

# Where more happens

Annual Report 2015

Hammerson



# We are Hammerson

At Hammerson, we create destinations that excite shoppers, attract and support retailers, reward investors and serve communities; destinations where more happens.

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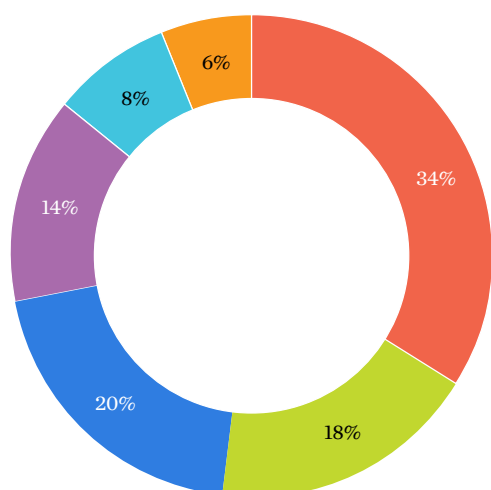
Cover image: Taurus Geodessica installation  
by Joshua Harker at Bullring September 2015

# 2015 overview

- Significant acquisition in Ireland
- Four developments completed of 64,900m<sup>2</sup>
- £360 million of disposals
- 400 lettings totalling 136,000m<sup>2</sup>

Portfolio value<sup>(1)</sup>

**£9.1 billion**  
**+17%**



- UK shopping centres
- Premium outlets
- UK retail parks
- Ireland (loans)
- France
- Developments and other

(1) As at 31 December 2015, including cost of Irish loan portfolio.

Profit for the year

**£727 million**  
**(+4%)**

2014: £699 million

Adjusted earnings per share

**26.9p** **(+13%)**

2014: 23.9p

Dividend per share

**22.3p** **(+9%)**

2014: 20.4p

Shareholders' equity

**£5,517 million**  
**(+11%)**

2014: £4,974 million

EPRA NAV per share

**£7.10** **(+11%)**

2014: £6.38

Total property return

**12.4%**

2014: 13.6%

# 57 places 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 and France, convenient retail parks in the UK and premium outlets across Europe.**

**21 shopping centres**

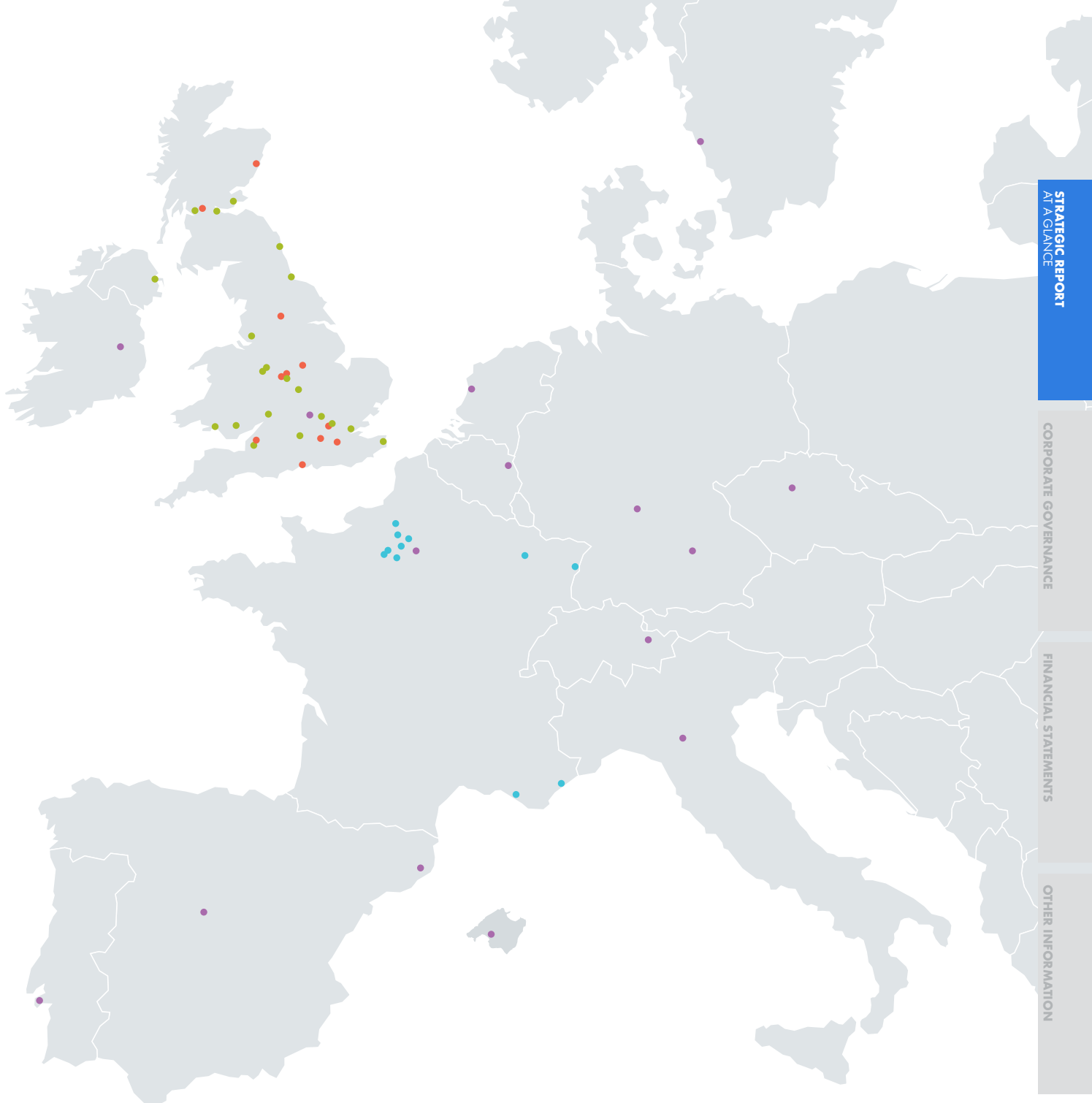
**21 retail parks**

**15 premium outlets**

**2.2 million m<sup>2</sup> lettable area**

**4,500 tenants**

*Les Terrasses du Port, Marseille*



## UK SHOPPING CENTRES

Brent Cross, London  
Bullring, Birmingham  
Cabot Circus, Bristol  
Centrale, Croydon  
Grand Central, Birmingham\*  
Highcross, Leicester  
Silverburn, Glasgow  
The Oracle, Reading  
Union Square, Aberdeen  
Victoria Quarter, Leeds  
WestQuay, Southampton

## UK RETAIL PARKS

Abbey Retail Park, Belfast  
Abbotsinch Retail Park, Paisley  
Battery Retail Park, Birmingham  
Brent South Shopping Park, London  
Central Retail Park, Falkirk  
Cleveland Retail Park, Middlesbrough  
Cyfarthfa Retail Park, Merthyr Tydfil  
Dallow Road, Luton  
Elliott's Field, Rugby  
Fife Central Retail Park, Kirkcaldy  
Imperial Retail Park, Bristol  
Manor Walks, Cramlington  
Parc Tawe, Swansea  
Ravenhead Retail Park, St Helens  
St Oswald's Retail Park, Gloucester  
Telford Forge Shopping Park, Telford  
The Orchard Centre, Didcot  
Thurrock Shopping Park, Thurrock  
Westmorland Retail Park, Cramlington  
Westwood & Westwood Gateway Retail Parks, Thanet  
Wrekin Retail Park, Telford

## FRANCE SHOPPING CENTRES

Espace St Quentin, St Quentin-en-Yvelines  
Italie Deux, Paris  
Le Jeu de Paume, Beauvais  
Les Trois Fontaines, Cergy Pontoise  
Les Terrasses du Port, Marseille  
Nicetoile, Nice  
O'Parinor, Paris  
Place des Halles, Strasbourg  
Saint Sébastien, Nancy  
SQY Ouest, St Quentin-en-Yvelines  
Villebon 2, Paris\*\*

## PREMIUM OUTLETS

### VALUE RETAIL

Bicester Village, London  
Fidenza Village, Milan  
Ingolstadt Village, Munich  
Kildare Village, Dublin  
La Roca Village, Barcelona  
La Vallée Village, Paris  
Las Rozas Village, Madrid  
Maasmechelen Village, Brussels  
Wertheim Village, Frankfurt

### VIA OUTLETS

Alcochete, Lisbon  
Batavia Stad, Amsterdam  
Fashion Arena, Prague  
Festival Park, Majorca\*  
Kungsbacka, Gothenburg  
Landquart, Zurich

\* Acquired in 2016

\*\* Contracts exchanged for sale in January 2016

Note: Properties underlying Irish loans are not shown (which include Dundrum Town Centre, Dublin; Swords Pavilions, Dublin; and The Ilac Centre, Dublin)

# How we create value

## Our mission

**At Hammerson our mission is to create desirability for our consumers and commercial partners. We own, operate and develop retail destinations 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.**

### 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, international capital markets

### A clear operational model

The key actions that we undertake towards achieving our strategic objectives to create value.

#### ASSET MANAGEMENT

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

#### INVESTMENT MANAGEMENT

We employ market expertise to recycle our portfolio. Taking advantage of acquisition opportunities which enhance the quality of our portfolio and future returns and disposing of assets at the right time

#### 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

#### FINANCIAL EFFICIENCY

We manage and control our costs, both operational and financial, and optimise the capital base to support the delivery of our strategy

**+ See pages 6 - 7 for our Strategic Priorities under each of these areas, and the progress achieved in 2015**

## 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

**+** See pages 6 - 7 for how the Product Experience Framework guides our Strategic Priorities and the Chief Executive's letter pages 8 - 13 for examples of how the Framework has been put into action in 2015

## To deliver value for our stakeholders

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

### FINANCIAL RETURNS...

For shareholders

### DESTINATIONS...

For retailers and shoppers

### ECONOMIC AND SOCIAL BENEFITS...

For our people and communities

**+** See the Chief Executive's letter on pages 8 - 13 for how we have delivered value for our stakeholders in 2015

## OUR BUSINESS MODEL IN ACTION

# We successfully implemented our business model in 2015 to deliver progress against our strategic priorities

### Strategic priorities

#### ASSET MANAGEMENT



Bullring, Birmingham

- Deploy the Product Experience Framework across the Group
- Introduce the latest retail and leisure brands and new store concepts to the portfolio
- Remerchandise retail parks with updated homeware and fashion retailers
- Deliver value-add projects (such as kiosks, digital screens, pop-up retail units, new store concepts, environmental improvements)
- Build digital capabilities to support multi-channel retail and provide insight on consumer behaviour
- Identify and capitalise on opportunities to drive sustainability across the portfolio

#### INVESTMENT MANAGEMENT



Dundrum Town Centre, Dublin

- Grow the portfolio and enhance overall quality
- Recycle capital into higher-performing retail markets
- Focus on European countries and cities with strong economic opportunities
- Aim for a leading position in all chosen market segments
- Dispose of assets which do not meet our investment management criteria or are underperforming

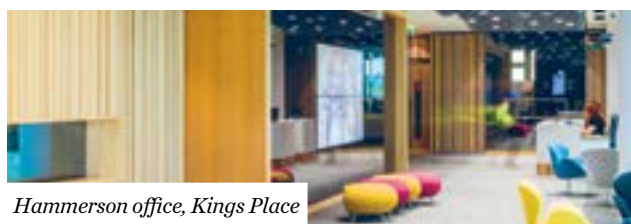
#### DEVELOPING VENUES



Silverburn, Glasgow

- Complete on-site development schemes
- Advance major London developments
- Extend shopping centres, emphasising food, beverage and leisure offers
- Deliver smaller-scale retail park extensions and reconfigurations for next-generation retail park schemes
- Support premium outlet extension opportunities

#### FINANCIAL EFFICIENCY



Hammerson office, Kings Place

- Maintain financial leverage in line with 40% loan-to-value (LTV) guidance and strong investment-grade credit ratings
- Uncomplicated and transparent approach to funding – primarily unsecured bank facilities and corporate bonds
- Effectively manage the maturity and average cost of debt
- Maintain currency hedge to limit foreign exchange exposure
- Joint ventures with a selected group of international partners
- Reduce operational and financial costs

## Progress in 2015

- 400 lettings totalling 136,000m<sup>2</sup> across the portfolio
- New flagship stores for international brands like Victoria's Secret, Apple, H&M and Polo Ralph Lauren
- 25 new retailers in French portfolio, of which four are firsts to France
- First ever Debenhams on a retail park
- 14% of space in UK shopping centres now food and beverage
- Commercialisation income up 9%
- 'Plus' app in all UK and French shopping centres
- 3% reduction in electricity consumption across UK assets

## Focus in 2016

- Evaluate opportunities to introduce existing international brands across the rest of the Hammerson portfolio
- Continue to reinvigorate the tenant mix in France
- Capitalise on strong occupier demand at retail parks to drive remerchandising and income growth
- Use customer data collected from the 'Plus' app to better inform understanding of consumers' behaviour and preferences

- Acquired loan portfolio to create new Irish platform
- Deployed further capital in Birmingham, the UK's second city, with the Grand Central acquisition
- Acquired new VIA Outlet, Festival Park, Majorca, and increased ownership stake in Kildare Village, Dublin
- £360 million of disposals including Villebon 2 in January 2016

- Convert Irish loans into owned assets and integrate portfolio
- Target further acquisitions in premium outlets, primarily through VIA Outlets
- Complete planned £300 million of disposals
- Evaluate further capital recycling opportunities

- Four developments completed:
  - Le Jeu de Paume, regional shopping centre in Beauvais, France
  - 10,900m<sup>2</sup> leisure and dining extension at Silverburn, Glasgow
  - Next-generation retail park at Elliott's Field, Rugby
  - Reconfiguration at Cyfarthfa Retail Park, Merthyr Tydfil
- Acquired 50% interest in Whitgift, Croydon, and concluded the CPO inquiry; acquired infrastructure consents at Brent Cross; and submitted revised planning at The Goodsyards, London
- Delivered further pre-lets at Victoria Gate, Leeds, and WestQuay Watermark, Southampton

- Complete and open Victoria Gate, Leeds, and achieve BREEAM Excellent status
- Progress construction and pre-lets at WestQuay Watermark ahead of 2017 opening
- Advance next planning steps, land acquisition and retailer discussions at Croydon, Brent Cross and The Goodsyards
- Next-generation retail park programme continues with The Orchard Centre, Didcot
- Start extensions at Bicester Village, London, Fidenza Village, Milan, and Batavia Stad, Amsterdam

- Relocated head office to King's Cross, reducing operational costs whilst achieving SKA Gold sustainability rating
- Over £1.8 billion of new capital raised
- £350 million bond issue at 2.5% effective coupon
- Redemption of £272 million 5.25% bond (due December 2016)
- Credit rating upgrade (to Baa1) from Moody's

- Manage cost base whilst delivering income growth
- Reduce LTV through disposals
- Acquisition facility to be refinanced by disposals and new debt issuance
- Take opportunities to further reduce cost of debt

**+ Further details on the progress against our Strategic Priorities are available in the Chief Executive's letter, pages 8 -13, and in the Business Review, pages 22 - 42**

IN CONVERSATION WITH  
DAVID ATKINS, CHIEF EXECUTIVE

# **We delivered value for our stakeholders**



**“2015 has been a busy and successful year for Hammerson. I am delighted that the focus on our strategic priorities continues to deliver positive results for our stakeholders.”**

# More happened for shareholders

## WHAT HAVE BEEN THE HIGHLIGHTS OF 2015?

Our focus on generating sustainable income growth continues to succeed, and we have grown EPS by 13%. This enables us to once more increase the dividend for our shareholders, which at 22.3p per share is up 9.3% on last year and with compound annual growth of 7.7% since 2011.

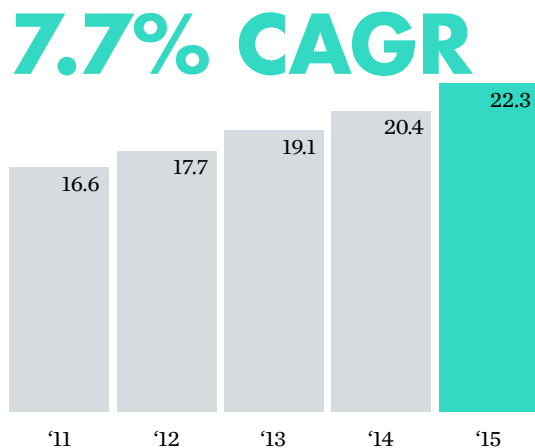
NAV per share was up 11% principally due to a total property return of 12.4%, significantly beating IPD.

This strong financial performance is in part thanks to the high quality of our portfolio. We continue to recycle capital into those assets and developments which are best positioned to create value for shareholders. A key highlight of this year was our acquisition in Ireland which provides a market-leading platform in Europe's fastest-growing economy. Acquiring a portfolio of loans requires some extra steps before we own the properties but, once the transaction is complete, we will operate one of Europe's leading shopping centres, Dundrum Town Centre, Dublin. We also increased our investment in the UK's second city, Birmingham, through the acquisition of Grand Central shopping centre in joint venture with CPPIB. Birmingham offers an increasingly wealthy catchment and improving public infrastructure investment. To fund these transactions, we are on track with a programme of disposals and we remain focused on maintaining a prudent balance sheet.

Like-for-like NRI growth of 2.3% is higher than last year as we continue to see a growing demand for prime retail and leisure space. Against a backdrop of falling vacancy, combined with our Product Experience Framework initiatives, we are well-positioned to drive future rental income growth.

Chart 1

Dividend per share (pence)



This year we successfully relocated our UK offices to more cost-efficient sites, moving our London headquarters to Kings Place, King's Cross. Costs were tightly controlled across the business and we reduced total administrative costs, alongside investing further in important areas such as digital and marketing. There is still more to be done however, especially as a result of additional property costs from the strategic development properties we hold.

In 2015, we completed an impressive four developments, adding 64,900m<sup>2</sup> of incremental retail space. This included Le Jeu de Paume, a new regional shopping centre in Beauvais; the Winter Garden restaurant and leisure extension at Silverburn, Glasgow; a next-generation fashion park in Rugby with Elliott's Field; as well as an M&S-anchored extension to Cyfarthfa Retail Park, Merthyr Tydfil. We also made good progress at our major London development schemes.

## HOW IS THE INVESTMENT PROPOSITION FOR SHAREHOLDERS IN 2016 DIFFERENTIATED VERSUS PEERS?

We are better positioned than ever to take advantage of the improving consumer backdrop and to continue to generate earnings growth ahead of our peers. As well as owning prime real estate, driving rental growth requires a thorough and hands-on approach to asset management. This is where we are differentiated by our embedded Product Experience Framework, which is designed to deliver a consistently great experience for shoppers and retailers across our portfolio.

Furthermore, we remain the only European REIT with strategic exposure to the premium outlets market. Our investments in Value Retail and VIA Outlets materially boosted our portfolio returns in 2015. We aim to further grow our exposure to this market, which is set to benefit from strong occupational demand driven by growing global tourism.

2016 will see the opening of Victoria Gate, Leeds which, together with Victoria Quarter, will create the leading aspirational retail offer in the north of England. The next 18 months will also see us make advancements on our major London development schemes including moving towards starting on-site at Brent Cross and Croydon. These schemes are set to deliver retail assets of the future and further differentiate our long-term investment proposition.

# More happened for retailers

## WHAT ARE THE CURRENT TRENDS FOR RETAILERS TAKING MORE SPACE?

The increase in occupancy across the Group to 97.7% reflects the continued strong demand from retail and leisure tenants for prime space. With the growth in multichannel retailing, tenants are looking to position a greater share of their stores in the best locations. This trend plays well to our strategy of owning and operating prime shopping centres in key regional destinations. We have successfully worked with major international tenants during 2015 to create flagship stores, including three Victoria's Secret stores and a new two-level Hugo Boss at Cabot Circus.

Retailers are also creating more innovative store designs and formats. We are delighted with the River Island Style Studio at Bullring, a new concept for the brand, offering customers a VIP personal-styling service in a relaxed and contemporary setting. The store has performed exceptionally well since opening, and is now one of the best in River Island's portfolio.

Increasingly discerning retailers want a portfolio of stores to match the full range of ways in which their customers shop. We are well-positioned to respond to retailers' requirements for a multi-format presence. Fat Face is a good example of this, upsizing its footprint at Union Square in Aberdeen in April and also taking its first store on a retail park in England when we opened the doors at our newly developed shopping park at Elliott's Field, Rugby. In fact, the trend for traditional fashion and department store brands to bring their full offering closer to the convenience shopper was evident throughout the year, with names such as Debenhams, M&S and Next all taking space across our retail parks.

Furthermore we are able to offer retailers a European footprint covering the UK, France and now Ireland. In France, our focus on reinvigorating the portfolio is delivering results. The team are focused on identifying the new and emerging international brands that will resonate with our pan-European customers.

During the year, we welcomed 25 new brands to our French portfolio, notably including four retailers' first store in France.

## WHAT ELSE ARE YOU DOING TO SUPPORT RETAILERS IN YOUR CENTRES?

It is our responsibility as a landlord to drive healthy footfall for our retail tenants and create new experiences for shoppers to encourage greater dwell time. We saw visitor numbers up 1.1% in UK shopping centres this year. This result was encouraging and we outperformed the wider market, which was down 1.9% year-on-year (according to Springboard).

No doubt a significant factor in our success is our Product Experience Framework, which drives a constant and evolving programme of events, pop-ups and interactive experiences for shoppers. We have launched click & collect in four of our centres with strong results. More than 85% of shoppers using the service at Brent Cross go on to shop, drink or dine whilst in the centre. Our investment in digital infrastructure and technology across the shopping centre portfolio is also demonstrating encouraging results. Our 'Plus' app has now been rolled out across the entire estate of shopping centres in the UK and France. The app, a personalised shopping companion, enables us to communicate in real-time with our shoppers in a tailored way. It gives us greater insight into consumer shopping habits which we can then analyse and share with our retail tenants to improve the customer offer. To date, the app has achieved over 140,000 downloads.



Bullring, Birmingham



O'Parinor, Paris

Occupancy

97.7%

+140k

downloads



# More happened for shoppers

## WHAT DIFFERENTIATES YOUR OFFER FOR SHOPPERS?

For us, being the Best at Retail means being at the forefront of new retail trends and concepts. As retail specialists we are able to draw on the strength of our relationships to ensure we bring the right mix of leading international brands and new, innovative concepts to our shopping destinations across Europe. During the year we welcomed premium British fashion brand All Saints to Les Terrasses du Port in Marseille, representing the brand's debut in a French shopping centre; and, leveraging our reputation for retail excellence in France, we secured leases with Sandro and Séraphine at Victoria Quarter, representing firsts for both aspirational French boutiques in Leeds. VIA Outlets introduced more international luxury brands, thanks to the partnership with Value Retail, including Brooks Brothers at Landquart, Zurich and Desigual at Kungälv, Gothenburg.

To differentiate our offer and give consumers more reasons to visit our centres with greater frequency we are increasingly looking beyond pure retail to provide entertaining and exciting experiences. We opened the impressive Wintergarden at Silverburn, a £35 million 10,900m<sup>2</sup> dining and leisure development, anchored by a 14-screen Cineworld and featuring 11 new restaurants, including Carluccio's, Five Guys and Glasgow's first Thaikhun. In the first six months after opening the Wintergarden the centre saw a 4% increase in customer dwell time and a 5% increase in sales, demonstrating the importance of creating customer experiences that bring the whole family together.

### The brands you love

### We've added some new favourites to the portfolio during the year



Across our UK shopping centre portfolio, leisure and dining now accounts for 14% of space, and with trends showing additional growth in the casual dining market we see opportunities to increase this further in 2016. Our restaurants and leisure team look for fresh new brands to attract diners as well as tried and tested favourites. Restaurants which debuted with us, such as Wham Bam Tikka at WestQuay and Thaikhun at Union Square, have become popular favourites and expanded to other parts of our portfolio.

We are also responding to this trend at our retail parks, introducing the latest food and beverage offerings. Ed's Easy Diner, Caffé Nero and Nando's have all taken space at Elliott's Field in Rugby. Our retail parks have seen strong footfall up 4.2%, as they become even more popular for shoppers looking for convenience. This was nearly double the market level of 2.3%. We are now introducing facilities and services to our retail parks which are similar to those found at shopping centres including customer service suites, free wi-fi, mobile phone charging points and Amazon lockers to leverage the growing demand for click & collect.

Our retail venues also give shoppers a vibrant array of entertainment. The Disco Bull Head, a sound and music installation, at Bullring (which you can see on the front cover of our report) was designed by leading artist Josh Harker and was seen by nearly two million visitors. This summer we also created a beach at Brent Cross, complete with sandy shores and seaside entertainment!

We recognise that while these events are stimulating for our shoppers, we also need to ensure a comfortable and safe environment in which to spend time. This year we have undertaken a full sensory audit of our centres to see how light, sounds, smell and the feel of a centre affects our shoppers. Over the course of the year we have also made significant investment in upgrading our customer service desks. As ever, the safety of customers and staff in our centres is a priority and our security procedures are constantly reviewed in close consultation with local and national authorities.



Elliott's Field, Rugby

# More happened for our people

## CAN YOU OUTLINE THE PROGRESS YOU HAVE MADE EMBEDDING YOUR VALUES?

Our values of ambition, collaboration, respect and responsibility continue to enhance our culture and influence the way we operate. The relocation of our UK headquarters from Mayfair to King's Cross not only marked a shift in how we see ourselves as a business, but also introduced a more agile and collaborative culture and working environment. You can read more about the move in the case-study below.

Our ambition is best demonstrated in the strategic acquisition in Ireland which was the largest in our history and broadens our European platform. I am proud of the hard work and dedication of all employees who came together to make the deal happen. We have recently established a local office in Dublin and we anticipate a number of opportunities for both current and new colleagues.

During the year we continued to develop our diversity and inclusion strategy, encouraging respect and understanding within the workplace. Unconscious bias workshops were held for senior managers in our UK and French teams, with key messages filtering through and embedding across our business. We are now planning to extend the workshops to all colleagues in 2016.

Encouragingly, these initiatives are translating into positive action at a resourcing level, with half of all new employees recruited during the year being female, and

over a third of these employed in professional and senior professional roles. By the end of 2015, 27% of senior management roles across the Group were held by women, well on the way to meeting our stated aspiration of at least 30%. Irrespective of internal targets, we are never complacent and we recognise there is more to do in 2016.

As a FTSE 100 employer, we take seriously our responsibility to train and nurture the talents of those embarking on a career in the property industry. Since the launch of our UK Graduate Programme in 2011, I am pleased to report that three graduates have successfully completed the two year programme and gained RICS accreditation, becoming permanent employees within our business.

We also recognise our responsibility to promote the benefits of a rewarding career in retail real estate to the next generation of retail property specialists. In my role as President of BCSC, I was delighted to award successful apprentices of the Retail Path scheme with certificates at the BCSC Gold Awards evening in December. The scheme, backed by BCSC Retail Trust and the National Skills Academy, was piloted in shopping centres across the UK. These included Highcross, Leicester, where five apprentices took on 12-month placements giving them unique exposure to a range of centre management and retail-based skills and experiences. Two of the five have now graduated from the scheme and won permanent roles with retailers at Highcross.

**+ Further details of Our People are available on pages 49 - 52**



*Hammerson office, Kings Place*

## RELOCATION OF HEADQUARTERS TO KING'S CROSS, LONDON

In June we moved into our new London headquarters at Kings Place, King's Cross. The office, which overlooks Regent's Canal, is set over 2,200m<sup>2</sup> and offers modern, flexible workspace for more than 150 colleagues.

Moving away from the property industry's traditional Mayfair heartland not only allows us to benefit from significant cost savings but also reflects our strategic focus on retail real estate. The modern design provides colleagues with a digitally-enabled, agile workspace which enhances collaboration across our various asset, leasing and development projects. The Retail Showcase provides our retail leasing teams with a state-of-the-art marketing suite which we use to demonstrate the benefits of our portfolio to prospective tenants. Situated close to St Pancras International rail terminal, it brings us closer to our French business, fostering cross-border collaboration and partnerships.

We were awarded an SKA Gold sustainability rating at Kings Place.

# More happened for communities

## HOW ARE YOU DELIVERING POSITIVE PLACES FOR THE COMMUNITIES YOU SERVE?

The positive social impacts that our business creates are both significant and long term.

During the year, our investment in extensions, developments and refurbishments generated over 4,500 construction jobs alone. Over 85% of these jobs went to local people. Once completed, these projects are expected to deliver a further 2,600 employment opportunities in the retail and hospitality sectors. This can only be achieved by working closely with our supply chain, tenants and local authority partners to ensure that the requisite skills and training opportunities are in place. For example, at Merthyr Tydfil, South Wales, we worked with the local council, construction contractors BAM, and tenants M&S and Next. We invested in skills and training provision for the local community, resulting in the creation of close to 500 local jobs at the recent extension of Cyfarthfa Retail Park. These numbers demonstrate the vital role that our industry can play in creating sustainable careers and stimulating local economies across our many communities.

At a corporate level, we encourage colleagues to play a greater role in volunteering in the communities in which we operate. In 2015, staff volunteered over 400 days, a clear illustration of our culture and values in practice. Hammerson's Community Day, now well established, saw high levels of participation with colleagues taking part in a range of 27 activities, including a river clean-up and mentoring young people.

## HOW ARE YOU LEADING THE SECTOR ON SUSTAINABILITY INITIATIVES?

As a founding member of the Better Buildings Partnership (BBP), we have been instrumental in leading the sector. The organisation, which brings property owners and occupiers together to share new ideas and importantly work together to reduce carbon emissions, is chaired by our Head of Sustainability, Louise Ellison. In 2015, members of the BBP achieved a 5% year-on-year reduction in energy consumption across their portfolio.

Share of job opportunities to local people

**85%**

Staff days volunteered to community activities

**400+**

+ Further details on Sustainability are available on pages 43 - 48

Our sustainability initiative forms part of the Product Experience Framework and underpins our operational decisions. This is particularly the case in developments where we look to combine thoughtful and sustainable building techniques with iconic design, producing destinations where customers feel proud to shop. We were delighted to achieve BREEAM Excellent at the design stage for Le Jeu de Paume, Beauvais, our new shopping centre north of Paris. This was in addition to receiving industry recognition for our sustainability initiatives throughout the year, notably for the B&Q Eco-learning store at Cyfarthfa Retail Park in Merthyr Tydfil and the Costa Eco-Pod at Wrekin Retail Park in Telford. These initiatives continue to demonstrate our commitment to sustainable development and our leadership of the wider sector.

During the year, we also launched the 'Moving Towards Net Zero Buildings' commitment in collaboration with The Prince of Wales' Corporate Leaders Group and property services company Jones Lang LaSalle. The commitment, which seeks to drive a coordinated approach to the delivery of nearly zero energy buildings for new build by 2020, has already attracted a number of leading European signatories from across the built environment.

## CREATIVE CAREERS AT BULLRING

We are increasingly aware of the importance of digital and creative development skills for the employment market. In November, Bullring, Birmingham, hosted 'Creative Careers 0121' – a careers fair with a difference. The event, aimed at children, young people, parents and educational providers, showcased the creative industries and provided access to a variety of professionals already shaping our digital world through business and enterprise. Attendees were provided with tips, networking connections and opportunities for young people looking to start a career in the digital and design sectors.



Community Day

# The retail landscape

**2015 was another positive year for the performance of retail real estate across Europe, driven primarily by an improving economic backdrop. In a dynamic and evolving retail landscape, tenants continue to enhance their brand proposition by taking more space in prime retail destinations that meet consumer needs.**

## INTRODUCTION

Our strategy focuses on high-quality property in prime locations across selected European retail markets. We operate in the retail property market because it offers attractive and sustainable long-term returns, with lower volatility than other commercial property markets and a granular and diverse tenant mix which mitigates counterparty risk. We aim to be among the leaders in each of our market sub-sectors so as to capitalise on the favourable market trends and exercise scale efficiencies.

## ECONOMIC BACKGROUND

Macroeconomic conditions drive consumer confidence and spending, which translates into retailers' appetite for expansion and ability to finance new space. Chart 2 illustrates the relative consumer spending growth rates for our main geographic markets.

UK GDP growth of 2.4% for 2015 was ahead of the Eurozone (1.5%) (Source: OECD). Disposable income currently benefits from low interest rates, low fuel and food costs and real wage growth. Household consumer expenditure grew by 4.2% in 2015. The GfK UK consumer confidence index finished the year in positive territory suggesting 2016 will see continued spending growth by UK households.

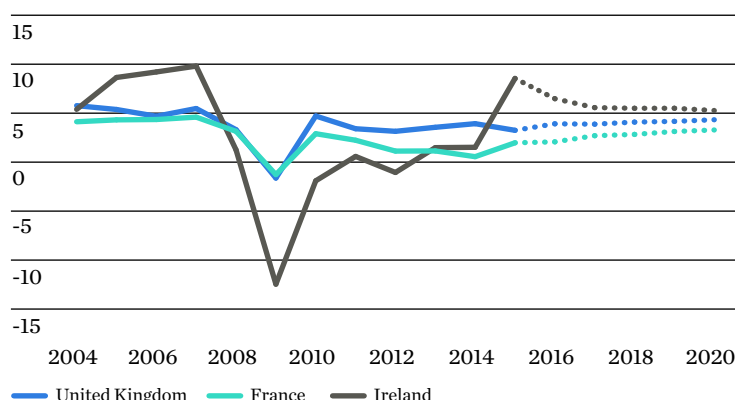
French GDP growth of 1.1% in 2015 was higher than last year (2014: 0.2%) and unemployment was flat. Household consumer expenditure grew by 2.0% in 2015. The government initiated changes to allow more Sunday trading, which should help future sales growth. While forward-looking consumer confidence finished 2015 higher (Source: INSEE), the medium-term impact of the destabilising terrorist attacks in France is still uncertain.

Ireland attracts significant inward investment due to a low corporate tax rate and skilled workforce. It is Europe's fastest growing economy with GDP up 5.6% in 2015, household consumer expenditure up by 8.6% and sharply falling unemployment. New car sales were up 18% in 2015 indicating households' confidence in their financial position.

Despite some macroeconomic shocks in 2015, the number of international tourists to Europe grew, partly as a result of the weakness of the Euro currency, supporting the continued structural growth of the global tourism industry.

Chart 2

## Household consumer expenditure growth (%)



Source: Marketline analysis (using data from Eurostat, OECD and ONS)

## DEMAND FOR RETAIL REAL ESTATE

The continued economic recovery in Europe supported attractive total returns from retail real estate in 2015.

The UK shopping centre market saw over £4bn of investment (2014: £5.9bn). With a limited number of prime shopping centres changing hands, investment transactions attracted significant competition and lifted capital valuations across this sector. Total IPD return for UK shopping centres was 10.0%.

UK retail parks investment volumes were up on last year at £3.6bn (2014: £2.7bn). There were signs of a divergence in performance across different types of retail parks with fashion parks delivering better returns and some supermarket-anchored parks seeing values fall (see page 16 for market sub-segments). Total IPD return for the whole UK retail parks sector was 6.9%.

French shopping centre transaction volumes were £3.9bn (2014: £5.8bn). Investor appetite was strong, in particular with low European interest rates, and this drove capital value uplifts. (Total IPD returns are not yet available for French shopping centres.)

Irish retail transactions were £0.5bn (2014: £1.1bn) and retail property delivered a total IPD return of 20.9%, driven by strong rental and capital growth.

An influx of capital into the premium outlets market from international funds and private equity firms contributed to a 15% rise in the volume of transactions (total c.£600m). The strong demand, and a lack of new supply, drove a sharp increase in valuations. Total property returns were approximately 20% (source: Cushman and Wakefield).

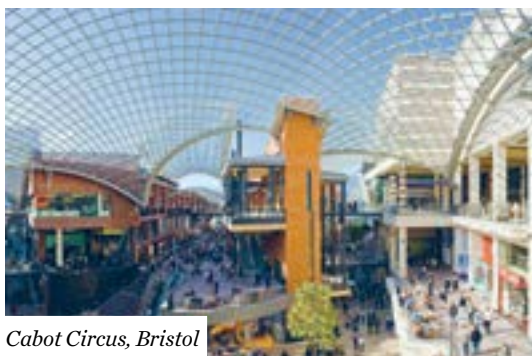
## CONSUMER TRENDS

Our assets are in the sub-sectors of prime shopping centres, retail parks and premium outlets. We believe that these categories are best positioned to match the latest trends in shopping habits of consumers. In a dynamic and evolving retail landscape, we see an opportunity to outperform our competitors by selecting retail assets in these categories.

Table 3

Retail theme	Driving demand for space in:		
	Shopping centres	Retail parks	Premium outlets
<b>Brand 'flagships'</b>			
As a growing share of consumers' purchases are made online, a retailer's physical space needs to offer the boldest brand experience to drive shopper loyalty	✓		✓
<b>Catering</b>			
Restaurant operators recognise the opportunity afforded by a high footfall environment	✓	✓	✓
<b>Convenience</b>			
63% of consumers named 'convenience' as an important factor driving their purchase decision in our survey by Conlumino. Retail needs to offer quick, efficient and seamless service	✓	✓	
<b>Global shopping-tourism</b>			
Shopping is increasingly enjoyed by international tourists as part of a global luxury travel experience	✓		✓

**We have selected retail assets that match the latest trends driving demand for space in a dynamic retail environment.**



Cabot Circus, Bristol

Shoppers using at least two channels

**86%**

Shoppers spending more in store when using click & collect

**32%**

### HOW DOES THE GROWTH OF ONLINE SHOPPING IMPACT RETAILERS' DEMAND FOR PHYSICAL SPACE?

To help us better understand the topic, we carried out research with the Investment Property Federation, CBRE and Conlumino.

Our survey found that 86% of customers use at least two channels when shopping (eg both physical stores and online). The physical store channel was identified as being important for more than just making a transaction. Shoppers use the physical space to research products, trial and compare different brands and for transaction fulfilment (eg click & collect). In fact, despite the growing share of sales completed online, nine out of ten shopper journeys still involve a physical store for at least one step of the process.

Click & collect is a growing trend and over half of customers said they would use the service if it was offered. For click & collect customers, the store offers a fulfilment solution, however a Verdict report found that 32% of customers went on to make additional purchases in store when collecting a click & collect package.

Retailers also recognise the role a physical store plays in creating brand awareness and loyalty. Our research showed that sales online increased in the store's catchment area by 5-6% when a new fashion store opened.

Overall, our findings suggest that retailers with a successful multichannel strategy are able to drive greater sales efficiency from their physical retail space.

**+ See page 23 for details of our click & collect initiatives.**

## OCCUPIER MARKETS

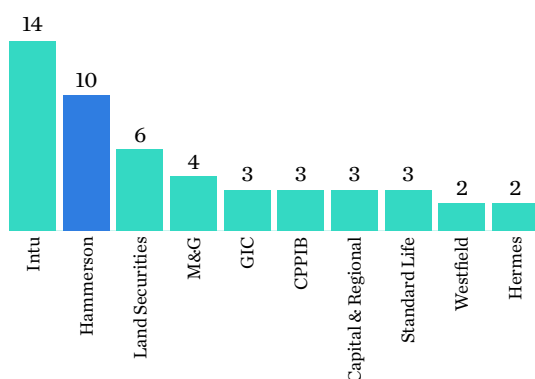
### PRIME SHOPPING CENTRES

Prime shopping centres are those which cover a sizeable catchment, include large anchor stores and offer consumers catering and entertainment as well as retail. With the emergence of multichannel distribution, retailers are re-evaluating the size and efficiency of their physical store footprint. As a result, there is a polarisation in demand for space, with retailers prioritising stores in prime shopping centres and reducing space in secondary centres and high street locations. Prime shopping centres are more likely to deliver higher footfall and dwell time given the range of leading brands, food, beverage and leisure offering, digital infrastructure and attractive surroundings.

With ownership stakes in 15 of the top shopping centres (as designated by Property Market Analysis (PMA)), and a total of 1.7 million m<sup>2</sup> of retail and leisure space, we are a leading European shopping centre owner and one of the top three in both the UK and France (see Charts 4 and 5). We have over 700 different retail and leisure brands across our shopping centres and 14% of our space is let to catering and leisure tenants.

Chart 4

Largest owners of top 50 UK shopping centres (Total UK space 18.1 million m<sup>2</sup>)

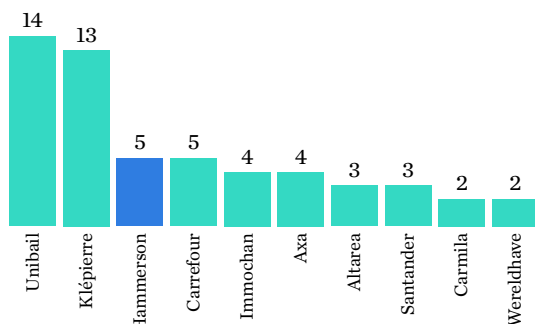


Source: PMA

Note: Number of centres (including JVs)

Chart 5

Largest owners of top 50 French shopping centres (Total French space 17.6 million m<sup>2</sup>)



Source: PMA

Note: Number of centres (including JVs)

The rents achievable at shopping centres are driven by their size, location, demographic catchment and local competition. High tenant demand and low vacancy drives growth in ERV (estimated rental value). In France, rental growth is driven by new lettings and in-place leases are also linked to a price inflation index.



Brent Cross, London

### RETAIL PARKS

Retail parks are predominantly situated in out of town locations, which are easily accessible by car and are well-connected to major road networks with plentiful free parking. Units are on average larger and rents are lower per square metre than in shopping centres.

We are the second largest direct owner of retail parks in the UK with 500,000m<sup>2</sup> across 21 assets. The total UK market comprises 11 million m<sup>2</sup> and ownership is fragmented.

As Chart 6 below shows, the retail park market is categorised into five sub-segments. We are primarily focused on three of the sub-segments, being shopping parks, hybrid parks and key homeware parks. We choose to operate in these segments because they offer the strongest occupational demand.

In hybrid and key homeware parks, improved economic conditions and greater consumer confidence across the regions in the UK are driving strong demand from homeware and furnishings brands. Retailers such as ScS, Oak Furniture Land and Tapi have all been expanding their portfolios. These retailers have also been absorbing space from DIY retailers such as B&Q and Homebase who are reducing their store numbers.

There is also a growing trend for fashion retailers, which traditionally locate in shopping centres, to take space

Chart 6

UK retail park market

Hammerson retail park portfolio



Source: Hammerson; PMA

on retail parks. Retail parks offer a cost-effective way for fashion retailers to fill in the gaps in their store footprint between prime shopping centres in large towns. This strategy is also leading to improved unit fit-outs, more attractive surroundings and more food and beverage on retail parks.

## PREMIUM OUTLETS

Outlet centres offer a channel for retailers to distribute excess inventory by selling it at a material discount to original price. Furthermore, premium outlets are often designed to match the store-fit of a full-price store, hence retailers are able to retain their brand identity even with customers shopping at premium outlets.

There are approximately 200 outlet centres across the European market. The market can be broadly categorised according to the type of customer it serves. The pyramid structure in Chart 7 represents the European premium outlets market. Value Retail and VIA Outlets together are among the top three largest players in Europe and operate in the upper two segments.

Premium outlets which provide international fashion and luxury brands are at the top of the market. Value Retail is positioned at this level, with its nine unique shopping-tourism Villages serving the international luxury and fashion consumer. Sales densities at Value Retail villages can be as high as €30,000/m<sup>2</sup>.

The middle segment caters to the mainstream fashion customer. VIA Outlets' six centres are in this category. The strategy of improving the tenant mix at VIA Outlets will raise the sales densities at these centres and lift them within this middle segment.

The third low-end segment, which offers discounted high street clothes or factory surplus goods, is not served by Value Retail or VIA Outlets.

Outlet centre rents are, on the whole, directly linked to tenant sales. Tenants are on shorter leases than shopping centres. Outlet operators also change the brand line-up at outlets more frequently to match supply and demand.

Sales growth has been on average 8% p.a. in the European premium outlets market in the last three years. A key driver of the market is the strong demand from international tourists. International visitors, in particular from China, the Middle East and Russia, who appreciate luxury design, take advantage of the opportunity to buy goods at a discount while travelling in Europe.



Landquart, Zurich

Chart 7

## European premium outlets market



## OUTLOOK

In terms of economic backdrop, the ingredients are in place to support continued retail sales growth in the UK, with rising wages, low interest rates and low inflation expected to continue through 2016. In France, consumer confidence is more muted, in particular as a result of recent terrorist attacks. In Ireland, the economic picture is forecast to remain strong with continued growth in retail sales.

In occupational markets, we expect there to be greater polarisation in demand for prime retail space as a result of multichannel trends. This will favour Hammerson's portfolio, and help drive above-average rental growth.

Premium outlet sales growth is expected to continue, supported by growth in the shopping-tourism market from a wide mix of global travellers. This sales growth will translate into growing rents, strong investment volumes and higher than average returns.

However, since the start of 2016, stock markets have been volatile, reflecting a more uncertain global economic and political outlook. Downside risks associated with China, Brexit and the Middle East could impact consumer confidence and capital returns in 2016.

We expect capital value growth in commercial property to slow in 2016. However, retail property has traditionally lagged the cycles of other more volatile commercial property such as office assets.

Table 8

## Outlook

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

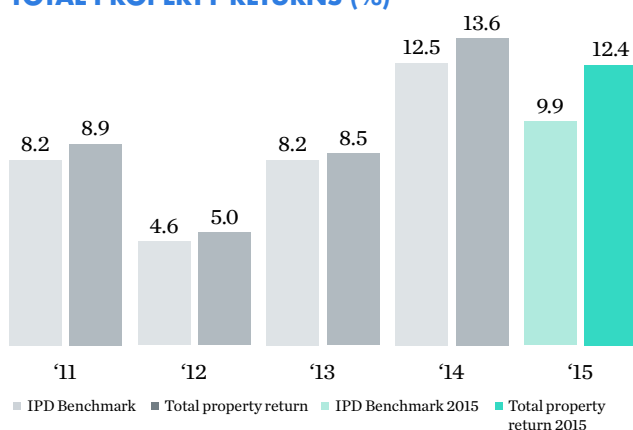
# Delivering value for our stakeholders

We have seven primary Key Performance Indicators, or KPIs. They are split between financial and operational measures and are used to monitor the performance of the business to ensure that we deliver value for our stakeholders.

## FINANCIAL KPIs

Chart 9

### TOTAL PROPERTY RETURNS (%)



+ More in the Financial Review on page 58

#### Description

We compare the total return achieved by our property investments on a proportionally consolidated basis, including premium outlets, against a benchmark based on the annual IPD Retail Property Universe. The benchmark is weighted 70:30 between the IPD UK and French indices to be comparable with the geographical allocation of our property portfolio. As the final 2015 IPD indices are not published until after the publication of this Annual Report, the benchmark is management's best estimate using available IPD data.

#### Principal stakeholder focus 1

We invest in, create and operate high-quality real estate which is attractive to both retailers and shoppers and provides a platform from which to deliver income and value growth in excess of industry benchmarks.

#### Performance

12.4% (Benchmark 9.9%) (2014: 13.6% (Benchmark 12.5%))

During 2015, the property portfolio produced a total return of 12.4% which was 250bp ahead of the estimated IPD benchmark. The outperformance was driven by premium outlets which delivered a total return of 23.7%.

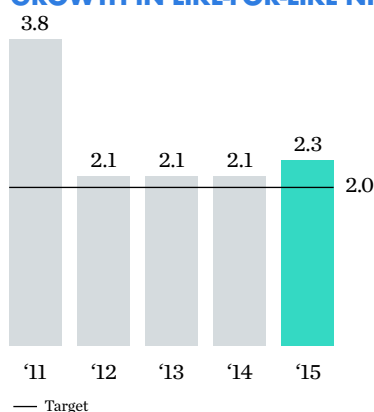
#### 2016 outlook

In 2016, we believe our high-quality portfolio and clear business model will continue to outperform the retail benchmark.

\* Proportionally consolidated excluding premium outlets.

Chart 10

### GROWTH IN LIKE-FOR-LIKE NRI (%) \*



+ More in the Financial Review on page 54

#### Description

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

#### Principal stakeholder focus 1

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

#### Performance

2.3% (2014: 2.1%)

On a like-for-like basis, NRI grew by 2.3% in 2015, above our target of 2.0%. Income from UK shopping centres and retail parks grew by 2.1% and 2.6% respectively. Our French shopping centres produced income growth of 2.5%.

#### 2016 outlook

We expect the occupational market to improve in 2016, particularly in the UK. Lease expiries, breaks, rent reviews and leasing vacant space provide the opportunity to increase rental income and implement tenant rotation to improve the quality of the retail offer across our portfolio.

**ALIGNMENT TO OUR BUSINESS MODEL:  
STAKEHOLDER FOCUS**

- 1 Shareholders
- 2 Retailers and shoppers
- 3 People and communities

**LINK TO REMUNERATION**

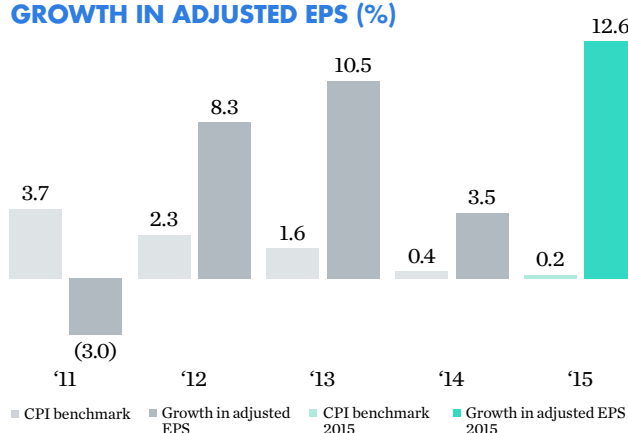
The remuneration of Executive Directors is aligned closely with our primary KPIs through the Company's Annual Incentive Plan (AIP) and Long Term Incentive Plan (LTIP).

For 2015, the AIP contains all four of the Financial KPIs. Total property returns and growth in adjusted EPS are also included as performance measures within a number of the annual LTIP awards.

The operational KPIs are consistent with our business model and good performance in these areas should create value for our stakeholders.

Details of Executive Director remuneration is included in the Directors' Remuneration Report on pages 84 to 101.

Chart 11

**GROWTH IN ADJUSTED EPS (%)**

+ More in the Financial Review on page 54

**Description**

The annual percentage increase in adjusted earnings per share (EPS) compared with inflation.

**Principal stakeholder focus 1**

Adjusted EPS is our principal profit measure and an indicator of the level of recurring profit available for distribution to shareholders as dividends. Sustained growth in EPS reflects the effective delivery of our business model and supports strong financial returns and a progressive dividend policy.

**Performance**

12.6% (2014: 3.5%)

In 2015, adjusted EPS increased by 3.0 pence, or 12.6%, to 26.9 pence. This increase was driven by increased rental income and additional earnings from our premium outlet investments. Earnings were further enhanced by the lower average cost of borrowing and lower administration expenses, but impacted by the dilution associated with the 2014 share placing.

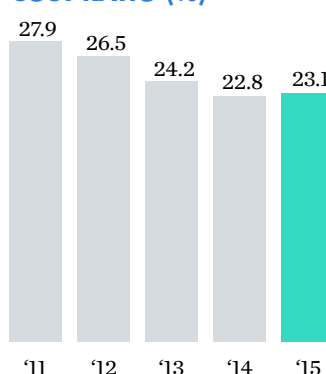
We benchmark this KPI against inflation, which for 2015 was 0.2%, resulting in an outperformance of 12.4 percentage points. This benchmark was previously UK RPI, but has been changed in 2015 to a weighted 70:30 UK: France CPI benchmark. This is also now reflected in the 2015 LTIP performance conditions and comparative benchmarks in Chart 11 have been restated.

**2016 outlook**

2016 EPS growth will be driven by income from recent acquisitions and completed developments, partly offset by lost income associated with recent and planned disposals.

\* Proportionally consolidated excluding premium outlets.

Chart 12

**COST RATIO (%)\***

+ More in the Financial Review on page 55

**Description**

The cost ratio shows the total operating costs, including the cost of vacancy, as a percentage of gross rental income for our property portfolio. We have amended the calculation methodology, in line with EPRA best practice, to adjust for costs associated with inclusive leases. We have restated the prior year ratios using the same methodology. The ratio is not directly comparable between different companies, as it is impacted by different business models and accounting treatments.

**Principal stakeholder focus 1**

Maintaining an efficient operating structure supports growth in earnings and future dividends.

**Performance**

23.1% (2014: 22.8%)

During 2015, our cost base has been managed effectively and the proportion of net administration costs as a percentage of gross rental income has reduced from 12.8% to 11.8%. This reduction was offset by an increased proportion of property costs from 10.0% to 11.3%. This increase is principally due to higher vacancy and property running costs at properties awaiting redevelopment.

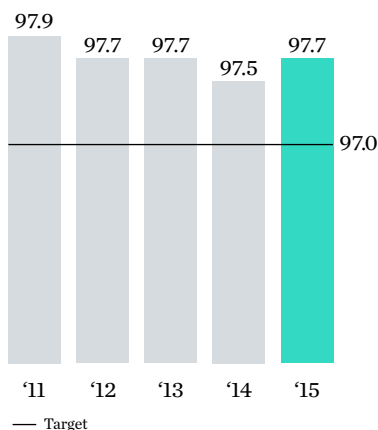
**2016 outlook**

The ratio is forecast to improve as additional income from recent acquisitions and completed developments are expected to offset investment in growing business areas such as digital and development. We will continue to manage effectively property costs associated with properties awaiting development ahead of these projects commencing on site.

## OPERATIONAL KPIs

Chart 13

### OCCUPANCY (%) \*



+ More in the Business Review on pages 22 to 33

#### Description

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

#### Principal stakeholder focus 2

We aim to maximise the occupancy of our properties as income lost through vacancy has a direct impact on profitability.

However, we believe that a low level of structural vacancy provides an opportunity for us to manage the mix and location of retailers within a property. This enhances the consumer experience, encourages footfall and sales and is consistent with the strategy for generating income and capital growth.

#### Performance

97.7% (2014: 97.5%)

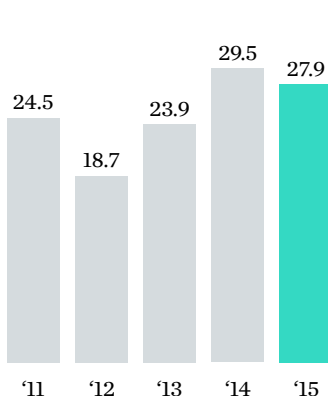
Occupancy remains above our 97.0% target, with the portfolio being 97.7% occupied at the year end. This was marginally higher than the prior year, principally due to higher occupation in our shopping centres in both the UK and France.

#### 2016 outlook

We expect occupancy to remain high in 2016 as retailers in both the UK and France seek space in the best retail venues and we target retailers who will enhance the desirability of our portfolio.

Chart 14

### LEASING ACTIVITY (£M) \*



+ More in the Business Review on pages 22 to 33

#### Description

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

#### Principal stakeholder focus 2

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

#### Performance

£27.9 million (2014: £29.5 million)

Leasing volumes have remained high in 2015, totalling £27.9 million. Whilst absolute volumes were slightly lower than in 2014, demand for space in our prime properties remained strong. On average, principal leases signed in 2015 were secured at 3% above December 2014 ERVs and 10% above the previous passing rent.

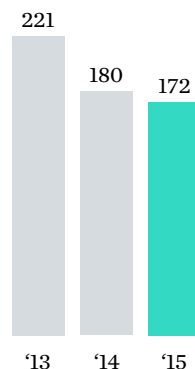
Across the portfolio we signed 396 leases (UK: 260, France: 136) representing a total area of 136,000m<sup>2</sup>.

#### 2016 outlook

We expect leasing volumes to remain high in 2016 with continued retailer demand for new space. We are focused on delivering tenant rotation to enhance the retail offer across our portfolio, although the absolute volume of leasing is affected by the timing of lease expiries.

Chart 15

### GLOBAL EMISSIONS INTENSITY RATIO (MTCO<sub>2</sub>e/£M)



+ More in the Sustainability Review on page 47

#### Description

Tonnes of CO<sub>2</sub>e emissions from properties and facilities under our direct control including corporate operations. This metric is calculated as a ratio of adjusted profit before tax.

The measure is calculated over the 12 months ended 30 September each year. The ratio has been calculated since 2013 when mandatory Greenhouse Gas (GHG) emissions reporting was introduced.

#### Principal stakeholder focus 3

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

#### Performance

172mtCO<sub>2</sub>e/£m (2014: 180mtCO<sub>2</sub>e/£m)

The ratio has improved by 4% during 2015 reflecting greater operational efficiency although the reduction in the ratio has been tempered by emissions associated with increased gas consumption.

#### 2016 outlook

We expect to further reduce the ratio in 2016 as we implement initiatives involving investment in renewables, energy-efficient technology and lighting. However, the absolute level of emissions is forecast to increase as the portfolio grows and the effective management of emissions at acquired and newly-developed properties will be a key area of focus.

\* Proportionally consolidated excluding premium outlets.

## EPRA MEASURES

### EPRA FINANCIAL REPORTING BEST PRACTICE RECOMMENDATIONS

Hammerson is a member of European Public Real Estate Association (EPRA) and actively participates in a number of EPRA committees and initiatives. This 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.

