Hammerson

Hammerson plc

Innovation with imagination

Annual Report 2011

Contents

Directors' report

Overview

Key financial highlights	IFC
Who we are	1
Chief executive's report	2
Chairman's statement	4
At a glance	6
Case studies	8

Business & financial review

Market background	16
Responding to market dynamics	18
Key performance indicators	20
Financial and property returns	22
Risk management and principal uncertainties	24
Corporate responsibility	26
Connected reporting framework	28
Human resources	30
Business review	32
Financial review	39

Governance

Board of Directors	44
Q&A with the Chairman	46
UK Code	48
Remuneration report	54
Additional disclosures	65

Financial statements

Directors' responsibilities	67
Independent auditor's report on the Group financial statements	68
Consolidated income statement	70
Consolidated statement of comprehensive income	71
Consolidated balance sheet	72
Consolidated statement of changes in equity	73
Consolidated cash flow statement	75
Analysis of movement in net debt	75
Notes to the accounts	76
Independent auditor's report on the parent company financial statements	109
Company balance sheet	110
Notes to the Company accounts	111
Ten-year financial summary	114

Property portfolio

UK shopping centres	115
UK retail parks	117
France retail	120
Offices	122

Other information

Glossary of terms	123
Index	125
Shareholder information	126

Key financial highlights

Income

Net rental income (£m)

+4.0%

2011	296
2010	285

Adjusted earnings per share[1] (pence)

-3.0%

2011	19.3
2010	19.9

Total dividend per share (pence)

+4.1%

2011	16.6
2010	15.95

Capital

Property assets (£m)

+7.3%

2011	5,720
2010	5,331

Adjusted net asset value per share, EPRA basis[1] (£)

+7.1%

2011	5.30
2010	4.95

Ratios

Return on shareholders' equity (%)

2011	11.2
2010	21.1

Gearing (%)

2011	52
2010	52

[1] The calculations for adjusted figures are shown on pages 39 and 40 and in note 10 to the accounts.

[2] The profit before tax for the year ended 31 December 2011 was £346.3 million (2010: £620.2 million) and diluted earnings per share were 47.3p (2010: 87.2p).

The Directors present the Annual Report for the year ended 31 December 2011. Pages 1 to 66 of this Annual Report comprise a Directors' report that has been drawn up and presented in accordance with English company law and the liabilities of the Directors in connection with that report shall be subject to limitations and restrictions provided by such law.

Who we are

Hammerson has been creating and managing some of the most exciting retail destinations and office buildings in Europe for over 60 years. Hammerson's vision is to be the best owner-manager and developer of retail property within Europe. We specialise in prime regional shopping centres and convenient retail parks.

Our aim is to outperform through two areas of focus:

income growth and
high quality property,
both of which are underpinned by our
capital strength.

Overview
Business & financial review
Governance
Financial statements
Property portfolio
Other information

Chief executive's report

Strategic overview

Hammerson's business model

- Own prime properties in the best locations
- Ensure buildings are modern, well maintained and relevant for customers
- Maintain significant scale in key markets
- Retail property specialism to foster innovation
- Ensure venues are positively differentiated from competition
- Drive income growth through optimum tenant mix and high occupancy

We conducted a full review of our strategy.

We concluded that Hammerson should be a specialist retail property company.

We believe that this strategy will enable us to:
- generate superior returns
- deepen customer relationships
- capitalise on multi-channel opportunities
- position Hammerson to exploit acquisitions and developments
- attract further JV investment

For further details see pages 16 to 19

Strategy

In the latter part of 2011 we conducted a full review of our strategy to assess the optimum allocation of capital and how we could best exploit our skills to generate attractive long-term returns for shareholders. We concluded that Hammerson should be a specialist retail REIT focused on successful properties in winning locations. Retail assets already represent 89% of our portfolio, and have generated consistent growth in net rental income, providing a sustainable basis for capital appreciation. Our standing office investments will be sold over the medium-term to maximise value, with capital redeployed to retail assets, increasing our retail focus and scale. Our aim is to be the best owner-manager and developer of retail property within Europe.

