

	2014 £m	2013 £m
Management fees from joint ventures	**9.3**	11.5
Interest receivable from joint ventures	**32.7**	31.6
Interest receivable from associate	**5.8**	5.6
Loans owed by associate	**63.5**	68.7
Amounts owed by joint ventures	**1,156.8**	1,439.3
Amounts owed to joint ventures	**(3.2)**	(3.9)

B. Key management

The remuneration of the Directors, who are the key management of the Group, is set out below in aggregate. Further information about the Directors' remuneration, as required by the Companies Act 2006, is disclosed in the audited sections of the Directors' Remuneration Report on pages 75 to 93.

	2014 £m	2013 £m
Salaries and short-term benefits	**3.9**	3.7
Post-employment benefits	**0.1**	0.4
Share-based payments	**2.8**	1.5
Total remuneration	**6.8**	5.6

C. Non-controlling interests

The Group's non-controlling interest represents a 35.5% interest in Place des Halles, Strasbourg held by Assurbail. During 2014, the property generated gross rental income of £12.4 million (2013: £12.0 million) and the property valuation at 31 December 2014 was £206.4 million (2013: £222.4 million). The non-controlling interests' share of the gross rental income was £4.4 million (2013: £4.3 million) and of the property valuation was £73.3 million (2013: £79.0 million). The balances and movements during the year associated with the non-controlling interest are shown on the Consolidated Statement of Changes in Equity on pages 109 and 110.

COMPANY BALANCE SHEET

	Notes	2014 £m	2013 £m
Non-current assets			
Investments in subsidiary companies	C	**3,576.7**	2,948.6
Receivables	D	**5,180.2**	4,545.0
		8,756.9	7,493.6
Current assets			
Receivables	E	**8.6**	5.6
Cash and short-term deposits		**1.5**	0.8
		10.1	6.4
Total assets		**8,767.0**	7,500.0
Current liabilities			
Payables	F	**1,434.8**	1,176.1
Borrowings	G	**–**	246.2
		1,434.8	1,422.3
Non-current liabilities			
Borrowings	G	**2,287.1**	2,017.8
Total liabilities		**3,721.9**	3,440.1
Net assets		**5,045.1**	4,059.9
Equity			
Called up share capital	23	**196.1**	178.2
Share premium	H	**1,222.9**	1,222.4
Merger reserve	H	**374.2**	–
Other reserves	H	**7.3**	7.3
Revaluation reserve	H	**1,981.1**	1,353.0
Retained earnings	H	**1,270.3**	1,303.9
Investment in own shares	I	**(6.8)**	(4.9)
Equity shareholders' funds	J	**5,045.1**	4,059.9

These financial statements were approved by the Board of Directors on 13 February 2015.

Signed on behalf of the Board

David Atkins
Director

Timon Drakesmith
Director

Registered in England No. 360632

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 £105.9 million (2013: £57.1 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 2014	**1,561.7**	**2,948.6**
Revaluation adjustment	–	**628.1**
Balance at 31 December 2014	**1,561.7**	**3,576.7**

Investments are stated at Directors' valuation. A list of the principal subsidiary companies at 31 December 2014 is included in note L.

D: Receivables: non-current assets

	2014 £m	2013 £m
Amounts owed by subsidiaries	**5,101.7**	4,474.3
Loans receivable (see note 15)	**63.5**	68.7
Fair value of interest rate swaps	**15.0**	2.0
	5,180.2	4,545.0

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 2015.

E: Receivables: current assets

	2014 £m	2013 £m
Other receivables	3.5	5.6
Fair value of currency swaps	5.1	–
	8.6	5.6

F: Payables

	2014 £m	2013 £m
Amounts owed to subsidiaries	1,377.9	1,112.9
Other payables and accruals	56.9	63.2
	1,434.8	1,176.1

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	2014 Total £m	2013 Total £m
After five years	–	1,399.0	1,399.0	1,160.1
From two to five years	72.9	384.8	457.7	458.6
From one to two years	164.6	265.8	430.4	399.1
Due after more than one year	237.5	2,049.6	2,287.1	2,017.8
Due within one year	–	–	–	246.2
	237.5	2,049.6	2,287.1	2,264.0
Current assets: Fair value of currency swaps	–	(5.1)	(5.1)	–
	237.5	2,044.5	2,282.0	2,264.0

Details of the Group's borrowings and financial instruments are given in notes 19 and 20 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	Merger reserve £m	Other reserves £m	Revaluation reserve £m	Retained earnings £m
Balance at 1 January 2014		1,222.4	–	7.3	1,353.0	1,303.9
Issue of shares		0.5	381.4	–	–	–
Share issue costs		–	(7.2)	–	–	–
Dividends	10	–	–	–	–	(139.5)
Revaluation gains on investments in subsidiary companies		–	–	–	628.1	–
Profit for the year		–	–	–	–	105.9
Balance at 31 December 2014		**1,222.9**	**374.2**	**7.3**	**1,981.1**	**1,270.3**

The merger reserve comprises the premium on the share placing in September 2014. With regard to this transaction, no share premium is recorded in the Company's financial statements, through the operation of the merger relief provisions of the Companies Act 2006.

The balance of £7.2 million on the capital redemption reserve has been aggregated within other reserves as at 1 January 2014.

I: Investment in own shares

At cost	2014 £m	2013 £m
Balance at 1 January	**4.9**	6.0
Purchase of own shares	**5.5**	4.9
Transfer to employing subsidiaries – cost of shares awarded to employees	**(3.6)**	(6.0)
Balance at 31 December	**6.8**	4.9

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 23 and 24 to the consolidated accounts.

J: Reconciliation of movements in equity shareholders' funds

	2014 £m	2013 £m
Balance at 1 January	**4,059.9**	3,851.2
Issues of shares	**392.6**	0.1
Dividends	**(139.5)**	(130.1)
Revaluation gains on investments in subsidiary companies	**628.1**	280.5
Cost of shares awarded to employees	**3.6**	6.0
Purchase of own shares	**(5.5)**	(4.9)
Profit for the year	**105.9**	57.1
Balance at 31 December	**5,045.1**	4,059.9

K: Fair value of financial instruments

	2014		2013	
	Book value £m	Fair value £m	Book value £m	Fair value £m
Borrowings, excluding currency swaps	**2,298.1**	**2,604.1**	2,241.4	2,451.7
Currency swaps	**(16.1)**	**(16.1)**	22.6	22.6
Total	**2,282.0**	**2,588.0**	2,264.0	2,474.3
Interest rate swaps	**15.0**	**15.0**	2.0	2.0

L: Principal Group entities

In the opinion of the Directors the disclosure of all of the Group's undertakings would be excessive so, as permitted by section 410 of the Companies Act 2006, a complete listing of all the Group's undertakings has not been provided below. A complete list of the Group's undertakings will be filed with the Annual Return at Companies House.

The Directors consider the entities listed below to be the principal undertakings affecting the Group's financial results, which 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 and are incorporated/registered and operate in the countries listed below. No Group entities have been excluded from the consolidated financial results.

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 Immobilière ESQ (25%)	
Bristol Alliance Limited Partnership (50%)	Société Civile Immobilières RC Aulnay1 and RC Aulnay 2 (25%)	
The Bull Ring Limited Partnership (50%)	Société Civile de Développement du Centre Commercial de la Place des Halles SDPH (64.5%)	
Hammerson (Cramlington 1) Ltd		
Croydon Limited Partnership (50%)		
Hammerson Group Management Ltd		
The Highcross Limited Partnership		
Hammerson Operations Ltd		
The Oracle Limited Partnership (50%)		
Retail Property Holdings Limited (50%)[1]		
Hammerson (Value Retail Investments) Ltd		
Hammerson (Victoria Quarter) Limited		
Whitgift Limited Partnership (50%)		
Union Square Developments Ltd		
The West Quay Limited Partnership (50%)		
VIA Limited Partnership (47%)[2]		

1. Incorporated/registered and resident in the Isle of Man.
2. Incorporated/registered and resident in Jersey.

FINANCIAL STATEMENTS

Unaudited

Our portfolio provides a secure income stream, with a weighted average unexpired lease term of eight years, and opportunities for growth. The portfolio was 3.6% reversionary at 31 December 2014, with reversion at the UK and French portfolios of 1.2% and 10.0% respectively. Assuming that leases are renewed or re-let and rent reviews are agreed at current ERVs an estimated £17.0 million of additional annual income could be secured from the portfolio by the end of 2017.