We have adopted the EPRA Best Practice Recommendations and the key EPRA metrics are shown in table 16.

### EPRA BEST PRACTICE RECOMMENDATIONS (BPR) ON SUSTAINABILITY REPORTING

Absolute and intensity measures for energy and water usage, greenhouse gas emission and waste as defined by EPRA, are set out in the full Global Reporting Initiative and EPRA Best Practice Recommendation compliant pack which can be found online at [www.hammerson.com](http://www.hammerson.com). In 2015, we achieved an EPRA Gold award for achieving exceptional compliance with the EPRA Sustainability BPR in our reporting and disclosure.

For more information on our approach to Sustainability see page 43.

Table 16

#### EPRA performance measures

Performance measure	2015 performance	2014 performance	Definition	Page
<b>Earnings</b>	<b>£213.0m</b>	£171.3m	Recurring earnings from core operational activities. In both 2015 and 2014, EPRA earnings differed from the Group's adjusted earnings due to adjustments to better reflect the Group's underlying performance. See note 10 to the accounts for further information.	136
<b>Earnings per share (EPS)</b>	<b>27.1p</b>	23.4p	EPRA earnings divided by the weighted average number of shares in issue during the period. As for EPRA earnings above, EPRA EPS differs from the Group's 2015 adjusted EPS of 26.9p (2014: 23.9p) due to adjustments as shown in note 10 to the accounts.	136
<b>Net asset value (NAV) per share</b>	<b>£7.10</b>	£6.38	NAV excluding the fair values of financial instruments, debt and deferred tax balances divided by the number of issued shares.	137
<b>Triple net asset value (NNAV) per share</b>	<b>£6.74</b>	£5.96	NAV adjusted to include the fair values of financial instruments, debt and deferred taxes.	137
<b>Net Initial Yield (NIY)</b>	<b>4.6%</b>	4.7%	Annualised rental income based on cash rents passing at the balance sheet date, less non-recoverable property operating expenses, divided by the market value of the property, including estimated purchasers' costs.	169
<b>Topped-up NIY</b>	<b>4.7%</b>	4.9%	EPRA NIY adjusted for the expiry of rent-free periods.	169
<b>Vacancy</b>	<b>2.3%</b>	2.5%	Estimated market rental value (ERV) of vacant space divided by the ERV of the whole portfolio. Occupancy is the inverse of vacancy.	20
<b>Cost ratio</b>	<b>23.1%</b>	22.8%	Total operating costs as a percentage of gross rental income, after rents payable. The calculation is shown in table 106 on page 168 in the Additional Disclosures section.  In 2015, we have amended the calculation methodology, in line with EPRA best practice, to adjust for costs associated with inclusive leases and have restated the 2014 comparative figure. Also, the 2014 ratio excluded a net one-off restructuring cost of £3.0 million.	19

**This Business Review provides key information on each of our operational sectors and their performance during 2015.**

# **UK shopping centres**

**"The UK retail environment remains robust as demonstrated by another strong operational performance. Our prime centres are destinations that continue to excite and attract retailers and shoppers."**

**Martin Plocica, Director, UK and Ireland Shopping Centres**



## **KEY FACTS**

- 11 shopping centres
- 150 million visitors
- 755,000m<sup>2</sup> of lettable space with 1,000 tenants
- Portfolio valuation £3.1 billion

## **PORTFOLIO HIGHLIGHTS**

- Like-for-like net rental income growth of 2.1%
- Retail sales growth of 1.3%
- Digital platform implemented across whole portfolio
- Opened leisure-led extension at Silverburn
- Grand Central, Birmingham acquired in February 2016

Table 17

## 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 %
<b>31 December 2015</b>	<b>2.1</b>	<b>98.3</b>	<b>11.7</b>	<b>+4</b>	<b>2.8</b>	<b>1.3</b>	<b>1.1</b>
31 December 2014	2.2	98.1	13.5	+10	2.6	2.6	(1.3)

Note: Figures on a proportionally consolidated basis.

## NET RENTAL INCOME

On a like-for-like basis net rental income increased by 2.1% in 2015, compared with a 2.2% increase in 2014. The growth in 2015 is driven by rent review settlements, income from new lettings and increased car park income. The best performing centres were Highcross, Monument Mall, Silverburn and Union Square which benefitted from recent lettings and uplifts associated with rent reviews. Non-rental income, being net income from car parks and the sale of advertising and merchandising opportunities at our centres, totalled £19.1 million, and grew by 10% in 2015 on a like-for-like basis.

## LEASING, OCCUPANCY AND ERVs

Tenant demand for space at our centres remained strong, with 151 leases signed representing £11.7 million of annual rental income and 47,800m<sup>2</sup> of space. For principal leases, rents secured were 4% above December 2014 ERVs and 9% above the previous passing rent. Associated with this occupational demand, the portfolio achieved ERV growth of 2.8% compared with 2.6% in 2014. Occupancy levels remained high at 98.3%, compared with 98.1% in December 2014.

We have delivered a number of key leasing deals across our portfolio during the year. These targeted deals help strengthen and refresh our centres, drive ERV growth and include flagship stores for UK and international brands and luxury operators. Highlights included three Victoria's Secret lettings at The Oracle, Cabot Circus and WestQuay; upsized Topshop and River Island stores at Bullring; and the introduction of Watchfinder and Séraphine at Victoria Quarter. We also signed leases with a range of exciting caterers including Cau at The Oracle, Byron at Union Square, its first Scottish restaurant, and TGI Friday's restaurants at The Oracle and Highcross.

## SALES, FOOTFALL AND OCCUPANCY COST

Consumers continue to demonstrate increasing confidence, and our centres have achieved sales growth in 2015 of 1.3%, calculated on a same centre basis. The strongest growth was at Silverburn and The Oracle.

Footfall increased by 1.1%, a turnaround compared with the 1.3% reduction in 2014. This increased activity has resulted in a reduction in the occupational cost ratio from 20.8% at the beginning of the year to 19.2% at 31 December 2015.

## LEASE EXPIRIES AND RENT REVIEWS

The portfolio has a diverse tenant base and offers both a robust income stream, with a weighted unexpired lease term of six years, as well as opportunities for rental growth. Within the portfolio, leases that are subject to rent reviews, break clauses or expiry offer the prospect to secure additional rental income. Over the three years to December 2018, these leases would provide additional annual rental income of £10.7 million if renewed, or if reviews are settled, at current market rents.

## TENANT COVENANTS AND CREDIT CONTROL

There were only five units let to tenants in administration at 31 December 2015, nine fewer than at the beginning of the year. In total, these tenants represented just 0.1% of the Group's total passing rents.

Our credit control function oversees our collection process and collection rates remain strong, with 97% of billings received within 14 days of the December due date. It also assesses the covenant strength of prospective tenants and monitors the credit standing of our existing tenants using a credit rating agency. The agency has a four-point risk indicator scale, and at 31 December 2015, 87% of our shopping centre tenants were rated within the two lowest risk categories.

## COMMERCIAL INITIATIVES

In line with our Product Experience Framework, we are enhancing the quality of customer experience and service across our portfolio. Key initiatives include upgrading our customer service desks, providing electric car and mobile phone charging points, and introducing pianos to each mall to enliven the shopping experience. Our customer service performance was recognised during the year with the Silverburn team winning an unprecedented fourth BCSC Achieving Customer Excellence award.

We are also trialling a number of new initiatives including a pop-up programme and click & collect provisions. Click & collect is available in four centres with performance significantly exceeding expectations. In Brent Cross, we are seeing an average of 400 parcels being handled each week, and the click & collect service at The Oracle, launched in November 2015, is already outperforming Brent Cross at the same stage of operation. We will be rolling out to additional sites and trialling new formats of click & collect in 2016.

## UK SHOPPING CENTRES

Interactive hoardings, used on a temporary basis on units being refurbished, are a great example of a simple, low-cost solution to enliven the mall. Trialled in four centres and retail parks over a six week period, they received more than two million interactions from shoppers.

As retail specialists, we continue to demonstrate industry-leading insight and in 2015 we have:

- Launched the Hammerson Retail Tracker (HART), published on a monthly basis for a national readership in The Times, to provide insight into UK spending habits and retail trends;
- Issued our third annual retail report ‘Shopper Tribes’ in conjunction with retail consultant Conlumino; and
- Co-authored and hosted a seminar on ‘Pricing Retail Space’ in conjunction with the Investment Property Forum.

Looking ahead to 2016, we are working on a wide range of initiatives to deliver a consistent, high quality offer across the portfolio for the benefit of both retailers and shoppers. These initiatives are designed to extend dwell times and encourage loyalty. We are enhancing the family experience at our centres by improving facilities, such as toilets, with upgrades to infant feeding and changing rooms. We will extend our programme of events and innovative food concepts to bring our centres to life and drive footfall as well as providing premium services to better support the customer experience.

A key part of many shopping journeys involves our car parks. In 2016, we will be trialling a new design as well as upgrading the technology across our car parks. We will combine best in class wayfinding, lighting and design principles to deliver an experience that is welcoming, safe and easy to use.

## DIGITAL ENGAGEMENT

Our integrated digital platform is now live across all shopping centres. The ‘Plus’ app, a personalised shopping companion, allows us to communicate directly with shoppers in real-time, providing personalised content and exclusive offers based on their interests, redemption history and stores visited, together with centre information such as floorplans, events and live centre news. The app has been well received by shoppers with a 140,000 downloads, well ahead of our expectations. We continue to see strong levels of customers registering their data through the app, and more than a quarter of those registered redeemed an offer. Version 2 of the ‘Plus’ app will go live in the Spring, with a new look and feel and additional functionality, including the ability to reward shoppers for their loyalty.

## ACQUISITIONS, DISPOSALS AND COMPLETED DEVELOPMENTS

In March, we took 100% ownership of Martineau Galleries, Birmingham by acquiring the stakes of our two joint venture partners. We are considering a number of potential strategic development opportunities for the property in the medium term and for this reason it is classified within the UK Other portfolio in the segmental analysis in the accounts and the Additional Disclosures section of this report.

In June, Cineworld opened its new 14-screen cinema completing the 10,900m<sup>2</sup> leisure-led extension at Silverburn. The case study on page 25 gives further details about this exciting project.

In December, we announced the disposal of Monument Mall, Newcastle for £75 million, some £8 million above its value at the beginning of the year. The 9,500m<sup>2</sup> centre was acquired in 2011 and was redeveloped in 2013. The sale crystallised a £24 million profit on cost and is part of the £500 million disposal programme announced at the time of the Irish loan portfolio acquisition.

In February 2016, we acquired Grand Central, Birmingham, a 40,400m<sup>2</sup> shopping centre for a total cost of £350 million. The centre, which opened in September 2015, is anchored by a 23,200m<sup>2</sup> John Lewis and provides a modern retail environment for 40 premium stores including Jo Malone, Joules, Cath Kidston and The White Company. It also contains 20 casual dining brands including Yo Sushi, Caffe Concerto and Tapas Revolution. The acquisition supports our long-term commitment to Birmingham which is benefitting from significant inward investment. We have contracted to sell, subject to regulatory approval, 50% of the scheme to CPPIB, one of the existing joint venture partners in Bullring for £175 million.



## POSITIVE PLACES

Our sustainability initiatives also have financial benefits for the Group and its tenants. During 2015, we saved £2.0 million in landfill tax through recycling and diversion of waste from landfill and have reduced like-for-like electricity consumption by 3% across our centres.

At Bullring, we upgraded the lighting with over 4,000 new LED lights. As the most energy-hungry asset within the portfolio this has been a key focus area and we are already seeing reductions in energy consumption. The project won Energy Demand Reduction funding from the Department of Energy and Climate Change. At a cost of £1.5 million this has been a significant investment, but payback is expected within 4.5 years.

The works on Bullring multi-storey car parks were completed in early October, and electricity consumption has fallen by almost 50%.



# Silverburn Extension



## SIZE

10,900m<sup>2</sup>

## NEW CINEMA

5,000m<sup>2</sup>

## OWNERSHIP

50%

## NEW JOBS CREATED

350

## FULLY OPENED

June 2015

## BREEAM RATING

Very good

## TOTAL COST\*

£35 million

## PROFIT ON COST\*

£6 million

\*Figures at 100%.

Carluccio's

CHIMICHANGA  
TEX+MEX

cineworld

FIVE GUYS  
BURGERS and FRIES



## STRATEGIC RATIONALE

- Silverburn benefits from Scotland's largest standalone shopping destination catchment
- Existing 90,000m<sup>2</sup> centre was underprovided from a food and beverage perspective
- Upgraded leisure and dining to differentiate from competing locations
- Scheme to capitalise on growing casual dining market to extend centre catchment and improve visitor profile

## KEY OBJECTIVES ACHIEVED

- 11 new restaurants and state-of-the-art 14-screen Cineworld cinema fully opened by June 2015
- Positive impact on footfall and sales across whole centre since opening, with footfall +6% and sales +5%
- Extended average customer dwell times by 4%
- 350 permanent retail and leisure jobs created for local community

# Ireland

## INTRODUCTION

In September we announced the acquisition, in a 50:50 joint venture with Allianz, of a €1.85 billion loan portfolio secured against prime Dublin retail property.

The face value of the loans acquired was €2.6 billion and following completion of the transaction in October, the joint venture has been negotiating with the borrower group to take ownership of the secured real estate.

## RATIONALE

This acquisition provides the Group with a new Irish operation to broaden our European platform and the opportunity to become Ireland's leading retail property owner. The portfolio is located in Dublin, Ireland's strongest retail centre, and, in addition to the population of 1.3 million, the city welcomes significant numbers of tourists (8.6 million in 2015).

The Irish economy had the fastest GDP growth in the Eurozone in 2014 and has achieved further GDP growth of 6.9% in 2015. Retail sales have risen by 6% in the year to December 2015 and the portfolio offers significant value upside through asset management and development opportunities. The acquisition is consistent with our corporate strategy and there are significant synergies with our existing UK and French operations which will enable a swift management transition when the assets are acquired from the borrowers.

## PROPERTY ASSETS

The transaction represents a rare opportunity to acquire a portfolio of quality assets in a single transaction. The principal property asset is Dundrum Town Centre which is 5km south of the city centre and was opened in 2005. The property is anchored by Harvey Nichols, House of Fraser, M&S and Penney's and has 120 shops, 38 restaurants, a 12-screen VIP cinema and 3,400 car parking spaces. The property has an annual footfall of 18 million, generates £44 million of passing rent (100% figure) and has an average unexpired lease term of 12 years. Adjacent to Dundrum Town Centre is a six acre development site (Dundrum Phase 2) which previously benefitted from a 100,000m<sup>2</sup> retail consent to extend the existing centre. We believe this site offers a better opportunity to bring forward a mixed-use development.

The Swords Pavilions shopping centre is a 50% co-ownership with IPUT and Irish Life situated in the north of Dublin. The 45,500m<sup>2</sup> centre has annual footfall of 12 million and generates passing rent of £11 million (100% figure). A 16 acre development site adjacent to the centre offers scope for future mixed-use development.

The Ilac Centre is in the heart of central Dublin on Henry Street and is a 50% co-ownership with Irish Life. The 15,000m<sup>2</sup> centre has annual footfall of 18 million and generates passing rent of £7 million (100% figure). The portfolio also includes a 5.3 acre city centre development site, adjacent to the Ilac Centre. We believe this is one of the largest and best-positioned urban development sites in Europe and has taken over a decade to assemble. The site comprises multiple buildings along Henry Street, O'Connell Street and Moore Street. With its strategic location and mix of current tenants, the site offers the flexibility to pursue numerous development scenarios and deliver a modern landmark of international importance that is sympathetic to the neighbourhood's history.

## STRUCTURE

Under the terms of the joint venture, when the property assets are acquired from the borrowers, the Group will own 50% of Dundrum Town Centre and Dundrum Phase 2 in joint venture with Allianz and act as asset and development manager. We will also own 50% co-ownership shares in the Ilac Centre and in Swords Pavilions shopping centre, and 100% of the two remaining development sites: Dublin Central and Swords Pavilions. The total consideration for the Group's share of the acquisition is £0.91 billion of which £0.69 billion had been incurred at 31 December 2015. We have established a new Irish team to manage the transition from loans to property assets and expect to own the properties by the summer of 2016.



Dundrum shopping centre

# UK retail parks

**"New and existing retailers are demanding space at the best trading locations. Our portfolio of modern retail parks is ideally placed to benefit from this increasing strength in occupational markets."**

**Andrew Berger-North, Director UK Retail Parks**

## KEY FACTS

- 21 retail parks
- 500,000m<sup>2</sup> of lettable space with 460 tenants
- 2nd largest direct owner in UK
- Portfolio valuation £1.7 billion

## PORTFOLIO HIGHLIGHTS

- Like-for-like net rental income growth of 2.6%
- Completion of developments at Elliott's Field, Rugby and Cyfarthfa, Merthyr Tydfil
- Drakehouse, Sheffield sold for £62 million, ahead of book value, in April



## UK RETAIL PARKS

Table 18

## Operational summary

Key metrics	Like-for-like NRI growth %	Occupancy %	Leasing activity £m	Leasing vs ERV %	Like-for-like ERV growth %
<b>31 December 2015</b>	<b>2.6</b>	<b>98.4</b>	<b>8.3</b>	<b>+4</b>	<b>1.3</b>
31 December 2014	2.4	98.5	7.2	+7	0.5

Note: Figures on a proportionally consolidated basis.

## NET RENTAL INCOME

Like-for-like net rental income increased by 2.6% in 2015, compared to 2.4% in 2014. The growth is due to a year-on-year increase in surrender premiums received associated with proactive tenant rotation at Imperial Retail Park, Bristol and Fife Central Retail Park, Kirkcaldy. These were partly offset by vacancy costs ahead of the redevelopments at Battery Retail Park, Birmingham and Parc Tawe, Swansea.

## LEASING, OCCUPANCY AND ERVs

Across the portfolio we signed 79 leases representing £8.3 million of annual rental income and 43,300m<sup>2</sup> of space. For principal leases, rents were contracted at 4% above the December 2014 ERVs and 8% above the previous passing rent. Occupancy levels remained high at 98.4%, almost unchanged from the position at 31 December 2014.

ERV growth was 1.3% in 2015, compared with 0.5% for 2014. The occupational markets are improving, particularly homewares and we are targeting tenants which will enhance the retail offer at individual parks and grow income. Key leasing transactions during the year included a new 1,850m<sup>2</sup> TK Maxx at Westmorland Retail Park, Cramlington, a 1,900m<sup>2</sup> Next at Telford Forge Shopping Park, Telford and a 900m<sup>2</sup> Tapi at St Oswald's Retail Park, Gloucester.

## LEASE EXPIRIES AND RENT REVIEWS

One of the sector's strengths is security of income. As at 31 December 2015, the portfolio had the longest weighted unexpired lease term, compared to the Group's other portfolios, at nine years.

As with the UK shopping centre portfolio, a proportion of the leases are subject to rent reviews, break clauses or expiry and offer the opportunity to secure additional income. Over the three years to December 2018, these leases would provide additional annual rental income of £3.5 million if renewed, or if reviews are settled at current market rents.

## TENANT COVENANTS AND CREDIT CONTROL

At 31 December 2015, there was just one tenant in administration representing £0.4 million of income. 96% of billings were collected within 14 days of the December due date and 90% of our retail parks tenants were rated by the credit agency in the two lowest risk categories.

## COMMERCIAL INITIATIVES

As part of the Group's Product Experience Framework, we are reducing the amount of space let to DIY operators and reconfiguring this to enhance the retail offer at our parks. An example of this is at Fife Central Retail Park, Kirkcaldy where we are reconfiguring a former Homebase unit to create four new units and increase the passing rent from this space by 150%.

We are also keen to collect more insightful information about the portfolio and are undertaking a series of in-depth customer surveys to better understand consumer opinions about facilities and existing or prospective tenants. Consistent with our strategy at shopping centres, we are introducing mobile phone chargers, wi-fi and click & collect lockers at a number of our parks to enhance the customer experience.

## DISPOSALS AND COMPLETED DEVELOPMENTS

In April, we sold Drakehouse Retail Park, Sheffield for gross proceeds of £62 million, generating a £2 million profit compared with the 31 December 2014 valuation.

At Cyfarthfa Retail Park, Merthyr Tydfil we completed a £30 million, 14,500m<sup>2</sup> extension in August. The extension includes B&Q's first Eco-learning store, a full-line 4,600m<sup>2</sup> M&S store and five fashion units including Next and River Island. The scheme has a yield on cost of 7% and generated a profit on cost of 34%.

The redevelopment of Elliott's Field, Rugby opened at the end of November. The scheme accommodates 16 fashion, homeware and catering brands and is anchored by a 5,600m<sup>2</sup> Debenhams and a 4,600m<sup>2</sup> M&S. The scheme includes new retailers to the Group's retail park portfolio including H&M, Fat Face and Ed's Easy Diner. The scheme has a BREEAM Excellent rating and generated a profit on cost of 24%. Further details about the project are provided on page 29.



## POSITIVE PLACES

Working with our contractor and retailers at the extension project at Cyfarthfa Retail Park in Merthyr Tydfil, we have created substantial training and employment opportunities for local residents. In total, 722 jobs were created which saw 19 unemployed individuals supported into work and two apprenticeships. 50% of contractors employed on-site lived locally and eight local businesses have received training in digital skills.



# Elliott's Field, Rugby



## SIZE

16,100m<sup>2</sup>

## TOTAL STORES

18

## NEW BRANDS

7

## CAR PARKING

746 spaces

## FULLY OPENED

November 2015

## BREEAM RATING

Excellent

## TOTAL COST

£76 million

## PROFIT ON COST

£18 million

CAFFE HERO

DEBENHAMS  
BRITAIN'S FAVOURITE DEPARTMENT STORE

FATFACE  
UNITED KINGDOM

H&M

Nando's

RIVER ISLAND

## STRATEGIC RATIONALE

- Rugby offers the ideal 'in-fill' location for retailers situated between core regional cities of Leicester, Milton Keynes and Birmingham
- Opportunity to deliver a next generation retail park in a growth town with strong demographics and a catchment of 440,000
- Ambition to attract new retailers and restaurateurs to an out-of-town location
- Development capitalised on strong occupational demand

## KEY OBJECTIVES ACHIEVED

- Delivered modern shopping park with enhanced customer experience
- New fashion and dining tenants, including 5,600m<sup>2</sup> full-line Debenhams department store and Fat Face's first English retail park store
- New customer facilities include free mobile phone charging and a centre management suite
- Captured local spend with right mix of shops and restaurants
- Successful launch in November, with strong trading and footfall since opening

# France

**"By delivering an improved retailer and shopper experience across our prime portfolio, we will drive steady income growth while managing cost."**

Jean-Philippe Mouton, Managing Director, France  
Gérald Ferezou, Deputy Managing Director, France



## KEY FACTS

- 10 shopping centres
- 90 million visitors
- 360,000m<sup>2</sup> of lettable space with 1,100 tenants
- Portfolio valuation £1.9 billion

## PORTFOLIO HIGHLIGHTS

- Like-for-like net rental income of 2.5%
- Retail sales growth of 0.6%
- Opened 23,800m<sup>2</sup> Beauvais scheme in November
- Disposals of Bercy 2, Paris and Grand Maine, Angers completed in October, 13% ahead of the December 2014 valuations

Table 19

## 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 %
<b>31 December 2015</b>	<b>2.5</b>	<b>96.9</b>	<b>7.2</b>	<b>+2</b>	<b>–</b>	<b>0.6</b>	<b>(0.6)</b>
31 December 2014	2.0	96.6	8.0	+2	0.2	(1.0)	1.5

Note: Figures on a proportionally consolidated basis.

## NET RENTAL INCOME

On a like-for-like basis net rental income increased by 2.5% in 2015, compared to 2.0% in 2014. Tenant rotation undertaken over the past 24 months has helped increase income. Les Trois Fontaines, Cergy Pontoise was the strongest performing centre with new tenants including Free, Levi's and André. As with our UK shopping centres, we have been focusing on increasing non-rental income and in 2015 this revenue stream has increased to £4.7 million, compared to £3.1 million in 2014.

## LEASING, OCCUPANCY AND ERVs

Against an unfavourable macroeconomic backdrop, we continue to sign new leases across the portfolio. In 2015, we contracted 136 leases, representing £7.2 million of annual rental income and 37,600m<sup>2</sup> of space. For principal leases, the new income was 2% above December 2014 ERVs and 10% above the previous passing rent.

ERV growth remains challenging, particularly given the low level of indexation growth. In 2015 like-for-like ERVs were unchanged. Occupancy levels at 96.9% were marginally higher than in 2014.

One of the key objectives for the French portfolio is to rotate tenants, enabling us to introduce new leisure and catering brands to enliven the retail offer at our centres. Key leasing deals during the year include All Saints and Tiger at Les Terrasses du Port, Marseille and seven new international brands taking their first stores in France including Tuc Tuc and Punt Roma.

## TENANT COVENANT AND CREDIT CONTROL

Associated with the more challenging economic environment in France, at 31 December 2015 there were 49 units in administration across the portfolio, an increase of 16 during the year. All of these units continue to trade and represent only 0.8% of the Group's passing rent. These units provide opportunities to introduce new tenants to enhance the tenant mix.

86% of billings were collected within 14 days of the December due date and 83% of the tenants are deemed low risk, using ratings from an external credit agency.

## SALES, FOOTFALL AND OCCUPANCY COST

Over the course of 2015, retail sales increased by 0.6%, calculated on a same centre basis, but footfall was 0.6% lower. The sales improvement has been driven by our leasing strategy with new tenants boosting sales as well as a strong performance from Les Terrasses du Port, Marseille (see case study on page 33) which opened in May 2014. The sales and footfall performance was adversely impacted by the terrorist attacks in Paris in November. Prior to this, sales and footfall growth were 1.6% and 0.4% respectively for the ten months to October 2015.

Consistent with the increase in sales, the occupational cost ratio decreased during 2015 from 14.4% to 14.0% at 31 December 2015.

## LEASE EXPIRIES AND RENT REVIEWS

Leases in France tend to be shorter than in the UK retail market, and 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 10%. Leases expiring, or subject to tenants' break clauses, over the three years to December 2018 would provide additional annual rental income of £2.5 million if renewed at current market rents. Most of our French leases are subject to annual indexation, which will be nil in 2016.



Nicetoile, Nice

## FRANCE SHOPPING CENTRES

### COMMERCIAL INITIATIVES

In addition to the tenant rotation initiatives, we are applying our Product Experience Framework to the French portfolio, in order to enhance the retail and customer experience. We approach this from a Group perspective with an ambition to deliver a more consistent retailer and shopper experience across our entire shopping centre portfolio. However, we recognise the importance of providing tailored facilities and services which are particularly relevant to each centre's catchment.

We are in the process of rolling out mobile phone charging units across all our French assets, and are trialling click & collect lockers in two of our shopping centres. We are also developing retail design guidelines for each of our centres, and have been using interactive hoardings to enliven empty units and create an engaging experience for our shoppers.

Our recent acquisitions of Saint Sébastien, Nancy, and Nicetoile, Nice, acquired in February 2014 and January 2015 respectively, have benefitted from our Product Experience strategy. At Saint Sébastien, works have started to enhance the interior of the centre and are expected to complete in May 2016.

At Nicetoile, we have introduced a new management structure, implemented a range of Hammerson marketing tools including an upgraded website, and launched our portfolio-wide 'Plus' app. The centre is currently fully let although we are in discussion with a number of aspirational retailers to further enhance the tenant mix.

We are also negotiating with local authorities to enable year-round Sunday trading across the portfolio. During 2015 we were granted permission to trade on Sundays at O'Parinor and Italie Deux. In total, five of our centres can now trade throughout the week.

### ACQUISITIONS, DISPOSALS AND COMPLETED DEVELOPMENTS

In line with our strategy of actively managing our portfolio and focusing on leading retail destinations, in January 2015 we acquired a 10% interest in Nicetoile shopping centre in Nice, in conjunction with our partner, Allianz. The 17,600m<sup>2</sup> centre attracts 13 million visitors each year and generates passing rent of £14 million. We manage the centre and our share of the acquisition cost was €31 million (£24 million).

In October, we completed the disposal of two smaller shopping centres, Bercy 2, Paris for €64 million (£47 million) and Grand Maine, Angers for €63 million (£46 million). Both disposals were ahead of the 31 December 2014 valuations and resulted in a combined profit on disposal of £11 million.

In November, we opened Le Jeu de Paume, a 23,800m<sup>2</sup> scheme in the centre of Beauvais, 60km north of Paris. The new centre, which is anchored by a Carrefour Market, has attracted high-quality tenants, the majority of which are new to Beauvais or the Oise region. Key retailers include H&M, Sephora, Superdry, New Yorker, iSwitch and G-Star Raw. The centre incorporates a number of new initiatives including car park guidance technology, interactive kiosks, mobile phone charging, a dedicated welcome desk and a children's play area. Initial trading is positive and the scheme welcomed over 200,000 shoppers in the first two weeks of trading.

In January 2016, we exchanged contracts for the sale of Villebon 2 retail park for €159 million (£117 million). The disposal was the final part of the £200 million initial tranche of the £500 million disposal programme announced to part-fund the Irish loan portfolio acquisition and the disposal is expected to complete in the Spring.



### POSITIVE PLACES

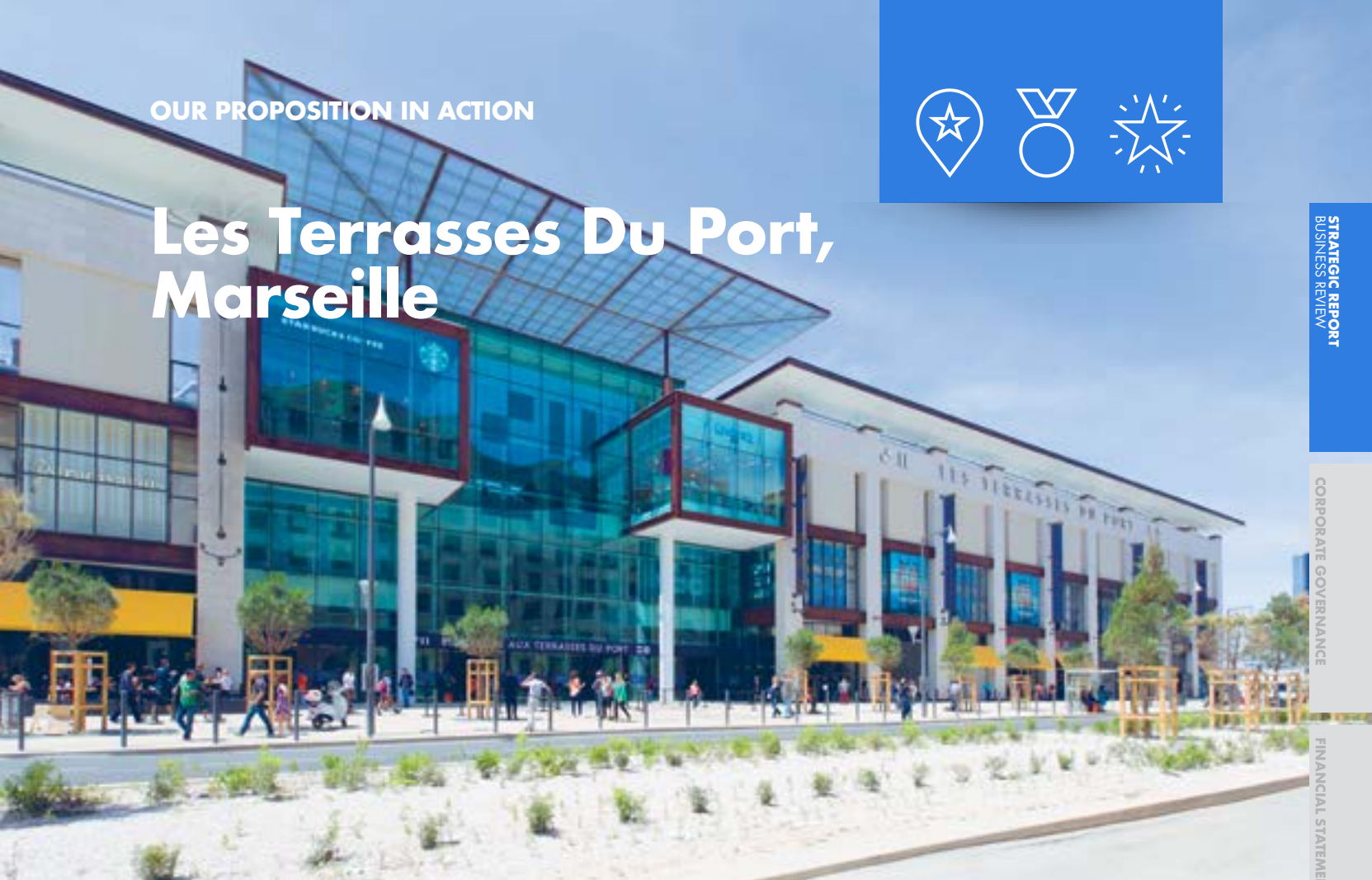
63% of leases in our French portfolio include environmental clauses.

The development at Beauvais created 500 construction jobs and 27 apprenticeships, with 73% of roles being taken by local people.

Our cradle-to-grave carbon lifecycle assessment of Les Terrasses du Port has helped our development teams to remove carbon from projects during the design process. Embodied carbon, from concrete and steel, can be reduced by up to 50% through optimised design.



# Les Terrasses Du Port, Marseille



## SIZE

63,000m<sup>2</sup>

## TOTAL STORES

190

## RESTAURANT SPACE

Unique 260m  
terrace

## FOOTFALL

13 million

## OPENED

May 2014

## BREEAM RATING

Excellent

## TOTAL COST

£355 million

## VALUATION SURPLUS

£143 million

ALLSAINTS

BOSE

Massimo Dutti

PRINTEMPS

sandro

UNI  
QLO

## STRATEGIC RATIONALE

- Creation of a new prime regional retail, dining and leisure destination in France's second city
- Opportunity to capitalise on the success of Euroméditerranée, Southern Europe's largest urban regeneration project. The €7 billion investment has been the catalyst for the regeneration of Marseille
- Scheme designed to offer a new retail destination, providing space for new international brands to debut in France and capture increasing tourist demand
- Provide employment opportunities

## KEY OBJECTIVES ACHIEVED

- Les Terrasses du Port has rapidly established itself as the region's leading retail destination
- Outperformed expectations having welcomed 21 million visitors since launch in May 2014 and 2015 footfall +22% and sales +15%
- First Printemps store to open in 32 years
- Received industry accreditation, winning awards for its innovative architecture and design

# Developments

**"The Group has been an active developer over the last 15 years with a track record of delivering iconic retail projects including Bullring and Les Terrasses du Port. This track record is to continue as we deliver our pipeline of schemes."**

Peter Cole, Chief Investment Officer



## KEY FACTS

- £1.5 billion development pipeline
- Development valuation £389 million, representing 5% of the portfolio
- Potential to create major destinations and generate £95 million of new income

## PORTFOLIO HIGHLIGHTS

- Four schemes completed during 2015:
  - Silverburn extension, Glasgow
  - Cyfarthfa extension, Merthyr Tydfil
  - Elliott's Field, Rugby
  - Beauvais, near Paris
- Two projects on-site in Leeds and Southampton
- Good progress made with three major London development schemes

## INTRODUCTION

The Group has a large number of development opportunities in both the UK and France, including two on-site schemes and three major London developments. These would require expenditure of approximately £1.5 billion and have the potential to significantly grow the business and create iconic retail destinations. In addition, we are working to bring forward a number of potential future development projects, but maintain a tight control of expenditure while these opportunities are fully assessed.

## COMPLETED DEVELOPMENTS

We completed four developments during 2015 in Beauvais, Glasgow, Merthyr Tydfil and Rugby. For further details see the UK Shopping Centres, UK Retail Parks and France sections of this Business Review. The teams which delivered these schemes have been redeployed to the Group's on-site and pipeline schemes. This approach provides new challenges for our people and ensures the experience gained and lessons learnt are retained by the Group.

## ON-SITE DEVELOPMENTS

Table 20

Scheme <sup>1</sup>	Lettable area m <sup>2</sup>	Expected completion	Current value <sup>2</sup> £m	Estimated cost to complete <sup>3</sup> £m	Estimated annual income <sup>4</sup> £m	Let <sup>5</sup> %
Victoria Gate, Leeds (Phase 1)	35,400	Q3 2016	116	68	11	68
WestQuay Watermark, Southampton	17,000	Q1 2017	38	56	5	80
<b>Total</b>	<b>52,400</b>			<b>124</b>	<b>16</b>	

### Notes

1. Group ownership 100% for on-site schemes.
2. Valuation at 31 December 2015.
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 12 February 2016.

Victoria Gate, Leeds is a £165 million scheme adjacent to Victoria Quarter arcade. The 35,400m<sup>2</sup> development is anchored by a 24,200m<sup>2</sup> flagship John Lewis store, the first in Leeds and largest outside London. The scheme includes more than 30 high-end retailers and restaurants to complement the offer at Victoria Quarter as well as an 850-space multi-storey car park. The scheme is 68% pre-let to brands including Maje, Cos, Anthropologie, The White Company, & Other Stories and Hackett and is due to open in Autumn 2016. We are targeting BREEAM Excellent for the development and have managed to divert 98% of construction and demolition waste from landfill. When combined with Victoria Quarter the new scheme will create the largest premium retail and leisure destination in Northern England.



Victoria Gate, Leeds

WestQuay Watermark is a 17,000m<sup>2</sup> leisure and catering scheme next to our jointly-owned WestQuay shopping centre. The scheme includes 23 new restaurants, which will open in late 2016, and a 10-screen Showcase Cinema de Lux which will open in early 2017. The project will create a new city centre leisure and dining destination for Southampton. Leasing continues to progress well, and the scheme is 80% pre-let. Key tenants already secured include Wahaca, Byron, Bill's, Cabana, Cau, Five Guys and Red Dog Saloon. We are targeting BREEAM Excellent when the scheme fully opens next year. Further details about the development are on page 38.

## MAJOR DEVELOPMENTS

We have made further progress with our three major London developments. These are forecast to deliver attractive financial returns for the Group and create new iconic destinations. These complex, long-term projects have the potential to deliver significant benefits for their localities and catalyse wider urban regeneration.

## DEVELOPMENTS

Table 21

Scheme	Ownership %	Lettable area m <sup>2</sup>	Earliest start	Potential completion	Estimated cost to complete <sup>1</sup> £m
Croydon town centre, South London	50	200,000	2017	2020/21	650-700
The Goodsyards, London E1 <sup>2</sup>	50	270,000	2017	Phased	140-160
Brent Cross extension, London NW4	41	90,000	2017	2021	475-550
<b>Total</b>		<b>560,000</b>			<b>1,265-1,410</b>

## Notes

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

The redevelopment of Croydon town centre is an opportunity to deliver a major destination fulfilling the current and future retail, leisure and social requirements of the local community and wider catchment. The scheme involves the redevelopment of the Whitgift Centre and refurbishment of Centrale shopping centre by the Croydon Partnership, a 50:50 joint venture with Westfield, which will establish Croydon as the principal retail and leisure hub for South London. The new Whitgift Centre will underpin a fundamental shift in the perception of Croydon, attracting new residents and businesses and fuelling further investment. Croydon town centre is a strategic growth area in the GLA London plan. A growth fund was announced in the Autumn Statement to enable the London Borough of Croydon, in partnership with the GLA, to deliver key infrastructure projects to regenerate the wider town centre.

In 2015, significant progress has been made in advancing the scheme. In September, the Secretary of State confirmed Croydon Council CPO powers to purchase the land required to undertake the project. This followed the CPO inquiry which concluded in March. Also in March, the Croydon Partnership acquired a further 50% long leasehold interest in the Whitgift shopping centre and assumed operational control of the centre. The partnership now owns or controls the majority of the land interests required for the 200,000m<sup>2</sup> scheme. Given the extended planning process and discussions with a number of potential anchor tenants, the scheme timetable has been revised. Works are now expected to start in 2017 with potential completion in 2020/21.

In 2015, we continued to discuss the planning application for redevelopment of The Goodsyards, London E1 with the local authorities of Hackney and Tower Hamlets.

The scheme, being advanced in conjunction with our joint venture partner, Ballymore Properties, is a 270,000m<sup>2</sup> mixed-use development, which includes a 20,000m<sup>2</sup> retail 'village', 1,350 residential units and substantial public realm including a new park. The development will cater for the growing Tech City media and technology start-ups attracted to the local area with the provision of 80,000m<sup>2</sup> of workspace.

In June, a revised planning application was submitted which reduced the residential provision on the 4.2ha site by 100 homes and increased the office element of the scheme to more than 76,000m<sup>2</sup>. We welcomed the decision in September by the Mayor of London to call in the scheme due to non-determination by the local authorities and are working to achieve the planning consent by Spring 2016 enabling a potential start on-site in 2017.

In conjunction with our joint venture partner, Standard Life, work continues on the regeneration of Brent Cross Cricklewood in north-west London. Following extensive local consultation, consent was granted by Barnet Council in September for a major investment in the local transport infrastructure and the first section of a new riverside park.

An outline masterplan planning permission for the regeneration scheme was granted in 2010 and amended in 2014. A key element of the new town centre masterplan is a 90,000m<sup>2</sup> extension to Brent Cross shopping centre. The extension and refurbished existing centre will result in a retail-led, dining and leisure destination for North London.

The new retail destination will form an integral part of the wider regeneration of the area and will provide offices, 7,500 homes, schools, new parks, sports and other community facilities. As announced in the UK Government's March budget a commitment was made by the Treasury to support a new Brent Cross Overground station. Barnet Council has approved the use of CPO powers to acquire the remaining land to deliver the extension. The CPO inquiry will be held in May 2016 and subject to the confirmation of CPO powers and agreements with key tenants, works could start on-site towards the end of 2017 with potential completion in 2021.

## DEVELOPMENT PIPELINE OPPORTUNITIES

We have a number of potential pipeline schemes which we continue to advance. The nature and design of these projects are fluid and the speed of delivery will be dependent on a variety of factors including planning permission, retailer demand, anchor tenant negotiations, land assembly and scheme design. The Group's principal opportunities are shown in table 22.

Table 22

Scheme	Lettable area m <sup>2</sup>	Key facts
<b>UK shopping centres</b>		
Silverburn (Phase 4), Glasgow	50,000	<ul style="list-style-type: none"> <li>Consent granted in October 2015 for a masterplan for a future extension of existing centre</li> <li>Masterplan includes retail, hotel and leisure uses</li> </ul>
Union Square, Aberdeen	27,800	<ul style="list-style-type: none"> <li>Extension of existing shopping centre for retail, leisure and catering. Including additional car parking and a hotel and reconfiguration of part of existing centre</li> <li>Planning application submitted in February 2016</li> </ul>
Victoria Gate, Leeds (Phase 2)	73,000	<ul style="list-style-type: none"> <li>Planning consent for retail-led scheme, including up to 2,700 car park spaces</li> <li>Freehold control of site obtained</li> </ul>
WestQuay Watermark, Southampton (Phase 2)	58,000	<ul style="list-style-type: none"> <li>Outline planning consent for mixed-use scheme</li> <li>Council-owned land, with joint review of scheme under way</li> </ul>
<b>UK retail parks</b>		
Oldbury, Dudley	10,900	<ul style="list-style-type: none"> <li>Planning submitted in January 2016 for new development</li> </ul>
Orchard Centre, Didcot	10,000	<ul style="list-style-type: none"> <li>£50 million expansion of existing centre with M&amp;S Food Hall anchor</li> <li>Planning approved in July 2015</li> </ul>
Parc Tawe, Swansea	21,000	<ul style="list-style-type: none"> <li>Refurbishment and modernisation of existing retail park</li> <li>Planning dispute successfully appealed in September 2015</li> </ul>
<b>France</b>		
Italie Deux, Paris 13 <sup>ème</sup>	6,900	<ul style="list-style-type: none"> <li>Retail extension of existing shopping centre</li> <li>Progressing necessary consents to enable start on-site</li> </ul>
Les Trois Fontaines, Cergy Pontoise	24,800	<ul style="list-style-type: none"> <li>Retail and leisure extension as part of wider city centre project</li> <li>Submission of a number of consent applications and agreement with a number of co-owners achieved in 2015</li> <li>Awaiting confirmation of consents and final co-ownership agreements</li> </ul>
SQY Ouest, Saint Quentin-en-Yvelines	32,000	<ul style="list-style-type: none"> <li>Opportunity to reposition existing shopping centre, creating a leisure-led destination</li> </ul>
<b>Total</b>	<b>314,400</b>	



## POSITIVE PLACES

To reduce the number of heavy goods vehicles at our Victoria Gate development, the demolition team re-used 99% of demolition waste for the piling mat. This avoided 650 vehicle journeys, cut traffic congestion, prevented 14 tonnes of carbon emissions and an adverse impact on air quality and saved £247,000 on disposal and materials costs. We also reduced mains water consumption by 900,000 litres during dust suppression works by reusing on-site ground water.

We are working with Leeds City Council and John Lewis to provide employee opportunities in Leeds. In October 2015, the Hammerson Employment and Skills Charter was established to provide skills training for local residents and access to jobs being created by the new scheme.

At Brent Cross, in collaboration with the London Borough of Barnet, we operate the Brent Cross Retail Job Shop, which engages with over 40 potential employers and has placed over 90 previously unemployed applicants into new jobs during 2015.

In Croydon, with our joint venture partner, Westfield, we operate a number of community initiatives in conjunction with local organisations. During 2015 we ran five community roadshows engaging with local residents, businesses and community groups about the regeneration plans. We also provided local funding through a Youth Opportunity Grants Fund and Crystal Palace Football Foundation to encourage local residents to undertake skills training and find employment.



# WestQuay Watermark, Southampton

## SIZE

17,000m<sup>2</sup>

## NEW CINEMA

5,800m<sup>2</sup>

## TOTAL RESTAURANTS

23

## NEW JOBS CREATED

1,200

## OPENING

Q1 2017

## PRE-LET

80%

## TOTAL COST

£85 million

## TOTAL INCOME

£5 million

Bill's



CAU

**FIVE GUYS**  
BURGERS and FRIES

**Jamie's**  
ITALIAN

**SHOWCASE**  
MULTI-SCREEN CINEMA

## STRATEGIC RATIONALE

- Current underprovision of quality dining offers in Southampton city centre
- Enhance food and beverage offer to capture enhanced affluent catchment area
- Complementary offer to existing jointly-owned shopping centre to increase dwell time and enhance overall customer experience

## KEY OBJECTIVES ACHIEVED

- Iconic design to create new city centre leisure and dining destination
- Scheme will create new public piazza in front of city's historic walls
- Strong pre-letting interest will bring new range of catering brands to Southampton
- Construction progressing for full opening by Spring 2017
- Targeting BREEAM Excellent on completion

# Premium outlets

**“We are the only European REIT with a strategic exposure to the premium outlets market. This growing sector is a critical distribution channel for international fashion and luxury brands.”**

**Timon Drakesmith, Chief Financial Officer and Managing Director, Premium Outlets**

## KEY FACTS

- Our Premium outlets interests are through investments in Value Retail and VIA Outlets
- Nine high-end Value Retail Villages and six VIA Outlets centres in 12 European countries
- Lettable area of 370,000 m<sup>2</sup> with 1,700 stores
- Portfolio valuation of £1.2 billion (Hammerson's share)

## PORTFOLIO HIGHLIGHTS

- Strong brand sales growth: Value Retail +11%, VIA +10%
- Kildare extension opened and additional 21% stake acquired in December
- Acquired new VIA centre in Majorca, Spain in 2016



## PREMIUM OUTLETS

### INTRODUCTION

As part of our strategy, the Group has been increasing its exposure to the premium outlets sector over recent years. Our exposure is gained through our long-term partnership with Value Retail and also through VIA Outlets, a joint venture established in 2014.

The Outlet sector has many similarities with our directly-managed properties and we benefit from the relationship with Value Retail management. We utilise the knowledge gained to enhance the brand experience across our portfolio, for example the inclusion of key aspirational brands at Victoria Gate, Leeds.

The Financial Review, on pages 53 to 61, provides further information on how our investments in Value Retail and VIA Outlets have benefitted the Group's financial performance during 2015.

### VALUE RETAIL ("VR")

#### Overview

VR operates nine high-end shopping tourism Villages in the UK and Western Europe which provide over 180,000m<sup>2</sup> of floor space and more than 1,000 stores. VR focuses on international fashion and luxury brands and on long-haul tourism. 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 €15,000/m<sup>2</sup> with densities at Bicester Village around €30,000/m<sup>2</sup>.

The Villages are close to Europe's wealthiest cities and major tourist attractions and targeted marketing enables VR to benefit from the rapidly-growing shopping-tourism market. In total, 163 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. The total footfall across the Villages in 2015 was 33.3 million (2014: 32.5 million). This strategy has enabled VR to deliver annual compound brand sales growth of 17% since 2006.

VR manages the Villages and controls their operations, but through our board representation and financing agreements we have significant influence and treat our investment as an associate.

In December, we acquired an additional 21% interest in Kildare Village, Dublin for £12 million. We expect the Village to perform strongly, supported by the expansion of the Irish economy and the recently completed extension.

### Performance in 2015

The Villages have continued to perform strongly during 2015 with brand sales growth of 11% and year-end occupancy at 95%, which was unchanged from the beginning of the year. Future growth is expected to be supported by global tourism, new emerging brands, consumers' more considered approach to shopping and the importance of perceived value. Trends in tourism show that visitor numbers continue to grow with a widening spread of nationalities visiting Europe. Chinese visitors continue to represent the largest share of overseas retail spending in Europe, with growth of 32% in 2015 (source: Global Blue). Spending by Middle Eastern tourists has been resilient despite the reduction in the oil price, although there has been a fall in spending by visitors from Russia and Brazil.

### Developments and extensions

The €50 million extension at Kildare Village, Dublin, opened in November 2015. The 6,100m<sup>2</sup> new phase has introduced 33 new boutiques and two restaurants to the Village as well as a new visitor centre and 400 extra parking spaces. Initial trading has significantly exceeded expectations. Further details about the extension are on page 42.

At Bicester Village, the approved planning permission for a major extension was revised in April to increase the car parking provision to 519 new spaces. The 5,600m<sup>2</sup> extension will include 33 new boutiques and enhanced road access to reduce congestion. Construction is expected to begin in the second half of this year, with the extension completed in late 2017. A new rail station also opened adjacent to the Village in October bringing shoppers directly from London Marylebone.

At Fidenza Village, Milan, work has started on a 3,300m<sup>2</sup> extension which will add 26 units and is due to open in October 2016.

Table 23

### Value Retail – 2015 performance

	Year ended 31 December 2015	Year ended 31 December 2014
Brand sales (€m)	2,458	2,214
Brand sales growth (%)	11	11
Footfall (millions)	33.3	32.5
Average spend per visit (€)	74	68
Average sales densities (€000/m <sup>2</sup> )	15.0	13.8
Occupancy (%)	95	95

Note: The above figures reflect overall portfolio performance, not Hammerson's ownership share.

VR is continuing to expand in China following the opening of Suzhou Village in May 2014. The construction of Shanghai Village, a 50,000m<sup>2</sup> scheme adjacent to Shanghai Disney Resort, is underway with the Village due to open this summer. We have an investment of £5 million in these Chinese Villages.



## POSITIVE PLACES

VR has been working hard to enhance its sustainability performance in many of the same key areas that the Group focuses on. As a result, over recent years, VR has achieved a significant improvement in its GRESB score to reach Green Star status in 2015.

## VIA OUTLETS ("VIA")

### Overview

VIA is an outlets joint venture formed in 2014 in partnership with APG, Value Retail and Meyer Bergman. VIA's strategy is 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. Under the partnership agreement, we are able to exercise joint control in the partnership and account for our interest as a joint venture.

Once acquired, VIA utilises the outlet expertise from VR to enhance 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.

At 31 December 2015, VIA had five outlet centres providing 160,000m<sup>2</sup> of floor space and over 500 stores across five European countries. The major assets are Alcochete, near Lisbon, Batavia Stad, near Amsterdam, Fashion Arena, near Prague, and Landquart, near Zurich.

## Performance and investment activity

VIA's portfolio has performed strongly during 2015, particularly Batavia Stad and Fashion Arena, and sales densities in the VIA centres have increased by 11% year-on-year. Significant upgrades are being implemented at Batavia Stad including 38 remerchandising projects in 2015, upgraded façades, a new information centre and a new tourist marketing strategy. VIA has recently started a 5,500m<sup>2</sup> extension to the centre which will introduce 45 new units, increase space by 22% and which will open in early 2017.

Occupancy at 87% was 5% lower than at the beginning of the year as a result of the phasing of remerchandising initiatives.

In late 2015, VIA sold Excalibur, in the Czech Republic near the Austrian border, for €10 million (Hammerson's share). In January 2016, VIA exchanged a conditional contract to acquire Festival Park, Majorca for €44 million (Hammerson's share). The 32,000m<sup>2</sup> centre includes a 8,000m<sup>2</sup> cinema and attracts 3.8 million visitors each year. VIA intends to enhance the brand mix and reinvigorate the food and beverage offer.



*Festival Park, Majorca*

Table 24

### VIA Outlets – 2015 performance

	Year ended 31 December 2015	Year ended 31 December 2014
Brand sales (€m)	375	386
Brand sales growth (%)	10	13
Footfall (millions)	10.7	11.7
Average spend per visit (€)	38	33
Average sales densities (€000/m <sup>2</sup> )	3.3	2.9
Occupancy (%)	87	92

Note: The above figures reflect overall portfolio performance, not Hammerson's ownership share. 2015 reflects the disposal of Excalibur in late 2015 and the 31 December 2014 figures include pre-acquisition performance.



# Kildare Village Extension, Dublin



## SIZE

6,100m<sup>2</sup>

## NEW STORES

35

## CAR PARKING

Additional 400 spaces

## FOOTFALL

3 million

## OPENED

November 2015

## NEW JOBS CREATED

400

## TOTAL COST

€50 million

ARMANI  
OUTLET



FALKE

Folli Follie

MUSTO



## STRATEGIC RATIONALE

- Opportunity to increase the footprint of Ireland's best-performing outlet shopping destination
- Kildare Village is a key destination for luxury retailers wanting a presence in Ireland
- Well-placed to capitalise on expected double-digit growth of international visitors to Ireland
- Excellently situated only 60 minutes from central Dublin

## KEY OBJECTIVES ACHIEVED

- 60% of the new international luxury brands making their debut in Ireland. 80% of brands also represented at Bicester Village
- Confirmed Kildare as a unique retail tourism destination, attracting over three million guests in 2015
- Average four-hour dwell with 30% of visitors from outside Ireland
- Further enhanced customer experience services including valet parking, personal stylists and a VIP suite
- Exceptional trading and sales performance, with footfall +20% and sales +26% in 2015

# We create 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.**

## OUR APPROACH TO SUSTAINABILITY

The environmental and social impacts of our business operations are significant, presenting both risks and opportunities. We work consistently through our Positive Places framework to ensure we manage and mitigate the risks and capitalise on the opportunities. The outcome is a consistently strong track record for sustainability that makes us attractive to investors, particularly those with a sustainability mandate.

Our business has five major sustainability impact areas:



**energy security and demand**



**waste management**



**water consumption**



**investment in our local communities**



**materials use and procurement**

Our sustainability initiatives reflect these issues and go beyond them. Our stakeholders expect us to maintain our leadership position as a sustainability innovator by, for example, working collaboratively with our retailers and suppliers, driving high sustainability standards with our on-site teams and contractors and ensuring our employees have the right sustainability skills and knowledge for each role. By taking a collaborative approach, assets across the business have benefitted from sustainability initiatives, as illustrated through the report.

## KEY FACTS 2015

- **4% reduction in Group CO<sub>2</sub> emissions intensity**
- **Four Sustainability awards**
- **£2 million saved through waste management**
- **3% reduction in UK electricity demand**
- **Retained GRESB Green Star and improved scores in all sustainability benchmarks**

The strength of this approach can be seen in the activities and achievements we are able to report for 2015. Our scores against all key industry benchmarks have improved and we have made significant progress against our corporate targets, with particular successes in supplier engagement. Waste management has been more challenging, particularly in France, as has water management in the UK. The influence of weather on carbon emissions is also becoming increasingly important as we face more extreme conditions. These will all be areas of particular attention in 2016.

New annual and five-year targets have been set, an overview of which are in the following pages. More extensive information on these and our portfolio and asset level sustainability projects and initiatives can be seen on the sustainability pages on our website via this link: [www.sustainability.hammerson.com](http://www.sustainability.hammerson.com).

## POSITIVE PLACES STRATEGY IN ACTION...

Each sustainability project or activity links directly to at least one of our five Positive Places commitments. This ensures we focus our attention, engagement and resources on activities that address our major impact areas and are relevant to our business activities.