We believe that this strategy will enable us to:

- generate superior returns through increased scale as we reduce costs, leverage our operating platform and grow income streams
- deepen retailer relationships and lead the industry in capitalising on multi-channel opportunities
- place Hammerson in a stronger position to exploit retail acquisition and development opportunities
- attract further JV capital requiring specialist retail asset management skills, allowing us to recycle capital into higher-return assets

Our revised strategy will enhance the focus on income growth and efficiency, and therefore we anticipate being able to grow dividends at a higher rate than in recent years.

We have leading positions in both the UK and French retail property markets, where we will increase our presence in successful locations through development or acquisition. We will concentrate on regionally dominant shopping centres, convenient retail parks and premium designer outlet villages. Our intention is to remain an active recycler of capital in order to secure opportunities to create higher returns for shareholders.

Within our London office portfolio, we will continue to implement our business plans to increase the value of our office assets and developments. Our intention is to sell our standing office investments over the medium-term to maximise value. We have a small number of London office development projects and strategic mixed-use sites that offer superior returns, where we will continue to allocate capital to increase the overall value of the projects. Where appropriate, we will introduce funding or JV capital to de-risk projects and reduce our overall commitment.

Maximising income from our portfolio

In 2011 we signed 355 leases in respect of over 100,000m^2, two per cent above the estimated rental values. Overall occupancy at the year end was 97.9%, compared to 97.3% at December 2010, and despite a background of weakening consumer confidence in the year, retailer sales at our centres outperformed national benchmarks. Total like-for-like net rental income for the year increased 2.5% on 2010, with the UK retail portfolio generating 4.6% growth.

We introduced a number of innovative new retail formats in 2011. In France, we brought Burberry's flagship Parisian store to 54-60 rue du Faubourg Saint-Honoré, and the first PSG (Paris Saint Germain) mall boutique to O'Parinor, Paris. In the UK we brought the first European Locker Room store to Brent Cross, London, and Boxpark to The Goodsyard, London, which uses shipping containers as retail units to bring new brands to the Shoreditch area.

Catering and leisure form an increasingly important part of our offer to consumers. We launched a new restaurant quarter, Spiceal Street, at Bullring, introducing three new restaurant brands set around St Martin's Square and the iconic Selfridges building. At Les Terrasses du Port, our major retail and leisure development in Marseille, we have signed the

Strategic focus	Case studies	For more information go to:
Enhance key customer relationships		
International trends	**Forever 21**	*Page 8*
CRM investments	**Primark**	*Page 9*
Coordinated leasing		
Address multi-channel growth	**Social media**	*Page 10*
Click & Collect trends	**House of Fraser.com**	*Page 11*
Transfer of online formats to physical		
Create the best experience	**Spiceal Street**	*Page 12*
Customer appeal	**Exceptional places**	*Page 13*
Maintain loyalty		


Left: Spiceal Street, Bullring, Birmingham
Right: Italie2, Paris

luxury Parisian caterer Hediard, and at WestQuay we opened the first Toby Carvery Express, a new 'grab and go' concept for Mitchells and Butlers. We are looking to increase further footfall and dwell times by introducing cinemas to a number of our properties in both the UK and France.

We continue to work with our customers to anticipate and respond to changing trends in multi-channel retailing. We opened the UK's first House of Fraser.com at Union Square, Aberdeen, and the first pop-up Boden store at The Oracle, Reading. Looking forward, we are launching mobile websites and apps for shopping centres, and investigating ways of providing free wi-fi coverage throughout our entire portfolio, to ensure continuing accessibility and attractiveness for consumers.

Enhancing our high quality portfolio

We are committed to enhancing returns by disposing of mature assets and reinvesting in acquisition, development or asset management opportunities where we can use our property skills and customer relationships to add value. In 2011 we invested £374 million acquiring assets in both the UK and France, securing income producing properties with asset management potential. Over the same period we raised £272 million from disposals.

We completed the redevelopment of 54-60 rue du Faubourg Saint-Honoré, which was valued at £52 million above cost, and are making good progress on site at Les Terrasses du Port, Marseille, where 64% of the income is now secured and we are on schedule to open in the spring of 2014.

We have identified and are progressing several extensions and redevelopments within our portfolio where we know the local catchment and tenant requirements well. These projects show strong returns and have an aggregate cost of around £320 million. The majority of these projects will complete over the next two years.