As explained in the Financial Review on page 51, management reviews the performance of the business including the Group's share of joint ventures on a proportionally consolidated basis, but excludes the Group's interest in premium outlets through investments in Value Retail and VIA Outlets. This is because the Group has less day-to-day involvement and the outlets centre sector has different operational characteristics compared with the Group's property portfolio. The information in the following tables has been prepared on this basis.

Table Fig 83

Rental information

Rental data for the year ended 31 December 2014

Proportionally consolidated excluding premium outlets	Gross rental income £m	Net rental income £m	Vacancy rate %	Average rents passing £/m^2	Rents passing £m	Estimated rental value £m	Reversion/ (over-rented) %
Notes			1	2	3	4	5
United Kingdom							
Shopping centres	149.4	127.9	1.9	535	154.2	160.8	2.6
Retail parks	86.2	83.0	1.5	190	86.8	87.4	(0.9)
Other	14.5	11.3	8.7	180	12.4	13.4	(0.4)
Total	**250.1**	**222.2**	**2.1**	**335**	**253.4**	**261.6**	**1.2**
France	**91.8**	**82.4**	**3.4**	**360**	**93.5**	**107.0**	**10.0**
Total investment portfolio	**341.9**	**304.6**	**2.5**	**340**	**346.9**	**368.6**	**3.6**
Developments	2.2	1.0					
Total property portfolio	**344.1**	**305.6**					

Selected data for the year ended 31 December 2013
(continuing portfolio only)

Group							
UK	246.6	218.5	2.2	330	250.3	258.2	1.0
France	71.6	63.2	2.6	335	69.7	75.1	4.9
Total investment portfolio	**318.2**	**281.7**	**2.3**	**330**	**320.0**	**333.3**	**1.8**

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 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, 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, 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.

Table Fig 84

Lease expiries and breaks as at 31 December 2014

Proportionally consolidated excluding premium outlets	Rents passing that expire/break in 2015 £m	Rents passing that expire/break in 2016 £m	Rents passing that expire/break in 2017 £m	ERV of leases that expire/break in 2015 £m	ERV of leases that expire/break in 2016 £m	ERV of leases that expire/break in 2017 £m	Weighted average unexpired lease term to break years	Weighted average unexpired lease term to expiry years
Notes	1	1	1	2	2	2		
United Kingdom								
Shopping centres	21.8	7.9	8.9	26.9	7.5	9.1	6.5	8.2
Retail parks	7.7	1.0	2.0	8.1	1.1	1.9	8.8	9.8
Other	3.4	0.7	0.9	4.2	0.6	0.9	7.0	8.3
Total	**32.9**	**9.6**	**11.8**	**39.2**	**9.2**	**11.9**	**7.4**	**8.8**
France	**13.8**	**4.4**	**5.5**	**14.9**	**4.4**	**5.8**	**3.8**	**6.4**
Total investment portfolio	**46.7**	**14.0**	**17.3**	**54.1**	**13.6**	**17.7**	**6.3**	**8.1**

Notes

1. The amount by which rental income, based on rents passing at 31 December 2014, 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 2014 for leases that expire or break in each year and ignoring the impact of rental growth and any rent-free periods.

Table Fig 85

Rent reviews as at 31 December 2014

Proportionally consolidated excluding premium outlets	Rents passing subject to review in Outstanding £m	Rents passing subject to review in 2015 £m	Rents passing subject to review in 2016 £m	Rents passing subject to review in 2017 £m	Projected rents at current ERV of leases subject to review in Outstanding £m	Projected rents at current ERV of leases subject to review in 2015 £m	Projected rents at current ERV of leases subject to review in 2016 £m	Projected rents at current ERV of leases subject to review in 2017 £m
Notes	1	1	1	1	2	2	2	2
United Kingdom								
Shopping centres	37.9	9.4	9.2	13.2	41.8	10.3	10.4	14.1
Retail parks	23.6	23.0	15.4	11.8	24.5	23.7	15.9	12.1
Other	3.0	2.1	0.8	0.8	3.2	2.2	0.8	0.8
Total	**64.5**	**34.5**	**25.4**	**25.8**	**69.5**	**36.2**	**27.1**	**27.0**

Notes

1. Rents passing at 31 December 2014, 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 2014 and ignoring the impact of changes in rental values before the review date.

Table Fig 86

Net rental income

Net rental income for the year ended 31 December 2014

Proportionally consolidated excluding premium outlets	Properties owned throughout 2013/14 £m	Increase/ (Decrease) for properties owned throughout 2013/14 %	Acquisitions £m	Disposals £m	Developments £m	Total net rental income £m
United Kingdom						
Shopping centres	115.0	**2.2**	10.5	0.3	2.1	127.9
Retail parks	80.1	**2.4**	–	1.0	1.9	83.0
Other	9.3	**(1.2)**	0.9	0.7	1.3	12.2
Total	204.4	**2.1**	11.4	2.0	5.3	223.1
France	62.0	**2.0**	4.9	–	15.6	82.5
Total property portfolio	266.4	**2.1**	16.3	2.0	20.9	305.6

Table Fig 87

Net rental income for the year ended 31 December 2013

Proportionally consolidated excluding premium outlets	Properties owned throughout 2013/14 £m	Exchange £m	Acquisitions £m	Disposals £m	Developments £m	Total net rental income £m
United Kingdom						
Shopping centres	112.6	–	5.5	6.2	0.4	124.7
Retail parks	78.2	–	–	1.5	2.4	82.1
Other	9.5	–	1.1	2.2	1.2	14.0
Total	200.3	–	6.6	9.9	4.0	220.8
France	60.7	3.2	(1.1)	0.1	(0.2)	62.7
Total property portfolio – continuing operations	261.0	3.2	5.5	10.0	3.8	283.5
Discontinued operations	–	–	–	6.7	–	6.7
Total property portfolio	261.0	3.2	5.5	16.7	3.8	290.2

Table Fig 88

Cost ratio

Proportionally consolidated excluding premium outlets	Notes	Year ended 31 December 2014 £m	Year ended 31 December 2013 £m
Net service charge expenses – non-vacancy		**3.0**	2.0
Net service charge expenses – vacancy		**7.4**	7.9
Net service charge expenses – total	2	**10.4**	9.9
Other property outgoings	2	**26.2**	26.6
Employee and corporate costs	2	**52.1**	48.8
Management fees receivable	2	**(5.6)**	(6.7)
Net one-off restructuring charge	2	**(3.0)**	–
Total operating costs		**80.1**	78.6
Gross rental income, after rents payable	2	**342.2**	319.3
Cost ratio including net service charge expenses – vacancy (%)		**23.4**	24.6
Cost ratio excluding net service charge expenses – vacancy (%)		**21.2**	22.1

2013 figures are for continuing operations only

Staff costs amounting to £1.5 million (2013: £1.5 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.

Including the net one-off restructuring charge of £3.0 million shown above as operating costs increases the cost ratio to 24.3%. Further details on the restructuring charge are in the Financial Review on page 52.