### CHALLENGE AND INNOVATE

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

Our achievements under this commitment in 2015 supported our position as industry leaders and addressed energy security and demand, resource use, waste management and water consumption. Outcomes included:

- Delivery of the net zero energy (NZE) EcoPod with Costa
- A Ska Gold rated fit out on both new office HQs
- Our work with leading companies from other sectors to develop the NZE Building commitment launched at COP21
- Delivery of BREEAM Excellent developments at Beauvais and at Elliott's Field, Rugby where we have installed 890m<sup>2</sup> of solar panels

Plans for 2016 include:

- The delivery of BREEAM Excellent developments at Victoria Gate, Leeds and WestQuay Watermark, Southampton
- Installation of 0.5 megawatts of renewable energy in the UK
- To apply knowledge gained from the EcoPod project to further sites

### PROTECT AND ENHANCE

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

Key achievements in energy demand, waste and water management:

- 3% year-on-year reduction in electricity consumption across the like-for-like UK portfolio
- Stable CO<sub>2</sub>e emissions intensity regardless of weather impacts on cooling and heating demand
- Investment of £1.5 million in LED lighting at Bullring
- 100% diversion from landfill across the UK managed portfolio
- 5,200m<sup>3</sup> construction waste reused onsite and 900,000 litres of water saved at Victoria Gate, Leeds

Plans for 2016 include:

- 6% year-on-year reduction in electricity consumption across the managed portfolio
- Extending LED lighting within the UK Shopping Centre and Retail Parks portfolios
- Investment in water metering and management
- Focus on understanding weather and non-weather related gas consumption

### UPSKILL AND INSPIRE

#### Investing in our people, and recognising and rewarding those that deliver change

Effective delivery of our sustainability strategy requires all our staff to understand our ambitions and their role in achieving them.

To support them during 2015 we:

- Extended role-focused sustainability training to all new starters
- Enabled three of our senior management team to attend the Cambridge Institute for Sustainability Leadership (CISL) training programme
- Launched an updated environmental training package for all our on-site teams
- Implemented a new software platform in the UK to support volunteering activity and community engagement work, leading to a significant increase in the number of volunteering days delivered by our staff

We were delighted that in our 2015 staff survey 89% of staff considered Hammerson to be serious in its commitment to sustainability. This score exceeds the survey benchmarks and is indicative of success in embedding sustainability across our teams.

Plans for 2016 include:

- Further senior leaders attending the CISL programme
- Extending the sustainability training programme to all staff to ensure all teams are sufficiently skilled to support delivery of Positive Places
- Implementing our volunteering software in France

Table 25

### OUR SUSTAINABILITY BENCHMARK SCORES

	2015	Trend
Vigeo	Robust	↑
FTSE4good/Sustainalytics (2014)	74	↑
GRESB	Green Star/76	↑
DJSI	67	↑
Oekom	C Prime	↑
CDP	77C	↑
Carbon Clear FTSE 100	15/99	↑
EPRA Best Practice	Gold Award	↑

**REDUCING EXPOSURE TO ENERGY PERFORMANCE CERTIFICATE RISK**

As minimum energy efficiency standards approach we are working to remove the associated risk from the portfolio. With over 1,000 EPCs across our UK assets this is an extensive project. Our 'at risk' units have been identified and a programme of work has been put in place to utilise appropriate points in the management cycle to ensure they are upgraded at minimum additional cost. We are targeting a minimum EPC rating of D for all units as this has been identified as providing protection against early obsolescence of systems and more cost-effective energy savings for occupiers than a rating of E.

**PARTNER AND COLLABORATE**

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

Collaboration with key stakeholders is fundamental to delivering ambitious, innovative sustainability outputs.

In 2015 we:

- Engaged with 54 new suppliers through our Supply Chain survey and published our 2nd Annual Supplier Report
- Worked closely with key retailers through our retailer forum, the Hospitality Forum, and through our Positive Growth awards
- Successfully expanded our investor engagement programme
- Engaged with 276 local community groups with connections to our assets

In 2016 we will:

- Continue to work with retailers through our retailer forum and our retail delivery process to address in-store environmental impacts
- Review and update our Supply Chain survey and publish our 3rd Annual Supplier Report
- Deliver at least one innovation project with a key supplier
- Continue to deliver market-leading community engagement activity for all our sites

**SERVE AND INVEST**

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

Our properties are significant elements of local physical and social infrastructure and the catalyst for important investment in our local communities. Over 30,000 people are employed across the portfolio.

In 2015 we:

- Supported over 4,500 people into employment through investment in developments, extensions and refurbishments. These projects are expected to deliver a further 2,500+ jobs post opening
- Successfully piloted a new, retail-focused apprenticeship scheme at Highcross, Leicester (see Page 51)
- Made direct community investments of £2.2 million
- Made indirect community investments of £350,000

During 2016 we will update and expand our True Value of Shopping Centres research, originally published in 2013. This will be used to establish employment and skills baseline data against which we will measure the positive impacts of our investment in local communities on an ongoing basis.

**COSTA ECOPOD, WREKIN RETAIL PARK, TELFORD**

- **Net zero energy building**
- **EPC rating A+ (-5).**
- **Circa 50% more energy efficient than a comparable unit**

The combination of enhanced insulation within the shell, natural ventilation, roof lights and energy efficient lighting, reduce the energy consumption of the unit significantly. Sufficient clean energy is generated by photovoltaic panels on the roof to supply the remaining regulated electricity demand.

We plan to take knowledge gained from this project and use it more widely. We are already in talks with Costa to deliver a second EcoPod.



*EcoPod, Wrekin Retail Park, Telford*

## OUR JOURNEY IN NUMBERS: 2010 – 2020

Table 26

Our 2010 – 2015 targets	Our performance	Our 2015 – 2020 ambitions
Reduce like-for-like carbon emissions by 20% v. 2010 baseline by 2015	-20%	20% reduction in carbon emissions v 2015 baseline
45% of suppliers by value to be engaged with on sustainability, annually	88%	Introduce refreshed sustainable supplier survey in 2016 in the UK and France and continue to improve supplier engagement
Increase waste recycling to 85% by 2015	76% UK 46% France	100% diversion from landfill in the UK, 98% in France
Biodiversity action plans at all retail assets by 2015	28 UK 5 France	Work with partners to trial pioneering, restorative approaches to biodiversity at six managed assets
All employees to complete CR training biennially	59% trained (2015)	100% of Hammerson employees employed for 12 months or more to receive sustainability training
Reduce water consumption from 2010 by 12% by 2015	+28% UK -29% France	Reduce landlord water intensity by 10%

Chart 27

Like-for-like portfolios' electricity consumption (000mWh)

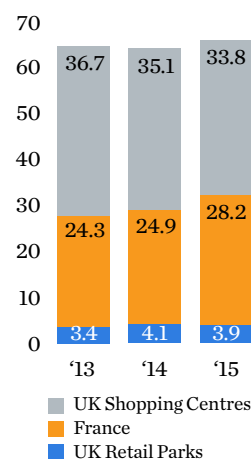


Chart 28

Group waste management savings (£000)

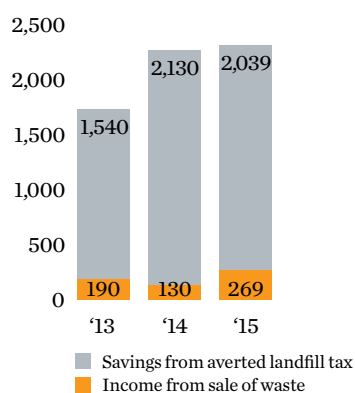
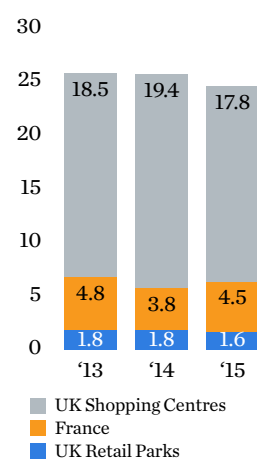


Chart 29

Like-for-like portfolios' GHG emissions (000mtCO<sub>2</sub>e)

## MAJOR CHALLENGES IN 2015

Two key areas have been a significant challenge in 2015: water consumption and heating and cooling related energy consumption, particularly in France.

Low water costs challenge the business case for extensive metering. However, the increase in restaurants across the portfolio drives up water demand. In 2016 we will extend the water sub-metering and monitoring programme to address this.

Gas consumption in the UK and electricity in France is impacted substantially by weather. Intelligence from our energy audits combined with better understanding of weather-related demand fluctuations will be used to prioritise work in this area in 2016.

## 2016 POSITIVE PLACES TARGETS FOR THE MANAGED PORTFOLIOS

**6%** reduction in electricity consumption

**5%** reduction in water consumption

**3%** reduction in CO<sub>2</sub>e emissions

**98%** diversion of waste from landfill

**85%** recycling of waste

# GREENHOUSE GAS (GHG) EMISSIONS 2015

## 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 2014 to 30 September 2015. 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-based and location-based methods. However, our utility provider has been unable to provide specific emissions factors for our renewable energy contract to calculate emissions using the market-based approach.

## 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 at [www.sustainability.hammerson.com](http://www.sustainability.hammerson.com).

## REPORTING BOUNDARIES

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

A detailed basis of reporting statement and full list of operating entities and assets included within the reporting boundary can be found on the Positive Place pages of our website at [www.sustainability.hammerson.com](http://www.sustainability.hammerson.com).

Table 30

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 2015 DEFRA GHG Conversion Factors for Company Reporting, and additional sources including, but not limited to, IEA and Cofely
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 1/10/14 – 30/09/15*
Target	20% reduction in like-for-like carbon emissions against 2010 baseline by 2015

\* Profit before tax derived from unaudited management accounts.

## GHG EMISSIONS ANALYSIS

Table 31

	Group emissions (mtCO <sub>2</sub> e)	UK emissions (mtCO <sub>2</sub> e)	France emissions (mtCO <sub>2</sub> e)	Group emissions (mtCO <sub>2</sub> e/£m)
<b>Total GHG emissions metric tonnes (mt)</b>	<b>36,667</b>	<b>28,739</b>	<b>7,928</b>	<b>172</b>
<b>Scope 1: Direct emissions from owned/controlled operations</b>				
a. Direct emissions from stationary operations	6,032	3,342	2,690	28
b. Direct emissions from mobile combustion	134	46	88	1
c. Direct emissions from fugitive sources	0	0	0	0
<b>Totals</b>	<b>6,166</b>	<b>3,388</b>	<b>2,778</b>	<b>29</b>
<b>Scope 2: Indirect emissions from the use of purchased electricity, steam, heating and cooling</b>				
a. Indirect emissions from purchased/acquired electricity	27,447	24,203	3,244	129
b. Indirect emissions from purchased/acquired steam	0	0	0	0
c. Indirect emissions from purchased/acquired heating	1,070	77	993	5
d. Indirect emissions from purchased/acquired cooling	13	13	0	0
<b>Totals</b>	<b>28,530</b>	<b>24,293</b>	<b>4,237</b>	<b>134</b>
<b>Scope 3:</b>				
Business travel	412	215	197	2
Waste	1,177	600	577	5
Water	382	243	139	2
<b>Totals</b>	<b>1,971</b>	<b>1,058</b>	<b>913</b>	<b>9</b>

**CARBON EMISSION INTENSITY (2013 - 2015 LIKE-FOR-LIKE PORTFOLIOS)**

Calculated in accordance with EPRA Sustainability Best Practice Reporting Standards (see page 21)

Table 32

		2013	2014	2015
UK shopping centres	kgCO <sub>2</sub> e per m <sup>2</sup> common parts/year	108	111	102
UK retail parks	kgCO <sub>2</sub> e per car parking space/year	94	94	88
French shopping centres	kgCO <sub>2</sub> e per m <sup>2</sup> common parts/year	74	59	70

**WATER (HAMMERSON GROUP)**

Table 33

		2011	2012	2013	2014	2015
Cost of water for Landlord services	£000	1,896	1,751	1,305	717	1,617
Investment in water management improvements	£000	16	312	27	30	2
Estimated water savings	£000	218	191	290	588	(535)

**WASTE (HAMMERSON GROUP)**

Table 34

		2011	2012	2013	2014	2015
Operational costs from waste management	£m	2.0	1.8	2.0	2.1	2.7
Savings from averted landfill tax	£m	0.5	0.9	1.5	2.1	2.0
Income from sale of waste	£000	190	176	197	155	269
Percentage recycled UK shopping centres	%	59	64	77	75	76
Percentage recycled French shopping centres	%	42	27	40	31	50
Percentage diverted from landfill UK	%	70	83	89	95	100
Percentage diverted from landfill France	%	67	40	67	49	49
Percentage diverted from landfill Global	%	70	71	86	84	86

**COMMUNITIES (HAMMERSON GROUP)**

Table 35

		2011	2012	2013	2014	2015
Direct contributions	£000	932	599	431	1,700	2,158
Indirect contributions	£000	366	446	299	407	383
Number of organisations that benefited from Hammerson's direct and indirect contributions	#	389	347	398	332	276

**INVESTMENT IN EMPLOYEE TRAINING (HAMMERSON GROUP)**

Table 36

		2011	2012	2013	2014	2015
Total expenditure on training	£000	482	357	212	179	289
Total number of hours spent on training	Hours	7,400	5,000	6,000	4,000	4,850

**CUSTOMERS**

Table 37

		2011	2012	2013	2014	2015
Number of retail clients we engaged with on sustainability	UK	n/a	24	32	28	78
Number of green leases in portfolio	UK/FR	896	1,250	1,401	1,637	1,909

**SUPPLIERS**

Table 38

		2011	2012	2013	2014	2015
Percentage of total suppliers by value engaged on sustainability	UK%	n/a	100	71	71	88
Number of suppliers over £100k by contract value	UK #	107	302	165	148	143
Value of contracts with suppliers we engaged on sustainability	UK £m	86	193	87	87	150

**INVESTORS (HAMMERSON GROUP)**

Table 39

		2011	2012	2013	2014	2015
Direct number of investors with whom we had collective or individual meetings		25	13	1	12	67
Total number of shares held by the top 20 investors (31.12.15)	million	417	395	407	451	475
Total number of shares held by those top 20 investors with whom Hammerson engaged on sustainability (31.12.15)	million	148	170	108	184	82

# Talented people

**Our people are one of our most important assets, enabling us to deliver our strategy and create value for our stakeholders. Through our engaging culture, common values and ongoing investment in nurturing talent we create an environment where everybody is able to develop and maximise their contribution.**

## CULTURE AND VALUES

Our values continued to enhance our culture and influence our actions during 2015.

The most significant event was June's relocation of our UK headquarters to King's Cross. This gave us the opportunity to introduce a more agile and collaborative working environment enabling our London, Reading and Paris based teams to work more closely together than ever before.



*Hammerson office, King's Place*

One of our core values is ambition, and this was evident throughout the year as we continued to grow in size, productivity and efficiency. The scale of our ambition was best demonstrated by our acquisition of the Irish loan portfolio which will require a new operating platform to be established in Dublin as well as being integrated into the wider Group.

On a more operational level, we insourced the management of our shopping centres in France, enabling a more aligned management approach and greater financial efficiencies across the portfolio. We also improved our approach to portfolio based procurement during the year, which allowed us to leverage our purchasing power more effectively and to deliver greater consistency across the organisation.

On a day-to-day basis, we embedded our values ever more deeply within the business. They are a core component of our performance-management processes and the two day Corporate Induction Programme attended by all new employees. The values continue to drive positive behaviours and outcomes across the Group.

## LEADERSHIP AND MANAGEMENT CAPABILITY

During 2015 we continued to invest heavily in developing our managers. Our Management Development Programme, launched in the autumn of 2014, was a major part of this effort, with 74 managers across the UK and France participating during the course of the year.

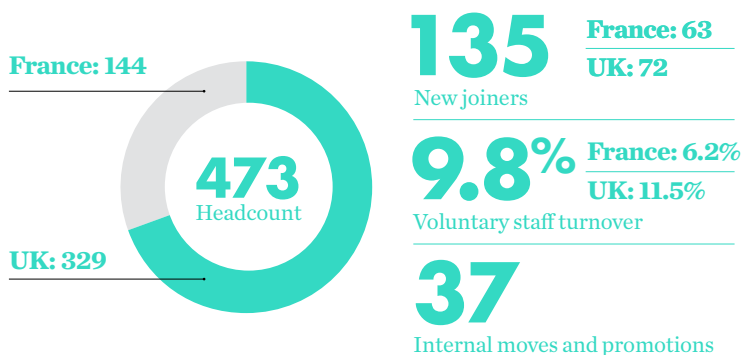
We also continued to focus on management skills when recruiting new managers, most notably via our competency-based selection processes. We successfully recruited 14 new managers in the UK, all of whom completed one of our management assessment centres.

Executive coaching and 360-degree appraisals remained constant features throughout the year. To further enhance our training and development offering we entered a partnership arrangement with Capita Learning and Development which gives us access to their extensive suite of management development programmes and materials.

To help meet our Diversity and Inclusion objectives, our senior management teams in the UK and France attended workshops on unconscious bias. The knowledge and insight gained is already helping us to achieve our ambition of creating a more diverse workforce.

Chart 40

### Our people – Key Facts\*



\*Headcount figures as at 31 December 2015

## RESOURCING, TALENT MANAGEMENT AND SUCCESSION PLANNING

As in previous years, we successfully retained and developed our talent during 2015 whilst strengthening our teams with the appointment of many experienced and talented individuals.

Voluntary staff turnover in both the UK and France remained low at 11.5% and 6.2% respectively. However, with a number of people leaving the business as a result of us relocating our UK headquarters, the progression of our development projects and further investments in our multichannel and IT teams, resourcing requirements were high. 135 new people joined the Group during the course of the year, many of whom successfully completed a competency based assessment centre.

### All senior management vacancies filled via internal promotions in 2015

Our improved approach to senior management succession planning started to pay dividends in 2015. This involves using job evaluation to help identify possible career paths for high potential employees and engaging with them about their own aspirations and development needs. As a result, we started the process of mapping out structured development plans for all concerned. We filled all of our senior management vacancies via internal promotion during the year, including our new Director of Retail for Ireland.

Launched in 2011, our established UK Graduate Programme continued to flourish in 2015. One highlight saw Tom Webster, who joined the Company in 2012, gain RICS accreditation and move into an asset management role in our UK Retail Parks team.



Tom Webster, Asset Manager

## EMPLOYEE ENGAGEMENT

The Company recognises the benefits of having highly engaged teams as we strive to achieve our business goals. Our positive culture, clarity of strategy and ongoing focus on improving management capability all contribute towards this objective.

We conducted our employee survey during 2015 using the globally established 'Great Place to Work' programme. In the UK, we achieved a positive engagement score of just under 70% which is 13% higher than the average for organisations with a similar headcount.

Further analysis showed particularly high levels of engagement in the areas of Strategy and Direction, Diversity and Corporate Social Responsibility; the latter score exceeding the average of similarly sized organisations by an impressive 34%.

In France, employee engagement was even higher and we achieved a positive engagement score of 79%. In addition, 89% of employees responded positively to the statement "Taking everything into account, I would say this is a great place to work".

In our 2014 Annual Report we stated the clear objective that any gender gap in employee engagement should be no greater than 5%. This was one of three Diversity and Inclusion targets that we set ourselves to achieve on an ongoing basis. When considering our combined UK and France results, the gender gap in our 2015 employee survey was 4.5%.

### 80% employee participation in the survey

### Highly engaged teams in the UK and France

### UK employee engagement far exceeds average of similar sized companies (by headcount)

### Engagement scores in France are amongst the highest of companies surveyed

### Less than 5% gender gap in employee engagement levels

Our collaborative and inclusive approach to internal communications was ever present during the course of 2015, enhanced by the greater use of audio visual technology. Briefings were held regularly throughout the year in order to keep employees updated on key business issues and results. In addition, we further embedded the Group intranet as a key communication tool and developed a new, internally branded communication channel: Hammerson Inside.

From a reward perspective, we continue to offer employees the opportunity to share in the growth and profitability of the Company as we believe this further engages our people. This is evidenced by the inclusion of the organisation's key KPIs in our annual incentive plan and the availability of a number of all employee and restricted share plan schemes.

## DIVERSITY AND INCLUSION

We have long understood and embraced the benefits of maintaining and nurturing a diverse workforce. It is therefore not surprising that 2015 was a year during which we continued to develop our strategy and build on the good practices already in place. In addition, we implemented a number of key initiatives designed to drive meaningful and sustainable change.

Following the success of the unconscious bias workshops attended by our Group Executive Committee in 2014, similar sessions were held for our entire UK and France senior management teams during the first half of the year. These had the objective of further broadening diversity awareness within the workplace, while further engaging senior management in the process of enhancing inclusion. Diversity training for all employees will be introduced in 2016.

When appointing new talent, we continue to base our recruitment decisions on our long established competency based approach to selection. Of the 135 new employees recruited in 2015, 66 were female. Of these, over a third were employed in professional or senior professional roles. In addition, we wrote to all of our recruitment partners stating our diversity and inclusion related aspirations. In doing so, we challenged them to submit more diverse candidate shortlists for all roles, including people from ethnic minorities and from backgrounds that are not always associated with the property industry.

In recognising the benefits of gender diversity the Company has previously stated the aspiration that at least 30% of our senior managers should be women. By the end of 2015, this figure stood at 27%.

Within the UK, women occupy 37% of such roles and three of our ten Shopping Centre General Managers are female.

Female representation in senior management roles in France currently stands at just over 7%. While we are looking to improve this figure over time, with the introduction of assessment centres in 2016 anticipated to contribute towards this, we are pleased that four of our nine French Shopping Centre General Managers are female.

We have also stated the objective that women should be represented in at least 30% of the roles identified in the Company's senior management succession plan. The plan considers the key senior management positions across the entire organisation, including all Executive Director and Group Executive Committee roles. By the end of 2015, this figure stood at just over 30%, a fact that we find extremely encouraging.

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 41  
All employees

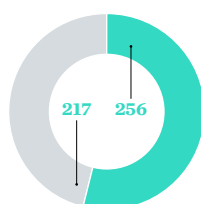


Chart 42  
Senior management  
(excluding Board)

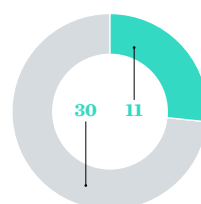


Chart 43  
Shopping Centre  
Managers

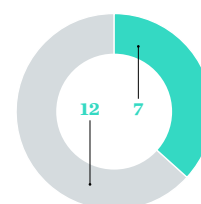


Chart 44  
UK Graduate  
Programme

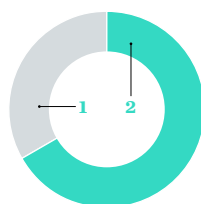


Chart 45  
Board



Male



Female



Figures as at 31 December 2015

## HIGHCROSS APPRENTICES

To attract young people into the property industry from a more diverse range of backgrounds, we piloted the British Council of Shopping Centres Retail Trust and National Skills Academy Retail Path



BCSC Retail Path graduation

apprenticeship scheme at Highcross Shopping Centre in Leicester during 2015.

Five apprentices won 12 month placements, giving them shopping centre management experience as well as front of house retail exposure and college based training. Three of our retailers participated in the pilot scheme: TM Lewin, Love Aroma and Goldsmiths. Each provided valuable training and insight for the apprentices, two of whom have now graduated from the scheme, winning permanent roles with TM Lewin and Hotel Chocolat. The three who remain will graduate from the scheme in early 2016.

Everyone involved has been delighted with the success of this initiative in its first year and we intend to run the programme again in 2016 with an extended group of retailers.

Joe Creasey, who was an apprentice on the scheme, is now a permanent employee at TM Lewin and he said:

"Working as an apprentice has given me more of an insight into the retail business and this has helped me build a greater foundation for a future in Retail Management."

Holly Furnival, who is an apprentice with Goldsmiths, added:

"The application process was very hard, but I'm really glad I stuck at it and I love working here. I never thought it would be as enjoyable, but it's great being able to help customers, and everybody has made me feel really welcome."

## COMMUNITY ENGAGEMENT

In line with our corporate values and our commitment to Serve and Invest the communities in which we are located, we offer employees three days of paid volunteering a year. We believe that having the opportunity to participate in voluntary activity generates positive outcomes; from team building through to wellbeing and corporate pride.

In 2015 we launched a new approach to volunteering, using our own bespoke version of The Butterfly Bank Engagement Platform. Designed to inspire and reward volunteering, this was actively promoted throughout the year in addition to our annual Community Day.

2015 saw our ninth annual Community Day in the UK while our French team ran their third. In a continued effort to collaborate for greater impact, we were joined by colleagues from the British Council of Shopping Centres (BCSC) and from our waste, facilities and security teams across the UK.

In the UK a total of 27 activities were available for employees to choose from, ranging from river clean-ups to organising a fashion show. In France, nine activities were offered. 63% of employees across the UK and an impressive 82% in France took part in Community Day and, as always, feedback was extremely positive from both our own people and the organisations we worked with.

As one Hammerson team member said:

“It was a really successful and worthwhile day. Everyone pulled their weight and was motivated to get the job done in the allotted time but also to do more than anticipated at the start of the day. It also struck me that this is an environment where teamwork and Hammerson’s culture and values come to the fore. Importantly, it was also great fun.”

Following Community Day we have continued to bring employees opportunities to support local and national organisations. In October we celebrated volunteering achievements across the Group with the Hammerson Butterfly Banking awards bringing together all our shopping centre teams.

Our employees are enthusiastic about supporting charities and voluntary organisations. As well as a local charity bursary run by each of our shopping centres, we also have national charity partners. Every two years our employees select two charity partners, giving them a real sense of engagement with the chosen charities.

The selected charities receive a cash donation and, more importantly, the opportunity to develop a relationship with Hammerson, our employees and our shopping centre teams. We feel two years gives us an excellent chance to establish a productive working relationship and provides a great platform for the charities to work from.

The charities selected for 2014 – 2016 were Samaritans and Elifar; the latter of which helps to improve the lives of children and adults with severe learning difficulties and associated physical disabilities. Samaritans was a new relationship for us, which is very exciting. Elifar is a continuing relationship, employees having elected to continue supporting this small but highly impactful charity for a further two years.

Over the course of 2015 the Group contributed more than £150,000 to charitable causes, £34,000 of which went to our two main partners.

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**Over 400 volunteer days delivered by Hammerson employees in 2015**

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**Continued success and high levels of participation in Community Days**

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**More than 20 charities supported by Hammerson during 2015**

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**More than £150,000 donated to charitable causes**

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*Community Day*

# A strong set of results

**2015 has been another successful year with strong financial results, demonstrating our ability to create value from our strategy.**

## HIGHLIGHTS

### PROFIT FOR THE YEAR \*

£726.8 million

(+4.0%)

### ADJUSTED EPS

26.9p

(+12.6%)

### DIVIDEND PER SHARE

22.3p

(+9.3%)

### SHAREHOLDERS' FUNDS \*

£5,517 million

(+10.9%)

### EPRA NAV PER SHARE

£7.10

(+11.3%)

### TOTAL PROPERTY RETURN

12.4%

(2014: 13.6%)

\* Attributable to equity shareholders.

## PRESENTATION OF FINANCIAL INFORMATION

The information presented in this Financial Review is derived from the Group's financial statements, prepared under IFRS. However, management principally reviews the performance of the business on a proportionally consolidated basis, including the Group's share of joint ventures and associates, but not proportionally consolidating our investments in premium outlets. We classify the Group's proportionally consolidated joint ventures and associates as "Share of Property interests". Further explanations of terms used in this section are in the Glossary on pages 181 and 182.

To provide a clear explanation of the performance of the business during 2015, the tables in this Financial Review state whether the information has been presented on a proportionally consolidated basis and whether it includes the premium outlet investments.

At 31 December 2015, the property ownership associated with the Irish loan portfolio, acquired in October 2015 in a 50:50 joint venture, had yet to be transferred from the borrowers and these loans are accounted for as current receivables of the joint venture, and included within the Group's investment in joint ventures. Details of the movement in the Group's investment in joint ventures are shown in table 55 on page 59.

## PROFIT FOR THE YEAR

The Group's profit for the year, attributable to equity shareholders, under IFRS was £726.8 million, £27.7 million higher than 2014. This includes income from operations and financing costs as well as one-off gains realised on the sale of properties and unrealised property valuation changes. As with other property companies, and in line with EPRA guidance, we review the Group's profit on an adjusted basis, which best reflects underlying earnings and table 46 shows a reconciliation of IFRS profit to adjusted profit for the year. 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 128 and further details of the EPRA adjustments are provided in note 10A on page 136 to the accounts.

Table 46

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

	Year ended 31 December 2015 £m	Year ended 31 December 2014 £m
Proportionally consolidated, including premium outlets		
<b>IFRS profit for the year attributable to equity shareholders</b>	<b>726.8</b>	699.1
Adjustments:		
(Gain)/Loss on the sale of properties and joint ventures interests	(14.9)	3.4
Net revaluation gains on property portfolio *	(367.5)	(436.8)
Net revaluation gains on premium outlet property portfolio	(174.1)	(109.8)
Debt and loan facility cancellation costs	13.9	8.7
Change in fair value of derivatives*	0.1	(13.7)
Net one-off restructuring charge	–	3.0
Deferred tax – premium outlets	27.6	12.3
Other adjustments	(1.0)	8.1
<b>Adjusted profit for the year (note 10A)</b>	<b>210.9</b>	174.3
Adjusted EPS, pence	26.9	23.9

\* Proportionally consolidated.

The Group's adjusted profit for the year in 2015 was £210.9 million, £36.6 million higher than in 2014. Table 47 bridges adjusted profit and adjusted EPS between 2014 and 2015 and the movements are shown at constant exchange rates.

Table 47

## Reconciliation of adjusted profit for the year

	Reported Group £m	Share of joint ventures £m	Share of associates £m	Adjusted profit for the year £m	Adjusted EPS pence
Including premium outlets					
Adjusted profit – Year ended 31 December 2014	43.5	114.8	16.0	174.3	23.9
Net rental income increase/(decrease):					
Acquisitions	9.3	–	1.0	10.3	1.3
Disposals	(4.1)	(0.7)	–	(4.8)	(0.6)
Development and other	6.0	3.7	–	9.7	1.2
Like-for-like portfolio	5.5	0.5	–	6.0	0.8
Acquisition of joint venture interest by Reported Group	9.3	(9.3)	–	–	–
	26.0	(5.8)	1.0	21.2	2.7
Decrease/(Increase) in net administration costs	0.7	(0.5)	–	0.2	–
Decrease in net finance costs	8.6	3.7	–	12.3	1.6
Increase in Value Retail and VIA Outlets earnings	–	5.3	0.6	5.9	0.8
Tax and non-controlling interests	(1.1)	0.4	–	(0.7)	(0.1)
Dilution impact of share placing	–	–	–	–	(1.7)
Exchange	(1.6)	(1.2)	0.5	(2.3)	(0.3)
<b>Adjusted profit – Year ended 31 December 2015</b>	<b>76.1</b>	<b>116.7</b>	<b>18.1</b>	<b>210.9</b>	<b>26.9</b>

The increase in adjusted profit was driven by additional net rental income, principally from the acquisition of the additional 40% stake in Highcross in September 2014 and income from Les Terrasses du Port which opened in May 2014. The Group's premium outlet investments in Value Retail and VIA Outlets, the latter acquired in July 2014, contributed an additional £5.9 million of earnings. Lower finance costs, reflecting the refinancing activity undertaken to reduce the Group's average cost of debt to 3.8%, increased earnings by £12.3 million. These positive factors were partly offset by the impact of the euro depreciating against sterling during 2015 which reduced earnings by £2.3 million, although the Group's hedging strategy provided an approximate two-thirds hedge against the adverse currency movement. Overall, the 21.0% increase in adjusted profit resulted in a 12.6% increase in adjusted EPS, after taking account of the dilutive effect of the September 2014 share placing.

## NET RENTAL INCOME

Table 48

## Analysis of net rental income

	Reported Group £m	Share of Property joint ventures £m	Share of associates £m	Year ended 31 December 2015 £m	Year ended 31 December 2014 £m	Change £m
Proportionally consolidated, excluding premium outlets						
Like-for-like investment properties	164.2	102.2	–	266.4	260.4	6.0
Developments and other	23.4	6.6	–	30.0	20.3	9.7
Acquisitions	15.7	–	1.0	16.7	6.4	10.3
Disposals	5.5	–	–	5.5	10.3	(4.8)
Exchange	–	–	–	–	8.2	(8.2)
<b>Net rental income</b>	<b>208.8</b>	<b>108.8</b>	<b>1.0</b>	<b>318.6</b>	<b>305.6</b>	<b>13.0</b>

In 2015, net rental income increased by £13.0 million, or 4.3%, to £318.6 million. Acquisitions contributed £10.3 million of additional income, principally relating to the £180 million acquisition in September 2014 of our former joint venture partner's 40% stake in Highcross, Leicester. Disposals reduced net rental income in 2015 by £4.8 million, reflecting the 2015 sales of Drakehouse Retail Park, Sheffield, Bercy 2, Paris and Grand Maine, Angers.

Additional net rental income from developments of £9.7 million mainly relates to Les Terrasses du Port in Marseille, which opened in May 2014 and has traded strongly during 2015. Development income also came from our joint venture property interests in Croydon whilst the major regeneration scheme is progressed. Net rental income from the like-for-like portfolio increased by 2.3% during the year, with the most significant contributions made by rent reviews at Union Square and tenant rotation at Les Trois Fontaines. Like-for-like income also benefitted from the growth in car park and commercialisation net income which increased by 5% and 24% respectively on a like-for-like basis. 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, like-for-like net rental income growth was 0.6%. Further analysis of net rental income is provided in tables 103 and 104 of the Additional Disclosures on page 167.

## ADMINISTRATION EXPENSES

Table 49

### Administration expenses analysis

	Year ended 31 December 2015 £m	Year ended 31 December 2014 £m
Proportionally consolidated, excluding premium outlets		
Employee and corporate costs	48.3	52.1
Management fees receivable	(6.0)	(5.6)
<b>Administration expenses</b>	<b>42.3</b>	<b>46.5</b>
Less:		
Restructuring cost	–	(5.5)
Pension curtailment gain	–	2.5
One-off administration expenses	–	(3.0)
<b>Underlying administration expenses*</b>	<b>42.3</b>	<b>43.5</b>

\* In 2015, £0.3 million (2014: £0.9 million) of the Group's proportionally consolidated underlying administration expenses related to the Group's share of Property interests.

In 2015, underlying administration expenses, net of management fees receivable, were £42.3 million, a decrease of £1.2 million, or 2.7%, compared to 2014. This reduction was associated with cost-saving initiatives undertaken since the beginning of 2014 including relocating our London headquarters to King's Cross, additional management fee income, principally from the Nicetoile joint venture, and favourable foreign exchange movements.

## COST RATIO

The EPRA cost ratio for the year ended 31 December 2015 was 23.1%, an increase of 30bp compared to 2014. The ratio is calculated on a proportionally consolidated basis excluding premium outlets, and reflects total operating costs, including the cost of vacancy, as a percentage of gross rental income. The ratio is not necessarily comparable between different companies as business models and expense accounting and classification practices vary. The calculation methodology has been amended in 2015 to adjust for inclusive lease costs recovered through rent, this is in line with EPRA best practice and comparative ratios have been restated. The cost ratio calculation is included as table 106 of the Additional Disclosures on page 168.

Whilst the ratio of net administration costs to gross rental income fell from 12.8% to 11.8% associated with the cost saving initiatives noted above, the ratio of property costs increased from 10.0% to 11.3%. This reflects additional expenditure associated with vacancy and running costs at properties awaiting redevelopment such as in Croydon, as well as the impact of an increased portfolio weighting to shopping centres which have higher running costs than retail parks.

## SHARE OF RESULTS OF JOINT VENTURES AND ASSOCIATES, INCLUDING INVESTMENTS IN PREMIUM OUTLETS

As explained on page 53, for management reporting purposes we proportionally consolidate the results of our investments in joint ventures and associates, except for our premium outlet investments in Value Retail and VIA Outlets. The nature of the control over our premium outlet investments means that VIA Outlets is accounted for as a joint venture, whilst Value Retail is accounted for as an associate. We refer to the Group's proportionally consolidated share of its joint ventures as "Share of Property joint ventures". The operating performance of our investments in Value Retail and VIA Outlets is described on pages 39 to 42 of the Business Review and the aggregated financial contribution to the Group is shown in table 109 of the Additional Disclosures section on page 170.

### Share of results of joint ventures, including VIA Outlets

The Group has interests in 12 joint ventures and the share of results of joint ventures for the year ended 31 December 2015 was £246.8 million (2014: £279.0 million) as summarised in table 50. Further details are provided in note 12 to the accounts.

Table 50

### Analysis of share of results of joint ventures

	Share of Property joint ventures £m	VIA Outlets £m	Year ended 31 December 2015 £m	Share of Property joint ventures £m	VIA Outlets £m	Year ended 31 December 2014 £m
Group's share of results including premium outlets						
Net rental income	108.8	9.8	118.6	117.5	2.7	120.2
Net administration expenses	(0.3)	(1.7)	(2.0)	(0.9)	(0.6)	(1.5)
Revaluation gains/(losses) on properties	122.1	10.4	132.5	165.6	(1.3)	164.3
Loss on sale of properties	–	(0.8)	(0.8)	–	–	–
Net finance income/(costs)	3.1	(2.0)	1.1	(2.1)	(1.4)	(3.5)
Tax charge	–	(2.6)	(2.6)	–	(0.5)	(0.5)
<b>Share of results of joint ventures</b>	<b>233.7</b>	<b>13.1</b>	<b>246.8</b>	<b>280.1</b>	<b>(1.1)</b>	<b>279.0</b>
EPRA adjustments	(123.1)	(7.0)	(130.1)	(166.2)	2.0	(164.2)
<b>Adjusted profit</b>	<b>110.6</b>	<b>6.1</b>	<b>116.7</b>	<b>113.9</b>	<b>0.9</b>	<b>114.8</b>

The reduction in the share of results of joint ventures of £32.2 million during 2015 was principally due to property revaluation gains from the Group's share of Property joint ventures which were £31.8 million lower in 2015, this is consistent with the year-on-year revaluation gains on the Group's wholly-owned property portfolio. Net rental income from the Group's share of Property joint ventures was £8.7 million lower than in 2014, associated with the acquisition by the Group of the former joint venture partner's 40% stake in Highcross, Leicester in September 2014. This was offset by an increase in profit of £14.2 million from VIA Outlets, which was acquired in July 2014, of which £11.7 million related to property revaluation gains. On an adjusted basis, profit was £1.9 million higher in 2015.

### Share of results of associates, including Value Retail

The Group has two associates: Value Retail PLC and its group entities ('VR'), and a 10% interest in Nicetoile, which was acquired in January 2015 and where the Group is the asset manager. The share of results of associates for the year ended 31 December 2015 was £160.6 million (2014: £109.9 million), of which £159.3 million related to VR and principally related to the property valuation uplift of £163.7 million.

On an adjusted profit basis the results of associates were £18.1 million (2014: £16.0 million), of which £17.1 million related to VR. The additional adjusted profit was due to strong trading, particularly at La Vallée, Paris and the two Spanish Villages, La Roca and Las Rozas. See note 13 of the accounts for further details on the Group's associates.

The Group also provides loans to Value Retail from which the Group received £5.3 million (2014: £5.8 million) of interest receivable in 2015.

### Total investment in premium outlets

In 2015, the Group's two investments in premium outlets contributed £28.5 million to adjusted profit, £5.8 million higher than 2014 principally due to a full year's profit contribution from VIA Outlets and the continued strong underlying trading performance from Value Retail. Further details of the aggregated profit contribution from our premium outlets investment is provided in table 109 of the Additional Disclosures section on page 170.

## FINANCE COSTS

Underlying net finance costs, comprising gross interest costs less finance income, including the Group's share of Property interests, were £89.4 million compared with £108.9 million in 2014, a reduction of £19.5 million.

During 2015, the Group's weighted average interest rate was reduced to 3.8%, compared to 4.7% for 2014. This was primarily due to the refinancing of the €480 million 4.875% bond, redeemed in December 2014, with the issue of the €500 million 2% bond in July 2014. Finance costs have also reduced due to a new £415 million revolving credit facility ("RCF"), signed in April 2015, having an initial margin of 80 basis points, which is 70 basis points lower than the previous £505 million facility it replaced. Finally, the increased use of floating rate debt at low rates of interest has also acted to reduce the weighted average cost of borrowing.

There was a £13.9 million (2014: £8.7 million) exceptional finance cost, principally associated with the early redemption of a £272 million 5.25% bond which was due to mature in December 2016. This is excluded from adjusted profit.

Interest capitalised during the year was £5.3 million and principally related to the Group's developments in Beauvais, Leeds, Rugby and Southampton. This is £3.5 million lower than in 2014 when interest was capitalised on the development of Les Terrasses du Port, Marseille.

## TAX

The Group is a UK REIT and French SIIC for tax purposes and is exempt from corporation tax on rental income and gains arising on property sales. The tax charge for 2015 remained low at £1.6 million (2014: £1.0 million).

## DIVIDEND

The Directors have proposed a final dividend of 12.8 pence per share. Together with the interim dividend of 9.5 pence, the total for 2015 is 22.3 pence, representing an increase of 9.3% compared with the prior year. The final dividend is payable on 29 April 2016 to shareholders on the register at the close of business on 18 March 2016. 6.4 pence will be paid as a PID, net of withholding tax where appropriate, with the balance of 6.4 pence paid as a normal dividend.

The Company will be offering a scrip dividend alternative, and for shareholders who elect to receive this, the entire dividend will be treated as a normal (non-PID) dividend. As the Company is offering a scrip dividend alternative, the Dividend Reinvestment Plan (DRIP) will be suspended.

## NET ASSETS

During 2015, equity shareholders' funds increased by £543 million, or 10.9%, to £5,517 million at 31 December 2015.

Net assets, calculated on an EPRA basis, were £5,573 million, an increase of 11.5% during the year. On a per share basis, net assets increased by 72 pence to £7.10, and the movement during the year is shown in table 51.

Table 51

### Movement in net assets

Proportionally consolidated, including premium outlets	Equity shareholders' funds £m	EPRA net asset adjustments* £m	EPRA net assets £m	EPRA NAV pence per share
31 December 2014	4,974	25	4,999	638
Property revaluation				
Proportionally consolidated property portfolio	368	–	368	47
Premium outlet properties	174	–	174	22
	542	–	542	69
Adjusted profit for the year	211	–	211	27
Change in fair value of derivatives	(2)	2	–	–
Change in deferred tax	(29)	29	–	–
Dividends	(165)	–	(165)	(21)
Exchange and other	(14)	–	(14)	(3)
<b>31 December 2015</b>	<b>5,517</b>	<b>56</b>	<b>5,573</b>	<b>710</b>

\* Adjustments in accordance with EPRA best practice as shown in note 10B to the accounts on page 137.

The increase in EPRA net asset value was principally due to the valuation surplus on the Group's property portfolio, including those held in joint ventures and associates, due to yield and income improvements. Further analysis of valuation movements is provided in table 53 on page 58. Adjusted profit contributed £211 million, although this was largely offset by dividend payments totalling £165 million.

## INVESTMENT AND DEVELOPMENT PROPERTIES

### Portfolio Valuation Analysis

Table 52

### 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 2015	4,427	2,279	6,706	6,498	208
Valuation increase	246	122	368	332	36
Capital expenditure					
Acquisitions	44	70	114	58	56
Developments	162	14	176	61	115
Existing portfolio	13	12	25	25	–
Other*	(1)	(1)	(2)	(2)	–
	218	95	313	142	171
Capitalised interest	5	–	5	–	5
Disposals	(170)	–	(170)	(169)	(1)
Transfers	11	(11)	–	28	(28)
Exchange	(85)	(7)	(92)	(90)	(2)
<b>Portfolio value at 31 December 2015</b>	<b>4,652</b>	<b>2,478</b>	<b>7,130</b>	<b>6,741</b>	<b>389</b>

\* Includes capitalised tenant incentives and letting fees.

## Valuation change

Chart 53

## Components of valuation change in 2015 (£m)

Proportionally consolidated, excluding premium outlets

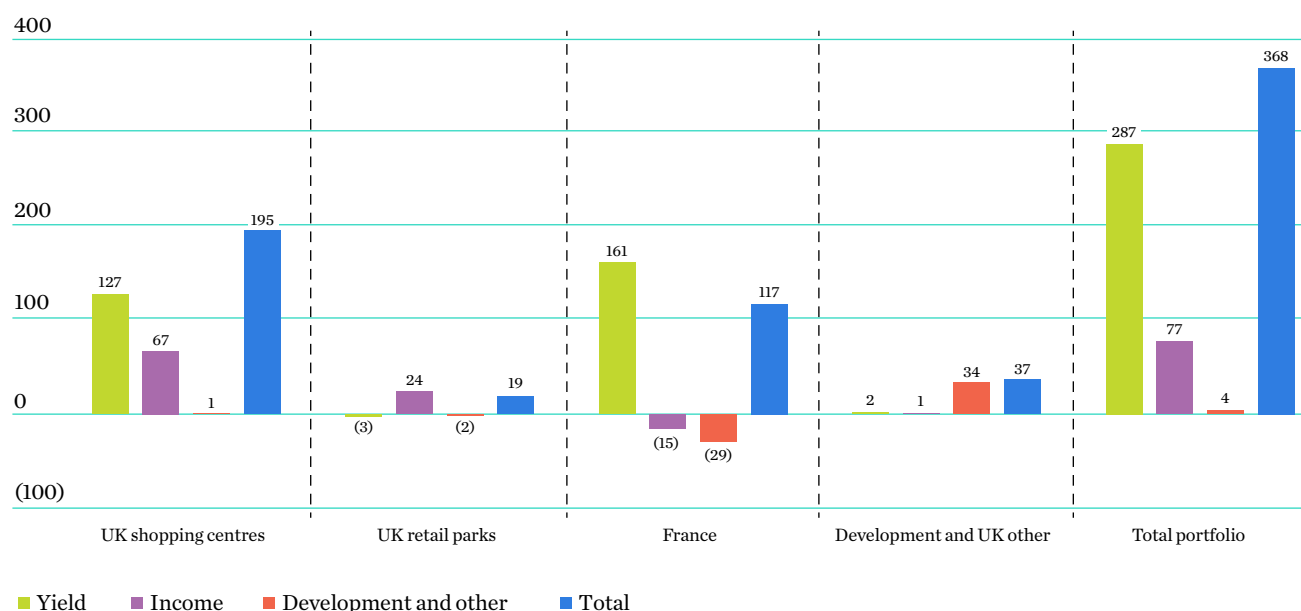


Chart 53 analyses the sources of the valuation change for the property portfolio, on a proportionally consolidated basis, during 2015.

During 2015, the Group's portfolio, excluding premium outlets, achieved a revaluation gain of £368 million, of which £195 million was from the UK shopping centres and £117 million from our French portfolio. Improvements in investment yields accounted for 78% of this gain, with the remainder of the valuation uplift principally associated with leasing and ERV changes.

For UK shopping centres, investment yields fell by an average of 25 basis points, contributing £127 million, or 65% of the revaluation gain. The benefit of leasing and market income growth produced a valuation increase of £67 million. The UK retail parks valuations increased by £19 million associated with an uplift from leasing and ERV changes as yields were virtually unchanged.

In France, investment yields reduced by an average of 40 basis points during 2015, generating a £161 million valuation increase. This uplift was partly offset by a valuation reduction of £15 million associated with reductions in ERVs and £29 million associated with local taxation changes and refurbishment expenditure ahead of retenancing at a number of centres.

Developments and the UK Other portfolio achieved a revaluation gain of £37 million, following letting and construction progress at Victoria Gate, Leeds and Watermark WestQuay, Southampton.

Further valuation and yield analysis is included in tables 107 and 108 in the Additional Disclosures section on page 169.

## RETURNS

Table 54

## Returns summary

Proportionally consolidated, including premium outlets

Return	% Benchmark	%
UK portfolio income return	4.8 UK IPD All Retail Universe income return*	5.1
UK portfolio capital return	5.2 UK IPD All Retail Universe capital return*	3.8
UK portfolio total return	10.2 UK IPD All Retail Universe total return*	9.0
Group income return	4.9 Group weighted IPD All Retail Universe income return*	4.9
Group capital return	7.1 Group weighted IPD All Retail Universe capital return*	4.8
Group total return	12.4 Group weighted IPD All Retail Universe total return*	9.9
Total shareholder return over one year	2.4 FTSE EPRA/NAREIT UK index over one year	12.1
Total shareholder return over three years p.a.	10.9 FTSE EPRA/NAREIT UK index over three years p.a.	19.0
Total shareholder return over five years p.a.	11.4 FTSE EPRA/NAREIT UK index over five years p.a.	15.0

\* As Annual IPD indices have yet to be published, the benchmark IPD returns shown above have been estimated. See page 59 for further explanation.

## Property returns

Table 54 compares the financial returns generated in 2015 with benchmark IPD indices. The returns include development properties and the Group's returns include those from the properties held through its investments in Value Retail and VIA Outlets. The Group's weighted IPD All Retail Universe total return benchmark of 9.9% is weighted 70:30 between the UK and French indices. The All Retail Universe indices includes 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 2015. 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.

The Group's total return was 12.4%, 250 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 23.7%. The total return for the UK portfolio was 10.2% which was higher than the UK IPD index, although the income return was 30 basis points lower, reflecting the prime nature of the Group's UK portfolio. The French portfolio generated a total return of 12.0%.

In 2015, the Reported Group portfolio generated a total return of 10.6%, whilst properties held by our joint ventures and associates generated a total return of 14.3%. Both portfolios exceeded the estimated 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 107 on page 169**

## Shareholder returns

For the year ended 31 December 2015, the Group's return on shareholders' equity was 14.3%, which compares to the Group's estimated cost of equity of 8%. 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 strong valuation performance during the year.

Hammerson's total shareholder return for 2015 was 2.4%, which represents an underperformance of the FTSE EPRA/NAREIT UK index by 970 basis points. Over the last five years, the Group's average annual total shareholder return has been 11.4%, compared to 15.0% 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 2015, the Group's investment in joint ventures totalled £3,214 million compared with £2,341 million at the beginning of the year, an increase of £873 million. The key change during 2015 was the acquisition of the Irish loan portfolio in a new 50:50 joint venture with Allianz for a cost of £690 million, further details of this transaction are given on page 26 of the Business Review.

The movement in investments in joint ventures during 2015 is shown in table 55 and further analysis is provided in note 12D of the accounts.

Table 55

### 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 2015	2,237	104	2,341
Acquisitions	690	–	690
Capital advances	41	5	46
Transfer to Reported Group	(11)	–	(11)
Share of results of joint ventures:			
Adjusted earnings	111	6	117
Property revaluation	122	10	132
Other results	1	(3)	(2)
	234	13	247
Distributions and other receivables	(85)	(7)	(92)
Foreign exchange and other movements	(3)	(4)	(7)
<b>Balance at 31 December 2015</b>	<b>3,103</b>	<b>111</b>	<b>3,214</b>

## Investment in associates, including Value Retail

The Group's investment in associates principally relates to the Group's investment in Value Retail PLC and its group entities ('VR') and totalled £768 million at 31 December 2015, an increase of £139 million during 2015. The increase was largely due to the revaluation gain on VR's property portfolio which totalled £164 million, of which 42% was due to yield movements and the balance associated with income growth.

During the year, acquisitions increased the investment by £37 million, of which £24 million related to the acquisition in January of a 10% interest in Nicetoile, and the remainder related to an additional VR stake in Kildare Village acquired in December. Distributions totalled £45 million, which principally related to funds received by the Group in December, following a debt refinancing by VR in relation to Bicester Village. Further analysis is provided in note 13 to the accounts on pages 145 and 146.

## Total investment in premium outlets

At 31 December 2015, on an EPRA adjusted basis, the Group's total investment in premium outlets, representing our share of VR and VIA, and including the Group's loans to VR and the investment in VR China, totalled £1,003 million (2014: £832 million). The property portfolios produced a combined valuation surplus of £174 million and produced a combined capital return of 16.4% and a total return of 23.7%. Further details of the Group's aggregated investment are provided in table 110 of the Additional Disclosures on page 170.

## 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 ensure an appropriate maturity profile and to maintain short-term liquidity. Acquisitions may be financed initially using short-term funds before being refinanced for the longer term when market conditions are appropriate. Short-term funding is raised principally through syndicated revolving credit facilities from a range of banks and financial institutions with which we maintain strong working relationships. Long-term debt 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 56 which illustrates the Group's robust financial condition.

Table 56

### Key financing metrics

Proportionally consolidated, excluding premium outlets	Guideline	31 December 2015	31 December 2014
Net debt (£m)		2,968	2,265
Gearing (%)	Maximum 85% for an extended period	54	46
Loan to value* (%)	No more than 40% for an extended period	38	34
Liquidity (£m)		931	648
Weighted average interest rate (%)		3.8	4.7
Weighted average maturity of debt (years)		5.7	6.5
Interest cover (times)	At least 2.0	3.6	2.8
Net debt/EBITDA (times)	Less than 10.0	9.6	8.0
FX hedging (%)	80-90%	90	88
Debt fixed (%)	At least 50%	61	79

\* Includes the Irish loan assets of £690 million within the denominator.

On a proportionally consolidated basis, net debt at 31 December 2015 was £2,968 million (2014: £2,265 million), reflecting borrowings of £3,038 million and cash of £70 million. During 2015, net debt increased by £703 million and the movement is shown in table 57.

Table 57

### Movement in net debt

Proportionally consolidated, excluding premium outlets	Total £m
Net debt at 1 January 2015	2,265
Net cash inflow from operations	(191)
Acquisitions	822
Disposals	(185)
Development and other capital expenditure	200
Equity dividends paid	164
Advances and distributions	(47)
Exchange and other	(60)
<b>Net debt at 31 December 2015</b>	<b>2,968</b>

Through active treasury management, we have continued to reduce the Group's average cost of debt as well as ensuring a solid funding platform. Key transactions during 2015 included the signing of a new £415 million unsecured revolving credit facility in April, at an initial margin of 80 basis points with a syndicate of nine banks. The facility has a maturity of five years which may be extended to a maximum of seven years at the Group's request and on each bank's approval of their participation. The new facility replaced the existing £505 million revolving credit facility with an initial margin of 150 basis points which would have matured in April 2016. The cancellation of this existing facility resulted in a one-off exceptional interest charge of £1.0 million associated with the write-off of unamortised fees.

In the second half of the year we undertook a number of financing transactions, principally to support the acquisition of the Irish loan portfolio. To fund the acquisition we raised a new €1.5 billion revolving credit facility, of which €1.0 billion matures in March 2017 and €0.5 billion in September 2017. This is expected to be refinanced through a £500 million disposal programme, of which £200 million has already been contracted. In October, we issued a ten-year £350 million bond at a coupon of 3.5%. This bond was subsequently swapped into euros resulting in a net coupon cost of 2.5%. In December, we redeemed an outstanding £272 million bond due to mature in December 2016 with a coupon of 5.25% for a total consideration of £284.6 million. This resulted in a one-off exceptional finance cost of £12.9 million.

Exposure to exchange translation differences on euro-denominated assets is managed through a combination of euro borrowings and derivatives. At 31 December 2015, the value of euro-denominated liabilities compared to the value of euro-denominated assets was 90%, an increase of 2% from the position at the beginning of the year. Interest on euro debt also acts as a hedge against exchange differences arising on rental income from our French business. Approximately two-thirds of the relevant income was hedged in this way during 2015, compared to an average of 82% during 2014. Whilst the overall level of euro-denominated debt grew during 2015 to increase the hedge of assets, the reduction in the hedge of income was due to increased rental income from our French business, predominantly due to the opening of Les Terrasses du Port in May 2014.

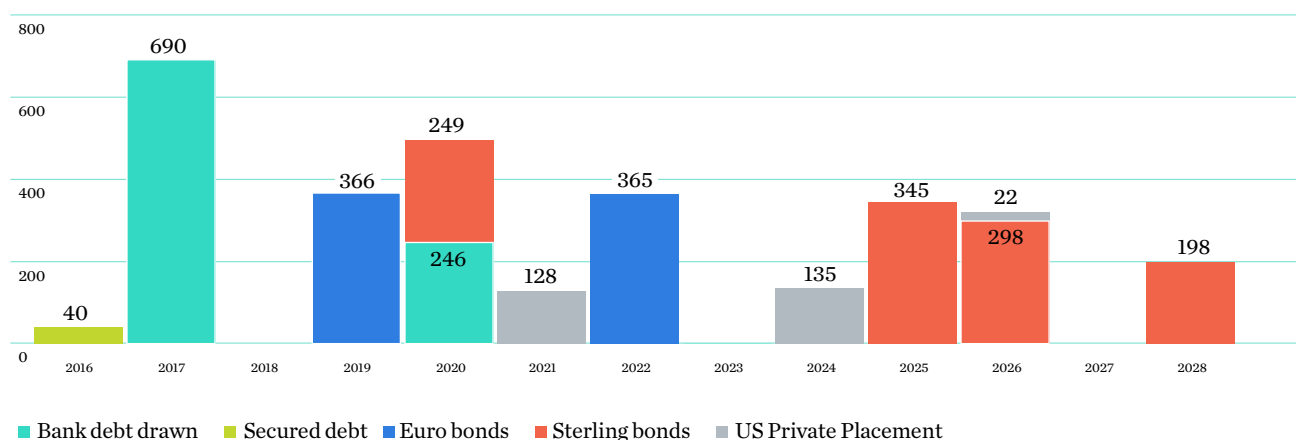
The Group's unsecured bank facilities and the US private placement senior notes contain financial covenants that the Group's gearing, defined as the ratio of net debt to shareholders' equity, should not exceed 150% and that interest cover, defined as net rental income divided by net interest payable, 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 upgraded its rating from Baa2 in February 2015 to recognise "Hammerson's high-quality retail portfolio with a strong focus on outlet retail, its progress in reducing leverage and improving fixed charge coverage, and the expectation of continued stable performance of its core UK assets", and reaffirmed this rating in October following the Irish loan portfolio acquisition.