Planning consents were secured for over 250,000m^2 in 2011 for both retail and office schemes, and we signed development agreements with UK local authorities for retail schemes in Sheffield and Didcot. We recently submitted a planning application for a major extension to the Centrale shopping centre in Croydon, which we acquired in the year, and have received encouraging support from prospective retailers for Le Jeu de Paume, our proposed scheme in Beauvais, north of Paris.

David Atkins
Chief Executive

Chairman's statement

We assessed the optimum allocation of capital and how we could best exploit our skills to generate attractive long-term returns for shareholders. The conclusion of our review of strategy was that Hammerson should be a specialist retail REIT focused on successful properties in winning locations. This is explained further in the Chief Executive's report on page 2.

Focus on income growth

We had an active year bringing tenants into our portfolio above the estimated rental levels, and have reduced vacancy further. In conjunction with specific asset management initiatives, these have helped us to grow income from the portfolio again in 2011.

Trends in retail property mean that in order for a landlord to differentiate itself and thrive, it must operate in the best locations but also be innovative and imaginative in responding to changing consumer requirements and technological trends.

We focus relentlessly on improving our customers' sales. We have made good progress over the last eighteen months reshaping our business so that it is aligned with our tenants. We continue to measure our success in this area with an annual survey.

High quality property

We are constantly looking to improve the returns from our portfolio by either acquiring, improving or developing new properties. This gives us the ability to create the modern, flexible assets in the best locations which attract consumers and so help our tenants thrive.

At the same time, we maintain a discipline to match acquisitions and developments with sales of assets which no longer offer such compelling returns, for example the sale of 60 Threadneedle Street above valuation at the end of last year. We also bring capital into the portfolio by selling stakes to investment partners who value our skills as managers of complex retail property. This enables us to maintain scale whilst putting our expertise to best use.

Results

We have a vigorous approach to managing all areas of the business, and I am pleased that this generated strong results in 2011, as evidenced by the operational and financial metrics. Occupancy increased further to 97.9%, like-for-like net rental income increased by 2.5%, and the net asset value per share increased to £5.30.

Financing

Hammerson is in a strong financial position. In 2011 we signed two revolving credit facilities worth a total of £655 million, further improving our financial flexibility. At 31 December 2011 net debt was £2.0 billion (30 June 2011: £2.2 billion). Loan-to-value and gearing ratios are among the lowest in the sector at 34% and 52% respectively, and cash and committed unutilised bank facilities totalled more than £700 million.

Top: Bercy 2, Paris
Bottom: Bullring, Birmingham

Dividend

I am pleased to report that the combination of our strong performance coupled with our revised strategy gives us confidence to recommend a final dividend of 9.3 pence per share, an increase of 5.7% on the 2010 final dividend. Together with the interim dividend of 7.3 pence per share, the 2011 total dividend is therefore 16.6 pence, up 4.1% compared with the 2010 total dividend. Looking forward, our revised strategy will enhance the focus on income growth and efficiency, and therefore we anticipate being able to grow dividends at a rate higher than recent historic levels.

Board changes

Simon Melliss, who had been Chief Financial Officer since 1995, retired at the end of June. I thank him for his enormous contribution to the Company over a twenty-year period. We are very pleased to welcome Timon Drakesmith, who joined Hammerson as CFO in June, bringing both sector and wider industry expertise.

Also in May, we appointed Judy Gibbons as a Non-Executive Director. Judy has a background in technology businesses, and her experience will help us develop further our understanding of the opportunities and challenges that multi-channel retailing presents to a landlord.

Outlook

Global macro economic uncertainty and fiscal tightening will continue to have a major influence on our property markets. We believe that occupier and investor demand for retail space will be concentrated on modern, well-maintained properties in the very best locations, such as those owned by Hammerson. Properties without these attributes may experience rental and capital value declines in 2012.

Despite a challenging retail backdrop in both the UK and France, we are successfully growing net rental income in our retail portfolio, and will benefit from positive indexation in France. Our regionally dominant shopping centres and convenient retail parks continue to generate demand from successful retailers. We will increase our focus and scale in our chosen retail markets to capitalise further on structural changes in consumer behaviour.