Table Fig 89

Top Ten Tenants

Tenants ranked by passing rent at 31 December 2014

Proportionally consolidated excluding premium outlets	Passing rent £m	% of total passing rent
B&Q	12.1	3.5
Next	7.1	2.0
Dixons Carphone	6.7	1.9
H&M	6.7	1.9
Inditex	6.6	1.9
Arcadia	6.0	1.8
Home Retail Group	6.0	1.8
Boots	5.2	1.5
New Look	5.0	1.4
Debenhams	4.5	1.3
Total	**65.9**	**19.0**

Table Fig 90

Valuation analysis

Valuation data for property portfolio for the year ended 31 December 2014

Proportionally consolidated	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							
Shopping centres	2,863.9	237.4	9.6	15.0	4.7	5.4	5.2
Retail parks	1,644.1	134.9	9.0	15.0	4.8	5.6	5.4
Other	192.7	5.1	3.4	8.9	6.1	7.2	7.1
Total	**4,700.7**	**377.4**	**9.0**	**14.7**	**4.8**	**5.6**	**5.4**
France	**1,797.7**	**41.1**	**2.4**	**7.7**	**4.6**	**5.3**	**5.1**
Total investment portfolio	**6,498.4**	**418.5**	**7.4**	**13.1**	**4.7**	**5.5**	**5.3**
Developments	208.1	18.3	9.1	9.8			
Total property portfolio	**6,706.5**	**436.8**	**7.4**	**12.7**			
Premium outlets[4]	1,027.6	109.8	12.8	19.9			
Total Group	**7,734.1**	**546.6**	**8.0**	**13.6**			

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 premium outlets through its interests in Value Retail and VIA Outlets.
5. The weighted average remaining rent-free period is 0.5 years.

Table Fig 91

Yield analysis

Investment portfolio at 31 December 2014

Proportionally consolidated excluding premium outlets	Income £m	Gross value £m	Net book value £m
Portfolio value (net of cost to complete)		6,849	6,849
Purchasers' costs[1]			(350)
Net investment portfolio valuation as reported in the financial statements			6,499
Income and yields			
Rent for valuers' initial yield (equivalent to EPRA Net Initial Yield)	323.4	4.7%	5.0%
Rent-free periods (including pre-lets)	13.3	0.2%	0.2%
Rent for 'topped-up' initial yield[2]	336.7	4.9%	5.2%
Non-recoverable costs (net of outstanding rent reviews)	10.2	0.2%	0.2%
Passing rents	346.9	5.1%	5.4%
ERV of vacant space	8.8	0.1%	0.1%
Reversions	12.9	0.2%	0.2%
Total ERV/Reversionary yield	368.6	5.4%	5.7%
True equivalent yield		5.5%	
Nominal equivalent yield		5.3%	

Notes

1. Purchasers' costs equate to 5.4% of the net portfolio value.
2. The yield of 4.9% based on passing rents and the gross portfolio value is equivalent to EPRA's 'topped-up' Net Initial Yield.

OTHER INFORMATION

PROPERTY DETAILS

Unaudited

UK SHOPPING CENTRES

Our 11 major UK shopping centres attract nearly 160 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:	111
UNEXPIRED LEASE TERM TO EXPIRY:	7 years
OCCUPANCY RATE:	99%
RENTS PASSING:	£17.5 million p.a.
AVERAGE RENTS PASSING:	£1,065per m²
ENVIRONMENTAL MANAGEMENT SYSTEM:	ISO 14001
ENERGY INTENSITY*:	127
OWNERSHIP:	41%
PROPERTY NET INTERNAL AREA:	84,900m²

BRISTOL INVESTMENT PROPERTIES

JV PARTNER:	AXA Real Estate (50%)
KEY DATES:	2000-2006 acquired
TENURE:	Leasehold
PRINCIPAL OCCUPIERS:	BHS, Sports Direct, Sainsbury's, HMV, Superdrug
NO. OF TENANTS:	60
UNEXPIRED LEASE TERM TO EXPIRY:	10 years
OCCUPANCY RATE:	94.9%
RENTS PASSING:	£3.7 million p.a.
AVERAGE RENTS PASSING:	£265 per m²
OWNERSHIP:	50%
PROPERTY NET INTERNAL AREA:	33,800m²

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:	162
UNEXPIRED LEASE TERM TO EXPIRY:	6 years
OCCUPANCY RATE:	98.8%
RENTS PASSING:	£26.8 million p.a.
AVERAGE RENTS PASSING:	£535 per m²
ENVIRONMENTAL MANAGEMENT SYSTEM:	ISO 14001
ENERGY INTENSITY*:	127
OWNERSHIP:	50%
PROPERTY NET INTERNAL AREA:	127,600m²

CABOT CIRCUS, BRISTOL

JV PARTNER:	AXA Real Estate(50%)
KEY DATES:	September 2008 opened
TENURE:	Leasehold
PRINCIPAL OCCUPIERS:	Harvey Nichols, House of Fraser, Cinema de Lux
NO. OF TENANTS:	129
UNEXPIRED LEASE TERM TO EXPIRY:	8 years
OCCUPANCY RATE:	97.6%
RENTS PASSING:	£15.1 million p.a.
AVERAGE RENTS PASSING:	£370 per m²
ENVIRONMENTAL MANAGEMENT SYSTEM:	ISO 14001
ENVIRONMENTAL RATING:	Excellent
OWNERSHIP:	50%
PROPERTY NET INTERNAL AREA:	109,600m²

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:	51
UNEXPIRED LEASE TERM TO EXPIRY:	7 years
OCCUPANCY RATE:	96.3%
RENTS PASSING:	£4.9 million p.a.
AVERAGE RENTS PASSING:	£260 per m²
ENVIRONMENTAL MANAGEMENT SYSTEM:	–
ENERGY INTENSITY*:	204
OWNERSHIP:	50%
PROPERTY NET INTERNAL AREA:	64,700m²

HIGHCROSS, LEICESTER

JV PARTNER:	-
KEY DATES:	2008 developed
TENURE:	Freehold
PRINCIPAL OCCUPIERS:	Cinema de Lux, Debenhams, House of Fraser, John Lewis
NO. OF TENANTS:	135
UNEXPIRED LEASE TERM TO EXPIRY:	13 years
OCCUPANCY RATE:	96.4%
RENTS PASSING:	£27.4 million p.a.
AVERAGE RENTS PASSING:	£455 per m²
ENVIRONMENTAL MANAGEMENT SYSTEM:	ISO 14001
ENERGY INTENSITY*:	95
OWNERSHIP:	100%
PROPERTY NET INTERNAL AREA:	105,600m²

MONUMENT MALL, NEWCASTLE

JV PARTNER:	–
KEY DATES:	2011 acquired, 2013 redeveloped
TENURE:	Freehold
PRINCIPAL OCCUPIERS:	Jamie's Italian, Living Ventures, Michael Kors, TK Maxx, Sports Direct
NO. OF TENANTS:	15
UNEXPIRED LEASE TERM TO EXPIRY:	12
OCCUPANCY RATE:	99.6
RENTS PASSING:	£3.3 million p.a.
AVERAGE RENTS PASSING:	£375 per m²
ENERGY INTENSITY*:	238
OWNERSHIP:	100%
PROPERTY NET INTERNAL AREA:	9,500m²

SILVERBURN, GLASGOW

JV PARTNER:	CPPIB (50%)
KEY DATES:	2007 opened, 2009 acquired
TENURE:	Freehold
PRINCIPAL OCCUPIERS:	Debenhams, Marks & Spencer, Tesco Extra
NO. OF TENANTS:	99
UNEXPIRED LEASE TERM TO EXPIRY:	8 years
OCCUPANCY RATE:	99.8%
RENTS PASSING:	£10.3 million p.a.
AVERAGE RENTS PASSING:	£355 per m²
ENVIRONMENTAL MANAGEMENT SYSTEM:	ISO 14001
ENERGY INTENSITY*:	93
OWNERSHIP:	50%
PROPERTY NET INTERNAL AREA:	92,100m²

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:	110
UNEXPIRED LEASE TERM TO EXPIRY:	8 years
OCCUPANCY RATE:	98.5%
RENTS PASSING:	£14.3 million p.a.
AVERAGE RENTS PASSING:	£565 per m²
ENVIRONMENTAL MANAGEMENT SYSTEM:	ISO 14001
ENERGY INTENSITY*:	54
OWNERSHIP:	50%
PROPERTY NET INTERNAL AREA:	70,400m²

* Measured by kg/CO_2e/m² Common Parts.