As explained at the beginning of this Financial Review, we do not proportionally consolidate our two premium outlet investments for reporting purposes. These are financed independently from the rest of the Group and both Value Retail and VIA Outlets utilise a combination of secured borrowings and partner loans as funding. At 31 December 2015, the Group's share of net debt in VR and VIA totalled £362 million. Including the Group's share of the net assets of VR and VIA on a proforma basis would increase the Group's gearing from 54% to 60%, whilst the loan to value would reduce from 38% to 37%.

Chart 58

### Debt maturity profile at 31 December 2015 (£m)

Proportionally consolidated, excluding premium outlets



# Managing uncertainty

**The assessment and management of risk underpins our operating, financial and governance activities.**

Effective risk management underpins our business model. Our risk management policies are designed to reduce the chances of financial loss, protect our reputation and optimise performance when opportunities arise. The Board assesses and controls the Group's risk appetite and regularly monitors our Risk Management Framework to ensure risks are being appropriately mitigated and new risks identified. The framework is reviewed by our management teams and communicated to all our staff.

## RISK MANAGEMENT RESPONSIBILITIES

The responsibility for risk management rests ultimately with the Board. However, the foundations of our approach are instilled in our culture and values. The relatively low number of personnel across the Group 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.

Chart 59 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 59

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

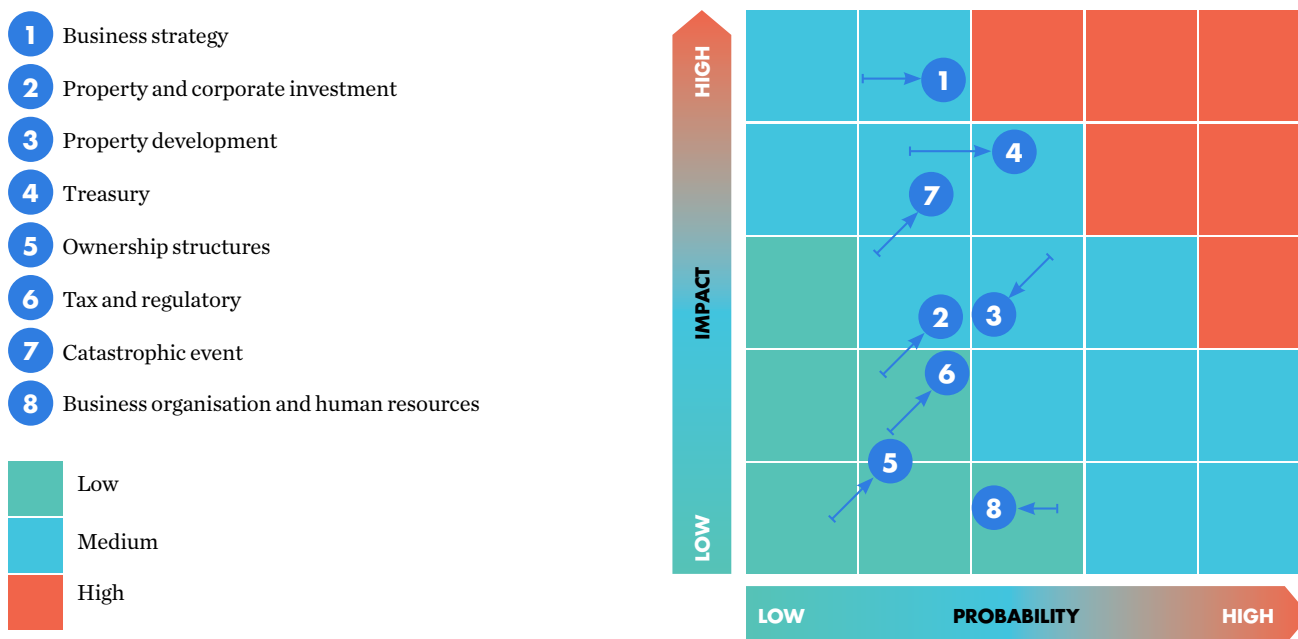


## RISK MANAGEMENT FRAMEWORK

Our Risk Management Framework is structured around eight principal risk areas, contains mitigating actions and allocates management responsibility for each individual risk. The framework is subject to regular management review, including at each Risk and Controls Committee and Audit Committee meeting. The framework designates a level of residual risk to each principal risk area, taking account of mitigation actions, and this residual risk is considered in the context of our risk appetite. During 2015, the Board carried out a robust assessment of the principal risks and determined that the level of residual risk associated with our principal risk areas has generally increased, although each remains within our risk appetite. An assessment of the potential impact and probability associated with each of our principal risks is shown on chart 60.

Chart 60

### Principal Risks: Potential impact and probability assessment



### CASE STUDY – HEALTH AND SAFETY IN ACTION

We are committed to managing health and safety risks throughout our operations. The Board approves the health and safety strategy which is administered by the Health and Safety Committee, chaired by the Chief Financial Officer. It is our goal to ensure that we cause no harm to our staff or to visitors to our properties. We achieve and measure this through maintaining high safety and welfare standards which include:

- The employment of a Chartered Professional Health and Safety Practitioner and specialist team to provide strategic and operational support to all areas of the business;
- Developing a comprehensive safety and emergency preparedness training programme;
- Regular reporting and monitoring of adherence to the Group's health and safety policies including the use of external and internal audits; and
- Accreditation of the Hammerson Health and Safety management system against ISO18001.

This continual focus on health and safety has helped ensure that during 2015 we have maintained a 100% compliance record with all regulatory requirements and had no major injuries to our employees. We have also reduced the number of visitor accidents at our portfolio by 16% to 486, which is very low compared to footfall levels, and only 32 were RIDDOR reportable incidents.

### CRISIS MANAGEMENT

The risk of a catastrophic event, such as a terrorist incident at one of our properties, has increased during 2015. We have comprehensive emergency plans in place including the formation of a Core Crisis Group (CCG) to react to a range of major incidents. During an incident, the CCG would provide direction to our property-based teams as well as managing customer and media relations.

The CCG includes the Executive Directors who are responsible for key decisions within previously agreed strategic principles which place the protection of life above any other consideration. This team must be properly equipped to address any major incident.

In October, we organised an externally-facilitated exercise to simulate a plausible incident at one of our shopping centres which involved life safety issues, disruptions to normal operations and extensive media coverage. The CCG worked through the scenario, whilst receiving additional updates from key external organisations and the media, to determine response priorities and organise the responses needed for a full recovery and resumption of business. The event affirmed the strength of the Group's plans, although a number of improvements were identified which are being implemented.

## PRINCIPAL RISKS

Further details of the key risks within each of the Group's principal risk areas is shown below.

Risk and impact	Mitigation	Change during 2015 and outlook
<b>1. BUSINESS STRATEGY</b>		
Executive responsibility: David Atkins		Impact ↔ Probability ↑
<ul style="list-style-type: none"> <li>Our retail strategy of investing in shopping centres, retail parks and premium outlets in selected European countries results in underperformance relative to other sectors or markets, eroding shareholder value.</li> <li>The macro-economic environment declines, impacting consumer spending and property values, adversely impacting earnings and net asset value.</li> <li>Failure to anticipate and address developments in consumer and occupational markets, such as multichannel retailing and digital technology results in obsolescence and financial underperformance.</li> </ul>	<ul style="list-style-type: none"> <li>We focus on prime shopping centres in the best locations, convenient retail parks and premium outlets, all with experienced management.</li> <li>We commission and evaluate research into the economy and investment and occupational markets and use this when preparing our annual Business Plan and regular financial forecasts.</li> <li>Within our Business Plan we stress-test our projections against a severe downside economic scenario. This has confirmed that our current and projected financial position is robust. We have low gearing, effective foreign currency hedging, long-term secure income streams, a good spread of debt maturities and the flexibility to phase or halt our development programme, all of which point to resilience to market shocks.</li> <li>We monitor closely developments in the retail environment and apply our Product Experience Framework to ensure our portfolio remains attractive to both retailers and consumers.</li> </ul>	<p>The UK economy has seen solid growth during 2015, although the recovery in France has been less pronounced.</p> <p>Stock markets have been volatile, especially in the second half of 2015 and beginning of 2016 due to a range of conflicting economic data and external shocks. Whilst growth is forecast in the UK, France and Ireland there are downside risks associated with China, Brexit and the Middle East which could adversely impact economic stability.</p> <p>UK and French retail sales have grown during 2015 which has strengthened the occupational retail market. Retailers continue to seek new space, and physical real estate remains central to their plans. Retailers are concentrating their requirements on properties which can support their multichannel sales offer and are able to attract consumers.</p> <p><b>+ See Our market section on page 14</b></p>
<a href="#">Link to business model</a> <b>1 2 3</b>		

## 2. PROPERTY AND CORPORATE INVESTMENT

Executive responsibility: David Atkins/Peter Cole

	Impact ↑	Probability ↑
<ul style="list-style-type: none"> <li>Investment decisions result in inadequate returns or the adoption of unforeseen liabilities.</li> <li>Opportunities to divest of properties are missed, or are limited by market constraints, which reduces potential returns and adversely impacts the Group's funding strategy.</li> </ul>	<ul style="list-style-type: none"> <li>Acquisitions are thoroughly evaluated and are supported by detailed review, financial appraisals, due diligence and a risk assessment prior to Board approval.</li> <li>The performance of individual properties is benchmarked against target returns.</li> <li>Properties are held in a 'ready for sale' state, with documentation supporting leases, rights and obligations readily accessible.</li> <li>Our property portfolio is high-quality, and diversified by market sector and geography, reducing the impact of a downturn in a single market.</li> </ul>	<p>We have recently completed a number of significant acquisitions, principally the Irish loan portfolio and Grand Central in Birmingham. The performance of these large transactions will be closely scrutinised. Borrowing levels are forecast to reduce in 2016 through the completion of the major disposals programme announced in September.</p> <p>Real estate investment demand, particularly for prime assets, remains strong in the UK, France and Ireland. This is further supported by the continuing low interest rate and inflation environment. These factors have contributed to a rise in real estate values during 2015. Future valuation growth is forecast to be more subdued and be driven more by income growth than inward yield movements. Also, any macroeconomic uncertainty could adversely impact investment markets.</p> <p><b>+ See Our market section on page 14</b></p>
<a href="#">Link to business model</a> <b>2</b>		

## KEY TO PRINCIPAL RISKS TABLE: ALIGNMENT TO BUSINESS MODEL

Operational activities

Change in risk assessment in 2015

	Impact	Probability	
<b>1 Asset management</b>			
<b>2 Investment management</b>	↑	↑	Higher
<b>3 Developing venues</b>	↔	↔	No change
<b>4 Financial efficiency</b>	↓	↓	Lower

**+ See pages 4 and 5 for Our Business Model**

**3. PROPERTY DEVELOPMENT**

Executive responsibility: Peter Cole

- Over-exposure to developments, particularly major long-term schemes, increases the impact of an economic downturn which would adversely affect scheme viability and increase financing and cash flow pressures.
- Poor development management and inadequate resourcing leads to failed or sub-optimal projects.
- Increasing construction activity and raw material prices result in construction price inflation adversely impacting the viability and financial returns of projects.
- Failure to achieve key project milestones, such as planning consents, land acquisitions and leasing targets, on a timely basis damages project viability and corporate reputation.

**Links to business model**

3

- Our exposure to developments and the phasing of projects is considered as part of our annual Business Plan and reviewed throughout the year. This process also considers future resourcing requirements.
- We produce regular management reporting, including risk reporting, to enable effective monitoring of development projects.
- Multi-disciplinary teams are assembled for each development under a designated 'project owner', and these are supported by external expertise.
- Detailed analysis, including market research, is undertaken prior to the approval of expenditure for each key milestone for development projects.
- Where possible, guaranteed maximum price contracts are agreed with building contractors and fixed prices agreed for other advisers.
- Constructive relationships are maintained with local councils and government.
- Post-completion reviews are undertaken for all significant projects and presented to management, including the Audit Committee. These ensure potential improvements to processes are identified and considered for future projects.

**Impact****Probability**

During 2015 we have reduced the level of risk associated with developments by progressing the development pipeline and have successfully completed four developments. At 31 December 2015, two further schemes are on-site and the development portfolio represents only 5% of our property portfolio.

As we approach the commencement of our major development schemes we will only commit when sound financial and risk analysis demonstrates scheme viability and good returns. The progress made with our three major London schemes during the year coincides with improving demand from retailers for new prime trading locations. However, a number of key milestones including further planning consents, anchor tenants agreements and leasing targets are required to bring these schemes to fruition.

We have allowed appropriate cost inflation contingencies within the scheme appraisals and to lock in competitive pricing we will look to secure construction contracts well ahead of schemes going on-site. Cost inflation should be tempered by the reduction in the oil price and lower global demand for raw materials.

**+ See Business Review on page 34**

**4. TREASURY**

Executive responsibility: Timon Drakesmith

- Poor treasury planning or external factors, including failures in the banking system, lead to a liquidity squeeze preventing the refinancing of maturing debt or leading to insufficient liquidity to progress the development programme.
- Adverse currency or interest rate movements result in financial losses.
- Deterioration in our financial position may result in a breach of borrowing covenants which triggers default and/or repayment of facilities or bonds and inhibits corporate strategy.

**Links to business model**

4

- The Board approves our treasury strategy and regularly monitors guidelines for financial ratios. These guidelines include ensuring we maintain an appropriate debt maturity profile, and manage the exposure to fixed and floating interest rates and the level of foreign exchange hedging.
- Credit ratings are set and monitored for lending counterparties and we use diverse sources of funding.
- The Board approves all major investment decisions which are supported by a financing plan and takes a proactive approach to refinancing.
- Our annual Business Plan includes stress tests considering the impact of a significant deterioration in the markets in which we operate.
- The high quality and diversification of our portfolio should help to protect our financial position, particularly from falling property values. At 31 December 2015, gearing stood at 54%, significantly lower than the Group's most stringent borrowing covenant that gearing should not exceed 150%. We estimate that property values (including premium outlets) could fall by 42% from their December 2015 levels before covenants would be endangered.

**Impact****Probability**

Our borrowing levels and near-term refinancing requirements have increased during 2015, principally associated with the Irish loan portfolio acquisition. However, at 31 December 2015, our balance sheet and financial ratios remain robust. We have access to a wide range of funding sources including bank lending, bond and equity market, and private placements and we completed a number of significant financing transactions during 2015. We expect to maintain a strong financial position during 2016 and credit rating agencies have recently reaffirmed our ratings.

The macro-economic environment has continued to provide historically low interest rates and the financial markets have good levels of liquidity for companies in a strong financial position. However, macro-economic uncertainties could adversely impact future liquidity and pricing.

Whilst there is an expectation, particularly in the UK, of future interest rates increases, these are forecast to be gradual and dependent on the underlying strength of the wider economy.

Sterling has strengthened by 5% against the euro during 2015 and remains volatile with continued challenges within the eurozone and the current wider global market uncertainties. However, we mitigate our foreign exchange risk by maintaining a high level of currency hedge.

**+ See Financial Review on page 60**

## Risk and impact

## Mitigation

## Change during 2015 and outlook

## 5. OWNERSHIP STRUCTURES

Executive responsibility: Peter Cole

- Joint control reduces liquidity and could impact operational effectiveness, especially if joint venture partners are not strategically aligned.
- Lack of direct control over externally managed premium outlet interests reduces transparency of performance and governance and may result in inconsistent strategies.

## Links to business model



- We undertake an annual liquidity review of all our properties. We have a diverse range of joint venture partners and documentation is drafted to ensure strategic alignment and to provide liquidity for partners whilst protecting our ownership.
- We maintain strong working relationships and hold regular meetings with our partners to proactively manage any issues. Annual business plans are used to 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 for us by Cushman and Wakefield with the valuations reviewed by management and the Audit Committee.

## Impact



## Probability



Joint ventures reduce the exposure risk associated with owning major shopping centres and we have a long and successful track record of working effectively with a variety of partners.

During 2015, the proportion of properties held within joint ventures or associates has increased to 45% (by value) at 31 December 2015, principally due to the sales of wholly-owned properties: Drakehouse, Bercy 2 and Grand Maine. This figure will increase further in 2016 when the Irish properties are secured and with the completion of the acquisition of Grand Central, Birmingham.

We are confident that joint venture ownership structures do not adversely impact liquidity with a number of joint venture stakes successfully traded in the investment market during 2015.

**+ See notes 12 and 13 to the accounts**

## 6. TAX AND REGULATORY

Executive responsibility: Timon Drakesmith

- Loss of tax-exempt status due to change in legislation or non-compliance.
- EU/UK regulation, including environmental matters, acts as a brake on growth and an administrative burden for the real estate sector.

## Links to business model



- Compliance with rules for maintaining tax-exempt status monitored by in-house tax specialist and external advisers.
- Speculation and comment relating to changes in tax regimes in the UK and Europe is monitored with the help of external advisers.
- Developments in regulation are monitored and governments and regulators lobbied through representation by UK and European real estate trade bodies.
- Monitoring of exposure to key regulations and mitigation planning is undertaken at a portfolio level. We also undertake active participation in policy consultations and in industry-led dialogue with policy makers.

## Impact



## Probability



No significant changes during 2015, although governments continue to seek to reduce fiscal deficits.

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

Changes in the UK associated with the living wage, apprenticeships and business rates, whilst not having a significant direct impact on us, may have an adverse financial impact in the wider retail sector. Negotiations associated with Brexit are also likely to impact existing legislation.

**+ See Financial Review on page 56 and note 8 to the accounts**

## 7. CATASTROPHIC EVENT

Executive responsibility: David Atkins

- Our operations, reputation or financial security could be significantly affected by a major event such as a terrorist or cyber attack, power shortage or civil unrest.
- Climate change could adversely impact our operations, through an environmental incident such as flooding or changes in consumer or investor behaviour.

## Links to business model



- We have continuity plans at both corporate and individual property levels and have established a Core Crisis Group for dealing with a major incident.
- We have enhanced the physical security measures at our properties and maintain an on-going dialogue with security agencies to assess threat levels and best practice.
- Our insurance policies include cover for property damage, including from terrorism and climate change, such as flooding.
- We have a clear sustainability strategy which is integrated within our business model and addresses on-going climate change matters.

## Impact



## Probability



Whilst the overall probability of a major incident at one of the Group's properties remains low, the threat level has increased during 2015. Also the wider use of digital technology across the Group increases the risks associated with cyber security.

We have thoroughly reviewed and improved our processes and procedures to counter the threat of a major incident. However, it is not possible to fully mitigate the risk and impact if an incident were to occur.

**+ See Health and Safety case study on page 63**

## 8. BUSINESS ORGANISATION AND HUMAN RESOURCES

Executive responsibility: David Atkins

- Management structures or resourcing levels are inappropriate for achieving business objectives.
- Failure to recruit and retain key executives and staff with appropriate skills and calibre undermines corporate strategy.

### Links to business model



- A human resources plan is included within the annual Business Plan. This considers team structures, training requirements and talent management.
- The Nomination Committee approves succession plans for senior roles.
- Significant changes to the management structure are approved by the Board.
- We periodically review the remuneration structure, including an annual review by the Remuneration Committee and benchmarking against industry, or other relevant, comparatives.
- We have established a management competency framework and management skills are formally assessed within the annual appraisal process.

### Impact



### Probability



During 2015, we have successfully completed the relocation of our London headquarters and established our new operations centre in Reading.

We recognise the importance of motivating and developing our staff and have plans in action to help to mitigate the impact of third party recruitment approaches in a strong recruitment market. We have had improved employee engagement scores from our employee surveys undertaken during the year and will implement a number of enhancements based on the feedback received.

2016 will require significant effort to establish and integrate our new Irish platform with our existing Group structures and processes.

**+ See Our people section on page 49**

## GOING CONCERN

The Group's business activities, together with the factors likely to affect its future development, performance and position, are set out in the Business Review, the Financial Review and the Principal Risks and Uncertainties sections of the Annual Report. The financial position of the Group, its liquidity position and borrowing facilities are also described on pages 60 and 61 and in notes 17, 19 and 20 to the accounts.

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

## VIABILITY STATEMENT

In accordance with provision C.2.2 of the 2014 revision of the Code, the Directors have assessed the viability of the Group over a longer period than the 12 months required by the 'Going Concern' provision. The Board conducted this review, taking account of the Group's current position, future plans and the potential impact of the Principal Risks documented within this section. Based on this review, 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 2020. This period was selected for the following key reasons:

- The Group's annual Business Plan covers a five-year period and considers the Group's cash flows and key financial metrics and includes sensitivity analysis to validate the Group's resilience and mitigation options to adverse events.
- The Group has a stable, secure income stream with five-year, upward only, rent reviews and has an average unexpired lease term of six years at 31 December 2015.
- The time-scale for the delivery of the Group's major development schemes is approximately five years and currently extends beyond 2020.
- Whilst £1.6 billion of the Group's borrowings are due to mature within the five-year period, the Directors have a reasonable expectation, and have assumed, that these can be refinanced on normal market terms during that period, and as at 31 December 2015 the Group's weighted average debt maturity was six years.
- Most leases contain a five-year rent review pattern and therefore five years allows for the forecasts to include the reversion arising from those reviews. The five-year strategic review considers the Group's cash flows, dividend cover, REIT compliance and other key financial ratios over the period.

## 2015 STRATEGIC REPORT

Pages 1 to 67 of this Annual Report constitute the Strategic Report. It has been approved and signed on behalf of the Board on 12 February 2016.

**DAVID ATKINS**

Director

**TIMON DRAKESMITH**

Director

# Setting Hammerson's values and standards



**"I believe that strong corporate governance, underpinned by a sound culture, is fundamental to our success and our ability to meet our business goals and generate value over the longer term."**

**David Tyler**  
Chairman

**Dear Shareholders,**

**On behalf of the Board, I am pleased to present Hammerson's Corporate Governance Report which aims to provide an insight into how the Board spent its time during 2015. As in previous years, details of how we discharged our governance duties and applied the principles of the UK Corporate Governance Code (the Code) are contained in a separate section from page 102.**

We have recently seen a much greater recognition among the investor community of the importance of corporate culture in how businesses manage risk and secure a strong performance. In part, this is being driven by the Financial Reporting Council which has a major initiative under way on this topic.

I believe that strong corporate governance, underpinned by a sound culture, is fundamental to our success and helps ensure we can meet our business goals and generate value over the longer term. Your Board plays a key role in shaping Hammerson's culture both in the boardroom and across the wider organisation.

During the year, the Board considered as part of the 2015 Board effectiveness review how effectively it sets the tone from the top. You can read more about this in the Board's roundtable discussion on page 70. The Board also had a number of opportunities during the year to engage with colleagues across the business, both formally and informally. These meetings gave Directors further insight into how Hammerson's values are embedded in the business and you can read more about this on page 75.

## **CHANGES TO THE BOARD**

Effective boards need directors who bring the right balance of skills, experience and knowledge, enhanced by a range of diverse backgrounds. During the year, we welcomed two new Non-Executive Directors to the Board, Pierre Bouchut and Andrew Formica. The work associated with making changes to the Board and monitoring succession planning across the business were important elements of the Nomination Committee's activity – further details can be found on page 78.

Jacques Espinasse will retire from the Board at the conclusion of this year's Annual General Meeting, after nine years of service as a Non-Executive Director. He has also been a member of the Audit Committee since 2007, and chaired that Committee since April 2014. I would like to record my thanks to Jacques for the significant and valuable contribution he has made to the Board and the Company.

## **BOARD EFFECTIVENESS REVIEW**

Our General Counsel and Company Secretary, Sarah Booth, facilitated the 2015 Board effectiveness review. In it, Directors discussed various topics focused on themes drawn from the Code. These included how the Board works together, influences Hammerson's culture and values, sets the Company's strategic aims and assesses risk. She reviewed the responses and discussed them with me before tabling a report and recommendations to the Board. Actions were agreed and incorporated where appropriate into the 2016 Board work plan. These included:

- Further enhancements to our strategic planning process;
- Continued focus on the talent-development aspects of succession planning;
- A presentation by external advisers to the Board on culture and ethics;
- An on-going programme of engagement and site visits; and
- Preparation of a list of discussion topics for Board dinners.

Progress on the actions arising from the 2014 Board effectiveness review was also considered as part of the 2015 review. Further details can be found in this report as set out below:

- Succession planning – see Nomination Committee Report, page 79.
- Improving the structure of the Board strategy day – see page 76.
- Further engagement with colleagues – see page 76.

The next Board effectiveness review will take place in 2016 and will be conducted by an external facilitator.

I would like to conclude by thanking my colleagues on the Board, the management team and all our colleagues in the Group for delivering yet another strong performance in 2015.

**David Tyler**

Chairman

## **COMPLIANCE STATEMENT**

The Company complied in full with the provisions of the UK Corporate Governance Code published in September 2014 which applied throughout the financial year ended 31 December 2015.

# In conversation with the Board

**Sarah Booth, the General Counsel and Company Secretary, talks to the Directors about their views on several aspects of the Board's activities. These include how the Board works together and achieves effective decision-making, its role in promoting Hammerson's culture and values, how effectively risk is managed and strategy is set, and the Board's input into succession planning.**



Gwyn Burr/David Tyler/Timon Drakesmith

## Sarah Booth

Let's start by considering how well you think the Board works together and achieves consensus.

## Pierre Bouchut

During my first year on the Board I have found the dialogue and debate open and constructive. Board members bring diversity of talents, backgrounds and style but all approach meetings ready to contribute to and challenge the debate. There is also a balance of interaction between all the Directors and our relationship with management is healthy.

## Peter Cole

David Tyler encourages a collaborative and collegiate environment on the Board which fosters open discussion. I find discussion about key risks facing the business, the economic environment and the changing nature of occupier and investment demand is very helpful in shaping the Company's investment and development activities.

## Andrew Formica

I have also recently joined the Board. During the interview process and in my initial meetings with fellow Directors, I was impressed by everybody's collegiate, friendly but professional attitude. The Board is clearly unified in its thinking around strategy and direction but each Director brings their own experiences and perspectives to the Board table.

## Gwyn Burr

The Board's diversity helps inform our debates and we have a wide range of experience to draw on. As newer members of the Board, Pierre and Andrew will both add to its capability, bringing financial and real estate experience to complement further our existing skills.

## David Atkins

Discussions are positive, transparent and open. We also use informal Board dinners to discuss wider business topics and we hope to have more opportunities to do so in 2016.

## Terry Duddy

I agree. The recent Board discussion on Ireland and the opportunities there was underpinned by very informative papers prepared by management which enabled us to consider the risks involved in what I thought was a well-balanced way. This resulted in clear decision-making. The Chairman is skilled at encouraging all members to contribute to the debate and at bringing the discussion to a timely conclusion.

## Judy Gibbons

Yes, that is a good example. It required the Board to absorb a considerable amount of background information and understand the implications of a major acquisition in a new market. The Board's discussion was robust and sufficient time was allowed for everyone to become fully-briefed and have the confidence individually to give their approval to the project.



Andrew Formica/Judy Gibbons/Peter Cole

### Sarah Booth

The UK Corporate Governance Code states that one of the key roles for the Board is to establish the culture, values and ethics of the Company and to set the tone from the top. How well does the Board do in this area?

### David Tyler

Hammerson's values are central to the way we run the business. We make a point of setting them out clearly: ambition, responsibility, collaboration and respect. However, I recognise that the way we live these values and our behaviours are even more important than the statement of our values. Hammerson's financial success must continue to be built on ethical behaviours. We deal with our business partners with respect and treat them as we would hope and expect to be treated ourselves.

### Andrew Formica

As Chief Executive, David Atkins provides strong leadership and instils the culture that makes Hammerson such an attractive place to work. He is ably supported by David Tyler and the rest of the Board, who all share his vision.

### Timon Drakesmith

I agree. Given his long experience in the property industry and in the Company itself, David Atkins is a key culture champion at Hammerson. I am particularly encouraged by the opportunities we have for Non-Executive Directors to interact with colleagues and set the tone from the top when they visit our assets, such as the recent Board visit to Reading.

### David Atkins

I think we are doing well but there is more work to do to get our values fully embedded through every part of the business. Engagement between the Board and colleagues throughout the organisation is important and allows everybody to see how the Board works. For example, when colleagues attend Board meetings, they are encouraged to explain any problems encountered, to take responsibility for outcomes and to share lessons learnt with the Board.

### Pierre Bouchut

An example of our ethical stance came at a recent Board meeting where we debated an opportunity to accelerate a deal. There were aspects of the proposed scheme which didn't fit with the Company's values and ethics, so we all agreed not to proceed. This is a good example of where the Company's values influenced our decision.

### Terry Duddy

The Executive Directors have worked hard and successfully on establishing the vision, mission and objectives of the business and the values that underpin our strategy. The recent office moves in Reading and London have been important in that process and the work involved has been done with substantial and overt encouragement from the Board.

### Jacques Espinasse

The head office move to Kings Place has enabled a significant shift in culture. As we look ahead to a more geographically diverse business in the future, it will become more important to have a single aligned Hammerson culture and values system. We will stay vigilant to monitor how well-aligned we are across the whole Group.

### Judy Gibbons

Yes, we have many opportunities to hold informal meetings with management that help us assess the underlying perceptions of our culture and values.

### Gwyn Burr

I agree – getting out and about more as a Board acts as a cultural barometer and that is a good thing. The annual colleague survey also gives us a good insight into the tone and culture of the organisation.



Sarah Booth/Jean-Philippe Mouton/Pierre Bouchut

### Sarah Booth

Turning to strategy and long-term thinking, how well do you think the Board performs in these areas?

### David Atkins

The annual strategy day in October included a good balance of opportunities to think in the long and short term as we considered what the retail environment of the future will look like. We also discussed the development pipeline and opportunities in this area. We have a clear strategy which is measured by clear targets and KPIs. We ensure that new Non-Executive Directors have a sufficiently full understanding of our business, assets and competitors to enable them to make a full contribution in all meetings.

### Andrew Formica

As a new Director, I see a consistent message from the Board around Group strategy and direction. It is apparent that much debate and discussion goes into the formulation of strategy and that every Director is fully committed to its delivery.

### David Tyler

The Board's thinking on long-term strategy doesn't happen in isolation. It is influenced by the changing economic backdrop both in the UK and Europe and the fast evolving nature of retail and customer behaviour. Recently we have also looked at what the impact might be of an exit by the UK from the European Union. This year, we are planning to make a number of disposals from our property portfolio and our programme will, of course, be influenced by our view of property investment markets in 2016 and beyond.

### Peter Cole

Setting, evolving and changing the Company's strategy is clearly a critical area for Hammerson's success. I find the Board works well in delivering in this area. As well as the process during formal Board meetings, strategy and long-term thinking result from a process of less formal discussion during visits to the Group's offices in Reading and Paris, our shopping centres and the focused review and challenge during the course of the Board's annual

strategy day. The introduction of new Directors to the Board ensures that there is fresh thinking and challenge in our discussions. It is particularly in areas like strategy where the individual experience and specialist skills of the Non-Executives allow them to make a significant contribution.

### Pierre Bouchut

We are focused on the longer term and consider key questions that will affect the long-term sustainability of the business model – the impact of online and e-commerce development and the digitalisation of retail, for example. The Group is developing digital tools which are being implemented in our centres. I am sure there will be a further comprehensive review of digital developments to assess future opportunities.

### Gwyn Burr

The nature of the business is long-term investment and I think we do take a long-term view. Our developments in Croydon and Brent Cross are good examples of this. We have extended opportunities to assess our strategic aims at our annual strategy day where there is usually a vigorous debate including senior managers who also attend.

### Judy Gibbons

Yes, we have a well-articulated strategy which is well understood by the Board. I think we are effective at discerning whether a proposal is aligned with our strategy and then moving to review the proposal.



David Atkins/Jacques Espinasse/Terry Duddy

### Sarah Booth

In terms of risk management, how well does the Board assess the risks we are taking? To what extent do we apply sufficient challenge to major proposals?

### Timon Drakesmith

This is a positive area for management reporting and Board engagement. I feel that we do a good job of highlighting the issues and debating the range of outcomes. In this year's Annual Report we have enhanced our risk reporting by introducing a risk heat map to show how risks changed during 2015.

### Peter Cole

In our capital allocation and particularly when considering major developments or investment acquisitions, the risks involved are a key area of challenge and debate. For example, the acquisition of the Irish loan portfolio in 2015 was preceded by a number of strategic discussions, involving both internal and external input, relating to the assessment of the risks involved. These included moving into a new territory, the loan structure, the assets themselves and the potential impact on the Company of financing decisions.

### Jacques Espinasse

We take a robust approach to all aspects of risk management, giving it an appropriate level of weight when making major decisions. The process is well-framed and quantified and it is regularly updated as the business evolves and develops.

### David Atkins

While we always do a thorough evaluation, we naturally recognise that we cannot eliminate all risk, although we hope we always identify the risks we take and are confident these are within our risk appetite.

### Sarah Booth

Let's move on to succession planning. How confident are we that we have identified a talent pipeline below the Board?

### David Tyler

As Chairman, there is nothing more important to me than the people agenda. Our aim is for Hammerson to have the most talented people in the sector. I make a point of frequently meeting senior members of the management team and I know my fellow Directors do so as well. With my colleagues, I ensure that we review the performance of the whole management cadre regularly to ensure that we identify and give our many talented people an opportunity to develop within the business.

### Terry Duddy

Yes, we have a very solid and detailed succession planning and talent review discussion at the Nomination Committee. All Non-Executive Directors attend this, giving them the opportunity to voice their views and air any concerns.

### Judy Gibbons

I think the process for identifying talent below Board level is a solid one. In 2016 we will work on reviewing progress on the development of key individuals and their ability to move into their next roles. At the entry level, it's good to see the investment in the graduate programme is giving such a positive outcome.

### Gwyn Burr

We are seeing much more evidence than in the past of deep thinking about our colleagues and their development needs and opportunities. We should maintain a good level of visibility in this area to facilitate continued informed debate.

### Jean-Philippe Mouton

The annual review of succession planning down to senior managers is thorough. Identifying gaps is positive as it encourages talented individuals across the Group to consider new opportunities in the Company.

### Jacques Espinasse

The size of the Company is such that we cannot always have ready successors for every role, but we do focus on a couple of levels below the Board. I feel that succession planning is carried out in an appropriate manner for the size of our Company.

# Your Board's year

**This section of the Corporate Governance Report focuses on the activities of the Board during the year, highlighting key activities and events. It should be read in conjunction with the section on the UK Corporate Governance Code on pages 102 to 105 which explains how the Board complied with the Code during the year.**

## THE ACQUISITION OF A LOAN PORTFOLIO SECURED AGAINST RETAIL ASSETS IN DUBLIN, IRELAND

The Board regularly reviews potential acquisition opportunities. In April, following early monitoring by the UK New Business team, the Board began considering a potential opportunity to acquire a portfolio of loans secured against prime Dublin retail property. These included Dundrum Town Centre. The portfolio offered a compelling blend of best-in-class shopping centres with opportunities for asset improvement and development.

The Board considered the investment opportunity in June and reviewed key considerations including:

- The quality of the retail assets connected with the potential acquisition;
- The strategic fit of the potential acquisition within the Group;
- The Irish economy and real estate investment market;
- The likely sale process; and
- Potential joint venture partners.

Management produced a number of detailed papers to help the Board consider the various aspects of the acquisition opportunity. In particular the Board assessed various options for funding the acquisition, a risk analysis, how the assets would be integrated into the Group's portfolio, and expected returns.

A number of Board meetings were held to discuss and review the progress of the acquisition project and to approve the next steps. In between meetings, the Chief Executive and other members of senior management kept the Board fully informed of developments. The Board challenged and scrutinised the rationale for the acquisition and whether it was a good strategic fit, considered investor views, reviewed pricing and financing, assessed the likely approach from other potential bidders, and assessed the potential financing and resourcing impact of the transaction on the Group as a whole. The Board had oversight of the work carried out by the project teams. This enabled them to ensure to their satisfaction that the underlying assumptions relating to due diligence, market conditions and taxation were robust.

The Board approved the recommendation that the Company should acquire the loan portfolio. During the project, Hammerson's UK New Business team was supported by the Group's property and operational colleagues as well as internal legal, tax, treasury and finance functions. Hammerson's external legal team, valuer, tax advisors and corporate brokers also provided advice and guidance.



Dundrum Town Centre, Dublin

On 29 September 2015, the Company announced the joint-venture acquisition together with Allianz Real Estate of the Irish loan portfolio for

**€1.23 billion**

## BOARD VISITS

As an important part of the Board's work plan in 2015, two Board meetings were scheduled at locations away from the Company's head office in London – in Leeds in June and in Reading in October.

Such meetings provide an important opportunity for the Board to see the Group's portfolio first-hand and to engage formally and informally with colleagues. They help the Non-Executive Directors in particular to deepen their knowledge of the Group's operations.

In Leeds, the Directors began their visit with a tour of Victoria Quarter and the Victoria Gate development project. At the meeting the Board received a project update from the project's asset management and development teams. The background to the project was explained in the presentation, providing context and detailing how the strategic decision to create a premium destination influences all design and leasing decisions. The Board reviewed the timetable and key risks concerning the targeted completion date and letting. As well as the asset's brand plans, they also reviewed further opportunities to enhance the development and ensure that the centre opens with an experience

for retailers and consumers in line with the Product Experience Framework. The day ended with a dinner where the Board and wider team were able to engage informally.

In October, the Board held its meeting at the Company's new offices at Aquis House in Reading, followed the next day by the annual Board strategy day. The visit included a tour of the Oracle shopping centre, a presentation from the asset and leasing team and centre manager covering the centre's history and the vision for its future, Product Experience Framework initiatives and sustainability plans, marketing opportunities and operations.

The Board also saw a presentation on the project to relocate the head office finance and IT teams to Aquis House in Reading, covering how the project was planned and executed, and how effectively risks were managed and lessons learnt.

A lunch at the new Reading offices enabled local colleagues to meet and talk to the Board informally. The Group Executive Committee and a number of senior managers attended a Board dinner in the evening where the Board was able to meet colleagues informally.

## NON-EXECUTIVE DIRECTOR ENGAGEMENT

Following the Board effectiveness review in 2014, it was agreed that there should be as many opportunities as possible for colleagues at all management levels in the Group to meet the Non-Executive Directors.

During 2015, a number of such opportunities allowed the Non-Executive Directors to meet with management and colleagues both formally and informally. In June, the Non-Executive Directors joined the head office team at a celebratory event to mark the opening of the new head office at Kings Place. The entire Leeds project team attended the Board dinner and site visit during the Board's visit to Leeds in June. The Oracle shopping centre team attended the Board's site visit when it visited Reading in October and the Board also met the full Reading team at a buffet lunch.

Colleagues from management have also attended and presented at Board meetings, enabling the Non-Executive Directors to engage with colleagues across the business. Overall, getting out and about in the business and listening to colleagues talking outside the Board room has given the Non-Executive Directors a useful cultural barometer and an insight into the business that they could get no other way.



*The Board's site visit to Victoria Gate, Leeds*

## BOARD STRATEGY DAY

Ensuring that the Company delivers its mission to create desirability for its consumers and commercial partners and positive value for all stakeholders, depends on the successful implementation of the strategy set by the Board. While the Group's strategy is continuously discussed and refined throughout the year, the Board takes time out of its regular schedule every year to debate and reflect on broader strategic issues.

The objective of the 2015 strategy day was to discuss and evaluate the key decisions which will be required to be made during 2016 in order for the Group to deliver on its stated strategic objectives over the next three to five years. The agenda for the day included:

- A review of progress against strategy over the last year;

- A market overview and latest forecasts for the investment and consumer markets;
- Opportunities arising from emerging trends and technologies;
- Priorities and opportunities for deploying capital and likely challenges; and
- An overview of the Irish market.

In response to comments received in last year's Board effectiveness review, the structure of the day was refined. In addition a number of key questions were posed to enable the Board to focus its thinking on specific areas and encourage active discussion. Insights and ideas generated in this way were further debated and refined and incorporated into the Business Plan for 2016. Positive feedback was received from the Directors on the structure of the day's activities.

## DAVID ATKINS' PERSPECTIVE

My aim in preparing for this year's annual Board strategy day was to get the Board prepared and thinking in advance about key topics for discussion by providing targeted reading material focusing particularly on performance to date and options and trends for the business.

This year's strategy day was held in our new offices at Aquis House, Reading which gave the Board and especially the Non-Executive Directors an opportunity to meet new colleagues, see the style of the new offices and similarities with our London headquarters and get an opportunity to see one of our centres. Visiting the Oracle shopping centre added an important dimension to the day's activities and allowed the Directors to see strategy in action including marketing, digital initiatives and new retailer formats and simply experiencing a busy shopping centre first-hand.

Our discussions were structured with pauses for reflection and focused questions to prompt and guide the Directors and provide further support and challenge to the debate.

Important elements of the day's debate were an opportunity to look into the future and consider the Irish business environment. 'What if' scenarios were discussed and we were able to consider the possible consequences of future technological advances on our business and the risks of major disruption to our business model. In light of our recent Irish acquisition, we had a very fruitful

discussion led by an invited speaker with expertise in the political, economic and business environment in Ireland.

The feedback on the format of this year's strategy day was favourable and all the Directors found it useful. Exploring and challenging different options for the business can be quite tactical but also allows strategic thinking about what could or might happen and how we could orientate the business accordingly.

I think we were all energised by the opportunity to discuss ideas together and, importantly, the day also helped support working relationships on the Board. It provided an opportunity for Directors to work together which is harder to replicate in a routine Board meeting.



*The Oracle, Reading*

## HAMMERSON'S APPROACH TO SHAREHOLDER ENGAGEMENT

The Company has a comprehensive investor relations programme. The Chief Executive, the Chief Financial Officer and the Head of Investor Relations meet regularly with institutional shareholders to discuss strategic issues and present the Company's results. The Company also engages with all shareholders through regular communications, the Annual General Meeting and investor relations activities. The Chairman and the General Counsel and Company Secretary also each have an annual engagement with major shareholders.

## BOARD OVERSIGHT

The Board is committed to ensuring that the Company engages with shareholders and other key market participants, such as research analysts, to learn and understand their views. The Board reviews an investor relations report at each Board meeting. The Group Executive Committee also reviews these matters at its monthly meetings. The investor relations report includes details of:

- The latest share price performance, benchmarked against peers;
- Recently published analyst research, including analyst views, and any changes in analyst forecasts for the Company;
- Any significant changes to the shareholder register;
- Recent investor relations activity, such as road shows and conferences; and
- Feedback from institutional investors.

The Chairman also meets with shareholders independently of the Executive Directors. In April 2015, he met institutional shareholders in London and Amsterdam. Topics discussed included strategic goals, the geographical focus of the Company's portfolio, the appropriate size of the Company and governance topics such as the composition of the Board. Shareholder feedback from these meetings was positive.

The General Counsel and Company Secretary also acts as a focal point for communications on corporate governance matters. She met or spoke with a number of major shareholders during 2015 to discuss corporate reporting and governance matters.

## INVESTOR RELATIONS PROGRAMME

The Company continues to make full and transparent disclosure despite the decision taken in 2015 to cease publishing quarterly Interim Management Statements. As well as the full-year and half-year results, the Company publishes Regulatory News Service (RNS) announcements and continues to run a comprehensive investor relations programme. The Company believes the new approach has worked well and will continue it in 2016.

Hammerson's investor relations programme includes the following activities:

- Bi-annual investor roadshows after full-year and half-year results;
- Industry conferences in UK, Europe and US;
- One-to-one meetings with management at the request of institutional shareholders;
- Meetings on sustainability with Socially Responsible Investment fund managers;
- Salesforce briefings at leading equities brokers;
- Investor tours of assets, organised as necessary, accompanied by centre managers and other colleagues;
- Panel discussions with executive management at investor conferences and events;
- An annual Capital Markets Day;
- An annual sustainability report and investor webinar; and
- Bespoke research into themes and trends in the retail sector.

In 2015, the annual Capital Markets Day involved a trip to Elliott's Field, Rugby, and Victoria Gate, Leeds. It included presentations on how the Company is performing against strategy and progress on-site at Victoria Gate, as well as a thorough discussion of the dynamics in the UK retail parks market. Investor feedback was positive with investors commenting that they found it useful to see two key schemes under development and meet operational colleagues.

The Company's website is an important means of communication and a key source of information for shareholders and prospective investors. It contains RNS announcements, a live share price feed and other information including an archive of published results and reports, press releases, details about the Group's assets and contact information for the Company's operational teams. Webinars, which include the full-year and half-year results, are streamed live to shareholders and analysts and are available for playback on the website.

In October, the Company launched a dividend reunification programme with its registrar, Capita. The programme has successfully reunited a number of shareholders with their unclaimed dividends. The Company plans to launch a sale and purchase programme during 2016 for shareholders holding small numbers of shares.

The Annual General Meeting provides all shareholders with an important forum where they can put questions to the Board. The proxy voting results are available shortly after the meeting and are published at [www.hammerson.com](http://www.hammerson.com).

# Ensuring balance and diversity



### NOMINATION COMMITTEE MEMBERS

David Tyler (Chairman)

Pierre Bouchut (appointed 13 February 2015)

Gwyn Burr

Terry Duddy

Jacques Espinasse

Andrew Formica (appointed 26 November 2015)

Judy Gibbons

Anthony Watson (retired 22 April 2015)

### DEAR SHAREHOLDERS

I am pleased to present the Nomination Committee Report which summarises our work during the year. This report should be read in conjunction with the separate report on page 102 which describes our compliance with the UK Corporate Governance Code.

### CHANGES TO THE BOARD

A number of Board changes took place during the year. Pierre Bouchut was appointed to the Board as a Non-Executive Director in February 2015. His appointment process, led by the Committee, was described in last year's Annual Report. Following the Annual General Meeting, Tony Watson stepped down after nine years on the Board. Terry Duddy took on Tony's former role as Senior Independent Director.

In November 2015, the Board was further strengthened by the appointment of Andrew Formica as a Non-Executive Director and he also joined the Audit and Nomination Committees. The Committee led the process which resulted in Andrew Formica's appointment. Spencer Stuart was appointed to facilitate and advise in the process. Spencer Stuart has no other connection with the Group and is a signatory to the Voluntary Code of Conduct of Executive Search Firms. Andrew's appointment was the culmination of a process which began following the 2013 Board external effectiveness review when the Board concluded that the next two Board appointments should bring further European experience and investment and banking skills to the Board. The Committee believes this has been achieved with the appointments of Pierre Bouchut and Andrew Formica who bring a range of skills including financial experience to strengthen existing expertise on the Board.

Jacques Espinasse will retire from the Board following the 2016 Annual General Meeting. The Committee has considered a successor for Jacques' role as Chairman of the Audit Committee

and decided that Pierre Bouchut has the right mix of skills and experience for the role and recommended Pierre's appointment to the Board. Pierre has confirmed that he is able to make the time commitment required as Audit Committee Chairman and will assume the role following the Annual General Meeting.

### BOARD BALANCE AND ARRAY OF SKILLS

This year, as it does annually, the Committee has also reviewed the composition of the Board. As part of this review, the Committee:

- Considered the number of Executive and Non-Executive Directors on the Board and whether the balance is appropriate;
- Reviewed the membership of the Committees;
- Considered the background professions and core skills and experience of the Directors to ensure the right mix of skills;
- Considered and confirmed that all the Non-Executives remain independent; and
- Considered diversity, including gender.

Following this review the Committee has concluded that the Board continues to have an appropriate mix of skills and experience to operate effectively. The Directors collectively bring a range of expertise and experience of different business sectors to Board deliberations which helps to ensure constructive and challenging debate around the boardroom table. This array of skills is illustrated in chart 61 on the next page.

Chart 61

## Board experience by sector



## DIVERSITY

There are currently two female Directors on the Board representing 18% of its composition. This will increase to 20% when Jacques Espinasse steps down at the Annual General Meeting. As previously stated, our aim is to maintain at least this level of female representation on the Board. However, the paramount consideration is to maintain the right mix of skills, knowledge, independence and experience on the Board. For that reason, recommendations for any future appointments will always be made on merit. You can read more about the Company's diversity and inclusion strategy on page 51 of the Our People section of the Strategic Report.

Chart 62

## Diversity

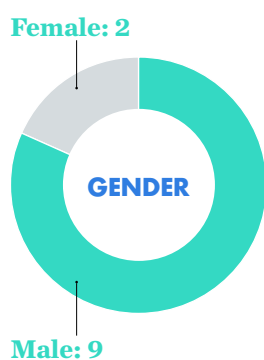
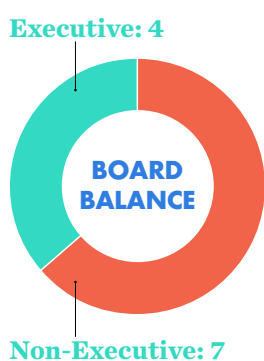


Chart 63

## Board balance



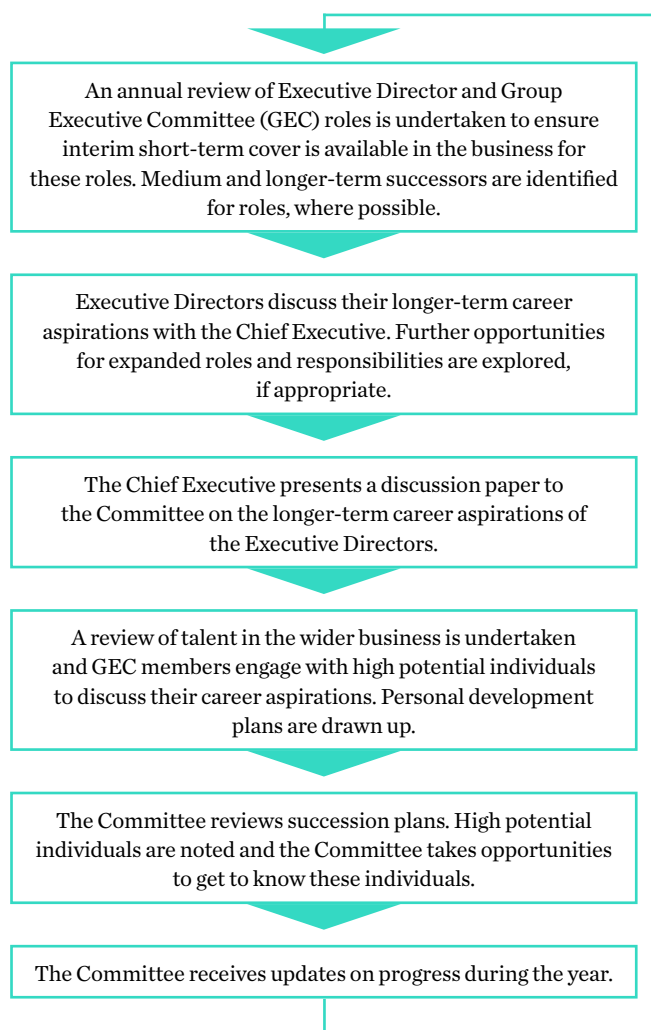
Note: As at 31 December 2015

## SUCCESSION PLANNING

Succession planning was a particular area of focus for the Committee during 2015. The Committee reviewed a formal report on the subject in respect of the Executive Directors and senior colleagues, subsequently receiving an update on progress during the year. Considerations included a review of the Company's plans aiming to ensure that key roles at Board and Group Executive Committee level can be filled by other colleagues on an interim basis. A review of the talent in the Company was also considered to identify those individuals with the potential to fill more senior roles over the medium and long term. The Committee acknowledges the size of the organisation means there are not obvious successors for every senior role. Discussions were also held about more junior individuals with high potential and plans were reviewed to help with their development. The Committee will continue to focus on this area during 2016.

Chart 64

## Annual succession planning process



## David Tyler

Chairman of the Nomination Committee

# Overseeing effective controls



## AUDIT COMMITTEE MEMBERS

Jacques Espinasse (Chairman)  
Pierre Bouchut (appointed 13 February 2015)  
Gwyn Burr  
Andrew Formica (appointed 26 November 2015)  
Judy Gibbons  
Anthony Watson (retired 22 April 2015)

## DEAR SHAREHOLDERS

I am pleased to present this report on behalf of the Audit Committee for the year ended 31 December 2015. This should be read in conjunction with the report on how we have complied with the UK Corporate Governance Code (the Code) which is on page 102.

This is my last report as Chairman of the Committee as I shall be stepping down from the Board at the conclusion of the Annual General Meeting on 25 April 2016. Pierre Bouchut, who fulfils the Code requirement of having recent and relevant financial experience, will succeed me as Chairman of the Committee. He has also confirmed that he is able to make the necessary time commitment to the role. In addition, the other members of the Committee also combine knowledge and experience of financial matters, financial reporting, risk management and internal controls.

The Committee met four times in the year with the meetings at appropriate times in the Company's financial and regulatory reporting cycle. As I mentioned in the 2014 Annual Report, an additional meeting was included in January to allow the Committee extra time to scrutinise and debate the valuation process by the Company's external valuers, DTZ Debenham Tie Leung Limited and Cushman & Wakefield LLP (the Valuers).

The Committee met privately with the Company's internal and external auditors during the year. I also met privately with the Valuers to ensure that they were comfortable with the 2015 year end valuation process. The Executive Directors and other senior managers were invited to attend as appropriate to provide updates on various matters, participate in debate and answer questions posed by the Committee.

During the year the Committee paid particular attention to the significant financial judgements in relation to the financial statements and how they were addressed. Their impact on the Group's results and the remuneration of senior management makes the significant financial judgements particularly important. The main areas of focus and how the Committee addressed those issues are set out in table 64 on page 81.

Another important aspect of the Committee's work during 2015 was to approve an approach and management's plan for tendering for the external auditor, which will not include the incumbent auditor, Deloitte LLP (Deloitte) as a participating firm in the process. Further details of the approach and timetable are provided on page 83 of this report.

The Company is mindful of the Code's new requirements in relation to risk and the monitoring of internal control systems. During 2015, the Committee and the Board reviewed the Group's Risk Management Framework thoroughly at each Committee meeting. Having monitored the Group's risk management and internal controls system, and having reviewed the effectiveness of material controls, the Committee has not identified any significant failings or weaknesses in the Group's control structure during the year.

A further new reporting requirement for 2015 is the Viability Statement. During the year the Committee considered and discussed the requirements for the statement and further details are provided on page 67 in the Strategic Report and on page 83 of this report.

The Committee undertook its annual performance and effectiveness review, based on a questionnaire which was completed by the Committee and regular attendees. The results indicated that the Committee was effective and carrying out its duties. I am confident that the Committee continues to play a key role in ensuring that the appropriate governance and challenge around risk and assurance is embedded throughout the Group.

I would like to extend my personal thanks to my fellow Committee members for their support. I would also like to thank Deloitte, on behalf of the Board, for the continuing high quality of the audit services they have provided to the Group during the year.

**Jacques Espinasse**

Chairman of the Audit Committee

## 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 64

Significant financial judgement considered	How the Committee addressed the issue
<p><b>Valuation of the Group's property portfolio (including properties held by joint ventures and associates)</b></p> <p>The valuation of the Group's property portfolio, including properties held in the Group's joint ventures or associates, is a key risk due to its significance in the context of the Group's net asset value. Although valuations are conducted by the Valuers, and thoroughly reviewed by the auditor, the valuation process requires a number of key judgements which are inherently subjective.</p> <p>The Valuers also value the Group's development properties and these are subject to the same level of review as the investment portfolio.</p>	<p>The Committee has a robust process to satisfy itself that the external valuation of the Group's property portfolio is appropriate. 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 Valuers. The Committee reviewed the outcomes of the Valuers' valuations, challenged their assumptions and was satisfied that the procedures and methodologies used were appropriate. Current market conditions and recent transactions were reviewed to provide context. The Valuers were asked to highlight any significant judgements and disagreements with management and the Committee satisfied itself of the Valuers' independence. The Committee was satisfied that the valuation of the Group's portfolio was prudent and reasonably-based.</p>
<p><b>Accounting for acquisitions and disposals</b></p> <p>During the year the Group made a number of acquisitions and disposals, including interests in joint ventures and associates. There are risks in the accounting process for these complex transactions.</p>	<p>The Committee reviewed and challenged management's accounting proposals and key judgements in relation to acquisitions and disposals, in particular, the acquisition of the Irish loan portfolio (see below). The Committee was satisfied that the approach adopted was appropriate.</p>
<p><b>Accounting for premium outlet investments (Value Retail and VIA Outlets)</b></p> <p>The Group's premium outlet interests are through investments in Value Retail and VIA Outlets. These investments are externally managed and due to the complexity of the underlying structures, there is a risk of inaccurate and inconsistent reporting.</p>	<p>The Committee reviewed management's paper explaining the accounting treatment for the two investments which is based on the nature of the Group's control over those investments. For Value Retail (VR), the Group is able to exert significant influence through its VR Board representation and through the terms of its loan agreements to VR and hence accounts for the investment as an associate. VIA Outlets is accounted for as a joint venture as the terms of the partnership agreement provide the Group with joint control. The paper explained management's approach to consolidating the financial information received and the complexities and judgements required to produce the information to incorporate into the Group accounts. The Committee also reviewed the valuations (see above) and results of the two investments and was satisfied that the investments had been recognised appropriately.</p>
<p><b>Accounting for the acquisition of the Irish loan portfolio</b></p> <p>In October 2015, the Group acquired a portfolio of Irish loans. The loans were acquired in a 50:50 joint venture with Allianz with the Group's total cost being £690 million. The accounting for this large transaction required consideration of both the Group level and joint venture level accounting for incorporation into the Group accounts.</p>	<p>The Committee reviewed management's paper explaining the proposed accounting treatment for the transaction. For Group accounting purposes, given the control provisions in the joint venture agreement, the acquisition is to be equity-accounted as an investment in a joint venture. The value at 31 December 2015 would be based on the Group's share of the net asset value of the joint venture.</p> <p>For joint venture accounting purposes, the loans are accounted in accordance with IAS39 "Financial Instruments – Recognition and Measurement" being initially recognised at fair value, equating to the cost of the acquisition, and subsequently measured at amortised cost. The Valuers provided a valuation of the secured property assets and the Committee was satisfied with the proposed accounting treatment, and in particular that there were no indicators of impairment requiring a full impairment test.</p>

**+ The description of the significant financial judgements above should be read in conjunction with the Auditor's Report on page 114 and the significant accounting policies disclosed in note 1 to the accounts on pages 124 to 127**

## **AUDIT COMMITTEE REPORT CONTINUED**

The Risk and Controls committee sets the internal audit programme by reviewing potential audit topics before they are presented to the Audit Committee for approval. The Risk and Controls committee supports the Audit Committee as part of the Group's risk management strategy and more information on this committee can be found in the Strategic Report on page 62 and on page 105 in the Code compliance section of this Annual Report.