John Nelson

John Nelson
Chairman

Overview
Business & financial review
Governance
Financial statements
Property portfolio
Other information

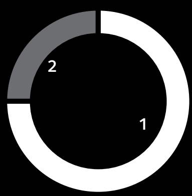
At a glance

Portfolio

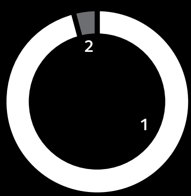
£5.7bn

Hammerson owns a portfolio of prime property assets in the UK and France. The portfolio, which is valued at £5.7 billion, includes 18 major shopping centres, 18 retail parks and six office properties.

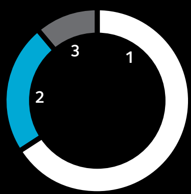
1. UK	75%
2. France	25%



1. Investment	96%
2. Development	4%

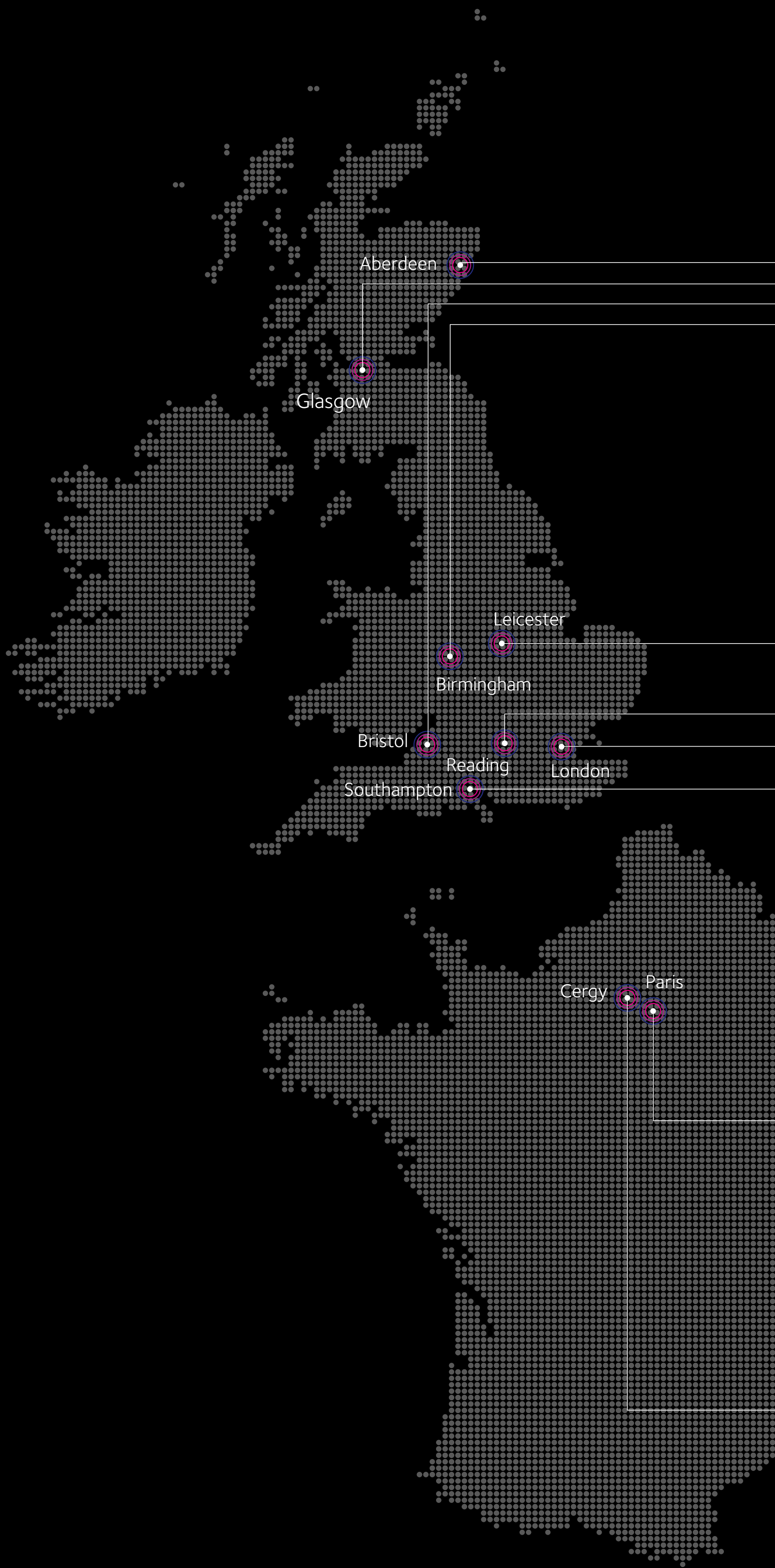


1. Shopping Centres	66%
2. Retail Parks	23%
3. Offices	11%



Major retail tenants	passing rent (%)
B&Q	3.1
H&M	2.1
Home Retail Group	2.0
Next	1.8
DSG Retail	1.8
Arcadia	1.8
New Look	1.4
Boots	1.4
Debenhams	1.2
Inditex	1.2
Total	**17.8**

Major office tenants	passing rent (%)
RSA Group	2.3
Latham & Watkins LLP	2.0
Lloyds TSB	0.9
Deutsche Bank	0.6
DTZ	0.6
Total	**6.4**



For further information please visit
www.hammerson.com

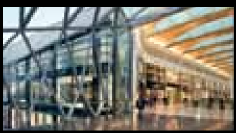
Our principal properties

Union Square
Aberdeen
Dec 11 value – £217m
Passing rent – £14.2m

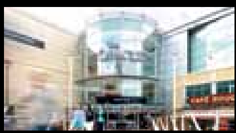
Silverburn
Glasgow
Dec 11 value – £169m
Passing rent – £9.5m

Cabot Circus
Bristol
Dec 11 value – £246m
Passing rent – £15.1m

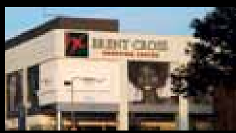
Bullring
Birmingham
Dec 11 value – £305m
Passing rent – £17.2m



Highcross
Leicester