UK SHOPPING CENTRES

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:	12 years
OCCUPANCY RATE:	96.9%
RENTS PASSING:	£17.5 million p.a.
AVERAGE RENTS PASSING:	£480 per m^2
ENVIRONMENTAL RATING:	BREEAM Very Good
ENERGY INTENSITY*:	171
OWNERSHIP:	100%
PROPERTY NET INTERNAL AREA:	51,600m^2

VICTORIA QUARTER, LEEDS

JV PARTNER:	–
KEY DATES:	2012 acquired
TENURE:	Freehold
PRINCIPAL OCCUPIERS:	Harvey Nichols, Paul Smith, Vivienne Westwood
NO. OF TENANTS:	67
UNEXPIRED LEASE TERM TO EXPIRY:	6 years
OCCUPANCY RATE:	96.5%
RENTS PASSING:	£7.3 million p.a.
AVERAGE RENTS PASSING:	£540 per m^2
ENERGY INTENSITY*:	62
OWNERSHIP:	100%
PROPERTY NET INTERNAL AREA:	19,100m^2

WESTQUAY, SOUTHAMPTON

JV PARTNER:	GIC (50%)
KEY DATES:	2000 developed
TENURE:	Leasehold
PRINCIPAL OCCUPIERS:	John Lewis, Marks & Spencer, Superdry, Zara
NO. OF TENANTS:	98
UNEXPIRED LEASE TERM TO EXPIRY:	4 years
OCCUPANCY RATE:	99.9%
RENTS PASSING:	£14.6 million p.a.
AVERAGE RENTS PASSING:	£660 per m^2
ENVIRONMENTAL MANAGEMENT SYSTEM:	ISO 14001
ENERGY INTENSITY*:	60
OWNERSHIP:	50%
PROPERTY NET INTERNAL AREA:	76,400m^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 500,000m^2 of floorspace. The 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:	15 years
OCCUPANCY RATE:	100%
PLANNING	Part open A1, part bulky goods
RENTS PASSING:	£3.3 million p.a.
AVERAGE RENTS PASSING:	£145 per m^2
ENERGY INTENSITY$^{\Delta}$:	54
OWNERSHIP:	100%
PROPERTY NET INTERNAL AREA:	20,200m^2

ABBOTSINCH RETAIL PARK, PAISLEY

JV PARTNER:	–
KEY DATES:	2012 acquired
TENURE:	Freehold
PRINCIPAL OCCUPIERS:	B&Q, Pets at Home, Harveys, DFS
NO. OF TENANTS:	11
UNEXPIRED LEASE TERM TO EXPIRY:	11 years
OCCUPANCY RATE:	100%
PLANNING	Bulky goods
RENTS PASSING:	£4.1 million p.a.
AVERAGE RENTS PASSING:	£195 per m^2
ENERGY INTENSITY$^{\Delta}$:	43
OWNERSHIP:	100%
PROPERTY NET INTERNAL AREA:	20,900m^2

BATTERY RETAIL PARK, BIRMINGHAM

JV PARTNER:	–
KEY DATES:	Built 1990, 2002 acquired, 2010 bought out partner
TENURE:	Leasehold
PRINCIPAL OCCUPIERS:	Currys, Halfords, Homebase, Next, PC World
NO. OF TENANTS:	6
UNEXPIRED LEASE TERM TO EXPIRY:	10 years
OCCUPANCY RATE:	100%
PLANNING	A1 and restaurants
RENTS PASSING:	£2.3 million p.a.
AVERAGE RENTS PASSING:	£330 per m^2
ENERGY INTENSITY$^{\Delta}$:	8
OWNERSHIP:	100%
PROPERTY NET INTERNAL AREA:	6,900m^2

BRENT SOUTH SHOPPING PARK, LONDON NW2

JV PARTNER:	Standard Life (59%)
KEY DATES:	2004 developed
TENURE:	Freehold
PRINCIPAL OCCUPIERS:	DFS, Next, TK Maxx
NO. OF TENANTS:	10
UNEXPIRED LEASE TERM TO EXPIRY:	8 years
OCCUPANCY RATE:	100%
PLANNING	Mainly open A1
RENTS PASSING:	£1.7 million p.a.
AVERAGE RENTS PASSING:	£495 per m^2
ENERGY INTENSITY$^{\Delta}$:	81
OWNERSHIP:	41%
PROPERTY NET INTERNAL AREA:	8,700m^2

CENTRAL RETAIL PARK, FALKIRK

JV PARTNER:	–
KEY DATES:	2002 acquired, 2003 extended
TENURE:	Leasehold
PRINCIPAL OCCUPIERS:	Boots, Homebase, Mothercare, Next, Tesco
NO. OF TENANTS:	27
WEIGHTED AVERAGE UNEXPIRED LEASE TERM EXPIRY	9 years
OCCUPANCY RATE:	96.2%
PLANNING	Mixed
RENTS PASSING:	£5.8 million p.a.
AVERAGE RENTS PASSING:	£200 per m^2
ENERGY INTENSITY$^{\Delta}$:	41
OWNERSHIP:	100%
PROPERTY NET INTERNAL AREA:	36,900m^2

CLEVELAND RETAIL PARK, MIDDLESBROUGH

JV PARTNER:	–
KEY DATES:	2002 acquired, 2006 extended, 2009 reconfiguration
TENURE:	Freehold
PRINCIPAL OCCUPIERS:	Argos, Boots, B&Q, Currys, Matalan, M&S Simply Food, Next, Outfit
NO. OF TENANTS:	21
UNEXPIRED LEASE TERM TO EXPIRY:	10 years
OCCUPANCY RATE:	100%
PLANNING	Part open A1, part bulky goods
RENTS PASSING:	£4.6 million p.a.
AVERAGE RENTS PASSING:	£160 per m^2
ENERGY INTENSITY$^{\Delta}$:	37
OWNERSHIP:	100%
PROPERTY NET INTERNAL AREA:	27,800m^2

$^{\Delta}$ Measured by kg/CO_2e/car parking space.

UK RETAIL PARKS CONTINUED

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:	18
UNEXPIRED LEASE TERM TO EXPIRY:	9 years
OCCUPANCY RATE:	92.1%
PLANNING	Mixed (open A1, bulky goods, restaurant)
RENTS PASSING:	£5.0 million p.a.
AVERAGE RENTS PASSING:	£225 per m²
ENERGY INTENSITY^Δ:	76
OWNERSHIP:	100%
PROPERTY NET INTERNAL AREA:	23,500m²

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:	15 years
OCCUPANCY RATE:	100%
PLANNING	Food and bulky goods
RENTS PASSING:	£2.0 million p.a.
AVERAGE RENTS PASSING:	£195 per m²
ENERGY INTENSITY^Δ:	2
OWNERSHIP:	100%
PROPERTY NET INTERNAL AREA:	10,100m²

DRAKEHOUSE RETAIL PARK, SHEFFIELD

JV PARTNER:	–
KEY DATES:	2003 acquired
TENURE:	Freehold
PRINCIPAL OCCUPIERS:	B&M Home Store, Carpetright, Currys, Homebase, JD Sports, Oak Furnitureland, Smyths Toys, Wickes
NO. OF TENANTS:	19
UNEXPIRED LEASE TERM TO EXPIRY:	9 years
OCCUPANCY RATE:	100%
PLANNING	Restricted open A1
RENTS PASSING:	£4.2 million p.a.
AVERAGE RENTS PASSING:	£200 per m²
ENERGY INTENSITY^Δ:	50
OWNERSHIP:	100%
PROPERTY NET INTERNAL AREA:	21,000m²

ELLIOTT'S FIELD, RUGBY*

JV PARTNER:	–
KEY DATES:	2011 acquired
TENURE:	Freehold
PRINCIPAL OCCUPIERS:	Halfords, Pizza Hut, TK Maxx
NO. OF TENANTS:	3
UNEXPIRED LEASE TERM TO EXPIRY:	1 years
OCCUPANCY RATE:	100%
PLANNING	Open A1
RENTS PASSING:	£0.5 million p.a.
AVERAGE RENTS PASSING:	£190 per m²
ENERGY INTENSITY^Δ:	n/k
ENVIRONMENTAL RATING:	BREEAM Excellent targeted
OWNERSHIP:	100%
PROPERTY NET INTERNAL AREA:	2,400m²

* Excludes area currently under development.

