Where more happens

Hammerson

Annual Report 2016

Our mission

We own, operate and develop physical destinations where more happens – that interact seamlessly with digital and bring together the very best retail, leisure and entertainment brands. We seek to deliver value for all our stakeholders, and to create a positive and sustainable impact for generations to come.

Contents

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for more information about us and our business

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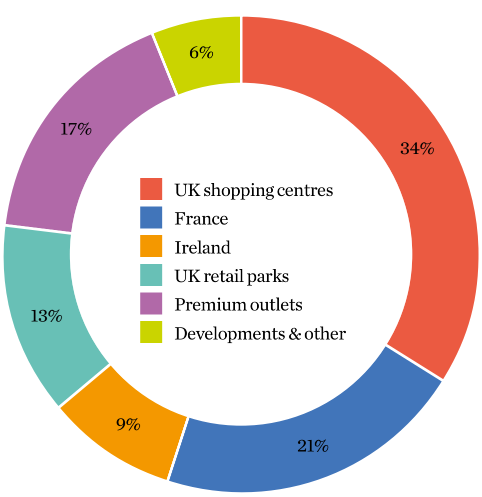
Cover and inside front cover images: Victoria Gate, Leeds

2016 Overview

- Good operational and financial performance
- Iconic new retail destinations in Leeds, Birmingham and Southampton
- Secured ownership of Dundrum Town Centre, Dublin
- Significant incremental investment into premium outlets
- £635m disposals completed
- £25m income from new lettings

Portfolio value[1]

£10.0 billion



1. As at 31 December 2016, including £54m Ireland loan interests (2015: £690m) and VIA Outlets acquired.
2. See note 10 on pages 148 and 149 and glossary for definitions.

Adjusted profit[2]

£231m

(+9%)
2015: £211 million

IFRS profit

£317m

(-56%)
2015: £727 million

Adjusted earnings per share[2]

29.2p

(+9%)
2015: 26.9p

Dividend per share

24.0p

(+8%)
2015: 22.3p

Shareholders' equity

£5,776m

(+5%)
2015: £5,517 million

EPRA NAV per share[2]

£7.39

(+4%)
2015: £7.10

Total property return

5.7%

2015: 12.4%

Destinations where more happens

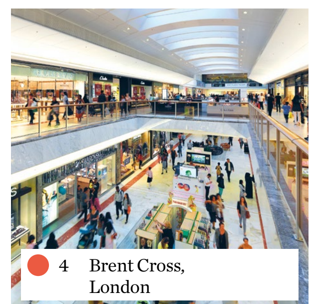
We are an owner, manager and developer of retail destinations in Europe. Our portfolio includes investments in prime shopping centres in the UK, France and Ireland, convenient retail parks in the UK and premium outlets across Europe.

- 13 countries
- 23 shopping centres
- 18 retail parks
- 19 premium outlets
- 2.2 million m² lettable area
- 4,800 tenants

1 Bullring, Birmingham


2 Dundrum Town Centre, Dublin


3 Les Terrasses du Port, Marseille


4 Brent Cross, London

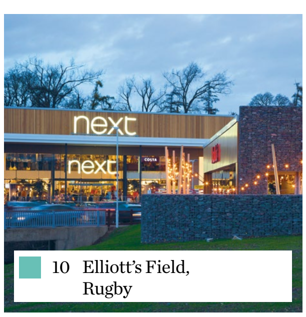

5 Bicester Village, Oxford


6 Italie Deux, Paris

7 The Oracle, Reading


8 Les Trois Fontaines, Cergy Pontoise


9 Westquay, Southampton

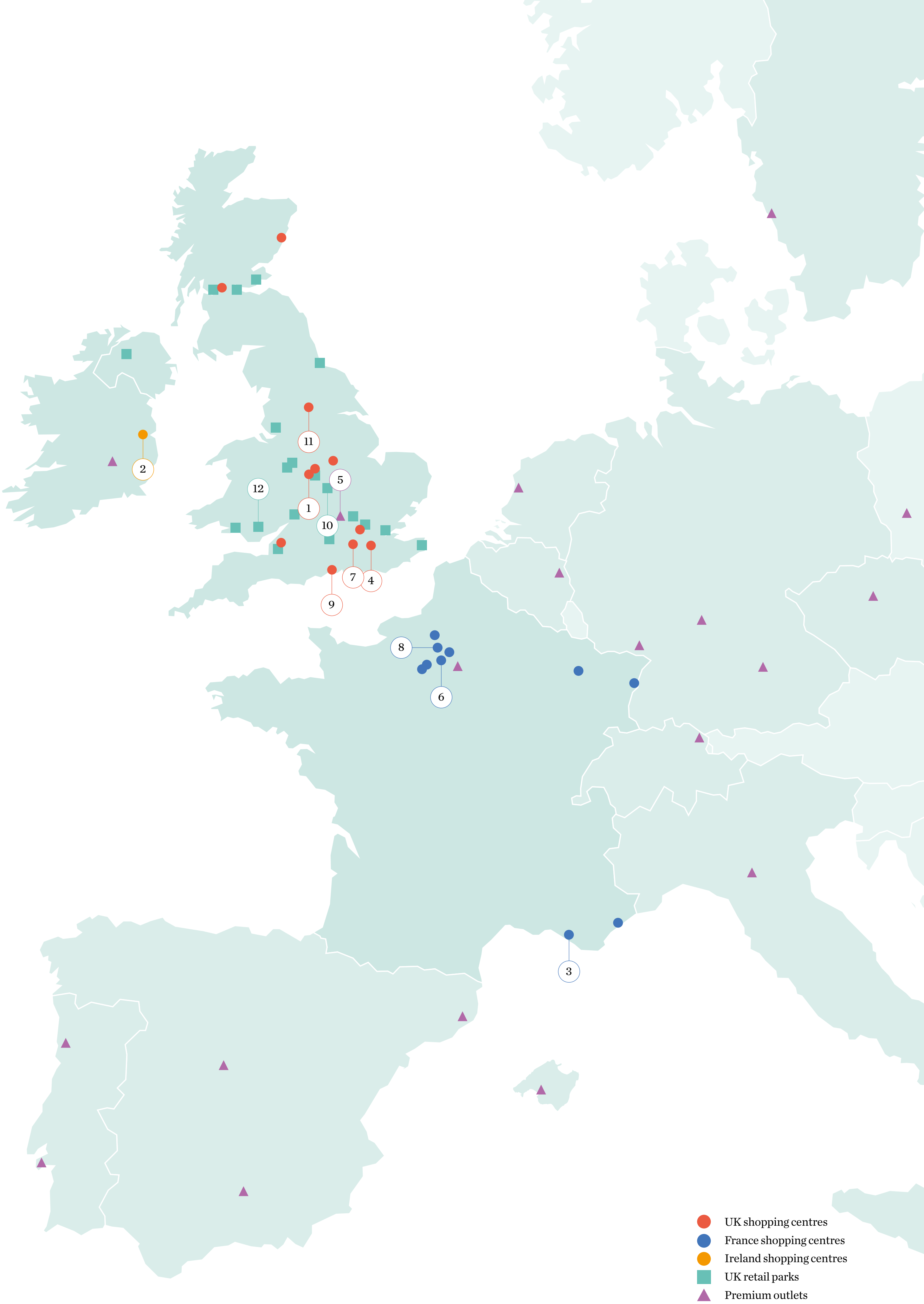


10 Elliott's Field, Rugby


11 Victoria, Leeds

12 Cyfarthfa Retail Park, Merthyr Tydfil

A full list of destinations in our portfolio is on pages 188 and 189 or at hammerson.com


1
2
3
4
5
6
7
8
9
10
11
12
UK shopping centres
France shopping centres
Ireland shopping centres
UK retail parks
Premium outlets

Within an evolving landscape...

Trends in our markets

We lead the way in identifying trends in the retail property market. The structural trends below influence our strategy, drive our priorities and guide our performance.

Multichannel

Consumers are digitising their lives. The accelerating use of mobile technology and online social interaction is driving the growth of 'multichannel' retail. Within a multichannel world, the shopping experience remains anchored around the physical store. The store provides direct brand engagement and acts as the showroom. Retailers use their physical space and online platforms in a complementary way to drive increased sales across all channels.

43%

of consumers research products online on a smartphone while in-store

Polarisation

Shoppers are becoming increasingly discerning about their choice of retail destination and the level of service expected (see 'Experience' and 'Convenience'). As a result, retailers place a premium on those retail destinations which deliver shoppers' needs. Therefore the best locations are becoming relatively more valuable and the retail property market is polarising.

Responsibility

Consumers, retailers and investors are more discriminating of the way companies conduct themselves. Stakeholders recognise their role in challenging companies and hence consumers demand transparency from the brands they endorse. Communities expect property owners and developers to bring a wider positive social impact and shareholders demand best practice corporate governance in return for investment.

1/3

of shoppers actively choose to buy brands they believe are having a positive social or environmental impact

Global markets

The internationalisation of consumer brands, retailers and capital providers has increased in recent years, in part due to improved communication. Property companies compete for capital, occupiers and employees in a global marketplace, raising the standard for success.

Convenience

Time-short lifestyles and multichannel retail are raising the expectations for convenient retail, driving demand for easier, faster access to goods; better and more accurate information; and enhanced services. The rise of click & collect is a key indicator of this trend and allows shoppers to research and purchase goods on-the-move or at home and collect in-store or in-centre.

23%

of online purchases are collected from a store

Urbanisation

Successful city economies are seeing population growth, drawing investment in infrastructure, transport and culture. City-centre retail and leisure destinations are a core part of the urban environment and benefit from the increasing wealth of the urban population.

3.9bn

people, 53% of the world's population, live in an urban environment

Experience

There is an increasing blurring between retail and entertainment. Shoppers expect retail destinations to provide a broader blend of retail, entertainment and dining options and hence successful retail destinations are evolving into social hubs.

36%

of 'Millennials' prioritise a shopping centre with a good selection of coffee shops and cafés, over retail brand mix (34%)

Retail tourism

Shopping is increasingly enjoyed by international tourists as part of a travel experience. Discounted premium brands at attractive retail outlets make the journey even more memorable.

#1

Shopping rated the number one activity for overseas travellers (88%) versus sight-seeing (77%) and fine dining (39%)

For further detail on markets and trends for our property sectors see the Business Review pages 22-33

...our strategy is designed to benefit

Our strategy

Set out below are the three elements of our strategy which are designed to benefit from these market trends.

Focus on growing consumer markets

Our portfolio is concentrated around retail property which is aligned to consumer requirements in a multichannel world: the experience of large prime shopping centres; the convenience of retail parks; and the draw of luxury-brand premium outlets. We choose locations by identifying significant, growing cities and catchments in selected European countries, and where we can gain market share.

Response to trends

Multichannel, Polarisation, Experience, Convenience, Urbanisation, Retail Tourism

Our vision

We create desirability for consumers, brands, commercial partners and communities.

Create differentiated destinations

Our talented people apply insight and market expertise to create and operate destinations which offer exceptional experiences to attract retailers and shoppers. Our Product Experience Framework purposefully guides our asset and development management to consistently enhance our destinations and realise their income potential.

Response to trends

Experience, Convenience, Retail Tourism, Multichannel, Polarisation, Responsibility

Promote financial efficiency and partnerships

A singular retail focus, strong and efficient capital structure and operational excellence enables us to attract valuable partners. These include global capital providers, international joint venture partners and expert operating collaborators who help us broaden our market reach, increase scale and strengthen our business.

Response to trends

Polarisation, Urbanisation, Global Markets, Responsibility

For further information on how we are delivering on our strategy, see pages 12-17

Creating long-term value

Our vision

We create desirability for consumers, brands, commercial partners and communities.

We utilise key resources...

The success of our business depends on a number of principal inputs.

High-quality property

High-quality property in prime locations across selected European retail markets

Talented people

Skilful and motivated people and teams united around a clear set of values

Retail insight

Deep retail knowledge captured through long-standing commercial relationships, data insight and consumer research

Financial capital

Dependable access to, and continued trust of, global capital providers and international joint venture partners

For information on Our People strategy see pages 40-42 and for information on financial capital see Financial Review pages 43-52

Through clear operational activities...

The main activities that we undertake towards delivering our strategy.

Focus on growing consumer markets

Investment management

We employ market expertise to recycle our portfolio, taking advantage of acquisition opportunities in growing consumer markets which enhance the quality of our portfolio and future returns and disposing of assets at the right time.

Create differentiated destinations

Developing venues

We have a proven track record in creating sustainable retail and leisure destinations which anticipate future consumer needs and ensure that retailers will thrive for years to come.

Asset management

We skilfully manage our portfolio in a sustainable way to generate income growth and to attract tenants and shoppers.

Promote financial efficiency and partnerships

Financing and capital providers

We manage and control our costs, both operational and financial, and optimise our capital base to support the delivery of our strategy. We make use of relationships to source capital, to access growth markets, to create a larger operated platform, as well as generate asset management income.

For information on how we are delivering on our strategy, see pages 12-17 and for performance against our KPIs see pages 18-19

Uniquely differentiated by our Product Experience Framework…

Our Product Experience Framework is embedded across everything we do, providing a unique point of differentiation. We constantly challenge ourselves to apply best practice in retail design and digital solutions, customer engagement and sustainability.

Iconic destinations

We create outstanding architecture to enhance locations. We place our centres at the heart of local communities, connected by seamless technology and transportation links.

Best at retail

We deliver the optimal retail mix, consistently refreshed and showcasing new concepts.

Convenient & easy

We make shopping simple and stress-free, with enhanced customer facilities and services such as click & collect, encouraging regular shopper visits.

Interactive & engaging

Our outstanding customer service and leading digital infrastructure drive engagement and loyalty, and encourage shoppers to spend longer at our destinations.

Entertaining & exciting

We constantly evaluate and refresh our food and leisure offers, and provide a local and national calendar of events to surprise and delight our customers, and keep them coming back.

Positive places

We create destinations that deliver positive impacts economically, socially and environmentally.

For examples of our Product Experience Framework in action see page 11 and pages 12-17

To deliver value for our stakeholders

By successfully employing our business model we aim to deliver a positive result for all our stakeholder groups.

Shareholders

We create consistent earnings growth which benefits shareholders through growing dividend payments and increased share value

Retailers

Offering our retail tenants innovative formats that are responsive to customer demands

Shoppers

Offering our shoppers entertaining and exciting experiences, as well as great retail destinations

Our people

Developing, recognising and rewarding our people secures a skilled and motivated workforce

Communities

We create positive social impacts through our activities, including the creation of local jobs

For information on delivering for shareholders see Financial Review pages 43-52, delivering for Our People pages 40-42 and delivering Positive Places pages 34-39

Making more happen

"We have successfully enlarged and enhanced our portfolio this year adding new differentiated retail space in faster-growth markets. We have a strong and adaptable business with multiple opportunities for growth which will drive consistent, income-focused returns."

— David Atkins, Chief Executive

2016 highlights

2016 has been an eventful and successful year, particularly set against the backdrop of some significant geopolitical events. We set ourselves some stretching targets right across our business and the whole company has worked hard to ensure we succeeded. We increased our presence in prime shopping destinations, cementing our leadership with new centres in Birmingham, Leeds, Southampton and Dublin. In the latter we converted our Dundrum centre from loans to direct ownership. We extended our strategic exposure to the fast-growing premium outlets sector. We enhanced the experience for our shoppers, bringing flagship retailers such as Apple to Les Terrasses du Port, Marseille, and we delivered the UK's largest dedicated dining and leisure-led scheme, enhancing our existing Westquay shopping centre in Southampton.

For shareholders, we delivered a consistently strong financial performance. Adjusted earnings per share grew 8.6% and we increased the dividend per share by 7.6%. We have grown the dividend at an average rate of 7.7% over the last five years and we remain confident of delivering this consistent track record as a result of our resilient business model. Our total property return of 5.7% yet again beat the IPD benchmark. The compelling investment proposition for shareholders is summarised overleaf (page 9).

Market backdrop

The defining event in 2016 for our market was the decision, following the referendum in June, to end the UK's membership of the European Union. The event triggered intense capital market volatility and a subsequent devaluation of sterling. The political and economic uncertainty is likely to continue for a considerable length of time whilst the UK renegotiates its relationships with the EU and also whilst other European countries hold important elections.

Despite the referendum result, it is reassuring that in the second half of the year indicators of economic growth and consumer health in both the UK and rest of Europe have remained robust. In our business, we did not see any discernible lapse in commercial discussions with tenants and the pattern of consumer expenditure and footfall in our centres was consistent with the first half of the year.

In our investment markets, the fundamentals underpinning European property valuations remain, including wide spreads for property yields over long-term interest rates, lower leverage across the property sector and well-capitalised lending institutions. Weakness in the retail parks market was exacerbated by temporary liquidity pressures at some UK open-ended funds post the referendum and has now stabilised.

Our strategy

Against this backdrop, I believe our business is well-positioned and has a clear strategy to succeed. Our singular retail focus means we are not distracted by the more cyclical nature of other commercial property sectors and our teams are able to focus solely on our retail tenants and how best to serve their needs.

In this report you will see we have expressed our strategy differently (page 5). We have not changed our strategy which is still aligned to the recognisable outputs of 'high-quality property', 'income generation' and 'capital strength'.

Adjusted earnings per share[1]

+8.6%

5 year dividend per share compound growth rate

7.7%

Like-for-like net rental income growth[2]

3.2%

Disposal proceeds 2016

£635m

1. See note 10a and glossary for definition.
2. Figure including premium outlets (2.2% excluding premium outlets).

However, we have evolved the articulation to provide a clearer understanding and elaborate on why we select the markets we do, how we achieve operational excellence and how we run our business efficiently to deliver results for our stakeholders.

Positioning for growth

We focus on **growing consumer markets,** that is, those retail markets which will deliver good rental growth because they match how consumers shop in a multichannel world, and where we can increase our market share.

Our geographical focus is on catchments and cities in Europe with strong economic performance and our approach is 'bottom-up', on an asset-by-asset basis; we do not target specific countries.

We focus on prime shopping centres because we believe, in a polarising retail property market, high-quality, integrated, urban destinations will win. Our compelling shopping centre portfolio is well positioned to benefit from this polarisation, with centres in large European cities, including Birmingham, Dublin, London, Leeds, Marseille and Paris.

Securing the best European shopping centres is a challenge which requires in-depth retail knowledge, specialist skill and vision. This year we successfully converted the Dublin loan portfolio to take ownership of Ireland's pre-eminent shopping centre, Dundrum Town Centre. Ireland remains the EU's fastest growing economy thanks to its attractive business landscape. We expect our long-term vision for the Dublin platform to deliver some of the strongest returns in our portfolio.

We focus on retail parks in the UK to complement the experience of our prime shopping centres and serve time-short shoppers who value a convenient shopping destination. Over recent years we have invested significantly in our retail parks, introducing high-street fashion brands, re-purposing excess space from bulky-goods retailers and increasing the range of food and beverage.
As a result, our retail parks are seeing growth in dwell time and customer visits are up 2.2%. Supported by a strong UK housing market, homeware retailers are looking for more space at our large market-leading retail parks and are also taking units at our on-site developments, which are expected to deliver an attractive yield on cost of 8%. This year we sold three retail parks which did not match our required forward returns. However, we remain committed to this market.

We focus on premium outlets for their exceptional financial returns and they will continue to be a key part of our growth strategy. The market drivers of rising international tourism, greater retailer appreciation for outlets, brand management and multi-phase extensions combine to deliver some of the strongest income growth of any European retail property sector. Market consolidation is occurring, driving yield compression, and this year we added five new outlets to our VIA Outlets joint venture and increased our ownership in Value Retail.

Today, our European portfolio is well diversified, with over 40% outside the UK and investments in 13 countries. Our ambition is to grow the total portfolio through carefully considered developments and acquisitions of prime retail assets in faster-growth consumer markets. We continuously recycle capital to support this growth, maintain a high-quality portfolio and maximise returns. This year we increased our disposals to £635 million following the major acquisition in Ireland. We anticipate disposals of at least £400 million over the next year as we position the balance sheet for the next phase of growth from our major developments such as Brent Cross and Croydon.

Our investment proposition

Secure income

Weighted unexpired lease term to expiry 9.5 years

Geographically diverse

Portfolio across 13 countries, over 40% non-UK assets

Capital recycling

Focus on reallocating capital into higher-growth markets

Retail insight

Specialist teams with a depth of retail experience

Strong governance

Recognised best-practice governance throughout the business

Sustainability

Committed to sustainability at the core of our strategy

Creating desirability

Our strategy is to **create differentiated destinations** that will thrive in a multichannel environment. Two years ago we launched our Product Experience Framework. It has been an overwhelming success and the framework approach means it touches all parts of our operations. Using the differentiated destinations strategy we think about curating all elements of the consumer interaction, from the customer service desk to pop-up retailers and community programmes. To mark the opening of Westquay Watermark we held a spectacular light festival which delighted the local community in Southampton.

Light Festival, Westquay

We are often challenged by the view that physical retail will be replaced by online. On the contrary, we are embracing technology and the positive effects it is having on retail and the changing role of the physical store. Shopping centres are evolving to become social venues, retailers are becoming more creative with store fit outs to strengthen their visual brand and attract customer loyalty, and click & collect is making shopping less time consuming. Visitors to our centres use digital technology to research products, check availability, compare prices, share pictures with friends and also purchase goods. We are constantly developing new features for our portfolio-wide Plus app to support this trend.

Our development pipeline in the UK, France and Ireland will deliver the next generation of differentiated destinations. These complex projects take time. However, when completed they will reinforce our position as a leading European operator.

Our collaborative approach

We promote **financial efficiency and partnerships** to ensure we maintain a breadth of growth opportunities. As the largest UK landlord to leading international retailers, we have deep retail connections. With a breadth of retail formats, we can serve all of their needs.

We also enjoy close partnerships with Value Retail and APG on our European premium outlets platform, speaking daily, sharing expertise, seconding team members and discussing our aligned strategies in this market. These partnerships are a strategic advantage and make us the only listed European REIT with significant exposure to this attractive sector.

We are proud that so many global capital providers choose to invest their funds with us, including ADIA, Allianz, AXA Real Estate, CPPIB, GIC and Standard Life. It is testament to our reputation, high-quality assets and consistent financial returns that our total platform extends to £17 billion of capital through partnerships across Europe.

In September we listed our shares on the Johannesburg Stock Exchange (JSE) though a secondary listing. This is a further example of our approach to reaching the widest pool of international capital. We have enjoyed good support from South African shareholders and this listing provides them with an additional route to invest.

Responsibility

I put a lot of our business success down to our internal culture, which is largely driven by our company values. In our staff survey this year we again scored highly across the London, Paris and Dublin offices, with colleagues rating 'culture', 'diversity' and 'corporate social responsibility' particularly highly.

What makes me particularly proud about our culture is the mature, open discussions around issues including flexible working patterns, disability in the workplace and the LGBT agenda. The employee events celebrating International Women's Day, World Cultural Day and National Work Life Week helped to drive meaningful change in attitudes and behaviours, further strengthening Hammerson's culture and values. This year, we introduced a revised maternity and paternity policy with a more generous pay structure for new parents. And after two years supporting the Samaritans and Elifar, our colleagues have now voted to select Alzheimer's Society and Macmillan as our new staff charities, and I look forward to increasing our fundraising efforts together.

Our sustainability strategy, 'Positive Places' features in our investment proposition and is a key pillar of our Product Experience Framework. We have made major steps during the year to deliver on this by creating retail destinations that deliver positive impacts economically, socially and environmentally. At our new developments we worked closely with local authorities, contractors and retailers to deliver skills, training and employment support for local people. This has been incredibly successful, with 82% of jobs generated at our Victoria Gate development awarded to local people. We will shortly announce an updated sustainability strategy with the level of ambition we feel necessary to mitigate energy security and pricing risk for the business and to support the wider response of leading businesses to climate change risk.

Outlook

I expect that global political events will continue to dominate newsflow through 2017, and no doubt beyond. Since 2009, we have built a more resilient business with higher-quality property and a more diversified platform. Against this backdrop of further uncertainty, I am confident that we have a strong and adaptable business with multiple opportunities for growth, giving us the ability to respond to changes in specific end-markets. We will continue to prioritise our stronger performing sectors in order to enhance returns, with particular focus on earnings growth and cash flow generation, in order to continue to grow the dividend for our shareholders.

Our Product Experience Framework in action

Iconic destinations

Victoria Gate, Leeds

We pushed the boundaries to create an exceptional new retail arcade in Leeds. Victoria Gate opened in October and is already receiving expert recognition for its impressive design. The luxury and aspirational retail mix is housed in a naturally lit arcade embellished with curved glass, grey granite and pendant lighting. The building structure reflects the historic terracotta design and textile heritage of the city.

Best at retail

LinkStreet, Birmingham

LinkStreet is a truly unique destination outside London for small independent businesses to debut or expand. LinkStreet has seen the opening of 22 independent brands, many of them taking their first step into retail, or opening for the first time outside London. This is where consumers can find something fresh, unique and different. Retailers range from Cereal Killer Café to VirtualX, a cutting-edge virtual reality experience launched by a local developer, and pop-ups from e-tailers like Made.com.

Convenient & easy

Click & collect services

Click & collect facilities are now available in all of our European shopping centres, with lockers and fully-staffed customer service desks for returning or sending parcels. This supports a seamless multichannel offer allowing customers to pick up their online purchases while visiting other shops or enjoying our leisure facilities. Over the Christmas period we saw our highest volume of parcels ever, proving the popularity of this convenient service.

Interactive & engaging

Developing the Plus app

In December we launched the trial of a new 'Find Similar' app at Brent Cross shopping centre. Designed to inspire and help find products, the app allows shoppers to take a picture of a piece of clothing, a pattern or colour and then finds similar products from the retailers in the centre. 92% of shoppers who took part in the trial said they would use the app again and we are now working to integrate the technology with our Plus app, which has more than 300,000 users.

Entertaining & exciting

Westquay Watermark development

The opening of Westquay Watermark delivers 20 new restaurants to Southampton; many of which are firsts outside London including Red Dog Saloon. The 10-screen Cinema de Lux is a UK first for Showcase, with laser projection and Dolby Atmos sound technology. The Esplanade is an outdoor space framed by the historic city walls for events and live entertainment and Hollywood Bowl completes the leisure mix.

Positive places

Victoria Gate community interaction

Through the Victoria Gate development, we deepened our community investment across the city of Leeds. We supported the Teenage Market at Kirkgate which saw 26 enthusiastic young businesses and start-ups run their own stalls at the market. Victoria Gate has delivered over 1,500 employment opportunities in retail, hospitality and construction.

Focus on growing consumer markets

Our portfolio is concentrated around retail property which is aligned to consumer requirements in a multichannel world: the experience of large prime shopping centres; the convenience of retail parks; and the draw of luxury brand premium outlets. We choose locations by identifying significant, growing cities and catchments in selected European countries, and where we can gain market share.

Why it's important

We specialise in retail property because it offers attractive and sustainable long-term returns, with lower volatility than other commercial property due to a granular and diverse tenant mix.

As consumer behaviour evolves, in particular incorporating digital technology into the shopping experience, consumer preferences are polarising. As a result, occupier demand for retail space is concentrating on selected prime locations and specific formats. Our strategy is to align our portfolio in order to benefit from this polarisation in demand. Our investment scope covers Western Europe. We assess new investment opportunities on a case-by-case basis influenced by the quality of the property and the economic prospects of the city or region.

We have a strong track-record of successfully developing retail destinations. Our strategy also involves 'rotating' investments by selling lower-growth assets and acquiring or developing in faster-growth markets, which also ensures the quality of the portfolio is constantly enhanced. We will grow our portfolio through further developments or selective acquisitions; these will be part-funded by releasing capital from lower-return assets.

What we did in 2016

- Added a retail platform in Ireland, Europe's fastest growing economy, by converting the acquired loan portfolio into asset ownership
- Sold £635 million of assets, selection based on lower future returns profile
- Added 54,500m^2 new prime space at developments in Leeds and Southampton
- Enlarged our presence in Birmingham, UK's second city, with acquisition of Grand Central
- Acquired five outlets, significantly building the scale of VIA Outlets, creating a leading player in the fast-growing European outlet market

Our near-term strategic priorities

- Integrate the assets added in growth-markets: Birmingham, Dublin, Leeds
- Dispose of assets which do not meet our performance criteria; expect to be net-sellers in 2017
- Invest to extend selected core shopping centres in the polarising French market
- Advance major London developments
- Deliver high-return retail park extensions and reconfigurations
- Support premium outlet extensions and assess opportunities to increase exposure

Key performance indicators

- Total property return
- Growth in adjusted EPS
- Growth in like-for-like NRI
- Occupancy
- Leasing activity

See pages 18 to 19 for more detail

Delivering against strategy

Added Dundrum Town Centre, an exceptional super-prime shopping centre, through acquisition and conversion of a loan portfolio.

Delivering the Product Experience Framework

Iconic destinations

Best at retail

Entertaining & exciting

Dundrum

Strategic rationale

- Ireland is Europe's fastest growing economy: 2016 GDP growth c.4%; retail sales volume growth 4%
- Dundrum Town Centre is Ireland's largest and foremost super-prime retail and leisure scheme
- Opportunity to realise significant value by applying our best-in-class asset management
- Platform acquisition gives us a national leading market share of 220,000m^2 of prime retail space
- Pipeline of development opportunities across Dublin city will deliver next generation of differentiated destinations

Invested in Dublin

£995m

Dundrum ERV growth 2016

+9%

Create differentiated destinations

Our talented people apply insight and market expertise to create and operate destinations which offer exceptional experiences to attract retailers and shoppers. Our Product Experience Framework purposefully guides our asset and development management to consistently enhance our destinations and realise their income potential.

Why it's important

Our strategy is to proactively manage our assets to drive consistent rental growth. Income returns are a key part of our investment case.

We have a successful leasing strategy based on building close relationships with retailers, insight, leveraging the scale and breadth of our platform and astute negotiation skills.

The 'framework' methodology ensures a consistent and rigorous approach to creating differentiated destinations across the portfolio. Further details of the Product Experience Framework are set out on pages 7 and 11.

Over the last three years we have upgraded all of our shopping centres, adding restaurant and leisure extensions. We were among the first to identify the trend for incorporating a critical-mass of leisure within a centre and invested to elevate our centres to best-in-class.

We have built teams with a range of talents and experience gained beyond the property sector to ensure we understand the latest retail trends, technological developments and design innovations.

What we did in 2016

- Launched iconic Victoria Gate development
- Developed Westquay leisure extension: 20 new restaurants, cinema, bowling and outdoor events space
- Transformed Bullring LinkStreet with pop-ups and innovative retail concepts
- Introduced more international brands in France (Apple, Armani Exchange, Coach, MAC)
- Introduced first-to-Ireland brands at Dundrum
- Opened first Polo Ralph Lauren store in Central and Eastern Europe at Fashion Arena, Prague
- Click & collect kiosks in all centres
- Commercial trial for new digital app functionality

Our near-term strategic priorities

- Introduce the latest retail and leisure brands and new store concepts across the portfolio
- Deliver value-add projects (such as kiosks, digital screens, pop-up retail units)
- Build digital capabilities to support multichannel retail
- Benefit from customer data collected from the Plus App
- Capitalise on strong occupier demand at retail parks to drive remerchandising and income growth
- Leverage the brand relationships and tourism insights across premium outlets portfolio
- Unlock opportunities to drive environmental improvements across the portfolio

Key performance indicators

- Total property returns
- Growth in like-for-like NRI
- Growth in adjusted EPS
- Cost ratio
- Occupancy
- Leasing activity
- Voluntary staff turnover
- Global emissions intensity ratio

See pages 18-19 for more detail

Delivering against strategy

Developed an exceptional retail arcade at Victoria Gate, praised for its design, enhancing the wider Leeds retail offer.

Delivering the Product Experience Framework

Iconic destinations

Positive places

Interactive & engaging

Victoria Gate

Strategic rationale

- Leeds is the UK's third-largest city with an affluent catchment which was under-served by the retail offer
- The Victoria Gate development augmented the existing Victoria Quarter arcade to create the north of England's hub for luxury and aspirational retail brands
- The design is inspired by many of the existing local features
- John Lewis opened its largest full-line store outside London
- Cutting-edge restaurant operator, D&D, will open two new concepts in 2017, and a casino opened in January 2017

New brands to Leeds

17

Luxury and aspirational retail space in UK's most upmarket regional catchment

56,300m^2

Promote financial efficiency and partnerships

A singular retail focus, strong and efficient capital structure and operational excellence enables us to attract valuable partners. These include global capital providers, international joint venture partners and expert operating collaborators who help us broaden our market reach, increase scale and strengthen our business.

Why it's important

Prudent capital management ensures our risk profile remains conservative. We set internal guidelines well below the levels of technical covenants. The guidelines are matched to the more resilient nature of our diversified pure retail portfolio and are set at conservative levels, which provide headroom to comfortably grow the portfolio.

We diversify our sources of capital to limit concentration risk and provide funding flexibility. The preferred source of debt is Group-level, unsecured funding. This provides flexibility to quickly and easily rotate assets in-line with an active approach to capital recycling. We use a natural foreign exchange hedging policy to avoid counteracting the underlying performance of the assets.

JV partners provide capital for the assets we operate. This is a successful strategy creating a larger operating platform relative to invested capital and which generates asset management fee income.

We have a long-standing close relationship with Value Retail and APG and have worked alongside them to grow the European outlets portfolio. We are the only European listed company with meaningful exposure to this fast-growing market. High barriers to entry in the sector and access to specialist skills mean these relationships are very valuable to us.

What we did in 2016

- Over £1.2 billion of new debt capital raised
- Successfully refinanced acquisition facility and reduced cost of debt to 3.1%
- JSE listing to access wider pool of international capital
- New JV at Grand Central with CPPIB and extended JV with GIC at Westquay
- Negotiated £500 million off-market transaction to enlarge VIA Outlets (£145 million Hammerson share)

Our near-term strategic priorities

- Maintain financial leverage in line with 40% loan-to-value guidance and strong investment-grade credit ratings
- Monitor currency hedge during period of greater volatility
- Work with our selected JV partners and monitor our total JV exposure
- Enhance the operating structure of VIA Outlets to match its enlarged size
- Evaluate opportunities for refinancing in low interest rate environment

Key performance indicators

- Growth in adjusted EPS
- Cost ratio

See pages 18-19 for more detail

Delivering against strategy

Enlarging our premium outlets exposure utilising our close relationships with Value Retail and APG.

Delivering the Product Experience Framework

Best at retail

Convenient & easy

Entertaining & exciting

VIA Outlets

Strategic rationale

- Premium outlets is one of the highest total return European retail property sub-sectors with consistent market sales growth around 10% p.a. and yield compression from market consolidation
- Enhances Hammerson's pan-European exposure
- We established VIA Outlets in 2014 with a strategy to acquire and improve centres. It is proving successful, sales densities at existing centres grew by 19% in 2016
- In December we executed a rare opportunity to acquire four strong outlet centres, including one of the best outlets in Germany, Zweibrücken, all with remerchandising opportunities
- VIA Outlets team has been expanded to include specialists in leasing, marketing and tourism

Forecast centre IRR on latest VIA Outlets acquisitions

11%

Number of centres in VIA Outlets

10

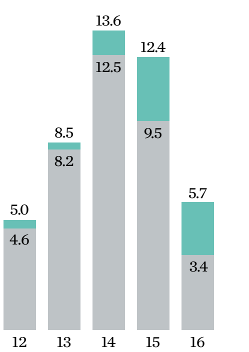
Monitoring value creation

We use our Key Performance Indicators, or KPIs, to ensure we are delivering our strategy. They are split between financial and operational measures, and each link to our three strategic elements. During 2016 we have included an additional KPI, Voluntary staff turnover, to reflect the importance to the business of our talented people.

Financial KPIs

Chart 1

Total property return
5.7% (Benchmark 3.4%)



Weighted IPD Benchmark
Hammerson comparative performance

Description
Total property return (TPR) is the main metric we use to measure the income and capital growth of our property portfolio. It is calculated on a monthly time-weighted basis consistent with IPD's methodology. We judge our success in generating superior property returns by comparing our performance with a weighted IPD Retail benchmark.

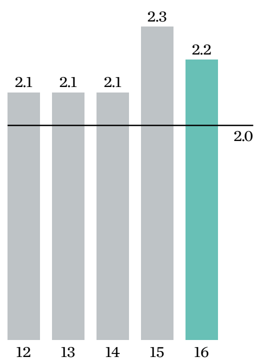
Performance
During 2016, the property portfolio produced a total return of 5.7% which was 230bp ahead of our estimated IPD benchmark, driven by strong outperformances from UK shopping centres and premium outlets.

Link to strategy

More in table 100 on page 182

Chart 2

Growth in like-for-like NRI *
2.2%



– Target

Description
Net rental income (NRI) is the Group's primary revenue measure and like-for-like NRI growth is key to supporting growing earnings and dividend payments. The calculation is in line with EPRA guidance, and excludes the impact of acquisitions, disposals, developments and exchange rate movements. Growth is achieved through leasing activity, tenant engineering and other "value-adding" initiatives.

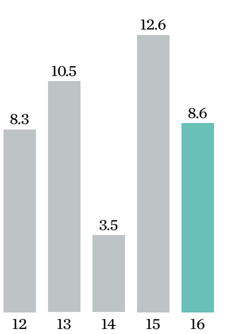
Performance
On a like-for-like basis, NRI grew by 2.2% in 2016, above our target of 2.0%. Income from UK shopping centres and retail parks both grew by 2.4%, with growth of 2.2% from our French portfolio.

Link to strategy

More in table 97 on page 180

Chart 3

Growth in adjusted EPS
8.6%



Description
Adjusted earnings per share (EPS) reflects the Group's underlying profit divided by the average number of shares in issue and is calculated in line with EPRA guidelines. It is the Group's primary profit measure, and excludes capital items such as unrealised valuation changes, profits and losses on the sale of properties and other one-off exceptional items.

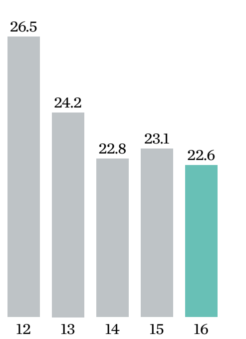
Performance
In 2016, adjusted EPS increased by 2.3 pence, or 8.6%, to 29.2 pence. This was driven by higher rental income from our property portfolio and higher earnings from our premium outlet investments.

Link to strategy

More in the Financial Review on page 44

Chart 4

Cost ratio *
22.6%



Description
The EPRA cost ratio is the measure by which we monitor the operational efficiency of our activities as it shows the total operating costs, these being property outgoings and net administration costs, as a percentage of gross rental income for our property portfolio.

Performance
During 2016, our cost base has been managed effectively and the ratio has reduced by 50bp compared to 2015 to 22.6%. The reduction is principally due to lower property costs, which have fallen from 11.3% to 10.7%.

Link to strategy

More in table 99 on page 181

* Proportionally consolidated excluding premium outlets. See page 43 for further explanation.

Link to remuneration

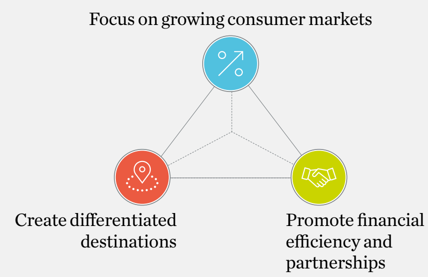
The remuneration of Executive Directors is aligned closely with our financial KPIs through the Company's Annual Incentive Plan (AIP) and Long Term Incentive Plan (LTIP).

For 2016, the AIP contains all four of the financial KPIs. The operational KPIs are aligned with our strategy and the performance against all of the KPIs is taken into account when considering the personal element of the AIP along with other specific objectives.

Total property return and growth in adjusted EPS are also two of the three LTIP performance measures.

Details of Executive Director remuneration is included in the Directors' Remuneration Report on pages 78 to 114.

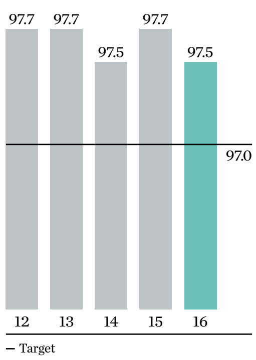
Our strategy



Operational KPIs

Chart 5

Occupancy*
97.5%



Description

Keeping our properties occupied ensures we generate rental income and the occupancy ratio measures the amount of space which is currently let. The ratio is calculated in line with EPRA guidance on the basis of the estimated rental value (ERV) of occupied space.

Performance

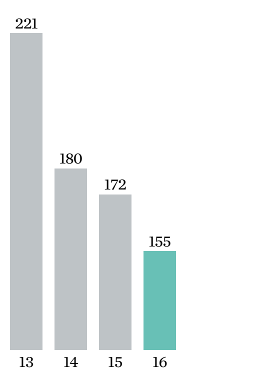
Occupancy remains above our 97.0% target, with the portfolio 97.5% occupied at the year end. This was marginally lower than the prior year, principally due to a number of unlet units at our recently completed developments in Leeds and Southampton.

Link to strategy

More in table 94 on page 179

Chart 6

Global emissions intensity ratio
155mtCO_2e/£m



Description

Reducing carbon emissions is one of our key sustainability targets. This ratio, which we have calculated since 2013, shows the amount of CO_2e emissions from our properties and facilities, including corporate offices and is calculated over the 12 months ended 30 September with the denominator being adjusted profit before tax.

Performance

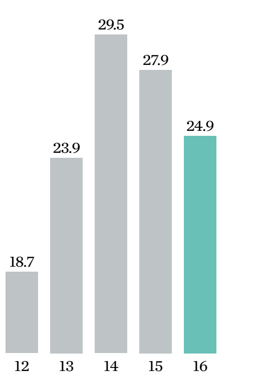
The ratio has improved by 10% during 2016 due to a reduction in emissions and the increased use of green energy across our portfolio, particularly in France.

Link to strategy

More in the Sustainability Review on page 37

Chart 7

Leasing activity*
£24.9 million



Description

Leasing allows us to improve our brand mix across our portfolio and differentiate our destinations. This measure shows the amount of income secured across our investment portfolio including both new lettings and lease renewals.

Performance

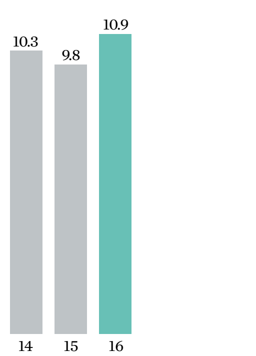
Leasing momentum continued throughout 2016 and we secured £24.9 million of income with volumes being broadly equal in the two halves of the year. Whilst total leasing was slightly lower than 2015, this was partly due to the high level of occupancy, particularly in UK retail parks. Across the Group, principal leases were secured at 5% above December 2015 ERVs.

Link to strategy

More in the Business Review on pages 22 to 29

Chart 8

Voluntary staff turnover
10.9%



Description

We aim to retain, engage and develop our talented people. Since 2014 we have monitored voluntary staff turnover to highlight any signs of demotivation or other people-related issues and include both corporate and shopping centre-based employees in this measure.

Performance

In 2016, voluntary staff turnover remained low at 10.9%. The small increase compared with 2015 was due to a slightly higher number of leavers in our French and UK shopping centre businesses. However, the turnover number still remains low compared to wider industry averages.

Link to strategy

More in the Our people section on page 40

Managing the business

The Group Executive Committee (GEC), formed and chaired by David Atkins, comprises the senior management of the business. The GEC is responsible for creating long term strategic objectives for approval by the Board and implementing the agreed strategy.

— 1 —
Jean-Philippe Mouton*
Managing Director, France

— 2 —
Timon Drakesmith*
Chief Financial Officer

— 3 —
Mark Bourgeois
Managing Director, UK and Ireland

— 4 —
David Atkins*
Chief Executive

— 5 —
Sarah Booth*
General Counsel and Company Secretary

— 6 —
Gérald Férézou
Deputy Managing Director, France

— 7 —
Peter Cole*
Chief Investment Officer

— 8 —
Andrew Berger-North
Director, UK Retail Parks

* See biographies on pages 120 to 121.

This Business Review provides an overview of the performance of our sectors during 2016.

UK shopping centres

2016 was a busy year for UK shopping centres with the Grand Central acquisition, the opening of two new centres and another set of strong operating results from our existing portfolio. We have also seen good performance in the second half of the year, with retailers keen to take space in our prime centres.

Table 9

Operational summary

Key metrics	Like-for-like NRI growth %	Occupancy %	Leasing activity £m	Leasing vs ERV %	Like-for-like ERV growth %	Retail sales growth %	Footfall growth %
31 December 2016	**2.4**	**97.8**	**9.0**	**+6**	**1.6**	**(1.1)**	**(0.5)**
31 December 2015	2.1	98.3	11.7	+4	2.8	1.3	1.1

Note: Figures presented on a proportionally consolidated basis.

Sector and portfolio overview

Prime shopping centres are differentiated from secondary or tertiary centres by their scale, catchment size and superior brand mix. They include large anchor tenants, flagship stores for international brands and offer shoppers catering and entertainment as well as retail. Prime centres support retailers' multichannel strategies as they offer high sales, footfall and dwell times in an attractive, well-managed environment which provides a mixture of leading brands, food, leisure and digital infrastructure. Online sales penetration continues to grow and accounted for 15% of total retail spend as at December 2016 according to the ONS. Leases are generally long-term, at least 10 years duration, with upward-only market rent reviews at five year intervals.

UK consumer spending grew by 3.8% in the final quarter of 2016 (Source: Barclaycard). Currency devaluation has had a favourable impact on tourist spending, but is expected to increase inflation in 2017 which may adversely impact real spending power and the input costs for retailers. Nevertheless, retailers enjoyed good Christmas trading and UK consumer confidence has remained resilient.

Investment volumes in 2016 totalled £2.7 billion which was approximately 40% lower than in 2015, with the only prime centres traded being Grand Central, Birmingham and Merry Hill, Dudley. However, demand for prime assets continues, with investment yields broadly unchanged during 2016, although secondary shopping centres have suffered outward yield shift.

We have ownership stakes in ten of the top 50 UK shopping centres (Source: PMA). We have over 2,000 tenants across our portfolio and 14% of our centres are let to catering and leisure brands, an increase of a third over the last five years.

Portfolio highlights

Like-for-like net rental income growth

2.4%

(2015: 2.1%)

Leasing activity

£9.0m

(2015: £11.7m)

Acquired

Grand Central, Birmingham

Opened

Victoria Gate, Leeds and Westquay Watermark, Southampton both BREEAM Excellent schemes

Net rental income

Net rental income totalled £148.4 million in 2016, and on a like-for-like basis increased by 2.4%, compared with a 2.1% increase in 2015. The growth in 2016 is driven by rent review settlements, income from new lettings and increased car park income. Four of our centres achieved annual like-for-like NRI growth of more than 5% with the best performing centres being Bullring, Birmingham and Union Square, Aberdeen which benefited from recent lettings and rent review uplifts.

Leasing, occupancy and ERVs

Tenant demand for space at our centres remained strong, with 141 leases signed representing £9.0 million of annual rental income and 48,300m^2 of space. The reduction in activity compared with 2015 was due to the timing of lease renewals and expiries at a number of centres. For principal leases, rents secured were 6% above December 2015 ERVs and 6% above the previous passing rent. Despite the continued tenant demand, ERV growth slowed to 1.6% compared with 2.8% in 2015, although growth in the second half of 2016 of 1.1% was higher than the 0.5% growth achieved in the first six months. Occupancy levels remained high at 97.8%, compared with 98.3% in December 2015. The decrease was principally due to Victoria Gate, Leeds which opened in October and where occupancy was 90.5% at the year end.

We have applied our Product Experience Framework and have delivered a number of key leasing deals with international brands, luxury operators and new catering offers to enhance our centres. Highlights include:

- Five new restaurants at Cabot Circus, Bristol including Côte, Brasserie Blanc and the UK's first L'Osteria
- Also at Cabot Circus, the first COS store in the south west and Monki's first store outside London
- At Silverburn, Glasgow, Smiggle and Tortilla opened their first Scottish stores

- At Bullring, LinkStreet which joins the centre to Grand Central was refurbished and remodelled to appeal to contemporary and pop-up style retailers. Lettings were completed with new niche brands including: Made.com; Religion Clothing; and Cereal Killer Café
- Brent Cross, London celebrated its 40th anniversary by welcoming three international brands: Urban Decay; Tesla Motors; and Smiggle

In October we announced plans to upgrade the Riverside at The Oracle, Reading. The project will cost £2.9 million (Hammerson's share) and be anchored by a new 167m² glass-fronted pavilion let to Comptoir Libanais. The scheme will also create a large public events space and enhanced public realm.

Lease expiries and rent reviews

The portfolio offers a robust income stream, with a weighted average unexpired lease term, including tenant breaks, of seven years, and opportunities for rental growth. Leases subject to rent reviews, break clauses or expiries offer the prospect to secure additional rental income. Over the three years to 31 December 2019, these leases would provide additional annual rental income of £8.0 million, or 6%, if renewed, or if reviews are settled at current ERVs.

At 31 December 2016, nine units were let to tenants in administration, equating to just 0.3% of the Group's total passing rents.

Sales, footfall and occupancy cost

Despite the heightened level of macro-economic uncertainty in the UK, particularly associated with the EU referendum decision, consumers remained resilient. Footfall across our portfolio was 0.5% lower than 2015. However this was ahead of the national index which fell by 1.9% during the year.

Retailer sales were also disappointing, with sales, calculated on a same-centre basis, 1.1% lower than in 2015. As reported at the half year, Union Square has been adversely affected by the weak oil price. Excluding this centre, sales across the portfolio decreased by 0.3%, with the strongest performances at Silverburn and The Oracle.

The occupational cost ratio, calculated as total occupancy cost as a percentage of sales, increased from 19.2% at the beginning of the year to 20.1% at 31 December 2016 due to changes in occupancy cost and the tenant mix across the portfolio.

Disposals, acquisitions and completed developments

In January 2016, we completed the sale of Monument Mall, Newcastle for £75 million. Following its acquisition in 2011, we redeveloped the 9,500m² centre in 2013, and the sale crystallised a £24 million profit on cost.

In February 2016, we acquired Grand Central for £350 million. The 38,400m² shopping centre in Birmingham is anchored by a 23,200m² John Lewis and sits above New Street Station, the redeveloped major railway hub. The centre includes 40 premium stores including Kiehls, L'Occitane en Provence and MAC and also contains 20 casual dining brands including Paul, Pho and Tortilla.

In December 2016, we completed the sale of 50% of the scheme to CPPIB, one of the existing joint venture partners in Bullring, for £175 million. The transaction had been contracted at the time of the acquisition, but was delayed due to a review by the Competition and Markets Authority ('CMA'). We fully cooperated with the investigation and received clearance from the CMA in July, allowing CPPIB to obtain EU merger clearance and complete the transaction.

We recently opened two new centres: Victoria Gate, Leeds in October; and Westquay Watermark, Southampton in December. Victoria Gate is adjacent to Hammerson's existing centre, Victoria Quarter. The combined retail offer, has been branded "Victoria Leeds" and provides 56,300m², of high-end stores and restaurants with over 115 brands. The 37,300m² development provides Leeds with a 21st century retail destination and includes a flagship John Lewis store, a casino, a modern take on Victorian arcades with more than 30 shops and restaurants and an 800-space multi-storey car park. Key brands include Anthropologie, Aspinal of London, D&D London, Gant, Hackett, Le Pain Quotidien, Nespresso, Russell & Bromley and Tommy Hilfiger and the scheme has introduced 17 new brands to Leeds and 11 to our UK portfolio. Four units remain to be let, which will provide the opportunity to deliver ERV growth and finalise the exciting tenant mix.

Westquay Watermark, is the UK's largest dedicated restaurant and leisure complex at 17,200m² and was 95% let on opening. The scheme has over 20 restaurants, cafés and bars, a Hollywood Bowl and is anchored by a highly anticipated Showcase Cinema de Lux. For a number of restaurateurs this is their first move outside London and tenants include Bill's, Cabana, Cau, Franco Manca, KuPP, Thaikhun, The Real Greek and Wahaca. 50% of the scheme was sold to GIC, Hammerson's joint venture partner at the adjacent Westquay shopping centre, in December 2016 for £47 million. The development further confirms Westquay as the leading retail, dining and leisure destination on the south coast.

Cabot Circus, Bristol

Positive places

We installed energy efficient air curtains at Brent Cross which have delivered both gas and electricity savings, whilst improving the ambient temperature of the centre. The new air curtains provide a seal at the entrance that keeps cool air in during the summer and out during the winter. Being unheated, the curtains use little electricity.

UK retail parks

The retail parks' occupational market remains strong, with healthy retailer demand for space at the best locations. Whilst the investment market has been disappointing during 2016, our modern retail parks portfolio is well placed to outperform in 2017.

Table 10

Operational summary

Key metrics	Like-for-like NRI growth %	Occupancy %	Leasing activity £m	Leasing vs ERV %	Like-for-like ERV growth %	Footfall growth %
31 December 2016	**2.4**	**98.6**	**4.9**	**+4**	**0.2**	**2.2**
31 December 2015	2.6	98.4	8.3	+4	1.3	n/a

Note: Figures presented on a proportionally consolidated basis.

Sector and portfolio overview

Retail parks are largely situated in out-of-town locations with units being generally larger and rents lower than in shopping centres. The better-located parks are easily accessible by car and offer free parking. The market is split into a number of sub-segments, and we have chosen to operate in a selection of these: shopping parks; hybrid parks; and key homeware parks, where occupational demand is strongest.

The occupational market remains strong, with homeware and furnishing retailers seeking space. Retailers with expansion plans include Dunelm, Oak Furniture Land, ScS, Tapi and Wren Kitchens. Also, Bunnings, the Australian hardware chain, has opened its first UK store in St. Albans and is investing £500 million to create a network of stores across the UK.

Fashion retailers are also taking new stores on retail parks as they offer a cost-effective way to fill gaps in their store footprint between large shopping centres and town centres. This trend is leading to improved tenant fit-outs, greater interaction with retailers' multichannel strategies to support click & collect sales and also a wider food and beverage offer.

Consistent with the UK shopping centres investment market, transaction volumes in 2016 were approximately one-third lower than the prior year at £2.5 billion. Sellers have outnumbered buyers during the year, particularly in the second half of 2016 when a number of open-ended funds sought to sell assets to generate liquidity following the EU referendum decision. This situation has forced investment yields to increase by approximately 100bp during the year, although there have been signs of stability returning to the market at the beginning of 2017.

We are one of the largest direct owners of retail parks in the UK and, at 31 December 2016, our portfolio consisted of 18 convenient retail parks, which provide a total of 400,000m^2 with 320 tenants.

Portfolio highlights

Like-for-like net rental income growth

2.4%

(2015: 2.6%)

Occupancy

98.6%

(2015: 98.4%)

Disposals

Thurrock Shopping Park, Essex; Manor Walks and Westmorland, Cramlington

Net rental income

Net rental income totalled £79.6 million and on a like-for-like basis increased by 2.4% in 2016, compared to 2.6% in 2015. The growth in 2016 being due to an increase in surrender premiums received associated with pro-active tenant rotation at parks including Ravenhead Retail Park, St Helens and Imperial Retail Park, Bristol. The portfolio also suffered from a small number of administrations, including Brantano, in the first half of the year.

Leasing, occupancy and ERVs

Across the portfolio we signed 36 leases representing £4.9 million of annual rental income and 24,100m^2 of space. Occupancy levels remained high during the year and were 98.6% at 31 December 2016, compared with 98.4% at the beginning of the year. This high occupancy has resulted in a lower level of year-on-year leasing during 2016. For principal leases, rents were contracted at 4% above December 2015 ERVs and 28% above the previous passing rent.

ERV growth was 0.2% in 2016, compared with 1.3% for 2015. Whilst occupier demand for space in the right location continues, particularly from homeware retailers, high occupancy is limiting opportunities to demonstrate ERV growth across the portfolio. Key leasing transactions during 2016 included:

– New leases with fashion retailers such as Fat Face, H&M, New Look and River Island as well as homeware retailers including DFS, HomeSense, Sofology and Tapi

– New drive-through concepts for Costa and Starbucks at Imperial Retail Park, Bristol and Central Retail Park, Falkirk

– Four leases at Elliott's Field, Rugby securing £1.2 million of new income at an average of 4% above the December 2015 ERV

We continue to target tenants which will enhance the retail offer at individual parks and grow income and have a number of tenant engineering opportunities planned for 2017.

Telford Forge Shopping Park, Telford

Lease expiries and rent reviews

Our portfolio benefits from a secure income stream, and at 31 December 2016 had a weighted average unexpired lease term of eight years, including tenant break options.

Leases subject to rent reviews, break clauses or approaching their lease expiry date, offer the opportunity to secure additional income. Over the three years to 31 December 2019, these leases would provide additional annual rental income of £3.0 million, or 4.5%, if renewed or if reviews are settled at current market rents.

At 31 December 2016, there were just two tenants in administration representing £0.2 million of income, both of which continue to trade.

Customer insight and footfall

We have begun to collect footfall data across our portfolio in order to enhance our customer insight. For the year to 31 December 2016, visitor numbers increased by 2.2%, 290 basis points ahead of the Springboard Retail Parks index of -0.7%.

Also during 2016, we completed the second phase of our in-depth customer surveys to better understand consumer opinions about our parks and existing or prospective tenants. We found that customer satisfaction has improved by 3% across our portfolio, dwell times and the average number of shops and restaurants visited have both increased by 8% and catering visits have increased by 7%.

This feedback from our shoppers has enabled us to improve our customer services provision at a number of parks, an example being the installation of Amazon lockers at Elliott's Field Shopping Park, Rugby.

Disposals and developments

As part of the Group's £500 million disposal programme announced to part fund the Irish portfolio acquisition in September 2015, we sold a number of retail parks in 2016, raising total proceeds of £217 million. Thurrock Shopping Park, Essex was sold in June for £93 million, which was £10 million below its December 2015 valuation but significantly above the acquisition cost of £64 million in 2012.

We also completed the sales of a solus property in Folkestone for £7 million in July, Manor Walks, Cramlington for £78 million in August and Westmorland Retail Park, Cramlington in November for £36 million.

We are currently on-site with three significant development schemes in Didcot, Rugby and Swansea and further details are in the Development section of this Business Review on page 30. In addition, we are reconfiguring the former Homebase unit at Fife Central Retail Park, Kirkcaldy with works started in December 2016. Four new units are to be constructed with three already let to Sofology, Wren Kitchens and DW Sports. The 4,300m² project will be completed in June 2017 with a total development cost of £10 million. We continue to advance other smaller-scale development projects across our portfolio as these deliver strong financial returns and enable us to enhance the appearance and tenant mix of our portfolio.

Elliott's Field Shopping Park, Rugby

Positive places

Our collaboration with Costa, under which we built a Costa Eco-pod at Wrekin Retail Park, Telford in 2015, has been extended. The operational performance of the Eco-pod exceeded expectations and we are in the process of delivering a second Costa Eco-pod at our Parc Tawe development in Swansea. The success of this initiative has also triggered work on designing a zero-carbon retail park at the second phase of development at Elliott's Field, Rugby.

France

During 2016 we have continued to attract new tenants, enhanced the tenant mix across our portfolio and delivered strong net rental income growth. The investment market has also strengthened for prime retail destinations which has led to an increase in the portfolio's value.

Table 11

Operational summary

Key metrics	Like-for-like NRI growth %	Occupancy %	Leasing activity £m	Leasing vs ERV %	Like-for-like ERV growth %	Retail sales growth %	Footfall growth %
31 December 2016	**2.2**	**96.5**	**9.0**	**+5**	**(2.2)**	**3.1**	**2.8**
31 December 2015	2.5	96.9	7.2	+2	nil	0.6	(0.6)

Note: Figures presented on a proportionally consolidated basis.

Sector and portfolio overview

Prime shopping centres in France have similar characteristics to those in the UK and Ireland. Online retailing is not as advanced in France compared with the UK, although it is growing rapidly and retailers are beginning to focus on their multichannel strategies in a similar way to those operating in the UK.

French leases tend to be shorter than in the UK, often of nine years duration, with three-year break clauses, although in practice these are seldom exercised. This situation enables landlords like Hammerson to actively manage tenant mix to enhance the brand offer. The retail environment has been subdued during 2016 associated with the ongoing terrorist threat, particularly in Paris, and unsupportive wider macro-economic conditions, such as high unemployment levels and low GDP growth. The wider shopping centre market has seen sales and footfall reduce.

Investment markets were strong in France, although the total retail investment activity of €4.4 billion was €1.2 billion lower than 2015 and of this approximately 40% of sales were to foreign investors. Due to a lack of assets on the market, and the effect of quantitative easing, the strong investor demand acted to reduce yields to around 4% for prime, successful shopping centres.

At 31 December 2016, our French portfolio comprised 10 prime shopping centres, with five located in or around Paris, including Italie Deux and Les Trois Fontaines. Our other major centres include Les Terrasses du Port, Marseille and Place des Halles, Strasbourg. The three largest centres: Les Terrasses du Port, Italie Deux and Les Trois Fontaines account for two-thirds of the value of the portfolio. There are over 1,000 tenants across the portfolio, which attract almost 100 million visits each year.

Portfolio highlights

Like-for-like net rental income growth

2.2%

(2015: 2.5%)

Retail sales growth

3.1%

(2015: 0.6%)

Disposal

Villebon 2, Paris

Net rental income

Net rental income totalled £89.3 million in 2016 and on a like-for-like basis increased by 2.2%, compared to 2.5% in 2015. Les Terrasses du Port, Marseille was the strongest performing centre, with increased gross rental income and reduced year-on-year operating costs, as the centre begins to mature following its opening in 2014. As with our UK shopping centres, we have been focusing on increasing non-rental income and in 2016 this revenue stream increased to £5.4 million, compared to £4.7 million in 2015.

Leasing, occupancy and ERVs

Our retenanting strategy has continued during 2016 and we signed 117 leases across the portfolio, representing £9.0 million of annual rental income and 35,500m^2 of space. For principal leases, the new income was 5% above December 2015 ERVs but 5% below the previous passing rent. The variance to previous passing rent was due to a number of leases signed at the beginning of the year at Villebon 2, Paris, which we sold in April, and the reletting of the former H&M unit at Place des Halles, Strasbourg to Darty and New Look. These tenants relocated within the centre and enabled a coordinated retenanting programme, including an upsized Zara, and helped improve the tenant mix and footfall on the first floor. Excluding these two factors, the figure would have been 12% above the previous passing rent.

We signed leases with a number of international brands, including brands new to the French portfolio: MAC at Les Trois Fontaines; Bialetti at Nicetoile and Espace Saint-Quentin, and Armani Exchange and Coach, its first at a French shopping centre, at Les Terrasses du Port. Other key leasing deals during the year were:

- Kusmi Tea and Nyx at Italie Deux
- Veritas and Rituals at Les Terrasses du Port
- KOTON at O'Parinor, its first store in France
- ID Kids and Parfois at Place des Halles

Les Trois Fontaines, Cergy-Pontoise

In May, the new Apple store at Les Terrasses du Port opened in a striking glass unit on the terrace overlooking the Mediterranean Sea. This is the first Apple store in our French portfolio and welcomed over 7,000 visitors on its opening day and helped increase footfall in the centre by 24% during 2016.

Occupancy of 96.5% was marginally lower than in 2015, principally due to vacancies at Place des Halles associated with the retenanting scheme and Jeu de Paume, Beauvais, which has performed below expectations since opening in late 2015. Like-for-like ERVs fell by 2.2% in 2016, due to Jeu de Paume, where ERVs have been rebased to reflect trading performance. Excluding Jeu de Paume, ERV growth remains challenging and on the remainder of the portfolio like-for-like ERVs increased by 0.2%, compared with no change in the prior year.

At 31 December 2016 there were 29 units in administration, a decrease of 20 during the year. These tenants all continue to trade, represent only 0.5% of the Group's passing rent and provide opportunities to enhance the tenant mix.

Sales, footfall and occupancy cost

Over the course of 2016, retail sales increased by 3.1%, calculated on a same-centre basis, significantly higher than the CNCC index which fell by 0.1%. Footfall at our centres grew by 2.8%, and was also above the CNCC index of -1.2%. The sales improvement came despite our strong presence in the Paris region which has been adversely impacted by the terrorist threat. The growth has been achieved by our leasing strategy with new tenants boosting sales and a strong performance from Les Terrasses du Port, which has continued to grow since it opened in May 2014.

Consistent with the increase in sales, the occupational cost ratio decreased during 2016 from 14.0% to 13.7% at 31 December 2016.

Lease expiries and rent reviews

Most of our French leases are subject to annual indexation, which will be 0.1% in 2017. Across our portfolio the average unexpired lease term is three years, or six years excluding tenant break options. The portfolio offers opportunities for rental growth with an average reversion of 7%. Leases expiring, or subject to tenants' break clauses, over the three years to 31 December 2019 would provide additional annual rental income of £2.8 million, or 11.2%, if renewed at current market rents.

Disposals and developments

In April 2016, we completed the sale of Villebon 2 for €157 million (£124 million). Along with the disposals of the UK retail parks explained on page 25, this was part of the £500 million disposal programme to part-fund the Irish loan portfolio acquisition.

In line with the Group's strategy we are progressing extension opportunities and other smaller-scale asset management initiatives at our three major shopping centres, which would significantly enhance these schemes and increase their catchment. Further design work and leasing discussions are required before these projects can be commenced, but they offer exciting opportunities to strengthen our portfolio and deliver attractive financial returns. Further details are provided on page 31 and on page 187.