The internal audit programme for 2015 was compiled by reviewing key risk areas in the Group's risk management framework to determine which would most benefit from a review. Proposals were debated at the November 2014 Risk and Controls committee and it was agreed that particular attention in 2015 should be focused on areas of change and key business areas. The Committee then approved the internal audit programme. The Committee was satisfied that the programme resulted from a thorough review of the Group's key business activities and addressed a number of related topical risk areas.

During the year, the Committee monitored the internal audit process through management updates and reviewing reports prepared by the internal auditor, Ernst & Young LLP (EY).

During 2015, audits were carried out on:

- The effectiveness of governance, risk management and reporting controls in relation to UK and French development projects;
- The effectiveness of key controls for UK shopping centre operations;
- The controls within the new in-house property management function in France;
- The effectiveness of key financial controls following the relocation of head office finance and IT functions to Reading; and
- Activities in relation to the Group's digital engagement activities.

Each of these audits confirmed that appropriate controls were in place in these areas. Recommendations for improvement were agreed by management and assigned for implementation. When EY's experience of best practice enabled the identification of potential enhancements to existing processes or procedures, these were reviewed by the Risk and Controls committee before being approved by the Audit Committee.

### **REVIEW OF EFFECTIVENESS OF THE INTERNAL AUDIT PROCESS**

As noted in last year's Annual Report, the Committee determined to carry out a formal review of the effectiveness of the internal auditor EY during 2015. The internal audit function has been outsourced since 2006 with EY providing internal audit services to the Group for the past two years. In the second half of 2015, a detailed questionnaire was issued to members of the Committee, senior management and those other managers involved in the internal audit procedure. As part of this review, EY and Deloitte were also asked to provide feedback on the Group's current internal audit arrangements.

Questions covered the following areas:

- Understanding and experience;
- Planning and communications; and
- Audit work and reporting.

Responses to the questionnaire were collated and reviewed at the Risk and Controls committee and at the Audit Committee. While the outcome of the review was positive, given the increasing scale of the Group, the Committee approved a proposal to adopt a new hybrid internal audit provision, overseen by a new Risk and Compliance manager. The new internal audit arrangements will utilise a combination of internal and external resource to enhance and monitor the Group's internal audit procedures.

## **FAIR, BALANCED AND UNDERSTANDABLE**

One of the key compliance requirements of a group's financial statements is for the Annual Report to be fair, balanced and understandable. The process for the 2015 Annual Report was enhanced with the establishment of an editorial team made up of members drawn from Group Finance, the Company Secretariat, Corporate Communications and Marketing, all responsible for reviewing the Report. Regular meetings were held during the preparation and compilation period to ensure balanced reporting and that there were appropriate links between the various sections of the Annual Report. Extensive verification was carried out to ensure accuracy. Drafts were reviewed by senior management, followed by reviews by the Audit Committee in both January and February 2016. This provided an opportunity to challenge the fair, balanced and understandable assessment and test whether there was an appropriate balance throughout the Annual Report. Following further discussion the Committee and then the Board were able to confirm that the Annual Report taken as a whole is fair, balanced and understandable.

## EFFECTIVENESS OF THE EXTERNAL AUDIT PROCESS

The Committee recognises the importance of having a high calibre external audit. It therefore assessed the effectiveness of the external audit process during the year, monitoring Deloitte's fulfilment of the agreed audit plan and its reports on the conclusions of the arising significant financial judgements. The Committee received regular feedback from management on the level of support provided by Deloitte and it determined that Deloitte provides an appropriate level of service.

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

- The independence safeguards operating within Deloitte;
- Deloitte's Audit Transparency Report for the year ended 31 May 2015; and
- The extent of non-audit services provided by Deloitte.

The Committee has concluded that the external audit was carried out effectively and efficiently with the necessary objectivity and independent challenge in respect of the 2015 financial year and it has recommended to the Board the reappointment of Deloitte at the 2016 Annual General Meeting.

## 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. Details of the policy on the provision of non-audit services are included in the section of the Annual Report on compliance with the Code on page 106 and the full policy is available at [www.hammerson.com](http://www.hammerson.com). Details of Deloitte's remuneration, including remuneration for non-audit services, are also on page 106.

### THE VIABILITY STATEMENT

The UK Corporate Governance Code has introduced a new requirement for the Board to consider the period over which it is able to conclude that the Company will remain viable. In developing the Viability Statement, the Committee reviewed with management the appropriateness of the Company's choice of, and reasons for, a five-year assessment period. The Group's current position, future plans and potential impact of risks to the business were reviewed, including the rationale for the Viability Statement assessment period which was based on:

- The Company's five-year planning period;
- A clear, strategic focus on retail which has traditionally been less volatile than other property sectors;
- The geographical diversity of the Group's property portfolio;
- Five-year timescales which support major developments;
- A stable income stream;
- A strong capital base; and
- Leases which contain a five-year rent review pattern.

Having reviewed and considered the proposed draft Viability Statement, the Committee approved it for inclusion in the 2015 Annual Report.

The Viability Statement, together with further details of the Group's approach and the Going Concern statement, appear on page 67 of the Strategic Report.

## EXTERNAL AUDIT TENDERING – APPROACH AND PLAN

Over recent years there has been a significant change to the rules regarding the provision of external audit services for listed companies. In the new regulations, under the transitional arrangements, the latest date by which the Company is required to tender and appoint a new external auditor is for the financial year beginning 1 January 2021.

Deloitte or its predecessor firms have been the Company's external auditor since the Company was founded in 1942. In last year's Annual Report the Company stated that management and the Committee were satisfied with both Deloitte's quality of service and their independence and objectivity. During 2015, the Committee considered tendering and rotation options in advance of the required rotation date of 2021. Following a decision to undertake a tender process in 2016, management presented a proposed plan which the Committee approved and recommended to the Board. The Committee recommended that a tender process should be undertaken in 2016, to align with the current Deloitte audit partner rotation and strategic priorities of the Group. The new appointment would be effective for the 2017 audit. Having complied with the requirement to undertake a tender process for the provision of the external audit, the Company's statement of compliance with the Competition and Markets Authority Order can be found on page 111.

## AUDIT TENDER PROCESS – TIMELINE

During the Committee meeting in November, key steps in the timetable for the audit tender plan were agreed and approved including the appointment of a selection sub-committee of the Audit Committee to lead the process, chaired by Pierre Bouchut.

The key steps in the timetable are set out below.



# Rewarding long-term performance



## REMUNERATION COMMITTEE MEMBERS

Gwyn Burr (Chairman)  
Terry Duddy  
Judy Gibbons  
David Tyler  
Anthony Watson (retired 22 April 2015)

## DEAR SHAREHOLDERS

I am pleased to present the Directors' Remuneration Report for the year ending 31 December 2015.

## REMUNERATION OUTCOME: AIP

You will have read earlier in this Annual Report that the Company delivered another strong performance in 2015 with adjusted earnings per share growing to 26.9 pence, up 13% on the prior year. Although the Company has final information on its own Total Property Return (TPR), the Remuneration Committee (Committee) uses estimated information regarding benchmark performance for the purposes of reporting the likely bonus (AIP) payment, and based on these estimates TPR is showing a strong performance against that benchmark. No AIP payments for TPR are made until the actual benchmark data becomes available and we have included in the implementation report the final outturn on this measure for 2014 AIP. AIP is also payable in respect of the Group operational targets of growth in like-for-like net rental income and reduction in the cost to income ratio. The final component of AIP is personal performance, which is assessed not only for specific personal objectives, but also includes an assessment of behaviours based on the Company's values as well as how each Executive Director has led and maximised the contribution of colleagues. The average pay out for AIP for 2014 was 66%, and using estimated information for TPR, the strong financial performance of the Company in 2015 is reflected in a higher average pay out of 77%.

One of the responsibilities of the Committee is to ensure that Executive Directors' remuneration reflects achievements against long-term strategic success. Table 65 at the end of this letter shows the aggregate of short and long-term variable reward taken home by each Executive Director in 2015. This consists of the AIP for 2014 that was paid in 2015 and the 2011 Long Term Incentive Plan (LTIP) awards that vested in 2015. These amounts differ from the statutory disclosure in table 66 which includes within it elements earned but not paid in 2015. Also shown in table 65 is the on-target and maximum opportunity for each of these areas of variable reward. Although Executive Directors had an opportunity to earn substantial variable reward in 2015, the actual amount earned generally represented approximately 88% of on target and 32% of maximum. It is worth noting that table 87 on page 97 shows the remuneration of the Chief Executive over the last seven years. In the last four years, the average amount earned represented 72% of maximum for AIP and 26% of maximum for LTIP.

## REMUNERATION OUTCOME: LTIP

It was disappointing to note that, yet again, there was no material vesting of the LTIP in 2015. One of the reasons for this was that the LTIP awards made in 2011 measure TPR relative to an All Property Index, although the Company disposed of its non-retail assets in 2012. The Committee debated in April 2015 whether it was appropriate to amend the TPR performance measures for the 2011 and 2012 LTIP awards to reflect this but concluded that there should be no change to those performance measures. It is likely that the 2012 LTIP also will not vest under the TPR performance measure, although there will be a partial vesting under the Absolute Net Asset Value performance measure. The TPR performance measure was changed for awards made from 2013 onwards and the Committee is hopeful that LTIPs will start to vest under the TPR performance measure, reflecting the steady performance of the Company in delivering total property returns to shareholders.

## 2016 PAY APPROACH

With effect from 1 April 2016, and after no increases in 2015, Executive Director base salaries will increase by 2.5%, in line with that of colleagues generally.

One particular point to note is that you will have read in the Strategic Report that during 2015 the Company acquired a portfolio of loans secured on various Irish retail properties. At the time of this report the timetable to convert these loans to direct ownership and management of the real estate was not agreed. The Committee considered how it could measure property returns for assets in Ireland and decided that there was no appropriate Irish benchmark. As such it has decided to measure the performance of Irish assets against the same index used for UK assets, but will review and, if it considers appropriate, exercise its discretion in the 2016 AIP and 2016 LTIP if it considers that comparison of Irish assets against a UK index has led to an unintended outcome.

## REMUNERATION REVIEW IN 2016

The current LTIP was approved by shareholders in 2007 and expires in May 2017. In the period since its approval, the Company has changed its focus to retail property, and shareholders and

institutional groups have provided greater and more specific insight into their views on appropriate structures for overall executive reward.

During 2016, the Committee will review the rules of the LTIP scheme and prepare a new scheme for approval by shareholders at the Annual General Meeting (AGM) in 2017. The Remuneration Policy is in the third year of its operation and will also be reviewed and will require to be presented for approval by shareholders at the AGM in 2017. In both cases we will consult with major shareholders and appropriate institutional groups.

I hope that you will agree with the Committee that the outturn for Executive Directors reflects the performance of the Company and that you will support the Directors' Remuneration Report at the AGM.

**Gwyn Burr**

Chairman of the Remuneration Committee

Table 65

### Variable reward taken home by Executive Directors in 2015

The table below shows the total variable remuneration received by Executive Directors during 2015. It compares this with the on-target and maximum opportunities for the Annual Incentive Plan (AIP) that was paid in 2015 and the Long Term Incentive Plan (LTIP) that vested in 2015. The table is provided for illustrative purposes only and should be considered in conjunction with the explanatory footnotes.

	David Atkins £000	Peter Cole £000	Timon Drakesmith £000	Jean-Philippe Mouton £000
<b>AIP</b>				
On-target opportunity	597	435	408	329
Maximum opportunity	1,194	870	816	658
Actual	775	526	579	427
<b>LTIP</b>				
On-target opportunity	370	265	233	103
Maximum opportunity	1,478	1,061	932	414
Actual	–	–	96	–
<b>TOTAL</b>				
On-target opportunity	967	700	641	432
Maximum opportunity	2,672	1,931	1,748	1,072
Actual	775	526	675	427

Explanatory footnotes:

Actual AIP corresponds to the Executive Directors' single figure remuneration table for 2014, table 66 on page 86. Actual LTIP corresponds to the LTIP that vested in 2015, table 72 on page 90, and is different to the numbers shown in table 66, which shows some elements earned but not paid in 2015.

The AIP maximum opportunity has been calculated as 200% of 2014 base salary. The on-target opportunity is calculated as 50% of the maximum.

The LTIP maximum opportunity has been calculated by multiplying the aggregate of the shares that vested and lapsed in 2015 (refer to tables 80 to 83 from page 94) by the relevant share price. The relevant share prices used in the calculation are 672.80 pence for David Atkins, Peter Cole and Jean-Philippe Mouton and 654.40 pence for Timon Drakesmith. The on-target opportunity is calculated as 25% of the maximum.

## 2015 DIRECTORS' REMUNERATION: IMPLEMENTATION REPORT

(\*) denotes audited information

### EXECUTIVE DIRECTORS' SINGLE FIGURE REMUNERATION TABLE

Table 66 below shows the remuneration of the Executive Directors for the year ended 31 December 2015, and the comparative figures for the year ended 31 December 2014.

Table 66

#### Executive Directors: single figure remuneration table \*

	Salary		Benefits		Annual bonus AIP		Long Term Incentive Plan LTIP		Pension		Total	
	2015 £000	2014 £000	2015 £000	2014 £000	2015 £000	2014 £000	2015 £000	2014 £000	2015 £000	2014 £000	2015 £000	2014 £000
David Atkins	597	594	15	22	922	775	449	–	179	177	2,162	1,568
Peter Cole	435	431	13	22	672	526	322	–	131	203	1,573	1,182
Timon Drakesmith	408	406	15	19	630	579	403	177	82	81	1,538	1,262
Jean-Philippe Mouton	296	329	23	25	457	427	121	–	67	74	964	855
<b>Total</b>	<b>1,736</b>	<b>1,760</b>	<b>66</b>	<b>88</b>	<b>2,681</b>	<b>2,307</b>	<b>1,295</b>	<b>177</b>	<b>459</b>	<b>535</b>	<b>6,237</b>	<b>4,867</b>

**Salary** Jean-Philippe Mouton's base salary for 2014 and 2015 was €408,000.

**Benefits** Taxable benefits available to all Executive Directors include a company car or a car allowance and private medical health insurance. Jean-Philippe Mouton receives a seniority allowance and welfare contribution.

UK Executive Directors are entitled to participate in the Company's all-employee share plan arrangements (SIP and Sharesave). Jean-Philippe Mouton participates in a profit-sharing scheme in France and receives an employer's contribution to a French employee savings scheme.

During the year, no payments were made to Executive Directors for expenses other than those incurred wholly and directly in the course of their employment.

**AIP** Achievements against Company financial targets and personal objectives for 2015 resulted in an average entitlement for Executive Directors of approximately 77% of the maximum bonus opportunity. However, the data above estimates the Total Property Return (TPR) outcome because not all relevant data was available for that measure at the date of this report. Further information concerning the annual bonus outcomes for 2015 can be found on page 89.

In the 2014 Annual Report, the TPR element was estimated at IPD+1.1%, resulting in a payout level estimated at 40% for that measure. The final closing measurement for TPR during 2014 was IPD+1.09%, resulting in a final payout level of 39.75%. The data for 2014 has therefore been updated to reflect the actual TPR outcomes.

**LTIP** 2014 figures in the 2014 Annual Report included estimated numbers for the TPR performance measure as final data was not available at the date of that report. The estimated value was 'nil'. The 2014 figures reflect the actual outcome using final TPR data. The actual outcome was 'nil'.

The basis for calculating the values attributable to the 2014 and 2015 LTIP figures above is set out in table 67 on page 87. Estimates are for reporting purposes only. Final figures for 2015 will be presented in the 2016 Annual Report.

**Pension** Details of pension provision and the method for calculating the pension figures above can be found on page 92.

**Other** David Atkins has external non-executive appointments, disclosed in the Directors' Biographies on page 108. He does not receive a fee for any of these appointments.

Timon Drakesmith acts as the Company's representative as a non-executive director of Value Retail PLC. He does not receive a fee for this appointment.

Jean-Philippe Mouton's salary, benefits, annual bonus and pension contributions are paid in euro. This data has been converted into sterling using the average exchange rate for 2015 (£1: €1.378). Equivalent data for 2014 has been converted at the exchange rate for that year (£1: €1.241). For further details, see note 1 to the accounts on page 125.

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

Table 67 provides a breakdown of the values attributable to each of the performance measures that when aggregated produce the single figure for the LTIP column in the Executive Directors' single figure remuneration table on page 86. The basis for each assumption used is also detailed. Details of the LTIP award that vested in 2015 can be found in table 72 on page 90.

Table 67

#### Values attributable to each performance measure in the LTIP

	Total Shareholder Return (TSR)		Total Property Return (TPR)		Absolute Net Asset Value (Absolute NAV)		Total	
	2015 £000	2014 £000	2015 £000	2014 £000	2015 £000	2014 £000	2015 £000	2014 £000
David Atkins	–	–	–	–	449	–	449	–
Peter Cole	–	–	–	–	322	–	322	–
Timon Drakesmith	96	177	–	–	307	–	403	177
Jean-Philippe Mouton	–	–	–	–	121	–	121	–

**TSR** The 2015 figure for Total Shareholder Return (TSR) is for the 2011 LTIP awards that vested in 2015. The performance period for awards to David Atkins, Peter Cole and Jean-Philippe Mouton ended on 1 April 2015. Performance conditions for this measure were not satisfied, resulting in a 'nil' vesting.

For Timon Drakesmith, the performance period for the 2011 LTIP award ended on 6 June 2015 and vested on 8 June 2015. Performance conditions for this measure were partially satisfied. The value is calculated using actual performance and the share price on the date of vesting.

**TPR** The 2015 figures for Total Property Return (TPR) are estimated values for the 2012 LTIP awards scheduled to vest in 2016, where the performance period ended on 31 December 2015, as final IPD data was not available at the date of this report. The estimate compares the Company's actual TPR figures with the best available information. The estimated vesting for TPR is 0%. Final IPD data will be available in April 2016 and the award will vest in that month. The actual 2015 TPR figure will be reported in the 2016 Annual Report.

The 2014 figures for TPR where the performance period ended on 31 December 2014 were estimated 'nil' in the 2014 Annual Report, as some IPD data was not available at the date of that report. When IPD data became available, the performance conditions for this measure resulted in a 'nil' vesting.

**Absolute NAV** The 2015 figures for Absolute Net Asset Value (Absolute NAV) are the values for the 2012 LTIP awards that are scheduled to vest in 2016 where the performance period ended on 31 December 2015. This measure is calculated to vest at 70.4%. The 2015 figure has been estimated using the average share price over the three months prior to 31 December 2015.

### BASE SALARY

In February 2016, the Remuneration Committee determined that an increase in base salaries of 2.5% was appropriate for Executive Directors. This increase is broadly in line with increases in salaries awarded across the Group. A number of factors influenced this decision, including the effect of inflation and evidence of salaries within the real estate sector. Executive remuneration benchmarking data was also considered in making the decision to approve the increase, which takes effect from 1 April 2016.

Table 68

#### Executive Directors' base salary 2016 and 2015

	2016 £000	2015 £000
David Atkins	612	597
Peter Cole	446	435
Timon Drakesmith	418	408
Jean-Philippe Mouton	303	296

## ANNUAL INCENTIVE PLAN (AIP)

Table 69 details the performance measures and composition of financial targets for the AIP. This is the Company's annual bonus scheme, which is awarded as a mixture of cash and deferred shares. The deferred shares element of the AIP is granted as an award under the Deferred Bonus Share Scheme (DBSS), which is not subject to further performance conditions. Further details on the AIP and the DBSS are in the Remuneration Policy summary on page 174.

AIP awards partly reflect the Company's performance with reference to a number of financial Key Performance Indicators (KPIs). Further detail on the KPIs can be found in the section 'Delivering value for our stakeholders' on page 18.

Table 69

### AIP targets: performance measures and composition of financial targets

Year of award	Maximum award potential <sup>1</sup>	Proportion of award paid in cash	Proportion of award paid as deferred shares	Weighting of performance measures	Composition of financial targets
2016 award (to be paid in 2017)	Up to 200% of salary	60%	40% subject to a two-year vesting period	70% for Group financial targets	25% based on adjusted Group earnings per share 25% based on Total Property Return relative to IPD <sup>2</sup> 10% based on growth in Net Rental Income <sup>3</sup> 10% based on Cost ratio <sup>4</sup> 30% for personal objectives <sup>5</sup>
2015 award (to be paid in 2016)	Up to 200% of salary	60%	40% subject to a two-year vesting period	70% for Group financial targets	25% based on adjusted Group earnings per share 25% based on Total Property Return relative to IPD <sup>6</sup> 10% based on growth in Net Rental Income <sup>3</sup> 10% based on Cost ratio <sup>4</sup> 30% for personal objectives <sup>5</sup>
2014 award (paid in 2015)	Up to 200% of salary	60%	40% subject to a two-year vesting period	70% for Group financial targets	30% based on adjusted Group earnings per share 30% based on Total Property Return relative to IPD <sup>6</sup> 5% based on growth in Net Rental Income <sup>3</sup> 5% based on Cost ratio <sup>4</sup> 30% for personal objectives

#### Notes

- On-target opportunity is 50% of the maximum opportunity.
- For awards made in 2016, IPD is the Investment Property Databank's aggregate full-year UK Retail Property (75%) and France Retail Property (25%) indices.
- Net Rental Income (NRI) is the percentage growth in the Group net rental income, calculated on a like-for-like basis.
- Cost ratio is the Group's total operating costs as a percentage of gross rental income.
- In the opinion of the Board, AIP performance conditions and personal objectives for 2016 are commercially sensitive. They are therefore not disclosed here, but will be described in the 2016 Annual Report. The 2015 performance conditions and personal objectives are not considered commercially sensitive and are set out in tables 70 and 71 on page 89.
- For awards made in 2014 and 2015, IPD is the Investment Property Databank's aggregate full-year UK Retail Property (70%) and France Retail Property (30%) indices.

## AIP (BONUS) OUTCOME: PERFORMANCE CONDITIONS FOR 2015

Details of the AIP outcome for 2015 are provided in table 70 below. The TPR performance is measured relative to the IPD UK Retail Property (70%) and France Retail Property (30%) indices. Annual data for the IPD UK Retail Property and IPD France Retail Property index is not available at the date of this report. Accordingly, the closing measurement for TPR for the year to 31 December 2015 is based on management's best estimate using available data (see pages 58 and 59 for property returns data).

Table 70

### AIP outcomes for 2015

Performance measure and description	Entry threshold condition to earn any bonus	% of vesting for that condition achieved at entry threshold	2015 target to achieve full vesting for that condition	2015 closing performance	2015 payout level
Adjusted EPS	23.9p	20%	27.2p	26.9p	85%
TPR (estimated outcome)	IPD+0.5%	25%	IPD+2.5%	IPD+2.5%	100%
NRI	1.5%	0%	3.5%	2.3%	40%
Cost ratio	22.0%	0%	21.4%	23.1%	0%

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

## AIP: EXECUTIVE DIRECTORS' PERSONAL OBJECTIVES

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 priorities for 2015 (refer to 'Our business model in action' on pages 6 and 7), 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.

The personal objectives for each Executive Director during 2015 were not disclosed in the 2014 Annual Report as the Board considered them to be commercially sensitive. Payout levels were 90% for David Atkins, 90% for Peter Cole, 90% for Timon Drakesmith and 90% for Jean-Philippe Mouton.

Table 71

### Executive Directors' personal objectives

The Executive Directors are responsible for the leadership of the Company and management of colleagues to ensure that the actual financial performance of the Group meets the expectations of the Board set at the start of the year. Executive Directors were responsible in 2015 for the following significant strategic priorities:

- Identifying and executing opportunities for acquisition, including in relevant new territories and premium outlets;
- Recycling capital by disposal of identified assets;
- Completing four developments, and progressing key London pipeline developments;
- Continuing focus on asset management and developing venues in line with Product Experience Framework;
- Reinforcing Culture and Values; and finalisation and roll out of rebrand exercise;
- Optimising the funding structure to support the growth plans; and
- Ensuring that the portfolio is managed in a sustainable manner consistent with the Sustainability Strategy.

## LONG TERM INCENTIVE PLAN (LTIP)

The structure of the LTIP awards, as well as the performance measures and conditions attached to them, is closely aligned with the Company's strategic focus. The awards incorporate a balance of relative and absolute measures, and the Remuneration Committee believes that this balance remains appropriate. Table 72 below provides a breakdown of the value of the LTIP awards that vested in 2015. The number of shares vested includes notional dividend shares accruing to the date of vesting. Further details on the LTIP structure are set out in tables 73 to 75 below.

Table 72

### LTIP awards vested in 2015

	Vesting date	Share price on vesting	Vesting level	TSR <sup>1</sup>		TPR <sup>2</sup>		NAV <sup>2</sup>		Total value of award vested £000
				Number of shares vested	Value of award that vested £000	Vesting level	Number of shares vested	Value of award that vested £000	Vesting level	
David Atkins	01/04/2015	–	–	–	–	–	–	–	–	–
Peter Cole	01/04/2015	–	–	–	–	–	–	–	–	–
Timon Drakesmith	08/06/2015	642.00	31.4%	14,896	96	–	–	–	–	96
Jean-Philippe Mouton	01/04/2015	–	–	–	–	–	–	–	–	–

#### Notes

1. The performance period for TSR for David Atkins, Peter Cole and Jean-Philippe Mouton ended on 1 April 2015 and for Timon Drakesmith on 6 June 2015. The value of the TSR measure in respect of 2015 is included in the single figure remuneration table for 2015 (table 66 on page 86).
2. The performance period for TPR and Absolute NAV ended on 31 December 2014. The value of these measures is included in the single figure remuneration table for 2014 (table 66 on page 86).

## LTIP structure: summary and details of performance measures and conditions

The structure of the 2016 awards remains the same as in 2015 with awards returning to the normal level of 200% of salary as specified in the Remuneration Policy. The comparator group for the Total Shareholder Return (TSR) measure focuses on major European retail real estate companies. The Total Property Return (TPR) measure compares performance against a retail-only property index. With regard to the absolute performance measure, earnings per share (EPS) continues to align the interests of Executive Directors with those of shareholders.

Table 73

### LTIP structure summary

Year of grant	Level of award	Performance period	Performance measures	Weighting of performance measures	TSR comparator group
2016	200% of salary	Four years	TSR	33.33%	Altarea, British Land, Capital and Regional, Intu Properties, Eurocommercial, Klépierre, Land Securities, London Metric, Segro, Shaftesbury, Unibail-Rodamco, New River Retail, Wereldhave and the FTSE 100 Index
			TPR	33.33%	
			EPS	33.33%	
2015	150% of salary	Four years	TSR	33.33%	Altarea, British Land, Capital and Regional, Intu Properties, Eurocommercial, Klépierre, Land Securities, London Metric, Segro, Shaftesbury, Unibail-Rodamco, New River Retail and the FTSE 100 Index
			TPR	33.33%	
			EPS	33.33%	
2014	100% of salary	Four years	TSR	33.33%	Altarea, British Land, Capital and Regional, Intu Properties, Corio <sup>1</sup> , Eurocommercial, Klépierre, Land Securities, London Metric, Segro, Shaftesbury, Unibail-Rodamco, Wereldhave and the FTSE 100 Index
			TPR	33.33%	
			EPS	33.33%	
2013	200% of salary	Four years	TSR	33.33%	Altarea, British Land, Capital and Regional, Intu Properties, Corio <sup>1</sup> , Eurocommercial, IVG, Klépierre, Land Securities, London Metric, Segro, Shaftesbury, Unibail-Rodamco, Wereldhave and the FTSE 100 Index
			TPR	33.33%	
			EPS	33.33%	
2012	200% of salary	Four years	TSR	33.33%	British Land, Capital and Regional, Intu Properties, Corio <sup>1</sup> , Derwent London, Great Portland Estates, IVG, Klépierre, Land Securities, Quintain Estates, Segro, Shaftesbury, St Modwen Properties, Unibail-Rodamco and the FTSE 100 Index
			TPR	33.33%	
			Absolute NAV	33.33%	

#### Note

1. Corio merged with Klépierre on 31 March 2015 and delisted from Euronext Amsterdam. For the purposes of the TSR comparator group, 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 74

## LTIP performance measures

TSR	Performance is measured over the four-year period from the date of grant in comparison with a comparator group, including some European real estate companies. See table 73 on page 90 for details.
TPR	<p>Performance is measured over the four financial years commencing with the year of grant and in comparison with a composite index:</p> <ul style="list-style-type: none"> <li>For awards granted from 2013: Investment Property Databank's UK Annual Retail Property Index and France Annual Retail Property Index.</li> <li>For awards granted in 2012: Investment Property Databank's UK Annual All Property Index and France Annual All Property Index.</li> </ul> <p>The relative composition of the indices may vary with each grant to ensure that it reflects the Group's portfolio.</p>
EPS / Absolute NAV	<p>Performance is measured over the four financial years commencing with the year of grant. It is calculated with reference to the European Public Real Estate Association (EPRA) Best Practices recommendations:</p> <ul style="list-style-type: none"> <li>For awards granted from 2013, the performance measure is EPS growth above the benchmark. From 2015, the benchmark is a blend of UK and French Consumer Price Inflation (CPI), whereas in 2012 to 2014 the benchmark was Retail Price Inflation (RPI).</li> <li>For awards granted in 2012, the performance measure is Absolute NAV growth above the benchmark. Absolute NAV is calculated as adjusted shareholders' funds divided by the adjusted number of shares in issue.</li> </ul> <p>The relative composition of the indices may vary with each grant to ensure that it reflects the Group's portfolio.</p>

Table 75

## LTIP performance conditions

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 Remuneration 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 straight-line 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%.					

## PENSION\*

Executive Directors receive a salary supplement in lieu of pension benefits. Salary supplements for the year ended 31 December 2015 are detailed in table 76 below and are reflected in the single figure remuneration table on page 86 (table 66). 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.

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 76

### Salary supplements in lieu of pension benefits<sup>1</sup>

	2015 £000	2014 £000
David Atkins	179	177
Peter Cole	131	203
Timon Drakesmith	82	81
Jean-Philippe Mouton	67	74

#### Note

- 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 (2014: €80,000) and a legacy collective supplementary defined benefit scheme contribution of €12,264 (2014: €12,105), which is included in his total shown above.

## Executive Directors' deferred 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 can be found in note 6 to the accounts on page 133.

Table 77 below shows the total accrued benefit at 31 December 2015 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 under the Scheme. The increase in accrued benefit earned during the year represents the statutory increase applied as a result of changes in the Consumer Price Index (CPI). Such increases are subject to statutory limits.

Table 77 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 77

### Executive Directors' accrued pension benefits and transfer values

	Total accrued benefit at 31 December		Transfer value at 31 December of total accrued benefit	
	2015 £000	2014 £000	2015 £000	2014 £000
David Atkins	83	82	1,497	984
Peter Cole	248	245	5,342	3,744

## NON-EXECUTIVE DIRECTORS: SINGLE FIGURE REMUNERATION TABLE\*

Table 78 below shows the remuneration of Non-Executive Directors for the year ended 31 December 2015, and the comparative figures for the year ended 31 December 2014.

No payments were made during the year to Non-Executive Directors for expenses other than those incurred wholly and directly in the course of their appointment. The benefits disclosed in table 78 below relate to the reimbursement of travel and accommodation expenses incurred in attending Board meetings. The gross value has been disclosed. In accordance with the Remuneration Policy, the tax arising will be settled by the Company.

Table 78

### Non-Executive Directors' remuneration for the year ended 31 December 2015

	Audit Committee	Committee Membership and other responsibilities			Fees		Benefits		Total	
		Nomination Committee	Remuneration Committee	Other	2015 £000	2014 £000	2015 £000	2014 £000	2015 £000	2014 £000
David Tyler		Chairman	Member	Chairman	320	320	2	–	322	320
Pierre Bouchut <sup>1</sup>	Member	Member			53	–	5	–	58	–
Gwyn Burr	Member	Member	Chairman		70	68	2	2	72	70
Terry Duddy <sup>2</sup>		Member	Member	Senior Independent Director	67	60	–	–	67	60
Jacques Espinasse	Chairman	Member			70	67	5	8	75	75
Andrew Formica <sup>3</sup>	Member	Member			6	–	–	–	6	–
Judy Gibbons	Member	Member	Member		65	65	1	1	66	66
John Hirst <sup>4</sup>					–	22	–	4	–	26
Anthony Watson <sup>5</sup>	Member	Member	Chairman	Senior Independent Director	23	77	8	1	32	77
<b>Total</b>					<b>674</b>	<b>679</b>	<b>23</b>	<b>16</b>	<b>697</b>	<b>694</b>

#### Notes

1. Appointed 13 February 2015.
2. Replaced Anthony Watson as Senior Independent Director from 22 April 2015.
3. Appointed 26 November 2015.
4. Retired 23 April 2014.
5. Anthony Watson retired from the Board on 22 April 2015 and received a departing gift which cost £4,150 within the limits of the Remuneration Policy. The value above is the gross value.

## FEES PAYABLE TO NON-EXECUTIVE DIRECTORS

Table 79 below shows the annual fees payable to Non-Executive Directors. No additional fees are payable for chairing or becoming a member of the Nomination Committee. The Chairman does not receive any additional fee for being a member of any of the Committees.

Where changes occur to a Non-Executive Director's appointment, status or responsibility, fees are pro-rated. This is reflected in the single figure remuneration table.

Non-Executive Directors' fees were last increased in July 2013. It is anticipated that the Company will review Chairman and Non-Executive Director fees during 2016.

Table 79

### Non-Executive Director fees for 2015 and 2016

Year	Base fees £000		Additional fees £000				
	Chairman	Non-Executive Director: base fee	Senior Independent Director	Chair of Audit Committee	Audit Committee member	Chair of Remuneration Committee	Remuneration Committee member
2015 and 2016	320	55	10	15	5	10	5

## ACTUAL AGGREGATE TOTAL REMUNERATION: ALL DIRECTORS

The figures shown in the single figure remuneration table for Executive Directors in table 66 on page 86 and for Non-Executive Directors in table 78 above, have been rounded to the nearest thousand. The actual aggregate total remuneration (being salary/fees, benefits and bonus) for all Executive Directors and Non-Executive Directors during 2015 was £5,180,388 (2014: £4,844,153).

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

Tables 80 to 83 below set out the Executive Directors' interests under the Deferred Benefit 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 can be found on page 91.

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.

Face values shown in tables 80 to 83 below are calculated by multiplying the number of shares granted during 2015 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 2015.

Awards to UK Executive Directors under the DBSS and since 2012 for the LTIP are made in the form of nil cost share options. All awards up to and including those made in 2013 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 French tax reasons, LTIP awards granted to Jean-Philippe Mouton are in the form of conditional awards of free shares. 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.

Table 80

	Date of original award	Date from which options exercisable	Expiry date	Held at 1 January 2015	Granted during 2015	Notional dividend shares accrued during 2015	Exercised or vested during 2015	Lapsed or forfeited during 2015	Awards held at 31 December 2015	Grant price in pence (exercise price for Sharesave)	Face value of awards granted during 2015 £000
<b>David Atkins</b>											
DBSS	11/03/2013	Mar-15	Mar-20	85,537	–	2,482	–	–	88,019	–	–
DBSS	03/03/2014	Mar-16	Mar-21	46,926	–	1,362	–	–	48,288	–	–
DBSS (A)	03/03/2015	Mar-17	Mar-22	–	37,334	1,083	–	–	38,417	678.00	253
DBSS (B)	28/04/2015	Apr-17	Apr-22	–	8,437	97	–	–	8,534	675.00	57
									<b>183,258</b>		<b>310</b>
LTIP	01/04/2011	n/a	n/a	215,976	–	3,724	–	219,700	–	–	–
LTIP <sup>1</sup>	02/04/2012	Apr-16	Apr-19	303,807	–	8,816	–	–	312,623	–	–
LTIP	02/04/2013	Apr-17	Apr-20	255,363	–	7,410	–	–	262,773	–	–
LTIP	01/04/2014	Apr-18	Apr-21	108,748	–	3,155	–	–	111,903	–	–
LTIP	26/03/2015	Mar-19	Mar-22	–	130,901	1,515	–	–	132,416	684.10	895
									<b>819,715</b>		<b>895</b>
Sharesave	05/04/2012	May-15	Oct-15	2,735	–	–	2,735	–	–	–	–
Sharesave	27/03/2015	May-18	Oct-18	–	1,665	–	–	–	1,665	540.40	9

Table 81

<b>Peter Cole</b>											
DBSS	12/03/2012	Mar-15	Mar-20	48,175	–	1,398	–	–	49,573	–	–
DBSS <sup>1</sup>	11/03/2013	Mar-15	Mar-20	63,485	–	1,842	–	–	65,326	–	–
DBSS	03/03/2014	Mar-16	Mar-21	33,690	–	978	–	–	34,668	–	–
DBSS (A)	03/03/2015	Mar-17	Mar-22	–	24,893	722	–	–	25,615	678.00	169
DBSS (B)	28/04/2015	Apr-17	Apr-22	–	6,148	71	–	–	6,219	675.00	41
									<b>181,401</b>		<b>210</b>
LTIP	01/04/2011	n/a	n/a	155,059	–	2,674	–	157,733	–	–	–
LTIP	02/04/2012	Apr-16	Apr-19	218,117	–	6,330	–	–	224,447	–	–
LTIP	02/04/2013	Apr-17	Apr-20	183,336	–	5,321	–	–	188,657	–	–
LTIP	01/04/2014	Apr-18	Apr-21	79,237	–	2,300	–	–	81,537	–	–
LTIP	26/03/2015	Mar-19	Mar-22	–	95,380	1,104	–	–	96,484	684.10	652
									<b>591,125</b>		<b>652</b>
Sharesave	10/04/2010	May-15	Oct-15	4,980	–	–	4,980	–	–	–	–

Table 82

	Date of original award	Date from which options exercisable	Expiry date	Held at 1 January 2015	Granted during 2015	Notional dividend shares accrued during 2015	Exercised or vested during 2015	Lapsed or forfeited during 2015	Awards held at 31 December 2015	Grant price in pence (exercise price for Sharesave)	Face value of awards granted during 2015 £000
<b>Timon Drakesmith</b>											
DBSS <sup>2</sup>	12/03/2012	n/a	n/a	38,478	–	663	39,141	–	–	–	–
DBSS <sup>1</sup>	11/03/2013	Mar-15	Mar-20	58,486	–	1,009	59,495	–	–	–	–
DBSS	03/03/2014	Mar-16	Mar-21	32,086	–	931	–	–	33,017	–	–
DBSS (A)	03/03/2015	Mar-17	Mar-22	–	28,403	824	–	–	29,227	678.00	193
DBSS (B)	28/04/2015	Apr-17	Apr-22	–	5,766	66	–	–	5,832	675.00	39
									<b>68,076</b>		<b>231</b>
LTIP	06/06/2011	n/a	n/a	139,952	–	2,413	14,896	127,469	–	–	–
LTIP	02/04/2012	Apr-16	Apr-19	207,730	–	6,028	–	–	213,758	–	–
LTIP	02/04/2013	Apr-17	Apr-20	174,606	–	5,067	–	–	179,673	–	–
LTIP	01/04/2014	Apr-18	Apr-21	74,319	–	2,157	–	–	76,476	–	–
LTIP	26/03/2015	Mar-19	Mar-22	–	89,460	1,035	–	–	90,495	684.10	612
									<b>560,402</b>		<b>612</b>
Sharesave	05/04/2012	May-17	Oct-17	4,588	–	–	–	–	4,558	–	–

Table 83

<b>Jean-Philippe Mouton<sup>3</sup></b>											
DBSS	11/03/2013	Mar-15	Mar-20	18,633	–	322	18,955	–	–	–	–
DBSS	03/03/2014	Mar-16	Mar-21	24,331	–	706	–	–	25,037	–	–
DBSS (A)	03/03/2015	Mar-17	Mar-22	–	12,278	356	–	–	12,634	678.00	83
DBSS (A) <sup>4</sup>	12/03/2015	Mar-17	Mar-22	–	6,337	183	–	–	6,520	678.00	42
DBSS (B)	28/04/2015	Apr-17	Apr-22	–	4,125	47	–	–	4,172	675.00	28
									<b>48,363</b>		<b>153</b>
LTIP	01/04/2011	n/a	n/a	61,483	–	–	–	61,483	–	–	–
LTIP	02/04/2012	Apr-16	Apr-19	84,426	–	–	–	–	84,426	–	–
LTIP	02/04/2013	Apr-17	Apr-20	138,717	–	–	–	–	138,717	–	–
LTIP <sup>5</sup>	01/04/2014	Apr-18	Apr-21	61,421	–	1,782	–	–	63,203	–	–
LTIP	26/03/2015	Mar-19	Mar-22	–	65,905	762	–	–	66,667	684.10	450
									<b>353,013</b>		<b>450</b>

## Notes

1. The opening balance for awards held at 1 January 2015 has been adjusted to account for a rounding error in calculating the number of notional dividend shares that accrued during 2014.
2. The opening balance for awards held at 1 January 2015 has been adjusted to reflect an administrative error whereby notional dividend shares were not accrued during 2014 in respect of the dividend paid in August 2014.
3. 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.
4. 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.
5. The opening balance for the award held at 1 January 2015 has been adjusted to reflect an administrative error whereby notional dividend shares were not accrued during 2014.

### Executive Directors' SIP interests at 31 December 2015

The Executive Directors' interests in ordinary shares of the Company under the Share Incentive Plan (SIP) at 31 December 2015 are shown in table 84 below. The shares are held under a SIP trust. Jean-Philippe Mouton is not eligible to participate in the SIP.

Table 84

#### Executive Directors' SIP interests

	Total SIP shares 1 January 2015	Partnership shares purchased	Matching shares awarded	Free shares awarded	Dividend shares purchased	Total SIP shares 31 December 2015
David Atkins	12,154	–	–	–	353	<b>12,507</b>
Peter Cole <sup>1</sup>	13,480	–	–	–	391	<b>13,871</b>
Timon Drakesmith <sup>2</sup>	4,678	280	280	–	143	<b>5,381</b>

#### Notes

- Due to an administrative error, the number of Peter Cole's SIP interests at 31 December 2014 was understated in the 2014 Annual Report. The reconciliation resulted in a restatement of SIP shares accruing to Peter Cole. Accordingly, the opening figure for 1 January 2015 has been corrected.
- Partnership shares may be purchased by means of a lump sum or by regular monthly investment during 2015. Timon Drakesmith purchased partnership shares through regular monthly investment.

### DIRECTORS' SHAREHOLDINGS\*

Tables 85 and 86 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 2015. For Executive Directors, the table also shows actual share ownership compared with the share ownership guidelines (full details of which can be found in the Remuneration Policy summary on page 174). Non-Executive Directors are encouraged to acquire a shareholding in the Company.

Table 85

#### Executive Directors' shareholdings

	1 January 2015	<b>31 December 2015</b>	12 February 2016	Guideline on share ownership as % of salary	Actual beneficial share ownership as % of salary <sup>1</sup>	Guideline met
David Atkins	363,968	<b>367,056</b>	367,056	150%	369%	Yes
Peter Cole	272,072	<b>277,461</b>	277,461	100%	383%	Yes
Timon Drakesmith <sup>2</sup>	219,313	<b>280,080</b>	280,184	100%	412%	Yes
Jean-Philippe Mouton	249,767	<b>240,891</b>	240,891	100%	488%	Yes

#### Notes

- As at and based on the share price of 600 pence on 31 December 2015.
- The change in share interests for Timon Drakesmith from 31 December 2015 to 12 February 2016 is due to share purchases/awards made under the SIP on 4 January 2016 (52 shares) and 4 February 2016 (52 shares).

Table 86

#### Non-Executive Directors' shareholdings<sup>1</sup>

	1 January 2015	<b>31 December 2015</b>
David Tyler	25,000	<b>25,000</b>
Pierre Bouchut	n/a	–
Gwyn Burr	5,000	<b>5,000</b>
Terry Duddy	40,000	<b>40,000</b>
Jacques Espinasse	17,235	<b>17,884</b>
Andrew Formica <sup>2</sup>	n/a	<b>15,000</b>
Judy Gibbons	4,000	<b>4,115</b>
Anthony Watson <sup>3</sup>	12,000	<b>n/a</b>

#### Notes

- Between 1 January 2015 and 12 February 2016, the serving Non-Executive Directors' beneficial interests above remained unchanged.
- Andrew Formica's holding was purchased on 24 November 2015, prior to his appointment as a Director.
- Anthony Watson retired on 22 April 2015. His beneficial interest at that time was 12,000 shares. In addition, he had an interest as at 22 April 2015 of £60,000 nominal 6.875% sterling bonds due 2020.

## OTHER DISCLOSURES CONCERNING REMUNERATION

### Remuneration of the Chief Executive over the last seven years

Table 87 shows the remuneration of the holder of the office of Chief Executive for the period from 1 January 2009 to 31 December 2015.

Table 87

#### Chief Executive's remuneration history

Year	Notes	Total remuneration £000	Annual bonus <sup>5</sup>	LTIP vesting <sup>5</sup>
<b>2015</b>	1	<b>2,162</b>	<b>77.3%</b>	–
2014	2	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

- The total remuneration and annual bonus figures for 2015 include certain estimated values for the LTIP and AIP vesting. See the Executive Directors' single figure remuneration table 66 on page 86 for details.
- The total remuneration reported in the 2014 Annual Report contained estimates; the numbers given here are the actual values. See table 66 on page 86.
- 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.
- John Richards retired as Chief Executive on 30 September 2009.
- 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 88 shows the percentage change from 31 December 2014 to 31 December 2015 in base salary, taxable benefits and bonus for the Chief Executive compared with all other employees of the Hammerson group.

Table 88

#### Percentage change in the Chief Executive's base salary, taxable benefits and bonus

	Notes	Salary	Benefits	Annual bonus	Total <sup>1</sup>
David Atkins	1,2	0.5%	-0.2%	19.0%	10.9%
Total Group	1,2,3	-3.7%	-0.6%	5.4%	-1.8%

#### Notes

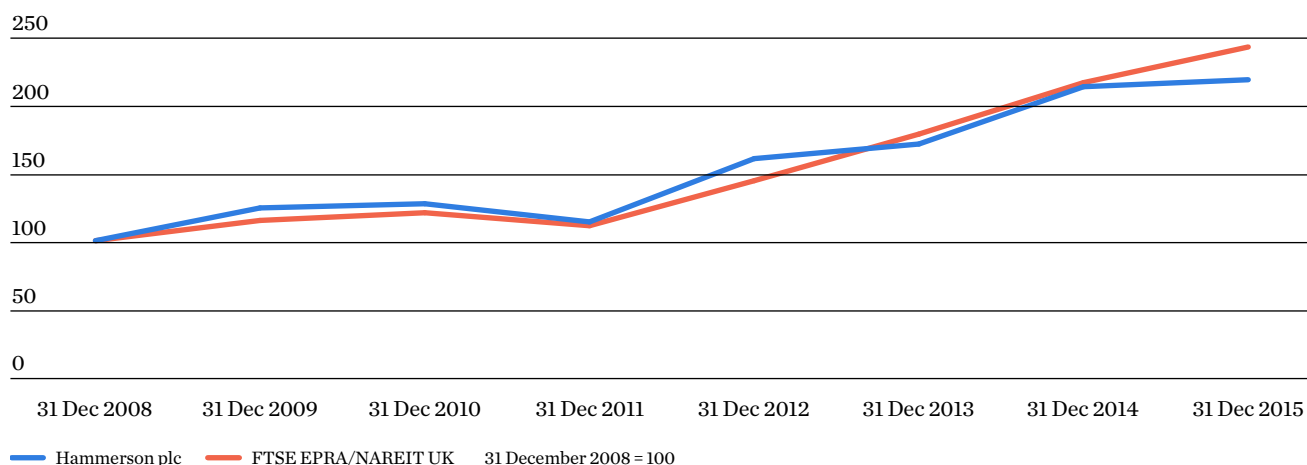
- The percentage movement in annual bonus is based on calculations that incorporate an estimated value for the TPR performance measure within the AIP. The calculation of the percentage change in total remuneration excludes pensions and LTIP.
- David Atkins has been excluded from the Group calculation. Data for the Group calculation includes all employee bonuses. Payments in euro have been converted at a constant exchange rate of £1:€1.378.
- The Group calculation uses a weighted average headcount for the year. Employees received an average salary increase of 2% during 2015.

### Total Shareholder Return

Chart 89 below shows the total shareholder return in respect of the Company's ordinary shares of 25 pence each for the seven years ended 31 December 2015 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 89

#### Total Shareholder Return



Source: Thomson Reuters

## Relative importance of spend on pay

Table 90 below shows the Company's total employee costs compared with dividends paid. The Company did not buy back any of its own shares during 2015.

Table 90

### Total employee costs compared with dividends paid

	Employee costs <sup>1</sup>	Dividends <sup>2</sup>
2015	£48.8m	£165.2m
2014	£44.7m	£139.5m
Difference	9.2%	18.4%

#### Notes

1. These figures have been extracted from note 4 (Administration expenses) to the accounts on page 132.
2. These figures have been extracted from note 9 (Dividends) to the accounts on page 135.

## Payments to past Directors\*

There were no payments to past Directors in 2015.

## Payments for loss of office\*

There were no payments for loss of office to past Directors in 2015. Anthony Watson received a discretionary gift on retiring as a Director as detailed in the Non-Executive Directors' single figure remuneration table 78 on page 93.

## Directors' service agreements and letters of appointment

Executive Directors' service agreements are terminable on 12 months' notice by either party. Dates of service agreements for UK Directors are: David Atkins (11 January 2008), Peter Cole (28 February 2002) and Timon Drakesmith (18 January 2011). Jean-Philippe Mouton was appointed as an Executive Director on 1 January 2013. His service agreement is dated 25 March 2013. Further details on the terms of the Executive Directors' service agreements can be found in the Remuneration Policy, which was approved by shareholders at the 2014 Annual General Meeting. A copy of the Remuneration Policy is available on the Company's website at [www.hammerson.com](http://www.hammerson.com).

Non-Executive Directors are appointed by letters of appointment. Appointments are terminable on three months' notice by either party. Jacques Espinasse has announced his intention to retire at the 2016 AGM. All Directors are subject to election or re-election at the Annual General Meeting.

Table 91

### Non-Executive Directors' letters of appointment

Non-Executive Director	Date of original appointment to the Board	Commencement date of current term	Unexpired term as at April 2016
David Tyler	12 January 2013	12 January 2016	2 years, 8 months
Pierre Bouchut	13 February 2015	13 February 2015	1 year, 9 months
Gwyn Burr	21 May 2012	21 May 2015	2 years
Terry Duddy	3 December 2009	3 December 2015	2 years, 7 months
Jacques Espinasse	1 May 2007	1 May 2013	<1 month
Andrew Formica	26 November 2015	26 November 2015	2 years, 7 months
Judy Gibbons	1 May 2011	1 May 2014	1 year

## 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. The fees paid to FIT during 2015, which were charged on their standard terms, were £68,127 (excluding VAT) (2014: £84,277, excluding VAT). FIT did not provide any other services to the Company during 2015. 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. They are not present during discussions concerning their own remuneration. 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.

## STATEMENT OF VOTING AT ANNUAL GENERAL MEETINGS

Table 92 below shows votes cast by proxy at the Annual General Meetings (AGM) held on 22 April 2015 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 Annual General Meeting.

Table 92

### Statement of voting on remuneration: 2014 AGM and 2015 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 <sup>1</sup>	Number of shares <sup>2</sup>
To receive and approve the 2014 Directors' Annual Remuneration Report (2015 AGM)	580,955,686	98.98%	5,957,192	1.02%	74.83%	2,481,061
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

- Based on issued share capital of 784,311,111 ordinary shares on 20 April 2015, which was the record date for the 2015 AGM and 712,902,066 ordinary shares on 17 April 2014, which was the record date for the 2014 AGM.
- Represents 0.32% of the issued share capital on the record date for the 2015 AGM and 0.02% of the issued share capital on the record date for the 2014 AGM.

## IMPLEMENTATION OF REMUNERATION POLICY IN 2016

Shareholder approval for the Remuneration Policy was received at the 2014 Annual General Meeting and the Company is not making changes to the Remuneration Policy that require shareholder approval at the 2016 Annual General Meeting.

A statement on the implementation of the Remuneration Policy during 2016 is presented in table 93. The remuneration scenarios shown in the Remuneration Policy have been updated on page 101 of this Annual Report to reflect planned implementation for 2016. For ease of reference, a summary of the main provisions of the Remuneration Policy can be found on pages 174 to 177.

The objective of the Remuneration Committee in implementing the Remuneration Policy during 2016 is to ensure that the design of Executive Directors' remuneration promotes the long-term success of the Company and that all performance-related elements are transparent, stretching and rigorously applied. This is in line with Main Principle D.1 of the UK Corporate Governance Code. The variable pay arrangements reflect the Company's strategic priorities, taking suitable account of environmental, social and governance risk and corporate social responsibility factors. Variable pay structures include provision for malus and claw-back.

In implementing the Remuneration Policy, the Remuneration 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 93

### Summary of planned implementation of the Remuneration Policy during 2016

Policy element	Implementation of the Remuneration Policy during 2016
<b>Base Salary</b>	Increases to current salaries for the Executive Directors will take effect from 1 April 2016.
Details on page 87	
<b>Pension</b>	All Executive Directors will receive a salary supplement by way of pension provision.
Details on page 92	
<b>Benefits</b>	No changes to current arrangements are proposed for 2016.
<b>Annual Incentive Plan (AIP) and deferral under the Deferred Bonus Share Scheme (DBSS)</b>	The AIP maximum for Executive Directors in 2016 will remain at 200% of base salary. Performance measures for the AIP in 2016 remain weighted 70% towards Group financial targets and 30% towards personal objectives. Group financial targets comprise: 25% adjusted Group earnings per share; 25% Total Property Return relative to IPD; 10% the percentage growth in like-for-like Group Net Rental Income; and 10% Cost ratio. 40% of AIP vesting for 2016 will be deferred by making an award of shares under the DBSS, with a deferral period of 2 years.
Details on page 88	
<b>Long Term Incentive Plan</b>	Award levels for Executive Directors for 2016 will reflect the normal Remuneration Policy level of 200% of base salary.
Details on page 90	Performance measures for LTIP awards to be granted in 2016 are unchanged.
<b>All-employee arrangements</b>	The opportunity to participate in all-employee arrangements continues on the same basis as all staff in the UK or France as appropriate.
<b>Share Ownership Guidelines</b>	Remain at 150% of base salary for the Chief Executive and 100% of base salary for all other Executive Directors.
<b>Chairman's and Non-Executive Directors' fees</b>	Chairman's fee – £320,000 p.a. Non-Executive Director's fees – £55,000 p.a. There are additional fees paid to the Senior Independent Director, the Chairmen of the Audit and Remuneration Committees and to the members of these Committees. It is anticipated that the Company will review Chairman and Non-Executive Director fees during 2016.