FIFE CENTRAL RETAIL PARK, KIRKCALDY

JV PARTNER:	–
KEY DATES:	2005 acquired, 2009 extension
TENURE:	Freehold
PRINCIPAL OCCUPIERS:	Argos, B&Q, Boots, Homebase, Mothercare, Next, Sainsbury's
NO. OF TENANTS:	18
UNEXPIRED LEASE TERM TO EXPIRY:	9 years
OCCUPANCY RATE:	100%
PLANNING	Part open A1, part bulky goods
RENTS PASSING:	£6.0 million p.a.
AVERAGE RENTS PASSING:	£210 per m²
ENERGY INTENSITY^Δ:	43
OWNERSHIP:	100%
PROPERTY NET INTERNAL AREA:	28,200m²

IMPERIAL RETAIL PARK, BRISTOL

JV PARTNER:	–
KEY DATES:	2012 acquired
TENURE:	Freehold
PRINCIPAL OCCUPIERS:	B&Q, Boots, M&S Simply Food, Tesco Home Plus
NO. OF TENANTS:	18
UNEXPIRED LEASE TERM TO EXPIRY	11 years
OCCUPANCY RATE:	100%
PLANNING	Restricted open A1
RENTS PASSING:	£5.3 million p.a.
AVERAGE RENTS PASSING:	£165 per m²
ENERGY INTENSITY^Δ:	50
OWNERSHIP:	100%
PROPERTY NET INTERNAL AREA:	32,200m²

MANOR WALKS, CRAMLINGTON

JV PARTNER:	–
KEY DATES:	2006 acquired
TENURE:	Freehold
PRINCIPAL OCCUPIERS:	Argos, Boots, Next, Sainsbury's, Vue
NO. OF TENANTS:	122
UNEXPIRED LEASE TERM TO EXPIRY:	7 years
OCCUPANCY RATE:	97.9%
PLANNING	Open A1
RENTS PASSING:	£8.1 million p.a.
AVERAGE RENTS PASSING:	£145 per m²
ENERGY INTENSITY^Δ:	220
OWNERSHIP:	100%
PROPERTY NET INTERNAL AREA:	57,600m²

PARC TAWE, SWANSEA

JV PARTNER:	–
KEY DATES:	2006 acquired
TENURE:	Leasehold
PRINCIPAL OCCUPIERS:	Mothercare, Odeon, Toys 'R' Us
NO. OF TENANTS:	11
UNEXPIRED LEASE TERM TO EXPIRY:	3 years
OCCUPANCY RATE:	100%
PLANNING	Open A1
RENTS PASSING:	£1.4 million p.a.
AVERAGE RENTS PASSING:	£75 per m²
ENERGY INTENSITY^Δ:	130
OWNERSHIP:	100%
PROPERTY NET INTERNAL AREA:	20,600m²

RAVENHEAD RETAIL PARK, ST HELENS

KEY DATES:	2007 acquired
TENURE:	Freehold
PRINCIPAL OCCUPIERS:	Argos, B&Q, Boots, Currys, Next, PC World, Smyths Toys
NO. OF TENANTS:	19
UNEXPIRED LEASE TERM TO EXPIRY:	9 years
OCCUPANCY RATE:	100%
PLANNING	Part open A1, part bulky goods
RENTS PASSING:	£4.8 million p.a.
AVERAGE RENTS PASSING:	£175 per m²
ENERGY INTENSITY^Δ:	102
OWNERSHIP:	100%
PROPERTY NET INTERNAL AREA:	27,600m²

Δ Measured by kg/CO_2e/car parking space.

ST OSWALD'S RETAIL PARK, GLOUCESTER

JV PARTNER:	–
KEY DATES:	2005 developed
TENURE:	Leasehold
PRINCIPAL OCCUPIERS:	B&Q, DW Sports, Homesense, Mothercare
NO. OF TENANTS:	15
UNEXPIRED LEASE TERM TO EXPIRY:	13 years
OCCUPANCY RATE:	100%
PLANNING	Mixed (open A1, bulky goods, restaurant)
RENTS PASSING:	£4.5 million p.a.
AVERAGE RENTS PASSING:	£215 per m^2
ENERGY INTENSITY[Δ]:	48
OWNERSHIP:	100%
PROPERTY NET INTERNAL AREA:	20,800m^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:	21
UNEXPIRED LEASE TERM TO EXPIRY:	10 years
OCCUPANCY RATE:	95.1%
PLANNING	Open A1
RENTS PASSING:	£4.7 million p.a.
AVERAGE RENTS PASSING:	£215 per m^2
ENERGY INTENSITY[Δ]:	39
OWNERSHIP:	100%
PROPERTY NET INTERNAL AREA:	29,100m^2

THE ORCHARD CENTRE, DIDCOT

JV PARTNER:	–
KEY DATES:	2006 acquired
TENURE:	Leasehold
PRINCIPAL OCCUPIERS:	Argos, Next, Sainsbury's
NO. OF TENANTS:	52
UNEXPIRED LEASE TERM TO EXPIRY:	13 years
OCCUPANCY RATE:	100%
PLANNING	Open A1
RENTS PASSING:	£3.8 million p.a.
AVERAGE RENTS PASSING:	£145 per m^2
ENERGY INTENSITY[Δ]:	147
OWNERSHIP:	100%
PROPERTY NET INTERNAL AREA:	25,800m^2

THURROCK SHOPPING PARK, THURROCK

JV PARTNER:	–
KEY DATES:	2012 acquired
TENURE:	Freehold
PRINCIPAL OCCUPIERS:	Decathlon, Dunelm, Marks & Spencer, TK Maxx, Gap, Asda Living, Boots, Smyths Toys, Nike
NO. OF TENANTS:	22
UNEXPIRED LEASE TERM TO EXPIRY:	9 years
OCCUPANCY RATE:	100%
PLANNING	Open A1
RENTS PASSING:	£5.9 million p.a.
AVERAGE RENTS PASSING:	£190 per m^2
ENERGY INTENSITY[Δ]:	74
OWNERSHIP:	100%
PROPERTY NET INTERNAL AREA:	30,300m^2

WESTWOOD & WESTWOOD GATEWAY RETAIL PARKS, THANET

JV PARTNER:	–
KEY DATES:	2002 acquired, 2009 extended
TENURE:	Freehold
PRINCIPAL OCCUPIERS:	Homebase, Matalan, Sports Direct, Wren Living
NO. OF TENANTS:	19
UNEXPIRED LEASE TERM TO EXPIRY:	10 years
OCCUPANCY RATE:	96.1%
PLANNING	Part open A1
RENTS PASSING:	£4.9 million p.a.
AVERAGE RENTS PASSING:	£200 per m^2
ENERGY INTENSITY[Δ]:	65
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:	7 years
OCCUPANCY RATE:	100%
PLANNING	Open A1
RENTS PASSING:	£2.6 million p.a.
AVERAGE RENTS PASSING:	£195 per m^2
ENERGY INTENSITY[Δ]:	86
OWNERSHIP:	100%
PROPERTY NET INTERNAL AREA:	13,400m^2

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 Marseille, Strasbourg and Angers. Our French shopping centres attract over 80 million visitors each year.