Les Terrasses du Port, Marseille

Positive places

At Italie Deux, Paris, our sustainability team established a dedicated pop-up store, in the main mall area, to showcase the work of new designers. 15 people, selected by Paris Initiative Entreprise, were able to use the pop-up store for up to two weeks, to sell their products or services. This initiative was a fantastic opportunity for new entrepreneurs to test their offer in a low risk, supportive environment, accessing thousands of potential customers. Initiative Entreprise is part of Initiative France which we have supported since 2011.

Ireland

We are delighted to have secured the vast majority of the Dublin property assets during 2016 and have already completed a number of the asset management initiatives we anticipated at the time of the loan acquisition. Dundrum Town Centre is Ireland's pre-eminent shopping and leisure destination and offers significant income growth opportunities.

Table 12

Operational summary

Key metrics	Occupancy %	Leasing activity £m	ERV growth %
31 December 2016	**99.5**	**0.8**	**9.0**

Note: Figures presented on a proportionally consolidated basis and represent performance post property conversion only.

Sector and portfolio overview

Dublin accounts for over 70% of Ireland's total retail expenditure, 50% of national GDP and supports retail demand due to its urban area population of 1.3 million residents and significant tourist traffic (9.6 million visitors in 2016). Ireland's prime retail offer is concentrated in the centre of Dublin around Grafton Street and Henry Street, as well as a number of prime shopping centres along the M50 motorway on the outskirts of Dublin. The property market and wider economy continues to experience strong growth, although prime retail rents remain comfortably below their peak levels of 2006/7. A number of new retailers have recently entered the Irish market, including COS, Victoria's Secret and & Other Stories; there are also numerous other international retailers and food and beverage operators seeking accommodation in Dublin.

The macro-economy has continued to perform well with GDP growth of 4% expected in 2016, again making Ireland the fastest-growing economy within the EU. Growing employment, driven by inward foreign investment, remains a key driver of economic productivity. This growth has underpinned the Irish property investment market that remains strong. In 2016, shopping centre investment volume was £2.0 billion, although this was skewed by a small number of large transactions including Blanchardstown and Liffey Valley shopping centres which were both sold to international investors.

Our portfolio has been secured through a joint acquisition of a loan portfolio from the National Asset Management Agency (NAMA) in October 2015, and the subsequent consensual agreement to acquire the secured property assets from the borrowers during 2016. At 31 December 2016, the Group owned Dundrum Town Centre ('Dundrum'), Ireland's pre-eminent shopping and leisure destination in a 50:50 joint venture with Allianz, having acquired ownership of the property in July 2016. We also wholly own the Dublin Central development site and land adjoining the Swords Pavilions shopping centre in north Dublin. In December 2016, we secured a 50% co-ownership with Irish Life, of the Ilac Centre located on Henry Street, one of Dublin's busiest retail thoroughfares.

We are working towards securing the 50% co-ownership with IPUT and Irish Life of Pavilions shopping centre in Swords in north Dublin and expect this final loan conversion to complete by summer 2017.

Our total portfolio of Dublin assets will encompass 220,000m^2 of high-quality shopping centre space, with over 300 tenants and annual footfall of nearly 50 million. It also provides 27 acres of development land. Our share of the total contracted rent for the portfolio will be €45 million (£38 million).

In addition to the centre-based staff who transferred to the Group when we secured ownership of Dundrum, we opened a new office in Dublin and we have recruited a team of 10, with four individuals joining from the previous Dundrum asset manager, Chartered Land. We will continue to integrate the assets into our existing UK operating structure to maximise efficiencies and deliver our asset management strategy.

Portfolio highlights

Secured ownership

Dundrum Town Centre and Dublin Central in July. Ilac Centre in December

ERV growth

+9.0%

Occupancy

99.5%

Net rental income

Net rental income totalled £14.0 million in 2016, with £1.5 million generated from Dublin Central and the other development sites, with the remainder from Dundrum. As ownership of the property portfolio was secured during the year, the net rental income only relates to the second half of 2016, prior to which the Group received interest income from the loan portfolio. During 2016, 10 rent reviews were settled, of which half were after the property ownership was transferred. These settlements were with tenants including Aldo, Boots, BT2, Clarks, Coast and Dune. In total these

Ilac Centre, Dublin

reviews delivered annual rental uplifts of 8%. In January 2017, we have settled a further 21 reviews achieving rent uplifts of 7% on £5.4 million (Hammerson's share) of passing rent.

Non-rental income from car parks and the sale of advertising and merchandising opportunities is a significant source of income growth and has generated £2.3 million since we secured ownership of the properties. In August, the car park tariffs at Dundrum were increased by €1, however remain at a sizeable discount to parking in the city centre. The tariff change has resulted in a significant increase in car park revenue.

Leasing, occupancy and ERVs

Occupancy levels are high at 99.5% at 31 December 2016. Tenant demand for space is strong, although the high occupancy levels are currently limiting the fulfilment of all of the demand. We have a clear leasing strategy to deliver rental growth and enhance the tenant mix and overall experience at our new centres, and during the second half of the year we signed six leases representing £0.8 million of annual rental income and 3,300m^2 of space. Key leasing transactions included: Ecco; Five Guys; Gamestop; and Oaxaca, a Mexican restaurant.

In November 2016, the refurbishment of Dundrum's food court was completed. The enhanced offering includes brands such as: Chopped; Costa; Kanoodle; and Poulet Bonne Femme and broadens the catering offer at the centre.

Also at Dundrum, ERVs grew by 9% in the second half of 2016.

Lease expiries and rent reviews

At 31 December 2016, the portfolio offered the Group's longest weighted unexpired lease term of 12 years, including tenant break options, as well as significant opportunities for rental growth. The portfolio was 8.3% reversionary and leases subject to rent reviews, break clauses or expiries offer the prospect of securing additional rental income. Over the three years to 31 December 2019, these leases would provide additional annual rental income of £2.5 million, or 10.4%, if renewed, or reviews are settled, at current ERVs. This time period falls short of the most significant batch of rent reviews in 2020, which, based on current ERVs, would deliver a rental uplift of £1.9 million.

In addition to rent review and lease renewal uplifts, we have identified a number of tenant engineering opportunities to both enhance the tenant mix and generate increased rental income and ERV. At 31 December 2016, there were no units let to tenants in examinership.

Sales and footfall

Overall consumer sentiment has recovered strongly in January 2017 following some uncertainty in the latter half of 2016 and confidence levels, as measured by ESRI, are at their highest level in seven years and national retail sales grew by 3.4% in 2016.

As part of our integration activities we are upgrading the IT infrastructure at Dundrum to improve the footfall and sales data collection processes as well as introducing the Plus app in 2017. This will bring the centre in line with the Hammerson standard and provide new insight into the behaviours of our Dublin shoppers.

Future developments

The portfolio contains a number of future development opportunities at the Dundrum estate, Dublin Central and Swords Pavilions. Further details of these potential schemes are on page 187.

In addition, the redevelopment of Moore Mall South at the Ilac Centre commenced in January 2017 and is due for completion in May. The project involves the refurbishment of the mall area and the reconfiguration of 10 units into five larger flagship stores. Four of the new units have already been pre-let representing 78% of the target income.

FaulknerBrowns has been appointed as the masterplan architect for the Dundrum estate and work on the scheme design has commenced.

Positive places

Since we took ownership of Dundrum Town Centre in July we have supported the on-site team to deliver a 55% year-on-year increase in mixed dry recycling, an increase of over 70 tonnes. No waste is sent to landfill and waste to energy is being managed down with all food waste now being composted.

Developments

We are proud of the two new shopping centre developments in Leeds and Southampton which opened in 2016. They align perfectly with our strategy of creating differentiated destinations and add to the attraction of existing assets in both major cities.

On-site developments

Table 13

Scheme[1]	Lettable area m²	Expected completion	Current value[2] £m	Estimated cost to complete[3] £m	Estimated annual income[4] £m	Let[5] %
Parc Tawe, Swansea	21,200	Q4 2017	n/a	14	2	53
Elliott's Field Shopping Park (Phase 2), Rugby	7,900	Q4 2017	10	23	3	44
Orchard Centre, Didcot	8,700	Q1 2018	11	31	3	39
Total	**37,800**			**68**	**8**	

Notes
1. Group ownership 100% for on-site schemes.
2. Valuation at 31 December 2016. Values are not included for extension projects which are incorporated into the value 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 17 February 2017.

Introduction

The Group has a pipeline of development opportunities in the UK, France and Ireland, including three on-site retail park schemes, three major London developments and a number of potential future projects across the portfolio. These schemes provide the opportunity to significantly grow the business and enhance the quality of the Group's existing portfolio over the medium term. We carefully control expenditure and will only commit to projects when the risk level is acceptable. This will vary for each project and is dependent on a variety of factors including general market conditions, pre-letting, construction and programme certainty, and funding and financial viability. At 31 December 2016, committed capital expenditure was low at £68 million, of which the majority represented the remaining expenditure at Leeds and Southampton and land acquisitions relating to our major developments. This position means the Group retains flexibility over the future commitment of its development opportunities.

Completed developments

We completed two UK shopping centre developments during 2016: Victoria Gate, Leeds; and Westquay Watermark, Southampton. These successful developments add two new destinations to our portfolio and further details are in the UK shopping centres section of this Business Review on page 23.

On-site developments

In Swansea, we started on-site in December 2016 on a 21,200m² £16 million redevelopment of Parc Tawe which is due to complete at the end of 2017. The scheme will create a modern, mixed retail and leisure park with new public realm and improved city centre pedestrian links. The scheme is 53% pre-let with new leases signed with existing retailers: Odeon; Costa; Mothercare; and Toys "R" Us, leaving the remaining eight new retail and restaurant units to be let during 2017.

Elliott's Field, Phase I opened in October 2015, providing 16,900m² of high-quality retail space anchored by a 5,600m² Debenhams and a 4,700m² M&S general merchandise store. Capitalising on the success of Phase I and the strong demand from furniture and flooring retailers, planning consent was granted for a 7,900m² second phase on land adjacent to the existing shopping park and construction started in February 2017. The scheme is due to complete by the end of the year and is currently 44% pre-let including anchor retailers DFS and Sofology. We plan for this to be our first carbon-neutral retail park for building energy consumption.

In January 2017, we started on-site with the £42 million expansion of the existing Orchard Centre in Didcot. The scheme will create 8,700m² of new retail space, increasing the size of the total scheme to 30,000m² and leases for 39% of the estimated income have been exchanged with M&S Food, H&M, River Island, TK Maxx, Costa and Starbucks. Didcot has an affluent and growing catchment and is located between Oxford, Reading, Newbury and High Wycombe. The scheme is scheduled to complete in early 2018 and will deliver £3 million additional rental income.

Future developments

Our future development opportunities include schemes in all of the Group's portfolios, including three major London developments. These have the potential to significantly grow the business and create modern iconic retail destinations. During 2016 we have progressed a number of these schemes, although there are further milestones to achieve before we are in a position to commence these projects.

Portfolio highlights

Two schemes completed during 2016

Victoria Gate, Leeds and Westquay Watermark, Southampton

New on-site

retail park projects in Didcot, Rugby and Swansea

Good progress

made with three major London development schemes

Brent Cross extension

In conjunction with our joint venture partner, Standard Life, we have continued to advance plans for the extension and refurbishment of Brent Cross shopping centre in north-west London. This project forms part of the wider Brent Cross Cricklewood regeneration plans with the extended shopping centre comprising 175,000m² of retail, catering and leisure use and will be the principal retail destination for north London. Following completion of the development agreement and the CPO Inquiry in 2016, the next steps are to submit a reserved matters planning application in spring 2017, receive confirmation of CPO powers, sign lease agreements with key tenants ahead of a decision to commence construction in summer 2018 with completion due in 2022. The Group's estimated remaining development cost is in the region of £475-550 million.

Brent Cross extension (architect's impression)

Croydon town centre

The Croydon Partnership, a 50:50 joint venture with Westfield, is progressing a scheme to redevelop the Whitgift Centre and refurbish Centrale shopping centre, with the Group's total future costs in the region of £650-700 million. The scheme will establish Croydon as the principal retail and leisure hub for south London and is part of wider large-scale regeneration already underway in the area. The Partnership owns key interests in the site and controls 100% of Centrale and 75% of the Whitgift Centre. A new outline planning application was submitted in October 2016. The enhanced application included scheme revisions which were outside the scope of the existing outline planning permission, principally a new M&S anchor store and a redesign of the northern end of the scheme. The revised design incorporates three levels of retail with over 300 shops, restaurants and cafés, as well as improved leisure facilities, public realm improvements and residential homes. The decision on the new planning application is expected by summer 2017 and, subject to finalising detailed design and completing agreements with key anchor tenants, the earliest start on site could be during 2018, allowing retailers to trade through the busy Christmas period in 2017.

The Goodsyard

Bishopsgate Goodsyard is a 4.2ha site on the edge of the City of London which is owned in joint venture with our partner, Ballymore Properties. The planning application for a large mixed-use development was called-in by the Mayor of London in September 2015. In April 2016, following the GLA's planning officers' recommendation to refuse the application, the Mayor agreed to defer the application to allow further consultation with the GLA's planning officers and redesign elements of the proposed scheme. This work is underway and we aim to submit the necessary amendments and obtain determination by the Mayor later this year.

Les Trois Fontaines extension

The extension of Les Trois Fontaines is part of a wider city centre project in Cergy Pontoise. This project will add 28,000m² to the existing shopping centre and has an estimated cost to complete of £200 million. The project has been validated by the co-ownership, Auchan and the City. Building permits and retail consent have been obtained and pre-letting is progressing well.

Other schemes

We have a number of potential pipeline schemes in each of our sectors which will enhance the overall quality of the Group's portfolio. During 2016 we submitted a planning application for an extension to Union Square, Aberdeen and in Paris we progressed a potential extension scheme at Italie Deux. Also, our new Irish portfolio contains a number of exciting future projects at the Dundrum estate, Dublin Central and Swords Pavilions.

The precise nature and design of these schemes are fluid and they are at different stages of development. The speed of delivery for these pipeline schemes will be dependent on a variety of factors including: planning permission; retailer demand; anchor tenant negotiations; land assembly; scheme design; funding; and financial viability. Further details of these schemes are included on page 187.

Positive places

We were delighted to work in partnership with Sir Robert McAlpine during 2016 on a project exploring the Natural Capital implications of different technologies being incorporated into two of our developments. The concept of Natural Capital is not new but the work of the Natural Capital Coalition and the publication of related protocols is bringing the debate to the wider business community. The project produced fascinating insight on how we might reflect capital other than financial in our decision-making. The output from this work is available on our sustainability website, www.sustainability.hammerson.com.

Our "True value of shopping centres" research demonstrated the wider benefits of retail development with employment generation having a positive impact way beyond the individuals employed. We are in the process of updating this work and the original reports are available on our corporate website, www.hammerson.com.

Premium outlets

During 2016, we increased our two premium outlets investments in Value Retail and VIA Outlets. They continue to deliver excellent income and capital growth and align with our strategy of allocating capital to growing consumer markets.

Table 14

Operational summary	Value Retail[1]		VIA Outlets[1]	
	Year ended 31 December 2016	Year ended 31 December 2015	**Year ended 31 December 2016**	Year ended 31 December 2015
Brand sales (€m)[2]	**2,562**	2,380	**437**	374
Brand sales growth (%)[3]	**8**	11	**7**	10
Footfall (millions)[2]	**34.6**	33.3	**12.7**	10.2
Average spend per visit (€)[2]	**74**	71	**34**	37
Average sales densities (€000/m²)	**15.1**	14.3	**3.9**	3.3
Average sales densities growth (%)[4]	**6**	8	**19**	6
Occupancy (%)	**96**	96	**92**	87

1. Figures reflect overall portfolio performance, not Hammerson's ownership share and 2015 figures have been restated at 2016 exchange rates.
2. 2016 VIA Outlets figures include Festival Park since July 2016.
3. VIA Outlet figures include six months of Festival Park sales for both 2016 and 2015
4. Average sales densities have been calculated as a weighted average based on the average occupied GLA. Festival Park has been excluded for both 2016 and 2015 due to information being unavailable.

Sector and portfolio overview

Outlets offer a distribution channel for brands to sell excess inventory at a material discount to the original price. Premium outlets are at the top of this sector, providing international fashion and luxury brands with an environment similar to a full priced store, where retailers are able to maintain and protect their brand identity.

Over recent years, the European outlets sector has seen both strong sales growth and increasing investor demand, and investment yields have reduced during 2016. However, transactions are relatively infrequent with many traded off-market, particularly at the higher end of the outlets sector, where our portfolios have chosen to operate.

The market has strong demand for discounted luxury and fashion items from international tourists, in particular from China, India, Russia and the Middle East. In 2016, spending patterns of wealthy tourists have been influenced by security concerns and currency movements. Reduced spending by Chinese visitors has been mitigated by growing demand from other international travellers.

Our exposure to the sector, which has increased over recent years, is gained through our long-term partnership with Value Retail and also through VIA Outlets, a joint venture established in 2014. Both portfolios are externally managed, although the Group has a strong relationship with both management teams and Timon Drakesmith is a Board member of Value Retail and is Chairman of the VIA Outlets advisory committee. The sector has many similarities with our directly managed properties and we utilise the knowledge gained to enhance the brand experience across our other portfolios.

Portfolio highlights

Strong brand sales growth

Value Retail

+8%

VIA Outlets

+7%

Developments

Fidenza extension opened and Bicester Phase 4 commenced

Acquisitions

Additional sponsor stakes acquired in Value Retail. VIA Outlets acquired five outlets

Value Retail ("VR")

Strategic overview

VR operates nine high-end shopping-tourism Villages in the UK and Western Europe which provide over 182,000m² of floor space and more than 1,000 stores. VR focuses on international fashion and luxury brands and attracts long-haul tourists and wealthy domestic customers. The Villages, which include Bicester Village outside London and La Vallée Village near Paris, are among the most successful outlet centres in Europe.

The average sales density for the Villages is €15,100/m² with densities at Bicester Village around €38,400/m² representing growth of 7.9% in 2016. The Villages have been intentionally located close to Europe's wealthiest cities and major tourist attractions and targeted marketing enables VR to benefit from the growing shopping-tourism market. In total, over 160 million residents live within a 120 minute drive of a Village, and the major cities served by the Villages attract 100 million tourists each year. This strategy has enabled VR to deliver annual compound brand sales growth of over 15% since 2006 and during 2016 VR enhanced their management team through external recruitment.

We hold interests in the VR holding companies as well as direct investments in the Villages. When these holdings are combined, at 31 December 2016, the Group had an economic interest in the net assets of VR of 40%.

Acquisitions and disposals

In December 2016, we acquired additional sponsor stakes in VR holding companies for £41 million, increasing our sponsor interest to 25%. We also sold our minority stake in VR China for £8 million, crystallising a profit of £1.3 million.

Performance in 2016

Against a more challenging macro-economic environment and a slowdown in long-haul tourism growth, particularly from China, sales growth is slightly lower in 2016 at 8%, compared with 11% in 2015. Performance has varied across the Villages, with strong growth at Bicester, Oxford, La Roca, Barcelona, and Kildare, Dublin, the latter Village benefiting from the opening of a major extension in late 2015. However, La Vallée Village, Paris has seen a more subdued performance, with reduced tourist visits associated with the continuing terrorist threat in Paris.

VR have redirected promotional activities towards both a more diverse tourist market and high-end domestic customers. They are also proactively evolving and improving the brand mix at the Villages and enhancing the customer experience through refurbishment, enhanced customer services and extensions. This strategy boosted sales growth in the second half of 2016 with growth of 10%, compared to 5% in the first half of the year.

Developments and extensions

At Fidenza Village, Milan a new 3,300m² extension opened in October 2016. Leasing demand has been strong with new boutiques opened by Dsquared2, Jil Sander, Nike, Roberto Cavalli and a new restaurant, Villano. At 31 December 2016, the Village occupancy rate is 91% with only seven units to let.

At Bicester Village, the demolition of the former Tesco store was completed and construction on the 5,800m² extension commenced in the second half of 2016. The project, due to open in October 2017, will introduce 34 new brands, over 500 new car parking spaces and enhanced road access.

VIA Outlets ("VIA")

Strategic overview

VIA is an outlets joint venture formed in 2014 in partnership with APG, Value Retail and Meyer Bergman in which Hammerson has a 47% stake. VIA's strategy has been to create a c.€1 billion portfolio by acquiring existing European outlet centres with strong catchments, focused on mainstream fashion brands and with potential for growth through active asset and development management. It reached this target in late 2016 through the acquisition of four outlets and management intend to focus on the integration and improvement of the operational efficiency and performance of the portfolio in 2017. At 31 December 2016, VIA operated eight centres providing 148,000m² of floor space and 680 stores across seven European countries. Major centres included Freeport, near Lisbon, Batavia Stad, near Amsterdam, Fashion Arena, near Prague, and Festival Park, Majorca.

With some oversight from VR, the VIA team enhances the overall centre management, physical appearance, leisure and catering offers and tenant mix of the centres to deliver sales, income and value growth. The strategy also involves work to right-size units, the introduction of more flagship stores and targeted marketing to increase tourist visits and total footfall.

Acquisitions

In July 2016, VIA completed the acquisition of Festival Park, Majorca with the Group's share of the acquisition price being €44 million. The 33,000m² centre includes an 8,000m² cinema and attracted 4.4 million visitors in 2016. VIA management has already commenced work to improve the brand mix and enhance the food and beverage offer at the centre.

In November 2016, VIA agreed to acquire four outlet centres from the IRUS fund, with the Group's share of the acquisition cost being €170 million. All of the centres are located close to major cities, with the largest centre at 29,000m² in Zweibrücken, Germany with 114 tenants and a sales density of €6,000/m². The second largest at 28,000m² is in Porto, Portugal with the other centres in Seville, Spain and Wroclaw, Poland. The latter centres have sales densities ranging from €3,300/m² to €4,000/m². At 31 December 2016, we had completed the acquisition of two of the assets, Seville and Wroclaw with Zweibrücken completing in February 2017. The acquisition of Porto is expected to be finalised in the spring. The transaction increases VIA's portfolio value to €1.2 billion, achieving the original acquisition strategy.

Performance in 2016

VIA's portfolio has performed strongly during 2016, particularly Batavia Stad and Fashion Arena, and sales densities have increased by 19% year-on-year. At Batavia Stad, significant upgrades have been implemented in 2016 including 30 remerchandising projects impacting almost a quarter of the scheme.

Occupancy at 92% was 5% higher than at the beginning of the year following new lettings at a number of the outlet centres during the year. Occupancy at premium outlets tends to be lower than for shopping centres and retail parks due to the greater remerchandising and retenanting activity.

Developments and extensions

At Batavia Stad, a 6,900m² extension is due to open in early 2017 and will introduce 41 new units and increase space by 28%. Further upgrades are being implemented including new façades and 40 remerchandising projects, including new brands Gant and Falke. The tourist marketing strategy implemented in 2015 has delivered a 37% increase in tax free sales during 2016.

The enhancement works at the food court at Fashion Arena have now finished and 22 remerchandising projects have been completed during 2016, including the opening of the first Polo Ralph Lauren outlet store in central and eastern Europe. Tax free sales were 37% higher in 2016 than 2015.

Work has started at Freeport, Lisbon on a major reconfiguration and enhancement of the centre. The total lettable space will be reduced through the closure of large warehouse-type units and new smaller units will be let to premium retailers and restaurants. This reconfiguration is accompanied by a refurbishment of the existing space and works are due to complete in September 2017.

Positive places

VIA Outlets have completed a sustainability review in 2016 and will be implementing a work plan for the portfolio in 2017. The centres vary in terms of configuration, construction and age, and operate under a range of local regulations, making current sustainability performance inconsistent. Nevertheless, there are examples of excellence such as Landquart, Zurich which provides renewable electricity to all tenants from an off-site photovoltaic system.

Positive Places

Our sustainability vision is to create retail destinations that deliver positive impacts economically, socially and environmentally. Positive Places is our strategy for making that happen. During 2016 we continued to deliver excellent sustainability outcomes. Our focus on those issues most material to the business has produced significant achievements in both environmental performance and social impact.

Table 15

Key metrics

	CO_2 intensity (tonnes/ £m profit)	Electricity consumption	Recycling	F and G EPCs[1]
2016	**155**	**-4%**	**68%**	**11%**
2015	172	-6%	69%	13%

Our sustainability strategy

Our five Positive Places Commitments provide a clear and consistent framework for delivering our sustainability strategy:

Challenge and Innovate

Challenging the status quo and trialling new approaches and solutions to support the transition to a more sustainable business model

Protect and Enhance

Protecting and enhancing our natural environment by minimising resource consumption and delivering restorative projects

Upskill and Inspire

Investing in our people, and recognising and rewarding those that deliver change with sustainability related objectives

Partner and Collaborate

Taking a stakeholder-led approach to create collaborative projects and evolve from client to partner

Serve and Invest

Delivering social value to the communities we serve, measured in jobs, skills, civic pride and investment

Each Positive Places initiative has outcomes that link directly to at least one of the five Positive Places Commitments. This structure ensures our resources remain focused on the areas and activities within the business where we can drive real change. Examples of our activities in each of these areas can be seen throughout the report.

See the Positive Places pages of our website for more details of our performance against our sustainability targets.

Sustainability highlights

Agreed

100% renewable

electricity contracts across the UK shopping centre portfolio

Installed

130 kWp

photovoltaic array at Westquay, generating an average

6.4 mWh

clean electricity per month

Opened

2

BREEAM Excellent shopping centres

1,000 people

supported into permanent employment at our Leeds Victoria development

9%

reduction in Carbon emissions

How we deliver it

The selection of Positive Places projects and initiatives is guided by the findings of our materiality reviews. Working with both internal and external stakeholders these regular reviews ensure we remain focused on sustainability issues that are business relevant.

- **Energy security and demand**
- **Waste management**
- **Investment in our local communities**

Data on the above areas plus our overall carbon emissions are provided in this section. Our full set of material issues along with data and reporting on all our other initiatives and projects can be found on the Positive Places pages of our website.

Climate change and carbon emissions

We have set carbon emissions reduction targets for the business since 2006 and are pleased to report further significant progress in reducing our emissions. We have exceeded our 2016 target of 3% year-on-year reduction in CO_2 emissions, achieving a 9% reduction across the managed assets. A key contributing factor this year has been the reduction in electricity consumption across the UK portfolio but, we have also seen reductions in gas consumption in France. Factoring in the clean electricity contracts placed across our shopping centres in the UK and Ireland brings this saving up to 56% year-on-year, a saving of 20,000 metric tonnes of CO_2.

1. Includes assets in England and Wales.

Energy security and demand

Ensuring a stable and secure energy supply to our assets in the face of rising pressure on network infrastructure is an increasing business risk. A number of our sustainability initiatives focus particularly on projects that look to reduce this risk through:

- reducing demand for energy
- purchasing renewable electricity
- generating renewable electricity on site

Reducing demand for energy

Electricity is the biggest contributor to our total carbon emissions so is an important area for us to focus on. Our 2016 target was to reduce operational electricity consumption from the like-for-like managed portfolio by 6%. We have achieved 4% savings across the year. The UK shopping centre assets have performed extremely well, achieving 8% savings in consumption. Our investment in LED at Bullring, Birmingham reduced electricity consumption by 20% year-on-year. This generated savings of approximately £180,000 over the year to December.

Our retail parks and the French shopping centres have performed less well in terms of demand reduction, although with notable exceptions. Once adjusted for weather, the French shopping centre portfolio achieved a reduction of 2% in electricity demand.

Gas is a significant contributor to GHG emissions from our French portfolio because the electricity supply is largely nuclear and low carbon. We have successfully reduced our gas consumption by 1% in France on a like-for-like basis. Gas consumption has also fallen by 11% in the UK but this is affected by weather patterns.

Chart 16

Total CO_2e by Portfolio ($mtCO_2e$)

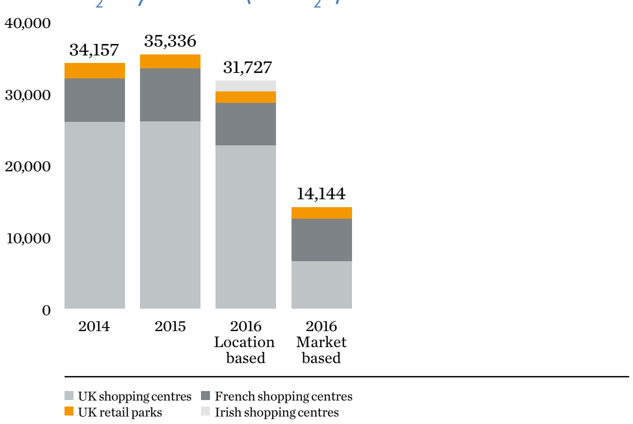
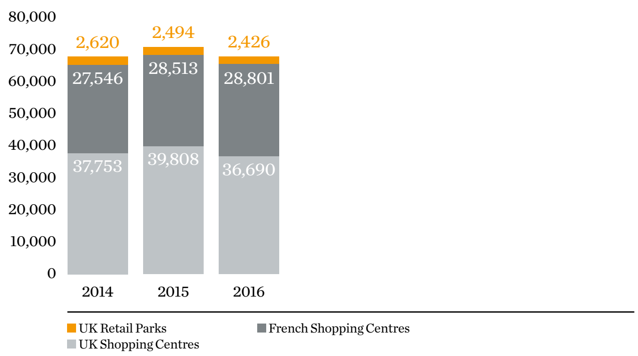


Chart 17

Like-for-like landlord electricity consumption (mWh)



Purchasing renewable electricity

Rising demand for clean energy from major purchasers will drive electricity suppliers to continue increasing supply, contributing to the decarbonisation of the grid. We have agreed 100% renewable electricity contracts across the UK and Ireland shopping centre portfolios. This has reduced carbon emissions by 20,000 tonnes for our UK shopping centre portfolio and contributed significantly to our being ahead of target in our reduction of carbon emissions.

Generating renewable electricity on site

In addition to purchasing renewable electricity, we are also looking to increase our capacity for generating renewable energy on site. We have achieved our 2016 renewables target by successfully installing 130 kWp of photovoltaic panels in the UK. This is currently generating an average 6.4 mWh of clean electricity per month, all of which is used on site. We plan to extend our renewable installations in 2017 both on the shopping centres and retail parks.

Westquay photovoltaic array

Waste management

Resource use and waste generation are two key contributors to climate change, depletion of scarce resources and loss of biodiversity and habitat. Waste management is also a significant cost for the business and for our retailers.

Waste management performance across the portfolios is variable, with traditionally much better performance in the UK than in France. This remains the case but we have seen significant improvements at our French assets as the standards set at Terrasses du Port are implemented at other sites.

We set a stretching recycling target for the managed assets at 85%, but some of our UK assets are achieving this, notably Cabot Circus. Success can be affected by how much recyclable waste is backhauled by our retailers but we will maintain this target for the assets.

Our continued focus on recycling has significant cost benefits. The avoidance of Landfill Tax produced savings of £2.3m for our tenants in 2016. This was further supported by £582k in income generated from sale of waste.

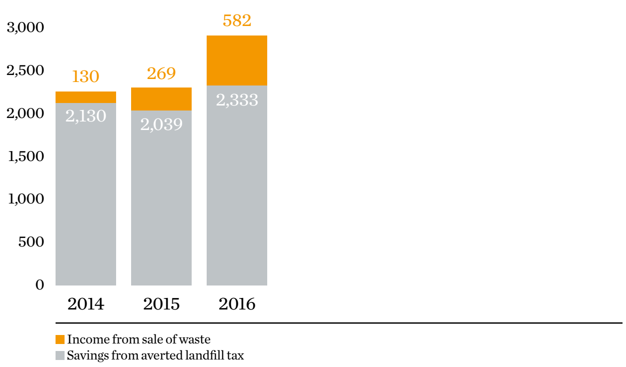
The increase in restaurants across the portfolios generates significantly more organic waste which is costly to manage. We have trialled two new waste management technologies specifically to address this issue. Biowhale – a system for more effective storage of organic waste, has been trialled at Westquay and Westquay South. This has reduced the number of lorry trips to and from site and had co-benefits of improving waste separation by tenants.

A waste digester has been installed at Victoria Gate which turns organic waste into water with the use of enzymes.

Waste management is also a material issue for our development schemes. We set ambitious targets for our development teams and this year all our schemes have achieved well in excess of 90% diversion from landfill for construction and demolition waste.

Chart 18

Group waste management savings (£000)



GHG emissions 2016

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 2015 to 30 September 2016. 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. We are required by the new Scope 2 GHG Protocol to report our Scope 2 emissions using both market and location-based methods.

Independent assurance

Total Scope 1, Total Scope 2, Total Scope 3, and Total GHG emissions intensity data have been independently assured by Deloitte LLP who have carried out Limited Assurance in accordance with the International Standards on Assurance Engagements 3000. Their assurance statement is available on the sustainability pages of our website.

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 Places pages of our website at www.sustainability.hammerson.com.

GHG emissions 2016

Table 19

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	We have sourced our emissions factors from 2016 DEFRA GHG Conversion Factors for Company Reporting, and additional sources including, but not limited, to IEA and Engie.
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 1/10/15 – 30/09/16*.
Target	18% reduction in like-for-like carbon emissions by 2020 against 2015 baseline using location-based approach.

* Profit before tax derived from unaudited management accounts.

Table 20

GHG emissions disaggregated by country

Source	Global emissions ($mtCO_2e$)	UK emissions ($mtCO_2e$)	France emissions ($mtCO_2e$)	Ireland emissions ($mtCO_2e$)	Global emissions ($mtCO_2e$/£m)
Total GHG emissions metric tonnes (Market-based factors)[1]	**16,335**	**9,907**	**6,336**	**92**	**74**
Total GHG emissions metric tonnes (Location-based factors)[1]	**34,041**	**26,065**	**6,336**	**1,640**	**155**
Scope 1: Direct emissions from owned/controlled operations					
a. Direct emissions from stationary operations	5,136	2,962	2,139	35	23
b. Direct emissions from mobile combustion	100	14	86	0	0
c. Direct emissions from fugitive sources	17	17	0	0	0
Totals	**5,253**	**2,993**	**2,225**	**35**	**23**
Scope 2: Indirect emissions from the use of purchased electricity, steam, heating and cooling					
a. Indirect emissions from purchased/acquired electricity (Market-based)[1]	7,258	5,349	1,909	0	33
a. Indirect emissions from purchased/acquired electricity (Location-based)[1]	24,964	21,507	1,909	1,548	114
b. Indirect emissions from purchased/acquired heating	1,260	16	1,244	0	6
c. Indirect emissions from purchased/acquired cooling	27	27	0	0	0
Totals (Market-based emissions factors)[1]	**8,545**	**5,392**	**3,153**	**0**	**39**
Totals (Location-based emissions factors)[1]	**26,251**	**21,550**	**3,153**	**1,548**	**120**
Scope 3:					
Business travel	1,016	738	267	11	5
Waste	1,143	554	564	25	5
Water	378	230	127	21	2
Totals	**2,537**	**1,522**	**958**	**57**	**12**

1. Market-based emissions factors reflect the contracts we have in place for energy supplies. Our UK and Ireland shopping centre portfolio electricity contract is 100% certified renewable energy with an emissions factor of zero.
Location-based emissions factors are national factors reflecting the emissions from all energy sources within the national grid network. We are reporting both for transparency and to aid analysis with previous reporting years.

Investment in our local communities

Building and maintaining strong links within our local communities directly supports the long-term success of our assets. The local economic benefits of the investment that accompanies a well-run shopping centre are significant and our activities reinforce a positive circle of benefit generated by additional employment and business opportunities. Thriving local communities are a direct benefit to our business.

We have an extensive programme of community engagement running at our managed assets and through our developments. Our focus is on four key issues: employment and skills, entrepreneurship, young people and health and well-being. All our activities support one of these areas. Our financial contribution has increased along with the number of charitable organisations and community groups with which we engaged but we are clear that it is the impact of our activities that really matters. This is brought to life in the projects set out here and through the rest of the report. More detail on these and other activities is set out in our Community Engagement report and on the Positive Places pages on our website.

Table 21

Community contributions (Hammerson Group)

	2016	2015
Direct contributions (£000)	**2,197**	2,158
Indirect contributions (£000)	**629**	383
Total beneficiaries (number)	**434**	276

Our community engagement team has been very busy in 2016 with the completion of Victoria Gate, Watermark and Merthyr Tydfil. Extensive work with local authorities, our contractors and our retailers has enabled us to reach some of the most disadvantaged people, supporting them into employment. 82% of jobs generated at Victoria Gate went to local people.

Let's Talk Shop, our collaboration with Department for Work and Pensions and Barnet Council at Brent Cross, has supported 200 local people into employment in retail and hospitality at Brent Cross in the last two years. The model of providing a single point of contact for retailers and local people along with skills training has proved so successful for our retailers that we are introducing it across our other centres.

Teenage Market
Over 100 young people experienced trading through our partnership with Teenage Market in 2016

In France our entrepreneurship partnership with Initiative France is still generating great outcomes supporting small businesses through start-up. The success rate after three years for businesses supported through the programme is 88%. This compares very well with a national average of 66%.

Two new partnerships that have created impressive results in 2016 are Pop-Up Business and Teenage Market. Pop-Up Business runs two-week, free to access training programmes for entrepreneurs needing support to get their business ideas off the ground, hosted in our shopping centres. We then provide space for these small businesses to start trading in a low risk, supported environment. Pop-Up Business has run in four of our assets in 2016 and we are looking to run a programme across the whole portfolio with them in 2017-18. 472 people have participated in the programme at our assets so far with over 200 businesses started.

Pop-Up Business School
472 people attended Pop-Up Business training at our centres and over 200 businesses were started as a result.

Teenage Market offers young people an opportunity to trade from a market stall for a day. Our initial event at Kirkgate Market, Leeds in July was so successful we were asked to run a second one in December. The Croydon Partnership ran a Teenage Market at Whitgift and we plan to run these events more widely across our portfolio in 2017.

Engaging our people

As part of our commitment to Serve and Invest in the communities in which we operate, we have continued to invest in supporting our employees to do just that.

Through volunteering

We have found that providing volunteering opportunities and supporting employees in identifying their own volunteering activities provides a range of benefits for our communities, our employees and the business.

2016 was the 10th year for our annual Community Day in the UK and our fourth year in France. Once again, the range of activities available was wide, from introducing primary school children to the world of shopping centre design to refurbishing the garden of a community centre for adults with disabilities. Our aim with Community Day is for as many people as possible across the business to participate and benefit from getting to know colleagues they do not normally work with and strengthening the bonds with those they do. This year 60% of employees across the UK and 88% in France took part in Community Day.

Beyond Community Day, we have developed local and national relationships to ensure that volunteering opportunities are available to our employees throughout the year. This year people have participated in a range of activities including mentoring with Urban Plan and Enabling Enterprise and a number of sports challenges including the North Downs Walk for Alzheimer's Society and the Land Aid 10k.

We have continued to use the Butterfly Bank employee engagement platform to manage and support activities, extending the scope of the platform to include on-site contractors as well as direct employees. The platform enables us to create and promote volunteering opportunities centrally and allows our shopping centre teams to create their own localised opportunities.

This has been very effective in driving engagement and volunteering activity and we are delighted with the results in terms of volunteering hours and participation. Leveraging a competitive streak in our teams in a fun way has had a very positive impact for local initiatives.

Across the Group, at least 499 volunteer days were delivered in 2016. Community Day represented 300 of those days with a further 199 days contributed in addition to the centrally organised event.

499 volunteering days delivered by Hammerson employees in 2016

- 137 charities supported
- £200,000 donated to charitable causes
- Almost 2,000 actions taken by Hammerson employees to support our communities

Through fundraising

As well as a local charity bursary run by each of our shopping centres, we have two national charity partners selected by our employees. We are currently supporting Macmillan and Alzheimer's Society. In our first year of this two-year partnership, Hammerson staff have supported a number of activities and raised £36,080, with an additional £16,889 match funding from Hammerson. This brings total voluntary cash charity donations from Hammerson to £216,000 for the year.

In addition to this, our teams have found ways to work more strategically with our charity partners, looking at how we can work together to support their charitable causes more directly. With Macmillan we have run drop-in centres at our assets. With Alzheimers Society we have developed our Dementia Friendly Charter for our shopping centres and begun to provide Dementia Friendly training across the portfolio. Highcross in Leicester became the first UK shopping centre to be officially recognised by the Alzheimer's Society for its work in becoming Dementia Friendly.

ESG Benchmarking scores

Table 22

	2016	2015
Vigeo (2014/15 Biannual survey)	**Robust**	Robust
FTSE4Good/Sustainalytics	**82**	74
GRESB	**Green Star 68 6/16 in European Listed Real Estate sector**	Green Star 76 6/13 in European Listed Real Estate sector
DJSI	**69**	67
Oekom	**C Prime**	C Prime
CDP	**B**	C
Carbon Clear FTSE 100	**14/99**	15/99
EPRA CR Reporting	**Gold Award**	Gold Award

Our people

Talented people are crucial to the delivery of our commercial success. They apply their specialist insight and expertise to creating and operating differentiated destinations that deliver value for stakeholders. They negotiate and manage the partnerships that support an efficient capital structure and strong operational base. Our people strategy ensures that we recruit, nurture and retain the right people. We closely monitor our performance, with a particular focus on creating the right culture, driving engagement, talent management and diversity and have seen positive movement across all key metrics in 2016.

Delivering our business strategy

Our people strategies and activities are designed to support the delivery of our business strategy.

They help us to attract talented people to our organisation. They drive high levels of employee retention, engagement and development; enabling colleagues to grow and fulfil their potential. They ensure that we remain focused on nurturing industry leading leadership and management skills and leveraging this capability every day. And they create a dynamic and collaborative culture where diversity is encouraged and embraced.

Culture

By value and scale of activity Hammerson is a large organisation and yet we directly employ less than 600 people across the UK, France and Ireland. This enables us to get closer to our people, to understand what is important to them and where we need to focus our energies in order to improve performance, wellbeing and culture.

Our values – ambition, respect, collaboration, and responsibility – underpin how we operate on a day-to-day basis. They are embedded within the organisation and drive our resourcing, induction, development and performance management processes.

As well as our values, we are focused on how we can enrich our culture still further and, during the course of 2016, this was achieved by the ongoing implementation of our diversity and inclusion strategy.

As part of our ambition to promote greater diversity, and nurture an ever more inclusive working environment, we delivered a series of all employee events during the course of the year celebrating International Women's Day, World Cultural Day, London Pride, National Work Life Week and International Day of Persons with Disabilities. Supported by a host of external speakers, the impact of these events was considerable, driving meaningful and sustainable changes in attitudes and behaviours, further strengthening the already positive culture that exists within the business.

Our people highlights

Headcount

572

UK 358
France 135
Ireland 79

Voluntary staff turnover

10.9%

UK 11.2%
France 10.1%

New joiners

87

UK 72
France 15

Internal moves and promotions

26

The Company's acquisition of the Dundrum shopping centre in Ireland required us to establish a new team in Dublin, many of whom transferred to Hammerson from the previous owner. The task was significant, requiring us to on-board a large number of people within a short period of time. More challenging was the need to implement the change in a way that positively engaged our new colleagues; welcoming them to the Company and our ways of working.

On 7 July 2016, 131 new, Ireland based employees joined Hammerson. The transition was smooth, supported by an intensive induction and on-boarding programme which focused heavily on our values and ambition to drive an engaging and inclusive culture.

Talent management and succession planning

Talented people are critical to the success of Hammerson. They enable the Company to deliver its business strategy, to grow and to deliver the financial returns sought by our stakeholders and investors. Whilst we will always take opportunities to strengthen the organisation with key external appointments, we are committed to developing our own talent pipeline, ultimately growing our future managers and senior business leaders from within.

In 2016, our now well established UK Graduate Programme once again delivered new talent to the organisation. During the course of the year, three of our Graduates gained RICS accreditation and took up positions within the business. Danielle Moyles, who joined the Programme in 2013, is currently on secondment to Value Retail; thus gaining further exposure to the broader Hammerson organisation.

Whilst recognising that everyone has a vital role to play within our business, we continued to invest significant time and energy in nurturing our high potential employees during the course of 2016; finalising personal development plans and potential career paths for the vast majority. Our ongoing focus in this area, which resulted in the Company filling all of its senior management vacancies internally in 2015, yielded similar results in 2016.

Danielle Moyles

A highlight was the appointment of Aurélie Siha to the position of Finance Director in France in November 2016. Aurelie had previously been identified on our senior management succession plan and was promoted from her role as Investment Director. This promotion also gave the Company female representation on the France senior management committee.

Aurélie Siha

In looking to strengthen its strategic capability at the most senior levels within the business, Hammerson created a new role in 2016; Managing Director UK and Ireland. As well as assuming responsibility for the Company's £5.9 billion retail portfolio in these territories, the appointment of Mark Bourgeois, currently Chairman of Revo (formerly the British Council of Shopping Centres), will enhance our already experienced and capable Group Executive Committee whilst also enabling the future growth of our retail senior management team.

Employee engagement and retention

Maintaining a highly motivated and engaged workforce with high levels of retention drives commercial advantage. These are key objectives for Hammerson.

We monitor employee turnover on a rolling 12 month basis. This allows us to identify trends at an early stage and to take appropriate actions when needed. In 2016 voluntary staff turnover within our Group/UK corporate headquarters was 6.7% and churn within our UK shopping centre management teams was 18.3%. In France, turnover for the period was 10.1%. Stability within our Ireland team will be vitally important as we grow our business there and we will monitor data from this territory during 2017.

Having a consistent approach towards measuring employee engagement within the Company has proved to be highly beneficial and, in 2016, we continued to utilise the 'Great Place to Work' employee survey. The survey gives us a significant amount of meaningful and objective management information which we then share with our employees via a series of detailed presentations.

Employee survey highlights

- 81% employee participation rate
- 73% Trust Index Score in UK and France
- Less than 5% gender gap in employee engagement
- Highly engaged new Ireland team
- Exceptional scores for Corporate Social Responsibility, Diversity and Culture

Within the UK our positive engagement score improved from just under 70% in 2015 to 73% in 2016. We were also encouraged by the progress made in nearly all areas of the business. Furthermore, we achieved scores in excess of 80% in the areas of *Culture*, *Diversity* and *Corporate Social Responsibility*; the latter two scoring 89%.

Our Irish team were new additions to Hammerson in 2016. We wanted to assess their levels of engagement and to get an initial sense of how well they had integrated into the business. Therefore, we were encouraged to achieve a positive engagement score of 76% within our Dublin headquarters and an impressive 81% with the Dundrum shopping centre management team.

Whilst the results of our survey in France showed similarly high levels of engagement, we were slightly disappointed that the overall score dropped from 79% to 73%; albeit that 79% of employees responded positively to the key engagement question "taking everything into account I would say this is a great place to work".

In 2014 we publicly stated a number of key diversity and inclusion related targets for the business. One of these related to employee engagement and the requirement for the gender gap, as measured by the Great Place to Work survey, to be no greater than 5%. In 2016 the gap was 3.4% in the UK and 5.4% in France, demonstrating that our employee proposition and culture are resonating positively with both our male and female employees.

Learning and development

In addition to implementing our talent management and succession strategies, we continue to invest heavily in a broad suite of learning and development solutions; all designed to enable our employees to grow and fulfil their potential.

Supporting our management population continues to be a key priority for Hammerson and, during the course of 2016, a further 65 managers attended our in-house Management Development Programme. Now in its third year, this modular programme – built around the Company's management competence model – has been hugely successful and work has already begun to improve the content and raise the bar still further from 2017.

As part of our commitment to upskill and inspire our people in sustainability, a further three of our senior leaders attended the Cambridge Institute for Sustainability Leadership course in 2016. This programme gives senior executives the knowledge, confidence and commitment to reconcile profitability and sustainability and to lead the charge needed to create ever more desirable and sustainable places.

Our ambition to become an ever more inclusive employer was supported by our learning and development activities during 2016; a year in which all of our employees attended unconscious bias training workshops. These sessions, which followed similar programmes attended by senior management in 2015, were designed to help everyone recognise the potentially negative impacts of bias and how these can be overcome through broader thought and actions. Such is the importance of the topic to Hammerson, it will form the basis of our Learning Management System pilot in 2017, becoming a key component of our e-learning offering to employees later in the year.

Diversity and inclusion

During the last 12 months we have continued to implement our Diversity and Inclusion strategy whilst undertaking a number of additional activities; all designed to deliver an ever more inclusive culture.

Our commitment to competency based selection and promotion techniques continued to provide an encouraging gender mix of appointments. Of the 33 professional and management appointments made during the year 40% were filled by female candidates.

When considering our senior management population, our objective for at least 30% of such roles to be held by women has not changed. By the end of 2016 this figure stood at 26.2%, with women occupying 11 of the Group's 42 senior management positions. Within the UK and Ireland woman occupy ten of the 30 senior management roles.

Our ambition to improve female representation at senior levels within the business will continue, despite the challenge of the Real Estate talent pool being dominated by men. To this end, we are proud to be a founding member of the Future Boards Scheme. The purpose of this initiative is to develop senior female executives and help prepare them for full board and/or non executive roles. We are currently progressing the implementation plans with our partners, with the intention that one of our senior, female executives will participate in the programme and that Hammerson will act as a hosting board for a yet to be determined female executive from another organisation.

We are mindful that much good work can be undone in the area of diversity and inclusion if it is not underpinned by fair pay and reward. For some years, we have undertaken a Group internal pay audit where we compare the salaries, benefits and bonus payments made to our male and female employees. The results of our 2016 audit showed a gender pay gap of 32% when comparing the mean basic salaries of our UK and Ireland employees. In France, the figure stood at just under 23%. The variances reflect the relative over representation of male incumbents in our Board and senior management roles. However, when we consider the salaries paid to employees in similar roles, the mean for female employees was higher in 50% of cases; a similar position to that we experienced in 2015.

From 2018 we will publish our UK gender pay gap in line with the government's guidelines; a requirement we welcome as it should help improve fairness and transparency across UK commerce and industry.

We welcome and fully consider 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.

Chart 23
All employees

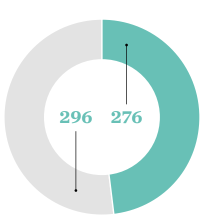


Chart 24
Board

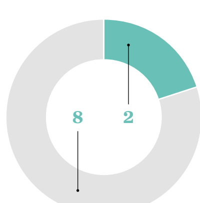


Chart 25
Senior management (excluding Board)

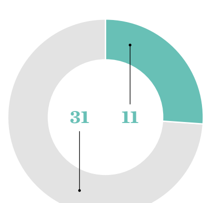
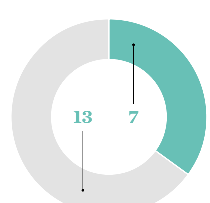


Chart 26
Shopping Centre Managers



Male

Female

Figures as at 31 December 2016

Another strong financial performance

The Group has again delivered a strong financial performance, demonstrating our ability to generate income and value growth. 2016 has also been a busy year with over £1.2 billion of refinancing completed to enhance the Group's financial position.

Highlights

IFRS Profit for the year*

£317.3 million

(-56.3%)

Adjusted EPS[1]

29.2p

(+8.6%)

Dividend per share

24.0p

(+7.6%)

Shareholders' funds*

£5,776 million

(+4.7%)

EPRA NAV per share[2]

£7.39

(+4.1%)

Total property return[3]

5.7%

(2015: 12.4%)

* Attributable to equity shareholders.
1. See note 10B to the accounts for calculation.
2. See note 10D to the accounts for calculation.
3. See table 100 on page 182 for further analysis.

Presentation of financial information

The information presented in this Financial Review is derived from the Group's financial statements, prepared under IFRS. A significant proportion of the Group's property interests are held in conjunction with third parties in joint ventures and associates. Under IFRS, the results and net investment in these holdings are equity accounted and presented on single lines in the income statement and balance sheet.

Management principally review the performance of the Group's shopping centres, retail parks, other strategic and development properties on a proportionally consolidated basis, to reflect the Group's different ownership shares.

Management do not proportionally consolidate the Group's premium outlet investments, which are externally managed by experienced outlet operators, independently financed and have operating metrics which differ from the Group's other properties. We review the performance of our premium outlet investments separately from the rest of the proportionally consolidated portfolio, with the key financial metrics for the Group being: earnings contribution; property valuations and returns; and net asset growth.

Within the Financial Review, the Financial statements and the Additional Disclosures, the Group's properties which are wholly owned or held in joint operations are defined as being held by the "Reported Group", whilst those held in joint ventures and associates are defined as "Share of Property interests".

Further explanations of the distinction between the Group's different holdings is provided in note 1 to the accounts on page 137 and also in the Glossary on pages 194 and 195.

Alternative Performance Measures ("APMs")

The Group uses a number of APMs, being financial measures which are not specified under IFRS, to monitor the performance of the business. These include a number of the Group's key performance indicators on pages 18 and 19 and many of these measures are based on the EPRA Best Practice Recommendations (BPR) reporting framework which aims to improve the transparency, comparability and relevance of published results of listed European real estate companies. The Group's key EPRA metrics are shown in table 93 within the Additional Disclosures section on page 178.

For other APMs, the Financial Review and Additional Disclosures sections contain supporting information, including a number of reconciliations. Definitions for APMs are also included in the Glossary.

Profit for the year

The Group's profit for the year, attributable to equity shareholders, under IFRS was £317.3 million, £409.5 million lower than 2015. This was principally due to lower revaluation gains on the Group's shopping centres and retail parks which suffered a net revaluation loss of £13.4 million in 2016 compared with a net gain of £367.5 million in 2015.

Management principally review the Group's profit on an "adjusted" basis to monitor the Group's underlying earnings as it excludes capital and non-recurring items such as valuation movements, profits or losses on disposal and other one-off exceptional items. This approach is consistent with other property companies and we follow EPRA guidance to calculate adjusted profit. A reconciliation of IFRS profit to adjusted profit for the year is shown in table 27.

Analysis of the Group's income statement under IFRS split between underlying "Adjusted" profit and "Capital and other" profit is shown in note 2 to the accounts on page 140 and further details of the EPRA adjustments are provided in note 10 on page 148 to the accounts.

Table 27

Reconciliation of IFRS profit for the year to adjusted profit for the year

Proportionally consolidated, including premium outlets	**Year ended 31 December 2016 £m**	Year ended 31 December 2015 £m
IFRS profit for the year attributable to equity shareholders	**317.3**	726.8
Adjustments:		
Loss/(gain) on the sale of properties and joint venture interests*	**24.0**	(14.9)
Net revaluation (losses)/gains on property portfolio*	**13.4**	(367.5)
Net revaluation gains on premium outlet properties	**(138.4)**	(174.1)
Debt and loan facility cancellation costs*	**0.4**	13.9
Change in fair value of derivatives*	**2.7**	0.1
Deferred tax on premium outlets	**14.3**	27.6
Other adjustments	**(3.0)**	(1.0)
Adjusted profit for the year (note 10B)	**230.7**	210.9
Adjusted EPS, pence	**29.2**	26.9

* Proportionally consolidated.

The Group's adjusted profit in 2016 was £230.7 million, £19.8 million higher than in 2015. The table below bridges adjusted profit and adjusted EPS between the two years and the movements are shown at constant exchange rates.

Table 28

Reconciliation of adjusted profit for the year

Including premium outlets	Reported Group £m	Share of joint ventures £m	Share of associates £m	**Adjusted profit for the year £m**	Adjusted EPS pence
Adjusted profit – Year ended 31 December 2015	76.1	116.7	18.1	**210.9**	26.9
Net rental income:					
Acquisitions	11.5	12.8	0.1	**24.4**	3.1
Disposals	(18.5)	–	–	**(18.5)**	(2.3)
Development and other	4.7	0.4	–	**5.1**	0.6
Like-for-like portfolio	6.4	0.1	–	**6.5**	0.8
	4.1	13.3	0.1	**17.5**	2.2
Net administration expenses	(2.9)	(0.1)	–	**(3.0)**	(0.4)
Net finance costs	(13.1)	12.8	–	**(0.3)**	–
Value Retail and VIA Outlets earnings	–	(0.7)	6.6	**5.9**	0.7
Tax and non-controlling interests	(0.3)	(0.5)	–	**(0.8)**	(0.1)
Dilution impact of new shares	–	–	–	**–**	(0.2)
Exchange	(1.3)	1.7	0.1	**0.5**	0.1
Adjusted profit – Year ended 31 December 2016	**62.6**	**143.2**	**24.9**	**230.7**	**29.2**

The increase in adjusted profit was driven by additional net rental income of £17.5 million. The like-for-like portfolio produced £6.5 million higher rental income, acquisitions and disposals added £5.9 million and the Group's developments delivered new income of £5.1 million. The Group's premium outlet investments in Value Retail and VIA Outlets contributed an additional £5.9 million of earnings associated with further sales growth, particularly from Bicester Village. There was an increase of £3.0 million in administration expenses and finance costs increased marginally by £0.3 million. The impact of higher debt levels was offset by the benefit of recent refinancing activity, which has reduced the Group's average cost of debt to 3.1%, and £12.1 million of additional interest income (at constant exchange rates) was received from the Irish loans acquired in October 2015. The change in the £:€ exchange rate increased earnings by £0.5 million as the sterling value of the Group's overseas net rental income increased by more than the value of the euro-denominated administration and finance costs. In total, these movements resulted in a 9.4% increase in adjusted profit and a 8.6% uplift in adjusted EPS.

Net rental income

Table 29

Analysis of net rental income

Proportionally consolidated, excluding premium outlets	Reported Group £m	Share of Property joint ventures £m	Share of associates £m	**Year ended 31 December 2016 £m**	Year ended 31 December 2015 £m	**Change £m**
Like-for-like investment properties	194.7	102.1	–	**296.8**	290.3	**6.5**
Acquisitions	11.2	12.8	1.3	**25.3**	0.9	**24.4**
Disposals	8.6	–	–	**8.6**	27.1	**(18.5)**
Developments and other	7.8	8.0	–	**15.8**	10.7	**5.1**
Exchange	–	–	–	**–**	(10.4)	**10.4**
Net rental income	222.3	122.9	1.3	**346.5**	318.6	**27.9**

In 2016, net rental income grew by £27.9 million to £346.5 million, or £17.5 million at constant exchange rates. Net rental income from the like-for-like portfolio increased by 2.2% during the year, with the most significant contributions being rent reviews at Union Square, Aberdeen and Bullring, Birmingham and strong trading at Les Terrasses du Port, Marseille. Like-for-like net rental income growth on the Reported Group properties was 3.4%, whilst for properties held by the Group's proportionally consolidated joint ventures and associates, growth was 0.1%. Further analysis of net rental income is provided in table 97 of the Additional Disclosures on page 180.

Acquisitions contributed £24.4 million of new income, principally from Grand Central, Birmingham in February 2016 and Dundrum Town Centre, Dublin, associated with the conversion of the majority of the Irish loan portfolio in July 2016.

Disposals reduced income in 2016 by £18.5 million, reflecting the 2015 sales of Drakehouse Retail Park, Sheffield; Bercy 2, Paris and Grand Maine, Angers and the sales in 2016 of Monument Mall, Newcastle; Villebon 2, Paris; Manor Walks, Cramlington and Thurrock Shopping Park, Essex. Additional income from developments of £5.1 million is principally from those completed in 2015 including Elliott's Field Shopping Park, Rugby, Cyfarthfa Retail Park, Merthyr Tydfil and Jeu de Paume, Beauvais.

Administration expenses

Table 30

Administration expenses analysis

Proportionally consolidated, excluding premium outlets	**Year ended 31 December 2016 £m**	Year ended 31 December 2015 £m
Employee and corporate costs	**54.6**	48.3
Management fees receivable	**(8.5)**	(6.0)
Net administration expenses*	**46.1**	42.3

* In 2016, £0.4 million (2015: £0.3 million) of the Group's proportionally consolidated administration expenses related to the Group's share of Property interests.

Net administration expenses in 2016 were £46.1 million, an increase of £3.8 million, or £3.0 million at constant exchange rates, compared to 2015. This increase was associated with additional staff costs due to higher headcount to support our new acquisitions and Irish operations which were partly offset by additional management fee income from Ireland.

Cost ratio

The EPRA cost ratio for the year ended 31 December 2016 was 22.6%, a decrease of 50bp compared to 2015. The ratio is calculated on a proportionally consolidated basis, excluding premium outlets, in line with EPRA best practice, and reflects total operating costs as a percentage of gross rental income. The ratio is not necessarily comparable between different real estate companies as business models and expense accounting and classification practices vary. The cost ratio calculation is included as table 99 of the Additional Disclosures on page 181.

The ratio of property costs fell from 11.3% to 10.7% reflecting lower vacancy costs, whilst the ratio of net administration costs to gross rental income was 10bp higher in 2016 at 11.9%, associated with increased headcount to support the recent acquisitions and forthcoming development projects.

Loss on the sale of properties

During 2016, we sold eight properties raising proceeds of £635 million, after deducting selling costs. Compared to their valuation at 31 December 2015, these sales resulted in a loss of £24.0 million, 85% of which related to three retail parks: Thurrock Shopping Park, Essex; Manor Walks, Cramlington; and Westmorland, Cramlington. The losses were consistent with the impact of the outward yield shift suffered across the rest of the UK retail parks portfolio during 2016 explained in the "Valuation change" section of this Review on page 48.

Share of results of joint ventures and associates, including investments in premium outlets

As explained on page 43, for management reporting purposes we review the Group's premium outlet investments separately from the rest of the Group's other properties. Due to the nature of the Group's control, VIA Outlets is accounted for as a joint venture and Value Retail is accounted for as an associate.

The operating performance of our premium outlet investments is described on pages 32 and 33 of the Business Review and the aggregated financial contribution to the Group is shown in table 104 of the Additional Disclosures section on page 184.

Share of results of joint ventures, including VIA Outlets

The Group has interests in 15 joint ventures and the share of the results of joint ventures under IFRS for the year ended 31 December 2016 was £169.2 million (2015: £246.8 million) as analysed in table 31. Further details are provided in note 12 to the accounts.

Table 31

Analysis of share of results of joint ventures

Group's share of results including premium outlets	**Property joint ventures £m**	**VIA Outlets £m**	**Year ended 31 December 2016 Total £m**	Property joint ventures £m	VIA Outlets £m	Year ended 31 December 2015 Total £m
Net rental income	**122.9**	**11.2**	**134.1**	108.8	9.8	118.6
Net administration expenses	**(0.4)**	**(2.3)**	**(2.7)**	(0.3)	(1.7)	(2.0)
Loss on sale of properties	**–**	**(0.1)**	**(0.1)**	–	(0.8)	(0.8)
Revaluation gains on properties	**10.7**	**18.4**	**29.1**	122.1	10.4	132.5
Net finance income/(costs)	**16.1**	**(1.3)**	**14.8**	3.1	(2.0)	1.1
Tax charge	**(0.8)**	**(5.2)**	**(6.0)**	–	(2.6)	(2.6)
Share of results (IFRS)	**148.5**	**20.7**	**169.2**	233.7	13.1	246.8
Adjustments (note 12B to the accounts)	**(11.5)**	**(14.5)**	**(26.0)**	(123.1)	(7.0)	(130.1)
Adjusted profit	**137.0**	**6.2**	**143.2**	110.6	6.1	116.7

The reduction in the share of results of joint ventures under IFRS of £77.6 million during 2016 was principally due to revaluation gains being £103.4 million lower than in the prior year. The lower gains on these properties are consistent with the year-on-year change in revaluation movements on the Group's wholly-owned property portfolio. Net rental income from the Group's share of Property joint ventures was £14.1 million higher than in 2015, principally due to the conversion to property ownership of Dundrum Town Centre, Dublin in July 2016 which is held jointly with Allianz. On an adjusted earnings basis, profit from the Group's joint ventures was £26.5 million higher in 2016.

Share of results of associates, including Value Retail

The Group has two associates: Value Retail ("VR"), and a 10% interest in Nicetoile, Nice, where the Group is the asset manager and which is proportionally consolidated for management reporting purposes. On an IFRS basis, the share of results of associates for the year ended 31 December 2016 was £137.1 million (2015: £160.6 million), of which £135.2 million related to VR and principally related to the property valuation uplift of £120.0 million.

On an adjusted earnings basis the results of associates were £24.9 million (2015: £18.1 million), of which £23.6 million related to VR. The year-on-year increase resulted from strong trading, particularly at Bicester, Oxford; Kildare, Dublin; and the two Spanish Villages, La Roca and Las Rozas. See note 13 of the accounts on page 157 for further details on the Group's associates.

Total adjusted earnings contribution from premium outlets

In 2016, the Group's two investments in premium outlets contributed £29.8 million to adjusted profit, £6.6 million higher than in 2015 (£5.9 million at constant exchange rates), of which £6.5 million related to increased earnings at Value Retail. In addition, the Group has advanced loans to Value Retail, from which the Group received £4.2 million (2015: £5.3 million) of interest income in 2016.

Further details of the aggregated profit contribution from our premium outlets investments is provided in table 104 of the Additional Disclosures section on page 184.

Finance costs

Net finance costs on a proportionally consolidated basis, as shown in note 2 to the accounts, totalled £96.6 million in 2016, compared with £98.1 million in 2015. Adjusted finance costs, which exclude items such as debt cancellation costs and the change in the fair value of derivatives which are not included in adjusted earnings, totalled £93.5 million in 2016, an increase of £9.4 million in 2015, or £0.3 million at constant exchange rates. The calculation of adjusted finance costs in shown in table 110 on page 186.

In 2016, interest received from our Irish loan assets of £17.4 million was largely offset by the additional interest expense associated with the increased level of borrowing to support the acquisitions in Birmingham and Ireland.

During 2016, the Group's weighted average interest rate reduced to 3.1%, compared to 3.8% for 2015. This reflected refinancing activity which is explained in the "Financing and cash flow" section of this Financial Review on page 51.

Interest capitalised during the year was £5.1 million (2015: £5.3 million) and principally related to the Group's developments in Leeds and Southampton which both opened in the final quarter of 2016.