Dec 11 value – £274m
Passing rent – £16.8m

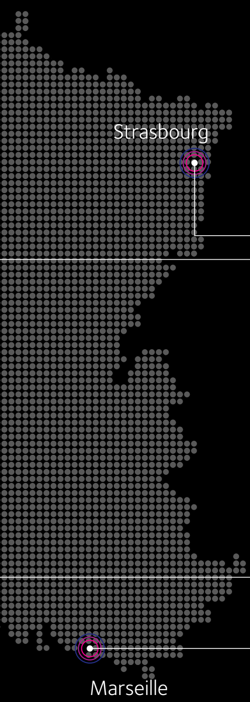


Oracle
Reading
Dec 11 value – £259m
Passing rent – £14.2m

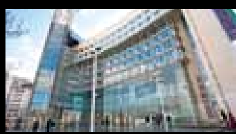


Brent Cross
London
Dec 11 value – £317m
Passing rent – £18.1m

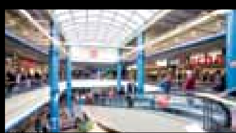
WestQuay
Southampton
Dec 11 value – £242m
Passing rent – £13.9m



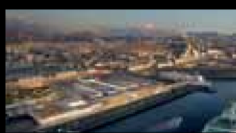
Place des Halles
Strasbourg
Dec 11 value – £138m
Passing rent – £7.9m



Italie 2
Paris 13éme
Dec 11 value – £382m
Passing rent – £19.1m



Les 3 Fontaines
Cergy Pontoise
Dec 11 value – £197m
Passing rent – £11.6m



Les Terrasses du Port
Marseille
France's largest shopping centre development project

Valuations and passing rents are as at 31 December 2011. Figures show Hammerson's share of valuation and passing rents in respect of joint ventures.

Bringing expanding

international retailers

to our centres

Other international brands

Massimo Dutti
Hollister
Vans
The Locker Room by Foot Locker
True Religion Brand Jeans
Jack Wolfskin
GANT American Sportswear
Apple

Forever 21, the speciality retailer known for offering the most current fashion trends at great value to customers, opened its first European store in Bullring.

Acting on customer

brand insights

By responding to local demands we can keep our centres fresh and relevant for consumers. We're bringing a new 5,500m^2 Primark to Queensgate, as part of our £20 million investment programme.