BERCY 2, CHARENTON-LE-PONT

CO-OWNERSHIP:	Carrefour, Darty
KEY DATES:	2000 acquired
TENURE:	Freehold
PRINCIPAL OCCUPIERS:	Go Sport, H&M, La Grande Récré
NO. OF TENANTS:	64
UNEXPIRED LEASE TERM TO EXPIRY:	6 years
OCCUPANCY RATE:	94.9%
RENTS PASSING:	£3.9 million p.a.
AVERAGE RENTS PASSING:	£285 per m^2
ENERGY INTENSITY*:	22
OWNERSHIP:	20,200m^2
PROPERTY NET INTERNAL AREA:	35,200m^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:	122
UNEXPIRED LEASE TERM TO EXPIRY:	5 years
OCCUPANCY RATE:	95.9%
RENTS PASSING:	£2.9 million p.a.
AVERAGE RENTS PASSING:	£465 per m^2
ENERGY INTENSITY*:	7
OWNERSHIP:	25%
PROPERTY NET INTERNAL AREA: (of which JV ownership is 29,500m^2)	60,300m^2

GRAND MAINE, ANGERS

CO-OWNERSHIP:	Carrefour
KEY DATES:	1983 opened 2007 acquired
TENURE:	Freehold
PRINCIPAL OCCUPIERS:	Carrefour, Celio, Etam, Naf Naf, Paul, Yves Rocher
NO. OF TENANTS:	57
UNEXPIRED LEASE TERM TO EXPIRY:	5 years
OCCUPANCY RATE:	94.8%
RENTS PASSING:	£2.5 million p.a.
AVERAGE RENTS PASSING:	£315 per m^2
ENERGY INTENSITY*:	47
OWNERSHIP:	8,600m^2
PROPERTY NET INTERNAL AREA:	21,500m^2

Δ Measured by kg/CO_2e/car parking space.

* Measured by kg/CO_2e/m^2 Common Parts.

FRANCE RETAIL CONTINUED

ITALIE DEUX, 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:	127
UNEXPIRED LEASE TERM TO EXPIRY:	6 years
OCCUPANCY RATE:	98.5%
RENTS PASSING:	£18.9 million p.a.
AVERAGE RENTS PASSING:	£500 per m²
ENERGY INTENSITY*:	97
OWNERSHIP:	57,300m²
PROPERTY NET INTERNAL AREA:	57,300m²

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:	86
UNEXPIRED LEASE TERM TO EXPIRY:	5 years
OCCUPANCY RATE:	97.9%
RENTS PASSING:	£12.0 million p.a.
AVERAGE RENTS PASSING:	£560 per m²
ENERGY INTENSITY*:	35
OWNERSHIP:	25,500m²
PROPERTY NET INTERNAL AREA:	61,500m²

LES TERRASSES DU PORT, MARSEILLE

KEY DATES:	Developed 2014
TENURE:	Leasehold
PRINCIPAL OCCUPIERS:	Printemps, Monoprix, Zara, H&M, Mango
NO. OF TENANTS:	177
UNEXPIRED LEASE TERM TO EXPIRY:	10 years
OCCUPANCY RATE:	98.3%
RENTS PASSING:	£21.8 million p.a.
AVERAGE RENTS PASSING:	£390 per m²
ENVIRONMENTAL RATING	BREEAM Excellent
OWNERSHIP:	100%
PROPERTY NET INTERNAL AREA:	62,800m²

NICETOILE, NICE

JV PARTNER:	Allianz
KEY DATES:	Acquired Jan 2015
TENURE:	Leasehold
PRINCIPAL OCCUPIERS:	Habitat, Sephora, Hollister, Maison du Monde, Lancel
NO. OF TENANTS:	107
UNEXPIRED LEASE TERM TO EXPIRY:	5 years
OCCUPANCY RATE:	96.0%
RENTS PASSING:	£1.3 million p.a.
AVERAGE RENTS PASSING:	£600 per m²
OWNERSHIP:	10%
PROPERTY NET INTERNAL AREA	17,600 m²
PROPERTY NET INTERNAL AREA:	17,600 m²

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 2014 extension completed
TENURE:	Freehold
PRINCIPAL OCCUPIERS:	C&A, Carrefour, Darty, Fnac, H&M, Saturn, Primark, UGC, Zara
NO. OF TENANTS:	184
UNEXPIRED LEASE TERM TO EXPIRY:	5 years
OCCUPANCY RATE:	94.6%
RENTS PASSING:	£5.4 million p.a.
AVERAGE RENTS PASSING:	£360 per m²
ENERGY INTENSITY*:	75
OWNERSHIP:	25%
PROPERTY NET INTERNAL AREA: (of which JV ownership is 67,300m²)	100,700m²

PLACE DES HALLES, STRASBOURG

MINORITY INTEREST:	Assurbail (35.5%)
KEY DATES:	1979 opened 1998 acquired 2007 refurbished
TENURE:	Freehold
PRINCIPAL OCCUPIERS:	C&A, Darty, Go Sport, H&M, Mango, New Look, Sephora, Toys 'R' Us, Zara
NO. OF TENANTS:	115
UNEXPIRED LEASE TERM TO EXPIRY:	4 years
OCCUPANCY RATE:	92.8%
RENTS PASSING:	£10.9 million p.a.
AVERAGE RENTS PASSING:	£355 per m²
ENERGY INTENSITY*:	59
OWNERSHIP:	40,000m²
PROPERTY NET INTERNAL AREA:	41,300m²

SAINT SÉBASTIEN, NANCY

CO-OWNERSHIP:	AXA, Redevco Natixis
KEY DATES:	Acquired 2014
TENURE:	Freehold
PRINCIPAL OCCUPIERS:	Monoprix, Intersport, C&A and Sephora
NO. OF TENANTS:	81
UNEXPIRED LEASE TERM TO EXPIRY:	5
OCCUPANCY RATE:	97.1%
RENTS PASSING:	£6.2 million p.a.
AVERAGE RENTS PASSING:	£385 per m²
ENERGY INTENSITY*:	23
OWNERSHIP:	18,300m²
PROPERTY NET INTERNAL AREA:	24,000m²

SQY OUEST, SAINT QUENTIN-EN-YVELINES

JV PARTNER:	-
KEY DATES:	2005 opened 2011 acquired
TENURE:	Freehold
PRINCIPAL OCCUPIERS:	UGC
NO. OF TENANTS:	13
UNEXPIRED LEASE TERM TO EXPIRY:	2 years
OCCUPANCY RATE:	74.9%
RENTS PASSING:	£2.3 million p.a.
AVERAGE RENTS PASSING:	£145 per m²
ENERGY INTENSITY*:	29
OWNERSHIP:	18,300m²
PROPERTY NET INTERNAL AREA:	18,300m²

VILLEBON 2, VILLEBON-SUR-YVETTE

KEY DATES:	2005 acquired 2007 extension
TENURE:	Freehold
PRINCIPAL OCCUPIERS:	C&A, Darty, Fnac, Toys 'R' Us
NO. OF TENANTS:	46
UNEXPIRED LEASE TERM TO EXPIRY:	6 years
OCCUPANCY RATE:	100%
RENTS PASSING:	£6.7 million p.a.
AVERAGE RENTS PASSING:	£145 per m²
ENERGY INTENSITY*:	5
OWNERSHIP:	47,400m²
PROPERTY NET INTERNAL AREA:	47,400m²

* Measured in kg/CO_2e/m² Common Parts.