Tax

The Group has tax exempt status in the UK, France and Ireland and is exempt from corporation tax on rental income and gains arising on property sales. On a proportionally consolidated basis, the tax charge for 2016 remained low at £2.7 million (2015: £1.6 million), the increase being due to restrictions on the use of tax losses across the Group and increased tax in France. We have published "Hammerson's Approach to Tax for the year ending 31 December 2017" on the Group's website www.hammerson.com which provides further information about the Group's tax strategy.

Dividend

The Directors have proposed a final dividend of 13.9 pence per share. Together with the interim dividend of 10.1 pence, the total for 2016 is 24.0 pence, representing an increase of 7.6% compared with the prior year. The final dividend is payable on 27 April 2017 in the UK and 28 April 2017 for South African investors, to shareholders on the register at the close of business on 17 March 2017. 4.9 pence will be paid as a PID, net of withholding tax where appropriate, with the balance of 9.0 pence paid as a normal dividend.

The Company will not be offering a scrip dividend alternative, but for shareholders who wish to receive their dividend in the form of shares, the Dividend Reinvestment Plan (DRIP) will be available.

South African secondary listing

To ensure Hammerson is accessing the widest pool of international capital, the Company completed a secondary listing of its shares on the Johannesburg Stock Exchange ("JSE") in September 2016. Hammerson's register already included a highly diversified global shareholder base, including a number of South African funds, and the listing further extended the depth and variety of investors and improved liquidity for existing shareholders. The calculation of headline earnings per share as required by the JSE is in note 10C to the accounts on page 149.

Net assets

During 2016, equity shareholders' funds increased by £259 million, or 4.7%, to £5,776 million at 31 December 2016. Net assets, calculated on an EPRA basis, were £5,865 million and on a per share basis, net assets increased by 29 pence to £7.39. The movement during the year is shown in table 32.

Table 32

Movement in net assets

Proportionally consolidated, including premium outlets	Equity shareholders' funds £m	Adjustments[1] £m	**EPRA net assets £m**	EPRA NAV pence per share
31 December 2015	5,517	56	**5,573**	710
Property revaluation				
Proportionally consolidated property portfolio	(13)	–	**(13)**	(2)
Premium outlet properties	138	–	**138**	18
	125	–	**125**	16
Adjusted profit for the year	231	–	**231**	29
Loss on the sale of properties	(24)	–	**(24)**	(3)
Net actuarial losses on pension schemes	(16)	–	**(16)**	(2)
Change in deferred tax	(14)	14	–	–
Dividends[2]	(136)	–	**(136)**	(25)
Exchange and other	93	19	**112**	14
31 December 2016	5,776	89	**5,865**	739

1. Adjustments in accordance with EPRA best practice shown in note 10D to the accounts on page 149.
2. Dividends include the scrip dividend payment of £44.1 million which reduced EPRA NAV per share by 8 pence.

The increase in EPRA net asset value was principally due to the valuation surplus on the Group's premium outlets which totalled £138 million. Adjusted profit increased NAV by 29 pence, although this was largely offset by dividends, which reduced NAV by 25 pence. Exchange and other principally includes foreign exchange movements associated with the strengthening of the euro during the year which increased EPRA NAV per share by 14 pence. Further details of the reconciliation between IFRS and EPRA net assets are in note 10D to the accounts on page 149.

Investment and development properties

Portfolio valuation analysis

Table 33

Movement in portfolio value

Proportionally consolidated, excluding premium outlets	Reported Group £m	Share of Property interests £m	**Total £m**	Investment £m	Development £m
Portfolio value at 1 January 2016	4,652	2,478	**7,130**	6,741	389
Valuation (decrease)/increase	(25)	12	**(13)**	(45)	32
Capital expenditure					
Acquisitions	574	749	**1,323**	1,182	141
Developments	137	1	**138**	20	118
Other	31	24	**55**	40	15
Letting costs	12	5	**17**	16	1
	754	779	**1,533**	1,258	275
Capitalised interest	5	–	**5**	–	5
Disposals	(669)	–	**(669)**	(669)	–
Transfers	(222)	222	–	304	(304)
Exchange	269	27	**296**	296	–
Portfolio value at 31 December 2016	4,764	3,518	**8,282**	7,885	397

Valuation change

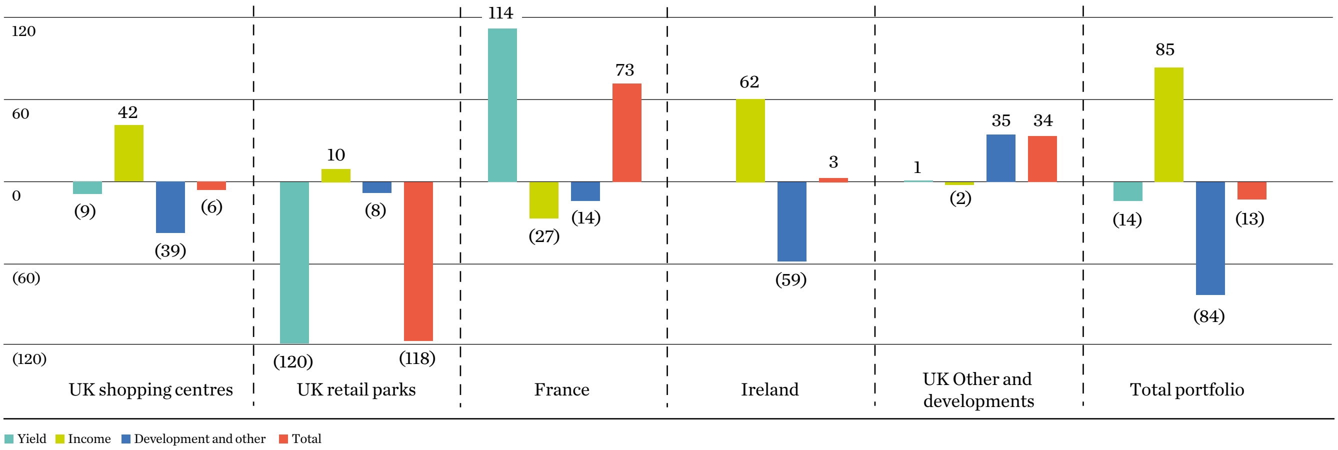
Chart 34 analyses the sources of the valuation change during 2016 for the property portfolio, on a proportionally consolidated basis excluding premium outlets.

During 2016, the Group's proportionally consolidated portfolio suffered a net decrease in valuation of £13 million. In the UK, shopping centre values fell by £6 million and retail parks by £118 million. £39 million of this adverse movement was due to the increase in stamp duty land tax in April 2016 and represents the majority of the adverse "Development and other" movement for both portfolios.

Chart 34

Components of valuation change in 2016 (£m)

Proportionally consolidated, excluding premium outlets



Investment yields were broadly unchanged for UK shopping centres, with income growth offsetting the impact of the stamp duty increase. Equivalent yields increased by an average of 45bp for the UK retail parks portfolio, resulting in a valuation reduction of £120 million.

In France, investor demand for prime assets continues to be strong and yields for our portfolio have reduced by an average of 30bp during the year, equivalent to a valuation increase of £114 million. This increase was partly offset by the rebasing of ERVs at Jeu de Paume, Beauvais which accounts for the portfolio's adverse income change of £27 million. The centre opened in late 2015 and has suffered from weak trading and letting in 2016. The £14 million "Development and other" adverse valuation movement includes £6 million reflecting increased transfer taxes in Paris which were introduced at the beginning of the 2016.

In Ireland, there was a £3 million valuation gain, representing income growth of £62 million being largely offset by the recognition of £59 million of purchasers' costs to secure the properties. There was also a £8 million gain in relation to the Irish development sites, principally Dublin Central, included within the UK Other and developments portfolio. The remainder of the £34 million gain in this latter portfolio was principally in relation to the recently completed schemes in Leeds and Southampton.

In addition to the Group's proportionally consolidated portfolio, the premium outlets portfolio produced a revaluation surplus of £138 million, of which Value Retail contributed £120 million and VIA Outlets £18 million. Investor demand continues to strengthen for the sector and the valuation performance was driven by income growth, which accounted for two-thirds of the surplus, the remainder principally being due to inward yield shift.

Further valuation and yield analysis is included in tables 100 and 101 in the Additional Disclosures section on page 182.

Capital expenditure

Capital expenditure totalled £1,533 million in 2016, although included the conversion to property assets of the Irish loans which were acquired in October 2015 for £690 million and further details are in note 12D to the accounts. Acquisitions also included the purchase of Grand Central, Birmingham for £350 million. Development expenditure totalled £138 million, principally on the completion of the developments in Leeds and Southampton. Other capital expenditure of £55 million included refurbishment and asset management initiatives including the reconfiguration of Place des Halles, the new Apple store at Les Terrasses du Port and a number of smaller scale UK retail park projects.

Returns

Table 36

Returns summary

Proportionally consolidated, including premium outlets

Return	%	Benchmark	%
Group income return	4.6	Income return[1]	5.0
Group capital return	1.1	Capital return[1]	(1.6)
Group total return	5.7	Total return[1]	3.4
Total shareholder return over one year	(0.7)	FTSE EPRA/NAREIT UK index over one year	(8.5)
Total shareholder return over three years p.a.	8.3	FTSE EPRA/NAREIT UK index over three years p.a.	7.5
Total shareholder return over five years p.a.	13.8	FTSE EPRA/NAREIT UK index over five years p.a.	14.9

1. As the annual IPD indices have yet to be published, the benchmark returns shown above have been estimated and are calculated on a weighted 75:25 UK:France basis.

Property returns

Table 36 compares the financial returns generated in 2016 with benchmark IPD indices. The Group's benchmark is the IPD All Retail Universe total return weighted 75:25 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 benchmarks have been estimated and are subject to revision. The UK IPD data is based on the Quarterly All Retail Universe to December 2016. As there is less data available for France, for the purposes of calculating the Group IPD benchmarks, we have assumed that the French benchmark is equal to the returns generated by our French portfolio of 8.3%.

The Group's total return was 5.7%, 230 basis points higher than the estimated benchmark. The Group's outperformance was driven by the property portfolio held by our premium outlet investments which produced a total return of 15.1%. The total return for the UK investment portfolio was 1.9%, which was 20 basis points higher than the UK benchmark. The Ireland investment portfolio, which was included from the date of property acquisition in July, generated a total return of 2.3% and reflects the impact of recognising the acquisition-related costs, such as stamp duty and advisor fees.

In 2016, the Reported Group portfolio generated a total return of 3.8%, whilst properties held by our joint ventures and associates generated a total return of 7.5%. Both portfolios exceeded the estimated Group benchmark, the performance of the latter portfolio being boosted by the strong return from premium outlets. An analysis of the capital and total returns by business segment is included in table 100 on page 182.

Shareholder returns

For the year ended 31 December 2016, the Group's return on shareholders' equity was 7.8%, which compares to the Group's estimated cost of equity of 7.6%. The income element of the return on equity tends to be relatively low given the prime nature of the property portfolio. The capital element of the return was driven by the portfolio's valuation performance during the year.

Hammerson's total shareholder return for 2016 was -0.7%, which represents an outperformance of the FTSE EPRA/NAREIT UK index by 780 basis points as the wider index has suffered larger share price reductions than the Company. Over the last five years, the Group's average annual total shareholder return has been 13.8%, compared to 14.9% for the FTSE EPRA/NAREIT UK index.

Investment in joint ventures and associates, including investments in premium outlets

Investment in joint ventures, including VIA Outlets

At 31 December 2016, the Group's investment in joint ventures totalled £3,737 million compared with £3,214 million at the beginning of the year, an increase of £523 million. Key changes during 2016 were the part disposals by the Group of 50% stakes in Grand Central, Birmingham and Westquay Watermark, Southampton and the conversion to property of Dundrum Town Centre. We also made an additional investment in VIA Outlets associated with its acquisition of three outlet centres in the second half of 2016.

The movement in investments in joint ventures during 2016 is shown in table 37 and further analysis is provided in note 12D of the accounts.

Table 37

Analysis of movements in investment in joint ventures

Group's share of investment, including premium outlets	Share of Property joint ventures £m	VIA Outlets £m	**Total £m**
Balance at 1 January 2016	3,103	111	**3,214**
Irish loan portfolio transferred to Reported Group	(83)	–	**(83)**
Capital advances on conversion of Irish loan portfolio to property assets	92	–	**92**
Transfer from Reported Group	222	–	**222**
Share of results of joint ventures:			
Adjusted earnings	137	6	**143**
Property revaluation	11	18	**29**
Other results	–	(3)	**(3)**
	148	21	**169**
Distributions and other receivables	(90)	–	**(90)**
Capital advances/(repayments)	(8)	71	**63**
Foreign exchange and other movements	131	19	**150**
Balance at 31 December 2016	**3,515**	**222**	**3,737**

Investment in associates, including Value Retail

The Group's investment in associates totalled £988 million at 31 December 2016, an increase of £220 million during the year. The increase was principally due to foreign exchange translation gains of £60 million, the acquisition of additional sponsor interests in VR for £41 million and revaluation gains on VR's property portfolio which totalled £120 million. Two-thirds of the revaluation gains related to income growth with the balance being due to yield compression and development profits. Further analysis is provided in note 13 to the accounts on page 158.

Total investment in premium outlets

At 31 December 2016, the Group's total investment in premium outlets, representing our share of VR and VIA, calculated on a consistent basis with EPRA NAV and including the Group's loans to VR, totalled £1,309 million (2015: £1,003 million). The increased investment in the year was due to a combined valuation surplus of £138 million, additional investment of £112 million and foreign exchange gains of £76 million. These were partly offset by VR repaying £55 million of loans to the Group. Further details of the Group's aggregated investment in the sector are provided in table 105 of the Additional Disclosures on page 184.

Financing and cash flow

Our financing strategy is to generally borrow on an unsecured basis on the strength of the Group's covenant to maintain operational flexibility. Borrowings are arranged to maintain short-term liquidity and to ensure an appropriate maturity profile. 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 mainly 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, are summarised in table 38 which illustrates the Group's robust financial position.

Table 38

Key financing metrics

Proportionally consolidated, excluding premium outlets	Guideline[1]	31 December 2016	31 December 2015
Net debt (£m)		**3,413**	2,968
Gearing (%)	Maximum 85%	**59**	54
Loan to value[2] (%) – old methodology	No more than 40%	**41**	38
Loan to value[2] (%) – new methodology	No more than 40%	**36**	34
Liquidity (£m)		**592**	931
Weighted average interest rate (%)		**3.1**	3.8
Weighted average maturity of debt (years)		**5.5**	5.7
Interest cover (times)	At least 2.0	**3.5**	3.6
Net debt/EBITDA (times)[3]	Less than 10.0	**9.5**	9.6
FX hedging (%)	80-90%	**79**	90
Debt fixed (%)	At least 50%	**70**	61

1. Guidelines should not be exceeded for an extended period of time.
2. See page 52 for further explanation and table 109 on page 186 for supporting calculation.
3. EBITDA includes the interest received from the Irish loan assets. See table 107 on page 185 for supporting calculation.

Net debt position

On a proportionally consolidated basis, net debt at 31 December 2016 was £3,413 million. This comprised borrowings of £3,543 million and cash and deposits of £130 million and a supporting calculation is included in table 108 on page 186. During the year, net debt increased by £445 million and the movement is analysed in table 39.

Table 39

Movement in net debt

	Total £m
Net debt at 1 January 2016	**2,968**
Net cash inflow from operations	**(232)**
Acquisitions	**654**
Disposals	**(639)**
Development and other capital expenditure	**215**
Equity dividends paid	**136**
Value Retail distributions and repayment of loans and other cash flows	**(85)**
Exchange and other cash flows	**396**
Net debt at 31 December 2016	**3,413**

We have continued to reduce the Group's average cost of debt with new issuance at low rates of interest whilst ensuring a solid funding platform. The weighted average cost of debt for 2016 was 3.1%, a reduction of 70 basis points compared with 2015. Key financing transactions during 2016 included:

- a seven-year €500 million bond was issued in March at a coupon of 1.75%, the Group's lowest ever bond coupon
- a £420 million unsecured revolving credit facility was signed in April with a syndicate of eight banks for a maturity of five years and may be extended by a further two years. The facility has an initial margin of 90 basis points and replaced a £150 million revolving credit facility due to mature in April 2017 which featured an initial margin of 150 basis points
- a £400 million private placement signed in November with funding received in January 2017. This consists of senior notes denominated in euro, sterling and US dollar and have a weighted average coupon of 1.7% and maturities of seven, nine, 11 and 14 years.

During the year we have benefited from low floating rates on the €1.5 billion facility used to fund the acquisitions in Ireland and Birmingham. The financing activity noted above will enable the Group to cancel the remaining commitments on this facility in early 2017. At 31 December 2016, liquidity, comprising cash and undrawn committed facilities, was £592 million, compared with £931 million at the end of 2015.

Exposure to exchange translation differences on euro-denominated assets is managed through a combination of euro borrowings and derivatives. At 31 December 2016, the value of euro-denominated liabilities as a proportion of the value of euro-denominated assets was 79%, compared with 90% at the beginning of the year. Interest on euro debt also acts as a hedge against exchange differences arising on net income from our overseas businesses. The strengthening of the euro against sterling during 2016 has resulted in modest gains to net asset value and earnings.

The Group's unsecured bank facilities and the private placement senior notes contain financial covenants that the Group's gearing, defined as the ratio of net debt to shareholders' equity, should not exceed 150% and that interest cover, defined as net rental income divided by net interest payable, should not be less than 1.25 times. The same gearing covenant applies to three of the Company's unsecured bonds, whilst the remaining bonds contain a covenant that gearing should not exceed 175%. These figures are on a proportionally consolidated basis and the bonds have no covenant for interest cover. Hammerson's financial ratios are comfortably within these covenants.

Fitch and Moody's rate Hammerson's unsecured credit as A– and Baa1 respectively. Moody's changed its outlook from stable to negative in June 2016 following the UK's EU referendum decision, stating that the heightened economic uncertainty could dampen prospects for the UK real estate sector. This was consistent with Moody's change in outlook for the UK sovereign rating from stable to negative.

Loan to value ("LTV") – New calculation methodology

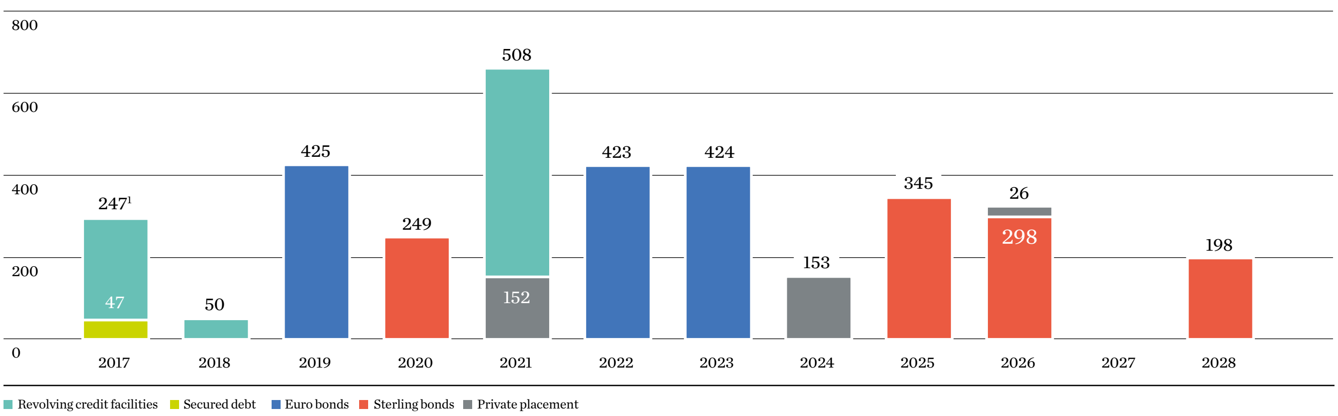
The calculation of the Group's LTV has been amended to include the Group's share of net assets from our premium outlet investments in VR and VIA Outlets within the "value" denominator. These assets were previously excluded from the calculation. The Group has been acquiring interests in these investments over recent years and at 31 December 2016 our combined interest was £1.2 billion. The omission of these investments has become more significant and the change in methodology provides better comparability with our peer group. The amendment is consistent with our gearing calculation and the proportionally consolidated basis of the Group's financial information as explained on page 43. Under the new methodology, the Group's LTV ratio at 31 December 2016 was 36% (2015: 34%), compared to 41% at 31 December 2016 (2015: 38%) under the previous methodology. The supporting calculations for both bases are in table 109 of the Additional Disclosures on page 186.

At 31 December 2016 the Group's share of net debt in VR and VIA Outlets was £468 million. On a proforma basis, proportionally consolidating this with the Group's share of the VR and VIA Outlets property valuations, would increase the Group's gearing from 59% to 67%, whilst the LTV would be 39%.

Chart 40

Debt maturity profile at 31 December 2016 (£m)

Proportionally consolidated, excluding premium outlets



The above analysis excludes cash and deposits, the fair value of currency swaps and unamortised bank facility fees.

1. Debt maturing in 2017 has been refinanced by the £400 million private placement funds which were received in January 2017.

Effective risk management

The assessment and management of risk underpins our operating, financial and governance activities. This activity is becoming ever more important to ensure the effective management of the business during periods of heightened uncertainty.

Risk overview

Effective risk management is integral to the delivery of our strategy and underpins our business model. Our risk management policies are designed to reduce the chances of financial loss, protect our reputation whilst supporting the growth of the wider business and acting on opportunities when they arise.

The Board determines the Group's risk appetite and assesses the residual risk for each of the Group's nine principal risks using the Group's Risk Management Framework document and Risk Dashboard. The risk review and assessment process is further explained on page 54 and the Risk Management Framework is summarised on pages 55 to 58. The Board is able to confirm that it carried out a robust assessment of the Group's principal risks during 2016, which are presented in this section of the Annual Report.

Risk management responsibilities

The responsibility for risk management rests ultimately with the Board. However, the foundations of our approach are instilled in the Group's culture and values (see Our People section on page 40). The relatively low number of personnel across the Group supports and encourages effective collaboration and the flat management structure means that the senior team is actively involved in ensuring adherence to the Group's risk management policies and procedures, including risk identification and mitigation actions.

Chart 41 summarises the key roles and responsibilities for the Group's risk management strategy and demonstrates the interaction between the Board and management teams in ensuring effective risk management is applied across the Group's activities.

Chart 41

Key roles and responsibilities for the Group's risk management strategy

Monitoring and reporting responsibility

Board
- Overall responsibility for corporate strategy, governance, performance, internal controls and risk management
- Defines the Group's appetite for risk and monitors risks to ensure these are effectively managed, including agreeing actions where necessary

Audit Committee
- Reviews effectiveness of the 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 arrangements

Group Executive Committee
- Management of the business and delivery of strategy
- Reviews the Risk Management Framework and prioritises actions and allocates resources to effectively manage risk

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 arrangements
- Oversight of Health and Safety

Divisional management: UK, France, Ireland and Premium outlets
- Responsible for implementation of risk mitigation actions and monitoring compliance with internal controls and procedures at the operational level of the business
- Reviews the Risk Management Framework to identify risk trends and recommend actions
- Oversight of project level risk management activities

Implementation and compliance responsibility

Risk review process

The Risk Management Framework (RMF) document is structured around the Group's nine principal risks, although it also contains a number of other less material operational risks. The RMF sets out mitigating actions, management responsibility and recent internal and external audit reviews for each risk area and is summarised on pages 55 to 58. To further aid risk assessment we produce a Risk Dashboard which contains both current and forward-looking risk metrics for each of the principal risk areas and which is updated quarterly. As well as being regularly reviewed by management, the RMF is available to all staff via the Group's intranet.

As in 2015, we undertook a formal six-monthly management review of the RMF, with comments and proposed changes from each Committee being reported to the July and November Audit Committee meetings. A key change to our risk reporting during 2016 was to increase the number of principal risks from eight to nine, by splitting the "Business strategy" risk into "Macro-economic" and "Retail market" risks to better reflect the nature of the individual risks previously within "Business strategy". Key risk topics discussed during 2016 included:

- The impact on the business, both before and after the EU referendum in June, particularly in respect of Macro-economic, Property investment and Treasury risks.
- Catastrophic events such as terrorism or a cyber security attack.
- Risks associated with the conversion of the Irish loan portfolio and recent Irish tax changes.

The RMF is also used to determine the annual internal audit plan (see page 76), which is structured to ensure an appropriate coverage of the Group's principal risks, as well as review areas of change within the wider business and risks which have not been subjected to recent audit review.

Risk appetite and assessment

As part of its risk management activities, the Board assesses the residual risk for each of the Group's nine principal risks. This is done by assessing both the overall level of risk and impact of specified mitigation actions. The level of residual risk is then considered within the context of the Board's risk appetite, which reflects its combined attitude to financial, operational and reputational risks across the business.

The residual risk levels at 31 December 2016 are shown on the "Risk Heat Map" on chart 42, with the red-coloured area in the top right-hand corner of the diagram being an assessment which would exceed the Board's risk appetite. The heat map also shows the movement in the residual risk level during 2016. This shows that the general risk environment in which the Group operates has increased during the year, with a number of the Group's principal risks moving towards the red area on the heat map. This trend is due to the heightened level of uncertainty associated with major political events in the countries in which the Group operates including the future impact of the UK's exit from the EU, election results and political developments in the rest of Europe, and the associated volatility in financial markets. Not all of the Group's risks have increased during 2016. "Property development" and "People" risks having reduced in line with the low level of committed development expenditure and the successful integration of the new Irish operations.

As adverse risk events rarely occur in isolation, this increased general level of risk was discussed at the 2016 Board Strategy Day in October and factored into the Group's 2017 five-year Business Plan. Additional mitigation steps introduced in 2016 include asset disposals to control leverage and tighter senior management approval processes over capital expenditure commitments and recruitment.

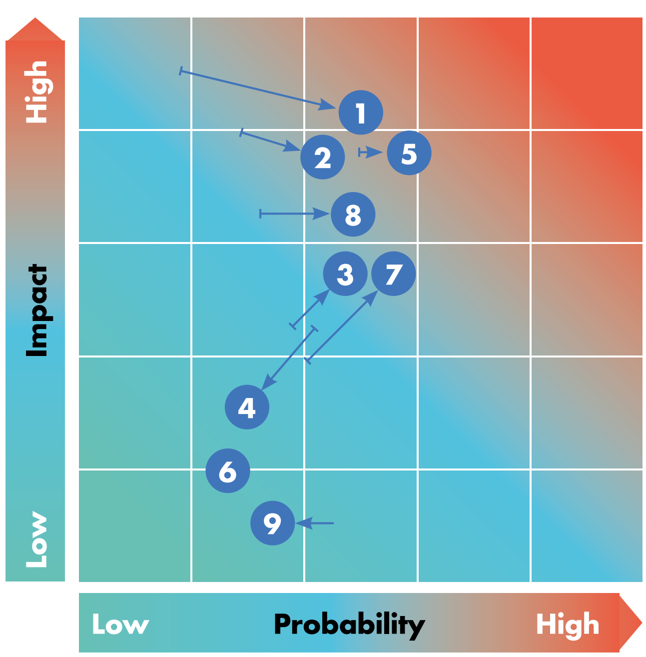
Chart 42

Risk Heat Map

1 Macro-economic
2 Retail market
3 Property investment
4 Property development
5 Treasury
6 Partnerships
7 Tax and regulatory
8 Catastrophic event
9 People

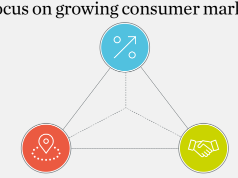
Risk appetite

- Exceeds Group's risk appetite
- In line with Group's risk appetite
- Lower than Group's risk appetite



Link to our strategy

Focus on growing consumer markets



Create differentiated destinations

Promote financial efficiency and partnerships

Change in residual risk assessment in 2016

Impact	Probability	
↑	↑	Higher
↔	↔	No change
↓	↓	Lower

Risk Management Framework

Further details of the Group's nine principal risks as summarised in our Risk Management Framework are shown below.

Risk | **Mitigation actions** | **Change during 2016 and outlook**

1. Macro-economic

Executive responsibility: David Atkins

Impact ↓ Probability ↑

Residual risk assessment: Medium/High

- We own and operate retail property in a number of property sectors and European countries.
- Our financial performance is directly impacted by the macro-economic environment in these countries. Key factors impacting our retailers and shoppers are disposable income growth, unemployment levels, business and consumer confidence, interest rates and foreign exchange movements.

Link to strategy

Mitigation actions

- Our strategy of investing across a number of property sectors and European countries provides diversification which limits the impact of adverse macro-economic trends in a single market.
- We commission and evaluate research into macro-economic trends and evaluate this at the annual Board Strategy Day and when preparing our annual Business Plan.
- We stress test our Business Plan projections against a severe downside economic scenario to verify that our current and projected financial position is sufficiently flexible and robust to cope with these scenarios.
- We have a resilient business model, with modest gearing, effective foreign currency hedging, long-term secure income streams, a spread of debt maturities and the flexibility to phase or halt our future expenditure commitments, which provide protection against market shocks.

Change during 2016 and outlook

Economic growth has been mixed in 2016, with a strong performance in Ireland, and a good performance in the UK. The French economy has remained more subdued.

There is heightened uncertainty associated with the UK's future exit from the EU, the outcome of a number of major European elections and the impact of the change in the US presidency. This has resulted in a wide spectrum of opinion about future economic performance.

Stock and foreign exchange markets have been volatile and are highly sensitive to a range of conflicting economic data and external shocks.

Interest rates are forecast to remain low for the foreseeable future, although following the reduction in sterling in 2016, UK inflation is forecast to increase in 2017.

Against this backdrop we believe that we can continue to generate stakeholder value by focusing on our business model. We will also ensure we retain operational and financial flexibility and remain vigilant to any significant macro-economic events.

See Business Review on pages 22 to 33

2. Retail market

Executive responsibility: David Atkins

Impact ↓ Probability ↑

Residual risk assessment: Medium

- We own and operate physical property in a dynamic retail marketplace. Failure to anticipate and address developments in consumer and occupational markets, such as multichannel retailing and digital technology, would result in financial underperformance and future obsolescence.
- Retailer profitability is under pressure, particularly in the UK due to increased costs associated with business rate changes, adverse foreign exchange movements, the introduction of the living wage and apprenticeship levy.

Link to strategy

Mitigation actions

- We believe our prime retail portfolio is best-placed to continue to attract both retailers and consumers as the retail marketplace evolves.
- We differentiate our destinations by applying our Product Experience Framework to ensure our portfolio remains attractive to both retailers and consumers.
- We actively retenant our portfolio to introduce relevant brands and increase the amount and quality of catering, leisure and events available to our shoppers.
- Favourable tourist trends across Europe stimulate growth in premium outlet revenues.
- Our people have a wealth of retail experience which benefits our internal teams and enables us to understand and address retail market trends.
- Through our Plus app we are able to communicate directly with our shoppers and gain detailed consumer insight.

Change during 2016 and outlook

We delivered strong like-for-like NRI growth of 2.2% in 2016, and have a proven track record in growing rental income over the past decade.

Leasing volumes have remained stable across our portfolios throughout the year and we have been encouraged by the continued retailer demand after the UK's EU referendum decision.

Each of our portfolios is able to support retailers' multichannel strategies, for example through accommodating flagship stores in our shopping centres and click & collect at our retail parks.

We continue to enhance our properties to ensure they are able to offer and fulfil both shopping and leisure requirements with an increased focus on catering and events.

This strategy is key to continuing to attract both retailers and shoppers in an evolving retail market.

See Our strategy on page 4

3. Property investment

Executive responsibility: David Atkins/Peter Cole

Impact ↑ Probability ↑

Residual risk assessment: Medium

Risk

- Poor investment decisions involving acquisitions and disposals result in suboptimal returns.
- Opportunities to divest of properties are missed, or are limited by market constraints, which reduces financial returns and adversely impacts the Group's funding strategy.
- Property valuations fall due to poor market conditions adversely impacting the Group's financial position and delivery of future plans.

Link to strategy

Mitigation actions

- All significant investment decisions are approved by the Board.
- Acquisitions are thoroughly evaluated and supported by detailed research, financial appraisals, due diligence and risk assessment.
- We commission and evaluate research into investment and occupational markets and also benchmark the performance of our properties against both industry and target returns.
- Properties are held "ready for sale", which enables swift transaction execution.
- Our portfolio is high-quality and diversified by market sector and geography which reduces the impact on the Group of a downturn in a single market or sector.
- Independent valuations are completed twice yearly and thoroughly reviewed by management.
- Management monitor valuation performance and the annual Business Plan includes stress tests to verify the Group's ability to withstand adverse valuation changes.

Change during 2016 and outlook

We have continued to recycle our portfolio during 2016, with acquisitions of Grand Central, Birmingham and a number of centres in VIA Outlets towards the end of the year. We have also completed £635 million of disposals.

Our Irish loan portfolio acquisition is currently performing in line with our initial expectations with future ERV growth forecast.

Real estate investment volumes have reduced in 2016, influenced by the uncertainty associated with the EU referendum, with some sectors such as UK retail parks having suffered falling valuations. However, demand in the Group's other sectors: prime shopping centres in the UK, France and Ireland and European premium outlets, remains strong.

Property valuations are forecast to be broadly stable in 2017. Valuations should be supported by the continuing low interest rate environment and investor demand for the secure income yield provided by prime retail property.

See Business Review on pages 22 to 33

4. Property development

Executive responsibility: Peter Cole

Impact ↓ Probability ↓

Residual risk assessment: Low

Risk

- Property development is inherently risky, with long delivery times, high levels of complexity with multiple milestones and is management intensive. Unsuccessful projects result in adverse financial and reputational outcomes. These risks are heightened for major retail schemes which often involve wider area regeneration.
- Over-exposure to developments increases the potential financial impact of an economic downturn and construction price inflation which could overstretch the Group's financial capacity.

Link to strategy

Mitigation actions

- We have a proven track record of successful development delivery.
- Development exposure is included in annual business planning approval and all major commitments are approved by the Board.
- There are regular reviews of development projects by management, including project risk reporting.
- Clear project ownership and resourcing plans with multi-disciplinary teams are agreed in advance and supported by external expertise.
- An enhanced expenditure approval process has been introduced in 2016, including increased pre-letting thresholds.
- Detailed analysis is undertaken prior to the project approval with clear milestones agreed.
- Cost risk is managed through fixed price contracts, cost benchmarking and appropriate contingencies.
- Post-completion reviews are undertaken to capture key lessons for future projects.

Change during 2016 and outlook

The completion of our two shopping centre schemes in Leeds and Southampton in late 2016 has reduced our short-term development exposure. At 31 December 2016 committed capital expenditure was £68 million (2015: £108 million) and our development portfolio represented only 5% (2015: 5%) of our total property portfolio.

During the year we continued to progress with our major development schemes. There are still a number of further milestones to achieve in terms of planning and leasing before we can commence on-site. We also need to ensure the financial viability of the schemes is appropriate to reflect the risks associated with the macro-economic and retail market conditions at the time of commitment.

See Business Review on pages 30 and 31

Risk	Mitigation actions	Change during 2016 and outlook
5. Treasury Executive responsibility: Timon Drakesmith		Impact ↔ Probability ↑ Residual risk assessment: Medium/high
– Poor treasury planning or external factors, including failures in the banking system, may lead to the Group having insufficient liquidity. – The Group's financial position is unable to support the delivery of our strategy, particularly major developments. – Deterioration in our financial position due to property valuation declines could result in a breach of borrowing covenants. – Significant fluctuations in sterling or euro or a significant increase in interest rates could result in financial losses. **Link to strategy**	– The Board regularly monitors financial ratios, debt maturity, liquidity, interest rate exposure and our hedging strategy. – The annual Business Plan includes a financing plan and stress tests to assess the Group's ability to withstand market shocks. – Capital is provided by a diverse range of counterparties, including banks, bond investors and joint venture partners. – All major investment approvals are supported by a financing plan. – Our high-quality and diversified portfolio provides protection against valuation changes in single countries or sectors. – At 31 December 2016 we estimate that property values (including premium outlets) could fall by 35% and net rental income by 64% before our most stringent borrowing covenants would be exceeded. – We operate a hedging programme to mitigate the impact of currency changes.	Our borrowing levels have increased during 2016 to £3.4 billion, principally due to the acquisition of Grand Central, Birmingham, the conversion of the Irish loans to property assets and adverse foreign currency movements. However, at 31 December 2016, our balance sheet and financial ratios remain robust, with gearing of 59% and liquidity of £592 million. We have access to a wide range of funding sources including bank lending, bond and equity markets and private placements. During 2016 we refinanced £1.2 billion which has reduced future refinancing risk. We expect to maintain a strong financial position during 2017 and reduce debt levels through further property disposals. Interest rates are forecast to stay low and the financial markets remain supportive for companies in a strong financial position. However, the weaker macro-economic outlook could adversely impact future liquidity and pricing. **See Financial Review on pages 51and 52**
6. Partnerships Executive responsibility: Peter Cole/Timon Drakesmith		Impact ↔ Probability ↔ Residual risk assessment: Low
– A significant proportion of the Group's portfolio is held jointly with third parties. These structures can limit the Group's control and may reduce liquidity. – Operational effectiveness may also be adversely impacted if joint venture partners are not strategically aligned. – Our premium outlet investments are externally managed and this reduces control and transparency over performance and governance. **Link to strategy**	– We have a diverse range of joint venture partners and maintain strong working relationships to ensure strategic alignment. – Joint venture contracts provide liquidity for partners whilst protecting ownership. – Annual joint venture business plans ensure operational and strategic alignment. – We have an increasingly close working relationship and have formal influence over strategy and governance through board representation for both Value Retail and VIA Outlets. – Our investment in VIA Outlets contains provisions to enable effective joint governance and control. – Our premium outlet investments are both subject to external audit and the properties are independently valued by Cushman and Wakefield.	We continue to have a long and successful track record of working effectively with a variety of partners. Joint ventures provide capital to support our strategy of owning prime property, particularly major shopping centres. At 31 December 2016, the proportion of properties held within joint ventures or associates[1] was 53%, compared with 49% at the beginning of the year. The key change during 2016 was the formation of the Grand Central joint venture in December. We are confident that our joint venture ownership structures do not adversely impact liquidity with a number of joint venture stakes successfully traded in the investment market over recent years. **See notes 12 and 13 to the accounts on pages 151 to 158**

1. Includes Irish loan assets held in joint venture.

Risk	Mitigation actions	Change during 2016 and outlook

7. Tax and regulatory

Executive responsibility: Timon Drakesmith

Impact ↑ Probability ↑

Residual risk assessment: Medium

Risk

- There is an increasing burden from compliance and regulatory requirements which can act to impede performance.
- There is a rising tax burden aimed at the real estate sector which adversely impacts financial performance and may threaten the Group's tax exempt status.
- The UK's future exit from the EU creates uncertainty over the future UK tax and regulatory environment.

Link to strategy

Mitigation actions

- We maintain a low-risk tax status in the UK and have regular meetings with HMRC.
- We have held a number of meetings with Irish officials and advisors to discuss the potential impact of future Irish tax changes.
- Regular monitoring of compliance with tax-exemption rules.
- Planning undertaken ahead of future regulatory and tax changes in conjunction with expert advisors.
- We participate in policy consultations and in industry-led dialogue with policy makers.

Change during 2016 and outlook

In addition to the regulatory and tax uncertainty associated with the UK's exit from the EU, there are a number of tax changes which have adversely impacted the Group. These include increases in UK and French stamp duty in 2016, the implementation of the Base Erosion and Profit Shifting (BEPS) legislation and amendments to Irish real estate tax in 2017. We believe the Group is appropriately structured to mitigate the impact of these future tax changes, although continue to review the detailed legislation.

Also, changes in the UK associated with the living wage, apprenticeships and business rates, whilst not having a significant direct impact on the Group, are predicted to have an adverse financial impact on the wider retail sector.

See Financial Review on page 47

8. Catastrophic event

Executive responsibility: David Atkins

Impact ↔ Probability ↑

Residual risk assessment: Medium

Risk

- Our operations, reputation or financial performance could be significantly affected by a major event such as a terrorist or cyber attack, power shortage or civil unrest.
- Also, climate change could adversely impact our operations, through an environmental incident such as flooding.

Link to strategy

Mitigation actions

- Continuity plans at both corporate and individual property levels are in place, including a core crisis group for dealing with a major incident.
- Enhanced physical security measures have been implemented at our properties.
- We have regular dialogue with security agencies to assess threat levels and best practice.
- Internal audits were conducted in 2016 on Business Continuity and Cyber Security with improvement plans being implemented.
- Insurance cover is in place for property damage, including from terrorism and flooding.
- Our sustainability strategy addresses environmental risks. See www.sustainability.hammerson.com for further details.

Change during 2016 and outlook

The threat level of a major incident at one of the Group's properties has increased during 2016. Also, the wider use of digital technology across the Group increases the risks associated with cyber security.

We regularly review and continue to implement improvements to our processes and procedures to counter the threat of a major incident. However, it is not possible to fully mitigate these risks and the related impacts.

9. People

Executive responsibility: David Atkins

Impact ↔ Probability ↓

Residual risk assessment: Low

Risk

- The Group has a relatively small headcount which could act to curtail the achievement of business objectives, particularly in times of significant activity.
- A failure to recruit and retain key executives and staff with appropriate skills would also adversely impact corporate performance.

Link to strategy

Mitigation actions

- The annual Business Plan contains a human resources plan, covering team structures, training and talent management initiatives.
- We have widened our succession planning activities across the Group with plans for all senior roles.
- Significant changes to the management structure are approved by the Board.
- The annual appraisal process assesses management capabilities and recommends future training plans.
- We monitor staff turnover and employee engagement across the Group and act on trends and feedback.

Change during 2016 and outlook

During 2016, we have successfully integrated our new Irish platform with our existing structures and processes.

We recognise the importance of motivating and developing our staff and have introduced a number of new initiatives during the year, including a diversity and inclusion programme.

Also, towards the end of the year we have repeated the "Great Place to Work" survey and the results show high levels of employee engagement and satisfaction.

See Our people section on page 40 to 42

Viability statement

The Directors have considered the future viability of the Group taking into account its current position, principal risks and future prospects. As explained on pages 4 to 7, the Group's strategy and business model are designed to adapt to structural trends in property and retail markets and create long-term value for our stakeholders.

Assessment of prospects

As explained on page 64, the Board held its annual Strategy Day in October 2016 at which it reviewed the Group's strategy, performance and principal risks, taking into account macro-economic and retail market projections from a number of external commentators including Oxford Economics, OECD, PMA and the Company's banking advisors. The output from this event was incorporated into the Group's 2017 Business Plan which was reviewed and approved by the Board in December 2016.

The five-year Plan is structured around the Group's strategy and includes financial projections, funding plans and portfolio strategies, including acquisitions, disposals and developments. It is compiled on a property-by-property basis and the key base case assumptions included:

– Forecast economic conditions, including broadly stable GDP growth and future interest and foreign exchange rates
– Stable property market conditions, including modest yield and ERV movements
– Financial markets remaining available to the Group to refinance maturing facilities and bonds

Assessment of period

There are a number of factors which influence the period of assessment:

– The Group's annual Business Plan covers a five-year period
– The Group has a stable, diverse, secure income stream with the majority of leases containing five-year, upward only, rent reviews with an average unexpired lease term of six years at 31 December 2016
– The time-scale for the delivery of the Group's major development schemes is approximately five years and currently extends beyond 2021
– The Group's has diverse sources of funding with an average maturity of 5.5 years

Assessment of viability

The Plan contains downside scenarios, including modelling significant reductions in property values and rental income. These are consistent with adverse changes to the Group's principal risks which are most likely to impact the viability of the Group, being: Macro-economic, Retail market, Property investment and Treasury risks. These scenarios, when combined with mitigation actions available to management associated with flexibility over future capital expenditure and disposals plans, demonstrated the Group's expected ability to overcome these adverse economic and property market conditions over the forecast period.

In addition, the Plan contained more severe stress tests to understand how far values and rental income would have to decline to breach the tightest financial covenants and force the Company to negotiate with its lenders. The calculations for the 2016 year-end position are disclosed in the explanation of the Group's Treasury principal risk on page 57.

Conclusion

Based on the assessment of the prospects and viability of the Group, the Directors have concluded that they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over a five-year period to 31 December 2021. This five-year period is unchanged from the period adopted for the 2015 Viability Statement.

Going Concern Statement

The Directors have reviewed the current and projected financial position of the Group, making reasonable assumptions about future trading performance, property valuations and capital expenditure plans. The review considered the Group's current liquidity position, its debt maturity profile, future commitments and forecast cash flows. Based on this review the Directors are able to conclude that they have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for at least the next 12 months and continue to adopt the going concern basis in preparing the financial statements for the year ended 31 December 2016.

2016 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 17 February 2017.

David Atkins

Director

Timon Drakesmith

Director

Governance structures: supporting the strategy

"Our portfolio is diversified and broadly spread which enables us to manage effectively the impact of risk and uncertainties on the business."

— David Tyler, Chairman

Dear Shareholders

I am pleased to present the Corporate Governance report for 2016 which highlights the work undertaken during the year by the Board. As in previous years, this report should be read in conjunction with our report on how we have complied with the UK Corporate Governance Code on pages 115 and 119.

Business performance in 2016

As you will have read in the Strategic Report, the business has performed well during the year and delivered strong financial results, despite the economic backdrop and uncertainties triggered by the referendum decision to leave the European Union. Our portfolio is diversified and broadly spread which enables us to manage effectively the impact of risks and uncertainties on the business. We continue to focus on our strategy of ensuring our portfolio contains the best assets for future growth.

Hammerson's culture

During the year we have sought to ensure that our governance structures at Board and Committee level remain appropriate for our business while supporting the delivery of our overall strategy and culture. The Company's success depends on our continual commitment to high standards of corporate governance and a strong, positive culture both in the boardroom and across the business. To see how far values endorsed in the boardroom are embedded in the business, it is vital that we, as Directors, visit our different locations and engage with colleagues at all levels. You can read how Terry Duddy, the Senior Independent Director, has done this during 2016 on page 68. It is important that our approach reflects our values: ambition, respect, collaboration and responsibility, and that the Board continues to take decisions that are consistent with the values and strategy Hammerson has set.

Board composition and succession planning

During the year, Jacques Espinasse retired from the Board after the Annual General Meeting (AGM), following nine years' service. I would like to record my thanks to Jacques for his valuable contribution to the Board during this time. Jacques was succeeded by Pierre Bouchut as Chairman of the Audit Committee. During the year the Nomination Committee reviewed the composition of the Board and succession planning at Board and senior management level was also discussed. A requirement for a senior strategic role with responsibility for the UK and Irish portfolios was identified. The Nomination Committee was kept abreast of the recruitment process for this role, which culminated in the appointment of Mark Bourgeois, who joined the Company on 1 February 2017. You can read more about the Committee's work in the Nomination Committee report on page 72.

"During the year we have sought to ensure that our governance structures at Board and Committee level remain appropriate for our business while supporting our overall strategy and culture."

Board effectiveness

In my role as Chairman, my responsibility is to provide leadership and ensure that it is possible to make high quality decisions and that the Board operates effectively. In this, I am supported by all the Directors and by Terry Duddy, the Senior Independent Director, who meets independently with the other Directors and with shareholders, if required.

The annual Board effectiveness reviews continue to provide a valuable opportunity for the Board to reflect on how it operates and to propose any improvements. This year, in accordance with the Board's programme of undertaking an external review every three years, the review was externally facilitated by Clare Chalmers of Independent Audit. Ms Chalmers' findings have provided some ideas for us to continue to improve the way the Board works. Further information on the process and outcomes, together with progress against objectives set during 2015, is provided on page 66.

Appointment of External Auditor

In last year's Annual Report the Company confirmed that it would undertake a selection and appointment process for a new External Auditor during 2016. As part of its work this year, the Audit Committee has undertaken this exercise which resulted in the appointment of PricewaterhouseCoopers LLP (PwC) in October, subject to final approval by the shareholders at the next AGM in April 2017. The selection and appointment process is fully described on page 75.

Remuneration Policy

The Company's Remuneration Policy was approved in 2014 and has been operating for three years. During the year, the Remuneration Committee has spent time discussing a new Remuneration Policy. The Chairman of the Remuneration Committee has canvassed shareholders' views and these have provided the Remuneration Committee with alternative perspectives to consider when finalising their proposals. In accordance with the regulations, shareholders will be asked to approve the new policy at the AGM in April 2017. You can read full details about this in the Directors' Remuneration Report from page 78.

Engagement with shareholders

An important area of focus for the Board during the year was the consideration of a secondary listing on the Johannesburg Stock Exchange. We consulted with major shareholders as part of that process, before the decision was made to go ahead. Further explanation of the process and rationale is give on page 69.

I met with a number of our top shareholders during the year to discuss key strategy and governance matters. The General Counsel and Company Secretary also arranged a number of conference calls with shareholders to discuss governance topics. During those calls shareholders were asked if they were satisfied with the level of engagement and were offered an opportunity for a meeting with the Senior Independent Director or the other Non-Executive Directors if required.

> **"I am satisfied that shareholder dialogue and engagement has been broad-ranging during the year and that the Board is in touch with the opinions of major shareholders."**

A shareholder perception study in which views were canvassed from a number of Hammerson's major shareholders and other investors was undertaken for the Board by Investor Perceptions Limited in 2016. The Board reviewed the results of the study in January 2017. Twenty-one institutions representing 47% of the issued share capital participated in the exercise. The Board considered feedback particularly on the retail real estate sector, the Group's strategy, risks to the business, the senior management team and overall investor relations.

As described above, the Chairman of the Remuneration Committee engaged with major shareholders on remuneration matters. I am satisfied that shareholder dialogue and engagement has been broad-ranging during the year and that the Board is in touch with the opinions of major shareholders. My fellow Directors and I also look forward to having further opportunities for such engagement and discussion with shareholders at the Annual General Meeting and at other times in 2017.

David Tyler

Chairman

Compliance statement

The Company has complied in full during 2016 with the provisions of the UK Corporate Governance Code published in April 2016.

A balance of skills, experience, independence and knowledge

— 1 —
Sarah Booth
General Counsel and Company Secretary

— 2 —
Pierre Bouchut
Non-Executive Director

— 3 —
Peter Cole
Chief Investment Officer

— 4 —
Terry Duddy
Non-Executive Director and Senior Independent Director

— 5 —
Timon Drakesmith
Chief Financial Officer

— 6 —
David Atkins
Chief Executive

— 7 —
Gwyn Burr
Non-Executive Director

— 8 —
David Tyler
Chairman

— 9 —
Andrew Formica
Non-Executive Director

— 10 —
Judy Gibbons
Non-Executive Director

— 11 —
Jean-Philippe Mouton
Executive Director

The Directors' biographies are found on pages 120-121

Board activity: an insight into the year

In order to ensure good quality decision-making the Directors need to keep up to date with what is happening in the business, shareholder views, changing governance requirements and the economic environment in which the business operates.

How the Board kept up to date during the year

In the boardroom

During the year the Board received a number of regular internal reports which helped to keep the Directors well informed about the business generally. Regular reports from the Chief Executive provided an overview of progress in the business, the current economic environment and the market in which the Company operates, including competitor activity. The Chief Financial Officer reported regularly on the Group's financial performance, current treasury financing projects and updates on net debt and liquidity. There were also regular reports from him on the performance of the premium outlets sector. Portfolio reports throughout the year updated the Board on progress with letting activity and asset management at shopping centres and retail parks in the UK, Ireland and France. A regular investment report kept the Board abreast of current activity concerning acquisitions and disposals. The trading and marketing update provided the Board with regular information on retailers' trading performance in the Group's assets. The General Counsel and Company Secretary's Governance Report updated the Board periodically on regulatory changes and, in particular, the implementation of the Market Abuse Regulations which necessitated a review of policies on confidential and inside information and a refreshed Share Dealing Policy. Internal presentations were also given by senior management on Health and Safety, Information Technology, Human Resources, Marketing and Investor Relations.

The Board had opportunities to engage with experts outside the Company to help the Directors shape their views and provide exposure to a range of opinions and expertise to aid better-informed decision-making. There was a presentation from the Company's brokers. The Group's Valuer, Cushman & Wakefield, also presented twice during the year at an Audit Committee meeting to which all the Board were invited. Their presentations covered the valuation of the property portfolio including a wider review of the investment market in which the Company operates. The Board received analysts' reports on a regular basis.

External presentations

The Institute of Business Ethics gave the Board a talk on culture and ethics as part of the Board's consideration of culture within Hammerson. The Board met senior executives from Value Retail, in which the Company has a very significant investment, to discuss the progress of the premium outlets sector.

Around the business

The Non-Executive Directors are encouraged to visit the Company's assets and meet colleagues to provide additional information and insight into the business. During the year Board meetings were held in Paris and Dublin to enable presentations from local management, tours of assets and informal opportunities to meet with local teams. Non-Executive Directors also take opportunities to visit the business themselves. Terry Duddy's account of his programme of informal visits around the business is on page 68.

One-to-one

The Non-Executive Directors are able to meet any colleagues to provide additional information. The Chairman and all Board members are regularly in touch between meetings to keep abreast of developments in the business. A number of Board dinners were held throughout the year which enabled Board discussion on a range of topics.

Board Strategy Day

The Board holds a Strategy Day each year in the autumn. The strategy of the business is always at the forefront of the Board's thinking and discussion throughout the year. However, the Strategy Day allows the Board to spend extended time reflecting on the future direction of the business in the context of progress against strategy to date. It is also an opportunity to debate and refine ideas which will inform the Business Plan and strategy.

Dundrum Town Centre, Dublin

Prior to the day the Board received a background reading pack containing amongst others, financial data on Hammerson, comments from institutional investor meetings held with the Chairman and Chief Executive, economic data on Ireland and a review of the economic environment and outlook for 2017. The background reading helped the Directors prepare for the discussions on the day. This year's agenda included:

- A review of progress against strategic goals;
- Benchmarking Hammerson against its peers;
- Review of the markets in which Hammerson operates;
- Review of risk factors;
- Trends in retail behaviour;
- Economic outlook; and
- Potential strategic options.

Each section was accompanied by key questions for the Board to debate which focused on different areas of strategy, including:

- Are any refinements needed to the strategy?
- What opportunities and constraints are created by the current economic backdrop?
- What can be learnt from the Company's peers?
- What is the impact of the EU referendum?
- What is the appetite for risk against the current economic backdrop?

The Strategy Day allowed the Board time to reflect in depth on current strategy and discuss and reflect on ideas for the future. Ideas and suggestions were further discussed following the day and incorporated into the Company's Business Plan. Peter Cole's reflections on the day are below.

My view on the Board Strategy Day – Peter Cole, Chief Investment Officer

This year's Strategy Day in Dublin allowed the Board to reflect on the strategic position of the Company and debate a wide range of issues. Background information sent to the Board prior to the session was helpful in providing a framework for discussion.

The Strategy Day included a presentation by Lazard, the Company's investment bank. I found their detailed review of peer benchmarking and commentary on key risks such as those posed by the result of the EU referendum decision very useful. The participation of third parties stimulates new ideas in our debate and helps the Directors to reflect on their perspective of the business. The wide range of views expressed by the Non-Executive Directors, stemming from their own experiences and business sectors, also adds greatly to the debate. In addition to considering potential future scenarios in the light of the EU referendum decision, we also debated macro-economic indicators, internal risk factors and the retail market. Our discussion also covered the continuing evolution of retail in a multichannel environment and a comparison of the retail investment areas and territories in which the Group operates. We also reviewed strategic priorities for asset and investment management, developing our people and our corporate culture and values.

Being in Dublin allowed the Board to see first-hand the successful integration of the new Irish business and to reflect on the Company's acquisition of Dundrum Town Centre in the context of the Group's strategy. It was useful to consider the progress the business has made over the last six years with gross assets nearly doubling to around £10bn. With that in mind, future potential key developments and options for growing the business further were debated extensively with all Directors contributing their views.

I find Strategy Days are an excellent opportunity for the Board to review, challenge and debate the strategy, and consider the risk environment in which the Company operates. We have the freedom to explore ideas in depth which enhances our formal Board meeting discussions.

External Board effectiveness review

The 2016 Board effectiveness review was externally facilitated by Clare Chalmers of Independent Audit Limited. Ms Chalmers, who undertook the previous external review in 2013, has no other business relationship with the Company or any member of the Board. Following an initial planning meeting with the Chairman and the General Counsel and Company Secretary, Ms Chalmers interviewed each Board member, the General Counsel and Company Secretary, the External Auditor and Remuneration Consultant and several members of senior management who regularly interact with the Committees. Ms Chalmers also conducted a review of Board minutes and Board and Committee papers from the year. Observations from the interviews, together with Ms Chalmers' findings, were compiled into a report which was circulated to the Board and she attended to present her findings and contribute to the discussion on actions.

Ms Chalmers concluded that the Board is functioning well. The Directors enjoy serving on the Board and are proud to be associated with Hammerson. Diversity in professional skills and backgrounds is good and the culturally different approaches brought by the Directors of French and Australian nationality are helpful. The reduction of meeting frequency to six meetings per year, supplemented by Board conference calls as required, which was introduced following the last external effectiveness review, has ensured a more strategic focus in meetings. The Board felt well served by the Secretariat, led by the General Counsel and Company Secretary. The quality of Board papers is high and the Board portal is used effectively. The induction process for Directors is thorough and involves understanding the culture and values of the business as well as asset visits. There is scope however, to revisit the annual meetings programme and consider its scheduling and the use of Board conference calls. The Board has made significant progress in executive succession planning since the last external effectiveness review. However, there is more work to be done on talent development within the business. Relationships on the Board are very positive and the Chairman achieves a good balance in debate. Following discussion the Board agreed a number of proposed actions for 2017, which are set out in the table below.

The 2015 Board effectiveness review was conducted internally and recommendations from that exercise were agreed and incorporated where appropriate into the 2016 Board work plan. The outcome of these recommendations is also detailed below.

Table 43

Board effectiveness review

Recommendation from 2015 review	Progress against 2015 recommendations
Further enhancements to the strategic planning process	See the reports on the Board Strategy Day on pages 64 to 65
Continued focus on the talent-development aspects of succession planning	See the Nomination Committee report on page 72
An ongoing programme of engagement and site visits	See Terry Duddy's account on page 68
Preparation of a list of discussion topics for Board dinners	Discussion topics were identified on a rolling basis to ensure focus on topical issues. These included, for example, discussions on the EU referendum

Recommendation from 2016 review	Agreed actions for 2017
Review the annual Board and Committee meetings calendar and schedule of Board calls	Following discussion with the Directors and General Counsel and Company Secretary to canvass views, the Chairman will propose a revised schedule of meetings. An additional Board call will be scheduled in August
Keep monitoring the culture of the business	Continued focus on annual visits to assets. In 2017 visits to Victoria Gate, Leeds and Westquay, Southampton are planned
Review the Board papers to ensure they continue to be forward looking and avoid duplication between reports	The General Counsel and Company Secretary will work with colleagues on guidance to help achieve this and greater consistency in Board papers
Non-Executive Directors' visibility around the Company	The Non-Executive Directors will identify opportunities for visiting the business for themselves during the year

Reflections on my first year – Andrew Formica, Non-Executive Director

It has been a great pleasure to work with the Hammerson Board and other colleagues in the business this past year. From my initial conversations about joining the Board I was impressed with the strong culture that has been developed, from Board level right the way down.

"From my initial conversations about joining the Board I was impressed with the strong culture that has been developed, from Board level right the way down."

Having been working with the business for over a year now, my early impressions have only been reinforced and strengthened. The Board is in the enviable position of having significant interactions with a large part of the business. This is both at the regular Board meetings and also on the various trips and training sessions organised for Directors. Each of these interactions shows how deeply passionate all the Hammerson colleagues are about the business and its focus on the retailers and customers they represent as well as shareholders.

As a new Board member I have had the opportunity to visit much of the Hammerson portfolio, ranging from the retail parks to the operations in France and the recently acquired Irish portfolio. Looking at Hammerson's prime shopping centres (for example Bullring and Grand Central, Birmingham) it is really impressive to see how the team's vision has been made into reality. It has been important for me to spend time looking at the potential development opportunities, especially Brent Cross and Croydon, as these become a greater focus for the Board in the years ahead.

The segment of the business which has surprised me most is retail parks. Many have had the wrong impression of this retail format. Having visited a number of Hammerson's assets I can see how they serve a critical role for consumers who want a convenient shop. Furthermore, Hammerson's parks in particular are large and modern, featuring leading retailers as tenants. Retail parks have been a huge success and continue to do well for shareholders.

I have been impressed by the robustness of the audit tender process conducted by a sub-committee of the Audit Committee and assisted by the finance team. I was invited to be a member of the sub-committee and it has been interesting to be involved in the selection process. Discussions to arrive at the final choice of PricewaterhouseCoopers LLP as the preferred candidate for recommendation to the Board were thorough and I felt that the sub-committee was provided with ample high-quality evidence and information on which to base its decision.

Finally, I have been extremely impressed with the associated investments Hammerson has made in the premium outlets sector through both Value Retail and VIA Outlets. As a business Hammerson understands the needs of the consumer and has positioned itself well to be the destination of choice in its key locations.

"I have been extremely impressed with the associated investments Hammerson has made in the premium outlets sector through both Value Retail and VIA Outlets."

I would also like to extend a thank you to David Tyler and all my fellow Directors who have made me extremely welcome in my first year, tolerated my naïve questions and encouraged me both to bring my experience to bear and to learn from their experience in equal measure.

Getting around the business – Terry Duddy, Senior Independent Director

I was appointed to the Board in 2009 and since then, through my role as a Non-Executive Director of Hammerson, I have built up my knowledge of the business through both the formal programme of Board business and events and regular Board visits to the Company's assets.

When I was appointed as Senior Independent Director in 2015, one of the objectives I set myself was to get out and about in Hammerson as much as I could outside the formal Board schedule. This would enable me to refresh my personal perspective on the business and better understand the local context of our shopping centres and retail parks. Meeting colleagues informally, who work at different levels in the business, is also invaluable. This year I have made a number of such visits.

> **"...it is invaluable to engage with colleagues across the business ... and appreciate first-hand the talent, energy and commitment that exists in Hammerson."**

For example, I spent a very informative day at our Victoria Gate, Leeds development, accompanied by the Development Manager. I was able to understand the Development Manager's perspective of the development, witness his enthusiasm and learn about the frustrations of the role. We also toured other development opportunities for Hammerson in Leeds. I was particularly interested to see the work being done to provide local retailers with opportunities in the centre. This is a good example of our strategy in action – creating destinations which involve the local community.

In June I visited three of Hammerson's retail parks. At Elliott's Field, Rugby I saw how Hammerson is developing its vision of out of town retailing. It was inspiring to experience first-hand the results of one of Hammerson's objectives with this development project, to create a high-quality retail park with an innovative mix of retailers. It was interesting to compare this development with St Oswald's, Gloucester and the Orchard Centre, Didcot. The Director, UK Retail Parks who accompanied me, helped me gain further insight into how these businesses are managed. It was also interesting to look at potential development opportunities at these assets and to learn more about how these businesses are developed in coordination with the local community.

> **"Through meeting colleagues informally across the business I have seen how Hammerson's culture and values: ambition, respect, collaboration, responsibility, influence what we do."**

My visit to Bullring, Birmingham allowed me to spend some time with the Centre Manager there and to gain insight into the challenges of running an asset from an operational point of view. I also took the opportunity to visit Grand Central and experience the shopping environment there.

My informal visits this year have given me greater insight into the geographical context and retail environment in which we operate, including what our competitors are doing. Through meeting colleagues informally across the business I have seen how Hammerson's culture and values: ambition, respect, collaboration, responsibility, influence what we do. In terms of succession planning, it is invaluable to engage with colleagues across the business below boardroom level and appreciate first-hand the talent, energy and commitment that exists in Hammerson.

March 2016	Visits to Italie Deux, Paris; SQY Ouest, Saint Quentin-en-Yvelines and Les Trois Fontaines, Cergy Pontoise with the Managing Director of Hammerson France
April 2016	Visits to Victoria Gate and Victoria Quarter, Leeds with the Development Manager
June 2016	Visits to retail parks at Elliott's Field, Rugby; St Oswald's, Gloucester and the Orchard Centre, Didcot with the Director, UK Retail Parks
July 2016	Visits to Bullring and Grand Central, Birmingham with the Bullring Centre Manager

Secondary listing on the Johannesburg Stock Exchange

The Board monitors investor relations closely through regular updates from the Investor Relations team. In April the Board began considering the potential opportunity for a secondary listing on the Johannesburg Stock Exchange (JSE). The Company's South African shareholders and potential investors were constrained by foreign exchange controls which limited them to investing no more than 25% of the funds they managed in overseas companies. They had shown considerable interest in investing further in Hammerson. A secondary listing on the JSE would remove any constraint on South African investors and enable them to invest up to 100% of their funds under management in Hammerson's shares. The Board considered the advantages of a secondary listing on the JSE, which included:

- Greater shareholder diversity, which would increase liquidity and demand for Hammerson's shares;
- Accessing a wider pool of international capital;
- Supporting the Company's existing and prospective South African shareholders by providing an additional market for trading the Company's shares;
- Providing South African investors, both institutional and private, with an opportunity to participate over the long term in the future growth and capital performance of the Company;
- Providing the Company with an additional opportunity to raise equity funding to pursue growth and investment opportunities in the future; and
- Enhancing the global public profile of Hammerson with its stakeholders, including investors, retailers and consumers and especially those based in South Africa and on the African continent.