PRIMARK®

We are finding innovative and creative ways to use new technologies to attract visitors, increase dwell time and maximise tenants' sales.

path intelligence

Follow our centres on twitter and become a fan on facebook
www.twitter.com/hammersonplc
www.facebook.com

Using **technology** to drive footfall

Working with retailers on

multi-channel solutions

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

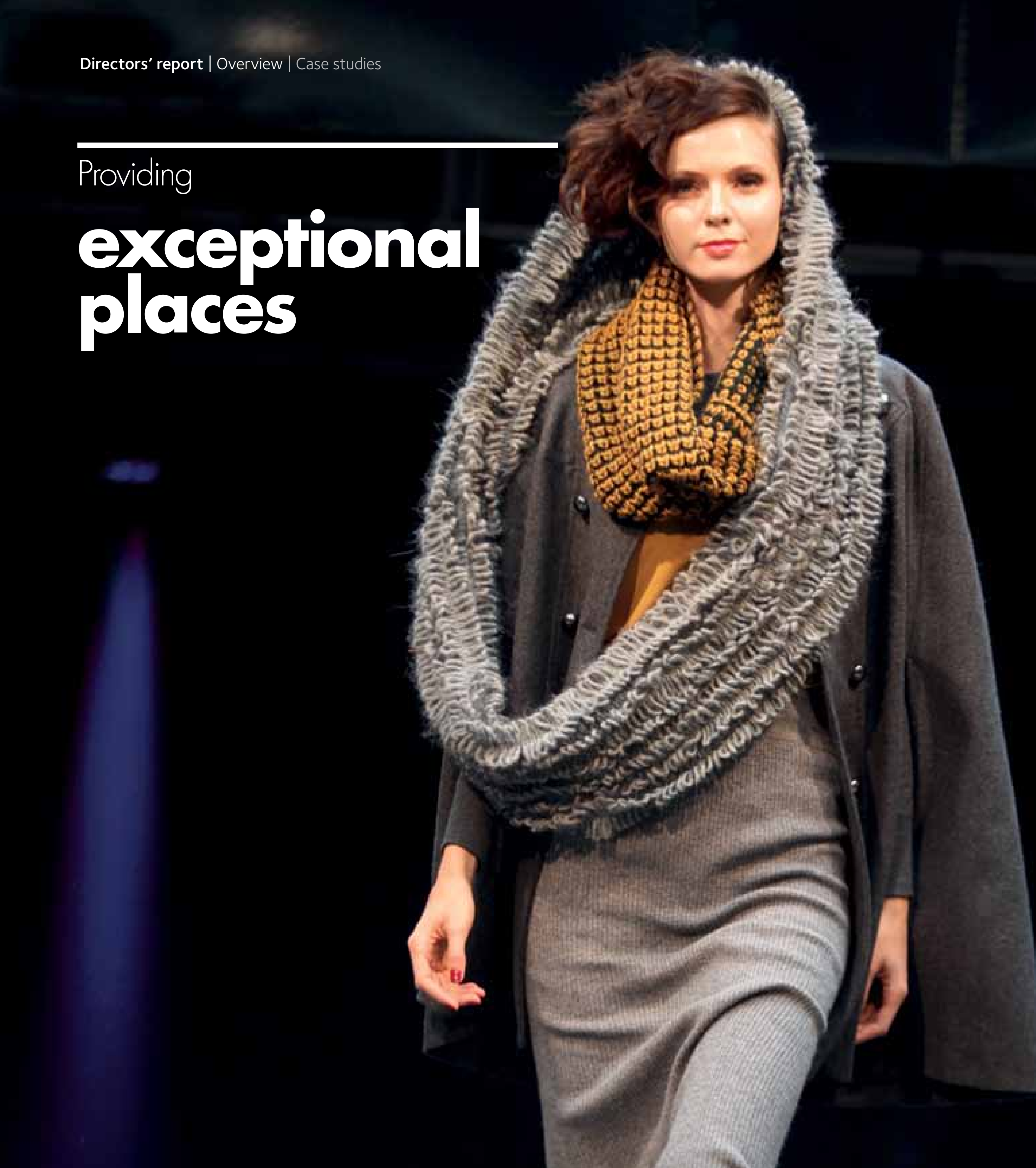
UnionSquare

HOUSE OF FRASER

Outstanding catering and leisure are increasingly important consumer requirements.