Chart 94

## Scenarios: 2016 Implementation

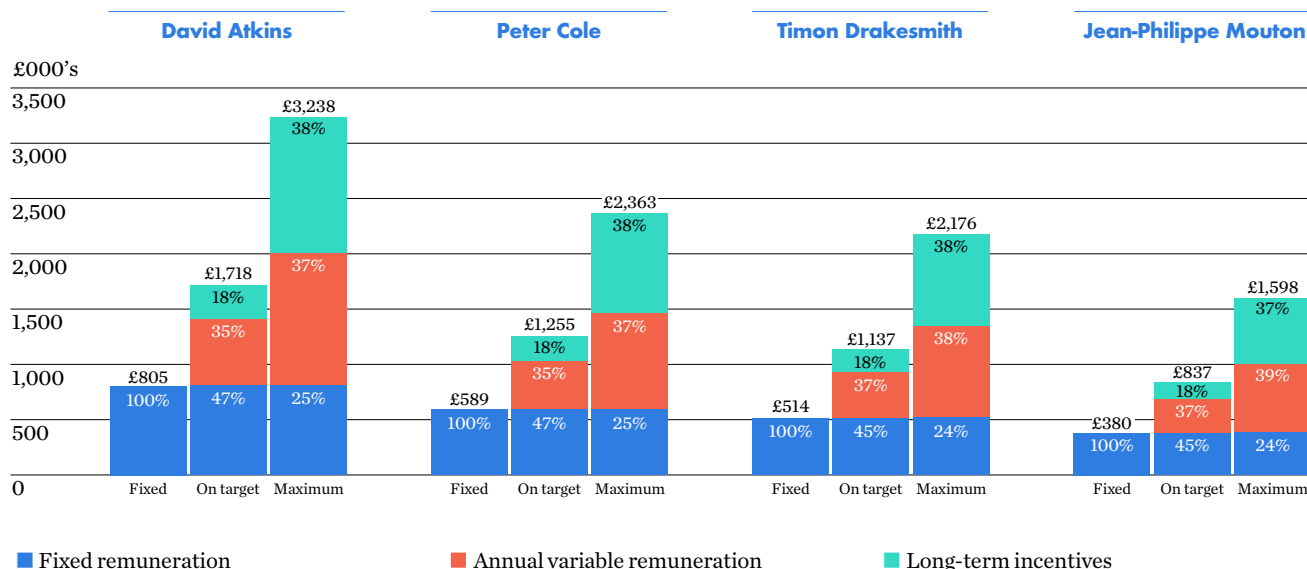


Table 95

## Assumptions: 2016 Executive Director remuneration scenario

## Assumptions

## Fixed

- Compares base salary, benefits, pension and participation in the UK all-employee share plans.
- Base salary is pro-rated for 2016, incorporating the increase to be applied from 1 April 2016.
- Benefits are as shown in the single figure remuneration table for 2015 (table 66) on page 86. However, the amount received by Jean-Philippe Mouton under the profit sharing plan has been excluded from his 2015 benefits figure for these purposes (see 'On-Target' and 'Maximum' below).
- Pensions reflect salary supplements in lieu of pensions, based on pro-rated 2016 base salary for UK Executive Directors. The pension figure for Jean-Philippe Mouton is as shown on the single figure remuneration table on page 86.

	Base Salary £000	Benefits £000	Pension £000	Total Fixed £000
David Atkins	608	15	182	805
Peter Cole	443	13	133	589
Timon Drakesmith	416	15	83	514
Jean-Philippe Mouton	303	10	67	380

## On-Target

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

- AIP: consists of on-target levels (equal to 50% of bonus maximum).
- LTIP: consists of the threshold level of vesting, being 25% of the face value of the award.
- France profit sharing (Jean-Philippe Mouton only): consists of on-target levels (equal to 50% of the current capped vesting level of €18,774).

## Maximum

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

- AIP: consists of the maximum bonus (200% of base salary).
- LTIP: assumes maximum vesting of awards (200% of base salary for 2016).
- France profit sharing (Jean-Philippe Mouton only): assumes maximum vesting at the current capped vesting level of €18,774.

By order of the Board

**Sarah Booth**

General Counsel and Company Secretary

12 February 2016

## 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 17 September 2014 which is available at [www.frc.org.uk](http://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 69 to 111.

The Company has complied in full with the requirements of the Code during 2015.

### 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 can be found on pages 62 to 63 and 104 to 105**

The Board has a formal schedule of matters specifically reserved for its decision which can be accessed at [www.hammerson.com](http://www.hammerson.com).

The Board has regular scheduled meetings throughout the year. It held six of these in 2015. Additional Board conference calls are held between the formal Board meetings as required. The table below includes details of attendance at formal Board meetings and three scheduled Board conference calls during 2015. Non-Executive Directors are encouraged to communicate directly with Executive Directors and senior management between formal Board meetings.

All Directors are expected to:

- Attend all meetings of the Board, and of those Committees on which they serve;
- 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 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 2015 Board strategy day can be found on page 76**

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.

Table 96

#### Board and Committee meetings attendance

	Board	Audit	Remuneration	Nomination
David Tyler	9/9	–	5/5	2/2
David Atkins	9/9	–	–	–
Peter Cole <sup>1</sup>	8/9	–	–	–
Timon Drakesmith	9/9	–	–	–
Jean-Philippe Mouton <sup>2</sup>	8/9	–	–	–
Gwyn Burr	9/9	4/4	5/5	2/2
Pierre Bouchut <sup>3</sup>	7/8	2/2	–	2/2
Terry Duddy	9/9	4/4	5/5	2/2
Jacques Espinasse	9/9	4/4	–	2/2
Andrew Formica <sup>4</sup>	1/1	0/1	–	0/1
Judy Gibbons <sup>5</sup>	9/9	3/4	5/5	2/2
Anthony Watson <sup>6</sup>	1/1	2/2	2/2	–

1. Peter Cole was unable to attend one Board conference call, due to a clash of meetings.

2. Jean-Philippe Mouton was unable to attend one Board meeting due to family commitments.

3. Pierre Bouchut was appointed to the Board on 13 February 2015. He was unable to attend one Board meeting due to prior business commitments.

4. Andrew Formica was appointed to the Board on 26 November 2015. He was unable to attend one Audit Committee and one Nomination Committee meeting due to travel disruption.

5. Judy Gibbons was unable to attend one Audit Committee meeting due to a conflicting prior commitment.

6. Anthony Watson resigned following the AGM on 22 April 2015.

#### A.4 Non-Executive Directors

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.

Anthony Watson retired from the Board following the 2015 AGM when Terry Duddy succeeded him as Senior Independent Director.

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 2015.

### B. EFFECTIVENESS

#### B.1 The composition of the Board

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

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

The Board reviews the independence of its Non-Executive Directors each year in accordance with the criteria set out within the Code.

Jacques Espinasse will retire following the 2016 AGM. There are currently seven Non-Executive Directors (including the Chairman) and four Executive Directors on the Board.

#### B.2 Appointments to the Board

The Nomination Committee, which is chaired by the Chairman and comprises all Non-Executive Directors, leads the process for Board appointments and makes recommendations to the Board. The Committee's terms of reference can be found at [www.hammerson.com](http://www.hammerson.com).

**+ Further details of the work of the Nomination Committee can be found on pages 78 to 79**

**+ Disclosures on diversity can be found on pages 51 and 79**

During the year the Nomination Committee appointed an independent executive search firm, Spencer Stuart, which has no other connection with the Company, to identify non-executive director candidates. Following a thorough search and interview process, Pierre Bouchut and Andrew Formica were identified as potential candidates and recommended to the Board by the Committee. Pierre Bouchut was appointed as a Non-Executive Director and member of the Audit and Nomination Committees on 13 February 2015. Andrew Formica was appointed as a Non-Executive Director and member of the Audit and Nomination Committees on 26 November 2015.

#### 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 108 and 109**

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.

#### B.4 Development

All Directors receive an induction programme when appointed to the Board, which takes into account their qualifications and experience. 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

The General Counsel and Company Secretary undertook an internal performance evaluation of the Board and its Committees in 2015. The next externally facilitated performance evaluation of the Board and its Committees will take place in 2016.

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 2015 was carried out in early 2016 and the Board was subsequently updated.

Following the internal Board effectiveness review in 2015, 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 internal Board effectiveness review are provided on page 69**

### B.7 Election and re-election

All Directors are subject to election at the first AGM following their appointment. Andrew Formica will stand for election at the AGM in April 2016 and the Board recommends his election. It is planned that Jacques Espinasse will retire from the Board at the conclusion of the AGM in April 2016. All other Directors who are subject to annual re-election are submitting themselves for re-election at the 2016 AGM.

- + **Biographical details for all Directors are on pages 108 and 109 and also in the Notice of Meeting for the 2016 AGM**
- + **Further discussion on the balance of skills and experience on the Board is provided on page 78**

## 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 available on pages 1 to 48**
- + **A statement of the Directors' responsibilities regarding the financial statements is set out on page 113**

### 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 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.

- + **Further details about the Viability Statement can be found on pages 67 and 83**
- + **The Going Concern Statement is on page 67**
- + **An assessment of the principal risks facing the Company is set out on pages 64 to 67 and performance metrics are set out on pages 18 to 20**

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 pro-active discussion of risk around the business;
- Manage the annual internal audit programme;
- Consider the results and recommendations of reviews; and
- Monitor the implementation of recommendations.

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 Committee monitored the effectiveness of the Group's risk management and internal control systems, including material financial, operational and compliance controls. In particular the 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 62 to 67**

### C.3 Audit Committee and Auditors

The Audit Committee comprises five independent Non-Executive Directors. It holds four scheduled meetings per year, organised around the Company's reporting schedule. During 2015 the Audit Committee met four times.

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.

Jacques Espinasse, the Chairman of the Audit Committee, has been determined by the Board to have recent and relevant financial experience as required by the Code. Jacques Espinasse will retire as Chairman of the Audit Committee and as a Non-Executive Director at the conclusion of the 2016 AGM. He will be succeeded by Pierre Bouchut.

The Chairman of the Board, the Chief Executive, the Chief Financial Officer and other members of the senior finance management team together with senior representatives of Deloitte 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 internal auditor, Ernst & Young LLP (EY), which undertakes the majority of the Company's internal audit reviews, with no Company management present.

DTZ Debenham Tie Leung Limited and Cushman & Wakefield LLP (the Valuers) and Deloitte have full access to one another and the Chairman of the Committee meets with the Valuers 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.

**+ Details of the composition of the Audit Committee are set out on page 80**

**+ The experience and background of members of the Audit Committee are on pages 108 to 109**

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.

Deloitte's remuneration for the year ended 31 December 2015 was £0.6m. 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.

**+ See note 4 to the accounts on page 132 for further information on Deloitte's remuneration**

During 2015 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 2015 were £0.1m.

The Audit Committee considered the reappointment of Deloitte and recommended it to the Board. Deloitte is willing to be reappointed as the external auditor to the Company and a resolution concerning Deloitte's reappointment will be proposed at the 2016 AGM.

**+ Further details are provided in the terms of reference for the Audit Committee and the full policy on non-audit services, available at [www.hammerson.com](http://www.hammerson.com)**

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](http://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 provided in the Audit Committee Report on pages 80 to 83**

## 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 can be found on pages 84 to 101**

### 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; and
- Associated guidance.

**+ Further details are provided in the terms of reference for the Remuneration Committee which are available at [www.hammerson.com](http://www.hammerson.com)**

**+ Details of the composition of the Remuneration Committee are on page 84**

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

During 2015 no individual was present when his or her own remuneration was being determined.

## E. RELATIONS WITH SHAREHOLDERS

### E.1 Dialogue with shareholders

The Company actively engages with shareholders.

Throughout 2015 the Company attended a wide variety of meetings, presentations and road shows.

The Board receives reports of meetings with institutional shareholders together with regular market reports and brokers' reports which enable the Directors to understand the views of shareholders. The Board takes account of corporate governance guidelines of institutional shareholders and their representative bodies such as the Investment Association and the Pensions and Life Savings Association (formerly National Association of Pension Funds or NAPF).

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

**+ Further details about relations with shareholders can be found in the Corporate Governance Report on page 77 and in the Directors' Remuneration Policy available at [www.hammerson.com](http://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.

## DIRECTORS' BIOGRAPHIES

### David Tyler

Chairman (age 63)



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

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

**Other appointments:** Chairman of J Sainsbury plc and Domestic & General Insurance plc.

**Past appointments:** Finance director of GUS plc and senior financial and general management roles with Christie's International plc, County NatWest Limited and Unilever PLC. Chairman of 3i Quoted Private Equity plc and Logica plc. Non-executive director of Burberry Group plc, Experian plc and Reckitt Benckiser Group plc.

### David Atkins

Chief Executive (age 49)



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

**Other appointments:** Member of the executive board of the European Public Real Estate Association. Member of the British Council of Shopping Centres (BCSC) executive board and trustee of the BCSC Educational Trust. Member of the policy committee of the British Property Federation. Director and Trustee of the Reading Real Estate Foundation.

### Peter Cole

Chief Investment Officer (age 57)



**Appointed to the Board:** 1 October 1999.

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

### Timon Drakesmith

Chief Financial Officer (age 50)



**Appointed to the Board:** 30 June 2011.

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

**Past appointments:** Finance director of Great Portland Estates plc and the MK Electric division of Novar plc and group director of financial operations of Novar plc. Other financial roles at Credit Suisse, Barclays and Deloitte Haskins and Sells.

### Jean-Philippe Mouton

Executive Director (age 54)



**Appointed to the Board:** 1 January 2013.

**Past appointments:** Director of strategic planning at Disneyland Paris and roles at The Walt Disney Company and Standard Chartered Bank.

### Pierre Bouchut

Non-Executive Director (age 60)



**Appointed to the Board:** 13 February 2015.

**Committee membership:** Audit Committee and Nomination Committee.

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

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

### Gwyn Burr

Non-Executive Director (age 53)



**Appointed to the Board:** 1 May 2012.

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

**Other appointments:** Member of board, remuneration committee and chairman of nominations committee of Sainsbury's Bank plc. Non-executive director of Just Eat plc, Metro AG and DFS Trading Limited.

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

## Terry Duddy

Non-Executive Director and Senior  
Independent Director (age 59)



**Appointed to the Board:** 3 December 2009.

**Committee membership:** Nomination Committee and Remuneration Committee.

**Other appointments:** Chairman of Retail Trust and non-executive director of Debenhams plc.

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

## Jacques Espinasse

Non-Executive Director (age 72)



**Appointed to the Board:** 1 May 2007.

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

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

**Past appointments:** Chief financial officer of Vivendi. Non-executive director of Canal+ France, Maroc Telecom, SFR and Universal Music Group. Non-executive director and member of the audit and remuneration committees of La Banque Postale Asset Management. Non-executive director and chairman of the audit committee of AXA (Holdings) Belgium and AXA Bank Europe.

## Andrew Formica

Non-Executive Director (age 44)



**Appointed to the Board:** 26 November 2015.

**Committee membership:** Audit Committee and Nomination Committee.

**Other appointments:** Chief executive of Henderson Group plc and director of The Investment Association.

**Past appointments:** Non-executive director of TIAA Henderson Real Estate Limited.

## Judy Gibbons

Non-Executive Director (age 59)



**Appointed to the Board:** 1 May 2011.

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

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

**Past appointments:** Non-executive director of O2 plc. Corporate vice-president of Microsoft Corporation. Venture partner of Accel Partners. Senior roles in marketing and product development at Apple Inc. and Hewlett-Packard.

## Sarah Booth

General Counsel and Company Secretary  
(age 49)



**Appointed:** March 2010.

**Past appointments:** General counsel at Sodexo, legal and corporate development director at Christian Salvesen PLC and trained as a solicitor at Dickson Minto WS.

**+ See the Nomination Committee Report on page 79 for further details on Directors' skills and expertise**

## DIRECTORS' REPORT

This report (Report) forms part of the management report as required under Disclosure and Transparency Rule (DTR) 4. The Strategic Report on pages 1 to 67 includes an indication of future likely developments in the Company, details of important events since the year ended 31 December 2015, the Company's business model and strategy. The Corporate Governance Report on pages 68 to 109 is incorporated in this 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](http://www.hammerson.com).

### BRANCHES

Details of the Company's French branch are provided on page 178.

### DIRECTORS

Details of the Directors who served during the year are set out on pages 108 to 109. Anthony Watson served as a Non-Executive Director until 22 April 2015 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.

### 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 page 56.

### EMPLOYEES

Details of the Company's policies regarding the employment of disabled persons and its engagement with employees are provided on pages 50 and 51.

### FINANCIAL INSTRUMENTS

Details of the Group's financial risk management in relation to its financial instruments are available on pages 149 to 155.

### GOING CONCERN AND VIABILITY STATEMENTS

The Company's Going Concern statement and Viability statement are on page 67.

### GREENHOUSE GAS EMISSIONS REPORTING

Information regarding the Company's greenhouse gas emissions can be found on page 47.

### INDEMNIFICATION OF AND INSURANCE FOR DIRECTORS AND OFFICERS

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

### LISTING RULE 9.8.4R DISCLOSURES

Table 97 sets out where disclosures required in compliance with Listing Rule 9.8.4R are located.

Table 97

	Page
Interest capitalised and tax relief	134
Publication of unaudited financial information	n/a
Details of long-term incentive schemes	84 - 101 and 174 - 177
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	111
Shareholder waivers of future dividends	111
Agreements with controlling shareholders	n/a

### POST BALANCE SHEET EVENTS

Details of the post balance sheet events can be found in note 11 on page 138.

### PROVISIONS ON CHANGE OF CONTROL

Five of the six 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 2015 Annual General Meeting (AGM), the Company was granted authority by shareholders to purchase up to 78,430,004 ordinary shares (10% of the Company's issued ordinary share capital as at 20 February 2015). This authority will expire at the conclusion of the 2016 AGM, at which a resolution will be proposed for its renewal, or, if earlier, 22 June 2016.

## RE-APPOINTMENT OF EXTERNAL AUDITOR

Details of the re-appointment of the external auditor and disclosure of information are provided on page 106.

## RESPONSIBILITY STATEMENT

The Directors' responsibility statement is set out on page 113.

## SHARE CAPITAL AND SUBSTANTIAL SHAREHOLDERS

Details of the Company's capital structure are set out on pages 155 to 156. 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.

At 31 December 2015 the following interests in voting rights over the issued share capital of the Company had been notified in accordance with DTR 5:

Table 98	Ordinary shares of 25p each	At 31 December 2015 percentage of total voting rights
APG Algemene Pensioen Groep N.V.	68,227,094	9.57%
BlackRock Inc.	50,223,602	7.05%
Merrill Lynch International	52,216,411	6.66%
Rockcastle Global Real Estate Company Limited	39,300,000	5.01%
Legal & General Investment Management Ltd	25,717,804	3.61%

On 22 January 2016, Merrill Lynch International notified the Company that it had decreased its share holding to below 3% of the total voting rights. No other changes to table 98 have been disclosed to the Company between 31 December 2015 and 12 February 2016.

## 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.

## 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

12 February 2016

# Financial statements

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# 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 (FRS101) "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 (FRS101) "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

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**David Atkins**

Chief Executive

12 February 2016

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**Timon Drakesmith**

Chief Financial Officer

12 February 2016

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

## 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 2015 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 (FRS101) "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 (FRS101) "Reduced Disclosure Framework".

## 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 124 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 67.

We have nothing material to add or draw attention to in relation to:

- The Directors' confirmation on page 63 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 62 to 67 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 67 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.

## OUR ASSESSMENT OF RISKS OF MATERIAL MISSTATEMENT

The key risks we identified were:

- **Valuation of the property portfolio**
- **Accounting for the acquisition of the Irish loan portfolio**
- **Accounting for the investment in Value Retail**

There has been no significant change in the Group's operations and our assessed risks of material misstatement described on page 115, which are those that had the greatest effect on the audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team. We do however note the complex nature of the transaction to acquire the 50% interest in the Irish loan portfolio and have included detail on how the scope of our audit addressed the specific risks relevant to that transaction within the 'Accounting for the acquisition of the Irish loan portfolio' risk on page 115. All other risks are the same as the prior year.

The description of risks on page 115 should be read in conjunction with the significant issues considered by the Audit Committee discussed on page 81 and the significant accounting policies disclosed in note 1 of the financial statements. 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.

## OUR ASSESSMENT OF RISKS OF MATERIAL MISSTATEMENT (CONTINUED)

Risk	How the scope of our audit responded to the risk
<b>Valuation of the property portfolio</b>	
<ul style="list-style-type: none"> <li>– Hammerson plc ("Hammerson") owns a portfolio of retail property assets valued at £7,255.8 million at 31 December 2015 (31 December 2014: £6,849.4 million) of which £4,652.1 million are held by subsidiaries (31 December 2014: £4,427.3 million) and £2,603.7 million by joint ventures (31 December 2014: £2,422.1 million). The valuation of the portfolio (including a number of development properties) is a significant judgement area and is underpinned by a number of assumptions.</li> <li>– The Group uses professionally qualified external valuers to fair value the Group's portfolio at six-monthly intervals. The portfolio (excluding development properties) is valued using the 'investment method' of valuation, in which the principal assumptions are estimated rental values and capitalisation yields. Development properties are valued by applying the same methodology, but with a deduction for all future costs necessary to complete the development together with an allowance for remaining risk, developers' profit and purchasers' costs ('the residual method').</li> <li>– Please see notes 11 and 12 to the financial statements.</li> </ul>	<ul style="list-style-type: none"> <li>– We assessed management's review of the work of the external valuer and development appraisals;</li> <li>– We met with the external valuers of the portfolio to discuss and challenge the valuation process, performance of the portfolio and significant assumptions and critical judgement areas, including estimated rental values and capitalisation yields. We benchmarked these assumptions to relevant market evidence including specific property sales and other external data;</li> <li>– For development properties we assessed future costs to complete on a sample of development properties based on development appraisals. We assessed the classification of development properties and whether the methodology applied (i.e. investment or residual method) was appropriate. We also challenged the allowances in the valuation for developers' profit;</li> <li>– We assessed the competence, independence and integrity of the external valuer; and</li> <li>– We performed audit procedures to assess the integrity of information provided to the independent valuer including agreement on a sample basis back to underlying lease agreement.</li> </ul>
<b>Accounting for the acquisition of the Irish loan portfolio</b>	
<ul style="list-style-type: none"> <li>– Hammerson continued to implement its strategy of capital recycling, with a number of acquisitions and disposals completing during the year, the most significant of which was the acquisition of a 50% interest in an Irish loan portfolio at a cost of £690.2 million. The loan portfolio, which is in default, is secured on a number of prime Irish retail properties. Negotiations to secure the consensual conversion of the loan portfolio into the retail properties are ongoing. The acquisition was undertaken by a joint venture set up by Hammerson and Allianz to acquire the Irish loan portfolio. The Group funded the acquisition through a loan provided to the joint venture of £690.2 million.</li> <li>– Hammerson's accounting policy in respect of the transaction is detailed in note 1 on page 125. The complexity of the transaction, together with the unique nature of the asset from the Group's perspective, result in increased risk of inaccurate presentation of the transaction. This includes initial recognition of the loans (including interest and transaction costs) at fair value together with accounting for credit risk and impairment indicators.</li> </ul>	<ul style="list-style-type: none"> <li>– In respect of the acquisition of the Irish loan portfolio, we have reviewed the terms of the loan instruments acquired and assessed whether the Group's accounting policy for the acquisition of the loans is in accordance with IAS39 'Financial Instruments Recognition and Measurement'. This included assessing, on acquisition, the initial fair value of the loans of the Irish loan portfolio and the loan provided to fund the acquisition. We also assessed the loan provided by the Group to the joint venture for credit risk and impairment indicators based on the valuation of the underlying properties; and</li> <li>– We tested the accuracy and completeness of the disclosures in the financial statements.</li> </ul>
<b>Accounting for the investment in Value Retail</b>	
<ul style="list-style-type: none"> <li>– Hammerson's interest in Value Retail (carrying value of £743.8 million) (31 December 2014: £628.8 million) is equity accounted as an associate.</li> <li>– The valuation of the Group's investment in Value Retail is primarily driven by the valuation of the Value Retail property portfolio of £3,333.1 million (31 December 2014: £2,835.4 million) of which Hammerson's share is £1,095.0 million (31 December 2014: £884.7 million). This is subject to similar judgements to those of the Group's property portfolio above, including future net operating income and capitalisation yields.</li> <li>– Other key balances which impact the valuation of the Group's investment in Value Retail include borrowings, deferred tax and derivative financial instruments.</li> <li>– Please see note 13 to the financial statements.</li> </ul>	<ul style="list-style-type: none"> <li>– We planned the scope of the audit and instructed the auditor of Value Retail accordingly;</li> <li>– We met with the auditor, Value Retail management and the external valuer of the Value Retail property portfolio to discuss and challenge the valuation assumptions including future net operating income and capitalisation yields;</li> <li>– We assessed the competence, independence and integrity of the external valuer; and</li> <li>– We assessed the quality of the work performed by the auditor of Value Retail in the areas of borrowings, deferred tax and derivative financial instruments.</li> </ul>

## OUR APPLICATION OF MATERIALITY

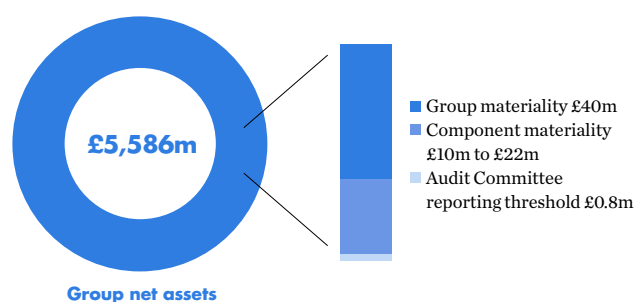
- We determined materiality for the Group to be **£40 million (2014: £30 million)**
- We reported all audit differences in excess of **£0.8 million (2014: £0.6 million)**

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

We determined materiality for the Group to be £40 million (2014: £30 million), which is below 1% (2014: below 1%) of shareholders' equity. We determined materiality based on shareholders' equity as net asset value is a key performance indicator as it takes into consideration the valuation of the Group'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 £10.9 million (2014: £7.8 million) which equates to 5.1% (2014: 4.5%) 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 £0.8 million (2014: £0.6 million), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

## AN OVERVIEW OF THE SCOPE OF OUR AUDIT

- We performed a full scope audit on the UK and French components. Value Retail and VIA Outlets were subject to audit of specific account balances. There is no change from 2014
- All components were audited to component materiality which ranged from **£10 million to £22 million (December 2014: £12.6 million to £16.5 million)**
- Together these four components account for **99% of the Group's net assets and 100% of profit before tax**

Our group audit was scoped by obtaining an understanding of the Group and its environment, including group-wide controls, and assessing the risks of material misstatement at the group level.

Based on that assessment, we focused our group audit scope primarily on the audit work at four significant components being the UK, France, Value Retail and VIA Outlets (VIA) (2014: four). Together these components comprise 99% (2014: 99%) of the Group's net assets and 100% (2014: 100%) of profit before tax.

The UK and French components were subject to a full scope audit, whilst Value Retail (accounted for as an associate and audited by EY) 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. The UK and French components account for 85% of net assets. Our audit work on Value Retail is specified in the assessment of the risks of material misstatement section above.

Our audit work at the four locations was executed at levels of materiality applicable to each individual entity which were lower than group materiality and ranged from £10 million to £22 million (2014: £12.6 million to £16.5 million). For those balances impacting Adjusted Profit Before Tax the materiality range was £2.6 million to £6.0 million (2014: £3.2 million to £4.35 million).

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

At the parent entity level we also tested the consolidation process and carried out analytical procedures to confirm our conclusion that there were no significant risks of material misstatement of the aggregated financial information of the remaining components not subject to audit or audit of specified account balances. We have obtained an understanding of the Group's system of internal controls and undertaken a combination of procedures, all of which are designed to target the Group's identified risks of material misstatement in the most effective manner possible.

## OPINION ON OTHER MATTERS PRESCRIBED BY THE COMPANIES ACT 2006

In our opinion:

- The part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006; and
- The information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

## MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

### Adequacy of explanations received and accounting records

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

- We have not received all the information and explanations we require for our audit; or
- Adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- The parent company financial statements are not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

### Directors' remuneration

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

### Corporate Governance Statement

Under the Listing Rules we are also required to review the part of the Corporate Governance Statement relating to the Company's compliance with 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

12 February 2016

# CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2015

	Notes	2015 £m	2014 £m
Gross rental income	2	236.0	206.5
<b>Operating profit before other net gains and share of results of joint ventures and associates</b>	2	<b>166.8</b>	142.5
Other net gains	2	258.6	264.7
Share of results of joint ventures	12A	246.8	279.0
Share of results of associates	13A	160.6	109.9
<b>Operating profit</b>	2	<b>832.8</b>	796.1
Finance costs		(101.9)	(106.4)
Debt and loan facility cancellation costs		(13.9)	(8.7)
Change in fair value of derivatives		(1.1)	13.1
Finance income		15.7	9.0
Net finance costs	7	(101.2)	(93.0)
<b>Profit before tax</b>		<b>731.6</b>	703.1
Tax charge	8A	(1.6)	(1.0)
<b>Profit for the year</b>		<b>730.0</b>	702.1
<b>Attributable to:</b>			
Equity shareholders		726.8	699.1
Non-controlling interests	28C	3.2	3.0
<b>Profit for the year</b>		<b>730.0</b>	702.1
<b>Basic earnings per share</b>	10A	<b>92.8p</b>	95.7p
<b>Diluted earnings per share</b>	10A	<b>92.6p</b>	95.7p
<b>Adjusted earnings per share</b>	10A	<b>26.9p</b>	23.9p

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2015

	2015 £m	2014 £m
<b>Items that may subsequently be recycled through the income statement</b>		
Foreign exchange translation differences	(107.5)	(136.4)
Net gain on hedging activities	81.9	103.8
	(25.6)	(32.6)
<b>Items that may not subsequently be recycled through the income statement</b>		
Revaluation (losses)/gains on participative loans within investment in associates	(1.0)	0.6
Net actuarial losses on pension schemes	(0.3)	(11.5)
Total other comprehensive income	(26.9)	(43.5)
Profit for the year	730.0	702.1
<b>Total comprehensive income for the year</b>	<b>703.1</b>	<b>658.6</b>
<b>Attributable to:</b>		
Equity shareholders	703.5	660.9
Non-controlling interests	(0.4)	(2.3)
<b>Total comprehensive income for the year</b>	<b>703.1</b>	<b>658.6</b>

# CONSOLIDATED BALANCE SHEET

AS AT 31 DECEMBER 2015

	Notes	2015 £m	2014 £m
<b>Non-current assets</b>			
Investment and development properties	11	4,652.1	4,427.3
Interests in leasehold properties		32.1	33.2
Plant and equipment		7.6	5.0
Investment in joint ventures	12A	3,213.6	2,341.5
Investment in associates	13C	768.0	628.8
Other investments		4.8	1.4
Receivables	14	92.1	79.3
		<b>8,770.3</b>	7,516.5
<b>Current assets</b>			
Receivables	15	118.0	86.5
Restricted monetary assets	16	34.0	11.3
Cash and deposits	17	37.0	28.6
		<b>189.0</b>	126.4
<b>Total assets</b>		<b>8,959.3</b>	7,642.9
<b>Current liabilities</b>			
Payables	18	235.5	204.4
Tax		0.7	0.3
		<b>236.2</b>	204.7
<b>Non-current liabilities</b>			
Borrowings	19A	3,028.1	2,287.1
Deferred tax		0.5	0.5
Obligations under finance leases	21	32.5	33.0
Payables	22	75.7	72.5
		<b>3,136.8</b>	2,393.1
<b>Total liabilities</b>		<b>3,373.0</b>	2,597.8
<b>Net assets</b>		<b>5,586.3</b>	5,045.1
<b>Equity</b>			
Share capital	23	196.1	196.1
Share premium		1,223.3	1,222.9
Translation reserve		135.1	239.0
Hedging reserve		(125.6)	(207.5)
Merger reserve		374.1	374.2
Other reserves		21.7	19.6
Retained earnings		3,696.5	3,136.2
Investment in own shares		(3.9)	(6.8)
<b>Equity shareholders' funds</b>		<b>5,517.3</b>	4,973.7
Non-controlling interests	28C	69.0	71.4
<b>Total equity</b>		<b>5,586.3</b>	5,045.1
<b>Diluted net asset value per share</b>	10B	<b>£7.03</b>	£6.35
<b>EPRA net asset value per share</b>	10B	<b>£7.10</b>	£6.38

These financial statements were approved by the Board of Directors on 12 February 2016.

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 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
<b>Balance at 31 December 2015</b>	<b>196.1</b>	<b>1,223.3</b>	<b>135.1</b>	<b>(125.6)</b>	<b>374.1</b>	<b>21.7</b>	<b>3,696.5</b>	<b>(3.9)</b>	<b>5,517.3</b>	<b>69.0</b>	<b>5,586.3</b>

\* Investment in own shares is stated at cost.

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2014

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

\* Investment in own shares is stated at cost.

# CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2015

	Notes	2015 £m	2014 £m
<b>Operating activities</b>			
Operating profit before other net gains and share of results of joint ventures and associates	2	166.8	142.5
Increase in receivables		(0.3)	(16.0)
Increase in restricted monetary assets		(22.7)	(5.1)
Increase in payables		27.2	23.5
Adjustment for non-cash items	25	6.3	12.2
<b>Cash generated from operations</b>		177.3	157.1
Interest paid		(104.0)	(122.2)
Interest received		8.6	9.1
Tax paid		(1.1)	(1.5)
Distributions and other receivables from joint ventures		90.4	85.6
<b>Cash flows from operating activities</b>		171.2	128.1
<b>Investing activities</b>			
Property acquisitions		(43.7)	(302.7)
Development and major refurbishments		(137.2)	(164.0)
Other capital expenditure		(45.1)	(39.8)
Sale of properties		185.2	5.8
Acquisition of Irish loan portfolio		(690.2)	–
Acquisition of interest in associates		(36.6)	–
Acquisition of other investments		(4.8)	–
Distribution received from associates		44.5	11.5
Investment in joint ventures		–	(110.8)
Sale of interests in joint ventures		–	149.6
Increase in advances to joint ventures		(45.4)	(8.1)
(Increase)/Decrease in non-current receivables		(17.1)	0.9
<b>Cash flows from investing activities</b>		(790.4)	(457.6)
<b>Financing activities</b>			
Issue of shares		0.4	392.6
Proceeds from award of own shares		0.2	0.2
Purchase of own shares		–	(5.5)
Debt and loan facility cancellation costs	7	(13.9)	(8.7)
Proceeds from new borrowings		1,319.0	736.6
Repayment of borrowings		(511.4)	(630.2)
Dividends paid to non-controlling interests		(2.0)	(3.0)
Equity dividends paid	9	(163.8)	(139.1)
<b>Cash flows from financing activities</b>		628.5	342.9
<b>Net increase in cash and deposits</b>		9.3	13.4
Opening cash and deposits		28.6	15.7
Exchange translation movement		(0.9)	(0.5)
<b>Closing cash and deposits</b>	17	37.0	28.6

An analysis of the movement in net debt is provided in note 24.

# NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31 DECEMBER 2015

## 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 2015, 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 IAS19 Employee Benefits – Contributions from employees or third parties that are linked to service
- Amendments to IFRS (Annual Improvements cycle 2010-2012)
- Amendments to IFRS (Annual Improvements cycle 2011-2013)

### 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 IAS 1 Disclosure Initiatives; effective for accounting periods beginning on or after 1 January 2016
- 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.

These pronouncements, when applied, will either result in changes in presentation and disclosure, or are not expected to have a material impact on the financial statements.

### Basis of preparation

The financial statements are prepared on a going concern basis, as explained in the Principal Risks and Uncertainties section of the Strategic Report on page 67.

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.

### Accounting for acquisition of Irish loan portfolio

During the year, the Group acquired a joint venture interest in a portfolio of loans ("Irish loan portfolio") which are secured on Irish retail assets. The Group funded the acquisition of the Irish loan portfolio by providing the joint venture with loans of £690.2 million. The loans were initially measured at fair value and have subsequently been measured at amortised cost, using the effective interest method, less any impairment.

### 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 interest in its joint ventures is commonly driven by the terms of partnership agreements, which ensure that control is shared between the partners.

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

### REIT and SIIC status

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

## Basis of consolidation

### Subsidiaries

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

### Joint ventures and associates

The results, assets and liabilities of joint ventures and associates are accounted for using the equity method. Investments in joint ventures and associates are carried in the balance sheet at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the joint venture or associate, less any impairment. Losses of a joint venture or associate in excess of the Group's interest in that entity are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the entity. 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 = €1.357 (2014: £1 = €1.289). The principal exchange rate used for the income statement is the average rate, £1 = €1.378 (2014: £1 = €1.241).

### 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.

## Receivables, payables and borrowings

### 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.

### 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.

## 1: SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 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.

Notes	Reported Group £m	Share of Property interests £m	Proportionally consolidated £m	2015	
				Proportionally consolidated	
				Adjusted £m	Capital and other £m
A	B	C	D	D	
<b>Gross rental income<sup>E</sup></b>	3A	236.0	130.4	366.4	–
Ground and equity rents payable		(1.3)	(2.4)	(3.7)	–
Gross rental income, after rents payable		234.7	128.0	362.7	–
Service charge income		41.4	21.7	63.1	–
Service charge expenses		(49.8)	(26.6)	(76.4)	–
Net service charge expenses		(8.4)	(4.9)	(13.3)	–
Other property outgoings		(17.5)	(13.3)	(30.8)	–
Property outgoings		(25.9)	(18.2)	(44.1)	–
<b>Net rental income</b>	3A	208.8	109.8	318.6	–
Management fees receivable/(payable)		6.1	(0.1)	6.0	–
Employee and corporate costs		(48.1)	(0.2)	(48.3)	–
Administration expenses		(42.0)	(0.3)	(42.3)	–
<b>Operating profit before other net gains/(losses) and share of results of joint ventures and associates</b>		166.8	109.5	276.3	–
Gain on the sale of properties		14.9	–	–	14.9
Investment costs written off		(1.4)	–	–	(1.4)
Revaluation gains on properties		245.1	122.4	–	367.5
<b>Other net gains</b>		258.6	122.4	–	381.0
<b>Share of results of joint ventures</b>	12A, 12B	246.8	(233.7)	6.1	7.0
<b>Share of results of associates</b>	13A, 13B	160.6	(1.3)	17.1	142.2
<b>Operating profit</b>		832.8	(3.1)	299.5	530.2
Net finance (costs)/income	7	(101.2)	3.1	(84.1)	(14.0)
<b>Profit before tax</b>		731.6	–	215.4	516.2
Current tax charge	8A	(1.6)	–	(1.6)	–
<b>Profit for the year</b>		730.0	–	213.8	516.2
Non-controlling interests		(3.2)	–	(2.9)	(0.3)
<b>Profit for the year attributable to equity shareholders</b>	10A	726.8	–	210.9	515.9

## Notes

A Reported Group results as shown in the consolidated income statement on page 118.

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 £6.6 million (2014: £6.9 million) of contingent rents calculated by reference to tenants' turnover.

2014						
	Notes	Reported Group £m	Share of Property interests £m	Total £m	Proportionally consolidated	
					Adjusted £m	Capital and other £m
Notes (see page 128)		A	B	C	D	D
<b>Gross rental income<sup>E</sup></b>	3A	206.5	137.6	344.1	344.1	–
Ground and equity rents payable		(0.6)	(1.3)	(1.9)	(1.9)	–
Gross rental income, after rents payable		205.9	136.3	342.2	342.2	–
Service charge income		34.6	25.1	59.7	59.7	–
Service charge expenses		(40.0)	(30.1)	(70.1)	(70.1)	–
Net service charge expenses		(5.4)	(5.0)	(10.4)	(10.4)	–
Other property outgoings		(12.4)	(13.8)	(26.2)	(26.2)	–
Property outgoings		(17.8)	(18.8)	(36.6)	(36.6)	–
<b>Net rental income</b>	3A	188.1	117.5	305.6	305.6	–
Management fees receivable/(payable)		6.3	(0.7)	5.6	5.6	–
Employee and corporate costs		(48.9)	(0.2)	(49.1)	(49.1)	–
Net one-off restructuring costs		(3.0)	–	(3.0)	–	(3.0)
Administration expenses		(45.6)	(0.9)	(46.5)	(43.5)	(3.0)
<b>Operating profit before other net gains/(losses) and share of results of joint ventures and associates</b>		142.5	116.6	259.1	262.1	(3.0)
Profit on the sale of properties		0.6	–	0.6	–	0.6
Loss on the sale of joint ventures		(4.0)	–	(4.0)	–	(4.0)
Joint venture formation costs written off		(3.1)	–	(3.1)	–	(3.1)
Revaluation gains on properties		271.2	165.6	436.8	–	436.8
<b>Other net gains</b>		264.7	165.6	430.3	–	430.3
<b>Share of results of joint ventures</b>	12A, 12B	279.0	(280.1)	(1.1)	0.9	(2.0)
<b>Share of results of associates</b>	13A, 13B	109.9	–	109.9	16.0	93.9
<b>Operating profit</b>		796.1	2.1	798.2	279.0	519.2
Net finance (costs)/income	7	(93.0)	(2.1)	(95.1)	(100.1)	5.0
<b>Profit before tax</b>		703.1	–	703.1	178.9	524.2
Current tax charge	8A	(0.9)	–	(0.9)	(0.9)	–
Deferred tax charge	8A	(0.1)	–	(0.1)	–	(0.1)
<b>Profit for the year</b>		702.1	–	702.1	178.0	524.1
Non-controlling interests		(3.0)	–	(3.0)	(3.7)	0.7
<b>Profit for the year attributable to equity shareholders</b>	10A	699.1	–	699.1	174.3	524.8

### 3: SEGMENTAL ANALYSIS

The factors used to determine the Group's reportable segments are the geographic locations, UK and France, and sectors in which it operates, which are generally managed by separate teams and are the basis on which performance is assessed and resources allocated. Gross rental income represents the Group's revenue from its 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 53, management reviews the business principally on a proportionally consolidated basis, except for its interests in premium outlets held through its investments in Value Retail and VIA Outlets, where the Group has less day-to-day involvement in the financial performance and which have different operational characteristics compared with the Group's property portfolio. The segmental analysis has been prepared on the basis that management uses to review the business, rather than on a statutory basis. 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.

During the year, the Group acquired an interest in a loan portfolio secured on retail properties located in Ireland in a 50% joint venture. The loans did not generate any rental income in 2015, and at the balance sheet date the loan portfolio was included within current receivables on a proportionally consolidated basis, and is therefore not included in notes 3A and 3B. Note 3C includes the Group's investment in the new Irish joint venture at 31 December 2015.

#### A: Revenue and profit by segment

	2015			2014		
	Gross rental income £m	Net rental income £m	Non-cash items within net rental income £m	Gross rental income £m	Net rental income £m	Non-cash items within net rental income £m
<b>United Kingdom</b>						
Shopping centres	162.0	138.8	(3.8)	149.4	127.9	(4.2)
Retail parks	86.2	82.0	–	86.2	83.0	1.1
Other	13.8	9.6	–	14.5	11.3	(0.1)
<b>Total</b>	<b>262.0</b>	<b>230.4</b>	<b>(3.8)</b>	<b>250.1</b>	<b>222.2</b>	<b>(3.2)</b>
<b>France</b>	<b>95.9</b>	<b>83.0</b>	<b>2.0</b>	<b>91.8</b>	<b>82.4</b>	<b>2.5</b>
<b>Total investment portfolio</b>	<b>357.9</b>	<b>313.4</b>	<b>(1.8)</b>	<b>341.9</b>	<b>304.6</b>	<b>(0.7)</b>
Developments	8.5	5.2	–	2.2	1.0	–
<b>Total property portfolio</b>	<b>366.4</b>	<b>318.6</b>	<b>(1.8)</b>	<b>344.1</b>	<b>305.6</b>	<b>(0.7)</b>
Less share of Property interests	(130.4)	(109.8)	0.9	(137.6)	(117.5)	2.3
<b>Reported Group</b>	<b>236.0</b>	<b>208.8</b>	<b>(0.9)</b>	<b>206.5</b>	<b>188.1</b>	<b>1.6</b>

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

**B: Investment and development property assets by segment**

	2015			2014		
	Property valuation £m	Capital expenditure £m	Revaluation gains £m	Property valuation £m	Capital expenditure £m	Revaluation gains £m
<b>United Kingdom</b>						
Shopping centres	3,064.9	10.7	194.9	2,863.9	201.5	237.4
Retail parks	1,656.0	54.2	19.0	1,644.1	43.7	134.9
Other	160.3	23.5	1.4	192.7	6.9	5.1
<b>Total</b>	<b>4,881.2</b>	<b>88.4</b>	<b>215.3</b>	<b>4,700.7</b>	<b>252.1</b>	<b>377.4</b>
<b>France</b>	<b>1,860.5</b>	<b>54.8</b>	<b>116.6</b>	<b>1,797.7</b>	<b>223.9</b>	<b>41.1</b>
<b>Total investment portfolio</b>	<b>6,741.7</b>	<b>143.2</b>	<b>331.9</b>	<b>6,498.4</b>	<b>476.0</b>	<b>418.5</b>
Developments	388.8	169.8	35.6	208.1	90.3	18.3
<b>Total property portfolio</b>	<b>7,130.5</b>	<b>313.0</b>	<b>367.5</b>	<b>6,706.5</b>	<b>566.3</b>	<b>436.8</b>
Less share of Property interests	(2,478.4)	(95.1)	(122.4)	(2,279.2)	(40.1)	(165.6)
<b>Reported Group</b>	<b>4,652.1</b>	<b>217.9</b>	<b>245.1</b>	<b>4,427.3</b>	<b>526.2</b>	<b>271.2</b>

**C: Analysis of non-current assets employed**

	Non-current assets employed	
	2015 £m	2014 £m
United Kingdom	5,283.9	4,895.0
Continental Europe	2,792.9	2,621.5
Ireland	693.5	–
	<b>8,770.3</b>	<b>7,516.5</b>

Included in the above table are investments in joint ventures of £3,213.6 million (2014: £2,341.5 million), which are further analysed in note 12 on pages 139 to 144. The Group's share of the property valuations held within Property joint interests of £2,478.4 million (2014: £2,279.2 million) has been included in note 3B above, of which £2,304.7 million (2014: £2,134.9 million) relates to the United Kingdom and £173.7 million (2014: £144.3 million) relates to Continental Europe.

#### 4: ADMINISTRATION EXPENSES

Administration expenses include the following items:

##### Staff costs, including Directors

	Note	2015 £m	2014 £m
Salaries and wages		26.5	25.6
Performance-related bonuses			
– payable in cash		7.3	6.7
– payable in shares		1.2	1.2
		8.5	7.9
Other share-based employee remuneration		3.6	3.9
Social security		7.6	6.3
Net pension expense			
– defined contribution scheme	6A	2.6	3.0
– defined benefit schemes	6C	–	(2.0)
		2.6	1.0
<b>Total</b>		<b>48.8</b>	<b>44.7</b>

Of the above amount, £16.6 million (2014: £11.6 million) was recharged to tenants through service charges and £1.9 million (2014: £1.5 million) capitalised in respect of development projects. Redundancy related costs of £1.7 million were incurred during 2014.

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 84 to 101.

##### Staff numbers

	2015 Number	2014 Number
Average number of staff	468	419
Staff recharged to tenants, included above	224	181

##### Other information

	2015 £m	2014 £m
Auditor's remuneration:		
Audit of the Company's annual accounts	0.2	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	0.6	0.6
Other fees <sup>1</sup>	0.1	0.1
Total auditor's remuneration	0.7	0.7
Depreciation of plant and equipment	1.7	1.4

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 84 to 101.

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 £2.6 million (2014: £3.0 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 scheme meets pension commitment obligations to former US employees.

### C: Changes in present value of defined benefit pension schemes

	Obligations £m	Assets £m	2015 Net £m	Obligations £m	Assets £m	2014 Net £m
At 1 January	(101.7)	61.9	(39.8)	(91.3)	58.4	(32.9)
Amounts recognised in the income statement						
– current service cost <sup>1</sup>	–	–	–	(0.5)	–	(0.5)
– curtailment gain <sup>1</sup>	–	–	–	2.5	–	2.5
	–	–	–	2.0	–	2.0
– interest (cost)/income <sup>2</sup>	(3.5)	2.2	(1.3)	(4.0)	2.7	(1.3)
Amounts recognised in equity						
– actuarial experience gains/(losses)	1.5	(1.6)	(0.1)	0.9	–	0.9
– actuarial gains/(losses) from changes in financial assumptions	2.4	–	2.4	(12.4)	–	(12.4)
– actuarial losses from changes in demographic assumptions	(2.6)	–	(2.6)	–	–	–
	1.3	(1.6)	(0.3)	(11.5)	–	(11.5)
Contributions by employer <sup>3</sup>	–	2.5	2.5	–	3.2	3.2
Benefits	3.1	(2.3)	0.8	3.2	(2.4)	0.8
Exchange gains/(losses)	0.1	–	0.1	(0.1)	–	(0.1)
<b>At 31 December</b>	<b>(100.7)</b>	<b>62.7</b>	<b>(38.0)</b>	<b>(101.7)</b>	<b>61.9</b>	<b>(39.8)</b>
Analysed as:						
Present Value of the Scheme	(88.8)	62.7	(26.1)	(89.4)	61.9	(27.5)
Present Value of Unfunded Retirement Schemes	(11.9)	–	(11.9)	(12.3)	–	(12.3)
	<b>(100.7)</b>	<b>62.7</b>	<b>(38.0)</b>	<b>(101.7)</b>	<b>61.9</b>	<b>(39.8)</b>

Analysed as:

Current liabilities: Other payables	(0.8)	(0.8)
Non-current liabilities (note 22)	(37.2)	(39.0)
	<b>(38.0)</b>	<b>(39.8)</b>

Notes

1. Included in Administration expenses (note 4). The curtailment gain in 2014 is shown after the deduction of past service costs of £0.3 million.
2. Included in Other interest payable (note 7).
3. The Group expects to make contributions totalling £1.5 million to the Scheme in the next financial year.

**6: PENSIONS (CONTINUED)****D: Principal actuarial assumptions used for defined benefit pension schemes**

		2015 %	2014 %
Discount rate for scheme liabilities		3.8	3.6
Increase in retail price index		3.1	3.1
Increase in pensions in payment		3.1	3.1
		Age	Age
Life expectancy for Scheme members:	Male aged 60 at 31 December	88.5	88.5
	Male aged 40 at 31 December	90.1	90.0

The present value of defined benefit obligations has been calculated by an external actuary. This was taken as the present value of accrued benefits and pensions in payment calculated using the projected unit method. All defined benefit pension scheme assets are investments with target returns linked to LIBOR.

**7: NET FINANCE COSTS**

	2015 £m	2014 £m
Interest on bank loans and overdrafts	10.6	9.5
Interest on other borrowings	93.2	103.3
Interest on obligations under finance leases	1.8	1.1
Other interest payable	1.6	1.3
Gross interest costs	107.2	115.2
Less: Interest capitalised	(5.3)	(8.8)
Finance costs	101.9	106.4
Debt and loan facility cancellation costs	13.9	8.7
Change in fair value of derivatives	1.1	(13.1)
Finance income	(15.7)	(9.0)
	101.2	93.0

**8: TAX****A: Tax charge**

	2015 £m	2014 £m
UK current tax	–	0.1
Foreign current tax	1.6	0.8
Current tax charge	1.6	0.9
Deferred tax charge	–	0.1
<b>Tax charge</b>	<b>1.6</b>	<b>1.0</b>

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 Group continues to meet these conditions.

**B: Tax charge reconciliation**

	Notes	2015 £m	2014 £m
Profit before tax	2	731.6	703.1
Less: Profit after tax of joint ventures	12A	(246.8)	(279.0)
Less: Profit after tax of associates	13A	(160.6)	(109.9)
Profit on ordinary activities before tax		324.2	314.2
Profit multiplied by the UK corporation tax rate of 20.25% (2014: 21.5%)		65.7	67.6
UK REIT tax exemption		(31.2)	(42.8)
French SIIC tax exemption		(33.1)	(24.0)
Non-deductible and other items		0.2	0.2
<b>Tax charge</b>		<b>1.6</b>	<b>1.0</b>

### 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 2015, the total of such losses was £315 million (2014: £320 million) and £480 million (2014: £450 million) respectively, and the potential tax effect of these was £57 million (2014: £64 million) and £86 million (2014: £90 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 2015, the total of such gains was £290 million (2014: £250 million) and the potential tax effect before the offset of losses was £52 million (2014: £50 million).

If a UK REIT sells a property within three years of completion of development, the REIT exemption will not apply. There were no such properties at 31 December 2015 or 2014.

### 9: DIVIDENDS

The proposed final dividend of 12.8 pence per share was recommended by the Board on 12 February 2016 and, subject to approval by shareholders, is payable on 29 April 2016 to shareholders on the register at the close of business on 18 March 2016. 6.4 pence per share will be paid as a PID, net of withholding tax at the basic rate (currently 20%) if applicable, and 6.4 pence per share will be paid as a normal dividend. The Company will be offering a scrip dividend alternative and for shareholders who elect to receive this, the dividend will be treated entirely as a normal dividend. The aggregate amount of the 2015 final dividend is £100.4 million. This assumes no shareholders elect to receive the scrip dividend alternative and has been calculated using the total number of eligible shares outstanding at 31 December 2015.

The interim dividend of 9.5 pence per share was paid on 1 October 2015 as a PID, net of withholding tax where appropriate.

The total dividend for the year ended 31 December 2015 would be 22.3 pence per share (2014: 20.4 pence per share).

	PID pence per share	Non-PID pence per share	Total pence per share	Equity dividends 2015 £m	Equity dividends 2014 £m
<b>Current year</b>					
2015 final dividend	6.4 <sup>1</sup>	6.4	12.8	–	–
2015 interim dividend	9.5	–	9.5	74.4	–
	15.9	6.4	22.3		
<b>Prior years</b>					
2014 final dividend	2.0	9.6	11.6	90.8	–
2014 interim dividend	8.8	–	8.8	–	62.7
	10.8	9.6	20.4		
2013 final dividend					76.8
<b>Dividends as reported in the consolidated statement of changes in equity</b>				165.2	139.5
2013 interim dividend withholding tax (paid January 2014)				–	9.4
2014 interim dividend withholding tax (paid January 2015)				9.8	(9.8)
2015 interim dividend withholding tax (paid January 2016)				(11.2)	–
<b>Dividends paid as reported in the consolidated cash flow statement</b>				163.8	139.1

Note

1. If shareholders elect to receive the scrip alternative, this element of the dividend will cease to qualify as a PID.

**10: EARNINGS PER SHARE AND NET ASSET VALUE PER SHARE**

The European Public Real Estate Association (EPRA) has issued recommended bases for the calculation of certain per share information and these are included in the following tables A and B. Commentary on earnings and net asset value per share is provided in the Financial Review on pages 53 to 61.

**A: Earnings per share**

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

			2015			2014		
		Notes	Earnings £m	Shares million	Pence per share	Earnings £m	Shares million	Pence per share
<b>Basic</b>			<b>726.8</b>	<b>783.6</b>	<b>92.8</b>	699.1	730.6	95.7
Dilutive share schemes			–	1.1	(0.2)	–	0.2	–
<b>Diluted</b>			<b>726.8</b>	<b>784.7</b>	<b>92.6</b>	699.1	730.8	95.7
Adjustments:								
Revaluation gains on properties:	Reported Group	2	(245.1)		(31.2)	(271.2)		(37.1)
	Property interests	2	(122.4)		(15.6)	(165.6)		(22.7)
			(367.5)		(46.8)	(436.8)		(59.8)
(Gain)/Loss on sale of properties and joint venture interests:	Reported Group							
	Gain on sale of properties	2	(14.9)		(1.9)	(0.6)		(0.1)
	Loss on sale of joint ventures	2	–		–	4.0		0.6
			(14.9)		(1.9)	3.4		0.5
Debt and loan facility cancellation costs:	Reported Group	7	13.9		1.8	8.7		1.2
Change in fair value of derivatives:	Reported Group	7	1.1		0.1	(13.1)		(1.8)
	Property interests	12B	(1.0)		(0.1)	(0.6)		(0.1)
			0.1		–	(13.7)		(1.9)
Other adjustments:	Reported Group							
	Investment costs written off	2	1.4		0.2	–		–
	Joint venture formation costs written off	2	–		–	3.1		0.4
	Deferred tax	2	–		–	0.1		–
	Non-controlling interests	2	0.3		–	(0.7)		(0.1)
			1.7		0.2	2.5		0.3
Premium outlets*:	Revaluation gains on properties	12B, 13B	(174.1)		(22.2)	(109.8)		(15.0)
	Deferred tax	12B, 13B	27.6		3.5	12.3		1.6
	Other adjustments	12B, 13B	(0.6)		(0.1)	5.6		0.8
			(147.1)		(18.8)	(91.9)		(12.6)
Total adjustments			(513.8)		(65.5)	(527.8)		(72.3)
<b>EPRA</b>			<b>213.0</b>	<b>784.7</b>	<b>27.1</b>	171.3	730.8	23.4
Net one-off restructuring charge:								
	Reported Group	2	–		–	3.0		0.5
Other adjustments:	Premium outlets*	12B	(2.1)		(0.2)	–		–
<b>Adjusted</b>			<b>210.9</b>	<b>784.7</b>	<b>26.9</b>	174.3	730.8	23.9

\* Adjustments in respect of Premium outlets include VIA Outlets (note 12B) and Value Retail (note 13B).