Management consulted with the Company's major shareholders and the investment community more widely, who were supportive of the proposition. The Board considered the political risk of the removal of exchange controls in South Africa and concluded that any potential risk was outweighed by the benefits of proceeding with the listing. The Board approved the recommendations to:

- Approach existing South African shareholders to discuss their shareholding structure and willingness to transfer to the JSE;
- Appoint a South African Sponsor to advise and assist with the implementation of the transaction; and
- Liaise with the JSE and the South African Reserve Bank on the Company's behalf regarding the application process.

In June and July the Board received progress reports from the Investor Relations team, as well as an update from the Company's lawyers regarding the legal implications of the listing and the ongoing obligations placed on the Company by the JSE. The Board also considered the impact of the referendum decision to leave the European Union on the future viability of the listing.

The Board approved the decision to progress the secondary listing in July and on 1 September 2016 trading commenced on the JSE.

The Board has continued to monitor the progress of the listing since September and as at December 2016 it was pleased with the success of the listing and considered that it had achieved its objectives.

Rebecca Patton, Head of Investor Relations, David Atkins, Chief Executive, and Timon Drakesmith, Chief Financial Officer, holding a kudo horn at the Listing Ceremony for Hammerson at the Johannesburg Stock Exchange

Shareholder engagement in 2016

Hammerson's approach to shareholder engagement

The Board is committed to engaging closely with the Company's shareholders and keeping abreast of their views and those of other key market participants.

Hammerson has a comprehensive investor relations programme through which the Chief Executive, Chief Financial Officer and Head of Investor Relations meet regularly with the Company's shareholders to discuss strategic issues as well as present the Company's results. The Company also provides shareholders with opportunities to meet members of the Board and members of the operational management team at salesforce briefings and the annual Capital Markets Day. Further shareholder engagement activities are also discussed in the Chairman's introduction on page 60.

Investor relations programme

The Company has continued to maintain full and transparent disclosure throughout 2016; as well as the full-year and half-year results Hammerson has published more than 100 regulatory RNS announcements, and continued a comprehensive investor relations programme which included this year:

- Bi-annual investor road shows following the full-year and half-year results;
- Industry conferences in the United Kingdom, Europe, America and South Africa;
- One-to-one meetings with management at the request of institutional shareholders;
- Salesforce briefings at leading equities brokers;
- Ad hoc investor tours around the Company's assets, accompanied by centre general managers;
- Panel discussions with executive management at investor conferences and events;
- Annual Capital Markets Day; and
- Annual sustainability report supported by one-to-one meetings and attendance at industry conferences.

During the Company's annual Capital Markets Day in 2016 Hammerson hosted a site visit to Dublin, which also included a tour of Dundrum Town Centre and other retail assets secured by a loan portfolio held in joint venture with Allianz, presentations on the economic backdrop, property markets and Hammerson's plans for the Ireland portfolio. The feedback from attendees was very positive and reinforced the market's understanding of the rental growth prospects in Dublin and Hammerson's ability to deliver financial returns.

Following the Company's secondary listing on the Johannesburg Stock Exchange in September 2016, the Company is committed to fostering relationships with existing South African shareholders while attracting new investment in South Africa. In 2016 the Company held road shows in Johannesburg and Cape Town, hosted one-to-one meetings with senior management and facilitated tours of Hammerson's assets in the United Kingdom, France and Ireland.

This year the Company increased its engagement with the environmental, social and governance (ESG) investment community by attending dedicated conferences and organising one-to-one meetings with socially responsible investing (SRI) fund managers, attended by the Investor Relations team and the Head of Sustainability.

Hammerson's corporate website remains one of the key ways of communicating with existing shareholders and informing new or potential investors about the Company. The website contains the regulatory RNS announcements and an archive of published results and reports, press releases, factual details about the Company's assets and contact information for the operational teams within the Company.

Calendar of events

January 2016	JPM conference (London)
February 2016	2016 full-year results Investor roadshows (London, Paris, Amsterdam, Edinburgh, Zurich)
March 2016	Citi conference (United States) HSBC conference (Frankfurt) JPM SRI conference (Paris)
April 2016	Chairman's meetings with investors (London, Amsterdam)
May 2016	Kempen conference (Amsterdam) Investor roundtable event
June 2016	VIA Outlets investor site visit (Prague) ODDO SRI conference (Paris)
July 2016	2016 half-year results Investor roadshows (London, Amsterdam)
Sep 2016	Investor roadshows (South Africa)
Nov 2016	UBS conference (London)
Dec 2016	HSBC conference (South Africa)

Table 44

Analysis of shares held as at 31 December 2016

Number of shares held	Number of shareholders	% of total shareholders	Holding	% of total capital
0-500	823	30.89	146,745	0.02
501-1,000	324	12.15	251,941	0.03
1,001-2,000	323	12.12	475,724	0.06
2,001-5,000	331	12.42	1,055,711	0.13
5,001-10,000	137	5.14	959,140	0.12
10,001-50,000	295	11.07	7,032,766	0.89
50,001-100,000	109	4.10	7,875,223	0.99
100,001-500,000	168	6.30	39,706,203	5.01
500,001-1,000,000	63	2.36	46,390,736	5.85
1,000,001 +	92	3.45	689,294,262	86.90
Total	**2,665**	**100**	**793,188,451**	**100**

Table 45

Share capital and substantial shareholders

	Ordinary shares of 25p each	At 31 December 2016 percentage of total voting rights
APG Algemene Pensioen Groep N.V.	68,228,094	9.57%
Rockcastle Global Real Estate Company Limited[1]	56,221,139	7.10%
BlackRock Inc.	50,223,602	7.05%
Merrill Lynch International	52,216,411	6.66%
Morgan Stanley (International Securities Group and Global Wealth Management)[2]	42,021,951	5.30%
Legal & General Investment Management Ltd	25,717,804	3.61%
Coronation Asset Management (Pty) Ltd	23,820,417	3.00%

1. On 27 January 2017 Rockcastle Global Securities Limited notified the Company that it had decreased its shareholding to 6.82%.
2. On 24 January 2017 Morgan Stanley (Institutional Securities Group and Global Wealth Management) notified the Company that it had decreased its shareholding to below 3%.

No other changes to table 45 have been disclosed to the Company between 31 December 2016 and 17 February 2017.

Ensuring diversity and succession

Nomination Committee members
- David Tyler (Chairman)
- Pierre Bouchut
- Gwyn Burr
- Terry Duddy
- Andrew Formica
- Judy Gibbons

Dear Shareholders

I am pleased to present the Nomination Committee report covering our work in 2016. This report should be read in conjunction with the separate report on our compliance with the UK Corporate Governance Code, which can be found on pages 115 to 119.

Changes to the Board

Following a number of changes to the Board last year, this year has been relatively quiet and has allowed newer Board members to become fully established. Andrew Formica was appointed as a Non-Executive Director in late 2015, and 2016 has been his first full year on the Board. Pierre Bouchut succeeded Jacques Espinasse as Chairman of the Audit Committee, following Jacques' retirement at the 2016 AGM. Both Directors received an induction, tailored to their respective role. Details are described further on the opposite page. You can also read Andrew's reflections on his first year on page 67.

Board balance of skills and knowledge

A key responsibility of the Committee is to ensure that the Board maintains a balance of skills, knowledge and experience appropriate to the operation of the business and required to deliver the strategy. As in past years, the Committee has reviewed the composition of the Board and as part of this review the Committee considered:

- The number and balance of Executive and Non-Executive Directors;
- Committee membership;
- Background professions, core skills and experience;
- Independence; and
- Diversity, including age, gender and ethnicity.

Following this review the Committee is satisfied that the Board continues to have an appropriate mix of skills, knowledge and experience to operate effectively. In addition to their professional skills, the Directors have collectively many years of experience gained in a wide range of businesses and excellent track records in a range of sectors, as illustrated by the table below. Skills on the Board cover retail, property, finance, marketing, human resources, international and general corporate experience. Two Non-Executive Directors are serving executives. Two of the Executive Directors serve as non-executive directors on external boards. These appointments provide invaluable experience and enable the Directors to see other corporate models and governance processes which, in turn, enrich debate on the Board. Further information on the biographies of the Directors is on pages 120 to 121.

Chart 46
Board experience by sector

Diversity

There are currently two female Directors on the Board, representing 20% of its composition. The Board recognises the benefits of diversity in its widest sense, which remains central to the Committee's thinking about diversity on the Board. The Committee has noted the recommendation in the Hampton-Alexander Review for a new voluntary target of a third of all

Chart 47

Diversity

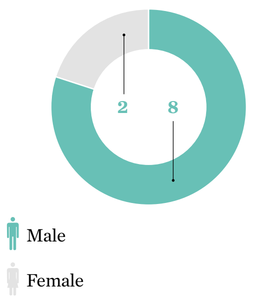
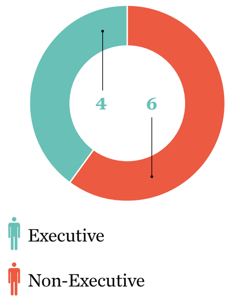


Chart 48

Board balance



Figures as at 31 December 2016

Board members in FTSE 350 companies to be women by 2020. The Committee has also considered the findings of The Parker Report on the Ethnic Diversity of UK Boards and is aware of the likely target for FTSE 100 companies to have at least one person of colour on the Board by 2021. When vacancies arise, consideration of diversity in its widest sense will be taken into account during the recruitment process while future appointments will always be made on merit. For further information on progress on diversity within the business, see Our people on page 40.

Succession planning

The Committee has continued to focus on this important area in 2016. The Committee received an update paper on succession planning for the Executive Directors. Individual Executive Directors discuss their career aspirations with the Chief Executive, who keeps the Committee appraised of those discussions. As part of my job, I also keep closely in touch with the Executive Directors and other senior members of the management team.

Following the acquisition of the loan portfolio in Ireland in 2015, a review of the management structure was carried out and a requirement for a senior strategic role to support the Company's strategy and drive business performance across the UK and Ireland portfolios was identified. The Committee was kept up to date on progress to identify external candidates for the role of Managing Director, UK and Ireland and was kept abreast of progress of the interview process, which culminated in the appointment of Mark Bourgeois to the role who started on 1 February 2017.

The Nomination Committee continues to take a keen interest in the succession plan, which includes Executive Directors, the Group Executive Committee members and senior management roles across the business. Short to medium-term plans have been reviewed to ensure that key roles can be filled on an interim basis as well as longer term. The Committee continues to receive reports on the talent pipeline for the future which identifies high calibre individuals as potential successors for senior management roles. The Committee acknowledges however, the size of the organisation means that there are not obvious successors for every senior role.

The Committee will continue to focus on this area as part of its remit.

David Tyler

Chairman of the Nomination Committee

Directors' induction and development

New Directors or Directors who take on a new role on the Board receive a tailored induction facilitated by the General Counsel and Company Secretary. During the year Andrew Formica's induction followed his appointment to the Board in late 2015. He had a meeting with the General Counsel and Company Secretary to discuss the legal and regulatory framework in which directors operate, the Group's policies including the Share Dealing Policy and the work plan for the Board and its Committees. Andrew had meetings with senior management and his fellow Directors. He visited a number of the Group's assets and met colleagues and local management in the business. Andrew's reflections on his first year as a Non-Executive Director are on page 67.

Pierre Bouchut succeeded Jacques Espinasse as Chairman of the Audit Committee following the 2016 Annual General Meeting. His induction focused on the requirements and responsibility of his new role. A comprehensive pack of briefing papers provided background information for the briefing meetings. The meetings covered, amongst other matters:

- A discussion with the External Auditor, Deloitte LLP (Deloitte), covering corporate governance matters and an update on the role and responsibilities of the Audit Committee;
- A meeting with the Group's external valuer, Cushman & Wakefield, to discuss the valuation process and the role of the Audit Committee Chairman in that process;
- A discussion on the Companies Act and directors' duties;
- A private meeting with Deloitte with whom the Audit Committee Chairman engages separately outside the Committee timetable; and
- A session with the Group Financial Controller and the Risk and Controls Manager to discuss risk management and internal control.

Overseeing robust risk management

Audit Committee members
- Pierre Bouchut (Chairman)
- Gwyn Burr
- Andrew Formica
- Judy Gibbons

Dear Shareholders

I am pleased to present my first report on behalf of the Audit Committee, having succeeded Jacques Espinasse who retired after the 2016 Annual General Meeting. This report should be read in conjunction with the section on how we have complied with the UK Corporate Governance Code (the Code) which is on pages 115 to 119.

I fulfil the Code requirement of having recent and relevant financial experience, and my fellow Committee members bring a wide knowledge of financial matters, financial reporting, risk management and internal controls and sector knowledge.

External risk landscape

Throughout the year the Committee has monitored broader market conditions and property and consumer market trends. In particular the Committee has debated the risks and challenges arising from the referendum decision to leave the European Union in relation to the valuation of the Group's property portfolio. Other risks have been considered such as cyber risk and the increased risk of terrorist activity at our shopping centres. The Committee uses the Risk Management Framework as a basis for such discussions. It is kept under regular review by management and the Committee to ensure that risks are appropriately identified and categorised and that their potential impact on the Group is understood and appropriate resources are allocated to mitigate them. See page 53 for further discussion of the Group's approach to risk management.

External Auditor

We announced in last year's Annual Report that we had started the process to appoint a new External Auditor. I chaired the selection sub-committee and the outcome of the process in October was the decision to appoint PricewaterhouseCoopers LLP (PwC) as the Company's External Auditor subject to final approval of shareholders at the 2017 Annual General Meeting. Further details about the process are on page 75.

Risk management and internal controls

We reported last year that the Committee had approved a proposal to adopt a new co-sourcing internal audit provision, overseen by a newly appointed Risk and Controls Manager. Further details on the new arrangements which combine internal and external resource are provided on page 76.

Having monitored the Group's risk management and internal controls system, and having reviewed the effectiveness of material controls, I confirm on behalf of the Committee that no significant failings or weaknesses in the Group's control structure were identified during the year.

The Committee's work also included the consideration of Cushman & Wakefield's (the Valuer) valuation of the Group's portfolio for 2016, which is key to determining the Group's overall business performance and year end results. The Committee scrutinised and discussed the valuation process and was satisfied with the conclusions reached by the Valuer. The Committee also spent time reviewing the appropriateness of the significant financial judgements and these are set out in more detail on page 77.

Audit Committee effectiveness

The externally facilitated Board effectiveness review in 2016 concluded that the Committee was fulfilling its duties effectively. This confirms my view that the Committee continues to operate effectively and plays a key role in ensuring appropriate risk management throughout the Group. The regular discussion and challenge, which the Committee has had with senior management, the External Auditor, the Risk and Controls Manager and the Valuer, together with the high quality of reports and information provided to the Committee has enabled us to discharge our duties effectively.

I would like to commend Deloitte for the continuing high quality of the audit services they have provided to the Company over many years.

Pierre Bouchut

Chairman of the Audit Committee

External audit tender

Deloitte or its predecessor firms have been the Company's External Auditor since the Company was founded in the 1940s. In last year's Annual Report the Company stated that it had considered tendering and rotation options in advance of the required rotation date of 2021 under the new regulations. After consideration, the Committee recommended that a tender process should be undertaken in 2016 to align with the current auditor partner rotation and priorities of the Group. The Committee decided that Deloitte would not be included in the process in the interests of best practice.

Audit tender timetable

Dec 15 – Apr 16	Meetings held between management and sub-committee members and audit firms to determine their capabilities and prospective audit partners.
May 2016	Agreement of short list of audit firms by the selection sub-committee. Confirmation of participation by audit firms.
June 2016	Issue of tender documents and supporting information to the participating firms. Series of management meetings and site visits in the UK, Ireland and France with prospective firms.
Sept 2016	Receipt and evaluation of tender documents by the sub-committee. Separate presentations to the sub-committee from prospective firms. Recommendation of the new auditor by the sub-committee to the Audit Committee.
Oct 2016	Recommendation of appointment of the new auditor to the Board for approval. Announcement of the appointment via RNS. Initial planning with PwC. Induction period commenced with PwC shadowing Deloitte during 2016 year-end process.

Selection criteria and timetable

A proposed timetable for the tender process was agreed. Key factors in determining the timetable were the ability to identify a new External Auditor in time to allow an induction period with the successful firm shadowing Deloitte during the year end process. It was also important that the tender timetable should fit around existing work patterns to ensure a thorough process.

In accordance with the audit tender timetable approved by the Committee in November 2015, the Committee established a sub-committee, chaired by Pierre Bouchut and including Andrew Formica, and supported by the Chief Financial Officer and other senior managers. The sub-committee had a number of meetings with management and prospective firms to establish firm credentials and lead audit firm partner selection.

A range of candidates was considered, including audit firms outside the four largest public accounting firms. The sub-committee, supported by senior management, prepared a list of key selection criteria and decided which firms would be invited to take part. Key selection criteria in relation to the potential candidate firms were discussed and agreed by the sub-committee and included:

- Approach to client service and audit quality;
- Quality and cultural fit of the lead partner and key team members;
- The extent to which wider real estate and retail industry experience and knowledge would influence the delivery of the audit;
- Technical expertise and a pragmatic, commercial approach to resolving issues;
- Proposed audit approach including delivery and management of the audit across the Group;
- Areas of audit innovation and use of technology which would benefit the Group;
- Proposed audit transition plan; and
- Value for money.

Invitation to tender

PricewaterhouseCoopers LLP, Ernst & Young LLP and KPMG LLP and were short listed and invited to tender. They were each asked to prepare a detailed proposal document. The proposal document included two special assignments designed to test the quality and scope of technical expertise. A formal presentation was also prepared by each candidate firm which included presentation of the audit approach to the valuation of one of Hammerson's developments. This was intended to demonstrate practical audit approach and judgement and presentation and reporting skills.

The firms were invited to a series of meetings at Hammerson's offices to meet the UK, France and Ireland financial teams and members of the tax and treasury teams. They also met the General Counsel and Company Secretary, the Chief Executive, the Chief Financial Officer, members of the Audit Committee and senior management. The process was supported by the establishment of a data room to allow access to consistent information to support the candidate firms' tender proposals. A guided tour of one of the Group's assets, The Oracle, Reading, was also provided.

Formal presentations

In early September proposal documents were submitted and considered by the selection sub-committee and in late September the three firms each made a formal presentation to the selection sub-committee at which each was given the opportunity to discuss their presentation and answer questions.

Selection of new External Auditor

Following consideration of the proposal documents and the presentations and taking into account the views of colleagues who met with each firm, the sub-committee identified PricewaterhouseCoopers LLP (PwC) as the proposed new External Auditor. The Audit Committee recommended to the Board that following the resignation of Deloitte after the completion of the December 2016 year end audit, PwC be appointed by the Board as External Auditor, subject to shareholder approval at the 2017 AGM. The Board accepted the recommendation.

Effectiveness of the External Auditor

The Committee considered the effectiveness of the External Auditor as part of the 2016 year end process. The Committee sought the views of key members of the finance team and their feedback confirmed that Deloitte continued to perform well and provided the appropriate level of challenge to management. During the year the Committee also monitored progress against the external audit plan at each meeting and considered the Financial Reporting Council's (FRC) Audit Quality Review (AQR) findings for Deloitte. The AQR team selected the audit of the 2015 Hammerson plc financial statements as part of their 2016 annual inspection of audit firms. The focus of the review and their reporting is on identifying areas where improvements are required rather than highlighting areas performed to or above the expected level. The Chairman of the Committee received a full copy of the report of the AQR team and has discussed these with Deloitte. The Committee confirms that there were no areas for improvement identified in the report and is satisfied that there is nothing in the report which might have a bearing on the audit appointment.

Overall, the Committee concluded that Deloitte had carried out its audit for 2016 effectively and efficiently.

Non-audit services

The Committee recognises the need for objective and independent auditors and how such objectivity might be, or appear to be, compromised through the provision of non-audit services by the External Auditor. During the year the Committee considered the extent of the non-audit services provided by Deloitte. Details of the policy on the provision of non-audit services are included in the Annual Report on page 118 and the full policy is available at www.hammerson.com. Details of the fees paid to Deloitte for non-audit work in 2016 are also on page 118. Full details of Deloitte's fees are shown in note 4 to the accounts on page 144.

Viability statement

The Committee reviewed management's work on assessing potential risks to the business and the appropriateness of the Company's choice of a five-year assessment period. Following this review, the Committee was satisfied that management had conducted a robust assessment and recommended to the Board that it could approve and make the Viability Statement on page 59.

Internal audit

Following a review of the Group's internal audit arrangements in late 2015, during the year new internal audit arrangements have been implemented which use a combination of internal and external resources to enhance and monitor the Group's internal audit procedures. The internal audit co-sourcing arrangements enable the Risk and Controls Manager, who leads internal audit activities, to draw on expertise in specific areas from outside the Company where a high degree of specialist technical knowledge is required.

To determine the Internal Audit Programme for 2016, key risk areas in the Group's Risk Management Framework were considered, in particular, key risks which had not been subject to recent internal audit, areas of change within the business and heightened business risk areas. Having satisfied itself that the programme was based on a thorough review of the Group's key business activities and addressed a number of related risk areas, the Committee approved the programme.

During 2016 audits were carried out on:

- UK retail parks operations;
- Cyber security;
- Business continuity management; and
- Follow up reviews of 2015 audits.

In addition to the approved plan, reviews were also undertaken on other areas including a review of the Health and Safety management system and head office suppliers.

The Committee received an internal controls update at each meeting and reviewed the results of the internal audit reports. Each of the audits confirmed that these areas were appropriately controlled. Some recommendations for improvements were identified which were agreed by management and responsibility assigned. The Committee also regularly reviewed progress on any outstanding actions and the expected timetable for their completion.

In 2017 the Committee will continue to follow a risk-based approach to internal audit. Risk areas scheduled for future audits include shopping centre operations, sustainability reporting, lease management, internal controls for VIA Outlets and treasury processes.

To allow the new internal audit arrangements to become better established before reviewing their effectiveness, the next review of the effectiveness of the internal audit will be undertaken during 2017.

Fair, balanced, understandable

The Committee adopted the same approach as in previous years to ensuring that the 2016 Annual Report is fair, balanced and understandable. The process was led by an internal editorial team consisting of members drawn from Group Finance, the Company Secretariat, Corporate Communications, Investor Relations and Marketing. The editorial team met regularly to review work and ensure balanced reporting with appropriate links between key messages and sections of the Annual Report. A paper was presented to the Committee to help them challenge and test its assessment that the report was fair, balanced and understandable. The Committee, together with senior management, reviewed the report in its final stages and the Committee and then the Board were able to confirm that the Annual Report, taken as a whole, is fair, balanced and understandable and provides the necessary information for shareholders to assess the Company's position, performance, business model and strategy.

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:

Table 49

Significant financial judgement considered	How the Committee addressed the issue
Valuation of the Group's property portfolio The valuation of the Group's property portfolio is a key risk due to its significance in the context of the Group's net asset value. All valuations are thoroughly reviewed by management and the Group's auditors. i. Shopping centres and retail parks The shopping centres and retail parks valuations are undertaken by the Group's external valuer, Cushman & Wakefield (Valuer). The valuations are based on inputs such as capitalisation yields and market rental income (ERV) and hence are inherently subjective. ii. Premium outlets The premium outlet valuations are also undertaken by the Group's Valuer and include judgements on capitalisation yields and income. However, the valuations are more subjective than for the Group's shopping centres and retail parks as the sector has fewer comparable transactions and the valuation methodology requires judgement about future performance and discount rates.	The Committee recognises that the Group operates in liquid and mature markets, in which there are well-established valuation practices. The Committee is also familiar with the processes by which management provides information to the Valuer. The Committee received presentations from the Valuer in July and January to review the outcomes of the Valuer's valuations. The Committee challenged the Valuer's assumptions and was satisfied that the procedures and methodologies used were appropriate. Current market conditions and recent transactions were also reviewed to provide context. The Valuer was asked to highlight any significant judgements and disagreements with management and the Committee satisfied itself of the Valuer's independence. The Committee was satisfied that the valuation of the Group's portfolio was prudent and reasonably based.
Accounting for significant transactions i. Conversion of previously acquired Irish loan portfolio into the underlying property assets One of the key transactions during the year has been the conversion of the previously acquired Irish loan portfolio into the underlying property assets, including Dundrum Town Centre, Dublin, the Ilac Centre, Dublin and a number of development sites. The accounting for this conversion is material to the Group's financial statements and was complex as the assets had different ownership interests and control provisions. ii. Other transactions During the year the Group made a number of acquisitions and disposals, including transactions between the Group and its joint ventures. There are risks in the accounting processes for these complex transactions.	The Committee reviewed management's paper explaining the proposed accounting treatment for the Irish loan acquisition and subsequent conversion to the underlying property assets. It also explained the accounting treatment associated with the various ownership structures and control provisions, Dundrum Town Centre, Dublin is equity-accounted as a joint venture, the Ilac Centre, Dublin is treated as a joint operation, whilst Dublin Central, Dublin is a wholly-owned development property. At 31 December 2016, the loan secured against the Pavilions shopping centre, Swords had not been converted into property and it is equity-accounted within the Allianz joint venture. For other significant transactions including the acquisition and part disposal of Grand Central, Birmingham, the Committee reviewed and challenged management's accounting proposals and judgements. The Committee was satisfied that the approach adopted was appropriate.

The description of the significant financial judgements above should be read in conjunction with the Auditor's Report on page 126 and the significant accounting policies disclosed in note 1 to the accounts on pages 136 to 139.

Reflecting performance in remuneration

Remuneration Committee members

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

Dear Shareholders

On behalf of the Remuneration Committee I am pleased to present the Directors' Remuneration Report for the year ended 31 December 2016.

Remuneration outcome: AIP

You will have read elsewhere in the Annual Report that the Company has delivered another strong financial performance in 2016. Earnings Per Share (EPS) has grown to 29.2p, up 9% on the prior year. The Company's Total Property Return (TPR) of 5.7% is again expected to exceed the benchmark industry returns by 2.3%. EPS and TPR form the main components of the annual bonus (AIP), although no AIP payments for TPR are made until the actual external benchmark data becomes available and, on that basis, estimated information has been used for reporting purposes. AIP is also payable in respect of the growth in like-for-like net rental income and reduction in the cost income ratio. The final component of AIP is personal performance and the average payout for this will lead to a final estimated AIP payout level of 70%. This is lower than the average payout for 2015 which, following confirmation of the TPR information for that year, showed a payout level of 77%. The Committee did not exercise any discretion to adjust performance targets.

Remuneration outcome: LTIP

In April 2016, the 2012 Long Term Incentive Plan (LTIP) award vested and details of this are in table 81 on page 108. There was a partial vesting under the absolute Net Asset Value performance measure although there was no vesting under the TPR or Total Shareholder Return (TSR) measures. The 2013 LTIP which will vest in April 2017 is expected to vest partially under both the TPR and EPS measures and you can read details of the expected level of vesting in table 67 on page 100, as both of these measures are estimated for inclusion in the single figure table 62 on page 97.

Remuneration review in 2016

The Committee kept abreast of governance and wider stakeholder views on executive pay and followed closely the deliberations of the Executive Remuneration Working Group on opportunities for reform of long-term incentives. The Committee consulted with a number of its major shareholders on a proposal to introduce a restricted stock plan in place of the LTIP. Such a plan would simplify the Company's remuneration structure, reduce the maximum earnings of top management from long-term remuneration and move away from the LTIP with its inherent difficulties of setting appropriate targets. No performance measures would have attached to grants or vestings of such awards.

Although the proposal received support from a number of shareholders, others were not convinced of the arguments for change. The Committee considered other options for restructuring the long-term incentive arrangements but concluded that, it would not introduce such a scheme at this time. Consequently, the long-term incentive awards that will be made in 2017 will be issued under the Company's existing LTIP rules and at the Annual General Meeting (AGM) in April, a new set of plan rules will be presented to shareholders for approval. These new rules are largely consistent with the current rules but include some updates to reflect best practice developments in this area. Further details of the plan rules are set out in the Notice of Meeting of AGM. Of particular note is the introduction of a one-year holding period on top of the four-year performance period.

A further resolution will be presented to shareholders at the AGM seeking approval of the Remuneration Policy which starts at page 80. The previous policy was reviewed in light of the latest Remuneration Reporting Guidance from the GC 100 and Investor Group and the table at the bottom of this letter summarises the main changes. The Policy remains largely unchanged and simply reflects developments in best practice and clarifies the Policy's operation in some areas.

2017 Pay approach

Over recent years, the Premium Outlets business has become increasingly significant in the Company's portfolio. We have made significant additional investments in both Value Retail and invested in the VIA Outlets Fund. Responsibility for these investments and for the management of the Company's investment in the Premium Outlets business has been taken on by our Chief Financial Officer, Timon Drakesmith. The Committee reviewed his responsibilities and considered whether an appropriate salary increase to reflect those extra responsibilities should be implemented. Following that review, the Committee has decided to increase Timon Drakesmith's salary by £39,000 to £457,000. Even with this increase, the Committee is satisfied that his package is no higher than median against comparative Chief Financial Officer data even with no uplift for those additional responsibilities.

With effect from 1 April 2017, the other three Executive Director base salaries will increase by approximately 2.5%, which is slightly below those of colleagues generally.

The Committee spent some time reviewing the performance measures to apply to the LTIP awards that will be made in 2017 and made a number of adjustments, details of which you can find on pages 113 to 114.

Conclusion

I hope that you will agree with the Committee that the outturn for Executive Directors reflects the performance of the Company and that the new Remuneration Policy, which is largely consistent with the Policy that has been operating in the Company for many years, remains the right one for your Company.

I look forward to your support at our AGM in April.

Gwyn Burr

Chairman of the Remuneration Committee

'What has changed?'

The following is a summary of the changes made to the current Remuneration Policy approved in 2014 which form part of the new Remuneration Policy to be voted on at the 2017 AGM.

- Salary and benefits: No change to the maximum limits payable to Executive Directors but the maximum limits will now increase annually in line with UK CPI
- Pension: the Company's defined benefit pension scheme is now closed to further accruals and therefore the only future pension benefit available to Executive Directors is the pension allowance
- AIP: The discretion for the Remuneration Committee to increase the maximum potential bonus payable under the AIP to 300% has been removed. Changes to AIP and DBSS rules to extend malus and clawback provisions to apply in cases of reputational damage.
- LTIP: New LTIP rules include the introduction of a one-year holding period for shares vesting following the four-year performance period, delays to vesting during any ongoing disciplinary investigation and malus and clawback provisions extended to apply in cases of reputational damage.
- Share Ownership Guidelines: Share Ownership Guidelines for the Executive Directors increased to 250% of base salary
- Commitment given to disclose on a timely basis the remuneration package agreed with a new Executive Director
- The notice period for a new Executive Director amended so that the period can be less than 12 months' notice (but generally no more than) on either side
- Clarification of when the Company may pay legal fees in connection with an Executive Director's employment or remuneration
- The addition of a maximum total payment of £5,000 for ancillary or non-material benefits in connection with the termination of employment of an Executive Director (to cover such items as a computer or mobile phone)

Voting on remuneration at the AGM

Three votes on remuneration matters will be presented at the 2017 Annual General Meeting (AGM): a binding vote on the Directors' Remuneration Policy as set out in the policy section of this report, an advisory vote on the Implementation Report section of this report and a binding vote on new rules for the Long Term Incentive Plan.

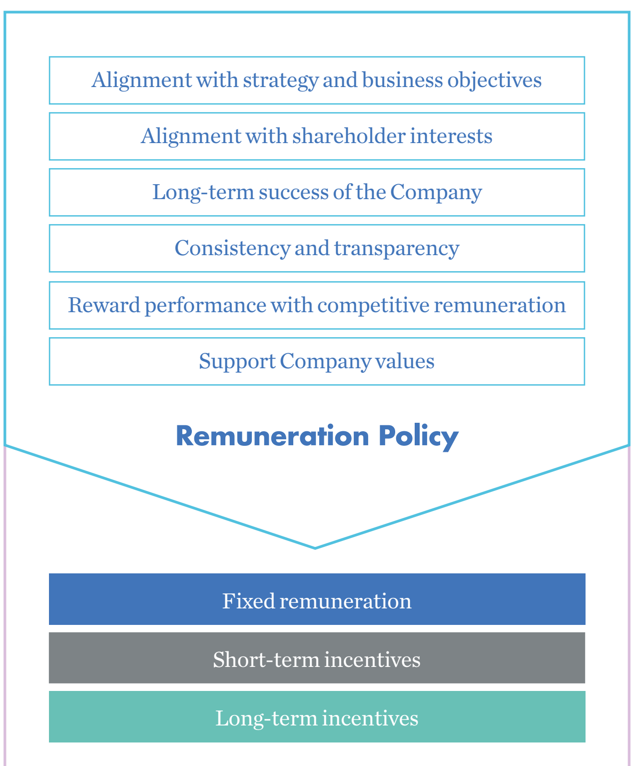
Explanation of our remuneration approach

The overall objectives of the Remuneration Committee (Committee) are to determine an appropriate remuneration policy that:

- aligns remuneration with strategy to drive the long-term success of the Company;
- ensures that the Company can continue to attract, retain and motivate quality leaders;
- avoids paying more than the Committee considers necessary.

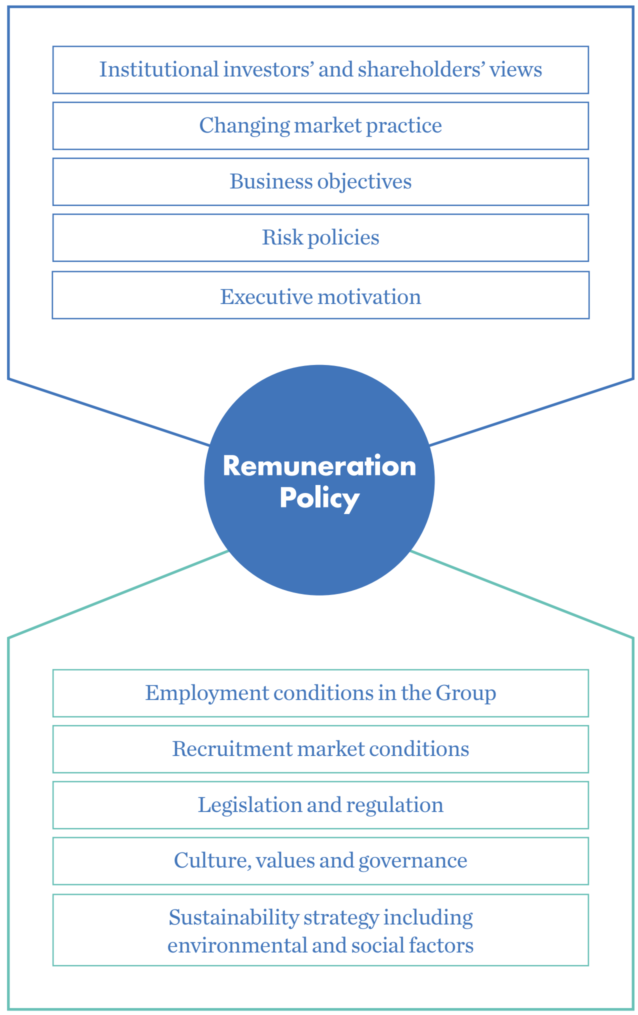
The Directors' Remuneration Policy is shaped by the following underlying principles:

Chart 50



Considerations taken into account when setting Remuneration Policy

Chart 51



Directors' Remuneration Policy

The Directors' Remuneration Policy as set out below (Policy) will take effect from the conclusion of the AGM to be held on 25 April 2017, subject to approval by the shareholders at that meeting. It is intended that this Policy will remain applicable for the following three years. However, the Committee will keep a watching brief to ensure that it remains appropriate in the broader remuneration landscape.

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.

Table 52

Remuneration Policy for Executive Directors

Fixed remuneration

Salary	
Purpose and link to strategy – Ensure the Company continues to attract and retain quality leaders. – To recognise accountabilities, skills, experience and value.	**Performance measures** – Not applicable.
Operation – Paid monthly in cash. – Reviewed but not necessarily increased annually by the Committee. – In undertaking reviews, the Committee will take into account a variety of factors including Company and individual performance, market conditions, the level of salary increases awarded to other employees of the Group, and a comparison against both a relevant property peer group and a group of entities of comparable size selected by the Committee (currently the largest REITs and an appropriate pan-sector group of companies with a comparable market capitalisation). – The Committee is aware of the limitations of benchmarking and of the need to avoid inflationary upward trends. However, benchmarking is 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.	**Maximum limit** – The base salary for any existing Executive Director shall not exceed £850,000 (or the equivalent if denominated in a different currency) with this limit increasing annually at the rate of UK CPI.

Table 52 continued

Remuneration Policy Table continued

Fixed remuneration continued

Benefits	
Purpose and link to strategy – Provide a range of benefits in line with general practice. – Ensure the Company continues to attract and retain quality leaders.	**Performance measures** – Not applicable.
Operation – 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, enhanced sick pay, private medical insurance (for the Executive Director and their spouse/life partner), permanent health insurance and life assurance. In the case of employees of Hammerson France, health and life assurance (mutuelle and prévoyance) are provided under a French collective scheme and financed by employee and employer social contributions. – Benefits additionally available to employees of Hammerson France currently include a seniority allowance and an employer's contribution of up to €2,000 per annum to an employee savings scheme. – Whilst 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 with any tax liability met on the Executive Directors' behalf. – In addition, Executive Directors will be paid any statutory entitlements.	**Maximum limit** – The aggregate value of such 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 or the equivalent if denominated in a different currency (with this maximum increasing annually at the rate of UK CPI). – In addition to the benefits outlined, where Executive Directors are relocated to work in a different country the Company may pay global relocation support (up to a maximum of £400,000) or the equivalent if denominated in a different currency; and/or provide tax equalisation arrangements in relation to all elements of remuneration.

Table 52 continued

Remuneration Policy Table continued

Fixed remuneration continued

Pension

Purpose and link to strategy
- Provide market competitive retirement benefits.
- Ensure the Company continues to attract and retain quality leaders.

Performance measures
- Not applicable.

Operation
- Executive Directors may receive a non-contributory allowance (Pension Choice) to be paid as, or as a combination of: (i) an employer contribution to the Company's defined contribution pension plan; (ii) a payment to a personal pension plan; or (iii) a salary supplement.
- The Company keeps the pension arrangements for Executive Directors under review to ensure that they remain appropriate and may decide to amend the way in which pension benefits are provided (but subject to the stated maximum limit).
- The Company will also provide any additional pension benefit required by local legal obligations or implemented pursuant to collective employment arrangements in any relevant jurisdiction, up to applicable statutory limits. This currently includes participation by Jean-Philippe Mouton in a legacy collective pension arrangement.
- The percentage of base salary as a pension allowance may differ between Executive Directors. Specifically, David Atkins and Peter Cole receive 30% of base salary which was agreed to ensure that they were not materially adversely affected by closure of the defined benefit scheme in which they participated. Timon Drakesmith receives 20% of base salary.
- Since the previous Policy was approved, the Company's defined benefit scheme has closed to further accrual. The participation of David Atkins and Peter Cole in this scheme is therefore now to the extent of accrued benefits only.

Maximum limit
- Pension Choice is limited to an aggregate limit of 30% of base salary. No elements of remuneration other than base salary are pensionable.

Table 52 continued

Remuneration Policy Table continued

Variable, performance-related remuneration

Annual Bonus (Annual Incentive Plan or AIP)

Purpose and link to strategy
- Align Executive Director remuneration with annual financial and Company strategic targets as determined by the Company's Business Plan for the relevant financial year.
- To differentiate appropriately, in the view of the Committee, on the basis of performance.
- Partial award in shares aligns interests with shareholders and supports retention.

Operation
- 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.

Recovery or withholding
- 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 and/or where the individual's actions contributed to a significant adverse impact on the reputation of the Company or Group.
- The recovery and withholding provisions also apply to the deferred element of the AIP delivered under the DBSS.

Performance measures
- The annual bonus operates by reference to financial and personal performance measures assessed over one year. The weighting of the financial measures will be at least 60% of the total opportunity. It is expected that the financial performance measures will be:
  - Adjusted Earnings Per Share.
  - Total Property Return.
  - Growth in like-for-like Net Rental Income.

  These measures are aligned to the Company's financial KPIs, as explained in the Company's Strategic Report, and reflect effective delivery of the business model. The Committee reserves the right to change, remove or include these or such other measures as it considers to be an appropriate means of assessing the performance of the Executive Directors.
- The level of vesting at entry/threshold performance for each performance measure is set annually, but will be between 0% and 25% of maximum (with vesting normally then being on a straight-line or stepped basis to the target level set for full vesting). On-target and maximum performance levels will also be set.
- 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 and will fully disclose the exercise of any discretion in the Implementation Report that follows such exercise of discretion.
- Once set, performance measures and targets will generally remain unchanged for the year, except targets may be adjusted by the Committee to take account of significant transactions such as acquisitions and/or disposals or in other exceptional circumstances such as timing of transactions that have a material impact on Business Plan.

Maximum limit
- The maximum bonus opportunity is 200% of base salary.

Deferred element of AIP

Purpose and link to strategy
- The AIP award is split between cash and a substantial deferred award of shares which aligns interests with shareholders and supports retention.

Operation
- The deferred shares element is currently awarded under the Deferred Bonus Share Scheme (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.
- The awards are typically structured as nil-cost share options but can take other forms such as a conditional award of shares.
- 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 measures
- No further performance targets apply to the deferred shares element of the AIP as these represent previously earned bonuses.

Maximum limit
- Awards under the DBSS are granted to deliver the deferred element of the annual bonus, and so no separate maximum applies.

Table 52 continued

Remuneration Policy Table continued

Variable, performance-related remuneration continued

Long-Term Incentive Plan (LTIP)

Purpose and link to strategy
- Incentivise the creation of long-term returns for shareholders. Choice of performance measures is determined by those drivers that deliver value to shareholders in the longer term.
- Align interests of Executive Directors with shareholders and support retention.

Performance measures
- Performance measures may consist of a combination of financial and non-financial measures to align with strategic priorities. It is expected that the performance measures will be:
  - Adjusted Earnings Per Share
  - Total Property Return
  - Total Shareholder Return
- The level of vesting at entry/threshold performance for each performance measure will be set at between 0-25% of maximum with no more than 25% vesting at threshold performance. Vesting between entry, threshold and maximum levels will be on a linear or stepped basis.
- Minimum performance period of four years.
- A one-year holding period for awards to be made under the new LTIP rules.
- The Committee retains the discretion prior to making the award to amend the performance measures, conditions used, weighting, and performance measurement periods.
- 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.

Operation
- Executive Directors are eligible to participate in an annual award under the LTIP. If the Remuneration Policy and new LTIP rules are approved by shareholders at the 2017 AGM, future awards will be made under the new LTIP rules.
- 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 typically structured as nil-cost share options but can take other forms such as a conditional award of shares.
- Participants are entitled to a dividend equivalent for the period from grant until the vesting date or where a holding period applies, to the end of the holding period, 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.

Recovery or withholding
- 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 and/or where the individual has contributed to a significant adverse impact on the reputation of the Company or Group.

Maximum limit
- 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. The extent of vesting is determined by the performance conditions.

Table 52 continued

Remuneration Policy Table continued

Variable, performance-related remuneration continued

All-employee arrangements	
Purpose – 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.	**Performance measures** – Not generally applicable. An award of free shares under the SIP can be made to all participants and may be subject to a Company performance target.

Operation
– Executive Directors are eligible to participate in all-employee incentive arrangements on the same terms as other employees. This currently comprises the following arrangements:
  – Eligible UK employees may participate in the Sharesave and Share Incentive Plan (SIP).
  – 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.
	Maximum limit
	– Maximum participation levels for Executive Directors are the same as apply to all employees (being, under the current arrangements, as set by relevant UK and French legislation).

Notes
1. For details regarding remuneration of other Company employees, please refer to the Employee pay and conditions elsewhere in the Group section of this Policy.
2. The Payment for loss of office section of this Policy contains details of the impact of a change of control on awards made under AIP, the DBSS and the LTIP.
3. The Committee will determine components of remuneration for new Executive Directors, as outlined in the Recruitment section of this Policy.
4. Performance targets for the AIP and LTIP are set by the Committee taking into consideration a number of factors including alignment to strategy, the Business Plan, need for consistency between years, changes to the Group's portfolio, market conditions and need to ensure that measures are sufficiently challenging but also provide motivation to succeed.
5. It is a provision of this Policy that all pre-existing obligations and commitments that were entered into prior to this Policy taking effect and/or prior to an individual joining the Board will continue and can be honoured on their existing terms. In particular, these may include continued participation in legacy defined benefit pension arrangements and the retention of outstanding awards under the LTIP together with other obligations and commitments under service contracts, incentive schemes, pension and benefit plans. This includes payments from any outstanding awards under the LTIP or other incentive plans provided they were consistent with the Policy at the time they were awarded.
6. If the new rules of the Long Term Incentive Plan are not approved by shareholders at the 2017 AGM, the Company will consult with shareholders about appropriate alternatives.
7. A summary of key changes to the Policy is included in the Committee Chairman's letter.

Share ownership guidelines

The Chief Executive and all other Executive Directors are expected to accumulate and maintain a holding in ordinary shares in the Company equivalent to no less than 250% of base salary (increased from 150% for the Chief Executive and 100% for other Executive Directors). Executive Directors are normally required to achieve the minimum shareholding requirement within seven years of the date of appointment.

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 under the DBSS or LTIP that are exercisable (on a net of tax/NI basis).
- Shares held under the LTIP that have vested but are subject to the one-year holding period (on a net of tax/NI basis).
- Shares held by the Executive Director under the Share Incentive Plan.

An annual calculation as a percentage of salary is made against the guidelines for each Executive Director as at 31 December each year based on the closing middle market quotation of a share price on the last business day in December. The closing exchange rate as at 31 December is used for Executive Directors whose salary is denominated in a currency other than sterling. No formal sanctions exist for non-compliance.

Recruitment

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 in this section of the Policy.

The Company will disclose to the market/on its website in a timely manner the basis of a package agreed with a new Executive Director.

Approach and limits

Annual salary, pension, contractual and non-contractual benefits, annual bonus and long-term incentive arrangements (including performance measures and/or conditions and maximum award levels) as described in the Remuneration Policy Table 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 Remuneration Policy Table, with the exception of any compensation for variable remuneration forfeited. The limits contained within the Remuneration Policy Table 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.

The Company may provide a new Executive Director with global relocation support and/or tax equalisation arrangements as set out in the Remuneration Policy Table although, to date, the Company has not had occasion to do so.

For a new Executive Director who is an internal appointment, the Company may also continue to honour commitments made prior to the appointment as Executive Director even if those commitments are otherwise inconsistent with the Policy in force when the commitments are honoured. Any relevant existing 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 as set out in the Remuneration Policy Table. The Company may compensate on terms that are more bespoke than the existing arrangements where the Committee considers that to be appropriate. The Committee may also make awards under a long-term incentive scheme that does not require shareholder approval if it falls within Listing Rule 9.4.2 (an arrangement established for a director specifically to facilitate, in unusual circumstances, the recruitment of an individual). 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 substantially 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 for a new Executive Director

The Committee's approach is for the service agreements of new Executive Directors to have due regard to market practice at the date of appointment, the Company's current Policy and the service agreements in place for existing Executive Directors.

Table 53

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

Notice period	No greater than 12 months' notice (either notice to or from the Executive Director) for UK-based Directors. For non UK-based Directors, contracts are designed to meet local laws and have a similar overall effect in terms of the potential cost to the Group. 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.
Post-termination restrictions	Compensation in respect of restrictive covenants will be paid as required for enforceability reasons under applicable local statutory (or collective bargaining) requirements. Appropriate post-termination restrictions to protect the Group's confidential information, its customer and supplier connections and/or to prevent poaching of its senior workforce will be included.
Payment in lieu of notice (PILON)	Employment can be terminated by the Company with immediate effect (for any reason) by making a payment in lieu of the outstanding period of notice (PILON). The PILON comprises base pay, and the value of employer's pension contributions, medical insurance and car allowance. The Company will have discretion to make any PILON on a phased basis, subject to mitigation. No PILON will be made in the event of gross misconduct.
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, whether triggered by a change of control of the Company or otherwise.

The terms summarised above will be subject to any local statutory (or collective bargaining) requirements where applicable. For treatment of incentive awards in connection with termination please see the Payment for loss of office section of this Policy.

Payment for loss of office

Committee considerations on leaving office

The Committee considers the circumstances under which an Executive Director is leaving the Company's employment. In circumstances where a Director is terminated for cause, the Committee typically has limited discretion in connection with remuneration payments. In other circumstances a range of discretions is available to the Committee

The following tables set out a summary of obligations contained in the Executive Directors' service agreements which could give rise to, or impact on, remuneration payments for loss of office.

Table 54

Service agreements and notice periods for current Executive Directors

	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 6 months' notice from the Executive Director.		12 months' notice (both from and to the Executive Director).
Termination payments:			
Payment in lieu of notice (PILON)	Employment can be terminated by the Company with immediate effect by making a lump sum PILON in respect of the outstanding notice period comprising base salary, the value of 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).		Employment can be terminated by the Company with immediate effect by making a PILON in respect of the outstanding notice period comprising base salary and the value of benefits in respect of pension, private medical insurance and car allowance.
	No PILON will be made in the event of gross misconduct.		
		The Company has discretion to make any PILON on a phased basis, subject to mitigation.	
Liquidated damages/Change of control	Entitlement to liquidated damages calculated on the same basis as calculated for the Executive Director's PILON if (i) the Company terminates the employment in breach of the service agreement or (ii) the Executive Director terminates the employment because of a fundamental breach by the Company or (iii) within 12 months after a change of control, the Company terminates the employment (in each case save where such termination is for gross misconduct or long-term sickness or incapacity).		
		Liquidated damages are subject to deductions for new earnings.	

The service agreements of David Atkins and Peter Cole provide that the relevant Executive Director will be eligible to be considered for payment of an award under the AIP provided that the Director has been employed through the entirety of the bonus year, even if no longer employed at the payment date. Where the Executive Director has been employed for only part of the bonus year, he will be eligible for consideration for payment of a discretionary bonus, but on a pro-rata basis. Other than in this respect, the treatment of leavers under the AIP, DBSS and LTIP arrangements is set out in table 56. The Company will pay any additional statutory entitlements where applicable.

Jean-Philippe Mouton has been employed by Hammerson Asset Management SAS (HAM) since 14 April 2003 as Divisional Director (France). Mr Mouton also holds French corporate offices in various Hammerson France entities.

He is based and works in France and, as a result, upon his appointment as an Executive Director, it was considered appropriate for him to continue to be employed under a French law-governed employment contract with HAM. His employment contract with HAM means that French law applies to his terms and conditions of employment as Divisional Director (France). Mr Mouton entered into a separate English law letter of appointment, which governs his directorship of the Company.

His aggregate global base salary in respect of his directorship of the Company, his role as Divisional Director (France) and his French corporate offices is reflected in the Single Figure Table in the Implementation Report.

Table 55

Jean-Philippe Mouton		
Date of service agreement and appointments	– French employment: 25 March 2013. – UK directorship: 25 March 2013. – French corporate offices (as part of his role as Divisional Director (France): various.	
Expiry date	French employment: rolling service contract with no fixed expiry date. UK directorship: rolling service period with no fixed expiry date. If Mr Mouton is not re-elected at the Company's Annual General Meeting, the appointment will cease automatically.	
Notice period	French employment: 3 months' notice in the case of dismissal or resignation (both notice to and from the Executive). No notice is applicable where there is an agreed termination. UK directorship: 3 months' notice (both notice to and from the Executive Director).	
Termination payments	Notice (in respect of French employment, UK directorship and French corporate offices)	Entitlement to 3 months' fixed and variable global remuneration. Any PILON would be based on the fixed and variable global remuneration that he would have received had he continued to be actively employed during the putative notice period and would not be subject to mitigation.
	Severance payment	In the case of dismissal or agreed termination under collective bargaining arrangements, an entitlement to a severance payment equal to 25% of average global monthly contractual remuneration per year of service (capped at 6 months if terminated on grounds of collective redundancy). No severance is payable if the Executive Director resigns.
	Restrictive covenants	Entitlement to a monthly compensation payment equal to 30% of the basic monthly salary received in respect of his French employment for the duration of the 12-month non-competition covenant (to the extent such covenant is enforced).

Notes:
Global in this context refers to the remuneration for Mr Mouton from all his positions of employment within the Group.
The Company will pay any additional statutory entitlements where applicable.

Table 56

Annual bonus and long-term incentives

The following table describes the provisions which apply to leavers who are Executive Directors and the discretions available under the AIP, DBSS and the LTIP. Further detail as to the potential exercise of discretion by the Committee is set out in the Use of discretion section of this Policy.

	Leaving reason						
	Ill-health, injury, disability	Death	Redundancy, sale of Company or business	Retirement	Voluntary resignation[3]	Termination for cause	Change of control[2]
AIP[1] In all cases, any bonus payable is subject to the normal deferral arrangements, unless the Committee determines otherwise	Remains eligible for bonus. Any bonus payable will be time pro-rated unless the Committee decides otherwise.		Remains eligible for full payment of the bonus for a completed performance period. In addition, the Committee has discretion to make payments for any performance period not completed.		No right to receive any bonus. Committee has discretion to pay a bonus provided the Executive Director is in employment at the bonus payment date.	No bonus payable.	Bonuses may be awarded under the AIP at the time of the change of control. Unless the Committee determines otherwise, a bonus will be time pro-rated.
DBSS (deferred share element of AIP)	Full vesting on normal vesting date. Committee may accelerate vesting.				Awards lapse, save that the Committee has discretion to allow up to full vesting on the normal vesting date or the Committee may accelerate vesting.	Awards lapse.	Awards vest in full.
LTIP	Awards remain capable of vesting, subject to the performance conditions being met. Awards will vest on normal vesting date, save that the Committee may accelerate vesting. Unless the Committee determines otherwise, vesting will be time pro-rated.				Awards lapse, save that the Committee has discretion for awards to remain capable of vesting (subject to performance conditions) on a time pro-rated basis and may accelerate vesting.	Awards lapse.	Awards vest, subject to the performance conditions and, unless the Committee determines otherwise, will be time pro-rated.

In respect of all-employee plans, including 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.

Notes:
1. Where the date of notice and the date of cessation fall in different performance periods, the provisions relating to AIP as stated above apply in respect of the AIP award for each performance period separately.
2. On a corporate event affecting the Company, bonuses and awards under AIP, DBSS and the LTIP will be governed by the rules of these plans. The information given here is for summary purposes.
3. Specific arrangements apply under the service agreements of David Atkins and Peter Cole as set out on page 89.

Use of discretion

In exercising discretion in respect of the AIP 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 Director's service and its assessment of the contribution towards the success of the Company during that period; whether the Executive Director has worked any notice period or whether (and if so, the extent that) a PILON 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 settle 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.

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 any applicable Company redundancy policy (which includes any entitlement to statutory redundancy pay) and any applicable collective bargaining agreement.

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

In connection with an Executive Director ceasing employment, the Company may, if the Committee determines it is in the best interests of the Company, enter into 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. If a settlement agreement is entered into with the Executive Director, the Company may make payments that it considers reasonable in settlement of potential legal claims, for example unfair dismissal, or where agreed under the settlement agreement. This may include any entitlement to compensation in respect of statutory rights under employment protection legislation in the UK or in other jurisdictions.

A departing gift may be provided (and any tax liability met on the Executive Director's behalf) up to a value of £5,000 (plus the related taxes) per Executive Director on termination of office. The Company may agree to provide other ancillary or non-material benefits in connection with (including in a defined period following) termination, not exceeding a value of £5,000 in aggregate.

Legal fees

Consistent with market practice, the Company may pay reasonable legal fees (and any associated tax costs) on behalf of the Executive Director 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.

In the case of a corporate transaction, the Company may agree to pay reasonable legal fees (and any associated tax costs) on behalf of the Executive Director for advice on the effect of the corporate transaction on the Executive Director's personal position as a director (including, where appropriate, as to the terms of their employment).

The Company may agree to pay reasonable legal fees (and any associated tax costs) on behalf of the Executive Director for advice related to any proposed changes to their terms and conditions of employment during their period of employment.

On recruitment of an Executive Director, the Company may make a contribution towards legal fees in connection with agreeing employment terms and drawing up a service contract.

Other appointments: new and existing Executive Directors

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).

Chairman and Non-Executive Directors' remuneration

Table 57

Remuneration Policy for Non-Executive Directors

Fees

Purpose and link to strategy

- Ensure the Company continues to attract and retain high-quality Chairman and Non-Executive Directors by offering market-competitive fees.

Fee levels

Current fees (per annum) are:	£000
Chairman	330
Non-Executive Director	58
Senior Independent Director	10
Chair of Audit Committee	15
Audit Committee member	5
Chair of Remuneration Committee	10
Remuneration Committee member	5
Chair of Nomination Committee	0

Operation

- The Chairman's fee is determined by the Committee. Other Non-Executive Directors' fees 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.
- Fees paid aim to be competitive with other listed companies which the Committee (in the case of the Chairman) and the Board (in respect of 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 arrears.
- 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.

Maximum limit

- Aggregate total fees payable annually to all Non-Executive Directors are subject to the limit as stated in the Company's Articles of Association (currently £1,000,000). The Committee reserves the right to provide additional fees within the stated limit including for membership of any additional Committee the Board may establish.

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, nor do Non-Executive Directors receive any pension benefits.
- Whilst the Company 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 (and any tax liability met on the Non-Executive Director's behalf) up to a value of £5,000 (plus the 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 2016 are set out below.

Table 58

	Date of original appointment to Board	Commencement date of current term	Unexpired term as at April 2017
Pierre Bouchut	13 February 2015	13 February 2015	10 months
Gwyn Burr	21 May 2012	21 May 2015	1 year, 1 month
Terry Duddy	3 December 2009	3 December 2015	1 year, 8 months
Andrew Formica	26 November 2015	26 November 2015	1 year, 7 months
Judy Gibbons[1]	1 May 2011	1 May 2014	1 month
David Tyler	12 January 2013	12 January 2016	1 year, 9 months

Notes

1. Judy Gibbons' appointment has been extended for three years with effect from 1 May 2017.

Considerations in setting this Remuneration Policy

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

Employee pay and conditions elsewhere in the Group

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 employer pension contributions. Employees may participate in one of a number of pension schemes across the UK, France and Ireland.

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).

One of the aims of the Policy is to pay competitively and to ensure its reward structures recognise superior performance. The Company therefore undertakes external benchmarking to ensure that, in its view, at all levels the Company's remuneration approach reflects the appropriate market rates. The Remuneration Committee is cognisant of the limitations and potential inflationary impacts of benchmarking and uses the results as context rather than as the main driver for its decisions. 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 Company performance against the AIP 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 also 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 but is kept informed of remuneration developments for the employee population in the wider Group.

Shareholder views

The Company welcomes dialogue with its significant shareholders and seeks their views when major changes are being made to remuneration policy. Consultation was undertaken with major shareholders and institutional investor bodies in formulating the changes to the Policy in particular to the long-term incentive structure. The Committee considered a number of scenarios for long-term incentives and, taking into account investor feedback, took the decision to remain with the current long-term incentive structure as set out in this Policy. The Remuneration Committee Chairman's letter provides further details of the consultation exercise and subsequent changes made to the Policy.

Illustration of application of the Policy

Set out below is an illustration of the reward mix for the Executive Directors at minimum, on-target and maximum performance under the Policy.

Chart 59

Scenarios: 2017 Implementation

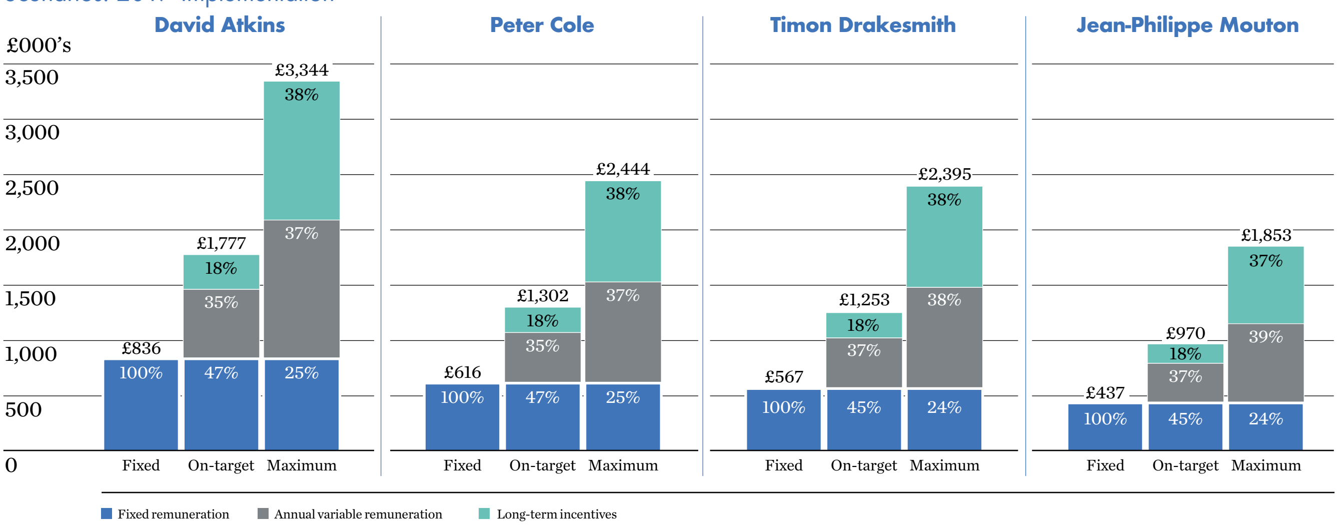


Table 60

Assumptions: Executive Director remuneration scenarios 2017

Fixed

- Consists of base salary, contractual and non-contractual benefits, pension and participation in the UK all-employee share plans.
- Base salary is the salary to apply after salary increases take effect on 1 April 2017.
- Benefits are as shown in the Single Figure Table for 2016 in the Implementation Report (except for Jean-Philippe Mouton where the amount he received under the profit sharing plan has been excluded from his 2016 benefits figure for these purposes. See On-target and Maximum below).
- Pension contributions are based on salary after salary increases take effect on 1 April 2017.
- Jean-Philippe Mouton's data has been converted at a rate of £1: €1.224.

	Base Salary £000	Benefits £000	Pension £000	Total Fixed £000
David Atkins	627	21	188	836
Peter Cole	457	22	137	616
Timon Drakesmith	457	19	91	567
Jean-Philippe Mouton	350	12	75	437

On-target

Based on what the Executive Director would receive if performance was in line with expectation (excluding share price appreciation and accrual of dividend equivalent payments):
- AIP: consists of on-target levels (50% of bonus maximum).
- LTIP: consists of the threshold level of vesting (25% of the face value of the award).
- France profit sharing (Jean-Philippe Mouton only): consists of on-target levels (50% of the current capped vesting level of €19,614).

Maximum

Based on the maximum remuneration receivable (excluding share price appreciation and accrual of dividend equivalent payments):
- AIP: consists of the maximum bonus (200% of base salary).
- LTIP: assumes maximum vesting of awards (200% of 2017 base salary).
- France profit sharing (Jean-Philippe Mouton only): assumes maximum vesting at the current capped vesting level of €19,614.

DIRECTORS' REMUNERATION REPORT: IMPLEMENTATION REPORT

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

The Implementation Report sets out how the Directors' Remuneration Policy was put into practice in 2016 and how it will be implemented in 2017. It is divided into three sections:

Section 1: Single Figure Tables

Section 2: Further information on 2016 remuneration

Section 3: Implementation of Remuneration Policy in 2017

Chart 61

How much Executive Directors earned in 2016

As per Single Figure Table (table 62)
£000

> **"I hope that you will agree with the Committee that the outturn for Executive Directors reflects the performance of the Company."**
>
> **— Gwyn Burr, Chairman of the Remuneration Committee**

Section 1: Single Figure Tables

This section contains the single figure tables showing 2016 remuneration for the Executive Directors and Non-Executive Directors and information that relates directly to the composition of these figures. All figures highlighted in GREEN in the Implementation Report relate directly to a figure that is found in the Single Figure Table, table 62.

Executive Directors' remuneration: Single Figure Table*

Table 62 below shows the remuneration of the Executive Directors for the year ended 31 December 2016, and the comparative figures for the year ended 31 December 2015.

Table 62

Executive Directors' remuneration: Single Figure Table

	Salary		Benefits		Annual bonus (AIP)		Long-Term Incentive Plan (LTIP)		Pension		Total	
	2016 £000	2015 £000	**2016 £000**	2015 £000	**2016 £000**	2015 £000	**2016 £000**	2015 £000	**2016 £000**	2015 £000	**2016 £000**	2015 £000
David Atkins	**608**	597	**21**	15	**833**	922	**980**	434	**182**	179	**2,624**	2,147
Peter Cole	**443**	435	**22**	13	**607**	672	**704**	312	**133**	131	**1,909**	1,563
Timon Drakesmith	**416**	408	**19**	15	**594**	630	**670**	393	**83**	82	**1,782**	1,528
Jean-Philippe Mouton	**338**	296	**27**	23	**465**	457	**500**	115	**76**	67	**1,406**	958
Total	**1,805**	1,736	**89**	66	**2,499**	2,681	**2,854**	1,254	**474**	459	**7,721**	6,196

For further information see: Page 98 Page 100 Page 101

Commentary on the Single Figure Table

Truing up of 2015 Single Figure Table numbers

Each year the outcome of AIP and LTIP elements dependent on Total Property Return (TPR) is estimated because the data regarding TPR performance of the relevant index is not available at the date of the annual report. In the 2015 Annual Report, the TPR element of AIP was estimated at IPD +2.5%, resulting in an estimated payout level at 100% for that measure. The final closing measurement for TPR during 2015 was IPD +2.9%, resulting in a final payout level of 100%. The final payout levels were therefore the same as the estimated levels reported last year.