TEN-YEAR FINANCIAL SUMMARY

Unaudited

	2014 £m	2013* £m	2012* £m	2011 £m	2010 £m	2009 £m	2008 £m	2007 £m	2006 £m	2005 £m
Income statement										
Net rental income	**305.6**	290.2	282.9	296.0	284.7	293.6	299.8	275.7	237.4	210.3
Operating profit before other net gains/(losses)	**259.1**	247.9	239.6	249.1	248.8	252.6	257.5	234.5	201.3	178.9
Other net gains/(losses)	**430.3**	102.0	(7.3)	209.8	469.9	(590.4)	(1,698.3)	25.2	748.0	607.6
Share of results of joint venture	**(1.1)**	–	–	–	–	–	–	–	–	–
Share of results of associate	**109.9**	101.5	47.5	–	1.5	(0.8)	–	–	–	–
Cost of finance (net)	**(95.1)**	(110.2)	(137.6)	(112.6)	(100.0)	(114.5)	(170.7)	(149.3)	(156.9)	(87.9)
Profit/(Loss) before tax	**703.1**	341.2	142.2	346.3	620.2	(453.1)	(1,611.5)	110.4	792.4	698.6
Current tax	**(0.9)**	(0.8)	(0.4)	(0.7)	(0.6)	(0.9)	(0.6)	(16.4)	(99.4)	1.0
Deferred tax	**(0.1)**	0.1	–	–	(0.1)	103.6	38.3	17.6	333.8	(133.9)
Non-controlling interests	**(3.0)**	(3.1)	(3.4)	(9.9)	(4.1)	5.9	1.2	(10.6)	(9.9)	(11.3)
Profit/(Loss) for the year attributable to equity shareholders	**699.1**	337.4	138.4	335.7	615.4	(344.5)	(1,572.6)	101.0	1,016.9	554.4
Balance sheet										
Investment and development properties	**6,706.5**	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
Investment in joint ventures	**104.2**	–	–	–	–	–	–	–	–	–
Investment in associate	**628.8**	545.4	428.4	–	–	10.4	–	–	–	–
Cash and short-term deposits	**59.4**	56.7	57.1	100.7	126.2	182.9	119.9	28.6	39.4	45.5
Borrowings	**(2,329.3)**	(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)
Other assets	**268.6**	271.2	462.3	435.6	323.1	331.6	319.5	318.7	301.1	278.1
Other liabilities	**(392.6)**	(358.5)	(441.9)	(327.1)	(307.6)	(323.9)	(425.3)	(573.5)	(448.9)	(378.4)
Net deferred tax provision	**(0.5)**	(0.4)	(0.5)	(0.5)	(0.5)	(0.4)	(108.4)	(99.6)	(103.3)	(406.4)
Non-controlling interests	**(71.4)**	(76.7)	(74.5)	(76.5)	(71.7)	(73.4)	(89.3)	(70.4)	(56.6)	(49.9)
Equity shareholders' funds	**4,973.7**	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
Cash flow										
Operating cash flow after tax	**149.6**	129.4	139.9	147.8	132.7	105.3	29.8	(29.2)	5.5	44.9
Dividends	**(139.1)**	(129.4)	(118.4)	(86.1)	(95.4)	(64.5)	(86.7)	(73.1)	(57.7)	(51.0)
Property and corporate acquisitions	**(413.5)**	(191.1)	(397.3)	(374.1)	(218.6)	(39.5)	(123.5)	(163.3)	(219.5)	(308.1)
Developments and major refurbishments	**(193.1)**	(184.4)	(122.9)	(91.2)	(60.8)	(164.1)	(376.7)	(335.5)	(250.5)	(186.3)
Other capital expenditure	**(50.4)**	(17.5)	(48.0)	(23.6)	(25.5)	(23.7)	(13.9)	(44.6)	(29.6)	(36.9)
Disposals	**155.4**	256.3	585.0	271.8	554.6	394.2	245.3	537.2	628.0	224.4
Other cash flows	**12.7**	(30.8)	(72.4)	(34.9)	(0.8)	–	–	(10.9)	(10.2)	17.7
Net cash flow before financing	**(478.4)**	(167.5)	(34.1)	(190.3)	286.2	207.7	(325.7)	(119.4)	66.0	(295.3)
Per share data**										
Basic earnings/(loss) per share	**95.7p**	47.4p	19.4p	47.3p	87.2p	(54.1)p	(368.9)p	23.7p	242.6p	134.4p
Adjusted earnings per share	**23.9p**	23.1p	20.9p	19.3p	19.9p	19.7p	25.8p	27.3p	22.3p	21.2p
Dividend per share	**20.4p**	19.1p	17.7p	16.6p	15.95p	15.45p	18.9p	18.5p	14.7p	13.4p
Diluted net asset value per share	**£6.35**	£5.70	£5.41	£5.30	£4.93	£4.20	£6.61	£10.22	£9.91	£7.44
EPRA/Adjusted net asset value per share	**£6.38**	£5.73	£5.42	£5.30	£4.95	£4.21	£7.03	£10.49	£10.18	£8.39
Financial ratios										
Return on shareholders' equity	**16.3%**	8.8%	5.3%	11.2%	21.1%	-16.9%	-32.5%	4.5%	25.3%	34.0%
Gearing	**46%**	56%	53%	52%	52%	72%	118%	57%	54%	66%
Interest cover	**2.8x**	2.8x	2.8x	2.6x	2.6x	2.2x	1.7x	1.9x	1.8x	1.9x
Dividend cover	**1.2x**	1.2x	1.2x	1.2x	1.2x	1.3x	1.4x	1.5x	1.5x	1.6x

* Comprises continuing and discontinued operations.

** Comparative per share data was restated following the rights issue in March 2009.

The 2014 results have been presented on a proportionally consolidated basis, excluding the Group's investment in VIA Outlets.

This is an extract from the 2013 Annual Report and sets out the Directors' Remuneration Policy (Policy) approved at the 2014 annual general meeting held on the 23 April 2014 and is effective from that date for all payments made to Directors.

The Policy is reproduced here for ease of reference only and the table below must be read alongside its footnotes, which together set out and explain the Policy.

Page number references relating to the 2013 Annual Report have been removed.

FIXED REMUNERATION

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

Base salary	• 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	• 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 opposite.

- 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 produced later in this policy.
- 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	• 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)	• 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)	• 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.
- 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

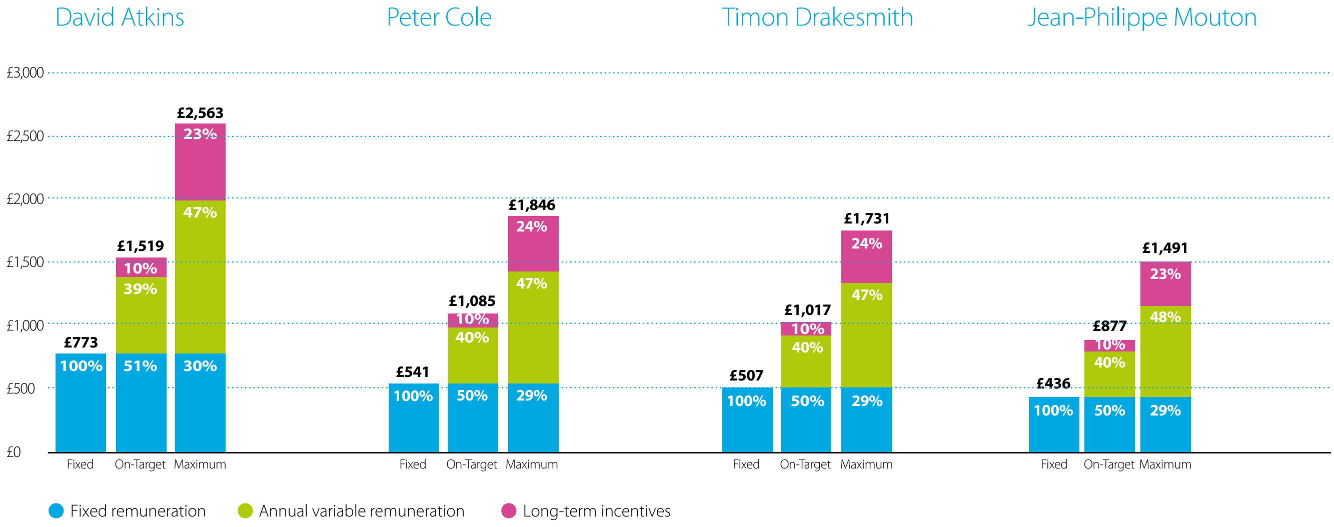
Share ownership guidelines	• To encourage share ownership by the Executive Directors, in order to ensure alignment with shareholders.	• The Chief Executive is expected to accumulate and maintain a holding in ordinary shares in the Company equivalent to no less than 150% of base salary.
		• Other Executive 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	• 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.
3. 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 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.
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 (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 in the 2013 Annual Report.
- 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 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. 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 the Pension section in the 2014 Directors' Remuneration Report on page 82.
2. Pension Choice is explained in the Fixed Remuneration section of this Policy.