**B: Net asset value per share**

	Notes	2015			2014	
		Equity shareholders' funds £m	Shares million	Net asset value per share £	Equity shareholders' funds £m	Net asset value per share £
<b>Basic</b>		<b>5,517.3</b>	<b>784.4</b>	<b>7.03</b>	4,973.7	6.34
Company's own shares held in Employee Share Ownership Plan		–	(0.6)	n/a	–	n/a
Dilutive share schemes		1.1	1.0	n/a	1.9	n/a
<b>Diluted</b>		<b>5,518.4</b>	<b>784.8</b>	<b>7.03</b>	4,975.6	6.35
Fair value adjustment to borrowings						
– Reported Group	20I	(225.4)		(0.29)	(306.0)	(0.39)
– Property interests		(0.1)		–	(0.3)	–
		(225.5)		(0.29)	(306.3)	(0.39)
<b>EPRA triple net</b>		<b>5,292.9</b>		<b>6.74</b>	4,669.3	5.96
Fair value adjustment to borrowings		225.5		0.29	306.3	0.39
Deferred tax		0.5		–	0.5	–
Fair value of derivatives						
– Reported Group	20I	(13.8)		(0.02)	(15.0)	(0.02)
– Property interests		0.9		–	1.9	–
		(12.9)		(0.02)	(13.1)	(0.02)
Premium outlets*						
– Fair value of derivatives	12C, 13D	3.1		–	1.2	–
– Deferred tax	12C, 13D	113.6		0.14	84.8	0.11
– Goodwill as a result of deferred tax	12C, 13D	(50.0)		(0.05)	(50.1)	(0.06)
		66.7		0.09	35.9	0.05
<b>EPRA</b>		<b>5,572.7</b>	<b>784.8</b>	<b>7.10</b>	4,998.9	6.38

\* Adjustments in respect of Premium outlets include VIA Outlets (note 12C) and Value Retail (note 13D).

**11: INVESTMENT AND DEVELOPMENT PROPERTIES**

	2015			2014		
	Investment properties Valuation £m	Development properties Valuation £m	Total Valuation £m	Investment properties Valuation £m	Development properties Valuation £m	Total Valuation £m
Balance at 1 January	4,273.2	154.1	4,427.3	2,988.7	459.1	3,447.8
Exchange adjustment	(82.9)	(1.7)	(84.6)	(72.1)	(27.1)	(99.2)
Additions						
– Capital expenditure	73.3	100.9	174.2	70.0	153.5	223.5
– Asset acquisitions	35.2	8.5	43.7	302.7	–	302.7
	108.5	109.4	217.9	372.7	153.5	526.2
Transfer from investment in joint ventures	11.0	–	11.0	279.1	–	279.1
Disposals	(169.5)	(0.5)	(170.0)	(6.6)	–	(6.6)
Transfers	59.7	(59.7)	–	453.4	(453.4)	–
Capitalised interest	0.4	5.0	5.4	0.5	8.3	8.8
Revaluation	218.5	26.6	245.1	257.5	13.7	271.2
<b>Balance at 31 December</b>	<b>4,418.9</b>	<b>233.2</b>	<b>4,652.1</b>	<b>4,273.2</b>	<b>154.1</b>	<b>4,427.3</b>

Properties are stated at fair value as at 31 December 2015, 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. All valuations have been prepared in accordance with the RICS Valuation – Professional Standards 2014 based on certain assumptions as set out in note 1.

**11: INVESTMENT AND DEVELOPMENT PROPERTIES (CONTINUED)**

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 126.

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](http://www.hammerson.com).

As noted in 'Significant judgements and key estimates' on page 124, 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 valuation and rental data tables on pages 166 and 169 and the valuation change analysis in the Financial Review on page 58. 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.

	Investment properties valuation £m	Impact on valuation of 25bp change in nominal equivalent yield		Impact on valuations of 5% change in estimated rental value (ERV)	
		Decrease £m	Increase £m	Increase £m	Decrease £m
<b>Key unobservable inputs sensitivity analysis</b>					
Reported Group	<b>4,418.9</b>	<b>236.4</b>	<b>(213.9)</b>	<b>183.8</b>	<b>(169.3)</b>

The total amount of interest included in development properties at 31 December 2015 was £4.9 million (2014: £2.4 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 2015 was 3.8% (2014: 4.7%). At 31 December 2014 the historic cost of investment and development properties was £3,830.0 million (2014: £3,930.1 million).

At 31 December 2015, the investment properties shown above included Monument Mall, Newcastle where a sale contract for a total value of £75 million had been exchanged in December 2015 and which completed in January 2016. In addition, a sale contract was exchanged in January 2016 for the sale of Villebon 2, Paris for a value of £117 million, with completion expected in March 2016.

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 will acquire a 50% interest in the property for £175 million, subject to regulatory approval.

Analysis of properties by tenure	Freehold £m	Long leasehold £m	Total £m
<b>Balance at 31 December 2015</b>	<b>3,443.1</b>	<b>1,209.0</b>	<b>4,652.1</b>
Balance at 31 December 2014	3,365.0	1,062.3	4,427.3

	2015 £m	2014 £m
Capital commitments	<b>107.7</b>	196.1

## 12: INVESTMENT IN JOINT VENTURES

As at 31 December 2015, 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 164 and 165.

	Partner	Principal property <sup>1</sup>	Group share %
<b>United Kingdom</b>			
Bishopsgate Goodsyards Regeneration Limited	Ballymore Properties	The Goodsyards	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
Retail Property Holdings Limited	CPPIB	Silverburn	50
The Bull Ring Limited Partnership	TH Real Estate, CPPIB	Bullring	50
The Oracle Limited Partnership	ADIA	The Oracle	50
VIA Limited Partnership	APG, Meyer Bergman, Value Retail	European outlet centres	47
West Quay Limited Partnership	GIC	WestQuay	50
<b>Ireland</b>			
Triskelion Property Holding Designated Activity Company	Allianz	Irish loan portfolio	50
<b>France</b>			
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 property operated by each partnership have been used in the summary income statements and balance sheets in note 12A.

In March 2015, the Group acquired an additional 66.7% stake in The Martineau Galleries Limited Partnership, increasing the Group's interest in the partnership to 100%. The revaluation gain during the year up to the date the Group acquired the additional stake in this entity totalled £2.2 million, and has been treated as a property revaluation gain in the summarised income statement in note 12A.

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 consists primarily of interest-bearing loans of £1,363.6 million and is included within other current assets in note 12A. It is anticipated that these loans will be converted into owned property assets in 2016. See page 26 of the Business Review for further details.

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 2015**

See page 142 for notes.

	Brent Cross £m	Cabot Circus £m	Bullring £m	The Orade £m	WestQuay £m
Ownership (%)	41.2/40.6	50	50	50	50
<b>Gross rental income</b>	<b>47.6</b>	<b>37.9</b>	<b>56.6</b>	<b>32.3</b>	<b>30.7</b>
<b>Net rental income</b>	<b>44.1</b>	<b>32.5</b>	<b>49.6</b>	<b>26.1</b>	<b>25.0</b>
Administration expenses	–	–	(0.1)	–	–
<b>Operating profit before other net gains/(losses)</b>	<b>44.1</b>	<b>32.5</b>	<b>49.5</b>	<b>26.1</b>	<b>25.0</b>
Loss on sale of properties	–	–	–	–	–
Revaluation gains/(losses) on properties	(6.1)	43.3	107.2	41.9	20.1
<b>Operating profit</b>	<b>38.0</b>	<b>75.8</b>	<b>156.7</b>	<b>68.0</b>	<b>45.1</b>
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)
<b>Profit before tax</b>	<b>38.0</b>	<b>75.0</b>	<b>156.7</b>	<b>67.9</b>	<b>44.7</b>
Current tax charge	–	–	–	–	–
Deferred tax charge	–	–	–	–	–
<b>Profit for the year</b>	<b>38.0</b>	<b>75.0</b>	<b>156.7</b>	<b>67.9</b>	<b>44.7</b>
<b>Hammerson share of profit for the year</b>	<b>15.6</b>	<b>37.5</b>	<b>78.3</b>	<b>34.0</b>	<b>22.4</b>
<b>Hammerson share of distributions payable</b>	<b>–</b>	<b>19.2</b>	<b>20.3</b>	<b>3.0</b>	<b>0.2</b>

**Share of assets and liabilities of joint ventures as at 31 December 2015**

	Brent Cross £m	Cabot Circus £m	Bullring £m	The Orade £m	WestQuay £m
<b>Non-current assets</b>					
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
<b>Current assets</b>					
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
<b>Current liabilities</b>					
Other payables	(21.7)	(13.3)	(19.7)	(241.4)	(10.7)
Borrowings – secured	–	–	–	–	–
	(21.7)	(13.3)	(19.7)	(241.4)	(10.7)
<b>Non-current liabilities</b>					
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)
<b>Net assets/(liabilities)</b>	<b>972.5</b>	<b>612.4</b>	<b>1,201.4</b>	<b>430.5</b>	<b>(34.8)</b>
<b>Hammerson share of net assets/(liabilities)</b>	<b>395.6</b>	<b>306.2</b>	<b>600.7</b>	<b>215.2</b>	<b>(17.4)</b>
Balance due to Hammerson <sup>1</sup>	–	–	–	115.6	298.4
<b>Total investment in joint ventures<sup>1</sup></b>	<b>395.6</b>	<b>306.2</b>	<b>600.7</b>	<b>330.8</b>	<b>281.0</b>

Silverburn £m	Centrale/Whitgift £m	Irish loan portfolio £m	O'Parinor £m	Other £m	Total 2015 £m
50	50	50	25	n/a	
22.6	23.9	–	17.3	41.6	310.5
20.2	14.9	–	15.0	31.6	259.0
(0.1)	–	(0.1)	(0.1)	(3.8)	(4.2)
20.1	14.9	(0.1)	14.9	27.8	254.8
–	–	–	–	(1.7)	(1.7)
(10.4)	2.0	–	43.6	51.3	292.9
9.7	16.9	(0.1)	58.5	77.4	546.0
–	–	–	4.0	(4.6)	(0.6)
–	–	–	–	4.4	4.4
–	–	9.2	(7.8)	(4.0)	(3.9)
–	–	9.2	(3.8)	(4.2)	(0.1)
9.7	16.9	9.1	54.7	73.2	545.9
–	–	–	0.1	(0.3)	(0.2)
–	–	–	–	(5.4)	(5.4)
9.7	16.9	9.1	54.8	67.5	540.3
4.8	8.4	4.5	13.7	27.6	246.8
–	–	–	–	8.1	50.8

Hammerson share		
Property joint ventures £m	VIA Outlets £m	Total 2015 £m
	47	
129.2	13.7	142.9
108.8	9.8	118.6
(0.3)	(1.7)	(2.0)
108.5	8.1	116.6
–	(0.8)	(0.8)
122.1	10.4	132.5
230.6	17.7	248.3
1.0	(2.2)	(1.2)
–	2.1	2.1
2.1	(1.9)	0.2
3.1	(2.0)	1.1
233.7	15.7	249.4
–	(0.1)	(0.1)
–	(2.5)	(2.5)
233.7	13.1	246.8

Silverburn £m	Centrale/Whitgift £m	Irish loan portfolio £m	O'Parinor £m	Other £m	Total 2015 £m
372.0	291.2	–	385.2	638.5	5,701.7
–	–	–	–	–	–
–	–	–	–	–	18.8
372.0	291.2	–	385.2	638.5	5,720.5
6.2	4.7	1,369.4	8.6	12.0	1,442.1
10.4	13.6	2.9	2.6	21.2	84.3
16.6	18.3	1,372.3	11.2	33.2	1,526.4
(9.2)	(24.9)	(0.1)	(5.2)	(19.5)	(365.7)
–	–	–	(161.0)	–	(161.0)
(9.2)	(24.9)	(0.1)	(166.2)	(19.5)	(526.7)
–	–	–	–	(72.9)	(72.9)
–	–	–	–	–	(18.8)
(194.8)	(223.2)	(1,365.6)	(33.0)	(162.0)	(2,579.3)
–	–	–	–	(13.5)	(13.6)
(194.8)	(223.2)	(1,365.6)	(33.0)	(248.4)	(2,684.6)
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

Hammerson share		
Property joint ventures £m	VIA Outlets £m	Total 2015 £m
2,455.1	148.6	2,603.7
–	3.0	3.0
9.4	–	9.4
2,464.5	151.6	2,616.1
726.8	3.8	730.6
32.4	7.9	40.3
759.2	11.7	770.9
(67.2)	(7.7)	(74.9)
(40.2)	–	(40.2)
(107.4)	(7.7)	(115.1)
–	(34.2)	(34.2)
(9.4)	–	(9.4)
(4.1)	(4.3)	(8.4)
–	(6.3)	(6.3)
(13.5)	(44.8)	(58.3)
3,102.8	110.8	3,213.6

**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 2014**

	Brent Cross £m	Cabot Circus £m	Bullring £m	The Oracle £m	WestQuay £m
Ownership (%)	41.2/40.6	50	50	50	50
<b>Gross rental income</b>	47.5	37.7	56.5	31.4	31.3
<b>Net rental income</b>	43.9	32.0	50.3	26.2	25.2
Administration expenses	–	(0.7)	(0.2)	–	–
<b>Operating profit before other net gains/(losses)</b>	43.9	31.3	50.1	26.2	25.2
Revaluation gains/(losses) on properties	43.6	39.5	125.7	55.3	25.2
<b>Operating profit</b>	87.5	70.8	175.8	81.5	50.4
Change in fair value of derivatives	–	–	–	–	–
Other finance costs	–	(0.8)	–	–	(0.4)
Net finance costs	–	(0.8)	–	–	(0.4)
<b>Profit before tax</b>	87.5	70.0	175.8	81.5	50.0
Current tax charge	–	–	–	–	–
Deferred tax charge	–	–	–	–	–
<b>Profit for the year</b>	87.5	70.0	175.8	81.5	50.0
<b>Hammerson share of profit for the year</b>	36.1	35.0	87.9	40.7	25.0
<b>Hammerson share of distributions payable</b>	–	15.8	23.0	5.9	0.6

**Share of assets and liabilities of joint ventures as at 31 December 2014**

	Brent Cross £m	Cabot Circus £m	Bullring £m	The Oracle £m	WestQuay £m
<b>Non-current assets</b>					
Investment and development properties	967.2	575.6	1,085.0	612.6	532.7
Goodwill	–	–	–	–	–
Interests in leasehold properties	–	14.6	–	–	4.2
Receivables	–	–	–	–	–
	967.2	590.2	1,085.0	612.6	536.9
<b>Current assets</b>					
Other current assets	33.2	5.7	4.2	7.2	4.2
Cash and deposits	4.0	9.6	18.9	5.7	5.0
	37.2	15.3	23.1	12.9	9.2
<b>Current liabilities</b>					
Other payables	(47.6)	(13.3)	(14.9)	(13.5)	(10.4)
<b>Non-current liabilities</b>					
Borrowings – secured	–	–	–	–	–
Obligations under finance leases	–	(14.6)	–	–	(4.2)
Other payables	(2.4)	(0.5)	(1.1)	(231.6)	(597.6)
Deferred tax	–	–	–	–	–
	(2.4)	(15.1)	(1.1)	(231.6)	(601.8)
<b>Net assets/(liabilities)</b>	954.4	577.1	1,092.1	380.4	(66.1)
<b>Hammerson share of net assets/(liabilities)</b>	393.2	288.6	546.0	190.2	(33.0)
Balance due to Hammerson <sup>1</sup>	–	–	–	115.6	298.4
<b>Total investment in joint ventures<sup>1</sup></b>	393.2	288.6	546.0	305.8	265.4

1. 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. The comparative table has been prepared on the same basis.

Silverburn £m	Centrale/Whitgift £m	O'Parinor £m	Other £m	Total 2014 £m	Hammerson share		
					Property joint ventures £m	VIA Outlets £m	Total 2014 £m
50	50	25	n/a			47	
20.8	12.4	19.0	56.0	312.6	137.6	4.4	142.0
18.5	8.3	17.9	39.7	262.0	117.5	2.7	120.2
(0.1)	(0.6)	(0.1)	(3.0)	(4.7)	(0.9)	(0.6)	(1.5)
18.4	7.7	17.8	36.7	257.3	116.6	2.1	118.7
8.4	1.8	3.6	17.4	320.5	165.6	(1.3)	164.3
26.8	9.5	21.4	54.1	577.8	282.2	0.8	283.0
–	–	2.4	–	2.4	0.6	(0.3)	0.3
–	–	(7.9)	(7.2)	(16.3)	(2.7)	(1.1)	(3.8)
–	–	(5.5)	(7.2)	(13.9)	(2.1)	(1.4)	(3.5)
26.8	9.5	15.9	46.9	563.9	280.1	(0.6)	279.5
–	–	–	(1.1)	(1.1)	–	(0.1)	(0.1)
–	–	–	–	–	–	(0.4)	(0.4)
26.8	9.5	15.9	45.8	562.8			
13.4	4.8	4.0	32.1	279.0	280.1	(1.1)	279.0
–	–	–	13.9	59.2			
Silverburn £m	Centrale/Whitgift £m	O'Parinor £m	Other £m	Total 2014 £m	Hammerson share		
					Property joint ventures £m	VIA Outlets £m	Total 2014 £m
379.3	183.0	356.9	638.8	5,331.1	2,279.2	142.9	2,422.1
–	–	–	–	–	–	3.1	3.1
–	–	–	1.2	20.0	9.8	–	9.8
–	–	–	0.1	0.1	–	0.1	0.1
379.3	183.0	356.9	640.1	5,351.2	2,289.0	146.1	2,435.1
6.0	21.9	11.0	7.3	100.7	42.1	1.4	43.5
6.1	9.0	2.9	23.8	85.0	30.8	7.0	37.8
12.1	30.9	13.9	31.1	185.7	72.9	8.4	81.3
(9.5)	(25.8)	(7.7)	(18.1)	(160.8)	(66.5)	(5.1)	(71.6)
–	–	(168.7)	(79.4)	(248.1)	(42.2)	(37.2)	(79.4)
–	–	–	(1.2)	(20.0)	(9.8)	–	(9.8)
(199.8)	(134.0)	(39.8)	(168.7)	(1,375.5)	(6.1)	(4.0)	(10.1)
–	–	–	(11.1)	(11.1)	–	(4.0)	(4.0)
(199.8)	(134.0)	(208.5)	(260.4)	(1,654.7)	(58.1)	(45.2)	(103.3)
182.1	54.1	154.6	392.7	3,721.4			
91.0	27.1	38.6	157.7	1,699.4			
99.9	67.0	7.0	54.2	642.1			
190.9	94.1	45.6	211.9	2,341.5	2,237.3	104.2	2,341.5

**12: INVESTMENT IN JOINT VENTURES (CONTINUED)****B. Reconciliation to adjusted earnings**

	Property joint ventures £m	VIA Outlets £m	Total 2015 £m	Property joint ventures £m	VIA Outlets £m	Total 2014 £m
Profit for the year	233.7	13.1	246.8	280.1	(1.1)	279.0
Loss on sale of properties	–	0.8	0.8	–	–	–
Revaluation (gains)/losses on properties	(122.1)	(10.4)	(132.5)	(165.6)	1.3	(164.3)
Change in fair value of derivatives	(1.0)	2.2	1.2	(0.6)	0.3	(0.3)
Translation movements on intragroup funding loan	–	(2.1)	(2.1)	–	–	–
Deferred tax charge	–	2.5	2.5	–	0.4	0.4
Total adjustments	(123.1)	(7.0)	(130.1)	(166.2)	2.0	(164.2)
<b>Adjusted earnings of joint ventures</b>	<b>110.6</b>	<b>6.1</b>	<b>116.7</b>	<b>113.9</b>	<b>0.9</b>	<b>114.8</b>

**C. Reconciliation to EPRA adjusted investment in joint ventures**

	Property joint ventures £m	VIA Outlets £m	2015 £m	2014 £m
Investment in joint ventures	3,102.8	110.8	3,213.6	2,341.5
Fair value of derivatives	0.9	3.5	4.4	3.1
Deferred tax	–	6.3	6.3	4.0
Goodwill as a result of deferred tax	–	(3.0)	(3.0)	(3.1)
EPRA adjustments	0.9	6.8	7.7	4.0
<b>EPRA adjusted investment in joint ventures</b>	<b>3,103.7</b>	<b>117.6</b>	<b>3,221.3</b>	<b>2,345.5</b>

**D. Reconciliation of movements in investment in joint ventures**

	2015 £m	2014 £m
Balance at 1 January	2,341.5	2,470.8
Acquisitions	690.2	110.8
Joint venture formation costs written off	–	(3.1)
Transfer of investment property on acquisition by Reported Group	(11.0)	(279.1)
Disposals	–	(151.8)
Share of results of joint ventures	246.8	279.0
Distributions and other receivables	(92.0)	(100.4)
Advances	45.4	8.1
Other movements	1.6	17.8
Foreign exchange translation differences	(8.9)	(10.6)
<b>Balance at 31 December</b>	<b>3,213.6</b>	<b>2,341.5</b>

### 13: INVESTMENT IN ASSOCIATES

At 31 December 2015, 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 are included with the Group's Property interests when presenting figures on a proportionally consolidated basis.

#### A: Share of results of associates

	2015						2014	
	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	236.5	72.8	12.4	1.2	248.9	74.0	216.0	67.1
Net rental income	177.8	55.8	11.0	1.0	188.8	56.8	157.3	49.6
Administration and other expenses	(99.3)	(27.4)	(0.1)	–	(99.4)	(27.4)	(73.1)	(20.0)
<b>Operating profit before other net gains</b>	<b>78.5</b>	<b>28.4</b>	<b>10.9</b>	<b>1.0</b>	<b>89.4</b>	<b>29.4</b>	<b>84.2</b>	<b>29.6</b>
Revaluation gains on properties	533.9	163.7	3.0	0.3	536.9	164.0	314.2	111.1
<b>Operating profit</b>	<b>612.4</b>	<b>192.1</b>	<b>13.9</b>	<b>1.3</b>	<b>626.3</b>	<b>193.4</b>	<b>398.4</b>	<b>140.7</b>
Net finance costs	(35.0)	(13.1)	–	–	(35.0)	(13.1)	(39.2)	(14.0)
Change in fair value of derivatives	(34.3)	(7.5)	–	–	(34.3)	(7.5)	(34.8)	(9.9)
Change in fair value of participative loans – revaluation movement	–	12.6	–	–	–	12.6	–	4.6
Change in fair value of participative loans – other movement	–	2.6	–	–	–	2.6	–	2.1
<b>Profit before tax</b>	<b>543.1</b>	<b>186.7</b>	<b>13.9</b>	<b>1.3</b>	<b>557.0</b>	<b>188.0</b>	<b>324.4</b>	<b>123.5</b>
Current tax charge	(10.3)	(2.3)	–	–	(10.3)	(2.3)	(7.4)	(1.7)
Deferred tax charge	(106.3)	(25.1)	–	–	(106.3)	(25.1)	(47.4)	(11.9)
<b>Profit for the year</b>	<b>426.5</b>	<b>159.3</b>	<b>13.9</b>	<b>1.3</b>	<b>440.4</b>	<b>160.6</b>	<b>269.6</b>	<b>109.9</b>

#### B: Reconciliation to adjusted earnings

	2015						2014	
	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	426.5	159.3	13.9	1.3	440.4	160.6	269.6	109.9
Revaluation gains on properties	(533.9)	(163.7)	(3.0)	(0.3)	(536.9)	(164.0)	(314.2)	(111.1)
Change in fair value of derivatives	34.3	7.5	–	–	34.3	7.5	34.8	9.9
Change in fair value of participative loans – revaluation movement	–	(12.6)	–	–	–	(12.6)	–	(4.6)
Loan facility costs written off	3.7	1.5	–	–	3.7	1.5	–	–
Deferred tax charge	106.3	25.1	–	–	106.3	25.1	47.4	11.9
Total adjustments	(389.6)	(142.2)	(3.0)	(0.3)	(392.6)	(142.5)	(232.0)	(93.9)
<b>Adjusted earnings of associates</b>	<b>36.9</b>	<b>17.1</b>	<b>10.9</b>	<b>1.0</b>	<b>47.8</b>	<b>18.1</b>	<b>37.6</b>	<b>16.0</b>

When aggregated, the Group's share of VR's operating profit before other net gains for the year ended 31 December 2015 amounted to 36.2% (2014: 35.2%).

**13: INVESTMENT IN ASSOCIATES (CONTINUED)****C: Share of assets and liabilities of associates**

	<b>2015</b>						<b>2014</b>	
	<b>VR</b>		<b>Nicetoile</b>		<b>Total</b>		<b>Total</b>	
	<b>100% £m</b>	<b>Hammerson share £m</b>	<b>100% £m</b>	<b>Hammerson share £m</b>	<b>100% £m</b>	<b>Hammerson share £m</b>	<b>100% £m</b>	<b>Hammerson share £m</b>
Goodwill on acquisition	–	65.4	–	–	–	65.4	–	65.7
Investment properties	3,333.1	1,095.0	233.0	23.3	3,566.1	1,118.3	2,835.4	884.7
Other non-current assets	134.7	30.3	–	–	134.7	30.3	81.3	18.6
<b>Non-current assets</b>	<b>3,467.8</b>	<b>1,190.7</b>	<b>233.0</b>	<b>23.3</b>	<b>3,700.8</b>	<b>1,214.0</b>	<b>2,916.7</b>	<b>969.0</b>
Other current assets	185.5	12.5	2.0	0.2	187.5	12.7	164.8	30.2
Cash and deposits	182.1	52.4	11.5	1.1	193.6	53.5	103.9	28.4
<b>Current assets</b>	<b>367.6</b>	<b>64.9</b>	<b>13.5</b>	<b>1.3</b>	<b>381.1</b>	<b>66.2</b>	<b>268.7</b>	<b>58.6</b>
<b>Total assets</b>	<b>3,835.4</b>	<b>1,255.6</b>	<b>246.5</b>	<b>24.6</b>	<b>4,081.9</b>	<b>1,280.2</b>	<b>3,185.4</b>	<b>1,027.6</b>
<b>Current liabilities</b>	<b>(131.5)</b>	<b>(52.7)</b>	<b>(1.2)</b>	<b>(0.2)</b>	<b>(132.7)</b>	<b>(52.9)</b>	<b>(214.1)</b>	<b>(52.0)</b>
Borrowings	(1,092.6)	(339.5)	–	–	(1,092.6)	(339.5)	(789.5)	(253.6)
Other liabilities	(398.2)	(92.6)	(2.1)	(0.2)	(400.3)	(92.8)	(359.9)	(83.6)
Deferred tax	(438.8)	(107.3)	–	–	(438.8)	(107.3)	(346.6)	(80.8)
<b>Non-current liabilities</b>	<b>(1,929.6)</b>	<b>(539.4)</b>	<b>(2.1)</b>	<b>(0.2)</b>	<b>(1,931.7)</b>	<b>(539.6)</b>	<b>(1,496.0)</b>	<b>(418.0)</b>
<b>Total liabilities</b>	<b>(2,061.1)</b>	<b>(592.1)</b>	<b>(3.3)</b>	<b>(0.4)</b>	<b>(2,064.4)</b>	<b>(592.5)</b>	<b>(1,710.1)</b>	<b>(470.0)</b>
<b>Net assets</b>	<b>1,774.3</b>	<b>663.5</b>	<b>243.2</b>	<b>24.2</b>	<b>2,017.5</b>	<b>687.7</b>	<b>1,475.3</b>	<b>557.6</b>
<b>Participative loans*</b>		<b>80.3</b>		–		<b>80.3</b>		<b>71.2</b>
<b>Investment in associates</b>		<b>743.8</b>		<b>24.2</b>		<b>768.0</b>		<b>628.8</b>

The analysis in the table above excludes liabilities in respect of distributions received in advance from VR amounting to £19.0 million (2014: £12.6 million) which are included within non-current liabilities in note 22.

At 31 December 2015, Hammerson's investment in VR, excluding goodwill, as a proportion of VR's net assets was 38.2% (2014: 38.2%).

\* 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.

**D: Reconciliation to EPRA adjusted investment in associates**

	<b>VR £m</b>	<b>Nicetoile £m</b>	<b>2015 £m</b>	<b>2014 £m</b>
Investment in associates	743.8	24.2	768.0	628.8
Fair value of derivatives	(0.4)	–	(0.4)	(1.9)
Deferred tax	107.3	–	107.3	80.8
Goodwill as a result of deferred tax	(47.0)	–	(47.0)	(47.0)
EPRA adjustments	59.9	–	59.9	31.9
<b>EPRA adjusted investment in associates</b>	<b>803.7</b>	<b>24.2</b>	<b>827.9</b>	<b>660.7</b>

**E: Reconciliation of movements in investment in associates**

	<b>VR £m</b>	<b>Nicetoile £m</b>	<b>2015 £m</b>	<b>2014 £m</b>
Balance at 1 January	628.8	–	628.8	545.4
Acquisitions	12.4	24.2	36.6	–
Share of results of associates	159.3	1.3	160.6	109.9
Distributions	(44.5)	–	(44.5)	(11.5)
Revaluation movement on participative loan	(1.0)	–	(1.0)	0.6
Foreign exchange translation differences	(11.2)	(1.3)	(12.5)	(15.6)
<b>Balance at 31 December</b>	<b>743.8</b>	<b>24.2</b>	<b>768.0</b>	<b>628.8</b>

**14: RECEIVABLES: NON-CURRENT ASSETS**

	2015 £m	2014 £m
Loans receivable	76.4	63.5
Other receivables	1.9	0.8
Fair value of interest rate swaps	13.8	15.0
	92.1	79.3

All loans are classified as available for sale and held at fair value and are analysed below:

	2015 £m	2014 £m
Value Retail European Holdings BV: €2.0 million (2014: €2.0 million) maturing 30 November 2043	1.4	1.6
VR Dublin Limited and Kildare Retail Services Limited: €22.4 million (2014: €nil) maturing 30 September 2019	16.5	–
Value Retail European Holdings BV: €56.0 million (2014: €56.0 million) maturing 11 September 2019	41.3	43.4
VR Milan S.R.L.: €23.3 million (2014: €23.9 million) maturing 13 December 2017	17.2	18.5
	76.4	63.5

**15: RECEIVABLES: CURRENT ASSETS**

	2015 £m	2014 £m
Trade receivables	46.7	36.4
Other receivables	37.6	41.1
Corporation tax	–	0.1
Prepayments	3.7	3.8
Fair value of currency swaps	30.0	5.1
	118.0	86.5

Trade receivables are shown after deducting a provision for bad and doubtful debts of £11.8 million (2014: £11.6 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.

	Gross receivable £m	Provision £m	2015 Net receivable £m	Gross receivable £m	Provision £m	2014 Net receivable £m
Not yet due	24.8	–	24.8	19.8	–	19.8
1-30 days overdue	7.4	0.1	7.3	10.0	0.3	9.7
31-60 days overdue	2.2	–	2.2	0.2	–	0.2
61-90 days overdue	0.8	–	0.8	0.9	0.2	0.7
91-120 days overdue	2.5	0.2	2.3	3.1	0.5	2.6
More than 120 days overdue	20.8	11.5	9.3	14.0	10.6	3.4
	58.5	11.8	46.7	48.0	11.6	36.4

**16: RESTRICTED MONETARY ASSETS**

	2015 £m	2014 £m
Cash held on behalf of third parties	34.0	11.3

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'. The balance of £11.3 million held at 31 December 2014 had previously been included within trade receivables, and classified as 'Not yet due'. This has been reclassified to restricted monetary assets in the current year.

**17: CASH AND DEPOSITS**

	2015 £m	2014 £m
Cash at bank	36.9	28.5
Short-term deposits	0.1	0.1
	37.0	28.6
<b>Currency profile</b>		
Sterling	14.4	10.1
Euro	22.6	18.5
	37.0	28.6

**18: PAYABLES: CURRENT LIABILITIES**

	2015 £m	2014 £m
Trade payables	23.9	18.3
Other payables	153.8	133.4
Accruals	31.6	27.5
Deferred income	26.2	25.2
	235.5	204.4

**19: BORROWINGS****A: Maturity**

	Bank loans and overdrafts £m	Other borrowings £m	Total 2015 £m	Bank loans and overdrafts £m	Other borrowings £m	Total 2014 £m
After five years	–	1,478.2	1,478.2	–	1,399.0	1,399.0
From two to five years	245.1	614.7	859.8	72.9	384.8	457.7
From one to two years	690.1	–	690.1	164.6	265.8	430.4
Due after more than one year	935.2	2,092.9	3,028.1	237.5	2,049.6	2,287.1
Current assets: Fair value of currency swaps	–	(30.0)	(30.0)	–	(5.1)	(5.1)
	935.2	2,062.9	2,998.1	237.5	2,044.5	2,282.0

At 31 December 2015 and 2014 no borrowings due after five years were repayable by instalments. At 31 December 2015, the fair value of currency swaps was an asset of £42.8 million (2014: £16.1 million) of which £30.0 million (2014: £5.1 million) is due within one year and is included in current receivables (see note 15).

**B: Analysis**

	2015 £m	2014 £m
<b>Unsecured</b>		
£200 million 7.25% sterling bonds due 2028	198.1	198.0
£300 million 6% sterling bonds due 2026	297.6	297.4
£350 million 3.5% sterling bonds due 2025	345.0	–
€500 million 2% euro bonds due 2022	364.6	383.4
£250 million 6.875% sterling bonds due 2020	248.6	248.4
€500 million 2.75% euro bonds due 2019	366.1	384.8
£272 million 5.25% sterling bonds due 2016	–	271.5
Bank loans and overdrafts	935.2	237.5
Senior notes due 2026	22.0	23.2
Senior notes due 2024	135.6	131.1
Senior notes due 2021	128.1	122.8
	3,040.9	2,298.1
Fair value of currency swaps	(42.8)	(16.1)
	2,998.1	2,282.0

Financing activities during the year are detailed in the Financial Review on pages 60 and 61. Senior notes comprise £196.5 million (2014: £185.6 million) denominated in US dollars, £44.2 million (2014: £46.5 million) in euro and £45.0 million (2014: £45.0 million) in sterling.

## C: Undrawn committed facilities

Expiry	2015 £m	2014 £m
Within two to five years	342.0	250.0
Within one to two years	518.5	339.0
	860.5	589.0

## D: Interest rate and currency profile

	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

	Fixed rate borrowings		Floating rate borrowings		2014 Total
	%	Years	£m	£m	£m
Sterling	6.2	12	425.4	74.8	500.2
Euro	3.3	6	1,375.3	413.3	1,788.6
US Dollar	–	–	–	(6.8)	(6.8)
	4.0	7	1,800.7	481.3	2,282.0

The analysis above reflects the effect of currency and interest rate swaps in place at 31 December 2015 and 2014, 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.

## 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 Principal Risks and Uncertainties section of the Strategic Report on page 65. 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 2015, the Group had interest rate swaps of £250.0 million (2014: £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 2015, the fair value of interest rate swaps was an asset of £13.8 million (2014: £15.0 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 (USPP), 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 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.

	Bonds <sup>3</sup> £m	Senior notes (USPP) £m	Bank loans £m	Cross currency swaps £m	Foreign exchange swaps £m	Total 2015 £m
<b>2015</b>						
Euro notional <sup>1</sup> (note 19D)	730.7	44.2	690.5	986.8	116.6	2,568.8
Carrying amount <sup>2</sup>	730.7	44.2	690.5	(43.0)	0.2	1,422.6
	Bonds <sup>3</sup> £m	Senior notes (USPP) £m	Bank loans £m	Cross currency swaps £m	Foreign exchange swaps £m	Total 2014 £m
<b>2014</b>						
Euro notional <sup>1</sup> (note 19D)	768.2	46.5	–	560.5	413.4	1,788.6
Carrying amount <sup>2</sup>	768.2	46.5	–	(11.0)	(5.1)	798.6

## 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 2015 was £767.6 million (2014: £829.8 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 pages 53 to 61.

**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 the Additional Disclosures section on page 168.

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 2015, the Group's maximum exposure to credit risk was £335.8 million (2014: £243.5 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.

	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	(37.0)	–	–	–	(37.0)
Unsecured bonds					
– Sterling fixed rate bonds	–	–	248.6	840.7	1,089.3
– Euro fixed rate bonds	–	–	366.1	364.6	730.7
Senior notes	–	–	–	285.7	285.7
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 currency swaps	(30.0)	–	–	(12.8)	(42.8)
<b>Net debt</b>	<b>(67.0)</b>	<b>690.1</b>	<b>859.8</b>	<b>1,478.2</b>	<b>2,961.1</b>
Loans receivable (note 14)	–	(17.2)	(59.2)	–	(76.4)
	<b>(67.0)</b>	<b>672.9</b>	<b>800.6</b>	<b>1,478.2</b>	<b>2,884.7</b>

	2014 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	(28.6)	–	–	–	(28.6)
Unsecured bonds					
– Sterling fixed rate bonds	–	271.5	–	743.8	1,015.3
– Euro fixed rate bonds	–	–	384.8	383.4	768.2
Senior notes	–	–	–	277.1	277.1
Interest rate swaps (floating)	–	–	–	250.0	250.0
Interest rate swaps (fixed)	–	–	–	(250.0)	(250.0)
Unsecured bank loans and overdrafts	–	164.6	72.9	–	237.5
Fair value of currency swaps	(5.1)	(5.7)	–	(5.3)	(16.1)
<b>Net debt</b>	<b>(33.7)</b>	<b>430.4</b>	<b>457.7</b>	<b>1,399.0</b>	<b>2,253.4</b>
Loans receivable (note 14)	–	(45.0)	(18.5)	–	(63.5)
	<b>(33.7)</b>	<b>385.4</b>	<b>439.2</b>	<b>1,399.0</b>	<b>2,189.9</b>

## H: Sensitivity analysis

In managing interest rate and currency risks the Group aims to reduce the impact of short-term fluctuations on the Group's earnings. Over the longer term, however, permanent changes in foreign exchange and interest rates may have an impact on consolidated earnings. The tables below provide indicative sensitivity data.

	2015		2014	
	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
Effect on profit before tax:				
(Decrease)/Increase	(20.5)	20.9	(17.2)	17.9

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)**

	<b>2015</b>		<b>2014</b>	
	<b>Strengthening of sterling against euro by 10% £m</b>	<b>Weakening of sterling against euro by 10% £m</b>	<b>Strengthening of sterling against euro by 10% £m</b>	<b>Weakening of sterling against euro by 10% £m</b>
Effect on financial instruments:				
Increase/(Decrease) in net gain taken to equity	<b>330.8</b>	<b>(409.3)</b>	166.9	(204.0)

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:

	<b>2015</b>		<b>2014</b>	
	<b>Book value £m</b>	<b>Fair value £m</b>	<b>Book value £m</b>	<b>Fair value £m</b>
Borrowings, excluding currency swaps	<b>3,040.9</b>	<b>3,266.3</b>	2,298.1	2,604.1
Currency swaps	<b>(42.8)</b>	<b>(42.8)</b>	(16.1)	(16.1)
<b>Total</b>	<b>2,998.1</b>	<b>3,223.5</b>	2,282.0	2,588.0
<b>Interest rate swaps</b>	<b>(13.8)</b>	<b>(13.8)</b>	(15.0)	(15.0)

At 31 December 2015, the fair value of financial instruments exceeded their book value by £225.4 million (2014: £306.0 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.

	<b>2015 £m</b>	<b>2014 £m</b>
Available for sale loans and investments		
Balance at 1 January	<b>136.1</b>	141.1
Total gains/(losses)		
– in income	<b>16.5</b>	7.9
– in other comprehensive income	<b>(4.4)</b>	(4.4)
Other movements		
– acquisition of investment	<b>4.8</b>	–
– settlement of interest	<b>(5.3)</b>	(5.8)
– loan issue/(repayment)	<b>15.5</b>	(0.6)
Net movements in participative loans to associates recognised as available for sale	<b>(1.7)</b>	(2.1)
<b>Balance at 31 December</b>	<b>161.5</b>	136.1

**J: Carrying amounts, gains and losses of financial instruments**

	Notes	2015			2014		
		Carrying amount £m	Gain/ (Loss) to income £m	Gain/ (Loss) to equity £m	Carrying amount £m	Gain/ (Loss) to income £m	Gain/ (Loss) to equity £m
Trade receivables	15	46.7	(0.2)	–	36.4	(3.2)	–
Restricted monetary assets	16	34.0	–	–	11.3	–	–
Cash and deposits	17	37.0	0.1	–	28.6	0.5	–
<b>Cash and receivables</b>		<b>117.7</b>	<b>(0.1)</b>	<b>–</b>	<b>76.3</b>	<b>(2.7)</b>	<b>–</b>
Other investments		4.8	(1.4)	–	1.4	–	–
Loans receivable	14	76.4	2.7	–	63.5	1.2	–
Participative loans to associates	13C	80.3	15.2	(4.4)	71.2	6.7	(4.4)
<b>Available for sale loans and investments</b>		<b>161.5</b>	<b>16.5</b>	<b>(4.4)</b>	<b>136.1</b>	<b>7.9</b>	<b>(4.4)</b>
Interest rate swaps	14	13.8	2.0	–	15.0	16.4	–
<b>Assets at fair value (held for trading)</b>		<b>13.8</b>	<b>2.0</b>	<b>–</b>	<b>15.0</b>	<b>16.4</b>	<b>–</b>
Currency swaps	19B	42.8	10.3	54.6	16.1	3.5	55.4
<b>Derivatives in effective hedging relationships</b>		<b>42.8</b>	<b>10.3</b>	<b>54.6</b>	<b>16.1</b>	<b>3.5</b>	<b>55.4</b>
Balances due from joint ventures	12A	1,373.6	–	–	642.1	–	–
<b>Other loans and receivables</b>		<b>1,373.6</b>	<b>–</b>	<b>–</b>	<b>642.1</b>	<b>–</b>	<b>–</b>
Payables	18, 22	(285.0)	–	–	(251.7)	–	–
Borrowings, excluding currency swaps	19B	(3,040.9)	(119.8)	27.3	(2,298.1)	(122.3)	48.4
Obligations under finance leases	21	(32.5)	(1.8)	–	(33.0)	(1.1)	–
<b>Liabilities at amortised cost</b>		<b>(3,358.4)</b>	<b>(121.6)</b>	<b>27.3</b>	<b>(2,582.8)</b>	<b>(123.4)</b>	<b>48.4</b>
<b>Total for financial instruments</b>		<b>(1,649.0)</b>	<b>(92.9)</b>	<b>77.5</b>	<b>(1,697.2)</b>	<b>(98.3)</b>	<b>99.4</b>

The table below reconciles the net gain or loss taken through income to net finance costs:

	Notes	2015 £m	2014 £m
<b>Total loss on financial instruments to income</b>		<b>(92.9)</b>	<b>(98.3)</b>
Add back: Trade receivables loss		0.2	3.2
Interest capitalised	7	5.3	8.8
Investment costs written off	2	1.4	–
Deduct: Change in participative loans to associates shown in share of results of associates		(15.2)	(6.7)
<b>Net finance costs</b>	7	<b>(101.2)</b>	<b>(93.0)</b>

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 gains in relation to currency swaps of £54.6 million (2014: £55.4 million) and borrowings of £27.3 million (2014: £48.4 million) is £81.9 million (2014: £103.8 million) and is shown in the movement in the hedging reserve in the consolidated statement of changes in equity.

**20: FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)****K: Maturity analysis of financial liabilities**

The remaining contractual non-discounted cash flows for financial liabilities are as follows:

	Payables £m	Derivative financial liability cash flows £m	Non-derivative financial liability cash flows £m	Finance leases £m	Total 2015 £m
<b>2015</b>					
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
<b>2014</b>	Payables £m	Derivative financial liability cash flows £m	Non-derivative financial liability cash flows £m	Finance leases £m	Total 2014 £m
Notes			20L	21	
After 25 years	–	–	–	69.7	69.7
From five to 25 years	25.2	(26.3)	1,710.7	37.3	1,746.9
From two to five years	3.3	(7.1)	700.8	5.6	702.6
From one to two years	5.1	(12.6)	534.2	1.9	528.6
Due after more than one year	33.6	(46.0)	2,945.7	114.5	3,047.8
Due within one year	179.1	(8.9)	99.2	1.9	271.3
	212.7	(54.9)	3,044.9	116.4	3,319.1

**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.

	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
<b>2015</b>						
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

2014	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	1,399.0	5.3	1,404.3	11.9	294.5	1,710.7
From two to five years	457.7	–	457.7	5.2	237.9	700.8
From one to two years	430.4	5.7	436.1	1.7	96.4	534.2
Due after more than one year	2,287.1	11.0	2,298.1	18.8	628.8	2,945.7
Due within one year	(5.1)	5.1	–	–	99.2	99.2
	2,282.0	16.1	2,298.1	18.8	728.0	3,044.9

## M: Capital structure

The Group's financing policy is to optimise the weighted average cost of capital by using an appropriate mix of debt and equity, the latter in the form of share capital. Further information on debt is provided in the Financial Review on pages 60 and 61 and information on share capital and changes therein is set out in note 23 below and in the Consolidated Statement of Changes in Equity on page 121.

## 21: OBLIGATIONS UNDER FINANCE LEASES

Finance lease obligations in respect of rents payable on leasehold properties are payable as follows:

	2015			2014		
	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	72.5	(43.3)	29.2	69.7	(40.1)	29.6
From five to 25 years	38.8	(35.9)	2.9	37.3	(34.3)	3.0
From two to five years	5.8	(5.6)	0.2	5.6	(5.4)	0.2
From one to two years	1.9	(1.8)	0.1	1.9	(1.8)	0.1
Within one year	1.9	(1.8)	0.1	1.9	(1.8)	0.1
	120.9	(88.4)	32.5	116.4	(83.4)	33.0

## 22: PAYABLES: NON-CURRENT LIABILITIES

	2015 £m	2014 £m
Net pension liability (note 6C)	37.2	39.0
Other payables	38.5	33.5
	75.7	72.5

## 23: SHARE CAPITAL

	2015 £m	2014 £m
Ordinary shares of 25p each	196.1	196.1

The authorised share capital was removed from the Company's Articles of Association in 2010.

	Number
<b>Movements in number of shares in issue</b>	
Number of shares in issue at 1 January 2015	784,295,248
Share options exercised – Executive Share Option Scheme	14,449
Share options exercised – Savings-Related Share Option Scheme	121,558
<b>Number of shares in issue at 31 December 2015</b>	<b>784,431,255</b>

**23: SHARE CAPITAL (CONTINUED)****Share options**

At 31 December 2015, the Company had four 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.

	Share options				2015	
	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

	Share options				2014	
	Number	Year of expiry	Weighted average exercise price	Exercise price (pence)	Number	Year of grant
Executive Share Option Scheme	102,935	2015-2016	£8.03	583 – 839	–	–
Savings-Related Share Option Scheme	281,320	2015-2019	£3.78	217.2 – 462.4	–	–
Restricted Share Plan	–	–	–	–	723,157	2012-2014
Long-Term Incentive Plan	–	–	–	–	2,657,858	2011-2014

**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	Net debt £m
At 1 January 2015	0.1	28.5	5.1	(2,287.1)	(2,253.4)
Cash flow	–	9.3	(1.5)	(806.1)	(798.3)
Exchange	–	(0.9)	26.4	65.1	90.6
<b>Balance at 31 December 2015</b>	<b>0.1</b>	<b>36.9</b>	<b>30.0</b>	<b>(3,028.1)</b>	<b>(2,961.1)</b>

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

**25: ADJUSTMENT FOR NON-CASH ITEMS IN THE CASH FLOW STATEMENT**

	2015 £m	2014 £m
Amortisation of lease incentives and other costs	5.9	4.7
Increase in accrued rents receivable	(5.0)	(6.3)
Non-cash items included within net rental income	0.9	(1.6)
Depreciation	1.7	1.4
Share-based employee remuneration	4.8	5.1
Exchange and other items	(1.1)	7.3
	<b>6.3</b>	<b>12.2</b>

## 26: THE GROUP AS LESSOR – OPERATING LEASE RECEIPTS

At the balance sheet date, the Group had contracted with tenants for the future minimum lease receipts as shown in the table below. The data is for the period to the first tenant break option. An overview of the Group's leasing arrangements is included in the Additional Disclosures section on pages 166 and 167 and credit risk relating to the trade receivables is discussed in note 20F.

	2015 £m	2014 £m
Within one year	129.5	131.5
From one to two years	123.1	129.6
From two to five years	321.9	315.2
After five years	793.3	861.4
	<b>1,367.8</b>	<b>1,437.7</b>

## 27: CONTINGENT LIABILITIES

There are contingent liabilities of £49.8 million (2014: £31.6 million) relating to guarantees given by the Group and a further £16.0 million (2014: £12.3 million) relating to claims against the Group arising in the normal course of business, which are considered to be unlikely to crystallise.

In addition, Hammerson's share of contingent liabilities arising within Property interests, which is not included in the figures shown above, is £2.1 million (2014: £16.2 million). Principal risks and uncertainties facing the Group are detailed on pages 62 to 67.

## 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.

	2015 £m	2014 £m
Management fees from joint ventures	4.2	4.1
Management fees from associates	0.1	–
Interest receivable from joint ventures	29.3	24.5
Interest receivable from associates	5.3	5.8
Balances due from joint ventures (note 12A)	<b>1,373.6</b>	<b>642.1</b>
Participative loans to associates (note 13C)	<b>80.3</b>	<b>71.2</b>
Loans to associates (note 14)	<b>76.4</b>	<b>63.5</b>

### 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 84 to 101.

	2015 £m	2014 £m
Salaries and short-term benefits	4.1	3.9
Post-employment benefits	0.4	0.1
Share-based payments	3.4	2.8
<b>Total remuneration</b>	<b>7.9</b>	<b>6.8</b>

### C. Non-controlling interests

The Group's non-controlling interest represents a 35.5% interest in Place des Halles, Strasbourg held by Assurbail. During 2015, the property generated gross rental income of £10.5 million (2014: £12.4 million) and the property valuation at 31 December 2015 was £199.0 million (2014: £206.4 million). The non-controlling interests' share of the gross rental income was £3.5 million (2014: £4.4 million) and of the property valuation was £70.6 million (2014: £73.3 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 121 and 122.

# COMPANY BALANCE SHEET

AS AT 31 DECEMBER 2015

	Notes	2015 £m	2014 £m
<b>Non-current assets</b>			
Investments in subsidiary companies and other related undertakings	C	4,141.3	3,576.7
Receivables	D	5,677.7	5,180.2
		9,819.0	8,756.9
<b>Current assets</b>			
Receivables	E	38.6	8.6
Cash and short-term deposits		7.4	1.5
		46.0	10.1
<b>Total assets</b>		<b>9,865.0</b>	<b>8,767.0</b>
<b>Current liabilities</b>			
Payables	F	1,250.6	1,434.8
<b>Non-current liabilities</b>			
Borrowings	G	3,028.1	2,287.1
<b>Total liabilities</b>		<b>4,278.7</b>	<b>3,721.9</b>
<b>Net assets</b>		<b>5,586.3</b>	<b>5,045.1</b>
<b>Equity</b>			
Called up share capital	23	196.1	196.1
Share premium		1,223.3	1,222.9
Merger reserve		374.1	374.2
Other reserves		7.3	7.3
Revaluation reserve		2,545.7	1,981.1
Retained earnings		1,243.7	1,270.3
Investment in own shares		(3.9)	(6.8)
<b>Equity shareholders' funds</b>		<b>5,586.3</b>	<b>5,045.1</b>

These financial statements were approved by the Board of Directors on 12 February 2016.

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 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
<b>Balance at 31 December 2015</b>	<b>196.1</b>	<b>1,223.3</b>	<b>374.1</b>	<b>7.3</b>	<b>2,545.7</b>	<b>1,243.7</b>	<b>(3.9)</b>	<b>5,586.3</b>

\* Investment in own shares is stated at cost.

FOR THE YEAR ENDED 31 DECEMBER 2014

	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 2014	178.2	1,222.4	–	7.3	1,353.0	1,303.9	(4.9)	4,059.9
Issue of shares	17.9	0.5	381.4	–	–	–	–	399.8
Share issue costs	–	–	(7.2)	–	–	–	–	(7.2)
Cost of shares awarded to employees	–	–	–	–	–	–	3.6	3.6
Purchase of own shares	–	–	–	–	–	–	(5.5)	(5.5)
Dividends	–	–	–	–	–	(139.5)	–	(139.5)
Revaluation gains on investments in subsidiary companies and other related undertakings	–	–	–	–	628.1	–	–	628.1
Profit for the year attributable to equity shareholders	–	–	–	–	–	105.9	–	105.9
Total comprehensive income for the year	–	–	–	–	628.1	105.9	–	734.0
<b>Balance at 31 December 2014</b>	<b>196.1</b>	<b>1,222.9</b>	<b>374.2</b>	<b>7.3</b>	<b>1,981.1</b>	<b>1,270.3</b>	<b>(6.8)</b>	<b>5,045.1</b>

\* Investment in own shares is stated at cost.

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 2015

## 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 (FRS101) "Reduced Disclosure Framework" as issued by the Financial Reporting Council. The prior year financial statements were prepared in accordance with UK GAAP and have been restated for material adjustments on adoption of FRS101 in the current year. The last financial statements under a previous GAAP (UK GAAP) were for the year ended 31 December 2014 and the date of transition to FRS101 was therefore 1 January 2014.

There has been no movement in total equity due to the change in accounting framework from UK GAAP to FRS101. Movements in equity are detailed within the statement of changes in equity on page 159. Previously under UK GAAP the Company's derivatives were held at fair value and the investments in subsidiary companies and other related undertakings at valuation. Consequently there has been no effect on the balance sheet as a result of the change in accounting framework.

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 FRS101. 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: PROFIT FOR THE YEAR AND DIVIDEND

As permitted by section 408 of the Companies Act 2006, the income statement of the Company is not presented as part of these financial statements. The profit for the year attributable to equity shareholders dealt with in the financial statements of the Company was £138.6 million (2014: £105.9 million).

Dividend information is provided in note 9 to the consolidated accounts.

**C: INVESTMENTS IN SUBSIDIARY COMPANIES AND OTHER RELATED UNDERTAKINGS**

	2015		2014	
	Cost less provision for permanent diminution in value £m	Valuation £m	Cost less provision for permanent diminution in value £m	Valuation £m
Balance at 1 January	1,561.7	3,576.7	1,561.7	2,948.6
Revaluation adjustment	–	564.6	–	628.1
<b>Balance at 31 December</b>	<b>1,561.7</b>	<b>4,141.3</b>	<b>1,561.7</b>	<b>3,576.7</b>

Investments are stated at Directors' valuation. A list of the subsidiary companies and other related undertakings at 31 December 2015 is included in note H.

**D: RECEIVABLES: NON-CURRENT ASSETS**

	2015 £m	2014 £m
Amounts owed by subsidiaries and other related undertakings	5,604.0	5,101.7
Loans receivable	59.9	63.5
Fair value of interest rate swaps	13.8	15.0
	<b>5,677.7</b>	<b>5,180.2</b>

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 2016.