The estimated TPR outcome for the 2015 LTIP figure was 'nil', and the actual outcome was 'nil'. In addition, the 2015 LTIP figure contained a value for the Absolute Net Asset Value (Absolute NAV) portion of the 2012 LTIP where the performance period ended on 31 December 2015 and was calculated based on the average share price over the three months to 31 December 2015. This measure was calculated to vest in last year's report at 70.40%. The actual Absolute NAV performance condition vested at 70.74%. The 2015 LTIP figure reflects the actual outcome of the TPR and Absolute NAV performance conditions and has been adjusted to reflect the actual share price of 577.5p on the vesting date.

Sterling:Euro exchange rates

Jean-Philippe Mouton's salary, benefits, annual bonus and pension contributions are paid in euro. When converted, the sterling equivalent will vary with currency movements. The amounts paid are shown in the Single Figure Table converted into sterling using the average exchange rate for 2016 (£1:€1.224). The LTIP is calculated in sterling and converted to euro at the same conversion rate. Equivalent data for 2015 has been converted at the average exchange rate for that year (£1:€1.378). The euro amounts are shown below in table 63.

Table 63

	Salary		Benefits		Annual bonus (AIP)		Long Term Incentive Plan (LTIP)		Pension		Total	
	2016 € 000	2015 € 000	**2016 € 000**	2015 € 000	**2016 € 000**	2015 € 000	**2016 € 000**	2015 € 000	**2016 € 000**	2015 € 000	**2016 € 000**	2015 € 000
Jean-Philippe Mouton	**414**	408	**33**	32	**569**	630	**612**	141	**92**	92	**1,720**	1,303

Benefits paid in 2016

Taxable benefits include a car allowance, private health insurance and permanent health insurance. Jean-Philippe Mouton receives a seniority allowance and welfare contribution. UK Executive Directors participated in the Company's all-employee share plan arrangements (SIP and Sharesave). All participants in the SIP received an award of free shares during 2016. This included the UK Executive Directors (page 109) and is reflected in the increased benefits figure this year. Jean-Philippe Mouton participated in a profit-sharing scheme in France and receives an employer's contribution to a French employee saving scheme.

Annual bonus (AIP) for 2016

The Annual Incentive Plan (AIP) is the Company's annual bonus scheme. 60% of the bonus achieved is paid in cash and the deferred element of 40% is granted as an award under the Deferred Bonus Share Scheme (DBSS).

Details of the Remuneration Policy in relation to the AIP and DBSS are on page 84 in the Remuneration Policy.

The following tables (tables 64, 65 and 66) show the AIP bonus outcomes and achievement against AIP performance targets for 2016.

Table 64

Total AIP outcomes for 2016

	Financial measures (% of bonus achieved, max 70%)	Personal measures (% of bonus achieved, max 30%)	Total vesting percentage (%, max 100%)	Vesting amount as % of salary (max 200%)	AIP amount (£000) (Shown in Single Figure Table)
David Atkins	**44**	**24**	**68**	**136**	**833**
Peter Cole	**44**	**24**	**68**	**136**	**607**
Timon Drakesmith	**44**	**27**	**71**	**142**	**594**
Jean-Philippe Mouton	**44**	**24**	**68**	**136**	**465**

The bonus awards shown above are based on the performance conditions that were set in advance of the financial year. The targets were not disclosed in advance of the year, as they were considered by the Board to be commercially sensitive information, but full details of the conditions and performance against them are now set out below.

Achievement against financial measures (70% weighting)

Details of the AIP outcome for 2016 are provided in table 65 below.

Table 65

AIP Outcome	Performance against targets					Bonus achieved	
Performance measure	Entry threshold (% vesting at threshold)	On-target	Full vesting target	Result achieved	Vesting percentage against target	Weighting (% of max bonus available)	% of max bonus achieved
Adjusted EPS[1]	26.9p (20%)	30.0p	31.0p	29.2p	42.3%	25%	10%
TPR (estimated outcome)[2]	IPD +0.0% (25%)	IPD+0.7%	IPD+2.0%	IPD+2.3%	100%	25%	25%
NRI[3]	1.5% (0%)	2.5%	3.5%	2.2%	35%	10%	4%
Cost Ratio[4]	23.1% (0%)	22.6%	22.1%	22.6%	50%	10%	5%
							44% out of 70%

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 target to achieve full vesting.

Notes
1. Adjusted EPS is the Group's underlying profit divided by the average number of shares in issue.
2. The TPR performance is measured relative to the IPD UK Retail Property (75%) and IPD France Retail Property (25%) indices. The annual data for these indices is not available at the date of this report. Accordingly, the closing measurement for TPR for the year to 31 December 2016 is based on management's best estimate using available data (see page 50 for property returns data). The AIP is not paid until the confirmed data for these indices is available. The actual outcome will be disclosed in the 2017 Annual Report.
3. Net Rental Income (NRI) is the percentage growth in the Group net rental income, calculated on a like-for-like basis.
4. Cost ratio is the Group's total operating costs as a percentage of gross rental income.

Achievement against personal objectives (30% weighting)

Executive Directors are able to earn up to 30% of the maximum award for achieving personal objectives. These are designed to focus not only on the delivery of the Business Plan and strategic elements for 2016 (refer to 'Our Strategy' on page 5), but also include an assessment of behaviours based on the Company's values as well as each Executive Director's capability in managing colleagues to maximise their contribution. Where it is possible to apply a meaningful measurement, personal objectives incorporate environmental, social and governance parameters.

Table 66 sets out the key 2016 personal objectives for the Executive Directors and how these support the Company's three strategic elements.

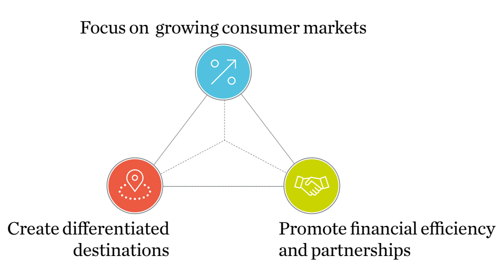
Table 66

2016 Key personal objectives

Personal objectives	Link to Strategic Elements			Sustainability, culture and values	% of max bonus achieved (max 30%)
David Atkins					
– Provide strategic leadership for culture, values, diversity and inclusion plans and establish Net Positive sustainability strategy		√		√	24%
– Ensure top level performance against Business Plan with particular focus on monitoring portfolio performance, cost control and income growth	√		√		
– Maintain strong communication of investment proposition		√	√		
– Integration of Ireland portfolio		√			
Peter Cole					
– Embed Product Experience Framework and roll out initiatives	√			√	24%
– Progress key developments and initiatives at Croydon, Brent Cross, Leeds and The Goodsyard		√		√	
– Promote disposal strategy	√				
Timon Drakesmith					
– Maintain focus on costs whilst delivering Business Plan			√		27%
– Monitor FX hedging, maintain credit rating, consider refinancing opportunities and review South Africa listing			√		
– Complete expansion of VIA Outlet fund and promote appropriate VIA organisational structure		√		√	
Jean-Philippe Mouton					
– Maximise top level France performance			√	√	24%
– Progress major refurbishments and retenanting		√			
– Review gender diversity within the French management team and address imbalance				√	

Strategic elements

Progress against these strategic elements is on pages 12 to 17.



Committee's consideration of 2016 AIP vesting level

Every year the Committee considers the overall vesting AIP outcome as determined by achievement against the financial and personal targets to check that the bonus level is appropriate given the Company's performance during the year.

The Committee reported in the 2015 Annual Report on the possible consequences for remuneration performance measures of the acquisition of a portfolio of loans secured on various Irish retail properties. In setting the 2016 AIP performance measures the Committee considered how it could measure property returns for assets in Ireland and decided that there was no appropriate Irish benchmark. It decided to measure the performance of Irish assets against the same index used for UK assets, but review and, if considered appropriate, exercise its discretion if it considered that comparison of Irish assets against a UK index led to an unintended outcome. The Committee reviewed the 2016 AIP results early in 2017. In light of its review, the Committee concluded that no adjustments to performance targets were necessary.

In addition, in assessing payout levels against personal objectives, the Committee took into account progress made and remaining challenges against the objectives set. Its conclusion was that all four of the Executive Directors contributed significantly to the Company's performance with excellent progress against objectives. Key objectives achieved were the launch of the listing in South Africa, good progress on integration of the Ireland portfolio, progress in developing the wider management group and succession planning, delivery of a successful disposals programme and progress and completion of several development projects in the UK and France.

Bonus deferral

The AIP amounts earned for 2016 will be paid 60% in cash and 40% in the form of a deferred share award granted under the DBSS. The deferred share award is granted in two tranches: the DBSS (A) award relates to the bonus achieved against the EPS, NRI, Cost Ratio and personal objectives measures; and the DBSS (B) award relates to the TPR measure and so is only granted once the TPR result is known and at the same time as the cash element is paid. Each award is granted with a face value equal to 40% of the bonus achieved against the relevant measures, over a number of shares calculated based on the average mid-market closing share price of a share over the five dealing days prior to the date of grant. Details of the DBSS (A) and (B) awards granted in 2017 will be included in next year's Annual Report.

Long-Term Incentive Plan

Performance under the LTIP is assessed over differing performance periods. TSR is assessed over a period of four years from the date of grant, and TPR and EPS are assessed over a period of four financial years commencing with the financial year in which the award is granted. The Single Figure Table for 2016 is required to report the value of the LTIP element for which the performance period ends during 2016. Consequently, the LTIP values shown in the Single Figure Table comprise the value of the TSR element of the 2012 award (where the performance period ended 1 April 2016) and the TPR and EPS elements of the 2013 award (where the performance period ended 31 December 2016).

Achievement against targets

The following table shows the level of performance achieved against the targets set for the three performance components that drive the 2016 LTIP vesting value as shown in the Single Figure Table.

Table 67

LTIP Outcome	Performance against targets				
Performance measure and period	Entry threshold target (25% vesting at threshold)	Full vesting target	Result achieved	Vesting percentage against target	
TSR[1] (2/4/12 – 2/4/16)	Median	Upper Quartile	Below median rank	0%	TSR element of the LTIP award granted in 2012. No vesting.
TPR[2] (estimated outcome) (1/1/13 – 31/12/16)	IPD+0%	IPD+1.5%	IPD +2.04%	100%	TPR element of the LTIP award granted in 2013. Award is scheduled to vest in April 2017.
EPS[3] (1/1/13 – 31/12/16)	RPI+3%	RPI+7%	RPI + 6.72%	94.80%	EPS element of the LTIP award granted in 2013. Award is scheduled to vest in April 2017.

Notes

1. TSR performance is measured over the four-year period from date of grant against a comparator group which for the 2012 LTIP award was British Land, Capital and Regional, Intu Properties, Corio (Corio merged with Klépierre and delisted in 2015 – Corio was retained with performance measured to date of delisting; EPRA NAREIT Developed Europe Index was substituted for Corio from date of delisting until end of the performance period), Derwent London, Great Portland Estates, IVG, Klépierre, Land Securities, Quintain Estates, SEGRO, Shaftesbury, St Mowden Properties, Unibail-Rodamco and the FTSE 100 Index.
2. For the 2013 LTIP award, TPR performance is measured over the four financial years commencing with the year of grant and in comparison with the Investment Property Databank's UK Annual Retail Property Index and France Annual Retail Property Index.
3. For the 2013 LTIP award, EPS is calculated with reference to the European Public Real Estate Association (EPRA) Best Practices recommendations.

Vesting value achieved

Table 68 shows the level of vesting outcome for the three components that drive the 2016 LTIP vesting as shown in the Single Figure Table.

Table 68

	TSR Performance period: 2/4/12-2/4/16 (TSR component of the 2012 LTIP)				TPR[1] Performance period: 1/1/13-31/12/16 (TPR component of the 2013 LTIP)				EPS Performance period: 1/1/13-31/12/16 (EPS component of the 2013 LTIP)				
	Shares available	Vesting % against target	Number of shares that vested	Value £000	Shares available[2]	Vesting % against target (estimated)	Number of shares due to vest	Value[3] £000	Shares available[2]	Vesting % against target	Number of shares due to vest	Value[3] £000	**Total value (shown in Single Figure Table)**
David Atkins	106,299	0	0	0	90,607	100	90,607	503	90,607	94.80	85,895	477	**980**
Peter Cole	76,317	0	0	0	65,051	100	65,051	361	65,051	94.80	61,668	343	**704**
Timon Drakesmith	72,683	0	0	0	61,953	100	61,953	344	61,953	94.80	58,731	326	**670**
Jean-Philippe Mouton	28,142	0	0	0	46,239	100	46,239	257	46,239	94.80	43,834	243	**500**

Notes
1. The element dependent on TPR is estimated as the IPD data regarding TPR performance is not available at the date of the Annual Report.
2. The number of shares includes any notional dividend shares awarded to date. The actual number of shares that vest may increase by the amount of any notional dividend shares awarded up to the date of transfer of the award.
3. The value shown is based on the average of the mid-market closing price of a share for each dealing day in the three-month period to 31 December 2016 (555.4p). The actual value that vests, based on the closing share price on the vesting date, will be disclosed in next year's Annual Report.

Pension

Executive Directors receive a salary supplement in lieu of pension benefits. Salary supplements for the year ended 31 December 2016 are detailed in table 69 below and are reflected in the Single Figure Table on page 97 (table 62). All salary supplements paid to Executive Directors in lieu of pension benefits are subject to deductions as required for income tax and social security contributions in the UK and France.

Jean-Philippe Mouton also participates in a legacy collective supplementary defined contribution pension scheme, operated by Hammerson Asset Management, France, which is the French company that employs him and which makes employer contributions at the annual statutory limit.

Information on the accrued pension benefits for David Atkins and Peter Cole under the Company's closed defined benefit scheme is on page 109.

Salary supplements received by all Executive Directors and the pension benefit received by Jean-Philippe Mouton do not qualify for AIP purposes or entitlements under the LTIP.

Table 69

Salary supplements in lieu of pension benefits[1]

	2016 £000 (shown in Single Figure Table)	2015 £000
David Atkins	**182**	179
Peter Cole	**133**	131
Timon Drakesmith	**83**	82
Jean-Philippe Mouton	**76**	67

Note
1. David Atkins and Peter Cole each receive a salary supplement of 30% of base salary. Timon Drakesmith receives a salary supplement of 20% of base salary. Jean-Philippe Mouton receives a salary supplement of €80,000 (2015: €80,000) and a legacy collective supplementary defined benefit scheme contribution of €12,449 (2015: €12,264) which is included in his total shown above.

Non-Executive Directors' remuneration: Single Figure Table*

Table 70 below shows the remuneration of Non-Executive Directors for the year ended 31 December 2016, and the comparative figures for the year ended 31 December 2015.

The benefits disclosed in table 70 below relate to the reimbursement of travel and accommodation expenses incurred in attending Board meetings at the Company's Head Office. The grossed-up value has been disclosed. In accordance with the Policy, the tax arising will be settled by the Company.

Table 70

Non-Executive Directors' remuneration for the year ended 31 December 2016

	Committee membership and other responsibilities				Fees		Benefits		Total	
	Audit Committee	Nomination Committee	Remuneration Committee	Other	**2016 £000**	2015 £000	**2016 £000**	2015 £000	**2016 £000**	2015 £000
David Tyler		Chairman	Member	Chairman	**325**	320	**–**	2	**325**	322
Pierre Bouchut[1]	Chairman	Member			**68**	53	**11**	5	**79**	58
Gwyn Burr	Member	Member	Chairman		**72**	70	**–**	2	**72**	72
Terry Duddy[2]		Member	Member	Senior Independent Director	**72**	67	**–**	–	**72**	67
Jacques Espinasse[3]	Chairman	Member			**22**	70	**6**	5	**28**	75
Andrew Formica	Member	Member			**62**	6	**–**	–	**62**	6
Judy Gibbons	Member	Member	Member		**67**	65	**2**	1	**69**	66
Anthony Watson[4]	Member	Member	Chairman	Senior Independent Director	**–**	23	**–**	8	**–**	31
Total					**688**	674	**19**	23	**707**	697

Notes
1. Replaced Jacques Espinasse as Audit Committee Chairman from 25 April 2016.
2. Replaced Anthony Watson as Senior Independent Director from 22 April 2015.
3. Jacques Espinasse retired from the Board on 25 April 2016 and received a departing gift which cost £895 within the limits of the Policy. The value above is the gross value.
4. Anthony Watson retired from the Board on 22 April 2015 and received a departing gift which cost £4,150 within the limits of the Policy. The value above is the gross value.

Fees payable to Non-Executive Directors

Prior to 2016, Non-Executive Directors' fees were last increased in July 2013. A review of the Non-Executive Directors' fees, including a benchmark exercise, was carried out in 2016. Following the review the Board approved an increase in the Non-Executive base fee of £3,000 to take effect from 1 July 2016, representing an increase in line with median. A review of the Chairman's fee was also undertaken and a proposal to increase the Chairman's fee by £10,000, a smaller percentage increase than for the Non-Executive Directors, was approved to take effect from 1 July 2016. These increases are reflected in the Single Figure Table (table 70) above.

Details of the current annual fees payable to Non-Executive Directors are on page 114.

Section 2: Further information on 2016 remuneration

This section contains other required information such as voting on remuneration matters at the Annual General Meeting (AGM), Directors' shareholdings, share plan interests, information on pensions, the Chief Executive's remuneration compared to employees and relative importance of spend on pay.

Statement of voting at Annual General Meetings

Table 71 below shows votes cast by proxy at the AGM held on 25 April 2016 in respect of the Directors' Remuneration Report and on 23 April 2014 in respect of the Directors' Remuneration Policy. Shareholders raised no issues concerning remuneration during either AGM.

Table 71

Statement of voting on remuneration: 2014 AGM and 2016 AGM

Resolution	Votes for		Votes against		Total votes cast	Votes withheld
	Number of shares	% of shares voted	Number of shares	% of shares voted	% of issued share capital[1]	Number of shares[2]
To receive and approve the 2015 Directors' Annual Remuneration Report (2016 AGM)	537,967,633	98.36%	8,975,267	1.64%	69.72%	2,061,292
To receive and approve the Directors' Remuneration Policy (2014 AGM)	534,234,020	97.11%	15,898,048	2.89%	77.17%	175,583

Notes
1. Based on issued share capital of 784,432,706 ordinary shares on 21 April 2016, which was the record date for the 2016 AGM and 712,902,066 ordinary shares on 17 April 2014, which was the record date for the 2014 AGM.
2. Represents 0.26% of the issued share capital on the record date for the 2016 AGM and 0.02% of the issued share capital on the record date for the 2014 AGM.

Directors' shareholdings and share plan interests

Table 72

Summary of all Directors' shareholdings and share plan interests

Interests in shares at 31/12/16	Outstanding scheme interests 31/12/16				Total of all share interests and outstanding scheme interests, at 31/12/16[4]
	Unvested scheme interests (subject to performance measures)[1]	Unvested scheme interests (not subject to performance measures)[2]	Vested but unexercised scheme interests[3]	Total shares subject to outstanding scheme interests	
Executive Directors					
David Atkins	735,898	118,740	76,254	930,892	**1,395,049**
Peter Cole	533,297	86,032	173,601	792,930	**1,132,598**
Timon Drakesmith	503,016	87,344	52,138	642,498	**951,572**
Jean-Philippe Mouton	387,456	60,337	0	447,793	**713,495**
Non-Executive Directors					
David Tyler	–	–	–	–	**60,000**
Pierre Bouchut	–	–	–	–	**20,000**
Gwyn Burr	–	–	–	–	**5,182**
Terry Duddy	–	–	–	–	**50,000**
Andrew Formica	–	–	–	–	**22,000**
Judy Gibbons	–	–	–	–	**4,115**

Notes
1. LTIP awards still subject to performance measures.
2. DBSS and Sharesave awards that have not vested.
3. LTIP and DBSS awards that have vested but remain unexercised, and notional dividend shares are included.
4. All share plan interests, vested, unvested and unexercised together with SIP shares and any holdings of ordinary shares.

Directors' shareholdings*

Tables 73 and 74 show the beneficial interests in the ordinary shares of the Company held by all Directors who were in office during the year ended 31 December 2016. For Executive Directors, the table also shows actual share ownership compared with the current share ownership guidelines. Non-Executive Directors are encouraged to acquire a shareholding in the Company.

Details of new share ownership guidelines are in the Policy on page 87.

Table 73

Executive Directors' shareholdings[1]

	Shares held as at 1 January 2016	**Shares held as at 31 December 2016**	Vested but unexercised share scheme interests[2]	Guideline on share ownership as % of salary	Actual beneficial share ownership as % of salary[3]	Guideline met
David Atkins	367,056	**450,085**	40,415	150%	459%	Yes
Peter Cole	277,461	**324,185**	92,009	100%	535%	Yes
Timon Drakesmith	280,080	**302,125**	27,633	100%	452%	Yes
Jean-Philippe Mouton	240,891	**265,702**	0	100%	427%	Yes

Notes
1. Between 1 January 2017 and 17 February 2017, the Executive Directors' beneficial interests above remained unchanged.
2. The number of shares shown is on a net of tax and NI basis in accordance with the share ownership guidelines.
3. As at and based on the share price of 573 pence on 31 December 2016.

Table 74

Non-Executive Directors' shareholdings[1]

	1 January 2016	**31 December 2016**
David Tyler	25,000	**60,000**
Pierre Bouchut	–	**20,000**
Gwyn Burr	5,000	**5,182**
Terry Duddy	40,000	**50,000**
Jacques Espinasse[2]	17,884	**n/a**
Andrew Formica	15,000	**22,000**
Judy Gibbons	4,115	**4,115**

Notes
1. Between 1 January 2017 and 17 February 2017, the serving Non-Executive Directors' beneficial interests above remained unchanged.
2. Jacques Espinasse retired on 25 April 2016. His beneficial interest at that time was 17,884 shares.

Executive Directors' share plan interests (including share options)*

Tables 75 to 78 set out the Executive Directors' interests under the Deferred Bonus Share Scheme (DBSS), the Long Term Incentive Plan (LTIP) and the Sharesave scheme. Awards under the DBSS and Sharesave scheme are not subject to any performance conditions (other than continued employment on the vesting date). The LTIP awards are subject to performance conditions, details of which are in tables 79 and 80.

The TPR element of any bonus payment to Executive Directors (including the deferred shares element awarded under the DBSS) is made only when all IPD index data is available for calculation of actual performance against the TPR performance measure. The DBSS (B) award below is that part of the award payable when final TPR data is available.

Awards to UK Executive Directors under the LTIP and DBSS are made in the form of nil-cost share options. For French tax reasons, LTIP and DBSS awards granted to Jean-Philippe Mouton are in the form of conditional awards of free shares.

Executive Directors' share plan interests *

Table 75

	Date of original award	Date from which options exercisable	Expiry date	Held at 1 January 2016	Granted during 2016	Notional dividend shares accrued during 2016[1]	Exercised during 2016[2]	Lapsed or forfeited during 2016	Awards held at 31 December 2016	Grant price in pence (exercise price for Sharesave)	Face value of awards granted during 2016 £000[3]
David Atkins											
DBSS	11/03/2013	Mar-15	Mar-20	88,019	–	–	88,019	–	–	–	–
DBSS	03/03/2014	Mar-16	Mar-21	48,288	–	–	48,288	–	–	–	–
DBSS (A)	03/03/2015	Mar-17	Mar-22	38,417	–	1,323	–	–	39,740	–	–
DBSS (B)	28/04/2015	Apr-17	Apr-22	8,534	–	294	–	–	8,828	–	–
DBSS (A)	01/03/2016	Mar-18	Mar-23	-	45,593	1,569	–	–	47,162	547.33	249
DBSS (B)	27/04/2016	Apr-18	Apr-23	-	20,618	290	–	–	20,908	579.08	119
									116,638		**368**
LTIP	02/04/2012	Apr-16	Apr-19	312,623	–	7,333	–	243,702	76,254	–	–
LTIP	02/04/2013	Apr-17	Apr-20	262,773	–	9,048	–	–	271,821	–	–
LTIP	01/04/2014	Apr-18	Apr-21	111,903	–	3,853	–	–	115,756	–	–
LTIP	26/03/2015	Mar-19	Mar-22	132,416	–	4,559	–	–	136,975	–	–
LTIP	24/03/2016	Mar-20	Mar-23	–	208,413	2,933	–	–	211,346	572.90	1,194
									812,152		**1,194**
Sharesave	27/03/2015	May-18	Oct-18	1,665	–	–	–	1,665	–	540.40	–
Sharesave	24/03/2016	May-19	Oct-10	–	2,102	–	–	–	2,102	428.00	9

Table 76

	Date of original award	Date from which options exercisable	Expiry date	Held at 1 January 2016	Granted during 2016	Notional dividend shares accrued during 2016[1]	Exercised during 2016[2]	Lapsed or forfeited during 2016	Awards held at 31 December 2016	Grant price in pence (exercise price for Sharesave)	Face value of awards granted during 2016 £000[3]
Peter Cole											
DBSS	12/03/2012	Mar-14	Mar-19	49,573	–	1,707	–	–	51,280	–	–
DBSS	11/03/2013	Mar-15	Mar-20	65,326	–	2,249	–	–	67,575	–	–
DBSS	03/03/2014	Mar-16	Mar-21	34,668	–	-	34,668	–	–	–	–
DBSS (A)	03/03/2015	Mar-17	Mar-22	25,615	–	822	–	–	26,497	–	–
DBSS (B)	28/04/2015	Apr-17	Apr-22	6,219	–	214	–	–	6,433	–	–
DBSS (A)	01/03/2016	Mar-18	Apr-23	–	33,221	1,143	-	-	34,364	547.33	182
DBSS (B)	27/04/2016	Apr-18	Apr-23	–	15,023	211	-	-	15,234	579.08	87
									201,383		**269**
LTIP	02/04/2012	Apr-16	Apr-19	224,447	–	5,265	–	174,966	54,746	–	–
LTIP	02/04/2013	Apr-17	Apr-20	188,657	–	6,495	–	–	195,152	–	–
LTIP	01/04/2014	Apr-18	Apr-21	81,537	–	2,807	–	–	84,344	–	–
LTIP	26/03/2015	Mar-19	Mar-22	96,484	–	3,322	–	–	99,806	–	–
LTIP	24/03/2016	Mar-20	Mar-23	–	151,858	2,137	–	–	153,995	572.90	870
									588,043		**870**
Sharesave	24/03/2016	May-21	Oct-21	–	3,504	–	–	–	3,504	428.00	15

Table 77

	Date of original award	Date from which options exercisable	Expiry date	Held at 1 January 2016	Granted during 2016	Notional dividend shares accrued during 2016[1]	Exercised during 2016[2]	Lapsed or forfeited during 2016	Awards held at 31 December 2016	Grant price in pence (exercise price for Sharesave)	Face value of awards granted during 2016 £000[3]
Timon Drakesmith											
DBSS	03/03/2014	Mar-16	Mar-21	33,017	–	–	33,017	–	–	–	–
DBSS (A)	03/03/2015	Mar-17	Mar-22	29,227	–	1,006	–	–	30,233	–	–
DBSS (B)	28/04/2015	Apr-17	Apr-22	5,832	–	201	–	–	6,033	–	–
DBSS (A)	01/03/2016	Mar-18	Apr-23	–	31,159	1,072	–	–	32,231	547.33	170
DBSS (B)	27/04/2016	Apr-18	Apr-23	–	14,091	198	–	–	14,289	579.08	82
									82,786		**252**
LTIP	02/04/2012	Apr-16	Apr-19	213,758	–	5,014	–	166,634	52,138	–	–
LTIP	02/04/2013	Apr-17	Apr-20	179,673	–	6,186	–	–	185,859	–	–
LTIP	01/04/2014	Apr-18	Apr-21	76,476	–	2,633	–	–	79,109	–	–
LTIP	26/03/2015	Mar-19	Mar-22	90,495	–	3,116	–	–	93,611	–	–
LTIP	24/03/2016	Mar-20	Mar-23	–	142,433	2,004	–	–	144,437	572.90	816
									555,154		**816**
Sharesave	05/04/2012	May-17	Oct-17	4,588	–	–	–	–	4,558	329.04	–

Table 78

	Date of original award	Date from which options exercisable	Expiry date	Held at 1 January 2016	Granted during 2016	Notional dividend shares accrued during 2016[1]	Exercised during 2016[2]	Lapsed or forfeited during 2016	Awards held at 31 December 2016	Grant price in pence (exercise price for Sharesave)	Face value of awards granted during 2016 £000[3]
Jean-Philippe Mouton[4]											
DBSS	03/03/2014	Mar-16	Mar-21	25,037	–	–	25,037	–	–	–	–
DBSS (A)	03/03/2015	Mar-17	Mar-22	12,634	–	435	–	–	13,069	–	–
DBSS (A)[5]	12/03/2015	Mar-17	Mar-22	6,520	–	225	–	–	6,745	–	–
DBSS (B)	28/04/2015	Apr-17	Apr-22	4,172	–	144	–	–	4,316	–	–
DBSS (A)	01/03/2016	Mar-18	Apr-23	–	24,293	836	–	–	25,129	547.33	133
DBSS (B)	27/04/2016	Apr-18	Apr-23	–	10,925	153	–	–	11,078	579.08	63
									60,337		**196**
LTIP	02/04/2012	Apr-16	Apr-19	84,426	–	–	19,907	64,519	–	–	–
LTIP	02/04/2013	Apr-17	Apr-20	138,717	–	–	–	–	138,717	–	–
LTIP	01/04/2014	Apr-18	Apr-21	63,203	–	2,177	–	–	65,380	–	–
LTIP	26/03/2015	Mar-19	Mar-22	66,667	–	2,296	–	–	68,963	–	–
LTIP	24/03/2016	Mar-20	Mar-23	–	112,809	1,587	–	–	114,396	572.90	646
									387,456		**646**

Notes
1. Awards to UK Executive Directors under the DBSS and LTIP up to and including the 2013 awards accrue notional dividend shares to the date of transfer. Awards made from 2014 onwards accrue notional dividend shares to the date of vesting. The Sharesave scheme does not accrue notional dividend shares. For Jean-Philippe Mouton notional dividend shares accrue to the date of vesting in respect of 2014 LTIP awards and subsequent awards. For the DBSS, notional dividend shares accrue to the date of transfer in respect of 2013 awards and to the date of vesting for subsequent awards.
2. In the case of Jean-Philippe Mouton this is the number of shares that vested during 2016.
3. Face values are calculated by multiplying the number of shares granted during 2016 by the relevant share price. For the DBSS, the average share price for the three business days preceding the award is used. For the LTIP, the average share price for the five business days preceding the award is used. Notional dividend shares accruing are not included in the face value calculations for either scheme. Face value for the Sharesave scheme is calculated by reference to the exercise price of options granted in 2016.
4. Jean-Philippe Mouton's entitlement to awards arising under the LTIP and DBSS is calculated in euro. The prevailing exchange rate at grant is used to determine the number of shares to award.
5. On 12 March 2015, Jean-Philippe Mouton was granted an additional award under 2015 DBSS (A) award to correct an administrative error made in the original award.

Long-term incentive awards

Tables 79 and 80 set out a summary of the LTIP structure and details of the LTIP performance measures and conditions.

Table 79

LTIP structure summary

	All years	2013	2014	2015	2016
Level of award		200% of salary	100% of salary	150% of salary	200% of salary
Performance measures	TSR, TPR, EPS				
Performance period	Four years				
Weighting of performance measures	33.33%				
TPR: Measured over four financial years commencing with year of grant in comparison with composite index	IPD UK Annual Retail Property Index and France Annual Retail Index				
EPS: Measured over four financial years commencing with year of grant. Calculated with reference to EPRA Best Practice recommendations		Benchmark: RPI	Benchmark: RPI	Benchmark: Blend of UK/ French CPI	Benchmark: Blend of UK/ French CPI
TSR: Measured over four-year period from date of grant. TSR Comparator Group:					
Altarea		✓	✓	✓	✓
British Land		✓	✓	✓	✓
Capital and Regional		✓	✓	✓	✓
Intu Properties		✓	✓	✓	✓
Corio[1]		✓	✓		
Eurocommercial		✓	✓	✓	✓
IVG		✓			
Klépierre		✓	✓	✓	✓
Land Securities		✓	✓	✓	✓
London Metric		✓	✓	✓	✓
SEGRO		✓	✓	✓	✓
Shaftesbury		✓	✓	✓	✓
Unibail-Rodamco		✓	✓	✓	✓
Wereldhave		✓	✓		✓
New River Retail				✓	✓
FTSE 100 Index		✓	✓	✓	✓

Note
1. Corio merged with Klépierre on 31 March 2015 and delisted from Euronext Amsterdam. Corio is retained, with performance measured to the date of delisting. The EPRA NAREIT Developed Europe Index is substituted for Corio from the date of its delisting to the end of the performance period.

Table 80

LTIP performance conditions 2012 to 2016

TSR	Vesting threshold	0%	25%	100%
	All award years	Less than TSR of median-ranked entity in comparator group	Equal to TSR of median-ranked entity in comparator group	Equal to TSR of upper quartile-ranked entity in comparator group
	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 condition is subject to the Committee's satisfaction that the Company's underlying performance has been satisfactory in comparison with that of the FTSE Real Estate sector.			

TPR	Vesting threshold	0%	25%	55%	85%	100%
	All award years	Less than Index	Equal to Index	Index +0.5% (average) p.a.	Index +1.0% (average) p.a.	Index +1.5% (average) p.a.
	Vesting for intermediate performance between these levels will be pro-rated on a linear basis between 25% and 100%.					

EPS/Absolute NAV	Vesting threshold	0%	25%	100%
	2015 and 2016 awards (EPS measure)	Less than a UK and French CPI blend + 3.0% p.a. growth	Equal to or more than a UK and French CPI blend +3.0% p.a. growth	Equal to or more than a UK and French CPI blend +7.0% p.a. growth
	2013 and 2014 awards (EPS measure)	Less than RPI + 3.0% p.a. growth	Equal to or more than RPI +3.0% p.a. growth	Equal to or more than RPI +7.0% p.a. growth
	2012 award (Absolute NAV measure)	Less than RPI + 3.0% p.a. growth	Equal to or more than RPI +3.0% p.a. growth	Equal to or more than RPI +7.0% p.a. growth
	Vesting for intermediate performance between these levels will be pro-rated on a straight-line basis between 25% and 100%.			

Details of 2012 LTIP (which vested during 2016)

The following table shows the number of shares delivered on vesting of the 2012 LTIP (which vested on 2 April 2016):

Table 81

	TSR Performance period: 2/4/12-2/4/16				TPR Performance period:1/1/12-31/12/15				Absolute NAV Performance period: 1/1/12-31/12/15					
	Shares available	Vesting % against target	Number of shares delivered	Value of shares delivered	Shares available	Vesting % against target	Number of shares delivered	Value of shares delivered	Shares available	Vesting % against target	Number of shares delivered	Value of shares delivered £000	Total shares delivered	**Total value of shares delivered £000**
David Atkins	106,299	0%	0	0	106,299	0%	0	0	106,299	70.74%	75,196	434	75,196	**434**
Peter Cole	76,317	0%	0	0	76,317	0%	0	0	76,317	70.74%	53,986	312	53,986	**312**
Timon Drakesmith	72,683	0%	0	0	72,683	0%	0	0	72,683	70.74%	51,416	297	51,415	**297**
Jean-Philippe Mouton	28,142	0%	0	0	28,142	0%	0	0	28,142	70.74%	19,907	115	19,907	**115**

Notes:
1. The value shown is based on the share price on the date on which the awards vested of 577.5p.
2. Details of the TPR and NAV performance conditions were shown as estimates in the 2015 Annual Report (as the value of those components was reflected in the Single Figure Table for 2015 as the performance period for those components ended during 2015). The table above shows the final outcome.
3. Details of the assessment of the TSR performance condition are shown in table 67.
4. The number of shares vested includes any notional dividend shares awarded to the date of transfer.

LTIP awards granted during 2016

All 2016 LTIP awards were granted to a value of 200% of base salary as at date of grant.

Table 82

	Date of grant	Number of shares	Normal vesting date	Face value on grant £000
David Atkins	24 March 2016	208,413	24 March 2020	1,194
Peter Cole	24 March 2016	151,858	24 March 2020	870
Timon Drakesmith	24 March 2016	142,433	24 March 2020	816
Jean-Philippe Mouton	24 March 2016	112,809	24 March 2020	646

Notes:
1. The face value on grant is calculated based on a share price of 572.9p being the average of the middle market quotation on the previous five working days prior to the date of grant.
2. Details of the performance targets applicable to the above awards are shown in table 80.

Executive Directors' SIP interests

The Executive Directors' interests in ordinary shares of the Company under the Share Incentive Plan (SIP) at 31 December 2016 are shown in table 83 below. The shares are held under a SIP trust. Jean-Philippe Mouton is not eligible to participate in the SIP.

Table 83

Executive Directors' SIP interests

	Total SIP shares 1 January 2016	Partnership shares purchased[1]	Matching shares awarded	Free shares awarded	Dividend shares purchased	**Total SIP shares 31 December 2016**
David Atkins	12,507	312	312	497	444	**14,072**
Peter Cole	13,871	312	312	497	491	**15,483**
Timon Drakesmith	5,381	432	432	497	207	**6,949**

Note
1. Partnership shares may be purchased by means of a lump sum or by regular monthly investment.

Detail of Executive Directors' accrued pension benefits

Following the closure of the Company's defined benefit pension scheme (Scheme) in 2014, David Atkins and Peter Cole remain eligible for a deferred pension based on their pensionable salary and service at the point they ceased to accrue further benefits in the Scheme. The normal retirement age under the Scheme is 60; members may draw their pension from the age of 55, subject to actuarial reduction and the Trustees' consent. Further information concerning the Scheme is in note 6 to the accounts on page 145.

Table 84 below shows the total accrued benefit at 31 December 2016 representing 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 to accrue further benefits in the Scheme.

Table 84 also shows the transfer values of Executive Directors' accrued entitlements under the Scheme calculated under the Companies Act 2006. The figures 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 each Executive Director's pension benefits. The figures do not represent sums paid or payable to individual Executive Directors but represent a potential liability of the Scheme. The statutory disclosures are based on required assumptions. Any increase or decrease in transfer value over the year represents a change in the transfer value assumptions that the Scheme applies.

Table 84

Executive Directors' accrued pension benefits and transfer values

	Total accrued benefit at 31 December		Transfer value at 31 December of total accrued benefit	
	2016 £000	2015 £000	**2016 £000**	2015 £000
David Atkins	**83**	83	**1,734**	1,497
Peter Cole	**248**	248	**6,088**	5,342

External board appointments

Where Board approval is given for an Executive Director to accept an outside non-executive directorship, the individual is entitled to retain any fees received. Timon Drakesmith was appointed as a non-executive director of The Merchants Trust PLC with effect from 1 November 2016 for which he will receive an annual fee of £30,500. David Atkins was appointed as a non-executive director of Whitbread PLC with effect from 1 January 2017 for which he will receive an annual fee of £62,000.

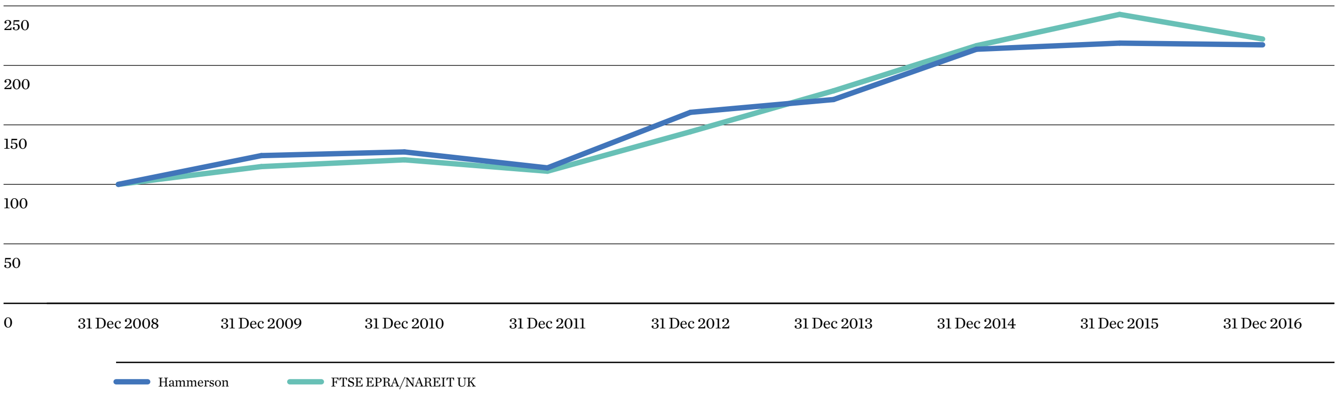
Total Shareholder Return

Chart 85 below shows the total shareholder return in respect of the Company's ordinary shares of 25 pence each for the eight years ended 31 December 2016 against 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.

Chart 85

Total Shareholder Return Index

(31 December 2008 = 100)



Source: Thomson Reuters

Remuneration of the Chief Executive over the last eight years

Table 86 shows the remuneration of the holder of the office of Chief Executive for the period from 1 January 2009 to 31 December 2016.

Table 86

Chief Executive's remuneration history

Year	Notes	Total remuneration £000	Annual bonus[5]	LTIP vesting[5]
2016	1	**2,625**	**68.5%**	**23.58%**
2015	2	2,147	77.3%	–
2014		1,568	65.3%	–
2013		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 2016 include certain estimated values for the LTIP and AIP vesting. See the Single Figure Table (table 62) on page 97 for details.
2. The total remuneration reported in the 2015 Annual Report contained estimates; the numbers given here are the actual values. See the Single Figure Table (table 62) on page 97.
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 that could have vested in that year.

Remuneration for the Chief Executive compared with all other employees of the Hammerson group

Table 87 shows the percentage change from 31 December 2015 to 31 December 2016 in base salary, taxable benefits and bonus for the Chief Executive compared with all other employees of the Hammerson group.

Table 87

Percentage change in the Chief Executive's base salary, taxable benefits and bonus

		Change %			
	Notes	Salary	Benefits	Annual bonus	Total[1]
David Atkins	1,2	**1.9%**	**0.3%**	**-9.7%**	**-5.1%**
Total Group	1,2,3,4	**-2.8%**	**2.3%**	**-13.6%**	**-4.9%**

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. The calculation of the percentage change in total remuneration excludes pensions and LTIP.
2. David Atkins has been excluded from the Group calculation. Data for the Group calculation includes all employee bonuses. Payments in euro have been converted at a constant exchange rate of £1:€1.224.
3. The Group calculation uses a weighted average headcount for the year. Employees received an average salary increase of 3% during 2016.
4. Approximately 60 employees transferred into the Group as part of the loan conversion in Ireland, mostly employed in roles that Hammerson does not directly employ in the UK. These roles are paid at a lower base salary level than most roles in the UK and therefore decreased the total Group percentage change in salary.
5. Performance measures for centre based employees include some operational measures that do not apply to other Group employees or to the Executive Directors. The outturn of these measures was lower than in prior years and therefore impacted adversely on the total Group percentage change in bonus.

Relative importance of spend on pay

Table 88 below shows the Company's total employee costs compared with dividends paid. The Company did not buy back any of its own shares during 2016.

Table 88

Total employee costs compared with dividends paid

	Employee costs[1]	Dividends[2]
2016	**£53.6m**	**£180.1m**
2015	**£48.8m**	**£165.2m**
Difference	**9.8%**	**9.0%**

Notes
1. These figures have been extracted from note 4 (Administration expenses) to the accounts on page 144.
2. These figures have been extracted from note 9 (Dividends) to the accounts on page 147.

Payments to past Directors*

There were no payments to past Directors in 2016.

Payments for loss of office*

There were no payments for loss of office to past Directors in 2016.

Advisors

A number of advisors provided services to the Remuneration Committee during the year.

FIT Remuneration Consultants LLP (FIT) was appointed by the Remuneration Committee on 17 August 2011. FIT provides advice on reward structures and levels and other aspects of the Company's 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 Remuneration Committee. Additionally, where instructions are taken from Company employees on behalf of the Remuneration Committee, FIT ensures that the Remuneration Committee is kept informed of their broad scope. Fees for advice provided by FIT in 2016, which were charged on their standard terms, were £64,712 (excluding VAT) (2015: £68,127, excluding VAT). FIT did not provide any other services to the Company during 2016. The Remuneration Committee remains satisfied that all advice was objective and independent.

Herbert Smith Freehills LLP (HSF) provides the Company with legal advice and Lane Clark & Peacock LLP (LCP) provides actuarial advice to the Company. Advice from both firms is made available to the Remuneration Committee, where it relates to matters within its remit.

The Chief Executive, Chief Financial Officer and Human Resources Director attend meetings by invitation. The General Counsel and Company Secretary is the Secretary to the Remuneration Committee. The Chief Executive, senior Human Resources staff and the General Counsel and Company Secretary provided advice to the Remuneration Committee on matters relating to the Remuneration Policy and Company practices. No-one is present during discussions concerning their own remuneration.

Section 3: Implementation of Remuneration Policy in 2017

This section sets out information on how the Remuneration Policy will be implemented in 2017 if approved by shareholders at the 2017 Annual General Meeting.

Shareholder approval for the Remuneration Policy was last received at the 2014 Annual General Meeting. The Company has proposed changes to the Remuneration Policy, and will present the revised Policy (set out on pages 80-95) to shareholders for approval at the 2017 Annual General Meeting. If the new Remuneration Policy is approved by shareholders, the Company intends to implement the new Policy in 2017 as shown below. If the new Remuneration Policy is not approved by shareholders then the existing Remuneration Policy would instead remain in place and continue to operate.

In implementing the Remuneration Policy, the Committee will continue to take into account factors such as remuneration packages available within 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.

Table 89

Summary of planned implementation of the Remuneration Policy during 2017

Policy element	Commentary	Implementation of the Remuneration Policy during 2017
Base Salary	Normally reviewed annually to take effect from 1 April 2017. In February 2017, the Remuneration Committee determined that an increase in base salaries of 2.5% was appropriate for David Atkins, Peter Cole and Jean-Philippe Mouton. This increase is slightly less than increases in salaries awarded across the Group which were generally in the region of 3%. A number of factors influenced this decision, including the effect of inflation and evidence of salaries within the real estate sector. Executive benchmarking was also considered. An exceptional pay increase of 9.33% was approved by the Committee for Timon Drakesmith. The Committee Chairman's letter on pages 78 to 79 sets out the reasons for this increase. The increases take effect from 1 April 2017.	Base salary 2017 000 David Atkins £627 Peter Cole £457 Timon Drakesmith £457 Jean-Philippe Mouton €428
Pension	All Executive Directors receive a salary supplement by way of pension provision.	No change to current arrangements is proposed for 2017.
Benefits	Details on benefits received by Executive Directors are on page 97.	No change to current arrangements is proposed for 2017.
Annual Incentive Plan (AIP) and deferral under the Deferred Bonus Share Scheme (DBSS)	The AIP maximum for Executive Directors in 2017 will remain at 200% of base salary. Performance measures for the AIP in 2017 remain weighted 70% towards Group financial targets and 30% towards personal objectives. Group financial targets comprise: – 30% Adjusted earnings per share – 30% Total Property Return relative to IPD – 10% Growth in like-for-like Net Rental Income As is demonstrated in this report in respect of previous years, the Committee designs the financial targets and personal objectives to align closely to the Company's strategy as well as to the Business Plan and the priorities for the coming year. It is therefore felt that the specific financial targets and important personal objectives are commercially sensitive such that, having considered this carefully, the Committee is of the view that it is in the Company's interests not to disclose this information in advance. Full details of the specific targets and key personal objectives set will be disclosed in the 2017 Annual Report. 40% of the 2017 AIP vesting will be deferred by making an award of shares under the DBSS, with a deferral period of two years.	No change to current arrangements is proposed for 2017.

Table 89 continued

Summary of planned implementation of the Remuneration Policy during 2017 continued

Policy element	Commentary	Implementation of the Remuneration Policy during 2017
Long-Term Incentive Plan	Annual award of 200% of base salary. Vesting of the award is subject to the following performance measures weighted 33.33% and measured over a four-year performance period:	Awards will be made during 2017 under the existing LTIP rules. From 2018 onwards awards will be made under the new LTIP rules if these are approved by shareholders at the 2017 AGM.

Adjusted Earnings Per Share: calculated with reference to the European Public Real Estate Association Best Practice recommendations. CPI is a 65:25:10 weighted blend of UK, France and Ireland.

Vesting under the EPS performance measure is as follows:

Performance	Percentage of award vesting
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%

Total Property Return: measured against a composite index comprising the Investment Property Databank Annual Retail Property Indices for the UK and a bespoke Europe Index (weighted on a 60:40 basis)

Performance compared to the Index	Percentage of Award vesting
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 EPS and TPR targets for intermediate performance between levels is pro-rated on a linear basis between the specified award levels

Total Shareholder Return: measured against a comparator group comprising British Land, Intu Properties, Klépierre, Unibail-Rodamco and Land Securities.

Performance compared to the comparator group	Percentage of Award vesting
Less than TSR of median-ranked entity in comparator group	0%
Equal to TSR of median-ranked entity in comparator group	25%
Equal to TSR of upper quartile-ranked entity in comparator group	100%

Vesting for intermediate performance between median and upper quartile-ranked entities is on a linear scale between 25% and 100%. Vesting is subject to the Committee's satisfaction that underlying performance has been satisfactory in comparison with that of the FTSE Real Estate sector.

A comparison against a group of five major REITs is likely to provide a more objective measure of success at Hammerson relative to other closely comparable companies. Each of these companies will manage their portfolios primarily in the currency of their listing (with Hammerson alone having significant assets in two currencies). A local currency basis for determining relative TSR will be used as this better reflects the likely interaction between the performance of the underlying portfolio's TSR and minimises the distortion of the relative currency movements.

Table 89 continued

Summary of planned implementation of the Remuneration Policy during 2017 continued

<table>
<tr><th>Policy element</th><th>Commentary</th><th>Implementation of the Remuneration Policy during 2017</th></tr>
<tr><td>All-employee arrangements</td><td>The opportunity to participate in all-employee arrangements continues on the same basis as all staff in the UK or France as appropriate.</td><td>No change to current arrangements is proposed for 2017.</td></tr>
<tr><td>Share Ownership Guidelines</td><td>250% of base salary for the Chief Executive and all other Executive Directors.</td><td>The Share Ownership Guidelines have been increased from 150% of base salary for the Chief Executive and 100% of base salary for all other Executive Directors to 250% of base salary.</td></tr>
<tr><td>Chairman's and Non-Executive Directors' fees</td><td>Non-Executive Directors' fees were reviewed by the Company in 2016 and will be reviewed again in 2017. The 2016 increase in fees was effective from 1 July 2016.</td><td>Current 2017 Fee Levels (per annum)
<table>
<tr><th></th><th>£000</th></tr>
<tr><td>Chairman</td><td>330</td></tr>
<tr><td>Non-Executive Director</td><td>58</td></tr>
<tr><td>Senior Independent Director</td><td>10</td></tr>
<tr><td>Chair of Audit Committee</td><td>15</td></tr>
<tr><td>Chair of Remuneration Committee</td><td>10</td></tr>
<tr><td>Audit/Remuneration Committee Member</td><td>5</td></tr>
</table></td></tr>
</table>

By order of the Board

Sarah Booth

General Counsel and Company Secretary

17 February 2017

COMPLIANCE WITH THE UK CORPORATE GOVERNANCE CODE

This section of the Corporate Governance Report details the Company's compliance with the Principles set out in the UK Corporate Governance Code (the Code) published on 27 April 2016 which is available at www.frc.org.uk. This section should be read in conjunction with the Corporate Governance Report as a whole, which is set out on pages 60 to 71.

The Company has complied in full with the requirements of the Code during 2016.

A. Leadership

A.1 The role of the Board

The Board is collectively responsible to the Company's shareholders for the Company's long-term success and the delivery of its long-term strategic and operational objectives.

The Board sets the strategic direction, governance and values of the Group and has ultimate responsibility for its management, direction and performance.

The Board operates through a sound risk management and internal control system, details of which are on pages 53 to 58 and 117.

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 meetings throughout the year. It held six of these in 2016. Additional Board conference calls are held between the formal Board meetings as required. The table below includes details of attendance at Board meetings and scheduled Board conference calls during 2016. Non-Executive Directors are encouraged to communicate directly with Executive Directors and senior management between Board meetings.

Table 90

Board and Committee meetings attendance

	Board	Audit	Remuneration	Nomination
David Tyler[1]	8/8	–	4/5	3/3
David Atkins	8/8	–	–	–
Peter Cole[2]	7/8	–	–	–
Timon Drakesmith	8/8	–	–	–
Jean-Philippe Mouton	8/8	–	–	–
Gwyn Burr	8/8	4/4	5/5	3/3
Pierre Bouchut[3]	7/8	4/4	–	3/3
Terry Duddy	8/8		5/5	3/3
Jacques Espinasse[4]	3/3	2/2	–	–
Andrew Formica[5]	8/8	3/4	–	3/3
Judy Gibbons[6]	7/8	4/4	5/5	3/3

1. David Tyler was unable to attend one Remuneration Committee meeting due to a prior commitment.
2. Peter Cole was unable to attend one Board meeting due to a clash of Board meetings.
3. Pierre Bouchut was unable to attend one Board meeting due to a clash of meetings with another board.
4. Jacques Espinasse resigned following the Annual General Meeting on 25 April 2016.
5. Andrew Formica was unable to attend one Audit Committee meeting due to travel disruption.
6. Judy Gibbons was unable to attend one Board meeting due to family commitments.

All Directors are expected to:

- Attend all meetings of the Board, and of those Committees on which they serve;
- Attend the Annual General Meeting (AGM); and
- Devote sufficient time to the Company's affairs to enable them to fulfil their duties as Directors.

A.2 Division of responsibilities

The Chairman and Chief Executive have separate roles and responsibilities which are clearly defined, 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 – strategic issues in particular – receive adequate time and attention at meetings. The Chairman encourages a collegiate environment on the Board which facilitates open discussion.

When he became Chairman in 2013, David Tyler was considered independent. In accordance with the Code, the continuing test of independence for the Chairman is not necessary.

The Chairman ensures that he engages regularly with major shareholders.

Further details of shareholder engagement are on page 70.

A.4 Non-Executive Directors

The Non-Executive Directors challenge and help develop proposals on strategy. 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 2016 Board Strategy Day are on pages 64 to 65.

A.4.1 Senior Independent Director

The Senior Independent Director, Terry Duddy, is available to address shareholders' concerns on governance. When and if necessary, he can also address concerns on 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. He can also deputise for the Chairman in his absence, act as a sounding board for the Chairman and advise and counsel all Board colleagues.

The Senior Independent Director also chairs an annual meeting of Executive and Non-Executive Directors without the Chairman to appraise the Chairman's performance and address any other matters which the Directors might wish to raise. The Senior Independent Director conveys the outcome of these discussions to the Chairman. The Chairman meets with the Non-Executive Directors as necessary, but at least twice a 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, these will be recorded in the Board minutes. No such concerns arose in 2016.

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. It was satisfied that the Board was of an appropriate size and that the requirements of the business can be met.

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 reviews the independence of its Non-Executive Directors each year in accordance with the criteria set out within the Code.

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

B.2 Appointments to the Board

The Nomination Committee, which is chaired by the Chairman and comprises all Non-Executive Directors, leads the process for Board appointments, which are made on merit, against objective criteria, and makes recommendations to the Board. The Committee's terms of reference can be found at www.hammerson.com.

Non-Executive Directors are appointed for three-year terms and stand for re-election at each AGM. Any term beyond six years is subject to a rigorous review, taking into account the need for progressive refreshment of the Board.

Further details of the work of the Nomination Committee are on pages 72 to 73.

Disclosures on diversity are on pages 42 and 73.

B.3 Commitment

The Board is satisfied that all the Non-Executive Directors are able to devote sufficient time to the Company's business. Non-Executive Directors are advised when appointed of the time required to fulfil the role and asked to confirm that they can make the required commitment. Each individual's 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 120 and 121.

All Executive Directors are encouraged to take a non-executive position in another company or organisation. These appointments are subject to the approval of the Board which considers particularly the time commitment required.

Non-Executive Director positions held by Executive Directors are set out on page 120.

B.4 Development

All Directors receive an induction programme when appointed to the Board, which takes into account their qualifications and experience. Where appropriate Non-Executive Directors are offered opportunities to meet major shareholders. All Directors are kept informed of changes in relevant legislation and regulations and of changing financial and commercial risks. Where appropriate the Company's legal advisors and External Auditor assist in this regard. Executive Directors are also subject to the Company's annual performance development review process in which their performance is reviewed against pre-determined objectives and their personal and professional development needs are considered.

The Chairman undertakes an annual appraisal of Non-Executive Directors' performance, in which their training and personal development requirements are reviewed and agreed. Non-Executive Directors are also encouraged to attend seminars and undertake external training at the Company's expense in areas considered appropriate for their professional development. These include issues relevant to the Board and the Committees to which they belong.

B.5 Information and support

The Directors have access to independent professional advice at the Company's expense, as well as to the advice and services of the General Counsel and Company Secretary who advises the Board on corporate governance matters. The Board and its Committees receive high-quality, up to date information for them to review in good time before each meeting. The General Counsel and Company Secretary ensures that Board procedures are followed and that the Company and the Board operate within applicable legislation. The General Counsel and Company Secretary is also responsible for facilitating Directors' induction, assisting with identifying and enabling appropriate training and Board performance evaluation.

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

B.6 Evaluation

An externally facilitated performance evaluation of the Board was carried out by Independent Audit in 2016. The General Counsel and Company Secretary will undertake an internal performance evaluation of the Board and its Committees in 2017.

The Chairman carries out a formal performance evaluation individually with each Non-Executive Director every year 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 evaluation of the Chairman's performance. The Chairman's performance evaluation for 2016 was carried out in early 2017 and the Board was subsequently updated.

Following the external Board effectiveness review in 2016, the Directors concluded that 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 external Board effectiveness review are on page 66.

B.7 Election and re-election

All Directors are subject to election at the first AGM following their appointment and annual re-election at each AGM thereafter. Directors who are subject to annual re-election are submitting themselves for re-election at the 2017 AGM.

Directors' biographies are on pages 120 and 121 and also in the Notice of Meeting for the 2017 AGM.

Further discussion on the balance of skills and experience on the Board is on page 72.

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.

An explanation of the Group's strategy and business model is on pages 4 to 7.

A statement of the Directors' responsibilities regarding the financial statements is on page 125.

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. A robust assessment of the principal risks facing the Company has been carried out during the year.

The Board has established processes to ensure the Company's position and prospects and all reports and information which it is required to present in accordance with regulatory requirements are fair, balanced and understandable.

Further details about the fair, balanced and understandable process for the Annual Report are on page 76.

The Directors have assessed the prospects of the Company over a five-year period and have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the period of this assessment.

The Viability Statement and Going Concern Statement are on page 59.

An assessment of the principal risks facing the Company is on pages 55 to 58 and Key Performance Indicators are on pages 18 to 19.

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 but not absolute assurance against material misstatement or loss.

Management has established a risk management framework and put in place sufficient procedures necessary to enable the Directors to report in compliance with the Code on internal controls. These involve the analysis, evaluation and management of the key risks to the Group, including a review of all material controls. They also include plans for the continuity of the Company's business in the event of unforeseen interruption. Having monitored the Group's risk management and internal controls, and having reviewed the effectiveness of material controls, the Audit Committee has not identified any significant failings or weaknesses in the Group's internal control structure during the year.

The Risk and Controls Committee supports the Audit Committee. It is not a committee of the Board but of executives from across the business and is chaired by the Chief Financial Officer. The committee reports its activities to the Group Executive Committee. The committee's role is to:

- Promote the application of the risk management framework throughout the business;
- Encourage proactive 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.

The Audit Committee regularly reports to the Board on key risks to the Group. The Board allocates responsibility for the management of each key risk to the Executive Directors and senior executives across the Group.

The Audit Committee assists the Board in fulfilling its responsibilities relating to the adequacy and effectiveness of the control environment and the Group's compliance.

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

- The External Auditor's management letters;
- Internal audit reports including monitoring the implementation of recommendations arising from them;
- Reports on the system of internal controls 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.

Further explanation of the Company's approach to risk management is on pages 53 to 58.

C.3 Audit Committee and Auditor

The Audit Committee comprises four independent Non-Executive Directors. It holds four meetings per year, organised around the Company's reporting schedule.

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

The terms of reference for the Audit Committee are available at www.hammerson.com

Pierre Bouchut, the Chairman of the Audit Committee, has been determined by the Board to have recent and relevant financial experience as required by the Code. The Audit Committee as a whole has competence relevant to the sector in which the Company operates.

Details of the composition of the Audit Committee are on page 74. The biographies of members of the Audit Committee are on pages 120 to 121.

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 the Company's External Auditor, Deloitte LLP (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 at least once a year with Deloitte and with the head of the internal audit function which undertakes the majority of the Company's internal audit reviews, with no Company management present.

Cushman & Wakefield LLP (the Valuer) and Deloitte have full access to one another and the Chairman of the Committee meets with the Valuer and Deloitte as part of the half-year and year end valuations to ensure each is satisfied that there has been a full and open exchange of information and views.

The Audit Committee has regard to the recommendations of the Financial Reporting Council on regular and open communications between audit committees and external auditors and it has concluded that the relationship with Deloitte meets these recommendations.

The Audit Committee assists the Board in fulfilling its responsibilities in relation to:

- Ensuring that management has systems and procedures in place to ensure the integrity of financial information;
- Reviewing the Company's internal audit arrangements;
- Maintaining an appropriate relationship with the Group's External Auditor Deloitte; and
- Reviewing the effectiveness, objectivity and independence of Deloitte including the scope of work and the fees paid to Deloitte.

The Committee is responsible for developing, implementing and monitoring the Group's policy on the engagement of the External Auditor to supply non-audit services. The principal requirements of the policy 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 or 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 level by the Chairman of the Audit Committee.

Further details are in the terms of reference for the Audit Committee and the full policy on non-audit services is available at www.hammerson.com.

Deloitte's remuneration as External Auditor for the year ended 31 December 2016 was £0.6 million. Consideration is given to the nature of and remuneration received for other services provided by Deloitte to the Company. Confirmation is also 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 2016 non-audit services provided by Deloitte to the Company included acting as reporting accountants for tax-related work and reviewing the Group's sustainability reporting. Fees for non-audit services provided to the Company by Deloitte for the year ended 31 December 2016 were £0.2 million.

Further information on Deloitte's remuneration is in note 4 to the accounts on page 144.

Following a tender process for the appointment of the External Auditor, the Audit Committee recommended to the Board the appointment of PricewaterhouseCoopers LLP (PwC). Deloitte has tendered its resignation with effect from the date of the 2017 AGM, at which a resolution to appoint PwC will be proposed.

Further details about the tender process for the External Auditor are on page 75.

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. 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.

A summary of the Code of Conduct is available at www.hammerson.com.

The Whistleblowing Policy sets out the procedures for employees to report any suspicions of fraud, financial irregularity or other malpractice. No reports of any such matters were 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.

Details of how the Audit Committee has discharged its responsibilities during the year are in the Audit Committee Report on pages 74 to 77.

D. Remuneration

D.1 The level and components of remuneration

The principal responsibility of the Remuneration Committee is to determine and agree with the Board the overall remuneration principles and the framework for remuneration of the Executive Directors, the General Counsel and Company Secretary and the other members of the Group Executive Committee. The terms of reference for the Committee are reviewed annually.

The Chairman of the Committee reports regularly on the Committee's activities at Board meetings.

The Directors' Remuneration Report is on pages 78 to 114.

D.2 Procedure

When determining policy on executive remuneration the Remuneration Committee takes into account all factors which it deems necessary. These include:

- Relevant legal and regulatory requirements;
- The provisions of the Code;
- Associated guidance; and
- Views of principal shareholders.

Further details are 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 78.

Details of advisors who provided services to the Remuneration Committee during the year are on page 111.

During 2016 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 its shareholders.

Throughout 2016 the Company attended a wide variety of meetings, presentations and road shows. The Chairman and the Executives meet regularly with institutional shareholders. Views are communicated to the Board as a whole. Major shareholders are offered the opportunity to attend shareholder meetings, with the Senior Independent Director or other Non-Executive Directors, or may request such meetings. 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 Pensions and Life Savings Association.

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

Further details about relations with shareholders are in the Corporate Governance Report on page 70 and in the Directors' Remuneration Policy on page 112 and available at www.hammerson.com.

E.2 Constructive use of general meetings

At general meetings, the proxy appointment form gives shareholders options either to direct their proxy vote for each resolution 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; it will therefore not be counted when calculating the proportions of votes that were for and against the resolution. All valid proxy appointment forms are properly recorded and counted. After the vote has been counted, information is given on the number of proxy votes for and against each resolution (and the number of shares representing withheld votes), both at the general meeting and on the Company's website. Notice of a general meeting is despatched to shareholders at least 14 days in advance.

Separate resolutions are proposed on each substantially separate issue.

When the Board is of the opinion that a significant proportion of the votes at any general meeting is cast against a resolution, the Company will explain when announcing the results of the vote, the actions it intends to take to gain an understanding of the reasons behind the result.

David Tyler
Chairman (age 64)

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

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

Skills and experience:
David Tyler is an experienced chairman having served in that role previously at Logica plc and 3i Quoted Private Equity plc and currently at J Sainsbury plc and Domestic & General Insurance plc. He has over 40 years' experience in both executive and non-executive roles in a variety of businesses spanning the consumer, retail, business services and financial services sectors. He is the Co-Chair of the Parker Review Committee.

His previous roles include finance director of GUS plc and of Christie's International plc, and senior financial and general management roles with County NatWest Limited and Unilever PLC. He has also been a non-executive director of Burberry Group plc, Experian plc and Reckitt Benckiser Group plc.