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.

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.

Key contact details

Registered office and principal UK address

Hammerson plc
10 Grosvenor Street
London W1K 4BJ
Registered in England No. 360632

Tel: +44 (0)20 7887 1000
Fax: +44 (0)20 7887 1010

In June 2015 the registered office and principal UK address will move to:

Hammerson plc
Kings Place
90 York Way
London
N1 9GE

Principal address in 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 on 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.co.uk

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

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

Discontinuation of Interim Management Statements

Following recent changes to EU regulation on financial disclosure, the Financial Conduct Authority (FCA) has removed its requirement for UK companies to publish Interim Management Statements (IMSs). As a result, and reflecting the long term nature of Hammerson's business, the Board has taken the decision to cease publication of formal IMSs in April and November. The Group remains committed to full and transparent disclosure and will continue with full-year and half-year announcements as well as a comprehensive capital markets events in the autumn.

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 register with the Mailing Preference Service, an independent organisation whose services are free, by visiting www.mpsonline.org.uk. 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.

Shareholder security

Share fraud includes scams where fraudsters cold-call investors offering them overpriced, worthless or non-existent shares, or offer to buy shares owned by investors at an inflated price. We advise shareholders to be vigilant of unsolicited mail or telephone calls regarding buying or selling shares. For more information visit: www.fca.org.uk/scams or call the FCA Consumer Helpline on 0800 111 6768.

Financial Calendar and Share Analysis

Annual General Meeting

The Annual General Meeting will be held at 11.00 am on 22 April 2015 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/investors.

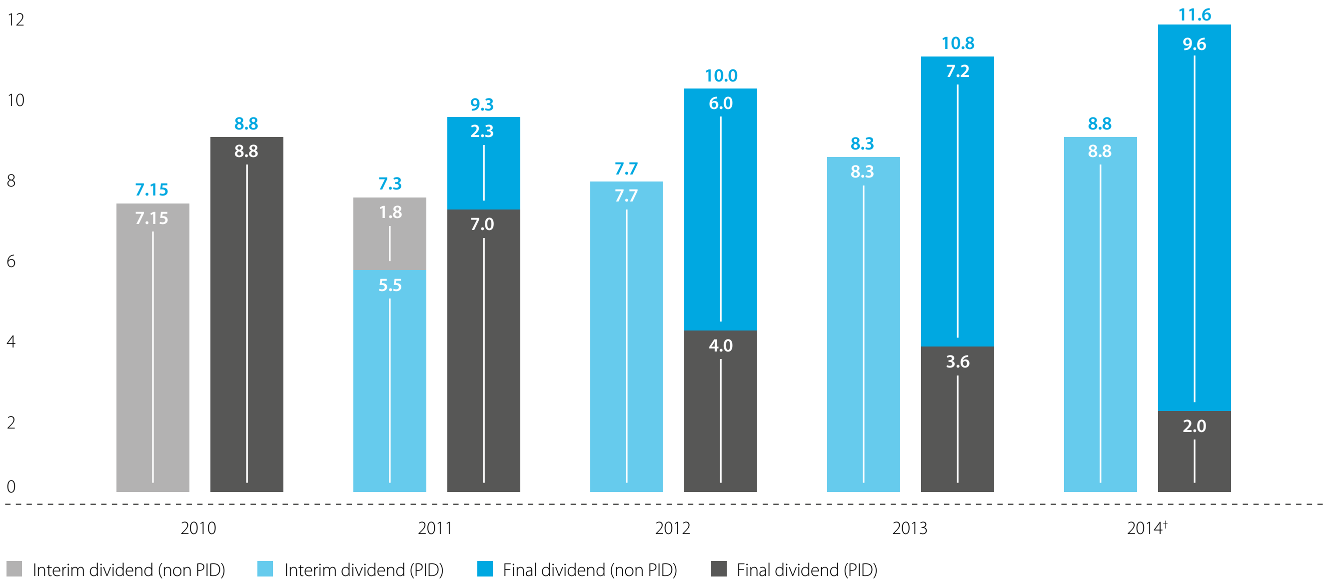
Full-year results announced		16 February 2015
Recommended final dividend	Ex-dividend date	12 March 2015
	Record date	13 March 2015
	Election (or cancellation) date for Dividend Reinvestment Plan	5:00 pm on 30 March 2015
	Payable on	24 April 2015
Annual General Meeting		22 April 2015
Anticipated 2015 interim dividend		October 2015

Analysis of Shares Held as at 31 December 2014

Number of shares held	Number of shareholders	% of total shareholders	Holding	% of total capital
0-500	845	28.85	158,317	0.02
501-1,000	372	12.70	290,974	0.04
1,001-2,000	418	14.27	620,015	0.08
2,001-5,000	399	13.62	1,279,142	0.16
5,001-10,000	153	5.22	1,064,613	0.14
10,001-50,000	285	9.73	6,762,375	0.86
50,001-100,000	98	3.35	7,084,617	0.90
100,001-500,000	192	6.56	44,483,158	5.67
500,001-1,000,000	59	2.01	42,009,567	5.36
1,000,001 and above	108	3.69	680,542,470	86.77
Total	**2,929**	**100.00**	**784,295,248**	**100.00**

Chart Fig 93

Five year dividend history (pence per share)



† The 2014 final dividend is subject to approval by shareholders at the 2015 Annual General Meeting.

Where a shareholder elected to receive the scrip alternative, the dividend was treated as a non-PID.

The PID element of the dividend is paid net of a 20% withholding tax unless a shareholder is eligible to receive the payment gross.

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.
BREEAM	Building Research Establishment's Environmental Assessment Method.
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	The European Public Real Estate Association, a real estate industry body. This organisation has issued Best Practice Recommendations with the intention of improving the transparency, comparability and relevance of the published results of listed real estate companies in Europe.
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 or Gross asset value (GAV)	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 (or net initial yield (NIY))	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% 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.
Joint venture	An entity in which the Group holds an interest and which is jointly controlled by the Group and one or more partners under a contractual arrangement whereby decisions on the key financial and operating policies of that entity require each partner's consent.
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 (LTV)	Net debt expressed as a percentage of the total value of investment and development properties.
Net asset value (NAV) per share	Equity shareholders' funds divided by the number of shares in issue at the balance sheet date.
Net rental income (NRI)	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.
Passing rents or rents passing	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).
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.
Property joint ventures	The Group's shopping centre and retail park joint ventures which management proportionally consolidate when reviewing the performance of the business. These exclude the Group's interest in the VIA Outlets joint venture.
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.
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 tax regime in France which exempts participants from the French tax on property income and gains subject to certain requirements.
Total development cost (TDC)	All capital expenditure on a development project, including capitalised interest.
Total property return (TPR) (or 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 (TSR)	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.
VIA Outlets (VIA)	A premium outlets joint venture, in which the Group has an investment. VIA owns and operates premium outlet centres in Europe.
Yield on cost	Passing rents expressed as a percentage of the total development cost of a property.

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