**E: RECEIVABLES: CURRENT ASSETS**

	2015 £m	2014 £m
Other receivables	8.6	3.5
Fair value of currency swaps	30.0	5.1
	<b>38.6</b>	<b>8.6</b>

**F: PAYABLES**

	2015 £m	2014 £m
Amounts owed to subsidiaries and other related undertakings	1,191.6	1,377.9
Other payables and accruals	59.0	56.9
	<b>1,250.6</b>	<b>1,434.8</b>

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	2015 Total £m	2014 Total £m
After five years	–	1,478.2	1,478.2	1,399.0
From two to five years	245.1	614.7	859.8	457.7
From one to two years	690.1	–	690.1	430.4
Due after more than one year	935.2	2,092.9	3,028.1	2,287.1
Current assets: Fair value of currency swaps (note E)	–	(30.0)	(30.0)	(5.1)
	<b>935.2</b>	<b>2,062.9</b>	<b>2,998.1</b>	<b>2,282.0</b>

Details of the Group's borrowings and financial instruments are given in notes 19 and 20 to the consolidated accounts. The Company's borrowings are unsecured and comprise sterling and euro-denominated bonds, bank loans and overdrafts. 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 2015 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 & Wales	France
Grantchester Holdings Limited	Hammerson Holding France SAS
Hammerson Company Secretarial Limited	Hammerson SAS
Hammerson Employee Share Plan Trustees Limited	
Hammerson Group Limited	
Hammerson Group Management Limited	
Hammerson International Holdings Limited	
Hammerson Pension Scheme Trustees Limited	
Hammerson Share Option Scheme Trustees Limited	

### 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 & Wales	
280 Bishopsgate Investments Limited	Hammerson (Cramlington I) Limited
Abbey Retail Park Limited (Northern Ireland)	Hammerson (Cricklewood) Limited
Christchurch UK Limited	Hammerson (Croydon) Limited
Cricklewood Regeneration Limited	Hammerson (Didcot) Limited
Crocusford Limited	Hammerson (Didcot II) Limited
Governeffect Limited	Hammerson (Euston Square) Limited
Grand Central (GP) Limited	Hammerson (Folkestone) Limited
Grand Central Limited Partnership	Hammerson (Grosvenor Street) Limited
Grand Central No. 1 Limited	Hammerson (Kingston) Limited
Grand Central No. 2 Limited	Hammerson (Kirkcaldy) Limited
Grantchester Developments (Birmingham) Limited	Hammerson (Leeds Developments) Limited
Grantchester Developments (Falkirk) Limited	Hammerson (Leeds GP) Limited
Grantchester Group Limited	Hammerson (Leeds Investments) Limited
Grantchester Investments Limited	Hammerson (Leeds) Limited
Grantchester Limited	Hammerson (Leicester) Limited
Grantchester Properties (Gloucester) Limited	Hammerson (Leicester GP) Limited
Grantchester Properties (Luton) Limited	Hammerson (Lichfield) Limited
Grantchester Properties (Middlesbrough) Limited	Hammerson (Merthyr) Limited
Grantchester Properties (Nottingham) Limited	Hammerson (Milton Keynes) Limited
Grantchester Properties (Port Talbot) Limited	Hammerson (Moor House) Properties Limited
Grantchester Properties (Sunderland) Limited	Hammerson (Newcastle) Limited
Grantchester Property Management Limited	Hammerson (Newtownabbey) Limited
Hammerson (60 Threadneedle Street) Limited	Hammerson (Oldbury) Limited
Hammerson (9-13 Grosvenor Street) Limited	Hammerson (Paddington) Limited
Hammerson (Abbey) Limited	Hammerson (Parc Tawe I) Limited
Hammerson (Bicester No. 2) Limited	Hammerson (Renfrew) Limited
Hammerson (Brent Cross) Limited	Hammerson (Rugby) Limited
Hammerson (Brent South) Limited	Hammerson (Silverburn) Limited (Isle of Man)
Hammerson (Bristol Investments) Limited	Hammerson (Staines) Limited
Hammerson (Bristol) Limited	Hammerson (Telford) Limited
Hammerson (Cardiff) Limited	Hammerson (Thanet) Limited
Hammerson (Centurion) Limited	Hammerson (Value Retail Investments) Limited
Hammerson (Coventry) Limited	Hammerson (Victoria Gate) Limited

## Indirect subsidiaries and other wholly-owned entities (continued)

## England &amp; Wales (continued)

Hammerson (Victoria Investments) Limited	Leeds (GP2) Limited
Hammerson (Victoria Quarter) Limited	London & Metropolitan Northern
Hammerson (Watermark) Limited	LWP Limited Partnership <sup>1</sup>
Hammerson (Whitgift) Limited	Martineau Galleries (GP) Limited
Hammerson Birmingham Properties Limited	Martineau Galleries No. 1 Limited
Hammerson Bull Ring Limited	Martineau Galleries No. 2 Limited
Hammerson Company Secretarial Limited	Mentboost Limited
Hammerson Croydon (GP1) Limited	Monesan Limited
Hammerson Croydon (GP2) Limited	New Southgate Limited
Hammerson HSF Shelf Co Limited	Precis (1474) Limited (Ordinary & Deferred)
Hammerson Investments (No. 12) Limited	RT Group Developments Limited
Hammerson Investments (No. 13) Limited	RT Group Property Investments Limited
Hammerson Investments (No. 16) Limited	SEVCO 5025 Limited
Hammerson Investments (No. 23) Limited	Spitalfields Developments Limited
Hammerson Investments (No. 26) Limited	Spitalfields Holdings Limited (Ordinary & Preference)
Hammerson Investments (No. 35) Limited	The Hammerson ICAV (Ireland)
Hammerson Investments (No. 36) Limited	The Highcross Limited Partnership <sup>1</sup>
Hammerson Investments (No. 37) Limited	The Junction (General Partner) Limited
Hammerson Investments Limited	The Junction (Thurrock Shareholder GP) Limited
Hammerson Junction (No 3) Limited	The Junction Limited Partnership <sup>1</sup>
Hammerson Junction (No 4) Limited	The Junction Thurrock (General Partner) Limited
Hammerson LLC (United States) <sup>2</sup>	The Junction Thurrock Limited Partnership <sup>1</sup>
Hammerson Martineau Galleries Limited	The Martineau Galleries Limited Partnership <sup>1</sup>
Hammerson MGLP Limited	Thurrock Shares 1 Limited
Hammerson MGLP 2 Limited	Thurrock Shares 2 Limited
Hammerson MLP Limited	Union Square Developments Limited (Scotland)
Hammerson Moor House (LP) Limited	West Quay Shopping Centre Limited
Hammerson Operations Limited	Westchester Holdings Limited
Hammerson Oracle Investments Limited	Westchester Property Holdings Limited
Hammerson Oracle Properties Limited	Westchester Properties (Thanet) 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 5 Limited	
Hammerson UK Properties plc	
Hammerson Wrekin LLP <sup>1</sup>	
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	

## France

BFN10 GmbH (Germany)
Cergy Expansion 1 SAS
Espace Plus SCI
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)
Hammerson Fontaine SCI
Hammerson France SAS

1. No shares in issue for Unit Trusts or Limited Partnerships.

2. Country of operation is the United Kingdom.

## H: SUBSIDIARIES AND OTHER RELATED UNDERTAKINGS (CONTINUED)

### Indirect subsidiaries and other wholly-owned entities (continued)

#### France (continued)

Hammerson Mantes SCI	SCI Cergy Lynx SCI
Hammerson Marignan SAS	SCI Cergy Office 1 SCI
Hammerson Marketing et Communication SAS	SCI Cergy Office 2 SCI
Hammerson Marseille SC	SCI Cergy Office 3 SCI
Hammerson Nancy SCI	SCI Cergy Office 4 SCI
Hammerson Property Management SAS	SCI Cergy Office 5 SCI
Hammerson Saint-Sébastien SAS	SCI Cergy Office 6 SCI
Hammerson Troyes SCI	SCI Cergy Opéra SCI
Hammerson Villebon 1 SARL	SCI Cergy Madeleine SCI
Hammerson Villebon 2 SNC	SCI Cergy Paix SCI
Les Pressing Réunis SARL	SCI Cergy Royale SCI
RC Aulnay 3 SCI	SCI Cergy Vendôme SCI
Retail Park Nice Lingostière SAS	SCI Hammerson Thiebaut SCI
SCI Cergy Capucine SCI	SCI Nevis SC
SCI Cergy Expansion 2 SCI	Société de gestion des parkings Hammerson (SOGEPH) SARL
SCI Cergy Honoré SCI	Teycpac-H-Italie SAS

#### Jersey

Hammerson 60 TNS Unit Trust <sup>1</sup>	Hammerson VRC (Jersey) Limited
Hammerson Birmingham Investments Limited	Hammerson Whitgift Investments Limited
Hammerson Bull Ring (Jersey) Limited	Highcross (No.1) Limited
Hammerson Croydon Investments Limited	Highcross (No.2) Limited
Hammerson Highcross Investments Limited	Highcross Leicester Limited
Hammerson Junction (No 1) Limited	Junction Thurrock Unit Trust <sup>1</sup>
Hammerson Junction (No 2) Limited	Rhone (Jersey) Limited
Hammerson Leeds Unit Trust <sup>1</sup>	Telford Forge Retail Park Unit Trust <sup>1</sup>
Hammerson Victoria Gate Unit Trust <sup>1</sup>	The Junction Unit Trust <sup>1</sup>
Hammerson Victoria Quarter Unit Trust <sup>1</sup>	The Hammerson Grand Central Unit Trust <sup>1</sup>
Hammerson VIA (Jersey) Limited	

1. No shares in issue for Unit Trusts.

### Indirectly held joint venture entities

	Country of registration or operation	Class of share held	Ownership %
Bishopsgate Goodsynd Regeneration Limited	England & Wales	Ordinary	50
Bristol Alliance (GP) Limited	England & Wales	Ordinary	50
Bristol Alliance Limited Partnership	England & Wales	N/A	50
Bristol Alliance Nominee No.1 Limited	England & Wales	Ordinary	50
Bristol Alliance Nominee No.2 Limited	England & Wales	Ordinary	50
BRLP Rotunda Limited	England & Wales	Ordinary	50
Bull Ring (GP) Limited	England & Wales	Ordinary	50
Bull Ring (GP2) Limited	England & Wales	Ordinary	50
Bull Ring Limited Partnership	England & Wales	N/A	50
Bull Ring No.1 Limited	England & Wales	Ordinary	50
Bull Ring No.2 Limited	England & Wales	Ordinary	50
Croydon (GP1) Limited	England & Wales	Ordinary	50
Croydon (GP2) Limited	England & Wales	Ordinary	50
Croydon Car Park Limited	England & Wales	Ordinary	50
Croydon Limited Partnership	England & Wales	N/A	50
Croydon Management Services Limited	England & Wales	Ordinary	50

## Indirectly held joint venture entities (continued)

	Country of registration or operation	Class of share held	Ownership %
Croydon Property Investments Limited	England & Wales	Ordinary	50
Martineau (GP) Limited	England & Wales	Ordinary	33
Moor House General Partner Limited	England & Wales	Ordinary	67
Oracle Nominees (No. 1) Limited	England & Wales	Ordinary	50
Oracle Nominees (No. 2) Limited	England & Wales	Ordinary	50
Oracle Nominees Limited	England & Wales	Ordinary	50
Oracle Shopping Centre Limited	England & Wales	Ordinary	50
Reading Residential Properties Limited	England & Wales	Ordinary	50
The Moor House Limited Partnership	England & Wales	N/A	67
The Oracle Limited Partnership	England & Wales	N/A	50
West Quay Limited Partnership	England & Wales	N/A	50
West Quay (No.1) Limited	England & Wales	Ordinary	50
West Quay (No.2) Limited	England & Wales	Ordinary	50
Whitgift Limited Partnership	England & Wales	N/A	50
RC Aulnay 1 SCI	France	Ordinary	25
RC Aulnay 2 SCI	France	Ordinary	25
SAS Angel Shopping Centre SAS	France	Ordinary	10
SCI ESQ SCI	France	Ordinary	25
Société Civile de Développement du Centre Commercial de la Place des Halles SDPH SC	France	Ordinary	65
Retail Property Holdings (SE) Limited	Guernsey	Ordinary	50
Jewel Limited Partnership	Ireland	N/A	50
Maple Box Designated Activity Company	Ireland	Ordinary	50
Triskelion Property Holding Designated Activity Company	Ireland	Ordinary	50
Retail Property Holdings Limited	Isle of Man	Ordinary	50
Bull Ring Joint Venture Trust	Jersey	N/A	50
Croydon Jersey Unit Trust	Jersey	N/A	50
VIA Limited Partnership	Jersey	N/A	47
Whitgift Manager Limited	Jersey	Ordinary	50

## Indirectly held associate entities

	Country of registration or operation	Class of share held	Ownership %
VR Maasmechelen Tourist Outlets Comm. VA	Belgium	B-shares	25
Bicester Investors Limited Partnership	Bermuda	N/A	22
Bicester Investors II Limited Partnership	Bermuda	N/A	22
Value Retail Investors Limited Partnership	Bermuda	N/A	71
Value Retail Investors II Limited Partnership	Bermuda	N/A	80
VR Franconia GmbH	Germany	Ordinary	15
Master Holding BV	Netherlands	Ordinary	12
VR Ireland BV	Netherlands	Ordinary	11
Value Retail PLC	UK	Ordinary	22
US Paris LLC	USA	N/A	42

## ADDITIONAL DISCLOSURES

UNAUDITED

### PRESENTATION OF INFORMATION

As explained in the Financial Review on page 53 and consistent with the presentation in the Business Review, management reviews the performance of the business on a proportionally consolidated basis, including the Group's share of Property interests, but excluding the Group's interest in premium outlets held through investments in Value Retail and VIA Outlets. This is because the Group has less day-to-day involvement in the operational activities and the premium outlets sector has different operational characteristics compared with the Group's other property sectors. The information in the following tables has been prepared on this basis and further details of the definitions for information contained within this section can be found in the Glossary on pages 181 and 182.

### PORTFOLIO ANALYSIS

#### Rental information

Table 100

#### Rental data for the year ended 31 December 2015

Proportionally consolidated excluding premium outlets	Gross rental income £m	Net rental income £m	Vacancy rate %	Average rents passing <sup>A</sup> £/m <sup>2</sup>	Rents passing £m	Estimated rental value <sup>B</sup> £m	Reversion/ (over-rented) %
<b>United Kingdom</b>							
Shopping centres	162.0	138.8	1.7	535	159.3	166.2	2.7
Retail parks	86.2	82.0	1.6	195	89.4	90.9	0.2
Other	13.8	9.6	9.0	190	12.4	13.6	(0.1)
<b>Total</b>	<b>262.0</b>	<b>230.4</b>	<b>2.0</b>	<b>345</b>	<b>261.1</b>	<b>270.7</b>	<b>1.7</b>
<b>France</b>	<b>95.9</b>	<b>83.0</b>	<b>3.1</b>	<b>355</b>	<b>88.8</b>	<b>101.0</b>	<b>9.8</b>
<b>Total investment portfolio</b>	<b>357.9</b>	<b>313.4</b>	<b>2.3</b>	<b>345</b>	<b>349.9</b>	<b>371.7</b>	<b>3.8</b>
Developments	8.5	5.2					
<b>Total property portfolio (note)</b>	<b>366.4</b>	<b>318.6</b>					

Selected data for the year ended 31 December 2014

<b>Group</b>							
UK	250.1	222.2	2.1	335	253.4	261.6	1.2
France	91.8	82.4	3.4	360	93.5	107.0	10.0
<b>Total investment portfolio</b>	<b>341.9</b>	<b>304.6</b>	<b>2.5</b>	<b>340</b>	<b>346.9</b>	<b>368.6</b>	<b>3.6</b>
Developments	2.2	1.0					
<b>Total property portfolio</b>	<b>344.1</b>	<b>305.6</b>					

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 101

#### Rent reviews as at 31 December 2015

Proportionally consolidated excluding premium outlets	Rents passing subject to review in <sup>A</sup>					Current ERV of leases subject to review in <sup>B</sup>				
	Outstanding £m	2016 £m	2017 £m	2018 £m	Total £m	Outstanding £m	2016 £m	2017 £m	2018 £m	Total £m
<b>United Kingdom</b>										
Shopping centres	26.8	9.5	12.5	19.2	68.0	30.8	10.2	13.4	20.8	75.2
Retail parks	37.2	14.5	9.2	8.8	69.7	38.4	14.8	9.4	9.2	71.8
Other	4.9	0.9	0.8	0.5	7.1	5.2	0.9	0.9	0.5	7.5
<b>Total</b>	<b>68.9</b>	<b>24.9</b>	<b>22.5</b>	<b>28.5</b>	<b>144.8</b>	<b>74.4</b>	<b>25.9</b>	<b>23.7</b>	<b>30.5</b>	<b>154.5</b>

Notes

A. The amount of rental income, based on rents passing at 31 December 2015, 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 2015 and ignoring the impact of changes in rental values before the review date.

## Lease expiries and breaks

Table 102

### Lease expiries and breaks as at 31 December 2015

Proportionally consolidated excluding premium outlets	Rents passing that expire/break in <sup>a</sup>				ERV of leases that expire/break in <sup>b</sup>				Weighted average unexpired lease term	
	2016 £m	2017 £m	2018 £m	Total £m	2016 £m	2017 £m	2018 £m	Total £m	to break years	to expiry years
<b>United Kingdom</b>										
Shopping centres	21.5	9.3	24.3	55.1	26.2	9.5	22.9	58.6	6.2	8.1
Retail parks	7.8	2.1	3.3	13.2	9.0	2.3	3.3	14.6	8.7	9.7
Other	2.4	1.0	1.9	5.3	3.0	1.1	1.4	5.5	9.3	10.4
<b>Total</b>	<b>31.7</b>	<b>12.4</b>	<b>29.5</b>	<b>73.6</b>	<b>38.2</b>	<b>12.9</b>	<b>27.6</b>	<b>78.7</b>	<b>7.3</b>	<b>8.8</b>
<b>France</b>	<b>13.5</b>	<b>4.6</b>	<b>3.6</b>	<b>21.7</b>	<b>15.2</b>	<b>4.9</b>	<b>4.1</b>	<b>24.2</b>	<b>2.7</b>	<b>5.8</b>
<b>Total investment portfolio</b>	<b>45.2</b>	<b>17.0</b>	<b>33.1</b>	<b>95.3</b>	<b>53.4</b>	<b>17.8</b>	<b>31.7</b>	<b>102.9</b>	<b>6.0</b>	<b>8.0</b>

#### Notes

- A. The amount of rental income, based on rents passing at 31 December 2015, for leases which expire or, for the UK only, are subject to tenant break options, which fall due in each year.
- B. The ERV at 31 December 2015 for leases that expire or, for the UK 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 103

### Net rental income for the year ended 31 December 2015

Proportionally consolidated excluding premium outlets	Properties owned throughout 2014/15 £m	Increase for properties owned throughout 2014/15 %	Acquisitions £m	Disposals £m	Developments and other £m	Total net rental income £m
<b>United Kingdom</b>						
Shopping centres	130.7	2.1	7.7	0.4	(0.1)	138.7
Retail parks	78.9	2.6	–	1.2	1.9	82.0
Other	5.1	0.6	0.6	0.8	8.5	15.0
<b>Total</b>	<b>214.7</b>	<b>2.2</b>	<b>8.3</b>	<b>2.4</b>	<b>10.3</b>	<b>235.7</b>
<b>France</b>	<b>51.7</b>	<b>2.5</b>	<b>8.4</b>	<b>3.1</b>	<b>19.7</b>	<b>82.9</b>
<b>Total property portfolio</b>	<b>266.4</b>	<b>2.3</b>	<b>16.7</b>	<b>5.5</b>	<b>30.0</b>	<b>318.6</b>

Table 104

### Net rental income for the year ended 31 December 2014

Proportionally consolidated excluding premium outlets	Properties owned throughout 2014/15 £m	Exchange £m	Acquisitions £m	Disposals £m	Developments and other £m	Total net rental income £m
<b>United Kingdom</b>						
Shopping centres	128.0	–	(0.6)	(0.1)	0.7	128.0
Retail parks	76.9	–	–	3.9	2.1	82.9
Other	5.1	–	–	1.8	5.5	12.4
<b>Total</b>	<b>210.0</b>	<b>–</b>	<b>(0.6)</b>	<b>5.6</b>	<b>8.3</b>	<b>223.3</b>
<b>France</b>	<b>50.4</b>	<b>8.2</b>	<b>7.0</b>	<b>4.7</b>	<b>12.0</b>	<b>82.3</b>
<b>Total property portfolio</b>	<b>260.4</b>	<b>8.2</b>	<b>6.4</b>	<b>10.3</b>	<b>20.3</b>	<b>305.6</b>

## Additional disclosures continued

UNAUDITED

### Top Ten Tenants

Table 105

Ranked by passing rent at 31 December 2015

Proportionally consolidated excluding premium outlets	Passing rent £m	% of total passing rent
B&Q	12.1	3.5
Next	7.8	2.2
Inditex	6.7	1.9
H&M	6.6	1.9
Dixons Carphone	6.5	1.9
Arcadia	6.0	1.7
Boots	5.2	1.5
Debenhams	5.1	1.5
Home Retail Group	4.9	1.4
New Look	4.7	1.3
<b>Total</b>	<b>65.6</b>	<b>18.8</b>

### EPRA Cost ratio

Table 106

Cost ratio analysis

Proportionally consolidated excluding premium outlets	Year ended 31 December 2015 £m	Restated* Year ended 31 December 2014 £m
Net service charge expenses – non-vacancy	3.8	3.0
Net service charge expenses – vacancy	9.5	7.4
<b>Net service charge expenses – total</b>	<b>13.3</b>	<b>10.4</b>
Other property outgoings	30.8	26.2
Less inclusive lease costs recovered through rent	(3.4)	(2.6)
<b>Total property costs (for cost ratio)</b>	<b>40.7</b>	<b>34.0</b>
Employee and corporate costs	48.3	52.1
Management fees receivable	(6.0)	(5.6)
Net one-off restructuring cost	–	(3.0)
<b>Total operating costs (for cost ratio)</b>	<b>83.0</b>	<b>77.5</b>
Gross rental income	366.4	344.1
Ground and equity rents payable	(3.7)	(1.9)
Less inclusive lease costs recovered through rent	(3.4)	(2.6)
<b>Gross rental income (for cost ratio)</b>	<b>359.3</b>	<b>339.6</b>
EPRA cost ratio including net service charge expenses – vacancy (%)	23.1	22.8
EPRA cost ratio excluding net service charge expenses – vacancy (%)	20.5	20.6

\* The calculation methodology has been amended to adjust for inclusive lease costs recovered through rent. This amendment is in line with EPRA best practice.

Staff costs amounting to £1.9 million (2014: £1.5 million) have been capitalised as development costs and are excluded from table 106. Our business model for developments is to use a combination of in-house staff and external advisers. The cost of external advisers is capitalised to the cost of developments. The cost of staff working on developments is generally expensed, but 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 107

### Valuation analysis at 31 December 2015

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 <sup>A</sup> %
<b>United Kingdom</b>							
Shopping centres	3,064.9	194.9	6.8	11.9	4.6	5.2	5.0
Retail parks	1,656.0	19.0	1.3	6.5	4.9	5.6	5.4
Other	160.3	1.4	1.7	7.4	6.4	7.6	7.3
<b>Total</b>	<b>4,881.2</b>	<b>215.3</b>	<b>4.7</b>	<b>9.9</b>	<b>4.8</b>	<b>5.4</b>	<b>5.2</b>
<b>France</b>	<b>1,860.5</b>	<b>116.6</b>	<b>7.1</b>	<b>12.0</b>	<b>4.1</b>	<b>4.7</b>	<b>4.6</b>
<b>Total investment portfolio</b>	<b>6,741.7</b>	<b>331.9</b>	<b>5.4</b>	<b>10.5</b>	<b>4.6</b>	<b>5.2</b>	<b>5.1</b>
Developments	388.8	35.6	12.3	14.1			
<b>Total property portfolio</b>	<b>7,130.5</b>	<b>367.5</b>	<b>5.7</b>	<b>10.7</b>			
Premium outlets <sup>B</sup>	1,243.6	174.1	16.4	23.7			
<b>Total Group</b>	<b>8,374.1</b>	<b>541.6</b>	<b>7.1</b>	<b>12.4</b>			

Selected data for the year ended 31 December 2014

<b>Group</b>							
UK	4,700.7	377.4	9.0	14.7	4.8	5.6	5.4
France	1,797.7	41.1	2.4	7.7	4.6	5.3	5.1
<b>Total investment portfolio</b>	<b>6,498.4</b>	<b>418.5</b>	<b>7.4</b>	<b>13.1</b>	<b>4.7</b>	<b>5.5</b>	<b>5.3</b>
Developments	208.1	18.3	9.1	9.8			
<b>Total property portfolio</b>	<b>6,706.5</b>	<b>436.8</b>	<b>7.4</b>	<b>12.7</b>			
Premium outlets <sup>B</sup>	1,027.6	109.8	12.8	19.9			
<b>Total Group</b>	<b>7,734.1</b>	<b>546.6</b>	<b>8.0</b>	<b>13.6</b>			

#### 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 108

### Investment portfolio as at 31 December 2015

Proportionally consolidated excluding premium outlets	Income £m	Gross value £m	Net book value £m
Portfolio value (net of cost to complete)		7,104	7,104
Purchasers' costs <sup>A</sup>			(362)
Net investment portfolio valuation on a proportionally consolidated basis			6,742
<b>Income and yields</b>			
Rent for valuers' initial yield (equivalent to EPRA Net Initial Yield)	325.5	4.6%	4.8%
Rent-free periods (including pre-lets) <sup>B</sup>	10.8	0.1%	0.2%
Rent for 'topped-up' initial yield <sup>C</sup>	336.3	4.7%	5.0%
Non-recoverable costs (net of outstanding rent reviews)	13.6	0.2%	0.2%
Passing rents	349.9	4.9%	5.2%
ERV of vacant space	8.2	0.1%	0.1%
Reversions	13.6	0.2%	0.2%
Total ERV/Reversionary yield	371.7	5.2%	5.5%
True equivalent yield		5.2%	
Nominal equivalent yield		5.1%	

#### Notes

- A. Purchasers' costs equate to 5.4% of the net portfolio value.  
 B. The weighted average remaining rent-free period is 0.4 years.  
 C. The yield of 4.7% based on passing rents and gross portfolio value is equivalent to EPRA's 'topped-up' Net Initial Yield.

**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 a joint venture. Tables 109 and 110 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 page 145 and for VIA Outlets in note 12 to the accounts on page 139.

**Income statement**

Table 109

**Aggregated premium outlets income summary**

	2015			2014		
	Value Retail £m	VIA Outlets £m	Total £m	Value Retail £m	VIA Outlets £m	Total £m
Share of results	159.3	13.1	172.4	109.9	(1.1)	108.8
Less EPRA adjustments:						
Revaluation (gains)/losses on properties	(163.7)	(10.4)	(174.1)	(111.1)	1.3	(109.8)
Change in fair value of derivatives	7.5	2.2	9.7	9.9	0.3	10.2
Deferred tax	25.1	2.5	27.6	11.9	0.4	12.3
Other adjustments	(11.1)	(1.3)	(12.4)	(4.6)	–	(4.6)
EPRA adjustments	(142.2)	(7.0)	(149.2)	(93.9)	2.0	(91.9)
<b>Adjusted earnings of premium outlets</b>	<b>17.1</b>	<b>6.1</b>	<b>23.2</b>	<b>16.0</b>	<b>0.9</b>	<b>16.9</b>
Interest receivable from Value Retail loans*	5.3	–	5.3	5.8	–	5.8
<b>Total contribution to adjusted profit</b>	<b>22.4</b>	<b>6.1</b>	<b>28.5</b>	<b>21.8</b>	<b>0.9</b>	<b>22.7</b>

**Balance sheet**

Table 110

**Aggregated premium outlets investment summary**

	2015			2014		
	Value Retail £m	VIA Outlets £m	Total £m	Value Retail £m	VIA Outlets £m	Total £m
Investment properties	1,095.0	148.6	1,243.6	884.7	142.9	1,027.6
Net debt	(335.3)	(27.1)	(362.4)	(274.9)	(31.2)	(306.1)
Other net (liabilities)/assets	(15.9)	(10.7)	(26.6)	19.0	(7.5)	11.5
Share of net assets	743.8	110.8	854.6	628.8	104.2	733.0
Less EPRA adjustments:						
Fair value of derivatives	(0.4)	3.5	3.1	(1.9)	3.1	1.2
Deferred tax	107.3	6.3	113.6	80.8	4.0	84.8
Goodwill as a result of deferred tax	(47.0)	(3.0)	(50.0)	(47.0)	(3.1)	(50.1)
EPRA adjustments	59.9	6.8	66.7	31.9	4.0	35.9
<b>EPRA adjusted investment</b>	<b>803.7</b>	<b>117.6</b>	<b>921.3</b>	<b>660.7</b>	<b>108.2</b>	<b>768.9</b>
Investment in VR China – within other investments	4.8	–	4.8	–	–	–
Loans to Value Retail*	76.4	–	76.4	63.5	–	63.5
<b>Total impact of balance sheet – EPRA basis</b>	<b>884.9</b>	<b>117.6</b>	<b>1,002.5</b>	<b>724.2</b>	<b>108.2</b>	<b>832.4</b>

\* At 31 December 2015 the Group had provided loans of £76.4 million (2014: £63.5 million) to Value Retail for which the Group received interest of £5.3 million in 2015 (2014: £5.8 million) which is included within finance income in note 7 to the accounts on page 134.

## PROPORTIONALLY CONSOLIDATED INFORMATION

Note 2 to the accounts on page 128 shows the proportionally consolidated income statement. The proportionally consolidated balance sheet, net debt and net underlying finance costs are shown in the tables 111, 112 and 113.

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 page 139 and Nicetoile as shown in note 13 to the accounts on page 145. 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 111

As at 31 December 2015

	2015			2014		
	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
<b>Non-current assets</b>						
Investment and development properties	4,652.1	2,478.4	7,130.5	4,427.3	2,279.2	6,706.5
Interests in leasehold properties	32.1	9.4	41.5	33.2	9.8	43.0
Plant and equipment	7.6	–	7.6	5.0	–	5.0
Investment in joint ventures	3,213.6	(3,102.8)	110.8	2,341.5	(2,237.3)	104.2
Investment in associate	768.0	(24.2)	743.8	628.8	–	628.8
Other investments	4.8	–	4.8	1.4	–	1.4
Receivables	92.1	–	92.1	79.3	–	79.3
	8,770.3	(639.2)	8,131.1	7,516.5	51.7	7,568.2
<b>Current assets</b>						
Receivables	118.0	710.7	828.7	86.5	29.3	115.8
Restricted monetary assets	34.0	16.3	50.3	11.3	12.8	24.1
Cash and deposits	37.0	33.5	70.5	28.6	30.8	59.4
	189.0	760.5	949.5	126.4	72.9	199.3
<b>Total assets</b>	<b>8,959.3</b>	<b>121.3</b>	<b>9,080.6</b>	<b>7,642.9</b>	<b>124.6</b>	<b>7,767.5</b>
<b>Current liabilities</b>						
Payables	235.5	67.4	302.9	204.4	66.5	270.9
Tax	0.7	–	0.7	0.3	–	0.3
Borrowings	–	40.2	40.2	–	–	–
	236.2	107.6	343.8	204.7	66.5	271.2
<b>Non-current liabilities</b>						
Borrowings	3,028.1	–	3,028.1	2,287.1	42.2	2,329.3
Deferred tax	0.5	–	0.5	0.5	–	0.5
Obligations under finance leases	32.5	9.4	41.9	33.0	9.8	42.8
Payables	75.7	4.3	80.0	72.5	6.1	78.6
	3,136.8	13.7	3,150.5	2,393.1	58.1	2,451.2
<b>Total liabilities</b>	<b>3,373.0</b>	<b>121.3</b>	<b>3,494.3</b>	<b>2,597.8</b>	<b>124.6</b>	<b>2,722.4</b>
<b>Net assets</b>	<b>5,586.3</b>	<b>–</b>	<b>5,586.3</b>	<b>5,045.1</b>	<b>–</b>	<b>5,045.1</b>

## Additional disclosures continued

UNAUDITED

### Proportionally consolidated net debt analysis

Table 112

As at 31 December 2015

	2015			2014		
	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	36.9	32.6	69.5	28.5	27.7	56.2
Short-term deposits	0.1	0.9	1.0	0.1	3.1	3.2
Cash and deposits	37.0	33.5	70.5	28.6	30.8	59.4
Current borrowings including currency swaps	30.0	(40.2)	(10.2)	5.1	–	5.1
Non-current borrowings	(3,028.1)	–	(3,028.1)	(2,287.1)	(42.2)	(2,329.3)
<b>Net debt</b>	<b>(2,961.1)</b>	<b>(6.7)</b>	<b>(2,967.8)</b>	<b>(2,253.4)</b>	<b>(11.4)</b>	<b>(2,264.8)</b>

### Proportionally consolidated net underlying finance costs

Table 113

For the year ending 31 December 2015

	2015			2014		
	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	101.9	2.5	104.4	106.4	2.8	109.2
Finance income	(15.7)	(4.6)	(20.3)	(9.0)	(0.1)	(9.1)
<b>Adjusted finance costs/(income)</b>	<b>86.2</b>	<b>(2.1)</b>	<b>84.1</b>	<b>97.4</b>	<b>2.7</b>	<b>100.1</b>
Capitalised interest	5.3	–	5.3	8.8	–	8.8
<b>Net underlying finance costs/(income)</b>	<b>91.5</b>	<b>(2.1)</b>	<b>89.4</b>	<b>106.2</b>	<b>2.7</b>	<b>108.9</b>

# TEN-YEAR FINANCIAL SUMMARY

Unaudited

	2015 £m	2014 £m	2013* £m	2012* £m	2011 £m	2010 £m	2009 £m	2008 £m	2007 £m	2006 £m
<b>Income statement</b>										
Net rental income	318.6	305.6	290.2	282.9	296.0	284.7	293.6	299.8	275.7	237.4
Operating profit before other net gains/(losses)	276.3	259.1	247.9	239.6	249.1	248.8	252.6	257.5	234.5	201.3
Other net gains/(losses)	381.0	430.3	102.0	(7.3)	209.8	469.9	(590.4)	(1,698.3)	25.2	748.0
Share of results of joint ventures	13.1	(1.1)	–	–	–	–	–	–	–	–
Share of results of associates	159.3	109.9	101.5	47.5	–	1.5	(0.8)	–	–	–
Cost of finance (net)	(98.1)	(95.1)	(110.2)	(137.6)	(112.6)	(100.0)	(114.5)	(170.7)	(149.3)	(156.9)
<b>Profit/(Loss) before tax</b>	<b>731.6</b>	<b>703.1</b>	<b>341.2</b>	<b>142.2</b>	<b>346.3</b>	<b>620.2</b>	<b>(453.1)</b>	<b>(1,611.5)</b>	<b>110.4</b>	<b>792.4</b>
Current tax	(1.6)	(0.9)	(0.8)	(0.4)	(0.7)	(0.6)	(0.9)	(0.6)	(16.4)	(99.4)
Deferred tax	–	(0.1)	0.1	–	–	(0.1)	103.6	38.3	17.6	333.8
Non-controlling interests	(3.2)	(3.0)	(3.1)	(3.4)	(9.9)	(4.1)	5.9	1.2	(10.6)	(9.9)
<b>Profit/(Loss) for the year attributable to equity shareholders</b>	<b>726.8</b>	<b>699.1</b>	<b>337.4</b>	<b>138.4</b>	<b>335.7</b>	<b>615.4</b>	<b>(344.5)</b>	<b>(1,572.6)</b>	<b>101.0</b>	<b>1,016.9</b>
<b>Balance sheet</b>										
Investment and development properties	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	6,716.0
Investment in joint ventures	110.8	104.2	–	–	–	–	–	–	–	–
Investment in associates	743.8	628.8	545.4	428.4	–	–	10.4	–	–	–
Cash and short-term deposits	70.5	59.4	56.7	57.1	100.7	126.2	182.9	119.9	28.6	39.4
Borrowings	(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)	(2,282.6)
Other assets	1,025.0	268.6	271.2	462.3	435.6	323.1	331.6	319.5	318.7	301.1
Other liabilities	(425.5)	(392.6)	(358.5)	(441.9)	(327.1)	(307.6)	(323.9)	(425.3)	(573.5)	(448.9)
Net deferred tax provision	(0.5)	(0.5)	(0.4)	(0.5)	(0.5)	(0.5)	(0.4)	(108.4)	(99.6)	(103.3)
Non-controlling interests	(69.0)	(71.4)	(76.7)	(74.5)	(76.5)	(71.7)	(73.4)	(89.3)	(70.4)	(56.6)
<b>Equity shareholders' funds</b>	<b>5,517.3</b>	<b>4,973.7</b>	<b>4,059.9</b>	<b>3,851.2</b>	<b>3,771.9</b>	<b>3,480.0</b>	<b>2,949.7</b>	<b>2,820.6</b>	<b>4,354.6</b>	<b>4,165.1</b>
<b>Cash flow</b>										
Operating cash flow after tax	171.2	128.1	129.4	139.9	147.8	132.7	105.3	29.8	(29.2)	5.5
Dividends	(163.8)	(139.1)	(129.4)	(118.4)	(86.1)	(95.4)	(64.5)	(86.7)	(73.1)	(57.7)
Property and corporate acquisitions	(43.7)	(302.7)	(191.1)	(397.3)	(374.1)	(218.6)	(39.5)	(123.5)	(163.3)	(219.5)
Developments and major refurbishments	(137.2)	(164.0)	(184.4)	(122.9)	(91.2)	(60.8)	(164.1)	(376.7)	(335.5)	(250.5)
Other capital expenditure	(45.1)	(39.8)	(17.5)	(48.0)	(23.6)	(25.5)	(23.7)	(13.9)	(44.6)	(29.6)
Disposals	185.2	155.4	256.3	585.0	271.8	554.6	394.2	245.3	537.2	628.0
Investments in joint ventures	(735.6)	(118.9)	–	–	–	–	–	–	–	–
Other cash flows	(14.0)	12.4	(30.8)	(72.4)	(34.9)	(0.8)	–	–	(10.9)	(10.2)
<b>Net cash flow before financing</b>	<b>(783.0)</b>	<b>(468.6)</b>	<b>(167.5)</b>	<b>(34.1)</b>	<b>(190.3)</b>	<b>286.2</b>	<b>207.7</b>	<b>(325.7)</b>	<b>(119.4)</b>	<b>66.0</b>
<b>Per share data**</b>										
Basic earnings/(loss) per share	92.8p	95.7p	47.4p	19.4p	47.3p	87.2p	(54.1)p	(368.9)p	23.7p	242.6p
Adjusted earnings per share	26.9p	23.9p	23.1p	20.9p	19.3p	19.9p	19.7p	25.8p	27.3p	22.3p
Dividend per share	22.3p	20.4p	19.1p	17.7p	16.6p	15.95p	15.45p	18.9p	18.5p	14.7p
Diluted net asset value per share	£7.03	£6.35	£5.70	£5.41	£5.30	£4.93	£4.20	£6.61	£10.22	£9.91
EPRA net asset value per share	£7.10	£6.38	£5.73	£5.42	£5.30	£4.95	£4.21	£7.03	£10.49	£10.18
<b>Financial ratios</b>										
Return on shareholders' equity	14.3%	16.3%	8.8%	5.3%	11.2%	21.1%	-16.9%	-32.5%	4.5%	25.3%
Gearing	54%	46%	56%	53%	52%	52%	72%	118%	57%	54%
Interest cover	3.6x	2.8x	2.8x	2.8x	2.6x	2.6x	2.2x	1.7x	1.9x	1.8x
Dividend cover	1.2x	1.2x	1.2x	1.2x	1.2x	1.2x	1.3x	1.4x	1.5x	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 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.

## SUMMARY OF DIRECTORS' REMUNERATION POLICY

The Directors' Remuneration Policy was approved at the 2014 Annual General Meeting and the summary below is presented for ease of reference. The Remuneration Policy is reproduced in full in the 2013 Annual Report (pages 74 to 86) and can be found on the Company's website [www.hammerson.com](http://www.hammerson.com). The summary below should be read in the context of the full Remuneration Policy, which contains footnotes that form part of the Remuneration Policy and help to explain elements of the Remuneration Policy.

### Summary of approach to Remuneration Policy

Objective	To attract, retain and motivate quality leaders capable of making a major contribution to the Company's success whilst avoiding paying more than the Remuneration Committee considers necessary.
Implementation	The Remuneration Committee considers a variety of factors, including remuneration packages available at comparable companies, overall Company performance, internal relativities, achievement of corporate objectives, individual performance and experience, published views of institutional investors and general market trends and performance.
Performance-related elements	Generally, two-thirds of Executive Director total target remuneration (excluding pension and benefits) is considered to be appropriate.
Limits and flexibility	Sufficient flexibility is retained to act in the interests of shareholders and the Company. Limits will not lead to pressure on reward levels and the Remuneration Committee adopts a suitably conservative approach.

### Executive Directors' Remuneration

Element and overview	Opportunity
<b>Base Salary</b>	Subject to a maximum of £850,000 per annum.
<ul style="list-style-type: none"> <li>– Paid monthly in cash in arrears</li> <li>– Pensionable</li> <li>– Reviewed annually by the Remuneration Committee</li> </ul>	<p>Reviews account for factors such as market conditions, salary increases to other Group employees and comparison against both a relevant property peer group and a market capitalisation group selected by the Remuneration Committee.</p> <p>Benchmarking considers base salary as well as total remuneration and is generally within (but is not constrained by) a range of +/- 10% of median.</p>
<b>Benefits</b>	Subject to an aggregate maximum of £100,000 per annum as measured by the individual's P11D tax calculation (or local equivalent for non-UK Executive Directors). The maximum is increased annually by RPI.
<ul style="list-style-type: none"> <li>– Contractual and non-contractual as appropriate and consistent with local market practice</li> <li>– Non-pensionable</li> <li>– Where provided by third parties, cost covered by the Company at market rates</li> </ul>	<p>Benefits include a car allowance or company car, private medical insurance (to include spouse/life partner), permanent health insurance and life assurance.</p> <p>Hammerson France employees may receive additional benefits including a seniority allowance and an employer's contribution of up to €2,000 per annum to an employee savings scheme.</p> <p>Relocation benefits may include global relocation support (maximum £400,000) and/or tax equalisation arrangements across all elements of remuneration.</p> <p>Whilst not considered by the Remuneration Committee to be a benefit in the normal sense, Directors may 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.</p>
<b>Pension</b>	An allowance (Pension Choice) paid as a combination of any or all of the following, but subject to an aggregate limit of 30% of base salary:
<ul style="list-style-type: none"> <li>– Non-contributory allowance subject to a maximum threshold</li> <li>– Salary supplements are non-pensionable and do not qualify for AIP or LTIP entitlements</li> <li>– No compensation for public policy or tax changes</li> <li>– Company will comply with any local legal obligations in respect of pensions</li> </ul>	<ul style="list-style-type: none"> <li>– Employer contribution to the Company's defined contribution pension plan;</li> <li>– Payment to a Self-Invested Personal Pension Plan; and</li> <li>– A salary supplement.</li> </ul> <p>Jean-Philippe Mouton receives a salary supplement and participates in a legacy collective supplementary defined contribution retirement plan operated by his French employing company, which makes employer contributions at the annual statutory limit.</p> <p>Pension arrangements are kept under review to ensure they remain appropriate.</p>

Element and overview	Opportunity
<b>Annual Incentive Plan (AIP) with deferral under the Deferred Bonus Share Scheme (DBSS)</b> <ul style="list-style-type: none"> <li>Annual performance-based award paid as a mixture of cash and deferred shares</li> <li>Awards subject to continued employment save in the leaver circumstances per the Remuneration Policy*</li> <li>Deferred shares are subject to leaver conditions per the Remuneration Policy*</li> <li>Non-pensionable</li> </ul>	<p><b>Award:</b></p> <ul style="list-style-type: none"> <li>Maximum opportunity is currently 200% of base salary. The Remuneration Committee reserves the power to increase this to a maximum of 300%. Increases above 200% would only occur after appropriate consultation with shareholders.</li> </ul> <p><b>Performance:</b></p> <ul style="list-style-type: none"> <li>Measures and conditions are set annually by the Remuneration Committee. Performance conditions are assessed over a period of one year and may consist of a combination of financial measures (at Group or divisional level), operational measures and individual performance objectives.</li> <li>The Remuneration Committee reserves the right to include such other measures as it considers to be an appropriate means of assessing performance. Other than in exceptional circumstances, performance measures and conditions, once set, will generally remain unchanged for the year.</li> <li>No further performance targets apply to the deferred shares element, as this represents previously-earned bonuses.</li> <li>The Remuneration Committee retains discretion to amend the vesting level (up or down) where considered appropriate but not so as to exceed the maximum bonus potential.</li> </ul> <p><b>Deferred shares element:</b></p> <ul style="list-style-type: none"> <li>Representing at least 40% of the total award and delivered under the DBSS (but may be delivered under a different plan with equivalent terms).</li> <li>Deferred shares are structured as nil-cost share options with a deferral period of no less than two years. Participants are entitled to a dividend equivalent for the period from the grant date until the vesting date, delivered as additional shares upon transfer.</li> </ul> <p><b>Clawback and malus:</b></p> <ul style="list-style-type: none"> <li>Provisions cover personal misconduct and/or where accounts or information relevant to performance are shown to be materially wrong resulting in the payment of a higher bonus than should have been the case.</li> </ul>
<b>Long Term Incentive Plan (LTIP)</b> <ul style="list-style-type: none"> <li>Discretionary annual award</li> <li>Subject to continued employment, save in the leaver circumstances per the Remuneration Policy*</li> <li>Non-pensionable</li> </ul>	<p><b>Award:</b></p> <ul style="list-style-type: none"> <li>Maximum discretionary award up to a value of 200% of base salary. In exceptional circumstances, the Remuneration Committee can increase this to 300%. The extent of vesting is determined by the performance conditions.</li> <li>Normally structured as nil-cost share options but can take other forms. Participants are entitled to a dividend equivalent for the period from the grant date to the vesting date, delivered as additional shares upon transfer. The Remuneration Committee has discretion to settle awards as cash.</li> </ul> <p><b>Performance:</b></p> <ul style="list-style-type: none"> <li>Minimum performance period of three years. In practice, the Remuneration Committee has determined that the minimum period should be four years.</li> <li>Consisting of a combination of financial and non-financial measures, the Remuneration Committee has discretion to amend: <ul style="list-style-type: none"> <li>The performance measures and/or conditions used; and/or</li> <li>The weighting of each for future awards; and/or</li> <li>The performance measurement periods.</li> </ul> </li> <li>Performance conditions in respect of outstanding awards can be amended due to exceptional circumstances, provided that the amendment is not materially less difficult to satisfy.</li> </ul> <p><b>Vesting:</b></p> <ul style="list-style-type: none"> <li>Vesting under each performance condition is on a straight-line basis with no more than 25% vesting at threshold performance.</li> </ul> <p><b>Clawback and malus:</b></p> <ul style="list-style-type: none"> <li>Provisions cover 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.</li> </ul>

\* refer to Payment for Loss of Office section of the full Remuneration Policy

## Summary of Directors' Remuneration Policy continued

Element and overview	Opportunity
<b>Share ownership guidelines</b> – Five years to achieve	<p>The Chief Executive is expected to accumulate and maintain a holding of ordinary shares in the Company equivalent in value to no less than 150% of base salary. Executive Directors are expected to accumulate a holding of ordinary shares in the Company equivalent in value to no less than 100% of base salary.</p> <p>Shares held beneficially by an Executive Director and his spouse/life partner as well as those held within the Company's Share Incentive Plan are included in the calculation. The closing middle market quotation on the last business day in December is used as the basis for calculation.</p> <p>There is no formal sanction for non-compliance.</p>
<b>All-employee arrangements</b>	<p>UK-based Executive Directors may participate in the Company's Sharesave and Share Incentive Plan on the same terms as other employee participants. The maximum participation level for all staff is set by relevant UK legislation.</p> <p>France-based Executive Directors may participate in a profit share plan, which is available to all employees of Hammerson France and rewards performance against such measures as the Remuneration Committee considers appropriate. Awards are subject to an annual limit determined by French legislation.</p>

## Chairman and Non-Executive Directors' Remuneration

Element and overview	Opportunity
<b>Fees</b> – Paid monthly in arrears in cash – Non-pensionable – Reviewed periodically	<p>The Chairman's fee is determined by the Remuneration Committee. Other Non-Executive Director fees are determined by the Board on the recommendation of the Executive Directors.</p> <p>Aggregate total annual fees to Non-Executive Directors are subject to the limit in the Company's Articles of Association. The Remuneration Committee may provide additional fees within the stated limit including for membership of any additional Board committees that may be established.</p> <p>Fees to the Chairman and other Non-Executive Directors are intended to be competitive with other fully listed companies of equivalent size and complexity, but are not set by reference to a prescribed benchmark. Periodic reviews take into account independent advice and the time commitment required of Non-Executive Directors.</p>
<b>Expenses</b>	<p>The Company may reimburse travel and accommodation expenses (including to the Company's London office) and may settle the liability from any assessment to tax made on such reimbursement.</p>
<b>Additional fees</b>	<p>The Chairman receives no additional fee for membership of any of the Committees.</p> <p>Other Non-Executive Directors may receive additional fees for membership and/or chairmanship of the Remuneration and Audit Committees. An additional fee is payable to the Senior Independent Director. The level of additional fees is set to reflect the responsibilities of the role.</p>
<b>Other benefits</b>	<p>No other benefits are currently available to any of the Non-Executive Directors.</p> <p>The Non-Executive Directors are not eligible for performance-related bonuses or participation in the Company's share plans.</p> <p>The Non-Executive Directors may 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.</p> <p>A departing gift may be provided up to a value of £5,000 (plus related taxes) per Non-Executive Director on termination of office.</p>

## Service agreements: new Executive Directors

<b>Overview</b>	The Committee's approach is for new Executive Directors to have service agreements that have regard to market practice at the date of appointment. Terms summarised below will be subject to any local statutory (or collective bargaining) requirements where applicable.
<b>Expiry date and notice period</b>	No fixed expiry date. Either party may terminate an appointment by providing 12 months' notice. A longer initial notice period may be applied by the Company to new appointments for a limited time if the Remuneration Committee considers this appropriate.
<b>Retirement date</b>	No default retirement date. Retirement requests are considered on a case-by-case basis and 12 months' notice is anticipated.
<b>Post-termination restrictions</b>	To protect the Group's confidential information for an appropriate period and to prevent poaching of the Group's senior workforce and its customer and supplier connections for 12 months after termination.
<b>Payment in lieu of notice (PILON)</b>	Employment can be terminated immediately by paying a PILON comprising base pay, pension, medical insurance and car allowance. A PILON will not apply on termination for gross misconduct, in which case no compensation will be due. The Company has discretion to pay on a phased basis, subject to mitigation.
<b>Change of control and liquidated damages</b>	No right to liquidated damages on a change of control.
<b>Other appointments</b>	External non-executive appointments that do not lead to a conflict of interest are permitted with the consent of the Company's Board of Directors on the basis that such appointments can enhance experience and skills and add value to the Company. Fees for external appointments can be retained, except where the appointment is as the Company's representative.

## Appointment terms: new Non-Executive Directors

<b>Overview</b>	The Chairman and Non-Executive Director appointments are governed by letters of appointment. Appointments are for a term of three years. Letters of appointment are reviewed by the Chairman and the Executive Directors every three years.
<b>Notice period and termination</b>	No less than three months' notice must be given by either party. Immediate termination can occur should a conflict of interest arise and appointments will cease automatically at an Annual General Meeting where a Non-Executive Director is not re-elected.
<b>Fees on termination</b>	Entitlement is limited to such fees as have accrued at the date of termination, together with the reimbursement of expenses properly incurred prior to that date.

## Payment for loss of office: Executive Directors

<b>AIP</b>	<p>Where notice of termination is given by either the Company or the Executive Director prior to the end of the performance period, or employment ceases due to death, ill-health, injury or disability; bonus entitlement remains, subject to performance conditions. Any bonus payable is pro-rated, unless the Remuneration Committee decides otherwise.</p> <p>Where employment ceases after the end of the performance period, but prior to payment, entitlement to any bonus payment remains if the reasons for employment ceasing are as above but also where the reason for employment ceasing is retirement, redundancy or sale of the company or business for which the Executive Director works.</p> <p>Unless the Remuneration Committee determines otherwise at its discretion, no bonus is payable in other circumstances.</p>
<b>DBSS (deferred share element of AIP)</b>	Deferred share awards lapse where an Executive Director resigns or gives notice; although the Remuneration Committee has discretion to treat the Executive Director as a good leaver. Deferred share awards lapse where dismissal is for cause. Otherwise, share awards vest in full on the normal vesting date. The Remuneration Committee can decide to accelerate vesting.
<b>LTIP</b>	<p>Good leaver status will be given where employment ceases due to death, retirement, ill-health, injury or disability, redundancy or the sale of the company or business for which he works and awards will vest on the normal vesting date. Awards remain subject to performance conditions and will be time pro-rated unless the Remuneration Committee decides otherwise. The Remuneration Committee can decide to accelerate vesting.</p> <p>Where employment ceases for any other reason, the Remuneration Committee retains discretion to treat the Executive Director as a good leaver.</p>

# SHAREHOLDER INFORMATION

## 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 France

Hammerson France SAS  
40 – 48 rue Cambon  
75001 Paris

Tel: +33 (0)156 69 30 00

### Registrar

For assistance with queries about the administration of shareholdings, such as lost share certificates, change of address, change of ownership or dividend payments, please contact the Registrar:

Capita Asset Services  
The Registry  
34 Beckenham Road  
Beckenham  
Kent  
BR3 4TU

Tel: 0871 664 0300 (calls cost 12p per minute plus your phone company's access charge) or +44 (0) 20 8639 3399 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](mailto:shareholderenquiries@capita.co.uk)

Website: [www.capitashareportal.com](http://www.capitashareportal.com)

Registering on the Hammerson Share Portal website enables shareholders to view their shareholding in the Company, including an indicative share price and valuation, a transaction audit trail and dividend payment history. Shareholders can also amend certain standing data relating to their accounts.

### Advisors

Valuers: DTZ Debenham Tie Leung and Cushman & Wakefield LLP  
Auditor: Deloitte LLP  
Solicitor: Herbert Smith Freehills LLP  
Joint Brokers and Financial Advisors: J. P. Morgan Cazenove and Deutsche Bank AG  
Financial Advisor: Lazard Ltd

## SHAREHOLDER ADMINISTRATION

### Payment of dividends to mandated accounts

Shareholders who do not currently have their dividends paid direct to a bank or building society account and who wish to do so should complete a mandate instruction available from the Registrar or they can register at: [www.capitashareportal.com](http://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.

### Scrip Dividend Alternative (Scrip)

The Board has decided to offer shareholders a Scrip for the final dividend for the year ended 31 December 2015, subject to approval by the shareholders at the 2016 Annual General Meeting (AGM). A Scrip enables participating shareholders to receive shares instead of cash when a Scrip is offered for a particular dividend. More information is available at [www.hammerson.com/investors](http://www.hammerson.com/investors).

### Dividend Reinvestment Plan (DRIP)

Subject to approval of the Scrip by shareholders at the 2016 AGM, the DRIP will be suspended for any dividend in respect of which a Scrip is offered. Accordingly, the DRIP has been suspended for the 2015 final dividend. The DRIP will, however, be automatically reinstated for any dividend, whether interim or final, in respect of which the Directors decide not to offer the Scrip.

### International payment service

The Registrar facilitates a service to convert sterling dividends into certain local currencies. For further information, please contact the Registrar (address listed above). Tel: 0871 664 0385 (calls cost 12p per minute plus your phone company's access charge) or +44 (0) 20 8639 3405 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: [ips@capita.co.uk](mailto:ips@capita.co.uk)

Further details can be found at:

<http://international.capitaregistrars.com>

### Capita share dealing services

An online and telephone dealing facility is available, providing shareholders with an easy-to-access and simple-to-use service. There is no need to pre-register and there are no complicated forms to fill in. The online and telephone dealing service allows shareholders to trade 'real time' at a known price that will be given to them at the time they give their instruction. This is subject to a credit check for shareholders dealing in shares valued at more than the sterling equivalent of €15,000.

For further information on this service, or to buy and sell shares, please call Capita on +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](mailto:info@capitadeal.com)  
Website: [www.capitadeal.com](http://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](http://www.sharegift.org.uk) or by writing to ShareGift, The Orr Mackintosh Foundation Limited, 17 Carlton House Terrace, London, SW1Y 5AH or by telephone on +44 (0)20 7930 3737.

### Website

The Annual Report and other information that shareholders may find useful are available on the Company's website: [www.hammerson.com](http://www.hammerson.com). The Company operates a service whereby all registered users can choose to receive via email notice of all Company announcements which can also be viewed on the website.

### UK Real Estate Investment Trust (REIT) taxation

As a UK REIT, Hammerson plc is exempt from corporation tax on rental income and gains on UK investment properties but is required to pay Property Income Distributions (PIDs). UK shareholders will be taxed on PIDs received at their full marginal tax rates. A REIT may in addition pay normal dividends.

For most shareholders, PIDs will be paid after deducting withholding tax at the basic rate. However, certain categories of shareholder are entitled to receive PIDs without withholding tax, principally UK resident companies, UK public bodies, UK pension funds and managers of ISAs, PEPs and Child Trust Funds. Further information on UK REITs is available on the Company's website, including a form to be used by shareholders to certify if they qualify to receive PIDs without withholding tax.

### Unsolicited mail

Hammerson is obliged by law to make its share register available on request to other organisations. This may result in shareholders receiving unsolicited mail. To limit the receipt of unsolicited mail shareholders may register with the Mailing Preference Service, an independent organisation whose services are free, by visiting [www.mpsonline.org.uk](http://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](http://www.fca.org.uk/scams) or call the FCA Consumer Helpline on 0800 111 6768.

## FINANCIAL CALENDAR AND SHARE ANALYSIS

### Annual General Meeting

The Annual General Meeting will be held at 11.00 am on 25 April 2016 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](http://www.hammerson.com/investors).

Table 114

Full-year results announced			15 February 2016
Recommended final dividend	Ex-dividend date		17 March 2016
	Record date		18 March 2016
	Payable on		29 April 2016
Annual General Meeting			25 April 2016
Anticipated 2016 interim dividend			October 2016

### Analysis of shares held as at 31 December 2015

Table 115

Number of shares held	Number of shareholders	% of total shareholders	Holding	% of total capital
0-500	819	27.13	150,471	0.02
501-1,000	413	13.68	320,537	0.04
1,001-2,000	435	14.41	637,543	0.08
2,001-5,000	454	15.04	1,450,698	0.19
5,001-10,000	160	5.30	1,130,394	0.14
10,001-50,000	289	9.57	6,893,937	0.88
50,001-100,000	121	4.01	8,545,394	1.09
100,001-500,000	169	5.60	38,362,301	4.89
500,001-1,000,000	57	1.88	41,596,057	5.30
1,000,001 +	102	3.38	685,343,923	87.37
<b>Total</b>	<b>3,019</b>	<b>100</b>	<b>784,431,255</b>	<b>100</b>

## 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	A major store, usually a department, variety or DIY store or supermarket, occupying a large unit within a shopping centre or retail park, which serves as a draw to other retailers and consumers.
Average cost of borrowing 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	Building Research Establishment's Environmental Assessment Method.
Capital return	The change in property value during the period after taking account of capital expenditure and exchange translation movements, calculated on a monthly time-weighted basis.
Compulsory Purchase Order (CPO)	A Compulsory Purchase Order is 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	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.

*Glossary continued*

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.
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).
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.
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, transactions and balances and equity account for the 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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# Thank You



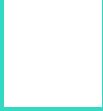
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