David Atkins
Chief Executive (age 50)

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

Skills and experience:
David Atkins is a Chartered Surveyor who joined the Company in 1998. His career at Hammerson began as Group Property Executive, responsible for strategy and investment performance, where he worked on a number of overseas transactions, particularly in France. In 2002 he took responsibility for the UK retail parks portfolio and, in 2006, for the wider UK retail portfolio. In 2016 he was appointed as a non-executive director of Whitbread PLC. He is a member of the policy committee of the British Property Federation, a director and trustee of the Reading Real Estate Foundation and a governor and trustee of Berkhamsted Schools Group.

Previously he was a member of the executive boards of the European Public Real Estate Association and Revo (previously known as BCSC) and a member of the Revo Educational Trust.

Peter Cole
Chief Investment Officer (age 58)

Appointed to the Board: 1 October 1999.

Skills and experience:
Peter Cole is a Chartered Surveyor who joined the Company in 1989 as a Senior Development Surveyor. He was appointed to the board of the Company's UK business in 1992. In 1999 he assumed responsibility for Hammerson's development, acquisition and disposal programme. He implemented the disposal of the London offices in 2012 and he has led the Company's major regeneration and investment projects.

Previously he was president and general council member of the City Property Association.

Timon Drakesmith
Chief Financial Officer (age 51)

Appointed to the Board: 30 June 2011.

Skills and experience:
Timon Drakesmith is a Chartered Accountant who joined the Company in 2011 as Chief Financial Officer. He has experience of working in commercial property having spent six years as finance director at Great Portland Estates plc. He is currently a non-executive director of Value Retail PLC and The Merchants Trust plc, and chairman of VIA Outlets' advisory and investment committees.

His previous roles include finance director of the MK Electric division of Novar plc, group director of financial operations of Novar plc, chairman of the British Property Federation's finance committee and other financial roles at Credit Suisse, Barclays and Deloitte Haskins and Sells.

Jean-Philippe Mouton
Executive Director (age 55)

Appointed to the Board: 1 January 2013.

Skills and experience:
Jean-Philippe Mouton joined Hammerson in 2003 with responsibility for property leasing, development and asset management in France. In 2006, he assumed responsibility for managing the French portfolio as Director of Operations and in 2009 became the Managing Director of Hammerson's French business. He also has Board responsibility for marketing where he can draw on years of experience working for Disneyland Paris.

His previous roles include director of strategic planning at Disneyland Paris and positions at The Walt Disney Company and Standard Chartered Bank.

Pierre Bouchut

Non-Executive Director (age 61)

Appointed to the Board: 13 February 2015.

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

Skills and experience:
Pierre Bouchut has considerable senior management experience in finance, European retail and European property. He is currently the chief operating officer, Europe and Indonesia for Ahold Delhaize and a non-executive director and chairman of the audit committee of Firmenich SA.

His previous roles include executive vice president and chief financial officer of Delhaize Group SA, 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 and chief executive officer and member of the Board of Casino Guichard-Perrachon SA. He has also been a non-executive director of La Rinascente SpA and a non-executive member of the advisory boards of Qualium Investissement and Lombard Odier Asset Management (Switzerland) SA.

Gwyn Burr

Non-Executive Director (age 54)

Appointed to the Board: 1 May 2012.

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

Skills and experience:
Gwyn Burr has expertise in marketing and leading customer service processes for major retail brands. She is currently a member of the board and the remuneration committee, and chairman of the nominations committee of Sainsbury's Bank plc. She is also a non-executive director of Just Eat plc, Metro AG, DFS Trading Limited and Ingleby Farms and Forrests ApS.

Previously she held senior roles in marketing, customer service and financial services at Asda plc. She was also 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 and chair of Business in the Community, community investment board.

Terry Duddy

Non-Executive Director and Senior Independent Director (age 60)

Appointed to the Board: 3 December 2009.

Committee membership: Nomination Committee and Remuneration Committee.

Skills and experience:
In addition to the capabilities and experience related to managing a large public company, Terry Duddy brings specific insight into customer behaviour and retail markets. He is currently the chairman of Retail Trust and a non-executive director of Debenhams plc.

His previous roles include chief executive of Home Retail Group plc, director of DSG Retail Limited and trustee of Education and Employers Taskforce.

Andrew Formica

Non-Executive Director (age 45)

Appointed to the Board: 26 November 2015.

Committee membership: Audit Committee and Nomination Committee.

Skills and experience:
Andrew Formica is an Actuary, having qualified in Australia and the UK. He has considerable experience in capital markets and fund management, including property management, and has managed portfolios and businesses across Europe and globally. In 1993 he joined the Henderson Group, where he has held various senior positions, and in 2008 became the chief executive of Henderson Group plc. He is also a director of the Investment Association.

Previously he was non-executive director of TIAA Henderson Real Estate Limited.

Judy Gibbons

Non-Executive Director (age 60)

Appointed to the Board: 1 May 2011.

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

Skills and experience:
Judy Gibbons has a background in e-commerce, software, internet technologies, digital media and mobile applications. She also has extensive experience in marketing and international business. She is currently a non-executive director of Guardian Media Group plc, Michael Kors Holdings Limited and Virgin Money Giving Limited.

Her previous roles include non-executive director of O2 plc, corporate vice-president of Microsoft Corporation, venture partner of Accel Partners and senior roles in marketing and product development at Apple Inc. and Hewlett-Packard.

Sarah Booth

General Counsel and Company Secretary (age 50)

Appointed: as General Counsel on 29 March 2010 and as Company Secretary on 22 September 2011.

Sarah Booth's previous appointments include general counsel at Sodexo and legal and corporate development director at Christian Salvesen PLC. She began her career at Dickson Minto WS where she trained as a solicitor.

This report (Directors' Report) forms part of the management report as required under the Disclosure Guidance and Transparency Rules. 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 2016, the Company's business model and strategy. The Corporate Governance Report on pages 60 to 121 is incorporated in this Directors' Report by reference.

Company's Articles of Association (Articles)

The 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 French and Irish branches are provided on page 191.

Directors

Details of the Directors who served during the year are set out on pages 120 to 121. Jacques Espinasse served as a Non-Executive Director until 25 April 2016 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.

Directors' interests

Details of the Directors' share interests can be found on page 104.

Disclosure of information to auditors

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.

Dividend

Details of the recommended final dividend can be found on pages 47 and 147.

Employees

Details of the Company's policies regarding the employment of disabled persons are provided on pages 40 and 42. The Company places considerable importance on good internal communications with its employees and invests time in consulting on matters which affect them including: reward practices, work/life balance initiatives, corporate responsibility activities and approaches to internal communications. Consultation predominantly takes the form of facilitated discussion groups and employee involvement on relevant committees. The Company provides regular updates on its performance through presentations and announcements.

Financial instruments

Details of the Group's financial risk management in relation to its financial instruments are available on pages 161 to 167.

Going Concern and Viability Statements

The Company's Going Concern Statement and Viability Statement can be found on page 59.

Greenhouse gas emissions reporting

Information regarding the Company's greenhouse gas emissions can be found on page 37.

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 accordance with best practice. Directors are indemnified under the Articles.

Listing Rule 9.8.4R disclosures

Table 91 sets out where disclosures required in compliance with Listing Rule 9.8.4R are located.

Table 91

	Page
Interest capitalised and tax relief	146
Publication of unaudited financial information	n/a
Details of long-term incentive schemes	78 – 114
Waiver of emoluments by a director	n/a
Waiver of future emoluments by a director	n/a
Non pre-emptive issues of equity for cash	n/a
Non pre-emptive issues of equity for cash by major subsidiary undertakings	n/a
Parent company participation in a placing by a listed subsidiary	n/a
Contracts of significance	n/a
Provision of services by a controlling shareholder	n/a
Shareholder waivers of dividends	123
Shareholder waivers of future dividends	123
Agreements with controlling shareholders	n/a

Provisions on change of control

Six of the seven outstanding bonds issued by the Company contain covenants specifying that the bondholders may request repayment at par, 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.

In addition, under the Company's credit facilities and private placement notes, the lending banks or holders may request repayment of outstanding amounts within 30 and 52 days respectively, of any change of control.

Purchase of own shares

At the 2016 Annual General Meeting (AGM), the Company was granted authority by shareholders to purchase up to 78,443,270 ordinary shares (10% of the Company's issued ordinary share capital as at 24 February 2016). This authority will expire at the conclusion of the 2017 AGM, at which a resolution will be proposed for its renewal, or, if earlier, 25 July 2017.

Appointment of External Auditor

Details of the appointment of the External Auditor are provided on page 75.

Responsibility statement

The Directors' responsibility statement is set out on page 125.

Share capital and substantial shareholders

Details of the Company's capital structure are set out on pages 167 to 168. 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 Real Estate Investment Trust restrictions.

Interests in voting rights over the issued share capital of the Company disclosed in accordance with DTR 5 can be found on page 71.

Shares held in the Employee Share Ownership Plan

The Trustees of the Hammerson Employee Share Ownership Plan hold Hammerson plc shares in trust to satisfy awards under the Company's employee share plans. The Trustees have waived their right to receive dividends on shares held in the Company. As at 31 December 2016 1,558,212 shares were held in trust for employee share plans purposes.

Statement of compliance with the Competition and Markets Authority (CMA) order

The Company confirms that it has complied with The Statutory Audit Services for Large Companies Market Investigation (Mandatory Use of Competitive Processes and Audit Committee Responsibilities) Order 2014 (Article 7.1), published by the CMA on 26 September 2014.

Sarah Booth

General Counsel and Company Secretary

17 February 2017

Financial statements

Other Information

DIRECTORS' RESPONSIBILITIES STATEMENT

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

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors are required to prepare the Group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and Article 4 of the IAS Regulation and have elected to prepare the parent company financial statements in accordance with Financial Reporting Standard 101 (FRS 101) "Reduced Disclosure Framework". 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 judgements and accounting estimates that are reasonable and prudent;
– State whether Financial Reporting Standard 101 (FRS 101) "Reduced Disclosure Framework" has 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

Timon Drakesmith
Chief Financial Officer

17 February 2017

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 2016 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, including Financial Reporting Standard 101 (FRS 101) "Reduced Disclosure Framework"; 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 and Company Statement of Changes in Equity, the Consolidated Cash Flow Statement and the related notes 1 to 28 for the consolidated financial statements and the related notes A to H 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), including Financial Reporting Standard 101 (FRS 101) "Reduced Disclosure Framework".

Summary of our audit approach

Key risks

- Valuation of the property portfolio (including premium outlets held by Value Retail); and
- Property transactions, specifically the acquisition of the Irish property portfolio.

Materiality

- The materiality that we used in the current year was £50 million (December 2015: £40 million) which is less than 1% of Shareholders' Equity.

Scoping

- We performed a full scope audit on the UK and French components.
- Following the acquisition of the Irish property portfolio (resulting from the conversion of the loans acquired in 2015 into the underlying investment properties this year), Ireland was included as a separate component in our audit for the first time.
- We performed an audit of specified account balances for the Irish component, Value Retail and VIA Outlets.
- Together these five components account for 99% of the Group's net assets and 100% of profit before tax.

Significant changes to our approach

- The only significant change to our audit approach in 2016 was the inclusion of Ireland as a separate component. The ownership interests in a portfolio of loans secured against a number of Irish property assets had been acquired in 2015. During 2016, the Group acquired the interests in these underlying investment properties, thereby creating the new component of the Group. We also:
- Focussed our property transactions significant risk to the acquisition of the Irish property portfolio; and
- Broadened the risk around the valuation of the property portfolio to include the valuation of premium outlets held by Value Retail. The accounting for the investment in Value Retail is therefore not separately included within our audit report as a key risk this year.

Going concern and the Directors' assessment of the principal risks that would threaten the solvency or liquidity of the Group

As required by the Listing Rules we have reviewed the Directors' Statement contained on page 136 regarding the appropriateness of the going concern basis of accounting contained within note 1 to the financial statements and the Directors' statement on the longer-term viability of the Group contained within the Strategic Report on page 59.

We have nothing material to add or draw attention to in relation to:

- The Directors' confirmation on page 54 that they have carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity;
- The disclosures on pages 55 to 58 that describe those risks and explain how they are being managed or mitigated;
- The Directors' statement in note 1 to the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them and their identification of any material uncertainties to the Group's ability to continue to do so over a period of at least 12 months from the date of approval of the financial statements;
- The Director's explanation on page 59 as to how they have assessed the prospects of the Group, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

We agreed with the Directors' adoption of the going concern basis of accounting and we did not identify any such material uncertainties. 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.

Independence

We are required to comply with the Financial Reporting Council's Ethical Standards for Auditors and we confirm that we are independent of the Group and we have fulfilled our other ethical responsibilities in accordance with those standards. We also confirm we have not provided any of the prohibited non-audit services referred to in those standards.

We confirm that we are independent of the Group and we have fulfilled our other ethical responsibilities in accordance with those standards. We also confirm we have not provided any of the prohibited non-audit services referred to in those standards.

Our assessment of risks of material misstatement

The assessed risks of material misstatement described below are those that had the greatest effect on our audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team. There has been no significant change in the Group's operations however we note the inclusion of Ireland as a separate component in our audit following the conversion in the year of the loans acquired in 2015 into the underlying investment properties including Dundrum Town Centre and the Ilac Centre. Due to the complex nature if this transaction we have refocused our property transaction risk to the acquisition in the year of the Irish property portfolio. Furthermore, as the nature of the investment in Value Retail has not changed during the year, we have focussed this risk to the valuation of the investment which is primarily driven by the valuation of the underlying property portfolio and has been incorporated in to the valuation of the property portfolio risk.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Risk	How the scope of our audit responded to the risk
Valuation of the property portfolio (including premium outlets held by Value Retail) – Hammerson plc ("Hammerson") owns a portfolio of retail property assets valued at £8,282 million at 31 December 2016 (31 December 2015: £7,130 million) of which £4,764 million are held by subsidiaries (31 December 2015: £4,652 million) and £3,518 million by joint ventures and associates (31 December 2015: £2,478 million). – The Group has further investments in premium outlets through the investment in Value Retail ("VR"). The total value of the premium outlets held by Value Retail at 31 December 2016 was £4,096 million (31 December 2015: £3,333 million) of which Hammerson's share is £1,387 million (31 December 2015: £1,095 million). – The valuation of the property portfolio is a significant judgement area and is underpinned by a number of assumptions including estimated rental values and yields and for premium outlets, future net operating income and discount rates. The Group uses professionally qualified external valuers to fair value the Group's portfolio at six-monthly intervals. – Please see notes 11, 12 and 13 to the financial statements and discussion in the report of the Audit Committee on page 77.	– We assessed management's review of the work of the external valuers; – We met with the external valuers of the portfolios (including those held by Value Retail) to discuss and challenge the valuation process, performance of the portfolio and significant assumptions and critical judgement areas, including estimated rental values, yields, future net operating income and discount rates. We benchmarked these assumptions to relevant market evidence including specific property transactions and other external data; – We assessed the competence, independence and integrity of the external valuers; – We performed audit procedures to assess the integrity of information provided to the external valuers including agreement on a sample basis back to underlying lease agreement; and – Under our direction, the component auditors assessed the integrity of the information provided to the external valuers and through use of their valuation specialists challenged the assumptions used in the valuations.

Key observations

We concluded that the assumptions applied in the arriving at the fair value of the Group's property portfolio, (including premium outlets held by Value Retail), by the external valuers were appropriate.

Risk	How the scope of our audit responded to the risk
Property transactions, specifically the acquisition of the Irish property portfolio – During 2016 the Group continued its asset disposal programme recycling the proceeds into high-quality retail property including the acquisition of the Irish property portfolio (primarily Dundrum Town Centre and the Ilac Centre). – We focussed the risk around property transactions to the acquisition of the Irish property portfolio due to its size with a cost in excess of £1 billion and the fact that the transaction is inherently complex, reflecting a number of steps to secure the consensual conversion of the loans acquired in 2015 into the underlying investment properties. The transaction was further complicated by the fact that each property has different ownership interests resulting in increased risk of inaccurate presentation as a joint venture or a joint operation in the financial statements. – Hammerson's accounting policy in respect of the transaction is detailed in note 1 on page 137 which includes the accounting treatment of each investment property acquired and discussion in the report of the Audit Committee on page 77.	– We have reviewed the legal agreements for the acquisition of each Irish asset, paying specific attention to the ownership interests acquired; – We have determined whether the acquisition for each property is accounted for in accordance with IFRS and that each property is appropriately recorded in the financial statements depending on the ownership interests acquired; and – We have considered the presentation and disclosure of the transaction in the financial statements.

Key observations

We concluded that the acquisition of the Irish property portfolio has been appropriately accounted for and disclosed within the financial statements.

Our application of materiality

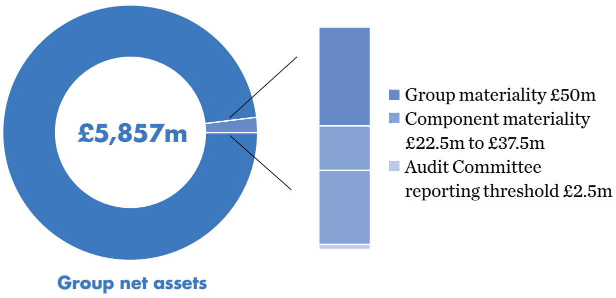
We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our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

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

Group materiality	£50 million (2015: £40 million)
Basis for determining materiality	We determined materiality for the Group to be £50 million (2015: £40 million), which is below 1% (2015: below 1%) of shareholders' equity.
Rationale for the benchmark applied	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 premium outlets.

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 £11.2 million (2015: £10.9 million) which equates to 4.8 % (2015: 5.1%) of that measure for testing all balances impacting that measure.

Group and component materiality



We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £2.5 million (2015: £0.8 million), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We increased our threshold for reporting audit differences in line with market practice. 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 five significant components being the UK, France, Ireland, Value Retail and VIA Outlets (VIA) (2015: four) with the additional component reflecting the acquisition in the year of the Irish property portfolio. Together these components comprise 99% (2015: 99%) of the Group's net assets and 100% (2015: 100%) of profit before tax.

The UK and French components were subject to a full scope audit, whilst Ireland, 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 five locations was executed at levels of materiality applicable to each individual entity which were lower than group materiality and ranged from £22.5 million to £37.5 million (2015: £10 million to £22 million). For those balances impacting EPRA Adjusted Profit before Tax the materiality range was £5 million to £8.4 million (2015: £2.6 million to £6 million).

The group audit team are responsible for the work performed on the UK and Irish components with component teams performing the work for France, VR and VIA. We discuss our component team's risk assessment with them, review documentation of the findings from their work and attend their key meetings, including close meetings.

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;
– 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; and
– The Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified any material misstatements in the Strategic Report and the Directors' Report.

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 certain 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

17 February 2017

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2016

	Notes	2016 £m	2015 £m
Gross rental income	2	**251.3**	236.0
Operating profit before other net (losses)/gains and share of results of joint ventures and associates	2	**176.6**	166.8
(Loss)/Gain on sale of properties		**(24.0)**	14.9
Gain/(Loss) on other investments		**1.3**	(1.4)
Revaluation (losses)/gains on properties		**(24.7)**	245.1
Other net (losses)/gains	2	**(47.4)**	258.6
Share of results of joint ventures	12A	**169.2**	246.8
Share of results of associates	13A	**137.1**	160.6
Operating profit	2	**435.5**	832.8
Finance costs		**(121.2)**	(101.9)
Debt and loan facility cancellation costs		**(0.4)**	(13.9)
Change in fair value of derivatives		**(3.5)**	(1.1)
Finance income		**12.4**	15.7
Net finance costs	7	**(112.7)**	(101.2)
Profit before tax		**322.8**	731.6
Tax charge	8A	**(1.9)**	(1.6)
Profit for the year		**320.9**	730.0
Attributable to:			
Equity shareholders		**317.3**	726.8
Non-controlling interests	28C	**3.6**	3.2
Profit for the year		**320.9**	730.0
Basic earnings per share	10B	**40.2p**	92.8p
Diluted earnings per share	10B	**40.1p**	92.6p
Adjusted earnings per share	10B	**29.2p**	26.9p

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2016

	2016 £m	2015 £m
Items that may subsequently be recycled through the income statement		
Foreign exchange translation differences	**535.6**	(107.5)
Net (loss)/gain on hedging activities	**(437.3)**	81.9
	98.3	(25.6)
Items that may not subsequently be recycled through the income statement		
Revaluation losses on participative loans within investment in associates	**(0.3)**	(1.0)
Net actuarial losses on pension schemes	**(15.9)**	(0.3)
Total other comprehensive income	**82.1**	(26.9)
Profit for the year	**320.9**	730.0
Total comprehensive income for the year	**403.0**	703.1
Attributable to:		
Equity shareholders	**388.3**	703.5
Non-controlling interests	**14.7**	(0.4)
Total comprehensive income for the year	**403.0**	703.1

CONSOLIDATED BALANCE SHEET

AS AT 31 DECEMBER 2016

	Notes	2016 £m	2015 £m
Non-current assets			
Investment and development properties	11	**4,763.9**	4,652.1
Interests in leasehold properties		**36.4**	32.1
Plant and equipment		**6.2**	7.6
Investment in joint ventures	12A	**3,736.7**	3,213.6
Investment in associates	13C	**988.1**	768.0
Other investments		**–**	4.8
Receivables	14	**44.9**	92.1
		9,576.2	8,770.3
Current assets			
Receivables	15	**105.9**	118.0
Restricted monetary assets	16	**35.1**	34.0
Cash and deposits	17	**74.3**	37.0
		215.3	189.0
Total assets		**9,791.5**	8,959.3
Current liabilities			
Payables	18	**303.8**	235.5
Tax		**0.4**	0.7
Borrowings	19A	**211.1**	–
		515.3	236.2
Non-current liabilities			
Borrowings	19A	**3,285.2**	3,028.1
Deferred tax		**0.5**	0.5
Obligations under finance leases	21	**37.5**	32.5
Payables	22	**96.0**	75.7
		3,419.2	3,136.8
Total liabilities		**3,934.5**	3,373.0
Net assets		**5,857.0**	5,586.3
Equity			
Share capital	23	**198.3**	196.1
Share premium		**1,265.7**	1,223.3
Translation reserve		**659.6**	135.1
Hedging reserve		**(562.9)**	(125.6)
Merger reserve		**374.1**	374.1
Other reserves		**23.7**	21.7
Retained earnings		**3,817.3**	3,696.5
Investment in own shares		**(0.2)**	(3.9)
Equity shareholders' funds		**5,775.6**	5,517.3
Non-controlling interests	28C	**81.4**	69.0
Total equity		**5,857.0**	5,586.3
Diluted net asset value per share	10D	**£7.28**	£7.03
EPRA net asset value per share	10D	**£7.39**	£7.10

These financial statements were approved by the Board of Directors on 17 February 2017.

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 2016

	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 2016	196.1	1,223.3	135.1	(125.6)	374.1	21.7	3,696.5	(3.9)	5,517.3	69.0	5,586.3
Issue of shares	0.3	0.2	–	–	–	–	–	(0.3)	0.2	–	0.2
Share-based employee remuneration	–	–	–	–	–	5.6	–	–	5.6	–	5.6
Cost of shares awarded to employees	–	–	–	–	–	(4.0)	–	4.0	–	–	–
Transfer on award of own shares to employees	–	–	–	–	–	0.4	(0.4)	–	–	–	–
Proceeds on award of own shares to employees	–	–	–	–	–	–	0.2	–	0.2	–	0.2
Dividends	1.9	42.2	–	–	–	–	(180.1)	–	(136.0)	(2.3)	(138.3)
Foreign exchange translation differences	–	–	524.5	–	–	–	–	–	524.5	11.1	535.6
Net loss on hedging activities	–	–	–	(437.3)	–	–	–	–	(437.3)	–	(437.3)
Revaluation losses on participative loans within investment in associates	–	–	–	–	–	–	(0.3)	–	(0.3)	–	(0.3)
Net actuarial losses on pension schemes	–	–	–	–	–	–	(15.9)	–	(15.9)	–	(15.9)
Profit for the year	–	–	–	–	–	–	317.3	–	317.3	3.6	320.9
Total comprehensive income/(loss) for the year	–	–	524.5	(437.3)	–	–	301.1	–	388.3	14.7	403.0
Balance at 31 December 2016	198.3	1,265.7	659.6	(562.9)	374.1	23.7	3,817.3	(0.2)	5,775.6	81.4	5,857.0

* Investment in own shares is stated at cost.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2015

	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 2015	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
Issue of shares	–	0.4	–	–	–	–	–	–	0.4	–	0.4
Share issue costs	–	–	–	–	(0.1)	–	–	–	(0.1)	–	(0.1)
Share-based employee remuneration	–	–	–	–	–	4.8	–	–	4.8	–	4.8
Cost of shares awarded to employees	–	–	–	–	–	(2.9)	–	2.9	–	–	–
Transfer on award of own shares to employees	–	–	–	–	–	0.2	(0.2)	–	–	–	–
Proceeds on award of own shares to employees	–	–	–	–	–	–	0.2	–	0.2	–	0.2
Dividends	–	–	–	–	–	–	(165.2)	–	(165.2)	(2.0)	(167.2)
Foreign exchange translation differences	–	–	(103.9)	–	–	–	–	–	(103.9)	(3.6)	(107.5)
Net gain on hedging activities	–	–	–	81.9	–	–	–	–	81.9	–	81.9
Revaluation losses on participative loans within investment in associates	–	–	–	–	–	–	(1.0)	–	(1.0)	–	(1.0)
Net actuarial losses on pension schemes	–	–	–	–	–	–	(0.3)	–	(0.3)	–	(0.3)
Profit for the year	–	–	–	–	–	–	726.8	–	726.8	3.2	730.0
Total comprehensive income/(loss) for the year	–	–	(103.9)	81.9	–	–	725.5	–	703.5	(0.4)	703.1
Balance at 31 December 2015	196.1	1,223.3	135.1	(125.6)	374.1	21.7	3,696.5	(3.9)	5,517.3	69.0	5,586.3

* Investment in own shares is stated at cost.

CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2016

	Notes	2016 £m	2015 £m
Operating activities			
Operating profit before other net (losses)/gains and share of results of joint ventures and associates	2	**176.6**	166.8
Decrease/(Increase) in receivables		**3.0**	(0.3)
Decrease/(Increase) in restricted monetary assets		**2.2**	(22.7)
Increase in payables		**11.9**	27.2
Adjustment for non-cash items	25	**11.6**	6.3
Cash generated from operations		**205.3**	177.3
Interest paid		**(125.1)**	(104.0)
Interest received		**20.0**	8.6
Tax paid		**(2.9)**	(1.1)
Distributions and other receivables from joint ventures		**84.0**	90.4
Cash flows from operating activities		**181.3**	171.2
Investing activities			
Property acquisitions		**(499.7)**	(43.7)
Developments and major refurbishments		**(127.2)**	(137.2)
Other capital expenditure		**(55.2)**	(45.1)
Sale of properties		**639.0**	185.2
Acquisition of Irish loan portfolio	12D	**–**	(690.2)
Advances to joint ventures on conversion of Irish loan portfolio to property assets	12D	**(91.9)**	–
Increase in advances to joint ventures	12D	**(63.1)**	(45.4)
Acquisition of interest in associates		**(2.4)**	(36.6)
Acquisition of other investments		**(1.9)**	(4.8)
Distribution received from associates		**18.0**	44.5
Sale of other investments		**8.0**	–
Decrease/(Increase) in non-current receivables		**64.8**	(17.1)
Cash flows from investing activities		**(111.6)**	(790.4)
Financing activities			
Issue of shares		**0.2**	0.4
Proceeds from award of own shares		**0.2**	0.2
Debt and loan facility cancellation costs	7	**(0.4)**	(13.9)
Proceeds from new borrowings		**949.8**	1,319.0
Repayment of borrowings		**(847.5)**	(511.4)
Net increase in borrowings	24	**102.3**	807.6
Dividends paid to non-controlling interests		**(2.3)**	(2.0)
Equity dividends paid	9	**(135.7)**	(163.8)
Cash flows from financing activities		**(35.7)**	628.5
Net increase in cash and deposits		**34.0**	9.3
Opening cash and deposits		**37.0**	28.6
Exchange translation movement		**3.3**	(0.9)
Closing cash and deposits	17	**74.3**	37.0

An analysis of the movement in net debt is provided in note 24.

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 2016, the following new and revised Standards and Interpretations have been adopted but these have not affected the amounts reported in these financial statements:

- Amendments to IFRS 10 Consolidated Financial Statements, IFRS 12 Disclosure of Interests in Other Entities and IAS 28 Investments in Associates and Joint Ventures – amendments regarding the consolidation exemption
- Amendments to IFRS 11 Joint Arrangements – amendments regarding the accounting for acquisitions of an interest in a joint operation
- Amendments to IAS 1 'Presentation of Financial Statements' – Disclosure Initiative

Issued and endorsed by the European Union

- IFRS 9 Financial Instruments; effective for accounting periods beginning on or after 1 January 2018
- IFRS 15 Revenue from Contracts with Customers; effective for accounting periods beginning on or after 1 January 2018.

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

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:

- Amendments to IFRS 2 Share Based Payments – amendments to clarify the classification and measurement of share-based payment transactions; effective for accounting periods beginning on or after 1 January 2018
- IFRS 16 Leases; effective for accounting periods beginning on or after 1 January 2018
- Amendments to IAS 7 Statement of Cash Flows – amendments as a result of the Disclosure; effective for accounting periods beginning on or after 1 January 2017
- Amendments to IAS 12 Income Taxes – amendments regarding the recognition of deferred tax assets for unrealised losses; effective for accounting periods beginning on or after 1 January 2017
- Amendments to IFRS (Annual Improvements cycle 2014-2016)

With particular reference to IFRS 15 and IFRS 16, as the Group is primarily a lessor of property, and lease income is outside the scope of IFRS 15, these pronouncements and the others referred to above are not expected to have a material impact on the financial statements. There may be limited changes in presentation and disclosure.

Basis of preparation

The financial statements are prepared on a going concern basis, as explained in the Risks and Uncertainties section of the Strategic Report on page 59.

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.

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. The following accounting policies are the critical accounting policies of the Group.

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 on-site 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, developers' profit and purchasers' costs. 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 significant 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.

Conversion of previously acquired Irish loan portfolio into the underlying property assets

During the year, the Group converted the majority of the Irish loan portfolio including Dundrum Town Centre, the Ilac Centre and a number of development sites into property assets. The accounting for this conversion is material to the Group's financial statements and is complex as the assets have different ownership interests and control provisions.

The Group has accounted for its investment in Dundrum Town Centre as an equity accounted joint venture. The Group's interest in the Ilac Centre has been accounted for as a joint operation with the Group's 50% share proportionally consolidated. The Group's interest in Dublin Central and the development sites, all of which are wholly owned, have been fully consolidated into the Group financial statements. Further details are given in notes 11 and 12.

Other transactions

The Group made a number of acquisitions and disposals during the year, including transactions between the wholly-owned Group and the Group's joint ventures, which were complex in nature.

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. The Group's interests in its joint ventures are 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.

Tax exempt status

The Company has elected for UK REIT, French SIIC and Irish QIAIF status. To continue to benefit from these tax regimes, the Group is required to comply with certain conditions as outlined in note 8A to the accounts. Management intends that the Group should continue as a UK REIT, a French SIIC and an Irish QIAIF 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 operations, joint ventures and associates

The Group's share of interests in joint operations is proportionally consolidated into the Group financial statements. 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.

Loans to joint ventures and associates are separately presented from equity interests within the notes to the accounts. The Group eliminates upstream and downstream transactions with its joint ventures, including interest and management fees.

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 into 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 = €1.171 (2015: £1 = €1.357). The principal exchange rate used for the income statement is the average rate, £1 = €1.224 (2015: £1 = €1.378).

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.

Cash, receivables, payables and borrowings

Cash and cash equivalents and restricted monetary assets

Cash and deposits comprise cash and short-term bank deposits with an original maturity of three months or less which are readily accessible. Restricted monetary assets relate to cash balances which legally belong to the Group but which the Group cannot readily access. These do not meet the definition of cash and cash equivalents and consequently are presented separately from cash and deposits in the Group balance sheet.

Trade and other receivables and payables

Trade and other 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.

Loans receivable

Loans receivable are financial assets which are initially measured at fair value, plus acquisition costs and are subsequently measured at amortised cost, using the effective interest method, less any impairment.

1: Significant accounting policies (continued)

Cash, receivables, payables and borrowings (continued)

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.

Finance costs

Net finance costs

Net finance costs include interest payable on borrowings, debt and loan facility cancellation costs, 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 and development 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.

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. Further details are given in note 11.

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 period 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 period 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 lease term or, if the probability that the break option will be exercised is considered high, over the period to the first break option. 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 the sale of properties

Gains or losses on the 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.

Plant and equipment

Plant and equipment is 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.

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 period, using tax rates applicable at the balance sheet date, together with any adjustment in respect of previous periods.

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

The following tables show the Group's profit for the year on a proportionally consolidated basis by aggregating the Reported Group results (shown in column A) with those from its share of Property interests (shown in column B), the latter being reallocated to the relevant financial statement lines. The Group's share of results arising from its interests in premium outlets has not been reallocated as management does not review these interests on a proportionally consolidated basis (see note 3) and these are therefore not included in the Group's share of Property interests. The Group's proportionally consolidated profit for the year in column C is then allocated between 'Adjusted' and 'Capital and other' for the purposes of calculating figures in accordance with EPRA best practice.

					2016	
					Proportionally consolidated	
	Notes	Reported Group £m	Share of Property interests £m	Proportionally consolidated £m	Adjusted £m	Capital and other £m
Notes		A	B	C	D	D
Gross rental income[E]	3A	**251.3**	147.4	398.7	**398.7**	–
Ground and equity rents payable		**(1.3)**	(2.8)	(4.1)	**(4.1)**	–
Gross rental income, after rents payable		**250.0**	144.6	394.6	**394.6**	–
Service charge income		**43.8**	24.8	68.6	**68.6**	–
Service charge expenses		**(52.1)**	(31.0)	(83.1)	**(83.1)**	–
Net service charge expenses		**(8.3)**	(6.2)	(14.5)	**(14.5)**	–
Other property outgoings		**(19.4)**	(14.2)	(33.6)	**(33.6)**	–
Property outgoings		**(27.7)**	(20.4)	(48.1)	**(48.1)**	–
Net rental income	3A	**222.3**	124.2	346.5	**346.5**	–
Management fees receivable/(payable)		**8.6**	(0.1)	8.5	**8.5**	–
Employee and corporate costs		**(54.3)**	(0.3)	(54.6)	**(54.6)**	–
Administration expenses		**(45.7)**	(0.4)	(46.1)	**(46.1)**	–
Operating profit before other net (losses)/gains and share of results of joint ventures and associates		**176.6**	123.8	300.4	**300.4**	–
Loss on the sale of properties		**(24.0)**	–	(24.0)	–	**(24.0)**
Gain on the sale of other investments		**1.3**	–	1.3	–	**1.3**
Revaluation (losses)/gains on properties		**(24.7)**	11.3	(13.4)	–	**(13.4)**
Other net (losses)/gains		**(47.4)**	11.3	(36.1)	–	**(36.1)**
Share of results of joint ventures	12A, 12B	**169.2**	(148.5)	20.7	**6.2**	**14.5**
Share of results of associates	13A, 13B	**137.1**	(1.9)	135.2	**23.6**	**111.6**
Operating profit		**435.5**	(15.3)	420.2	**330.2**	**90.0**
Net finance (costs)/income	7	**(112.7)**	16.1	(96.6)	**(93.5)**	**(3.1)**
Profit before tax		**322.8**	0.8	323.6	**236.7**	**86.9**
Current tax charge	8A	**(1.9)**	(0.8)	(2.7)	**(2.7)**	–
Profit for the year		**320.9**	–	320.9	**234.0**	**86.9**
Non-controlling interests		**(3.6)**	–	(3.6)	**(3.3)**	**(0.3)**
Profit for the year attributable to equity shareholders	10B	**317.3**	–	317.3	**230.7**	**86.6**

Notes
A Reported Group results as shown in the consolidated income statement on page 130.
B Property interests reflect the Group's share of results of Property joint ventures as shown in note 12A and Nicetoile included within note 13A.
C Aggregated results on a proportionally consolidated basis showing Reported Group together with share of Property interests.
D Aggregated results on a proportionally consolidated basis allocated between 'Adjusted' and 'Capital and other' for the purposes of calculating adjusted earnings per share as shown in note 10A.
E Included in gross rental income on a proportionally consolidated basis is £7.2 million (2015: £6.6 million) of contingent rents calculated by reference to tenants' turnover.

					2015	
					Proportionally consolidated	
	Notes	Reported Group £m	Share of Property interests £m	Proportionally consolidated £m	Adjusted £m	Capital and other £m
Notes (see page 140)		A	B	C	D	D
Gross rental income[E]	3A	236.0	130.4	366.4	366.4	–
Ground and equity rents payable		(1.3)	(2.4)	(3.7)	(3.7)	–
Gross rental income, after rents payable		234.7	128.0	362.7	362.7	–
Service charge income		41.4	21.7	63.1	63.1	–
Service charge expenses		(49.8)	(26.6)	(76.4)	(76.4)	–
Net service charge expenses		(8.4)	(4.9)	(13.3)	(13.3)	–
Other property outgoings		(17.5)	(13.3)	(30.8)	(30.8)	–
Property outgoings		(25.9)	(18.2)	(44.1)	(44.1)	–
Net rental income	3A	208.8	109.8	318.6	318.6	–
Management fees receivable/(payable)		6.1	(0.1)	6.0	6.0	–
Employee and corporate costs		(48.1)	(0.2)	(48.3)	(48.3)	–
Administration expenses		(42.0)	(0.3)	(42.3)	(42.3)	–
Operating profit before other net gains/(losses) and share of results of joint ventures and associates		166.8	109.5	276.3	276.3	–
Gain on the sale of properties		14.9	–	14.9	–	14.9
Other investment costs written off		(1.4)	–	(1.4)	–	(1.4)
Revaluation gains on properties		245.1	122.4	367.5	–	367.5
Other net gains		258.6	122.4	381.0	–	381.0
Share of results of joint ventures	12A, 12B	246.8	(233.7)	13.1	6.1	7.0
Share of results of associates	13A	160.6	(1.3)	159.3	17.1	142.2
Operating profit		832.8	(3.1)	829.7	299.5	530.2
Net finance (costs)/income	7	(101.2)	3.1	(98.1)	(84.1)	(14.0)
Profit before tax		731.6	–	731.6	215.4	516.2
Current tax charge	8A	(1.6)	–	(1.6)	(1.6)	–
Profit for the year		730.0	–	730.0	213.8	516.2
Non-controlling interests		(3.2)	–	(3.2)	(2.9)	(0.3)
Profit for the year attributable to equity shareholders	10B	726.8	–	726.8	210.9	515.9

3: Segmental analysis

The factors used to determine the Group's reportable segments are the geographic locations (UK, France and Ireland) 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 tenants and customers. 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 43, 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 from 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. Property interests represent the Group's non wholly-owned properties which management proportionally consolidate when reviewing the performance of the business. For reconciliation purposes the Reported Group figures, being wholly-owned properties, are shown in the following tables.

In October 2015, the Group acquired an interest in a loan portfolio secured on retail properties located in Ireland in a 50:50 joint venture. The majority of these loans were converted into property in 2016 and these are included in note 3B. Rental income has been included in note 3A from the date of conversion. The Group's investment in the Irish joint venture is included within note 3C.

A: Revenue and profit by segment

	2016		2015	
	Gross rental income £m	**Net rental income £m**	Gross rental income £m	Net rental income £m
United Kingdom				
Shopping centres	**174.2**	**148.4**	162.0	138.8
Retail parks	**84.0**	**79.6**	86.2	82.0
Other	**13.8**	**9.3**	13.8	9.6
Total	**272.0**	**237.3**	262.0	230.4
France	**101.1**	**89.3**	95.9	83.0
Ireland	**13.7**	**12.5**	–	–
Total investment portfolio	**386.8**	**339.1**	357.9	313.4
Developments	**11.9**	**7.4**	8.5	5.2
Total property portfolio	**398.7**	**346.5**	366.4	318.6
Premium outlets	**100.7**	**67.7**	86.5	65.6
Total Group	**499.4**	**414.2**	452.9	384.2
Less premium outlets	**(100.7)**	**(67.7)**	(86.5)	(65.6)
Less share of Property interests	**(147.4)**	**(124.2)**	(130.4)	(109.8)
Reported Group	**251.3**	**222.3**	236.0	208.8

B: Investment and development property assets by segment

	2016			2015		
	Property valuation £m	Property additions £m	Revaluation gains/(losses) £m	Property valuation £m	Property additions £m	Revaluation gains £m
United Kingdom						
Shopping centres	**3,436.5**	**369.8**	**(5.8)**	3,064.9	10.7	194.9
Retail parks	**1,320.0**	**19.8**	**(118.3)**	1,656.0	54.2	19.0
Other	**163.5**	**0.8**	**2.2**	160.3	23.5	1.4
Total	**4,920.0**	**390.4**	**(121.9)**	4,881.2	88.4	215.3
France	**2,159.6**	**65.6**	**73.3**	1,860.5	54.8	116.6
Ireland	**805.1**	**801.9**	**3.2**	–	–	–
Total investment portfolio	**7,884.7**	**1,257.9**	**(45.4)**	6,741.7	143.2	331.9
Developments	**397.0**	**274.9**	**32.0**	388.8	169.8	35.6
Total property portfolio	**8,281.7**	**1,532.8**	**(13.4)**	7,130.5	313.0	367.5
Premium outlets	**1,689.4**	**200.5**	**138.4**	1,243.6	25.3	174.1
Total Group	**9,971.1**	**1,733.3**	**125.0**	8,374.1	338.3	541.6
Less premium outlets	**(1,689.4)**	**(200.5)**	**(138.4)**	(1,243.6)	(25.3)	(174.1)
Less share of Property interests	**(3,517.8)**	**(778.9)**	**(11.3)**	(2,478.4)	(95.1)	(122.4)
Reported Group	**4,763.9**	**753.9**	**(24.7)**	4,652.1	217.9	245.1

C: Analysis of non-current assets employed

	Non-current assets employed	
	2016 £m	2015 £m
United Kingdom	**5,210.7**	5,283.9
Continental Europe	**3,357.8**	2,792.9
Ireland	**1,007.7**	693.5
	9,576.2	8,770.3

Included in the above table are investments in joint ventures of £3,736.7 million (2015: £3,213.6 million), which are further analysed in note 12 on pages 151 to 156. The Group's share of the property valuations held within Property interests of £3,517.8 million (2015: £2,478.4 million) has been included in note 3B above, of which £2,562.6 million (2015: £2,304.7 million) relates to the United Kingdom, £205.1 million (2015: £173.7 million) relates to Continental Europe and £750.1 million (2015: £nil) relates to Ireland.

4: Administration expenses

Administration expenses include the following items:

Staff costs, including Directors

		Note	2016 £m	2015 £m
Salaries and wages			**30.8**	26.5
Performance-related bonuses	– payable in cash		**7.0**	7.3
	– payable in shares		**1.2**	1.2
			8.2	8.5
Other share-based employee remuneration			**4.4**	3.6
Social security			**7.5**	7.6
Net pension expense	– defined contribution scheme	6A	**2.7**	2.6
Total			**53.6**	48.8

Of the above amount, £20.1 million (2015: £16.6 million) was recharged to tenants through service charges and £1.6 million (2015: £1.9 million) capitalised in respect of development projects.

Staff throughout the Company, including Executive Directors, participate in a performance-related bonus scheme which, for certain senior employees, is 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 78 to 114.

Staff numbers

	2016 Number	2015 Number
Average number of staff	**565**	468
Staff recharged to tenants, included above	**219**	224

Other information

		2016 £m	2015 £m
Auditor's remuneration:	Audit of the Company's annual accounts	**0.3**	0.2
	Audit of subsidiaries, pursuant to legislation	**0.3**	0.3
	Audit-related assurance services	**0.1**	0.1
	Audit and audit-related assurance services	**0.7**	0.6
	Other fees[1]	**0.1**	0.1
	Total auditor's remuneration	**0.8**	0.7
Depreciation of plant and equipment		**2.0**	1.7

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 total remuneration of the Directors is set out in aggregate in note 28B. 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 78 to 114.

The Company did not grant any credits, advances or guarantees of any kind to its Directors during the current and preceding years.

6: Pensions

A: Defined contribution pension scheme

The Company operates the UK funded approved Group Personal Pension Plan which is a defined contribution pension scheme. The Group's cost for the year was £2.7 million (2015: £2.6 million).

B: 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.

Unfunded Unapproved Retirement Schemes

The Company also operates two Unfunded Unapproved Retirement Schemes. One scheme provides pension benefits to two former Executive Directors, the other meets pension commitment obligations to former US employees.

C: Changes in present value of defined benefit pension schemes

			2016			2015
	Obligations £m	Assets £m	Net £m	Obligations £m	Assets £m	Net £m
At 1 January	**(100.7)**	**62.7**	**(38.0)**	(101.7)	61.9	(39.8)
Amounts recognised in the income statement						
– interest (cost)/income[1]	**(3.7)**	**2.4**	**(1.3)**	(3.5)	2.2	(1.3)
Amounts recognised in equity						
– actuarial experience gains/(losses)	**2.6**	**0.9**	**3.5**	1.5	(1.6)	(0.1)
– actuarial (losses)/gains from changes in financial assumptions	**(19.9)**	**–**	**(19.9)**	2.4	–	2.4
– actuarial gains/(losses) from changes in demographic assumptions	**0.5**	**–**	**0.5**	(2.6)	–	(2.6)
	(16.8)	**0.9**	**(15.9)**	1.3	(1.6)	(0.3)
Contributions by employer[2]	**–**	**1.5**	**1.5**	–	2.5	2.5
Benefits	**3.2**	**(2.2)**	**1.0**	3.1	(2.3)	0.8
Exchange (losses)/gains	**(2.0)**	**–**	**(2.0)**	0.1	–	0.1
At 31 December	**(120.0)**	**65.3**	**(54.7)**	(100.7)	62.7	(38.0)
Analysed as:						
Present value of the Scheme	**(106.2)**	**65.3**	**(40.9)**	(88.8)	62.7	(26.1)
Present value of Unfunded Retirement Schemes	**(13.8)**	**–**	**(13.8)**	(11.9)	–	(11.9)
	(120.0)	**65.3**	**(54.7)**	(100.7)	62.7	(38.0)
Analysed as:						
Current liabilities: Other payables			**(0.9)**			(0.8)
Non-current liabilities (note 22)			**(53.8)**			(37.2)
			(54.7)			(38.0)

Notes
1. Included in Other interest payable (note 7).
2. The Group expects to make contributions totalling £3.5 million to the Scheme in the next financial year.

6: Pensions (continued)

D: Principal actuarial assumptions used for defined benefit pension schemes

		2016 %	2015 %
Discount rate for scheme liabilities		**2.9**	3.8
Increase in retail price index		**3.3**	3.1
Increase in pensions in payment		**3.3**	3.1
		Age	Age
Life expectancy for Scheme members:	Male aged 60 at 31 December	**88.1**	88.5
	Male aged 40 at 31 December	**89.9**	90.1

The present value of defined benefit obligations has been calculated by an external actuary. This was taken as the present value of accrued benefits and pensions in payment calculated using the projected unit credit method. All defined benefit pension scheme assets are investments with target returns linked to LIBOR.

7: Net finance costs

	2016 £m	2015 £m
Interest on bank loans and overdrafts	**19.7**	10.6
Interest on other borrowings	**102.0**	93.2
Interest on obligations under finance leases	**2.1**	1.8
Other interest payable	**2.5**	1.6
Gross interest costs	**126.3**	107.2
Less: Interest capitalised	**(5.1)**	(5.3)
Finance costs	**121.2**	101.9
Debt and loan facility cancellation costs	**0.4**	13.9
Change in fair value of derivatives	**3.5**	1.1
Finance income	**(12.4)**	(15.7)
	112.7	101.2

8: Tax

A: Tax charge

	2016 £m	2015 £m
UK current tax	**0.2**	–
Foreign current tax	**1.7**	1.6
Tax charge	**1.9**	1.6

The Group's tax charge remains low because it has tax exempt status in its principal operating countries. In the UK, the Group has been a REIT since 2007 and a SIIC in France since 2004. These tax regimes exempt the Group's property income and gains from corporate taxes provided a number of conditions in relation to the Group's activities are met including, but not limited to, distributing at least 90% of the Group's UK tax exempt profit as property income distributions. The residual business in both the UK and France are subject to corporation tax as normal. The Irish properties acquired in 2016 are held in a QIAIF which provides similar tax benefits to those of a UK REIT but which will subject future distributions from Ireland to the UK to a 20% withholding tax.

B: Tax charge reconciliation

	Notes	2016 £m	2015 £m
Profit before tax	2	**322.8**	731.6
Less: Profit after tax of joint ventures	12A	**(169.2)**	(246.8)
Less: Profit after tax of associates	13A	**(137.1)**	(160.6)
Profit on ordinary activities before tax		**16.5**	324.2
Profit multiplied by the UK corporation tax rate of 20% (2015: 20.25%)		**3.3**	65.7
UK REIT tax exemption		**17.6**	(31.2)
French SIIC tax exemption		**(23.6)**	(33.1)
Irish QIAIF tax exemption		**2.0**	–
Non-deductible and other items		**2.6**	0.2
Tax charge		**1.9**	1.6

C: Unrecognised deferred tax

A deferred tax asset is not recognised for UK revenue tax losses and UK capital losses where their future utilisation is uncertain. At 31 December 2016, the total of such losses was £330 million (2015: £315 million) and £465 million (2015: £480 million) respectively, and the potential tax effect of these was £53 million (2015: £57 million) and £79 million (2015: £86 million) respectively.

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 2016, the total of such gains was £640 million (2015: £290 million) and the potential tax effect before the offset of losses was £109 million (2015: £52 million).

If a UK REIT sells a property within three years of completion of development, the REIT exemption will not apply. At 31 December 2016 the value of such completed properties was £258 million (2015: £nil). If these properties were to be sold without the benefit of the tax exemption the tax arising would be £nil (2015: £nil).

9: Dividends

The proposed final dividend of 13.9 pence per share was recommended by the Board on 17 February 2017 and, subject to approval by shareholders, is payable on 27 April 2017 in the UK and on 28 April 2017 for South African shareholders, to shareholders on the register at the close of business on 17 March 2017. 4.9 pence per share will be paid as a PID, net of withholding tax at the basic rate (currently 20%) if applicable, and 9.0 pence per share will be paid as a normal dividend. There will be no scrip alternative. The aggregate amount of the 2016 final dividend is £110.3 million. This has been calculated using the total number of eligible shares outstanding at 31 December 2016.

The interim dividend of 10.1 pence per share was paid on 10 October 2016 as a PID, net of withholding tax where appropriate.

The total dividend for the year ended 31 December 2016 would be 24.0 pence per share (2015: 22.3 pence per share).

	PID pence per share	Non-PID pence per share	Total pence per share	Equity dividends 2016 £m	Equity dividends 2015 £m
Current year					
2016 final dividend	**4.9**	**9.0**	**13.9**	**–**	–
2016 interim dividend	**10.1**	**–**	**10.1**	**79.8**	–
	15.0	**9.0**	**24.0**		
Prior years					
2015 final dividend	6.4[1]	6.4	12.8	**100.3**	–
2015 interim dividend	9.5	–	9.5	**–**	74.4
	15.9	6.4	22.3		
2014 final dividend				**–**	90.8
Dividends as reported in the consolidated statement of changes in equity				**180.1**	165.2
2014 interim dividend withholding tax (paid 2015)				**–**	9.8
2015 interim dividend withholding tax (paid 2016)				**11.2**	(11.2)
2015 final dividend non-PID scrip alternative				**(36.7)**	–
2016 interim dividend withholding tax (paid 2017)				**(11.5)**	–
2016 interim dividend PID scrip alternative				**(7.4)**	–
Dividends paid as reported in the consolidated cash flow statement				**135.7**	163.8

1. If shareholders elected to receive the scrip alternative, this element of the dividend ceased to qualify as a PID.

10: Earnings and headline 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 B and D. Commentary on earnings and net asset value per share is provided in the Financial Review on pages 43 to 52. Headline earnings per share has been calculated and presented in note 10C as required by the Johannesburg Stock Exchange listing requirements.

A: Number of shares for earnings and headline earnings per share calculations

	2016 Shares million	2015 Shares million
Basic, EPRA and Adjusted	**789.0**	783.6
Diluted	**790.7**	784.7

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, which are treated as cancelled.

B: Earnings per share

		Notes	**2016 Earnings £m**	**2016 Pence per share**	2015 Earnings £m	2015 Pence per share
Basic		2	**317.3**	**40.2**	726.8	92.8
Dilutive share options			–	**(0.1)**	–	(0.2)
Diluted			**317.3**	**40.1**	726.8	92.6
Basic			**317.3**	**40.2**	726.8	92.8
Adjustments:						
Revaluation losses/(gains) on properties:	Reported Group	2	**24.7**	**3.1**	(245.1)	(31.3)
	Share of Property interests	2	**(11.3)**	**(1.4)**	(122.4)	(15.6)
			13.4	**1.7**	(367.5)	(46.9)
Loss/(Gain) on the sale of properties:	Reported Group	2	**24.0**	**3.0**	(14.9)	(1.9)
Debt and loan facility cancellation costs:	Reported Group	7	**0.4**	**0.1**	13.9	1.8
Change in fair value of derivatives:	Reported Group	7	**3.5**	**0.4**	1.1	0.1
	Share of Property interests	12B	**(0.8)**	**(0.1)**	(1.0)	(0.1)
			2.7	**0.3**	0.1	–
Other adjustments:	Reported Group					
	(Gain)/Loss on other investments	2	**(1.3)**	**(0.1)**	1.4	0.2
	Non-controlling interests	2	**0.3**	–	0.3	–
			(1.0)	**(0.1)**	1.7	0.2
Premium outlets:	Revaluation gains on properties	12B, 13B	**(138.4)**	**(17.5)**	(174.1)	(22.2)
	Deferred tax	12B, 13B	**14.3**	**1.8**	27.6	3.5
	Other adjustments	12B, 13B	**(1.8)**	**(0.3)**	(0.6)	(0.1)
			(125.9)	**(16.0)**	(147.1)	(18.8)
Total adjustments			**(86.4)**	**(11.0)**	(513.8)	(65.6)
EPRA			**230.9**	**29.2**	213.0	27.2
Other adjustments:	Translation movement on intragroup funding loan	12B	**(0.2)**	–	(2.1)	(0.3)
Adjusted			**230.7**	**29.2**	210.9	26.9

C: Headline earnings per share

	Notes	2016 Earnings £m	2015 Earnings £m
Profit for the year attributable to equity shareholders	2	**317.3**	726.8
Revaluation losses/(gains) on properties: Reported Group and share of Property interests	10B	**13.4**	(367.5)
Loss/(Gain) on sale of properties: Reported Group	10B	**24.0**	(14.9)
(Gain)/Loss on other investments: Reported Group	10B	**(1.3)**	1.4
Non-controlling interests	10B	**0.3**	0.3
Revaluation gains on properties: Premium outlets	10B	**(138.4)**	(174.1)
Deferred tax: Premium outlets	10B	**14.3**	27.6
Loss on sale of properties: Premium outlets	12B	**0.1**	0.8
Translation movements on intragroup funding loan	12B	**(0.2)**	(2.1)
Headline earnings		**229.5**	198.3
Reconciliation of headline earnings to adjusted earnings			
Headline earnings as above		**229.5**	198.3
Debt and loan facility cancellation costs: Reported Group	10B	**0.4**	13.9
Change in fair value of derivatives: Reported Group and share of Property interests	10B	**2.7**	0.1
Change in fair value of derivatives: Premium outlets	12B, 13B	**14.5**	9.7
Change in fair value of participative loans – revaluation movement: Premium outlets	13B	**(16.6)**	(12.6)
Loan facility costs written off: Premium outlets	13B	**0.2**	1.5
Adjusted earnings	10B	**230.7**	210.9
Basic headline earnings per share (pence)		**29.1p**	25.3p
Diluted headline earnings per share (pence)		**29.0p**	25.3p

D: Net asset value per share

	Notes	2016 Equity shareholders' funds £m	2016 Shares million	2016 Net asset value per share £	2015 Equity shareholders' funds £m	2015 Shares million	2015 Net asset value per share £
Basic		**5,775.6**	**793.2**	**7.28**	5,517.3	784.4	7.03
Company's own shares held in Employee Share Ownership Plan		**–**	**(0.9)**	**n/a**	–	(0.6)	n/a
Dilutive share schemes		**1.1**	**1.7**	**n/a**	1.1	1.0	n/a
Diluted		**5,776.7**	**794.0**	**7.28**	5,518.4	784.8	7.03
Fair value adjustment to borrowings							
– Reported Group	20I	**(316.1)**		**(0.40)**	(225.4)		(0.29)
– Share of Property interests		**–**		**–**	(0.1)		–
		(316.1)		**(0.40)**	(225.5)		(0.29)
EPRA NNNAV		**5,460.6**		**6.88**	5,292.9		6.74
Fair value adjustment to borrowings		**316.1**		**0.40**	225.5		0.29
Deferred tax		**0.5**		**–**	0.5		–
Fair value of derivatives							
– Reported Group	20I	**(19.3)**		**(0.02)**	(13.8)		(0.02)
– Share of Property interests		**–**		**–**	0.9		–
		(19.3)		**(0.02)**	(12.9)		(0.02)
Premium outlets							
– Fair value of derivatives	12C, 13D	**3.2**		**–**	3.1		–
– Deferred tax	12C, 13D	**160.4**		**0.20**	113.6		0.14
– Goodwill as a result of deferred tax	12C, 13D	**(57.0)**		**(0.07)**	(50.0)		(0.05)
		106.6		**0.13**	66.7		0.09
EPRA NAV		**5,864.5**	**794.0**	**7.39**	5,572.7	784.8	7.10

11: Investment and development properties

	2016 Investment properties Valuation £m	2016 Development properties Valuation £m	2016 Total Valuation £m	2015 Investment properties Valuation £m	2015 Development properties Valuation £m	2015 Total Valuation £m
Balance at 1 January	**4,418.9**	**233.2**	**4,652.1**	4,273.2	154.1	4,427.3
Exchange adjustment	**268.0**	**0.3**	**268.3**	(82.9)	(1.7)	(84.6)
Additions						
– Capital expenditure	**57.9**	**122.0**	**179.9**	73.3	100.9	174.2
– Asset acquisitions	**465.2**	**108.8**	**574.0**	35.2	8.5	43.7
	523.1	**230.8**	**753.9**	108.5	109.4	217.9
Transfer (to)/from investment in joint ventures	**(221.7)**	**–**	**(221.7)**	11.0	–	11.0
Disposals	**(669.1)**	**–**	**(669.1)**	(169.5)	(0.5)	(170.0)
Transfers	**303.9**	**(303.9)**	**–**	59.7	(59.7)	–
Capitalised interest	**–**	**5.1**	**5.1**	0.4	5.0	5.4
Revaluation	**(61.3)**	**36.6**	**(24.7)**	218.5	26.6	245.1
Balance at 31 December	**4,561.8**	**202.1**	**4,763.9**	4,418.9	233.2	4,652.1

Properties are stated at fair value as at 31 December 2016, valued by professionally qualified external valuers. DTZ Debenham Tie Leung Limited, Chartered Surveyors have valued the Group's properties, excluding those held by the Group's premium outlet investments which have been valued by Cushman & Wakefield LLP, Chartered Surveyors. Valuations have been prepared in accordance with the RICS Valuation – Professional Standards 2014 based on certain assumptions as set out in note 1. 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.

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 138.

As noted in 'Significant judgements and key estimates' on page 136, 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 capitalisation yields (nominal equivalent yield) and market rental income (ERV). These inputs to the valuations are analysed by segment in the rental and valuation data tables on pages 179 and 182 and the valuation change analysis in the Financial Review on pages 48 and 49. All other factors remaining constant, an increase in rental income would increase valuations, whilst increases in capitalisation yields and discount rates 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. A sensitivity analysis showing the impact on valuations of changes in yields and rental income is shown below.

		Impact on valuation of 25bp change in nominal equivalent yield		Impact on valuation of 5% change in estimated rental value (ERV)	
Key unobservable inputs sensitivity analysis	**Investment properties valuation £m**	**Decrease £m**	**Increase £m**	**Increase £m**	**Decrease £m**
Reported Group	**4,561.8**	**347.4**	**(150.0)**	**327.6**	**(155.8)**

The total amount of interest included in development properties at 31 December 2016 was £nil (2015: £4.9 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 2016 was 3.1% (2015: 3.8%). At 31 December 2016 the historic cost of investment and development properties was £3,841.9 million (2015: £3,830.0 million).

On 11 February 2016 the Group completed the purchase of Grand Central, Birmingham for £350 million and entered into a new joint venture agreement with CPPIB who acquired a 50% interest in the property for £175 million in December 2016. On 30 December 2016 the Group sold its interest in Westquay Watermark, Southampton to The West Quay Limited Partnership, a joint venture in which the Group has a 50% interest.

At 31 December 2016, the investment properties shown above included property with a value of £75.6 million (2015: £nil) held within a joint operation which is proportionally consolidated. See note 12D on page 156 for further details.

Analysis of properties by tenure	**Freehold £m**	**Long leasehold £m**	**Total £m**
Balance at 31 December 2016	**3,499.2**	**1,264.7**	**4,763.9**
Balance at 31 December 2015	3,443.1	1,209.0	4,652.1

12: Investment in joint ventures

As at 31 December 2016, the Group had investments in a number of jointly controlled property and corporate interests which have been equity accounted.

As explained in note 3, management reviews the business principally on a proportionally consolidated basis, except for its premium outlet investments. The Group's total proportional share of joint ventures is split between Property joint ventures, being joint ventures which are proportionally consolidated, and VIA Outlets, a premium outlets investment, which is not proportionally consolidated. The Group's significant joint venture interests are set out in the table below. Further details of the Group's interests in joint ventures are shown in note H on pages 176 and 177.

	Partner	Principal property[1]	Group share %
United Kingdom			
Bishopsgate Goodsyard Regeneration Limited	Ballymore Properties	The Goodsyard	50
Brent Cross Shopping Centre/ Brent South Shopping Park	Standard Life	Brent Cross	41.2/40.6
Bristol Alliance Limited Partnership	AXA Real Estate	Cabot Circus	50
Croydon Limited Partnership/Whitgift Limited Partnership	Westfield	Centrale/Whitgift	50
Grand Central Limited Partnership	CPPIB	Grand Central	50
Retail Property Holdings Limited/The Silverburn Unit Trust	CPPIB	Silverburn	50
The Bull Ring Limited Partnership	TH Real Estate, CPPIB	Bullring	50
The Oracle Limited Partnership	ADIA	The Oracle	50
The West Quay Limited Partnership	GIC	Westquay	50
VIA Limited Partnership	APG, Meyer Bergman, Value Retail	European outlet centres	47
Ireland			
Triskelion Property Holding Designated Activity Company	Allianz	Loan portfolio	50
Dundrum Retail Limited Partnership	Allianz	Dundrum	50
Dundrum Car Park Limited Partnership	Allianz	Dundrum	50
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

1. The names of the principal properties operated by each partnership have been used in the summary income statements and balance sheets in note 12A. The Irish loan portfolio and the Dundrum properties are presented together as the 'Irish portfolio'. The Goodsyard, European outlet centres and Espace Saint-Quentin are presented together as 'Other'.

The Reported Group's investment in joint ventures at 31 December 2016 was £3,736.7 million (2015: £3,213.6 million). An analysis of the movements in the year is provided in note 12D on page 156.

The summarised income statements and balance sheets in note 12A show 100% of the results, assets and liabilities of joint ventures, and where necessary have been restated to the Group's accounting policies and exclude all balances which are eliminated on consolidation.

12: Investment in joint ventures (continued)

A. Summary financial statements of joint ventures

Share of results of joint ventures for the year ended 31 December 2016

See page 154 for footnotes.

	Brent Cross £m	Cabot Circus £m	Bullring £m	Grand Central £m	The Oracle £m	Westquay £m
Ownership (%)	41.2/40.6	50	50	50	50	50
Gross rental income	**46.5**	**38.7**	**59.4**	**0.6**	**32.8**	**29.7**
Net rental income	**42.2**	**32.7**	**52.7**	**0.2**	**27.5**	**23.3**
Administration expenses	–	–	(0.1)	–	–	–
Operating profit before other net gains/(losses)	**42.2**	**32.7**	**52.6**	**0.2**	**27.5**	**23.3**
Loss on sale of properties	–	–	–	–	–	–
Revaluation gains/(losses) on properties	(4.2)	7.9	24.6	(3.1)	2.3	(0.3)
Operating profit	**38.0**	**40.6**	**77.2**	**(2.9)**	**29.8**	**23.0**
Change in fair value of derivatives	–	–	–	–	–	–
Translation movement on intragroup funding loan	–	–	–	–	–	–
Other finance income/(costs)	–	(0.8)	–	–	–	(0.3)
Net finance income/(costs)	–	(0.8)	–	–	–	(0.3)
Profit before tax	**38.0**	**39.8**	**77.2**	**(2.9)**	**29.8**	**22.7**
Current tax charge	–	–	–	–	–	–
Deferred tax charge	–	–	–	–	–	–
Profit for the year	**38.0**	**39.8**	**77.2**	**(2.9)**	**29.8**	**22.7**
Hammerson share of profit for the year	**15.6**	**19.9**	**38.6**	**(1.4)**	**14.9**	**11.4**
Hammerson share of distributions payable[1]	–	**11.8**	**23.2**	–	**3.5**	**0.5**

Share of assets and liabilities of joint ventures as at 31 December 2016

	Brent Cross £m	Cabot Circus £m	Bullring £m	Grand Central £m	The Oracle £m	Westquay £m
Non-current assets						
Investment and development properties	1,002.4	629.7	1,229.8	346.2	667.4	660.6
Goodwill	–	–	–	–	–	–
Interests in leasehold properties	–	14.5	–	2.8	–	4.2
	1,002.4	644.2	1,229.8	349.0	667.4	664.8
Current assets						
Other current assets	16.4	5.4	7.9	8.4	5.6	6.2
Cash and deposits	0.7	5.9	20.9	3.2	13.0	9.9
	17.1	11.3	28.8	11.6	18.6	16.1
Current liabilities						
Other payables	(19.3)	(13.8)	(20.4)	(9.8)	(242.1)	(14.1)
Borrowings – secured	–	–	–	–	–	–
	(19.3)	(13.8)	(20.4)	(9.8)	(242.1)	(14.1)
Non-current liabilities						
Borrowings – secured	–	–	–	–	–	–
Obligations under finance leases	–	(14.5)	–	(2.8)	–	(4.2)
Other payables	(1.2)	(0.6)	(1.4)	–	(1.0)	(680.2)
Deferred tax	–	–	–	–	(0.1)	–
	(1.2)	(15.1)	(1.4)	(2.8)	(1.1)	(684.4)
Net assets/(liabilities)	**999.0**	**626.6**	**1,236.8**	**348.0**	**442.8**	**(17.6)**
Hammerson share of net assets/(liabilities)	**409.1**	**313.3**	**618.4**	**174.0**	**221.4**	**(8.8)**
Balance due to Hammerson[2]	–	–	–	–	**115.6**	**339.7**
Total investment in joint ventures[2]	**409.1**	**313.3**	**618.4**	**174.0**	**337.0**	**330.9**

Silverburn £m	Centrale/Whitgift £m	Irish portfolio £m	O'Parinor £m	Other £m	Total 2016 £m	Hammerson share: Property joint ventures £m	Hammerson share: VIA Outlets £m	Hammerson share: Total 2016 £m
50	50	50	25	n/a			47	
21.3	26.0	27.9	21.2	47.3	351.4	145.9	16.1	162.0
18.8	15.6	25.4	18.0	35.1	291.5	122.9	11.2	134.1
(0.1)	(0.1)	(0.3)	(0.1)	(4.8)	(5.5)	(0.4)	(2.3)	(2.7)
18.7	15.5	25.1	17.9	30.3	286.0	122.5	8.9	131.4
–	–	–	–	–	–	–	(0.1)	(0.1)
(17.1)	(0.2)	5.1	9.3	41.1	65.4	10.7	18.4	29.1
1.6	15.3	30.2	27.2	71.4	351.4	133.2	27.2	160.4
–	–	–	3.1	1.5	4.6	0.8	0.7	1.5
–	–	–	–	–	–	–	0.2	0.2
–	–	34.6	(6.0)	(4.9)	22.6	15.3	(2.2)	13.1
–	–	34.6	(2.9)	(3.4)	27.2	16.1	(1.3)	14.8
1.6	15.3	64.8	24.3	68.0	378.6	149.3	25.9	175.2
(1.4)	–	–	(0.2)	(1.0)	(2.6)	(0.8)	(0.5)	(1.3)
–	–	–	–	(10.0)	(10.0)	–	(4.7)	(4.7)
0.2	15.3	64.8	24.1	57.0	366.0			
0.1	7.6	32.4	6.0	24.1	169.2	148.5	20.7	169.2
–	–	8.2	–	0.6	47.8			

Silverburn £m	Centrale/Whitgift £m	Irish portfolio £m	O'Parinor £m	Other £m	Total 2016 £m	Hammerson share: Property joint ventures £m	Hammerson share: VIA Outlets £m	Hammerson share: Total 2016 £m
356.2	304.2	1,500.2	456.0	1,004.1	8,156.8	3,490.1	302.1	3,792.2
–	–	–	–	–	–	–	3.5	3.5
–	–	–	–	–	21.5	10.8	–	10.8
356.2	304.2	1,500.2	456.0	1,004.1	8,178.3	3,500.9	305.6	3,806.5
5.1	4.2	119.6	11.1	21.3	211.2	100.2	8.5	108.7
9.9	13.0	25.0	3.7	47.2	152.4	54.8	18.7	73.5
15.0	17.2	144.6	14.8	68.5	363.6	155.0	27.2	182.2
(9.4)	(22.2)	(120.9)	(6.5)	(30.6)	(509.1)	(78.4)	(12.9)	(91.3)
–	–	–	(187.0)	(4.5)	(191.5)	(46.7)	(2.1)	(48.8)
(9.4)	(22.2)	(120.9)	(193.5)	(35.1)	(700.6)	(125.1)	(15.0)	(140.1)
–	–	–	–	(151.2)	(151.2)	–	(70.9)	(70.9)
–	–	–	–	–	(21.5)	(10.8)	–	(10.8)
–	(229.0)	(0.5)	(31.3)	(177.7)	(1,122.9)	(5.3)	(5.4)	(10.7)
–	–	–	–	(41.7)	(41.8)	–	(19.5)	(19.5)
–	(229.0)	(0.5)	(31.3)	(370.6)	(1,337.4)	(16.1)	(95.8)	(111.9)
361.8	70.2	1,523.4	246.0	666.9	6,503.9			
180.9	35.1	761.7	61.5	281.8	3,048.4			
–	114.5	54.1	6.7	57.7	688.3			
180.9	149.6	815.8	68.2	339.5	3,736.7	3,514.7	222.0	3,736.7

12: Investment in joint ventures (continued)

A. Summary financial statements of joint ventures (continued)
Share of results of joint ventures for the year ended 31 December 2015

	Brent Cross £m	Cabot Circus £m	Bullring £m	The Oracle £m	Westquay £m
Ownership (%)	41.2/40.6	50	50	50	50
Gross rental income	47.6	37.9	56.6	32.3	30.7
Net rental income	44.1	32.5	49.6	26.1	25.0
Administration expenses	–	–	(0.1)	–	–
Operating profit before other net gains/(losses)	44.1	32.5	49.5	26.1	25.0
Loss on sale of properties	–	–	–	–	–
Revaluation gains/(losses) on properties	(6.1)	43.3	107.2	41.9	20.1
Operating profit	38.0	75.8	156.7	68.0	45.1
Change in fair value of derivatives	–	–	–	–	–
Translation movement on intragroup funding loan	–	–	–	–	–
Other finance income/(costs)	–	(0.8)	–	(0.1)	(0.4)
Net finance income/(costs)	–	(0.8)	–	(0.1)	(0.4)
Profit before tax	38.0	75.0	156.7	67.9	44.7
Current tax charge	–	–	–	–	–
Deferred tax charge	–	–	–	–	–
Profit for the year	38.0	75.0	156.7	67.9	44.7
Hammerson share of profit for the year	15.6	37.5	78.3	34.0	22.4
Hammerson share of distributions payable[1]	–	19.2	20.3	3.0	0.2

Share of assets and liabilities of joint ventures as at 31 December 2015

	Brent Cross £m	Cabot Circus £m	Bullring £m	The Oracle £m	Westquay £m
Non-current assets					
Investment and development properties	980.8	618.0	1,201.8	658.8	555.4
Goodwill	–	–	–	–	–
Interests in leasehold properties	–	14.6	–	–	4.2
	980.8	632.6	1,201.8	658.8	559.6
Current assets					
Other current assets	13.7	5.8	11.4	4.3	6.0
Cash and deposits	0.7	2.2	9.2	9.5	12.0
	14.4	8.0	20.6	13.8	18.0
Current liabilities					
Other payables	(21.7)	(13.3)	(19.7)	(241.4)	(10.7)
Borrowings – secured	–	–	–	–	–
	(21.7)	(13.3)	(19.7)	(241.4)	(10.7)
Non-current liabilities					
Borrowings – secured	–	–	–	–	–
Obligations under finance leases	–	(14.6)	–	–	(4.2)
Other payables	(1.0)	(0.3)	(1.3)	(0.6)	(597.5)
Deferred tax	–	–	–	(0.1)	–
	(1.0)	(14.9)	(1.3)	(0.7)	(601.7)
Net assets/(liabilities)	972.5	612.4	1,201.4	430.5	(34.8)
Hammerson share of net assets/(liabilities)	395.6	306.2	600.7	215.2	(17.4)
Balance due to Hammerson[2]	–	–	–	115.6	298.4
Total investment in joint ventures[2]	395.6	306.2	600.7	330.8	281.0

1. In addition to the distributions payable, the Group received interest from its joint ventures of £38.6 million (2015: £29.3 million). See note 28A.
2. The Group and its partners invest in joint ventures principally by way of equity investment. To provide further clarity of this investment, those balances which are not equity have been included within other payables as a liability of the joint venture, and Hammerson's interest has been shown separately.

Silverburn £m	Centrale/Whitgift £m	Irish portfolio £m	O'Parinor £m	Other £m	Total 2015 £m	Hammerson share Property joint ventures £m	Hammerson share VIA Outlets £m	Hammerson share Total 2015 £m
50	50	50	25	n/a			47	
22.6	23.9	–	17.3	41.6	310.5	129.2	13.7	142.9
20.2	14.9	–	15.0	31.6	259.0	108.8	9.8	118.6
(0.1)	–	(0.1)	(0.1)	(3.8)	(4.2)	(0.3)	(1.7)	(2.0)
20.1	14.9	(0.1)	14.9	27.8	254.8	108.5	8.1	116.6
–	–	–	–	(1.7)	(1.7)	–	(0.8)	(0.8)
(10.4)	2.0	–	43.6	51.3	292.9	122.1	10.4	132.5
9.7	16.9	(0.1)	58.5	77.4	546.0	230.6	17.7	248.3
–	–	–	4.0	(4.6)	(0.6)	1.0	(2.2)	(1.2)
–	–	–	–	4.4	4.4	–	2.1	2.1
–	–	9.2	(7.8)	(4.0)	(3.9)	2.1	(1.9)	0.2
–	–	9.2	(3.8)	(4.2)	(0.1)	3.1	(2.0)	1.1
9.7	16.9	9.1	54.7	73.2	545.9	233.7	15.7	249.4
–	–	–	0.1	(0.3)	(0.2)	–	(0.1)	(0.1)
–	–	–	–	(5.4)	(5.4)	–	(2.5)	(2.5)
9.7	16.9	9.1	54.8	67.5	540.3			
4.8	8.4	4.5	13.7	27.6	246.8	233.7	13.1	246.8
–	–	–	–	8.1	50.8			

Silverburn £m	Centrale/Whitgift £m	Irish portfolio £m	O'Parinor £m	Other £m	Total 2015 £m	Hammerson share Property joint ventures £m	Hammerson share VIA Outlets £m	Hammerson share Total 2015 £m
372.0	291.2	–	385.2	638.5	5,701.7	2,455.1	148.6	2,603.7
–	–	–	–	–	–	–	3.0	3.0
–	–	–	–	–	18.8	9.4	–	9.4
372.0	291.2	–	385.2	638.5	5,720.5	2,464.5	151.6	2,616.1
6.2	4.7	1,369.4	8.6	12.0	1,442.1	726.8	3.8	730.6
10.4	13.6	2.9	2.6	21.2	84.3	32.4	7.9	40.3
16.6	18.3	1,372.3	11.2	33.2	1,526.4	759.2	11.7	770.9
(9.2)	(24.9)	(0.1)	(5.2)	(19.5)	(365.7)	(67.2)	(7.7)	(74.9)
–	–	–	(161.0)	–	(161.0)	(40.2)	–	(40.2)
(9.2)	(24.9)	(0.1)	(166.2)	(19.5)	(526.7)	(107.4)	(7.7)	(115.1)
–	–	–	–	(72.9)	(72.9)	–	(34.2)	(34.2)
–	–	–	–	–	(18.8)	(9.4)	–	(9.4)
(194.8)	(223.2)	(1,365.6)	(33.0)	(162.0)	(2,579.3)	(4.1)	(4.3)	(8.4)
–	–	–	–	(13.5)	(13.6)	–	(6.3)	(6.3)
(194.8)	(223.2)	(1,365.6)	(33.0)	(248.4)	(2,684.6)	(13.5)	(44.8)	(58.3)
184.6	61.4	6.6	197.2	403.8	4,035.6			
92.3	30.7	3.3	49.3	164.1	1,840.0			
97.4	111.6	690.2	6.6	53.8	1,373.6			
189.7	142.3	693.5	55.9	217.9	3,213.6	3,102.8	110.8	3,213.6

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12: Investment in joint ventures (continued)

B. Reconciliation to adjusted earnings

	Property joint ventures £m	VIA Outlets £m	Total 2016 £m	Property joint ventures £m	VIA Outlets £m	Total 2015 £m
Profit for the year	**148.5**	**20.7**	**169.2**	233.7	13.1	246.8
Loss on sale of properties	**–**	**0.1**	**0.1**	–	0.8	0.8
Revaluation gains on properties	**(10.7)**	**(18.4)**	**(29.1)**	(122.1)	(10.4)	(132.5)
Change in fair value of derivatives	**(0.8)**	**(0.7)**	**(1.5)**	(1.0)	2.2	1.2
Translation movements on intragroup funding loan	**–**	**(0.2)**	**(0.2)**	–	(2.1)	(2.1)
Deferred tax charge	**–**	**4.7**	**4.7**	–	2.5	2.5
Total adjustments	**(11.5)**	**(14.5)**	**(26.0)**	(123.1)	(7.0)	(130.1)
Adjusted earnings of joint ventures	**137.0**	**6.2**	**143.2**	110.6	6.1	116.7

C. Reconciliation to adjusted investment in joint ventures

	Property joint ventures £m	VIA Outlets £m	Total 2016 £m	Property joint ventures £m	VIA Outlets £m	Total 2015 £m
Investment in joint ventures	**3,514.7**	**222.0**	**3,736.7**	3,102.8	110.8	3,213.6
Fair value of derivatives	**–**	**3.5**	**3.5**	0.9	3.5	4.4
Deferred tax	**–**	**19.5**	**19.5**	–	6.3	6.3
Goodwill as a result of deferred tax	**–**	**(3.5)**	**(3.5)**	–	(3.0)	(3.0)
Total adjustments	**–**	**19.5**	**19.5**	0.9	6.8	7.7
Adjusted investment in joint ventures	**3,514.7**	**241.5**	**3,756.2**	3,103.7	117.6	3,221.3

D. Reconciliation of movements in investment in joint ventures

	2016 £m	2015 £m
Balance at 1 January	**3,213.6**	2,341.5
Acquisitions[1]	**–**	690.2
Irish loan portfolio transferred to Reported Group[2]	**(82.8)**	–
Advances on conversion of Irish loan portfolio to property assets[3]	**91.9**	–
Transfer of investment property from/(to) Reported Group[4]	**221.7**	(11.0)
Share of results of joint ventures	**169.2**	246.8
Distributions and other receivables	**(89.6)**	(92.0)
Advances	**63.1**	45.4
Other movements	**4.6**	1.6
Foreign exchange translation differences	**145.0**	(8.9)
Balance at 31 December	**3,736.7**	3,213.6

1. In October 2015, the Group acquired an interest in a loan portfolio secured on retail properties located in Dublin, Ireland in a 50% joint venture for £690.2 million. The Irish loan portfolio held by the joint venture consisted primarily of interest-bearing loans which at 31 December 2015 were included within other current assets in note 12A on page 155. The majority of these loans were converted into property assets in 2016. It is anticipated that the remaining loans of £54.1 million, which are included within other current assets in note 12A on page 153, will be converted to property assets in 2017.
2. In 2016, the element of the loan portfolio relating to the Ilac Centre, Dublin Central and the Irish development sites was transferred to the Reported Group prior to conversion to property assets. These properties are included within asset acquisitions in note 11 on page 150. The Reported Group has a 50% interest in the Ilac Centre which is held within a joint operation and proportionally consolidated, the other assets are wholly owned by the Reported Group.
3. Further advances were made by the Reported Group to the Irish joint venture in 2016 to fund the conversion of the loan portfolio relating to Dundrum Town Centre, which is now owned by Dundrum Retail Limited Partnership and Dundrum Car Park Limited Partnership.
4. In 2016, the Group sold 50% stakes in Grand Central, Birmingham and Westquay Watermark, Southampton for £175 million and £47 million respectively. The total is shown separately in note 11 on page 150 as a transfer to investment in joint ventures.

13: Investment in associates

At 31 December 2016, the Group had two associates: Value Retail PLC and its group entities ("VR") and a 10% interest in Nicetoile, which was acquired in January 2015 and where Hammerson is the asset manager. Both investments are equity accounted under IFRS, although the share of results in Nicetoile is included with the Group's share of Property interests when presenting figures on a proportionally consolidated basis.

Aggregated income and investment summaries of our interest in premium outlets, which includes VR and Hammerson's investment in VIA Outlets, which is accounted for as a joint venture (see note 11), are provided in tables 104 and 105 of the Additional Disclosures on page 184.

A: Share of results of associates

	2016						2015	
	VR		Nicetoile		Total		Total	
	100% £m	Hammerson share £m	100% £m	Hammerson share £m	100% £m	Hammerson share £m	100% £m	Hammerson share £m
Gross rental income	**295.7**	**84.6**	**14.8**	**1.5**	**310.5**	**86.1**	248.9	74.0
Net rental income	**201.4**	**56.5**	**13.2**	**1.3**	**214.6**	**57.8**	188.8	56.8
Administration and other expenses	**(90.1)**	**(22.4)**	**–**	**–**	**(90.1)**	**(22.4)**	(99.4)	(27.4)
Operating profit before other net gains	**111.3**	**34.1**	**13.2**	**1.3**	**124.5**	**35.4**	89.4	29.4
Revaluation gains on properties	**349.6**	**120.0**	**6.4**	**0.6**	**356.0**	**120.6**	536.9	164.0
Operating profit	**460.9**	**154.1**	**19.6**	**1.9**	**480.5**	**156.0**	626.3	193.4
Net finance costs	**(49.5)**	**(12.3)**	**–**	**–**	**(49.5)**	**(12.3)**	(35.0)	(13.1)
Change in fair value of derivatives	**(61.5)**	**(15.2)**	**–**	**–**	**(61.5)**	**(15.2)**	(34.3)	(7.5)
Change in fair value of participative loans – revaluation movement	**–**	**16.6**	**–**	**–**	**–**	**16.6**	–	12.6
Change in fair value of participative loans – other movement	**–**	**4.7**	**–**	**–**	**–**	**4.7**	–	2.6
Profit before tax	**349.9**	**147.9**	**19.6**	**1.9**	**369.5**	**149.8**	557.0	188.0
Current tax charge	**(13.7)**	**(3.1)**	**–**	**–**	**(13.7)**	**(3.1)**	(10.3)	(2.3)
Deferred tax charge	**(36.7)**	**(9.6)**	**–**	**–**	**(36.7)**	**(9.6)**	(106.3)	(25.1)
Profit for the year	**299.5**	**135.2**	**19.6**	**1.9**	**319.1**	**137.1**	440.4	160.6

B: Reconciliation to adjusted earnings

	2016						2015	
	VR		Nicetoile		Total		Total	
	100% £m	Hammerson share £m	100% £m	Hammerson share £m	100% £m	Hammerson share £m	100% £m	Hammerson share £m
Profit for the year	**299.5**	**135.2**	**19.6**	**1.9**	**319.1**	**137.1**	440.4	160.6
Revaluation gains on properties	**(349.6)**	**(120.0)**	**(6.4)**	**(0.6)**	**(356.0)**	**(120.6)**	(536.9)	(164.0)
Change in fair value of derivatives	**61.5**	**15.2**	**–**	**–**	**61.5**	**15.2**	34.3	7.5
Change in fair value of participative loans – revaluation movement	**–**	**(16.6)**	**–**	**–**	**–**	**(16.6)**	–	(12.6)
Loan facility costs written off	**2.0**	**0.2**	**–**	**–**	**2.0**	**0.2**	3.7	1.5
Deferred tax charge	**36.7**	**9.6**	**–**	**–**	**36.7**	**9.6**	106.3	25.1
Total adjustments	**(249.4)**	**(111.6)**	**(6.4)**	**(0.6)**	**(255.8)**	**(112.2)**	(392.6)	(142.5)
Adjusted earnings of associates	**50.1**	**23.6**	**13.2**	**1.3**	**63.3**	**24.9**	47.8	18.1

When aggregated, the Group's share of VR's adjusted earnings for the year ended 31 December 2016 amounted to 47.1% (2015: 46.3%).

13: Investment in associates (continued)

C: Share of assets and liabilities of associates

	VR 100% £m	VR Hammerson share £m	Nicetoile 100% £m	Nicetoile Hammerson share £m	2016 Total 100% £m	2016 Total Hammerson share £m	2015 Total 100% £m	2015 Total Hammerson share £m
Goodwill on acquisition	–	**77.0**	–	–	–	**77.0**	–	65.4
Investment properties	**4,095.9**	**1,387.3**	**277.3**	**27.7**	**4,373.2**	**1,415.0**	3,566.1	1,118.3
Other non-current assets	**182.0**	**44.2**	–	–	**182.0**	**44.2**	134.7	30.3
Non-current assets	**4,277.9**	**1,508.5**	**277.3**	**27.7**	**4,555.2**	**1,536.2**	3,700.8	1,214.0
Other current assets	**52.6**	**16.7**	**3.8**	**0.4**	**56.4**	**17.1**	187.5	12.7
Cash and deposits	**169.4**	**53.0**	**13.6**	**1.4**	**183.0**	**54.4**	193.6	53.5
Current assets	**222.0**	**69.7**	**17.4**	**1.8**	**239.4**	**71.5**	381.1	66.2
Total assets	**4,499.9**	**1,578.2**	**294.7**	**29.5**	**4,794.6**	**1,607.7**	4,081.9	1,280.2
Current liabilities	**(74.3)**	**(44.3)**	**(2.1)**	**(0.2)**	**(76.4)**	**(44.5)**	(132.7)	(52.9)
Borrowings	**(1,382.6)**	**(465.3)**	–	–	**(1,382.6)**	**(465.3)**	(1,092.6)	(339.5)
Other liabilities	**(305.5)**	**(82.3)**	**(2.4)**	**(0.3)**	**(307.9)**	**(82.6)**	(400.3)	(92.8)
Deferred tax	**(545.6)**	**(140.9)**	–	–	**(545.6)**	**(140.9)**	(438.8)	(107.3)
Non-current liabilities	**(2,233.7)**	**(688.5)**	**(2.4)**	**(0.3)**	**(2,236.1)**	**(688.8)**	(1,931.7)	(539.6)
Total liabilities	**(2,308.0)**	**(732.8)**	**(4.5)**	**(0.5)**	**(2,312.5)**	**(733.3)**	(2,064.4)	(592.5)
Net assets	**2,191.9**	**845.4**	**290.2**	**29.0**	**2,482.1**	**874.4**	2,017.5	687.7
Participative loans[1]		**113.7**		–		**113.7**		80.3
Investment in associates		**959.1**		**29.0**		**988.1**		768.0

1. The Group's total investment in associates includes long-term debt which in substance forms part of the Group's investment. These 'participative loans' are not repayable in the foreseeable future and represent the Group's investor share of La Roca Village and Las Rozas Village.

The analysis in the table above excludes liabilities in respect of distributions received in advance from VR amounting to £18.9 million (2015: £19.0 million) which are included within non-current liabilities in note 22.

At 31 December 2016, Hammerson's investment in VR, excluding goodwill, as a proportion of VR's net assets was 40.2% (2015: 38.2%).

D: Reconciliation to adjusted investment in associates

	VR £m	Nicetoile £m	2016 £m	2015 £m
Investment in associates	**959.1**	**29.0**	**988.1**	768.0
Fair value of derivatives	**(0.3)**	–	**(0.3)**	(0.4)
Deferred tax	**140.9**	–	**140.9**	107.3
Goodwill as a result of deferred tax	**(53.5)**	–	**(53.5)**	(47.0)
EPRA adjustments	**87.1**	–	**87.1**	59.9
Adjusted investment in associates	**1,046.2**	**29.0**	**1,075.2**	827.9

E: Reconciliation of movements in investment in associates

	VR £m	Nicetoile £m	2016 £m	2015 £m
Balance at 1 January	**743.8**	**24.2**	**768.0**	628.8
Acquisitions	**40.8**	–	**40.8**	36.6
Share of results of associates	**135.2**	**1.9**	**137.1**	160.6
Distributions	**(17.0)**	–	**(17.0)**	(44.5)
Revaluation movement on participative loan	**(0.3)**	–	**(0.3)**	(1.0)
Foreign exchange translation differences	**56.6**	**2.9**	**59.5**	(12.5)
Balance at 31 December	**959.1**	**29.0**	**988.1**	768.0

14: Receivables: non-current assets

	2016 £m	2015 £m
Loans receivable	**21.6**	76.4
Other receivables	**4.0**	1.9
Fair value of interest rate swaps	**19.3**	13.8
	44.9	92.1

All loans receivable are classified as available for sale and held at fair value and are analysed below:

	2016 £m	2015 £m
Value Retail European Holdings BV: €2.0 million (2015: €2.0 million) maturing 30 November 2043	**1.7**	1.4
VR Dublin Limited and Kildare Retail Services Limited: €nil (2015: €22.4 million)	–	16.5
Value Retail European Holdings BV: €nil (2015: €56.0 million)	–	41.3
VR Milan S.R.L.: €23.3 million (2015: €23.3 million) maturing 13 December 2018	**19.9**	17.2
	21.6	76.4

15: Receivables: current assets

	2016 £m	2015 £m
Trade receivables	**52.4**	46.7
Other receivables	**50.0**	37.6
Corporation tax	**0.6**	–
Prepayments	**2.9**	3.7
Fair value of currency swaps	–	30.0
	105.9	118.0

Trade receivables are shown after deducting a provision for bad and doubtful debts of £17.0 million (2015: £11.8 million), as set out in the table below. The movement in the provision during the year was recognised entirely in income. The level of provision required is determined after taking account of rent deposits and personal or corporate guarantees held. Credit risk is discussed further in note 20F.

	2016 Gross receivable £m	2016 Provision £m	2016 Net receivable £m	2015 Gross receivable £m	2015 Provision £m	2015 Net receivable £m
Not yet due	**28.5**	–	**28.5**	24.8	–	24.8
1-30 days overdue	**5.8**	**0.4**	**5.4**	7.4	0.1	7.3
31-60 days overdue	**2.7**	**0.1**	**2.6**	2.2	–	2.2
61-90 days overdue	–	–	–	0.8	–	0.8
91-120 days overdue	**3.7**	**0.4**	**3.3**	2.5	0.2	2.3
More than 120 days overdue	**28.7**	**16.1**	**12.6**	20.8	11.5	9.3
	69.4	**17.0**	**52.4**	58.5	11.8	46.7

16: Restricted monetary assets

	2016 £m	2015 £m
Cash held on behalf of third parties	**35.1**	34.0

The Group and its managing agents hold cash on behalf of its tenants and co-owners to meet future service charge costs and related expenditure. The cash has restricted use and, as such, does not meet the definition of cash and cash equivalents as defined in IAS 7 'Statement of Cash Flows'.

17: Cash and deposits

	2016 £m	2015 £m
Cash at bank	**74.1**	36.9
Short-term deposits	**0.2**	0.1
	74.3	37.0
Currency profile		
Sterling	**48.0**	14.4
Euro	**26.3**	22.6
	74.3	37.0

18: Payables: current liabilities

	2016 £m	2015 £m
Trade payables	**33.9**	23.9
Other payables	**178.5**	153.8
Accruals	**66.6**	31.6
Deferred income	**24.8**	26.2
	303.8	235.5

19: Borrowings

A: Maturity

	Bank loans and overdrafts £m	Other borrowings £m	Total 2016 £m	Bank loans and overdrafts £m	Other borrowings £m	Total 2015 £m
After five years	**–**	**1,928.1**	**1,928.1**	–	1,478.2	1,478.2
From two to five years	**503.9**	**803.7**	**1,307.6**	245.1	614.7	859.8
From one to two years	**49.5**	**–**	**49.5**	690.1	–	690.1
Due after more than one year	**553.4**	**2,731.8**	**3,285.2**	935.2	2,092.9	3,028.1
Due within one year	**246.6**	**(35.5)**	**211.1**	–	–	–
	800.0	**2,696.3**	**3,496.3**	935.2	2,092.9	3,028.1
Current assets: Fair value of currency swaps	**–**	**–**	**–**	–	(30.0)	(30.0)
	800.0	**2,696.3**	**3,496.3**	935.2	2,062.9	2,998.1

At 31 December 2016 and 2015 no borrowings due after five years were repayable by instalments. At 31 December 2016, the fair value of currency swaps was a liability of £2.7 million (2015: £42.8 million asset) of which £nil (2015: £30.0 million) was included in current receivables (see note 15).

B: Analysis

	2016 £m	2015 £m
Unsecured		
£200 million 7.25% sterling bonds due 2028	**198.2**	198.1
£300 million 6% sterling bonds due 2026	**297.8**	297.6
£350 million 3.5% sterling bonds due 2025	**345.3**	345.0
€500 million 1.75% euro bonds due 2023	**424.3**	–
€500 million 2% euro bonds due 2022	**423.2**	364.6
£250 million 6.875% sterling bonds due 2020	**248.9**	248.6
€500 million 2.75% euro bonds due 2019	**425.1**	366.1
Bank loans and overdrafts	**800.0**	935.2
Senior notes due 2026[1]	**25.6**	22.0
Senior notes due 2024[1]	**153.4**	135.6
Senior notes due 2021[1]	**151.8**	128.1
	3,493.6	3,040.9
Fair value of currency swaps	**2.7**	(42.8)
	3,496.3	2,998.1

1. The currency denomination of senior notes is analysed in note 20G.

C: Undrawn committed facilities

	2016 £m	2015 £m
Expiry		
Within two to five years	**327.0**	342.0
Within one to two years	**125.0**	518.5
Within one year	**9.2**	–
	461.2	860.5

D: Interest rate and currency profile

	Fixed rate borrowings			Floating rate borrowings	2016 Total
	%	Years	£m	£m	£m
Sterling	**6.3**	**10**	**565.7**	**109.0**	**674.7**
Euro	**2.4**	**6**	**1,916.9**	**913.4**	**2,830.3**
US Dollar	**–**	**–**	**–**	**(8.7)**	**(8.7)**
	3.3	**7**	**2,482.6**	**1,013.7**	**3,496.3**

	Fixed rate borrowings			Floating rate borrowings	2015 Total
	%	Years	£m	£m	£m
Sterling	6.3	11	552.0	(115.7)	436.3
Euro	2.6	7	1,286.7	1,282.1	2,568.8
US Dollar	–	–	–	(7.0)	(7.0)
	3.7	8	1,838.7	1,159.4	2,998.1

The analysis above reflects the effect of currency and interest rate swaps in place at 31 December 2016 and 2015, further details of which are set out in note 20. The interest rates shown are the weighted average for fixed rate borrowings. Floating rate borrowings bear interest based on LIBOR, with the exception of certain euro borrowings whose interest costs are linked to EURIBOR.

Financing activities during the year are detailed in the Financial Review on pages 51 and 52.

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 Treasury risks is set out in the Risks and Uncertainties section of the Strategic Report on page 57. 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 which the Group 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 manage the interest rate basis of the Group's debt, allowing changes from fixed to floating rates or vice versa. Clear guidelines exist for the Group's ratio of fixed to floating rate debt and management regularly reviews the interest rate profile against these guidelines.

At 31 December 2016, the Group had interest rate swaps of £250.0 million (2015: £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 2016, the fair value of interest rate swaps was an asset of £19.3 million (2015: £13.8 million). 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 euro-denominated assets with euro borrowings. The Group borrows in euro 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 euro.

20: Financial instruments and risk management (continued)

C: Foreign currency management (continued)

To manage the foreign currency exposure on its net investments in euro-denominated entities, the Group has designated all euro borrowings, including euro-denominated bonds, senior notes, bank loans and currency swaps, as net investment hedges. This designation allows exchange differences on hedging instruments to be recognised directly in equity and offset against the exchange differences on net investments in euro-denominated entities also recognised in equity. The notional and carrying amount of these euro-denominated liabilities is shown below.

2016	**Bonds[3] £m**	**Senior notes £m**	**Bank loans £m**	**Cross currency swaps £m**	**Foreign exchange swaps £m**	**Total 2016 £m**
Euro notional[1] (note 19D)	**1,272.6**	**51.2**	**–**	**593.2**	**913.3**	**2,830.3**
Carrying amount[2] (note 20G)	**1,272.6**	**51.2**	**–**	**38.2**	**(35.5)**	**1,326.5**

2015	Bonds[3] £m	Senior notes £m	Bank loans £m	Cross currency swaps £m	Foreign exchange swaps £m	Total 2015 £m
Euro notional[1] (note 19D)	730.7	44.2	690.5	986.8	116.6	2,568.8
Carrying amount[2] (note 20G)	730.7	44.2	690.5	(43.0)	0.2	1,422.6

Notes

1. The euro notional is the amount due at maturity without netting any receivable of different currency under the same instrument.
2. The carrying amount is the book value at which euro-denominated financial instruments are recognised within borrowings.
3. The fair value of euro-denominated bonds at 31 December 2016 was £1,327.8 million (2015: £767.6 million).

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 page 51.

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 trade receivables, restricted monetary assets, cash and deposits, balances due from joint ventures, other investments, loans receivable, participative loans to associates and derivative financial instruments. The Group's credit risk is attributable to its trade receivables, restricted monetary assets, cash and deposits and derivative financial instruments. The credit risk on balances due from joint ventures, other investments, loans receivable and participative loans is limited as they are supported by investment properties held within the joint ventures and associates.

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. 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. Trade receivables are presented net of allowances for doubtful receivables and allowances for impairment are made where appropriate, as set out in note 15. The Group's most significant tenants are set out in table 98 of the Additional Disclosures on page 181.

The credit risk on cash and 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. The credit risk on restricted monetary assets, being cash held by the Group and its managing agents on behalf of third parties, is similarly considered low. At 31 December 2016, the Group's maximum exposure to credit risk was £316.4 million (2015: £335.8 million) which excludes those balances supported by investment properties.

G: Financial maturity analysis

The following table is a maturity analysis for income-earning financial assets and interest-bearing financial liabilities. Borrowings are stated net of unamortised fees.

					2016 Maturity
	Less than one year £m	One to two years £m	Two to five years £m	More than five years £m	Total £m
Cash and deposits (note 17)	**(74.3)**	–	–	–	**(74.3)**
Unsecured sterling fixed rate bonds	–	–	**248.9**	**841.3**	**1,090.2**
Unsecured euro fixed rate bonds	–	–	**425.1**	**847.5**	**1,272.6**
Senior notes					
– Sterling	–	–	–	**45.0**	**45.0**
– Euro	–	–	**19.2**	**32.0**	**51.2**
– US Dollar	–	–	**132.6**	**102.0**	**234.6**
Interest rate swaps (floating)	–	–	**250.0**	–	**250.0**
Interest rate swaps (fixed)	–	–	**(250.0)**	–	**(250.0)**
Unsecured bank loans and overdrafts	**246.6**	**49.5**	**503.9**	–	**800.0**
Fair value of cross currency swaps	–	–	**(22.1)**	**60.3**	**38.2**
Fair value of foreign exchange swaps	**(35.5)**	–	–	–	**(35.5)**
Net debt	**136.8**	**49.5**	**1,307.6**	**1,928.1**	**3,422.0**
Loans receivable (note 14)	–	**(19.9)**	–	**(1.7)**	**(21.6)**
	136.8	**29.6**	**1,307.6**	**1,926.4**	**3,400.4**

					2015 Maturity
	Less than one year £m	One to two years £m	Two to five years £m	More than five years £m	Total £m
Cash and deposits (note 17)	(37.0)	–	–	–	(37.0)
Unsecured sterling fixed rate bonds	–	–	248.6	840.7	1,089.3
Unsecured euro fixed rate bonds	–	–	366.1	364.6	730.7
Senior notes					
– Sterling	–	–	–	45.0	45.0
– Euro	–	–	–	44.2	44.2
– US Dollar	–	–	–	196.5	196.5
Interest rate swaps (floating)	–	–	250.0	–	250.0
Interest rate swaps (fixed)	–	–	(250.0)	–	(250.0)
Unsecured bank loans and overdrafts	–	690.1	245.1	–	935.2
Fair value of cross currency swaps	(30.2)	–	–	(12.8)	(43.0)
Fair value of foreign exchange swaps	0.2	–	–	–	0.2
Net debt	(67.0)	690.1	859.8	1,478.2	2,961.1
Loans receivable (note 14)	–	(17.2)	(59.2)	–	(76.4)
	(67.0)	672.9	800.6	1,478.2	2,884.7

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. Changes in foreign exchange and interest rates may have an impact on consolidated earnings over the longer term. The tables below provide indicative sensitivity data.

	2016		2015	
Effect on profit before tax:	Increase in interest rates by 1% £m	Decrease in interest rates by 1% £m	Increase in interest rates by 1% £m	Decrease in interest rates by 1% £m
(Decrease)/Increase	**(17.6)**	**17.4**	(20.5)	20.9

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 floating rate borrowings, net of interest rate swaps, at the year end.

20: Financial instruments and risk management (continued)

H: Sensitivity analysis (continued)

Effect on financial instruments:	2016 Strengthening of sterling against euro by 10% £m	2016 Weakening of sterling against euro by 10% £m	2015 Strengthening of sterling against euro by 10% £m	2015 Weakening of sterling against euro by 10% £m
Increase/(Decrease) in net gain taken to equity	**273.8**	**(334.6)**	330.8	(409.3)

These effects would be more than offset by the effect of exchange rate changes on the euro-denominated net assets included in the Group's financial statements.

In relation to financial instruments alone, there would have been no impact on the Group's profit before tax. This has been calculated by retranslating the year end euro-denominated financial instruments at the year end foreign exchange rate changed by 10%. Forward foreign exchange contracts have been included in this estimate.

I: Fair values of financial instruments

The fair values of borrowings, currency and interest rate swaps, together with their book value included in the balance sheet, are as follows:

	2016 Book value £m	2016 Fair value £m	2015 Book value £m	2015 Fair value £m
Borrowings, excluding currency swaps	**3,493.6**	**3,809.7**	3,040.9	3,266.3
Currency swaps	**2.7**	**2.7**	(42.8)	(42.8)
Total	**3,496.3**	**3,812.4**	2,998.1	3,223.5
Interest rate swaps	**(19.3)**	**(19.3)**	(13.8)	(13.8)

At 31 December 2016, the fair value of financial instruments exceeded their book value by £316.1 million (2015: £225.4 million).

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 14 and 15. 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, which are analysed further in note 20J.

Available for sale loans and investments	2016 £m	2015 £m
Balance at 1 January	**161.5**	136.1
Total gains/(losses)		
– in income	**37.2**	16.5
– in other comprehensive income	**13.4**	(4.4)
Other movements		
– acquisition of other investments	**1.9**	4.8
– settlement of interest	**(4.2)**	(5.3)
– loan (repayment)/issue	**(65.2)**	15.5
– sale of other investments	**(8.0)**	–
Net movements in participative loans to associates recognised as available for sale	**(1.3)**	(1.7)
Balance at 31 December	**135.3**	161.5

J: Carrying amounts, gains and losses of financial instruments

	Notes	2016 Carrying amount £m	2016 Gain/(Loss) to income £m	2016 Gain/(Loss) to equity £m	2015 Carrying amount £m	2015 Gain/(Loss) to income £m	2015 Gain/(Loss) to equity £m
Trade receivables	15	**52.4**	**(5.2)**	**–**	46.7	(0.2)	–
Restricted monetary assets	16	**35.1**	**–**	**–**	34.0	–	–
Cash and deposits	17	**74.3**	**0.1**	**–**	37.0	0.1	–
Cash and receivables		**161.8**	**(5.1)**	**–**	117.7	(0.1)	–
Other investments		**–**	**1.3**	**–**	4.8	(1.4)	–
Loans receivable	14	**21.6**	**14.6**	**–**	76.4	2.7	–
Participative loans to associates	13C	**113.7**	**21.3**	**13.4**	80.3	15.2	(4.4)
Available for sale investments and loans		**135.3**	**37.2**	**13.4**	161.5	16.5	(4.4)
Interest rate swaps	14	**19.3**	**8.5**	**–**	13.8	2.0	–
Assets at fair value (held for trading)		**19.3**	**8.5**	**–**	13.8	2.0	–
Currency swaps	19B	**(2.7)**	**7.8**	**(132.0)**	42.8	10.3	54.6
Derivatives in effective hedging relationships		**(2.7)**	**7.8**	**(132.0)**	42.8	10.3	54.6
Balances due from joint ventures	12A	**688.3**	**–**	**–**	1,373.6	–	–
Other loans and receivables		**688.3**	**–**	**–**	1,373.6	–	–
Payables	18, 22	**(375.0)**	**–**	**–**	(285.0)	–	–
Borrowings, excluding currency swaps	19B	**(3,493.6)**	**(146.6)**	**(305.3)**	(3,040.9)	(119.8)	27.3
Obligations under finance leases	21	**(37.5)**	**(2.2)**	**–**	(32.5)	(1.8)	–
Liabilities at amortised cost		**(3,906.1)**	**(148.8)**	**(305.3)**	(3,358.4)	(121.6)	27.3
Total for financial instruments		**(2,904.1)**	**(100.4)**	**(423.9)**	(1,649.0)	(92.9)	77.5

The table below reconciles the net gain or loss taken through income to net finance costs:

		Notes	2016 £m	2015 £m
Total loss on financial instruments to income			**(100.4)**	(92.9)
Add back:	Trade receivables loss		**5.2**	0.2
	Interest capitalised	7	**5.1**	5.3
	(Gain)/Loss on other investments	2	**(1.3)**	1.4
Deduct:	Change in participative loans to associates shown in share of results of associates		**(21.3)**	(15.2)
Net finance costs		7	**(112.7)**	(101.2)

Financial instruments classified as held for trading are hedging instruments that are not designated for hedge accounting. No financial instruments were designated as at fair value through income on initial recognition, nor classified as held to maturity.

The total of the equity losses in relation to currency swaps of £132.0 million and borrowings of £305.3 million is £437.3 million and is shown as a movement in the hedging reserve in the Consolidated Statement of Changes in Equity on page 133. In 2015, the total of the equity gains of £54.6 million in relation to currency swaps and £27.3 million for borrowings was £81.9 million and is shown as a movement in the hedging reserve on page 134. The movements in the hedging reserve are offset by foreign exchange translation gains of £524.5 million (2015: £103.9 million losses) which arise from the retranslation of the net investment in foreign operations. These are shown in the Consolidated Statement of Changes in Equity as a movement in the translation reserve on pages 133 and 134.

20: Financial instruments and risk management (continued)

K: Maturity analysis of financial liabilities

The remaining contractual non-discounted cash flows for financial liabilities are as follows:

2016	Payables £m	Derivative financial liability cash flows £m	Non-derivative financial liability cash flows £m	Finance leases £m	Total 2016 £m
Notes			20L	21	
After 25 years	–	–	–	**85.1**	**85.1**
From five to 25 years	**31.4**	**(25.8)**	**2,172.9**	**43.0**	**2,221.5**
From two to five years	**5.6**	**(45.1)**	**1,631.7**	**6.5**	**1,598.7**
From one to two years	**5.2**	**(5.9)**	**162.2**	**2.2**	**163.7**
Due after more than one year	**42.2**	**(76.8)**	**3,966.8**	**136.8**	**4,069.0**
Due within one year	**279.0**	**(5.9)**	**361.6**	**2.2**	**636.9**
	321.2	**(82.7)**	**4,328.4**	**139.0**	**4,705.9**

2015	Payables £m	Derivative financial liability cash flows £m	Non-derivative financial liability cash flows £m	Finance leases £m	Total 2015 £m
Notes			20L	21	
After 25 years	–	–	–	72.5	72.5
From five to 25 years	31.4	(58.5)	1,802.5	38.8	1,814.2
From two to five years	1.9	(19.5)	1,129.4	5.8	1,117.6
From one to two years	5.0	(6.5)	789.7	1.9	790.1
Due after more than one year	38.3	(84.5)	3,721.6	119.0	3,794.4
Due within one year	209.5	(36.5)	102.5	1.9	277.4
	247.8	(121.0)	3,824.1	120.9	4,071.8

L: Reconciliation of maturity analyses in notes 19A and 20K

The maturity analysis in note 20K shows contractual non-discounted cash flows for financial liabilities. The following table reconciles the total borrowings column in note 19A with the financial maturity analysis in note 20K.

2016	Borrowings £m	Derivative borrowings £m	Non-derivative borrowings £m	Non-derivative unamortised borrowing costs £m	Non-derivative interest £m	Non-derivative financial liability cash flows £m
Notes	19A					20K
From five to 25 years	**1,928.1**	**(60.3)**	**1,867.8**	**15.2**	**289.9**	**2,172.9**
From two to five years	**1,307.6**	**22.1**	**1,329.7**	**8.0**	**294.0**	**1,631.7**
From one to two years	**49.5**	–	**49.5**	**0.4**	**112.3**	**162.2**
Due after more than one year	**3,285.2**	**(38.2)**	**3,247.0**	**23.6**	**696.2**	**3,966.8**
Due within one year	**211.1**	**35.5**	**246.6**	**0.4**	**114.6**	**361.6**
	3,496.3	**(2.7)**	**3,493.6**	**24.0**	**810.8**	**4,328.4**

2015	Borrowings £m	Derivative borrowings £m	Non-derivative borrowings £m	Non-derivative unamortised borrowing costs £m	Non-derivative interest £m	Non-derivative financial liability cash flows £m
Notes	19A					20K
From five to 25 years	1,478.2	12.8	1,491.0	14.2	297.3	1,802.5
From two to five years	859.8	–	859.8	6.6	263.0	1,129.4
From one to two years	690.1	–	690.1	1.1	98.5	789.7
Due after more than one year	3,028.1	12.8	3,040.9	21.9	658.8	3,721.6
Due within one year	(30.0)	30.0	–	–	102.5	102.5
	2,998.1	42.8	3,040.9	21.9	761.3	3,824.1

M: Capital structure

The Group's financing policy is to optimise the weighted average cost of capital by using an appropriate mix of debt and equity, the latter in the form of share capital. Further information on debt is provided in the Financial Review on pages 51 and 52 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 pages 133 and 134.

21: Obligations under finance leases

Finance lease obligations in respect of rents payable on leasehold properties are payable as follows:

	2016			2015		
	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	**85.1**	**(51.7)**	**33.4**	72.5	(43.3)	29.2
From five to 25 years	**43.0**	**(39.4)**	**3.6**	38.8	(35.9)	2.9
From two to five years	**6.5**	**(6.2)**	**0.3**	5.8	(5.6)	0.2
From one to two years	**2.2**	**(2.1)**	**0.1**	1.9	(1.8)	0.1
Within one year	**2.2**	**(2.1)**	**0.1**	1.9	(1.8)	0.1
	139.0	**(101.5)**	**37.5**	120.9	(88.4)	32.5

22: Payables: non-current liabilities

	2016 £m	2015 £m
Net pension liability (note 6C)	**53.8**	37.2
Other payables	**42.2**	38.5
	96.0	75.7

23: Share capital

	Called up, allotted and fully paid	
	2016 £m	2015 £m
Ordinary shares of 25p each	**198.3**	196.1

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 2016	784,431,255
New share issue – transferred to investment in own shares	1,000,000
New share issue – settlement of scrip dividends	7,698,192
Share options exercised – Savings-Related Share Option Scheme	59,004
Number of shares in issue at 31 December 2016	**793,188,451**

23: Share capital (continued)

Share options

At 31 December 2016, the Company had three share option schemes in operation. The number and weighted average exercise price of share options which remain outstanding in respect of the Executive Share Option Scheme and Savings-Related Share Option Scheme are shown in the tables below, together with details of expiry periods and range of exercise price. The number of ordinary shares which remain outstanding in respect of the Restricted Share Plan and Long-Term Incentive Plan are shown, together with their year of grant.

2016	Share options				Ordinary shares of 25p each	
	Number	Year of expiry	Weighted average exercise price	Exercise price (pence)	Number	Year of grant
Savings-Related Share Option Scheme	**260,450**	**2017-2021**	**£4.39**	**312.2-540.4**	–	–
Restricted Share Plan	–	–	–	–	**667,371**	**2014-2016**
Long-Term Incentive Plan	–	–	–	–	**2,456,928**	**2012-2016**

2015	Share options				Ordinary shares of 25p each	
	Number	Year of expiry	Weighted average exercise price	Exercise price (pence)	Number	Year of grant
Executive Share Option Scheme	88,486	2016	£8.39	839	–	–
Savings-Related Share Option Scheme	216,426	2016-2020	£4.55	217.2 – 540.4	–	–
Restricted Share Plan	–	–	–	–	614,879	2013-2015
Long-Term Incentive Plan	–	–	–	–	2,496,879	2012-2015

24: Analysis of movement in net debt

	Short-term deposits £m	Cash at bank £m	Current borrowings including currency swaps £m	Non-current borrowings £m	Total borrowings including currency swaps £m	Net debt £m
At 1 January 2016	**0.1**	**36.9**	**30.0**	**(3,028.1)**	**(2,998.1)**	**(2,961.1)**
Cash flow	**0.1**	**33.9**	**(212.9)**	**110.6**	**(102.3)**	**(68.3)**
Exchange and non-cash items	**–**	**3.3**	**(28.2)**	**(367.7)**	**(395.9)**	**(392.6)**
Balance at 31 December 2016	**0.2**	**74.1**	**(211.1)**	**(3,285.2)**	**(3,496.3)**	**(3,422.0)**

	Short-term deposits £m	Cash at bank £m	Current borrowings including currency swaps £m	Non-current borrowings £m	Total borrowings including currency swaps £m	Net debt £m
At 1 January 2015	0.1	28.5	5.1	(2,287.1)	(2,282.0)	(2,253.4)
Cash flow	–	9.3	(1.5)	(806.1)	(807.6)	(798.3)
Exchange and non-cash items	–	(0.9)	26.4	65.1	91.5	90.6
Balance at 31 December 2015	0.1	36.9	30.0	(3,028.1)	(2,998.1)	(2,961.1)

25: Adjustment for non-cash items in the cash flow statement

	2016 £m	2015 £m
Amortisation of lease incentives and other costs	**6.8**	5.9
Increase in provision for bad and doubtful debts	**5.2**	0.2
Increase in accrued rents receivable	**(6.4)**	(5.0)
Non-cash items included within net rental income	**5.6**	1.1
Depreciation	**2.0**	1.7
Share-based employee remuneration	**5.6**	4.8
Other items	**(1.6)**	(1.3)
	11.6	6.3

26: The Reported Group as lessor – operating lease receipts

At the balance sheet date, the Reported 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 Additional Disclosures section on pages 179 and 180 and credit risk relating to the trade receivables is discussed in note 20F.

	2016 £m	2015 £m
Within one year	**127.3**	129.5
From one to two years	**116.0**	123.1
From two to five years	**304.2**	321.9
After five years	**743.6**	793.3
	1,291.1	1,367.8

27: Contingent liabilities and capital commitments

There are contingent liabilities of £68.6 million (2015: £49.8 million) relating to guarantees given by the Reported Group and a further £21.6 million (2015: £16.0 million) relating to claims against the Reported Group arising in the normal course of business, which are considered to be unlikely to crystallise. The Reported Group also had capital commitments of £20.7 million (2015: £101.7 million).

In addition, Hammerson's share of contingent liabilities arising within joint ventures is £2.1 million (2015: £2.1 million). Hammerson's share of the capital commitments arising within joint ventures is £174.9 million (2015: £6.0 million), principally VIA Outlet's costs of £127.8 million to acquire the two centres from the IRUS fund which did not complete by 31 December 2016.

The risks and uncertainties facing the Group are detailed on pages 53 to 58.

28: 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.

	2016 £m	2015 £m
Management fees from joint ventures	**6.5**	4.2
Management fees from associates	**0.1**	0.1
Interest receivable from joint ventures	**38.6**	29.3
Interest receivable from associates	**4.2**	5.3
Balances due from joint ventures (note 12A)	**688.3**	1,373.6
Participative loans to associates (note 13C)	**113.7**	80.3
Loans to associates (note 14)	**21.6**	76.4

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 78 to 114.

	2016 £m	2015 £m
Salaries and short-term benefits	**4.1**	4.1
Post-employment benefits	**0.5**	0.4
Share-based payments	**3.3**	3.4
Total remuneration	**7.9**	7.9

C. Non-controlling interests

The Group's non-controlling interest represents a 35.5% interest in Place des Halles, Strasbourg held by Assurbail. During 2016, the property generated gross rental income of £12.0 million (2015: £10.5 million) and the property valuation at 31 December 2016 was £239.2 million (2015: £199.0 million). The non-controlling interest's share of the gross rental income was £4.3 million (2015: £3.5 million) and of the property valuation was £84.9 million (2015: £70.6 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 133 and 134.

COMPANY BALANCE SHEET

AS AT 31 DECEMBER 2016

	Notes	2016 £m	2015 £m
Non-current assets			
Investments in subsidiary companies and other related undertakings	C	**4,824.3**	4,141.3
Receivables	D	**6,041.1**	5,677.7
		10,865.4	9,819.0
Current assets			
Receivables	E	**10.6**	38.6
Cash and short-term deposits		**42.1**	7.4
		52.7	46.0
Total assets		**10,918.1**	9,865.0
Current liabilities			
Payables	F	**1,564.8**	1,250.6
Borrowings	G	**211.1**	–
		1,775.9	1,250.6
Non-current liabilities			
Borrowings	G	**3,285.2**	3,028.1
Total liabilities		**5,061.1**	4,278.7
Net assets		**5,857.0**	5,586.3
Equity			
Called up share capital	23	**198.3**	196.1
Share premium		**1,265.7**	1,223.3
Merger reserve		**374.1**	374.1
Other reserves		**7.3**	7.3
Revaluation reserve		**3,228.7**	2,545.7
Retained earnings		**783.1**	1,243.7
Investment in own shares		**(0.2)**	(3.9)
Equity shareholders' funds		**5,857.0**	5,586.3

These financial statements were approved by the Board of Directors on 17 February 2017.

Signed on behalf of the Board

David Atkins
Director

Timon Drakesmith
Director

Registered in England No. 360632

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2016

	Share capital £m	Share premium £m	Merger reserve £m	Other reserves £m	Revaluation reserve £m	Retained earnings £m	Investment in own shares* £m	Equity shareholders' funds £m
Balance at 1 January 2016	**196.1**	**1,223.3**	**374.1**	**7.3**	**2,545.7**	**1,243.7**	**(3.9)**	**5,586.3**
Issue of shares	**0.3**	**0.2**	–	–	–	–	**(0.3)**	**0.2**
Cost of shares awarded to employees	–	–	–	–	–	–	**4.0**	**4.0**
Dividends	**1.9**	**42.2**	–	–	–	**(180.1)**	–	**(136.0)**
Revaluation gains on investments in subsidiary companies and other related undertakings	–	–	–	–	**683.0**	–	–	**683.0**
Loss for the year attributable to equity shareholders	–	–	–	–	–	**(280.5)**	–	**(280.5)**
Total comprehensive income/(loss) for the year	–	–	–	–	**683.0**	**(280.5)**	–	**402.5**
Balance at 31 December 2016	**198.3**	**1,265.7**	**374.1**	**7.3**	**3,228.7**	**783.1**	**(0.2)**	**5,857.0**

* Investment in own shares is stated at cost.

FOR THE YEAR ENDED 31 DECEMBER 2015

	Share capital £m	Share premium £m	Merger reserve £m	Other reserves £m	Revaluation reserve £m	Retained earnings £m	Investment in own shares* £m	Equity shareholders' funds £m
Balance at 1 January 2015	196.1	1,222.9	374.2	7.3	1,981.1	1,270.3	(6.8)	5,045.1
Issue of shares	–	0.4	–	–	–	–	–	0.4
Share issue costs	–	–	(0.1)	–	–	–	–	(0.1)
Cost of shares awarded to employees	–	–	–	–	–	–	2.9	2.9
Dividends	–	–	–	–	–	(165.2)	–	(165.2)
Revaluation gains on investments in subsidiary companies and other related undertakings	–	–	–	–	564.6	–	–	564.6
Profit for the year attributable to equity shareholders	–	–	–	–	–	138.6	–	138.6
Total comprehensive income for the year	–	–	–	–	564.6	138.6	–	703.2
Balance at 31 December 2015	196.1	1,223.3	374.1	7.3	2,545.7	1,243.7	(3.9)	5,586.3

* Investment in own shares is stated at cost.

The capacity of the Company to make dividend payments is primarily determined by the availability of retained distributable reserves and cash resources. As at 31 December 2016 the Company had distributable reserves of £783.1 million (2015: £1,243.7 million) and the total external dividends declared in 2016 amounted to £180.1 million. The Company's distributable reserves support over four times this annual dividend. When required the Company can receive dividends from its subsidiaries to further increase distributable reserves.

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.

NOTES TO THE COMPANY ACCOUNTS

FOR THE YEAR ENDED 31 DECEMBER 2016

A: Accounting policies

Basis of accounting

Although the consolidated Group accounts are prepared under IFRS, the Hammerson plc company accounts presented in this section are prepared in accordance with Financial Reporting Standard 101 (FRS 101) "Reduced Disclosure Framework" as issued by the Financial Reporting Council.

The financial statements are presented in sterling. They are prepared on the historical cost basis, except that the investments in subsidiary companies and other related undertakings are included at valuation. Historical cost is generally based on the fair value of the consideration given in exchange for the goods and services.

Disclosure exemptions adopted

In preparing these financial statements Hammerson plc has taken advantage of all disclosure exemptions conferred by FRS 101. Therefore these financial statements do not include:

– certain comparative information as otherwise required by EU endorsed IFRS;
– certain disclosures regarding the Company's capital;
– a statement of cash flows;
– certain disclosures in respect of financial instruments;
– the effect of future accounting standards not yet adopted; and
– disclosure of related party transactions with wholly-owned members of the Group.

The above disclosure exemptions have been adopted because equivalent disclosures are included in the consolidated Group accounts into which Hammerson plc is consolidated.

Accounting policies

The significant judgements and key estimates and accounting policies relevant to the Company are the same as those set out in the accounting policies for the Group in note 1, except for investments in subsidiary companies and other related undertakings which are included at valuation. The Directors determine the valuations with reference to the underlying net assets of the entities, which consist primarily of investment properties. In calculating the underlying net asset values, no deduction is made for deferred tax relating to revaluation surpluses on investment properties. The investment properties are valued by professionally qualified external valuers. Further details are set out in note 11 to the consolidated accounts.

B: Result 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 loss for the year attributable to equity shareholders dealt with in the financial statements of the Company was £280.5 million (2015: £138.6 million profit) and includes a net loss of £280.9 million (2015: £49.3 million gain) in respect of foreign exchange translation movements on the Company's euro and US dollar denominated receivables and borrowings.

Dividend information is provided in note 9 to the consolidated accounts.

C: Investments in subsidiary companies and other related undertakings

	2016 Cost less provision for permanent diminution in value £m	2016 Valuation £m	2015 Cost less provision for permanent diminution in value £m	2015 Valuation £m
Balance at 1 January	**1,561.7**	**4,141.3**	1,561.7	3,576.7
Revaluation adjustment	**–**	**683.0**	–	564.6
Balance at 31 December	**1,561.7**	**4,824.3**	1,561.7	4,141.3

Investments are stated at Directors' valuation. A list of the subsidiary companies and other related undertakings at 31 December 2016 is included in note H.

D: Receivables: non-current assets

	2016 £m	2015 £m
Amounts owed by subsidiaries and other related undertakings	**6,000.2**	5,604.0
Loans receivable from associate	**21.6**	59.9
Fair value of interest rate swaps	**19.3**	13.8
	6,041.1	5,677.7

D: Receivables: non-current assets (continued)

Amounts owed by subsidiaries and other related undertakings are unsecured and interest-bearing at floating rates based on LIBOR. This includes amounts which are repayable on demand; however, it is the Company's current intention not to seek repayment of these amounts before 31 December 2017.

E: Receivables: current assets

	2016 £m	2015 £m
Other receivables	**10.6**	8.6
Fair value of currency swaps	–	30.0
	10.6	38.6

F: Payables

	2016 £m	2015 £m
Amounts owed to subsidiaries and other related undertakings	**1,498.0**	1,191.6
Other payables and accruals	**66.8**	59.0
	1,564.8	1,250.6

The amounts owed to subsidiaries and other related undertakings are unsecured, repayable on demand and interest bearing at floating rates based on LIBOR.

G: Borrowings

	Bank loans and overdrafts £m	Other borrowings £m	2016 Total £m	2015 Total £m
After five years	–	**1,928.1**	**1,928.1**	1,478.2
From two to five years	**503.9**	**803.7**	**1,307.6**	859.8
From one to two years	**49.5**	–	**49.5**	690.1
Due after more than one year	**553.4**	**2,731.8**	**3,285.2**	3,028.1
Due within a year	**246.6**	**(35.5)**	**211.1**	–
	800.0	**2,696.3**	**3,496.3**	3,028.1
Current assets: Fair value of currency swaps (note E)	–	–	–	(30.0)
	800.0	**2,696.3**	**3,496.3**	2,998.1

Details of the Group's borrowings and financial instruments are given in notes 19 and 20 to the consolidated accounts. The fair value of the Company's financial instruments is equal to that of the Reported Group as shown in note 20I.

H: Subsidiaries and other related undertakings

The Company's subsidiaries and other related undertakings at 31 December 2016 are listed below. No Group entities have been excluded from the consolidated financial results.

Direct subsidiaries

The Company has a 100% interest in the ordinary share capital of the following entities, which are registered/operate in the countries as shown:

England and Wales

Registered office: Kings Place, 90 York Way, London N1 9GE

Grantchester Holdings Limited	Hammerson International Holdings Limited
Hammerson Company Secretarial Limited	Hammerson Pension Scheme Trustees Limited
Hammerson Employee Share Plan Trustees Limited	Hammerson Share Option Scheme Trustees Limited
Hammerson Group Limited	Hammerson Group Management Limited

France

Registered office: 40/48 rue Cambon – 23 rue des Capucines 75001 Paris

Hammerson Holding France SAS

H: Subsidiaries and other related undertakings (continued)

Indirect subsidiaries and other wholly-owned entities

Unless otherwise stated, the Company has an indirect 100% interest in the ordinary share capital of the following entities, which are registered/operate in the countries as shown:

England and Wales

Registered office: Kings Place, 90 York Way, London N1 9GE

280 Bishopsgate Investments Limited
Abbey Retail Park Limited (Northern Ireland) [1]
Christchurch UK Limited
Cricklewood Regeneration Limited
Crocusford Limited
Dublin Central GP Limited [2]
Dundrum R&O Park Management Limited [2]
Dundrum Town Centre Management Limited [2]
Dundrum Village Management Company Limited [2]
Governeffect Limited
Grantchester Developments (Birmingham) Limited
Grantchester Developments (Falkirk) Limited
Grantchester Group Limited
Grantchester Investments Limited
Grantchester Limited
Grantchester Properties (Gloucester) Limited
Grantchester Properties (Luton) Limited
Grantchester Properties (Middlesbrough) Limited
Grantchester Properties (Nottingham) Limited
Grantchester Properties (Port Talbot) Limited
Grantchester Properties (Sunderland) Limited
Grantchester Property Management Limited
Hammerson (60 Threadneedle Street) Limited
Hammerson (9-13 Grosvenor Street) Limited
Hammerson (Abbey) Limited
Hammerson (Bicester No. 2) Limited
Hammerson (Brent Cross) Limited
Hammerson (Brent South) Limited
Hammerson (Bristol Investments) Limited
Hammerson (Bristol) Limited
Hammerson (Cardiff) Limited
Hammerson (Centurion) Limited
Hammerson (Coventry) Limited
Hammerson (Cramlington I) Limited
Hammerson (Cricklewood) Limited
Hammerson (Croydon) Limited
Hammerson (Didcot) Limited
Hammerson (Didcot II) Limited
Hammerson (Euston Square) Limited
Hammerson (Folkestone) Limited
Hammerson (Glasgow) Limited
Hammerson (Grosvenor Street) Limited
Hammerson (Kingston) Limited
Hammerson (Kirkcaldy) Limited
Hammerson (Leeds Developments) Limited
Hammerson (Leeds GP) Limited
Hammerson (Leeds Investments) Limited
Hammerson (Leeds) Limited
Hammerson (Leicester) Limited
Hammerson (Leicester GP) Limited
Hammerson (Lichfield) Limited
Hammerson (Merthyr) Limited
Hammerson (Milton Keynes) Limited
Hammerson (Moor House) Properties Limited
Hammerson (Newcastle) Limited
Hammerson (Newtownabbey) Limited
Hammerson (Oldbury) Limited
Hammerson (Paddington) Limited
Hammerson (Parc Tawe I) Limited
Hammerson (Renfrew) Limited
Hammerson (Rugby) Limited
Hammerson (Silverburn) Limited (Isle of Man) [3]
Hammerson (Staines) Limited
Hammerson (Telford) Limited
Hammerson (Thanet) Limited
Hammerson (Value Retail Investments) Limited
Hammerson (Victoria Gate) Limited
Hammerson (Victoria Investments) Limited
Hammerson (Victoria Quarter) Limited
Hammerson (Watermark) Limited
Hammerson (Whitgift) Limited
Hammerson Birmingham Properties Limited
Hammerson Bull Ring Limited
Hammerson Croydon (GP1) Limited
Hammerson Croydon (GP2) Limited
Hammerson Investments (No. 12) Limited
Hammerson Investments (No. 13) Limited
Hammerson Investments (No. 16) Limited
Hammerson Investments (No. 23) Limited
Hammerson Investments (No. 26) Limited
Hammerson Investments (No. 35) Limited
Hammerson Investments (No. 36) Limited
Hammerson Investments (No. 37) Limited
Hammerson Investments Limited
Hammerson Ireland Investments Limited [2]
Hammerson Junction (No 3) Limited
Hammerson Junction (No 4) Limited
Hammerson LLC (United States) [4]
Hammerson Martineau Galleries Limited
Hammerson MGLP Limited
Hammerson MGLP 2 Limited
Hammerson MLP Limited
Hammerson Moor House (LP) Limited
Hammerson Operations Limited

Indirect subsidiaries and other wholly-owned entities (continued)

England and Wales (continued)

Registered office: Kings Place, 90 York Way, London N1 9GE

Hammerson Operations (Ireland) Limited [2]
Hammerson Oracle Investments Limited
Hammerson Oracle Properties Limited
Hammerson Peterborough (GP) Limited
Hammerson Peterborough (No 1) Limited
Hammerson Peterborough (No 2) Limited
Hammerson Project Management Limited
Hammerson Ravenhead Limited
Hammerson Retail Parks Holdings Limited
Hammerson Sheffield (NRQ) Limited
Hammerson Shelf Co 6 Limited
Hammerson Shelf Co 7 Limited
Hammerson Shelf Co 8 Limited
Hammerson Shelf Co 9 Limited
Hammerson Shelf Co 10 Limited
Hammerson UK Properties plc
Hammerson Wrekin LLP [7]
Highcross (GP) Limited
Highcross Residential (Nominees 1) Limited
Highcross Residential (Nominees 2) Limited
Highcross Residential Properties Limited
Junction Nominee 1 Limited
Junction Nominee 2 Limited
Leeds (GP1) Limited
Leeds (GP2) Limited
London & Metropolitan Northern
LWP Limited Partnership [7]
Martineau Galleries (GP) Limited
Martineau Galleries No. 1 Limited
Martineau Galleries No. 2 Limited
Mentboost Limited
Monesan Limited (Northern Ireland) [1]
New Southgate Limited
Precis (1474) Limited (Ordinary and Deferred)
RT Group Developments Limited
RT Group Property Investments Limited
SEVCO 5025 Limited [5]
Spitalfields Developments Limited
Spitalfields Holdings Limited (Ordinary and Preference)
The Hammerson ICAV (Ireland) [2]
The Highcross Limited Partnership [7]
The Junction (General Partner) Limited
The Junction (Thurrock Shareholder GP) Limited
The Junction Limited Partnership [7]
The Junction Thurrock (General Partner) Limited
The Junction Thurrock Limited Partnership [7]
The Martineau Galleries Limited Partnership [7]
Thurrock Shares 1 Limited
Thurrock Shares 2 Limited
Union Square Developments Limited (Scotland) [6]
West Quay (No.1) Limited
West Quay (No.2) Limited
West Quay Shopping Centre Limited
Westchester Holdings Limited
Westchester Property Holdings Limited
Westchester Properties (Thanet) Limited

Registered offices: (1) Cleaver Fulton Rankin, 50 Bedford Street, Belfast, BT2 7FW; (2) 6th Floor, 2 Grand Canal Square, Dublin 2. Ireland; (3) Fort Anne, Douglas, IM1 5PD, Isle of Man; (4) 2711 Centerville Road, Suite 400, Wilmington 19808, United States; country of operation is the United Kingdom; (5) c/o Stillwell Gray, 14-30 City Business Centre, Hyde Street, Winchester, Hampshire, SO23 7TA ; (6) 1 George Square, Glasgow, G2 1AL; (7) No shares in issue for Unit Trusts or Limited Partnerships.

France

Registered office: 40/48 rue Cambon – 23 rue des Capucines 75001 Paris (See page 176 for footnotes)

BFN10 GmbH (Germany) [1]
Cergy Expansion 1 SAS
Espace Plus SC1
Hammerson SAS
Hammerson Asset Management SAS
Hammerson Beauvais SNC
Hammerson Bethune SCI
Hammerson Centre Commercial Italie SAS
Hammerson Cergy 1 SCI
Hammerson Cergy 2 SCI
Hammerson Cergy 4 SCI
Hammerson Cergy 5 SCI
Hammerson Développement SCI
Hammerson Europe BV (Netherlands) [2]
Hammerson Fontaine SCI
Hammerson France SAS
Hammerson Mantes SCI
Hammerson Marignan SAS
Hammerson Marketing et Communication SAS
Hammerson Marseille SC
Hammerson Nancy SCI
Hammerson Property Management SAS
Hammerson Saint-Sébastien SAS
Hammerson Troyes SCI
Les Pressing Réunis SARL
Retail Park Nice Lingostière SAS
RC Aulnay 3 SCI
SCI Cergy Cambon SCI
SCI Cergy Capucine SCI
SCI Cergy Expansion 2 SCI
SCI Cergy Honoré SCI
SCI Cergy Lynx SCI

H: Subsidiaries and other related undertakings (continued)

Indirect subsidiaries and other wholly-owned entities (continued)

France (continued)

Registered office: 40/48 rue Cambon – 23 rue des Capucines 75001 Paris

SCI Cergy Madeleine SCI	SCI Cergy Trois SCI
SCI Cergy Office 1 SCI	SCI Cergy Tuileries SCI
SCI Cergy Office 2 SCI	SCI Cergy Vendôme SCI
SCI Cergy Office 3 SCI	SCI Hammerson Thiebaut SCI
SCI Cergy Office 4 SCI	SCI Nevis SCI
SCI Cergy Office 5 SCI	SCI Paris Italik SCI
SCI Cergy Office 6 SCI	Sebastien Expansion SNC
SCI Cergy Opéra SCI	Société de gestion des parkings Hammerson (SOGEPH) SARL
SCI Cergy Paix SCI	Teycpac-H-Italie SAS
SCI Cergy Royale SCI	

Registered offices: (1) c/o Forum Steglitz, Schlossstraße 1, 12163 Berlin, Germany; (2) Spoorsinge, 2871 TT, Schoonhoven, Netherlands.

Jersey

Registered office: 47 Esplanade, St Helier, JE1 0BD, Jersey

Hammerson 60 TNS Unit Trust [1]	Hammerson VIA (Jersey) Limited
Hammerson Birmingham Investments Limited	Hammerson VRC (Jersey) Limited
Hammerson Bull Ring (Jersey) Limited	Hammerson Whitgift Investments Limited
Hammerson Croydon Investments Limited	Highcross (No.1) Limited
Hammerson Highcross Investments Limited	Highcross (No.2) Limited
Hammerson Junction (No 1) Limited	Highcross Leicester Limited
Hammerson Junction (No 2) Limited	Junction Thurrock Unit Trust [1]
Hammerson Leeds Unit Trust [1]	Telford Forge Retail Park Unit Trust [1]
Hammerson Victoria Gate Unit Trust [1]	The Junction Unit Trust [1]
Hammerson Victoria Quarter Unit Trust [1]	

(1) No shares in issue for Unit Trusts. The registered office address is that of the appropriate trustee.

Indirectly held joint venture entities

	Country of registration or operation	Class of share held	Ownership %
Bishopsgate Goodsyard Regeneration Limited	England and Wales [1]	Ordinary	50
Bristol Alliance (GP) Limited	England and Wales [1]	Ordinary	50
Bristol Alliance Limited Partnership	England and Wales [1]	N/A	50
Bristol Alliance Nominee No.1 Limited	England and Wales [1]	Ordinary	50
Bristol Alliance Nominee No.2 Limited	England and Wales [1]	Ordinary	50
BRLP Rotunda Limited	England and Wales [1]	Ordinary	50
Bull Ring (GP) Limited	England and Wales [1]	Ordinary	50
Bull Ring (GP2) Limited	England and Wales [1]	Ordinary	50
Bull Ring Joint Venture Trust	Jersey [2]	N/A	50
Bull Ring No.1 Limited	England and Wales [1]	Ordinary	50
Bull Ring No.2 Limited	England and Wales [1]	Ordinary	50
Croydon (GP1) Limited	England and Wales [1]	Ordinary	50
Croydon (GP2) Limited	England and Wales [1]	Ordinary	50
Croydon Car Park Limited	England and Wales [1]	Ordinary	50
Croydon Jersey Unit Trust	Jersey [2]	N/A	50
Croydon Limited Partnership	England and Wales [1]	N/A	50
Croydon Management Services Limited	England and Wales [1]	Ordinary	50
Croydon Property Investments Limited	England and Wales [1]	Ordinary	50
Dundrum Car Park GP Limited	Ireland [3]	Ordinary	50
Dundrum Car Park Limited Partnership	Ireland [3]	N/A	50

Indirectly held joint venture entities (continued)

	Country of registration or operation	Class of share held	Ownership %
Dundrum Retail GP Designated Activity Company	Ireland [3]	Ordinary	50
Dundrum Retail Limited Partnership	Ireland [3]	N/A	50
Grand Central (GP) Limited	England and Wales [1]	Ordinary	50
Grand Central Limited Partnership	England and Wales [1]	N/A	50
Grand Central No. 1 Limited	England and Wales [1]	Ordinary	50
Grand Central No. 2 Limited	England and Wales [1]	Ordinary	50
Hammerson (Silverburn) JV Investment Advisor Limited	England and Wales [1]	Ordinary	50
Moor House General Partner Limited	England and Wales [1]	Ordinary	67
Oracle Nominees (No. 1) Limited	England and Wales [1]	Ordinary	50
Oracle Nominees (No. 2) Limited	England and Wales [1]	Ordinary	50
Oracle Nominees Limited	England and Wales [1]	Ordinary	50
Oracle Shopping Centre Limited	England and Wales [1]	Ordinary	50
RC Aulnay 1 SCI	France [4]	Ordinary	25
RC Aulnay 2 SCI	France [4]	Ordinary	25
Reading Residential Properties Limited	England and Wales [1]	Ordinary	50
Retail Property Holdings Limited	Isle of Man [5]	Ordinary	50
Retail Property Holdings (SE) Limited	Guernsey [6]	Ordinary	50
SAS Angel Shopping Centre SAS	France [7]	Ordinary	10
SCI ESQ SCI	France [7]	Ordinary	25
Société Civile de Développement du Centre Commercial de la Place des Halles SDPH SC	France [8]	Ordinary	65
The Bull Ring Limited Partnership	England and Wales [1]	N/A	50
The Grand Central Unit Trust	Jersey [2]	N/A	50
The Moor House Limited Partnership	England and Wales [1]	N/A	67
The Oracle Limited Partnership	England and Wales [1]	N/A	50
The Silverburn Unit Trust	Jersey [2]	N/A	50
The West Quay Limited Partnership	England and Wales [1]	N/A	50
Triskelion Property Holding Designated Activity Company	Ireland [3]	Ordinary	50
VIA Limited Partnership	Jersey [2]	N/A	47
Whitgift Limited Partnership	England and Wales [1]	N/A	50

Registered offices: (1) Kings Place, 90 York Way, London N1 9GE ; (2) 47 Esplanade, St Helier, JE1 0BD, Jersey ; (3) 6th Floor, 2 Grand Canal Square, Dublin 2, Ireland; (4) 129 rue Turenne 75003 Paris; (5) Fort Anne, Douglas, IM1 5PD, Isle of Man; (6) Firman House, St. George's Place, St. Peter Port, GY1 2BH, Guernsey; (7) 1 cours Michelet – CS 30051 92076 Paris La Defense; (8) 40/48 rue Cambon – 23 rue des Capucines 75001 Paris.

Indirectly held associate entities

	Country of registration or operation	Class of share held	Ownership %
Bicester Investors Limited Partnership	Bermuda [1]	N/A	25
Bicester Investors II Limited Partnership	Bermuda [1]	N/A	25
Master Holding BV	Netherlands [2]	Ordinary	12
US Paris LLC	USA [3]	N/A	42
Value Retail Investors Limited Partnership	Bermuda [1]	N/A	71
Value Retail Investors II Limited Partnership	Bermuda [1]	N/A	80
Value Retail PLC	UK [4]	Ordinary	24
VR Franconia GmbH	Germany [5]	Ordinary	15
VR Ireland BV	Netherlands [2]	Ordinary	12
VR Maasmechelen Tourist Outlets Comm. VA	Belgium [6]	B-shares	25

Registered offices: (1) Victoria Place, 31 Victoria Street, Hamilton, HM10, Bermuda; (2) TMF, Luna Arena, Herikerbergweg 238, 1101 CM Amsterdam, Netherlands; (3) 35 Mason Street, Greenwich CT 06830 USA; (4) 19 Berkley Street, London W1J 8ED; (5) Almosenberg, 97877, Wertheim, Germany; (6) Zetellaan 100, 3630 Maasmechelen, Belgium.

ADDITIONAL DISCLOSURES

UNAUDITED

Table 92

EPRA measures

Hammerson is a member of European Public Real Estate Association (EPRA) and has representatives who actively participate in a number of EPRA committees and initiatives. This includes 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.

As with other real estate companies, we have adopted the EPRA Best Practice Recommendations (BPR) and were again awarded an EPRA Gold Award for compliance with the EPRA BPR for our 2015 Annual Report. Further information on EPRA and the EPRA BPR can be found on their website www.epra.com. Our key EPRA metrics are described and shown in table 93.

Table 93

EPRA performance measures

Performance measure	2016 performance	2015 performance	Definition	Page
Earnings	£230.9m	£213.0m	Recurring earnings from core operational activities. In both 2016 and 2015, EPRA earnings differed marginally from the Group's adjusted earnings due to the inclusion of a "Company specific adjustment" in relation to translation movements on an intragroup funding loan in VIA Outlets (see note 12B of the accounts) which management believe distorts the underlying earnings of the Group.	148
Earnings per share (EPS)	29.2p	27.2p	EPRA earnings divided by the weighted average number of shares in issue during the period.	148
Net asset value (NAV) per share	£7.39	£7.10	NAV excluding the fair values of financial instruments, debt and deferred tax balances divided by the number of issued shares.	149
Triple net asset value (NNNAV) per share	£6.88	£6.74	NAV adjusted to include the fair values of financial instruments, debt and deferred taxes.	149
Net Initial Yield (NIY)	4.4%	4.6%	Annual cash rents receivable, less head and equity rents and any non-recoverable property operating expenses, as a percentage of the gross market value of the property, including estimated purchasers' costs as provided by the Group's external valuers.	182
Topped-up NIY	4.6%	4.7%	EPRA NIY adjusted for the expiry of rent-free periods.	182
Vacancy rate	2.5%	2.3%	The estimated market rental value (ERV) of vacant space divided by the ERV of the whole portfolio. Occupancy is the inverse of vacancy.	179
Cost ratio	22.6%	23.1%	Total operating costs as a percentage of gross rental income, after rents payable. Both operating costs and gross rental income are adjusted for costs associated with inclusive leases.	181

Portfolio analysis

Rental information

Table 94

Rental data for the year ended 31 December 2016

Proportionally consolidated excluding premium outlets	Gross rental income £m	Net rental income £m	Vacancy rate %	Average rents passing[A] £/m²	Rents passing £m	Estimated rental value[B] £m	Reversion/ (over-rented) %
United Kingdom							
Shopping centres	174.2	148.4	2.2	540	174.4	186.8	4.9
Retail parks	84.0	79.6	1.4	205	77.3	77.1	(1.5)
Other	13.8	9.3	10.1	155	11.9	13.4	1.7
Total	**272.0**	**237.3**	**2.4**	**365**	**263.6**	**277.3**	**2.9**
France	**101.1**	**89.3**	**3.5**	**455**	**97.0**	**107.9**	**7.1**
Ireland	**13.7**	**12.5**	**0.5**	**495**	**31.9**	**34.8**	**8.3**
Total investment portfolio	**386.8**	**339.1**	**2.5**	**390**	**392.5**	**420.0**	**4.4**
Developments	11.9	7.4					
Total property portfolio (note 2)	**398.7**	**346.5**					

Selected data for the year ended 31 December 2015							
Group							
UK	262.0	230.4	2.0	345	261.1	270.7	1.7
France	95.9	83.0	3.1	355	88.8	101.0	9.8
Total investment portfolio	**357.9**	**313.4**	**2.3**	**345**	**349.9**	**371.7**	**3.8**
Developments	8.5	5.2					
Total property portfolio	**366.4**	**318.6**					

Notes
A. Average rents passing at the period end before deducting head and equity rents and excluding rents passing from anchor units and car parks.
B. The estimated market rental value at the year end 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. This information has been subject to audit.

Rent reviews

Table 95

Rent reviews as at 31 December 2016

Proportionally consolidated excluding premium outlets	Rents passing subject to review in[A]					Current ERV of leases subject to review in[B]				
	Outstanding £m	2017 £m	2018 £m	2019 £m	Total £m	Outstanding £m	2017 £m	2018 £m	2019 £m	Total £m
United Kingdom										
Shopping centres	20.6	13.0	19.1	23.1	75.8	22.3	13.8	20.4	24.3	80.8
Retail parks	28.6	8.2	7.0	12.5	56.3	29.6	8.8	7.4	13.1	58.9
Other	3.7	0.9	1.5	1.5	7.6	3.9	0.9	1.3	1.8	7.9
	52.9	**22.1**	**27.6**	**37.1**	**139.7**	**55.8**	**23.5**	**29.1**	**39.2**	**147.6**
Ireland	**14.1**	**1.0**	**1.4**	**1.0**	**17.5**	**16.1**	**1.3**	**1.4**	**1.1**	**19.9**
Total	**67.0**	**23.1**	**29.0**	**38.1**	**157.2**	**71.9**	**24.8**	**30.5**	**40.3**	**167.5**

Notes
A. The amount of rental income, based on rents passing at 31 December 2016, for leases which are subject to review in each year.
B. Projected rental income for leases that are subject to review in each year, based on the higher of the current rental income and the ERV at 31 December 2016 and ignoring the impact of changes in rental values before the review date.

Lease expiries and breaks

Table 96

Lease expiries and breaks as at 31 December 2016

Proportionally consolidated excluding premium outlets	Rents passing that expire/break in[A] 2017 £m	2018 £m	2019 £m	Total £m	ERV of leases that expire/break in[B] 2017 £m	2018 £m	2019 £m	Total £m	Weighted average unexpired lease term to break years	to expiry years
United Kingdom										
Shopping centres	20.4	22.9	13.6	56.9	23.4	21.8	14.7	59.9	6.8	11.4
Retail parks	5.0	2.6	3.4	11.0	5.2	2.6	3.6	11.4	8.1	9.1
Other	2.6	1.8	0.6	5.0	3.2	1.3	0.7	5.2	7.9	9.1
Total	**28.0**	**27.3**	**17.6**	**72.9**	**31.8**	**25.7**	**19.0**	**76.5**	**7.3**	**10.5**
France	**17.5**	**3.6**	**3.8**	**24.9**	**19.4**	**4.1**	**4.2**	**27.7**	**2.8**	**5.7**
Ireland	**2.4**	**2.5**	**1.7**	**6.6**	**2.5**	**2.4**	**1.8**	**6.7**	**12.1**	**15.5**
Total investment portfolio	**47.9**	**33.4**	**23.1**	**104.4**	**53.7**	**32.2**	**25.0**	**110.9**	**6.4**	**9.5**

Notes
A. The amount of rental income, based on rents passing at 31 December 2016, for leases which expire or, for the UK and Ireland only, are subject to tenant break options, which fall due in each year.
B. The ERV at 31 December 2016 for leases that expire or, for the UK and Ireland only, are subject to tenant break options which fall due in each year and ignoring the impact of rental growth and any rent-free periods.

Net rental income

Table 97

Net rental income for the year ended 31 December 2016

Proportionally consolidated excluding premium outlets	Properties owned throughout 2015/16 £m	Increase for properties owned throughout 2015/16 %	Acquisitions £m	Disposals £m	Developments and other £m	Total net rental income £m
United Kingdom						
Shopping centres	139.7	**2.4**	8.4	0.1	0.2	148.4
Retail parks	69.2	**2.4**	–	6.8	3.6	79.6
Other	5.5	**(3.5)**	0.7	–	9.0	15.2
Total	**214.4**	**2.3**	**9.1**	**6.9**	**12.8**	**243.2**
France	**82.4**	**2.2**	**2.2**	**1.7**	**3.0**	**89.3**
Ireland	**–**	**n/a**	**14.0**	**–**	**–**	**14.0**
Total property portfolio	**296.8**	**2.2**	**25.3**	**8.6**	**15.8**	**346.5**

Net rental income for the year ended 31 December 2015

Proportionally consolidated excluding premium outlets	Properties owned throughout 2015/16 £m	Exchange £m	Acquisitions £m	Disposals £m	Developments and other £m	Total net rental income £m
United Kingdom						
Shopping centres	136.4	–	(0.1)	2.5	(0.1)	138.7
Retail parks	67.6	–	–	13.1	1.3	82.0
Other	5.7	–	–	0.8	8.5	15.0
Total	209.7	–	(0.1)	16.4	9.7	235.7
France	80.6	(10.4)	1.0	10.7	1.0	82.9
Total property portfolio	**290.3**	**(10.4)**	**0.9**	**27.1**	**10.7**	**318.6**

Top ten tenants

Table 98

Ranked by passing rent at 31 December 2016

Proportionally consolidated excluding premium outlets	Passing rent £m	% of total passing rent
B&Q	12.6	3.2
H&M	9.1	2.3
Next	8.9	2.3
Inditex	8.7	2.2
Dixons Carphone	5.8	1.5
Marks&Spencer	5.7	1.4
Home Retail Group	5.6	1.4
Boots	5.5	1.4
Arcadia	5.3	1.4
Debenhams	5.1	1.3
Total	**72.3**	**18.4**

Cost ratio

Table 99

EPRA cost ratio analysis

Proportionally consolidated excluding premium outlets	Year ended 31 December 2016 £m	Year ended 31 December 2015 £m
Net service charge expenses – non-vacancy	**6.5**	3.8
Net service charge expenses – vacancy	**8.0**	9.5
Net service charge expenses – total	**14.5**	13.3
Other property outgoings	**33.6**	30.8
Less inclusive lease costs recovered through rent	**(6.6)**	(3.4)
Total property costs (for cost ratio)	**41.5**	40.7
Employee and corporate costs	**54.6**	48.3
Management fees receivable	**(8.5)**	(6.0)
Total operating costs (for cost ratio)	**87.6**	83.0
Gross rental income	**398.7**	366.4
Ground and equity rents payable	**(4.1)**	(3.7)
Less inclusive lease costs recovered through rent	**(6.6)**	(3.4)
Gross rental income (for cost ratio)	**388.0**	359.3
EPRA cost ratio including net service charge expenses – vacancy (%)	**22.6**	23.1
EPRA cost ratio excluding net service charge expenses – vacancy (%)	**20.5**	20.5

Staff costs amounting to £1.6 million (2015: £1.9 million) have been capitalised as development costs and are excluded from table 99. Our business model for developments is to use a combination of in-house staff and external advisors. The cost of external advisors is capitalised to the cost of developments. The cost of staff working on developments is generally expensed, but is capitalised subject to meeting certain criteria related to the degree of time spent on and the stage of progress of specific projects.

Valuation analysis

Table 100

Valuation analysis at 31 December 2016

Proportionally consolidated including premium outlets	Properties at valuation £m	Revaluation in the year £m	Capital return %	Total return %	Initial yield %	True equivalent yield %	Nominal equivalent yield[A] %
United Kingdom							
Shopping centres	3,436.5	(5.8)	(0.2)	4.3	4.4	5.1	5.0
Retail parks	1,320.0	(118.3)	(8.9)	(4.0)	5.3	6.1	5.8
Other	163.5	2.2	2.5	8.6	5.8	7.4	7.1
Total	**4,920.0**	**(121.9)**	**(2.8)**	**1.9**	**4.7**	**5.5**	**5.3**
France	**2,159.6**	**73.3**	**3.6**	**8.3**	**3.9**	**4.4**	**4.3**
Ireland	**805.1**	**3.2**	**0.4**	**2.3**	**3.9**	**4.3**	**4.2**
Total investment portfolio	**7,884.7**	**(45.4)**	**(1.0)**	**3.7**	**4.4**	**5.1**	**4.9**
Developments	397.0	32.0	7.2	8.6			
Total property portfolio	**8,281.7**	**(13.4)**	**(0.4)**	**4.1**			
Premium outlets[B]	1,689.4	138.4	9.6	15.1			
Total Group	**9,971.1**	**125.0**	**1.1**	**5.7**			

Selected data for the year ended 31 December 2015							
Group							
UK	4,881.2	215.3	4.7	9.9	4.8	5.4	5.2
France	1,860.5	116.6	7.1	12.0	4.1	4.7	4.6
Total investment portfolio	**6,741.7**	**331.9**	**5.4**	**10.5**	**4.6**	**5.2**	**5.1**
Developments	388.8	35.6	12.3	14.1			
Total property portfolio	**7,130.5**	**367.5**	**5.7**	**10.7**			
Premium outlets[B]	1,243.6	174.1	16.4	23.7			
Total Group	**8,374.1**	**541.6**	**7.1**	**12.4**			

Notes
A. Nominal equivalent yields are included within the unobservable inputs to the portfolio valuations as defined by IFRS 13. This information has been subject to audit.
B. Represents the property returns for the Group's share of premium outlets through its investments in Value Retail and VIA Outlets.

Yield analysis

Table 101

Investment portfolio as at 31 December 2016

Proportionally consolidated excluding premium outlets	Income £m	Gross value £m	Net book value £m
Portfolio value (net of cost to complete)		**8,337**	**8,337**
Purchasers' costs[A]			**(452)**
Net investment portfolio valuation on a proportionally consolidated basis			**7,885**
Income and yields			
Rent for valuers' initial yield (equivalent to EPRA Net Initial Yield)	**365.8**	**4.4%**	**4.6%**
Rent-free periods (including pre-lets)[B]	**14.0**	**0.2%**	**0.2%**
Rent for 'topped-up' initial yield[C]	**379.8**	**4.6%**	**4.8%**
Non-recoverable costs (net of outstanding rent reviews)	**12.7**	**0.1%**	**0.2%**
Passing rents	**392.5**	**4.7%**	**5.0%**
ERV of vacant space	**9.8**	**0.1%**	**0.1%**
Reversions	**17.7**	**0.2%**	**0.2%**
Total ERV/Reversionary yield	**420.0**	**5.0%**	**5.3%**
True equivalent yield		**5.1%**	
Nominal equivalent yield		**4.9%**	

Notes
A. Purchasers' costs equate to 5.7% of the net portfolio value.
B. The weighted average remaining rent-free period is 0.5 years.
C. The yield of 4.6% based on passing rents and gross portfolio value is equivalent to EPRA's 'topped-up" Net Initial Yield.

Share of Property interests

The Group's share of Property interests reflects the Group's share of Property joint ventures as shown in note 12 to the accounts on pages 151 to 156 and the Group's interest in Nicetoile, which is accounted for as an associate, included within note 13 to the accounts on pages 157 and 158.

Table 102

Aggregated Property interests income statements

	2016			2015		
	Property joint ventures £m	**Nicetoile £m**	**Share of Property interests £m**	Property joint ventures £m	Nicetoile £m	Share of Property interests £m
Gross rental income	**145.9**	**1.5**	**147.4**	**129.2**	**1.2**	**130.4**
Net rental income	**122.9**	**1.3**	**124.2**	**108.8**	**1.0**	**109.8**
Administration expenses	**(0.4)**	–	**(0.4)**	(0.3)	–	(0.3)
Operating profit before other net gains	**122.5**	**1.3**	**123.8**	**108.5**	**1.0**	**109.5**
Revaluation gains on properties	**10.7**	**0.6**	**11.3**	122.1	0.3	122.4
Operating profit	**133.2**	**1.9**	**135.1**	**230.6**	**1.3**	**231.9**
Change in fair value of derivatives	**0.8**	–	**0.8**	1.0	–	1.0
Other finance income	**15.3**	–	**15.3**	2.1	–	2.1
Net finance income	**16.1**	–	**16.1**	3.1	–	3.1
Profit before tax	**149.3**	**1.9**	**151.2**	**233.7**	**1.3**	**235.0**
Current tax charge	**(0.8)**	–	**(0.8)**	–	–	
Profit for the year	**148.5**	**1.9**	**150.4**	**233.7**	**1.3**	**235.0**

Table 103

Aggregated Property interests balance sheets

	2016			2015		
	Property joint ventures £m	**Nicetoile £m**	**Share of Property interests £m**	Property joint ventures £m	Nicetoile £m	Share of Property interests £m
Non-current assets						
Investment and development properties	**3,490.1**	**27.7**	**3,517.8**	2,455.1	23.3	2,478.4
Interests in leasehold properties	**10.8**	–	**10.8**	9.4	–	9.4
	3,500.9	**27.7**	**3,528.6**	2,464.5	23.3	2,487.8
Current assets						
Other current assets	**100.2**	**0.4**	**100.6**	726.8	0.2	727.0
Cash and deposits	**54.8**	**1.4**	**56.2**	32.4	1.1	33.5
	155.0	**1.8**	**156.8**	759.2	1.3	760.5
Total assets	**3,655.9**	**29.5**	**3,685.4**	**3,223.7**	**24.6**	**3,248.3**
Current liabilities						
Other payables	**(78.4)**	**(0.2)**	**(78.6)**	(67.2)	(0.2)	(67.4)
Borrowings	**(46.7)**	–	**(46.7)**	(40.2)	–	(40.2)
	(125.1)	**(0.2)**	**(125.3)**	(107.4)	(0.2)	(107.6)
Non-current liabilities						
Obligations under finance leases	**(10.8)**	–	**(10.8)**	(9.4)	–	(9.4)
Other payables	**(5.3)**	**(0.3)**	**(5.6)**	(4.1)	(0.2)	(4.3)
	(16.1)	**(0.3)**	**(16.4)**	(13.5)	(0.2)	(13.7)
Total liabilities	**(141.2)**	**(0.5)**	**(141.7)**	**(120.9)**	**(0.4)**	**(121.3)**
Net assets	**3,514.7**	**29.0**	**3,543.7**	**3,102.8**	**24.2**	**3,127.0**

Premium outlets

The Group's investment in premium outlets is through interests in Value Retail and VIA Outlets. Due to the nature of the Group's control over these externally-managed investments, Value Retail is accounted for as an associate and VIA Outlets is accounted for as a joint venture. Tables 104 and 105 provide analysis of the impact of the two premium outlet investments on the Group's financial statements. Further information on Value Retail is provided in note 13 to the accounts on pages 157 and 158 and for VIA Outlets in note 12 to the accounts on pages 151 to 156.

Income statement

Table 104

Aggregated premium outlets income summary

	2016			2015		
	Value Retail £m	**VIA Outlets £m**	**Total £m**	Value Retail £m	VIA Outlets £m	Total £m
Share of results (IFRS)	**135.2**	**20.7**	**155.9**	159.3	13.1	172.4
Less adjustments:						
Revaluation gains on properties	**(120.0)**	**(18.4)**	**(138.4)**	(163.7)	(10.4)	(174.1)
Change in fair value of derivatives	**15.2**	**(0.7)**	**14.5**	7.5	2.2	9.7
Deferred tax	**9.6**	**4.7**	**14.3**	25.1	2.5	27.6
Other adjustments	**(16.4)**	**(0.1)**	**(16.5)**	(11.1)	(1.3)	(12.4)
	(111.6)	**(14.5)**	**(126.1)**	(142.2)	(7.0)	(149.2)
Adjusted earnings of premium outlets	**23.6**	**6.2**	**29.8**	17.1	6.1	23.2
Interest receivable from Value Retail loans*	**4.2**	**–**	**4.2**	5.3	–	5.3
Total contribution to adjusted profit	**27.8**	**6.2**	**34.0**	22.4	6.1	28.5

Balance sheet

Table 105

Aggregated premium outlets investment summary

	2016			2015		
	Value Retail £m	**VIA Outlets £m**	**Total £m**	Value Retail £m	VIA Outlets £m	Total £m
Investment properties	**1,387.3**	**302.1**	**1,689.4**	1,095.0	148.6	1,243.6
Net debt	**(413.3)**	**(54.3)**	**(467.6)**	(335.3)	(27.1)	(362.4)
Other net liabilities	**(14.9)**	**(25.8)**	**(40.7)**	(15.9)	(10.7)	(26.6)
Share of net assets (IFRS)	**959.1**	**222.0**	**1,181.1**	743.8	110.8	854.6
Less adjustments:						
Fair value of derivatives	**(0.3)**	**3.5**	**3.2**	(0.4)	3.5	3.1
Deferred tax	**140.9**	**19.5**	**160.4**	107.3	6.3	113.6
Goodwill as a result of deferred tax	**(53.5)**	**(3.5)**	**(57.0)**	(47.0)	(3.0)	(50.0)
	87.1	**19.5**	**106.6**	59.9	6.8	66.7
Adjusted investment	**1,046.2**	**241.5**	**1,287.7**	803.7	117.6	921.3
Investment in VR China – within other investments	**–**	**–**	**–**	4.8	–	4.8
Loans to Value Retail*	**21.6**	**–**	**21.6**	76.4	–	76.4
Total investment	**1,067.8**	**241.5**	**1,309.3**	884.9	117.6	1,002.5

* At 31 December 2016 the Group had provided loans of £21.6 million (2015: £76.4 million) to Value Retail for which the Group received interest of £4.2 million in 2016 (2015: £5.3 million) which is included within finance income in note 7 to the accounts on page 146.

Proportionally consolidated information

Note 2 to the accounts on page 140 shows the proportionally consolidated income statement. The proportionally consolidated balance sheet, net debt and net underlying finance costs are shown in the tables 106, 108 and 110.

In each of the tables, column A represents the Reported Group figures as shown in the financial statements; column B shows the Group's share of Property interests being the Group's share of Property joint ventures as shown in note 12 to the accounts on pages 151 to 156 and Nicetoile as shown in note 13 to the accounts on pages 157 and 158. Column C shows the Group's proportionally consolidated figures by aggregating the Reported Group and Share of Property interests figures. The Group's interests in premium outlets are not proportionally consolidated as management does not review these interests on this basis.

Proportionally consolidated balance sheet

Table 106

Balance sheet as at 31 December 2016

	2016			2015		
	Reported Group £m	Share of Property interests £m	Proportionally consolidated £m	Reported Group £m	Share of Property interests £m	Proportionally consolidated £m
	A	B	C	A	B	C
Non-current assets						
Investment and development properties	**4,763.9**	**3,517.8**	**8,281.7**	4,652.1	2,478.4	7,130.5
Interests in leasehold properties	**36.4**	**10.8**	**47.2**	32.1	9.4	41.5
Plant and equipment	**6.2**	**–**	**6.2**	7.6	–	7.6
Investment in joint ventures	**3,736.7**	**(3,514.7)**	**222.0**	3,213.6	(3,102.8)	110.8
Investment in associate	**988.1**	**(29.0)**	**959.1**	768.0	(24.2)	743.8
Other investments	**–**	**–**	**–**	4.8	–	4.8
Receivables	**44.9**	**–**	**44.9**	92.1	–	92.1
	9,576.2	**(15.1)**	**9,561.1**	8,770.3	(639.2)	8,131.1
Current assets						
Receivables	**105.9**	**84.8**	**190.7**	118.0	710.7	828.7
Restricted monetary assets	**35.1**	**15.8**	**50.9**	34.0	16.3	50.3
Cash and deposits	**74.3**	**56.2**	**130.5**	37.0	33.5	70.5
	215.3	**156.8**	**372.1**	189.0	760.5	949.5
Total assets	**9,791.5**	**141.7**	**9,933.2**	8,959.3	121.3	9,080.6
Current liabilities						
Payables	**303.8**	**78.6**	**382.4**	235.5	67.4	302.9
Tax	**0.4**	**–**	**0.4**	0.7	–	0.7
Borrowings	**211.1**	**46.7**	**257.8**	–	40.2	40.2
	515.3	**125.3**	**640.6**	236.2	107.6	343.8
Non-current liabilities						
Borrowings	**3,285.2**	**–**	**3,285.2**	3,028.1	–	3,028.1
Deferred tax	**0.5**	**–**	**0.5**	0.5	–	0.5
Obligations under finance leases	**37.5**	**10.8**	**48.3**	32.5	9.4	41.9
Payables	**96.0**	**5.6**	**101.6**	75.7	4.3	80.0
	3,419.2	**16.4**	**3,435.6**	3,136.8	13.7	3,150.5
Total liabilities	**3,934.5**	**141.7**	**4,076.2**	3,373.0	121.3	3,494.3
Net assets	**5,857.0**	**–**	**5,857.0**	5,586.3	–	5,586.3

EBITDA

Table 107

EBITDA for the year ended 31 December 2016

	2016 £m	2015 £m
Adjusted operating profit (note 2)	**330.2**	299.5
Interest income from Irish loans	**17.4**	4.7
Tenant incentive amortisation	**2.6**	1.8
Share-based remuneration	**5.6**	4.8
Depreciation	**2.0**	1.7
Total	**357.8**	312.5

Proportionally consolidated net debt

Table 108

Net debt as at 31 December 2016

	2016			2015		
	Reported Group £m	**Share of Property interests £m**	**Total £m**	Reported Group £m	Share of Property interests £m	Total £m
Notes	A	B	C	A	B	C
Cash at bank	**74.1**	**53.7**	**127.8**	36.9	32.6	69.5
Short-term deposits	**0.2**	**2.5**	**2.7**	0.1	0.9	1.0
Cash and deposits	**74.3**	**56.2**	**130.5**	37.0	33.5	70.5
Current borrowings including currency swaps	**(211.1)**	**(46.7)**	**(257.8)**	30.0	(40.2)	(10.2)
Non-current borrowings	**(3,285.2)**	**–**	**(3,285.2)**	(3,028.1)	–	(3,028.1)
Net debt	**(3,422.0)**	**9.5**	**(3,412.5)**	(2,961.1)	(6.7)	(2,967.8)

Loan to value

Table 109

Loan to value as at 31 December 2016

	2016		2015	
	New methodology	**Old methodology**	New methodology	Old methodology
Loan – Net debt (Table 108)	**3,412.5**	**3,412.5**	2,967.8	2,967.8
Total property portfolio (Table 100)	**8,281.7**	**8,281.7**	7,130.5	7,130.5
Irish loan assets	**54.1**	**54.1**	690.2	690.2
Investment in VIA Outlets (note 12A)	**222.0**	**n/a**	110.8	n/a
Investment in Value Retail (note 13C)	**959.1**	**n/a**	743.8	n/a
Less non-controlling interest	**(81.4)**	**n/a**	(69.0)	n/a
Value	**9,435.5**	**8,335.8**	8,606.3	7,820.7
Loan to value (%)	**36.2**	**40.9**	34.5	37.9

Proportionally consolidated net underlying finance costs

Table 110

Underlying finance costs for the year ended 31 December 2016

	2016			2015		
	Reported Group £m	**Share of Property interests £m**	**Total £m**	Reported Group £m	Share of Property interests £m	Total £m
Notes	A	B	C	A	B	C
Finance costs	**121.2**	**2.1**	**123.3**	101.9	2.5	104.4
Finance income	**(12.4)**	**(17.4)**	**(29.8)**	(15.7)	(4.6)	(20.3)
Adjusted finance costs/(income) (note 2)	**108.8**	**(15.3)**	**93.5**	86.2	(2.1)	84.1
Capitalised interest	**5.1**	**–**	**5.1**	5.3	–	5.3
Net underlying finance costs/(income)	**113.9**	**(15.3)**	**98.6**	91.5	(2.1)	89.4

DEVELOPMENT PIPELINE

UNAUDITED

Scheme	Area m²	Key facts
UK shopping centres		
Brent Cross extension	90,000	- Extension and refurbishment of Brent Cross shopping centre forming part of wider Brent Cross Cricklewood regeneration plans totalling 175,000m² of retail, catering and leisure. - Reserved matters planning application to be submitted in spring 2017.
Bristol Investment Properties*	74,000	- New planning application in the name of Callowhill Court submitted in December 2016 for a 3.5ha site of joint venture owned land relating to part of the existing retail properties adjoining Cabot Circus. - Masterplan includes up to 74,000m² retail and leisure, 900 car parking spaces, the potential for 150 residential units and a 150 room hotel.
Croydon Town Centre	200,000	- Redevelopment of Whitgift Centre and refurbishment of Centrale shopping centre by Croydon Partnership, a 50:50 joint venture between Hammerson and Westfield. - New outline planning application submitted in October 2016, with decision expected in summer 2017.
Silverburn (Phase 4), Glasgow*	50,000	- Consent granted in October 2015 for a masterplan for a future extension of existing centre. - Masterplan includes 31,250m² retail, 8,500m² leisure, plus a hotel.
Union Square, Aberdeen*	27,800	- Extension of existing shopping centre for up to 11,000m² of retail, 12,000m² of leisure and catering, plus up to 435 car parking spaces and a hotel. - Planning application due for determination by summer 2017.
Victoria Gate (Phase 2), Leeds*	73,000	- Phase 1 completed October 2016. Phase 2 masterplanning underway to deliver a phased retail/leisure mixed-use scheme to complement Victoria Gate. Revised planning application submission anticipated end of 2017 - Freehold control of site obtained
Westquay Watermark (Phase 2), Southampton	58,000	- Council-owned land, with outline planning consent for 8,000m² of retail and leisure, 260 residential units and one or more hotels, achieved in 2014. - A joint review of scheme is under way including a proposed development agreement to bring the scheme forward.
UK retail parks		
Oldbury, Dudley*	10,900	- Planning secured in May 2016 for new development of up to 11 retail and catering uses. - Leasing underway.
UK Other		
The Goodsyard, London E1	270,000	- 4.2ha site on edge of the City of London. - Planning application for major mixed-use development was deferred in April 2016 to allow further consultation. - Work ongoing to submit amended application during 2017.
France		
Italie Deux, Paris 13ème	6,500	- Extension of the existing shopping centre offering a new façade in addition to retail, leisure and innovative concepts. - Land disposal approved by the City of Paris. Consents submitted.
Les Trois Fontaines, Cergy Pontoise	28,000	- Retail and catering extension as part of a wider city centre project. - Co-ownership agreement, building permit and retail consent obtained. - Pre-letting and contractor discussions ongoing.
SQY Ouest, Saint Quentin-en-Yvelines*	32,000	- Opportunity to reposition existing shopping centre, creating a leisure-led destination.
Ireland		
Dundrum Phase II, Dublin*	100,000	- Six acre site located adjacent to Dundrum Town Centre. - Opportunity to create a retail-led mixed-use scheme; master planning process underway.
Dublin Central, Dublin*	158,000	- Extension of duration of planning consent granted until May 2022 to create a retail-led city centre scheme. - Irish Government have appealed a High Court decision to designate part of the site as a National Monument. The Group is supporting the process and a hearing is expected in December 2017.
Swords Pavilions Phase III, Dublin*	272,000	- Extension of duration of planning consent granted to August 2021. - Consent in place to create 124,000m² retail-led scheme with additional residential. - Pending completion of loan-to-own process for Phases I and II.
Total	**1,450,200**	

* Schemes are on existing Hammerson owned land. No additional land acquisitions are required. This excludes occupational and long leaseholds.

PROPERTY LISTING

UNAUDITED

	Ownership	Area, m²	No. of tenants	Passing rent, £m
UK shopping centres				
Brent Cross, London	41%	85,200	115	17.4
Bullring, Birmingham	50%	126,900	158	27.8
Cabot Circus, Bristol	50%	109,900	121	15.1
Centrale, Croydon	50%	64,800	46	4.8
Grand Central, Birmingham	50%	38,400	67	6.2
Highcross, Leicester	100%	105,700	140	29.4
Silverburn, Glasgow	50%	100,300	104	11.4
The Oracle, Reading	50%	70,300	110	15.5
Union Square, Aberdeen	100%	51,800	79	18.6
Victoria, Leeds	100%	56,300	95	16.9
Westquay, Southampton	50%	95,100	115	16.2
UK retail parks				
Abbey Retail Park, Belfast	100%	20,200	4	3.4
Abbotsinch Retail Park, Glasgow	100%	22,800	13	4.7
Battery Retail Park, Birmingham	100%	11,000	11	3.5
Brent South Retail Park, London	41%	8,700	10	1.8
Central Retail Park, Falkirk	100%	37,300	30	6.3
Cleveland Retail Park, Middlesbrough	100%	27,800	19	4.6
Cyfarthfa Retail Park, Methyr Tydfil	100%	29,200	22	6.6
Dallow Road, Luton	100%	10,100	2	2.0
Elliott's Field Shopping Park, Rugby	100%	16,900	18	4.6
Fife Central Retail Park, Kirkcaldy	100%	24,900	17	5.7
Imperial Retail Park, Bristol	100%	32,200	18	5.5
Parc Tawe Retail Park, Swansea	100%	17,800	8	1.3
Ravenhead Retail Park, St. Helens	100%	27,600	18	4.4
St. Oswald's Retail Park, Gloucester	100%	20,900	14	4.7
Telford Forge Retail Park, Telford	100%	29,100	20	5.2
The Orchard Centre, Didcot	100%	21,200	53	4.0
Westwood and Westwood Gateway Retail Parks, Thanet	100%	24,900	20	4.6
Wrekin Retail Park, Telford	100%	13,700	14	2.8
France				
Espace Saint-Quentin, Saint Quentin-En-Yvelines	25%	29,500	120	3.2
Italie Deux, Paris	100%	61,500	132	22.2
Jeu de Paume, Beauvais	100%	24,100	61	3.0
Les Trois Fontaines, Cergy Pontoise	100%	30,100	111	14.4
Les Terrasses du Port, Marseille	100%	62,700	171	26.2
Nicetoile, Nice	10%	17,300	99	1.4
O'Parinor, Aulnay-Sous-Bois	25%	68,600	174	5.8
Place des Halles, Strasbourg*	100%	40,200	113	12.0
Saint Sébastien, Nancy	100%	18,600	75	6.7
SQY Ouest, Saint Quentin-En-Yvelines	100%	17,600	13	2.2
Ireland				
Dublin Central, Dublin	100%	23,800	18	2.3
Dundrum Town Centre, Dublin	50%	123,800	158	27.4
Ilac Centre, Dublin	50%	27,100	75	4.1

* 35.5% non-controlling interest held by Assurbail. See page 169.

	Ownership	Area, m²	No. of tenants	Total turnover[1], £m
Premium outlets				
i. Value Retail				
Bicester Village, London	46%	22,700	131	90.5
Fidenza Village, Milan	33%	20,900	115	13.5
Ingolstadt Village, Munich	12%	20,600	116	19.6
Kildare Village, Dublin	40%	16,800	88	15.7
La Roca Village, Barcelona	36%	23,400	137	34.9
La Vallée Village, Paris	23%	21,400	111	62.2
Las Rozas Village, Madrid	32%	16,500	102	23.5
Maasmechelen Village, Brussels	26%	19,500	97	18.3
Wertheim Village, Frankfurt	44%	21,200	115	19.0
ii. VIA Outlets				
Batavia Stad, Amsterdam	47%	24,600	111	9.2
Fashion Arena, Prague	47%	24,200	98	6.1
Festival Park, Majorca	47%	33,100	71	6.6
Freeport, Lisbon	47%	29,300	132	6.2
Hede, Gothenburg	47%	16,300	49	3.0
Landquart, Zurich	47%	20,700	69	6.5
Seville, Seville	47%	16,400	64	3.8
Style Outlets, Zweibrücken[2]	47%	28,900	114	14.4
Wroclaw, Wroclaw	47%	15,800	86	3.3
Vila de Conde, Porto[2]	47%	27,900	129	8.2

1. Figures represent total turnover for each outlet, not Hammerson's ownership share.
2. Acquired in 2017.

TEN-YEAR FINANCIAL SUMMARY

UNAUDITED

	2016 £m	2015 £m	2014 £m	2013* £m	2012* £m	2011 £m	2010 £m	2009 £m	2008 £m	2007 £m
Income statement										
Net rental income	**346.5**	318.6	305.6	290.2	282.9	296.0	284.7	293.6	299.8	275.7
Operating profit before other net gains/(losses)	**300.4**	276.3	259.1	247.9	239.6	249.1	248.8	252.6	257.5	234.5
Other net (losses)/gains	**(36.1)**	381.0	430.3	102.0	(7.3)	209.8	469.9	(590.4)	(1,698.3)	25.2
Share of results of joint ventures	**20.7**	13.1	(1.1)	–	–	–	–	–	–	–
Share of results of associates	**135.2**	159.3	109.9	101.5	47.5	–	1.5	(0.8)	–	–
Cost of finance (net)	**(96.6)**	(98.1)	(95.1)	(110.2)	(137.6)	(112.6)	(100.0)	(114.5)	(170.7)	(149.3)
Profit/(Loss) before tax	**323.6**	731.6	703.1	341.2	142.2	346.3	620.2	(453.1)	(1,611.5)	110.4
Current tax	**(2.7)**	(1.6)	(0.9)	(0.8)	(0.4)	(0.7)	(0.6)	(0.9)	(0.6)	(16.4)
Deferred tax	**–**	–	(0.1)	0.1	–	–	(0.1)	103.6	38.3	17.6
Non-controlling interests	**(3.6)**	(3.2)	(3.0)	(3.1)	(3.4)	(9.9)	(4.1)	5.9	1.2	(10.6)
Profit/(Loss) for the year attributable to equity shareholders	**317.3**	726.8	699.1	337.4	138.4	335.7	615.4	(344.5)	(1,572.6)	101.0
Balance sheet										
Investment and development properties	**8,281.7**	7,130.5	6,706.5	5,931.2	5,458.4	5,719.6	5,331.1	5,141.5	6,456.8	7,275.0
Investment in joint ventures	**222.0**	110.8	104.2	–	–	–	–	–	–	–
Investment in associates	**959.1**	743.8	628.8	545.4	428.4	–	–	10.4	–	–
Cash and short-term deposits	**130.5**	70.5	59.4	56.7	57.1	100.7	126.2	182.9	119.9	28.6
Borrowings	**(3,543.0)**	(3,068.3)	(2,329.3)	(2,309.0)	(2,038.1)	(2,079.9)	(1,920.6)	(2,319.0)	(3,452.6)	(2,524.2)
Other assets	**339.9**	1,025.0	268.6	271.2	462.3	435.6	323.1	331.6	319.5	318.7
Other liabilities	**(532.7)**	(425.5)	(392.6)	(358.5)	(441.9)	(327.1)	(307.6)	(323.9)	(425.3)	(573.5)
Net deferred tax provision	**(0.5)**	(0.5)	(0.5)	(0.4)	(0.5)	(0.5)	(0.5)	(0.4)	(108.4)	(99.6)
Non-controlling interests	**(81.4)**	(69.0)	(71.4)	(76.7)	(74.5)	(76.5)	(71.7)	(73.4)	(89.3)	(70.4)
Equity shareholders' funds	**5,775.6**	5,517.3	4,973.7	4,059.9	3,851.2	3,771.9	3,480.0	2,949.7	2,820.6	4,354.6
Cash flow										
Operating cash flow after tax	**181.3**	171.2	128.1	129.4	139.9	147.8	132.7	105.3	29.8	(29.2)
Dividends	**(135.7)**	(163.8)	(139.1)	(129.4)	(118.4)	(86.1)	(95.4)	(64.5)	(86.7)	(73.1)
Property and corporate acquisitions	**(499.7)**	(43.7)	(302.7)	(191.1)	(397.3)	(374.1)	(218.6)	(39.5)	(123.5)	(163.3)
Developments and major refurbishments	**(127.2)**	(137.2)	(164.0)	(184.4)	(122.9)	(91.2)	(60.8)	(164.1)	(376.7)	(335.5)
Other capital expenditure	**(55.2)**	(45.1)	(39.8)	(17.5)	(48.0)	(23.6)	(25.5)	(23.7)	(13.9)	(44.6)
Disposals	**639.0**	185.2	155.4	256.3	585.0	271.8	554.6	394.2	245.3	537.2
Investments in joint ventures	**(155.0)**	(735.6)	(118.9)	–	–	–	–	–	–	–
Other cash flows	**86.5**	(14.0)	12.4	(30.8)	(72.4)	(34.9)	(0.8)	–	–	(10.9)
Net cash flow before financing	**(66.0)**	(783.0)	(468.6)	(167.5)	(34.1)	(190.3)	286.2	207.7	(325.7)	(119.4)
Per share data**										
Basic earnings/(loss) per share	**40.2p**	92.8p	95.7p	47.4p	19.4p	47.3p	87.2p	(54.1)p	(368.9)p	23.7p
Adjusted earnings per share	**29.2p**	26.9p	23.9p	23.1p	20.9p	19.3p	19.9p	19.7p	25.8p	27.3p
Dividend per share	**24.0p**	22.3p	20.4p	19.1p	17.7p	16.6p	15.95p	15.45p	18.9p	18.5p
Diluted net asset value per share	**£7.28**	£7.03	£6.35	£5.70	£5.41	£5.30	£4.93	£4.20	£6.61	£10.22
EPRA net asset value per share	**£7.39**	£7.10	£6.38	£5.73	£5.42	£5.30	£4.95	£4.21	£7.03	£10.49
Financial ratios										
Return on shareholders' equity	**7.8%**	14.3%	16.3%	8.8%	5.3%	11.2%	21.1%	-16.9%	-32.5%	4.5%
Gearing	**59%**	54%	46%	56%	53%	52%	52%	72%	118%	57%
Interest cover	**3.5x**	3.6x	2.8x	2.8x	2.8x	2.6x	2.6x	2.2x	1.7x	1.9x
Dividend cover	**1.2x**	1.2x	1.2x	1.2x	1.2x	1.2x	1.2x	1.3x	1.4x	1.5x

* Comprises continuing and discontinued operations.

** Comparative per share data was restated following the rights issue in March 2009.

The Income Statement, Balance Sheet and Financial Ratios for 2016, 2015 and 2014 have been presented on a proportionally consolidated basis, excluding the Group's investment in premium outlets. Cash flow information has been presented on an IFRS basis throughout.

Key contact details

Registered office and principal UK address

Hammerson plc
Kings Place
90 York Way
London
N1 9GE

Registered in England No. 360632

Tel: +44 (0)20 7887 1000

Principal address in Ireland

Hammerson Group Management Limited
Regus Dublin
Harcourt Centre
Harcourt Street
Dublin
D02 HW77

Tel: + 353 (0)1695 0550

In July 2017 the principal Irish address will move to:

Hammerson Group Management Limited
Pembroke District
Dundrum Town Centre
Dublin 14

Principal address in France

Hammerson France SAS
40 – 48 rue Cambon
75001 Paris

Tel: +33 (0)156 69 30 00

Advisors

Valuers: Cushman & Wakefield LLP
Auditor: Deloitte LLP (resigning at the Annual General Meeting), PricewaterhouseCoopers LLP (to be appointed at the Annual General Meeting)
Solicitor: Herbert Smith Freehills LLP
Joint Brokers and Financial Advisors: J. P. Morgan Cazenove and Deutsche Bank AG
Financial Advisor: Lazard Ltd.
Joint South African Sponsors: Deutsche Securities (SA) (Proprietary) Limited and Java Capital Proprietary Limited

Shareholder administration

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 relevant Registrar or transfer secretaries.

Registrar in the United Kingdom

Capita Asset Services
The Registry
34 Beckenham Road
Beckenham
Kent
BR3 4TU

Tel: 0871 664 0300 (calls cost 12p per minute plus your phone company's access charge) or +44 371 664 0300 from overseas (calls outside the UK will be charged at the applicable international rate). Lines are open 9.00 am to 5.30 pm, Monday to Friday excluding public holidays in England and Wales.

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.

Transfer Secretaries in South Africa

Computershare Investor Services Proprietary Limited
Rosebank Towers
15 Biermann Avenue
Rosebank 2196
South Africa or
PO Box 61051
Marshalltown 2107
South Africa

Tel: 0861 100 950 (local in South Africa)
Email: web.queries@computershare.co.za

Annual General Meeting

The Annual General Meeting will be held at 11.00 am on 25 April 2017 at Kings Place, 90 York Way, London N1 9GE. 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.

Payment of dividends to mandated accounts

UK 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 register their mandate at: www.capitashareportal.com. Under this arrangement, dividend confirmations 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.

UK 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.

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. The DRIP will continue to be available to 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.

South African DRIP

Shareholders registered on the South African branch register who hold their shares through the Strate system and who wish to participate in the DRIP should contact their Central Securities Depository Participants.

Scrip Dividend Alternative (Scrip)

The Board has decided not to offer shareholders a Scrip for the final dividend for the year ended 31 December 2016.

International payment service

The UK Registrar facilitates a service to convert sterling dividends payable to shareholders on the UK share register into certain local currencies. For further information, please contact the Registrar (address listed above) or call +44 (0) 371 664 0300. Calls are charged at the standard geographic rate and will vary by provider. Calls outside the UK will be charged at the applicable international rate. Lines are open 9.00 am to 5.30 pm, Monday to Friday excluding public holidays in England and Wales.

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 to shareholders wishing to deal in shares on the UK share register, 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 +44 (0) 371 664 0445. Calls are charged at the standard geographic rate and will vary by provider. Calls outside the UK will be charged at the applicable international rate. Lines are open 8.00 am to 4.30 pm, Monday to Friday excluding public holidays in England and Wales.

Email: info@capitadeal.com
Website: www.capitadeal.com

ShareGift

Shareholders with a small number of shares, the value of which makes it uneconomic to sell them, may wish to consider donating them to charity through ShareGift, a registered charity administered by The Orr Mackintosh Foundation Limited (registered charity number: 1052686, registered company number: 3150478). Further information about ShareGift is available at: www.sharegift.org.uk or by writing to ShareGift, The Orr Mackintosh Foundation Limited, 17 Carlton House Terrace, London, SW1Y 5AH or by telephone on +44 (0)20 7930 3737.

Strate Charity Shares

South African shareholders for whom the cost of selling their shares would exceed the market value of such shares may wish to consider donating them to charity. An independent non-profit organisation called Strate Charity Shares has been established to administer this process. For further details, queries and/or donations contact the Strate Share Care toll free help line on 0800 202 363 (if calling from South Africa) or +27 11 870 8207 (if calling from outside South Africa).

Email: charityshares@computershare.co.za
Website: www.strate.co.za.

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 UK 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.

PIDs paid to overseas shareholders are subject to withholding tax at 20%. South African shareholders may apply to Her Majesty's Revenue and Customs after payment of the PID for a refund of the difference between the 20% withholding tax and the prevailing UK/South African double tax treaty rate. South African shareholders will have no further liability to dividends tax in South Africa. Other overseas shareholders may be eligible to apply for similar refunds of UK withholding tax under the terms of the relevant tax treaties.

Normal dividends paid to overseas shareholders are paid gross but may be subject to taxation in the shareholder's country of residence. For South African shareholders, dividends tax at 15% will be withheld and paid over to the South African Revenue Service on the shareholders' behalf. Certain shareholders, including South African tax resident companies, retirement funds and approved public benefit organisations are exempt from dividends tax but it is the responsibility of each shareholder to seek their own advice. Dividends tax does not apply to scrip dividends, whether paid as a PID or a normal dividend.

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 UK 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.

Primary and Secondary Listing

The Company has its primary listing on the London Stock Exchange and a secondary inward listing on the Johannesburg Stock Exchange.

Financial Calendar

Table 111

Recommended final dividend	Last day to effect removal of shares between the United Kingdom (UK) and South African (SA) registers	6 March 2017
	Currency conversion announcement released	7 March 2017
	Last day to trade on the Johannesburg Stock Exchange (JSE) to qualify for the dividend	14 March 2017
	Ex-dividend on the JSE from commencement of trading on	15 March 2017
	Ex-dividend on the London Stock Exchange from the commencement of trading on	16 March 2017
	Record date (applicable to both the UK principal register and the SA branch register)	17 March 2017
	Removal of shares between the UK and SA registers permissible from	20 March 2017
	Last day for receipt of Dividend Reinvestment Plan (DRIP) mandates by Central Securities Depository Participants (CSDPs)	24 March 2017
	Last day for receipt of DRIP elections to SA Transfer Secretaries	27 March 2017 by 1.00pm (SA time)
	Last day for receipt of DRIP elections by UK Registrars	2 April 2017
Annual General Meeting		25 April 2017
	Final dividend payable (UK)	27 April 2017
	Final dividend payable (SA)	28 April 2017
	DRIP purchases settlement date (subject to market conditions and the purchase of shares in the open market)	5 May 2017
Anticipated 2017 interim dividend		October 2017

GLOSSARY

Adjusted figures (per share)	Reported amounts adjusted in accordance with EPRA guidelines to exclude certain items as set out in note 10 to the accounts.
Anchor store	An 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 or weighted average interest rate (WAIR)	The cost of finance expressed as a percentage of the weighted average of borrowings during the period.
BCSC	British Council of Shopping Centres. A not-for-profit professional body supporting the retail property industry which undertakes research and lobbies government on behalf of its members.
BREEAM	An environmental rating assessed under the Building Research Establishment's Environmental Assessment Method.
CAGR	Compound annual growth rate.
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.
Compulsory Purchase Order (CPO)	A legal function in the UK by which land or property can be obtained to enable a development or infrastructure scheme without the consent of the owner where there is a "compelling case in the public interest".
Cost ratio (or EPRA cost ratio)	Total operating costs (being property costs, administration costs less management fees) as a percentage of gross rental income, after rents payable. Both operating costs and gross rental income are adjusted for costs associated with inclusive leases.
CPI	Consumer Price Index. A measure of inflation based on the weighted average of prices of consumer goods and services.
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 (TEY) assumes rents are received quarterly in advance. The nominal equivalent yield (NEY) 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 calculated by the Group's external valuers. It is calculated after deducting head and equity rents, and car parking and commercialisation running costs.
Gearing	Proportionally consolidated net debt expressed as a percentage of equity shareholders' funds.
Gross property value or Gross asset value (GAV)	Property value before deduction of purchasers' costs, as provided by the Group's external valuers.
Gross rental income (GRI)	Income from rents, car parks and commercial income, after accounting for the net effect of the amortisation of lease incentives.
IAS/IFRS	International Accounting Standard/International Financial Reporting Standard.
Inclusive lease	A lease, often for a short period of time, under which the rent is inclusive of costs such as service charge, rates, utilities etc. Instead, the landlord incurs these costs as part of the overall commercial arrangement.
Income return	The income derived from a property as a percentage of the property value, taking account of capital expenditure and exchange translation movements, calculated on a time-weighted basis.
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 exceptional finance costs, capitalised interest and change in fair value of derivatives.
Interest rate or currency swap (or derivatives)	An agreement with another party to exchange an interest or currency rate obligation for a pre-determined period of time.
IPD	Investment Property Databank. An organisation supplying independent market indices and portfolio benchmarks to the property industry.

Like-for-like (LFL) NRI	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.
LTV (Loan to value)	Net debt expressed as a percentage of the property portfolio value calculated on a proportionally consolidated basis.
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.
Occupational cost ratio (OCR)	The proportion of a retailer's sales compared with the total cost of occupation being: rent, business rates, service charge and insurance. Calculated excluding anchor stores.
Over-rented	The amount, or percentage, by which the 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 and car parking and commercialisation running costs. This may be more or less than the ERV (see over-rented and reversionary or under-rented).
Principal lease	A lease signed with a tenant with a secure term greater than three years and where the unit is not reconfigured. This enables letting metrics to be stated on a comparable basis.
Pre-let	A lease signed with a tenant prior to the 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 interests	The Group's non-wholly owned properties which management proportionally consolidates when reviewing the performance of the business. These exclude the Group's premium outlets interests in Value Retail and VIA Outlets which are not proportionally consolidated.
Property joint ventures	The Group's shopping centre and retail park joint ventures which management proportionally consolidate when reviewing the performance of the business, but exclude the Group's interests in the VIA Outlets joint venture.
QIAIF	Qualifying Investor Alternative Investment Fund. A regulated tax regime in the Republic of Ireland which exempts participants from Irish tax on property income and chargeable gains subject to certain requirements.
REIT	Real Estate Investment Trust. A tax regime which 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.
Reported Group	The financial results as presented under IFRS which represent the Group's 100% owned properties and joint operations, transactions and balances and equity accounted Group's interests in joint ventures and associates.
Return on shareholders' equity (ROE)	Capital growth and profit for the period 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, or percentage, by which the ERV exceeds the rents passing, together with the estimated rental value of vacant space.
RPI	Retail Prices Index. A measure of inflation based on the change in the cost of a representative sample of retail goods and services.
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 growth 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 a Company's share price, expressed as a percentage of the share price at the beginning of the year.
Turnover rent	Rental income which is related to an occupier's turnover.
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 the Group 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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Disclaimer

This document contains certain statements that are neither reported financial results nor other historical information. These statements are forward-looking in nature and are subject to risks and uncertainties. Actual future results may differ materially from those expressed in or implied by these statements. Many of these risks and uncertainties relate to factors that are beyond Hammerson's ability to control or estimate precisely, such as future market conditions, currency fluctuations, the behaviour of other market participants, the actions of governmental regulators and other risk factors such as the Company's ability to continue to obtain financing to meet its liquidity needs, changes in the political, social and regulatory framework in which the Company operates or in economic or technological trends or conditions, including inflation and consumer confidence, on a global, regional or national basis. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date of this document. Hammerson does not undertake any obligation to publicly release any revisions to these forward-looking statements to reflect events or circumstances after the date of this document. Information contained in this document relating to the Company should not be relied upon as a guide to future performance.

Thank You

We'd like to thank everyone who has helped to produce this report:

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Pureprint Group Limited is FSC certified and ISO 14001 certified showing that it is committed to all round excellence and improving environmental performance is an important part of this strategy.

The inks used are vegetable oil-based.

Designed and produced by Black Sun Plc.

Hammerson plc

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