In 2011 we launched Spiceal Street at Bullring, a unique new restaurant quarter bringing three new restaurant brands set around St Martin's Square and the iconic Selfridges building.

Identifying **consumer trends**



Providing **exceptional places**

We deliver places which are not just shops and offices but focal points for the local community

Outstanding architecture and public realm put to use for:

– Catwalk shows
– Student lock-ins
– Tea dances
– Food festivals
– Royal wedding screening
– Children's shows and workshops

creating
high quality property...

– 54-60 rue du Faubourg Saint-Honoré completed in 2011

– Brands include Burberry, Moschino, Bally, Blumarine, Paper Rain, Jenny Packham and Brunello Cucinelli

– Year end value £52m over cost

...but consistently
recycling
the portfolio...

60 Threadneedle Street

– Completed in 2009

– Sold in Dec 2011

– Realised £44m profit on cost

...thus maintaining
financial flexibility
for future investments...

£374m

Acquisitions in 2011 into properties offering superior growth potential.

£655m

New revolving credit facilities signed in 2011, enhancing available resources.

52%

Year end gearing, providing significant financial flexibility.

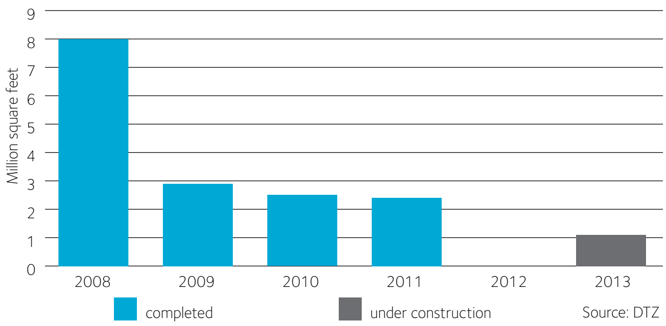
£272m

Disposals of mature assets in 2011, realising value and releasing capital.

Overview
Business & financial review
Governance
Financial statements
Property portfolio
Other information

Market background

Shopping centre development pipeline



Left: Cabot Circus, Bristol
Right: Italie 2, Paris
Opposite: 60 Threadneedle Street, London

UK retail

The polarisation of the retail market continued in 2011 with retailers focused on protecting sales and margins. Many retailers have expanded their presence in winning locations, creating demand for modern, large, flexible accommodation such as Hammerson's. The growth in multi-channel retailing is having a significant influence on the property strategies of retailers, further supporting this demand. By contrast, many retailers have exited underperforming stores, predominantly in smaller towns or weaker locations. Well located modern shopping centres and retail parks have benefited greatly from this polarisation.

Looking forward this trend is set to continue, with flexible, modern space in highest demand. Given the UK's limited supply of new retail developments in the pipeline, there is the potential to maintain and grow rents for the best quality space.

Capital market appetite for secondary centres is now limited due to the lack of debt finance, and the weakening occupational market. There continues to be significant appetite from sovereign wealth funds for super-prime UK retail centres and this has led to a strengthening of yields in this sector. This should continue in 2012, as the limited supply of assets coupled with the continuing demand from occupiers for the best space will help drive performance, and we anticipate the valuation gap between prime and secondary properties to widen further.

France retail

In France, retailer demand is increasingly focused on the most strategically located shopping centres in Ile de France and the main cities outside Paris. International retailers continue to seek space, and this will help to maintain rental levels in the medium-term at high quality centres, however retailers have hardened their positions in lease negotiations in underperforming centres, and this trend is expected to continue in 2012.

In the investment market the limited availability of large retail assets, the appeal of indexed rents and strong ongoing demand from investors, have all helped to support yields.

London offices

London continues to attract major national and international businesses, and has become a focus for international investment as global buyers seek a combination of growth and security. These factors should support capital values for the highest quality assets.

Nevertheless, the current economic uncertainty has created a slowdown in demand for office space, and rents have remained static over the year. A significant number of large occupiers face upcoming lease expiries in old, inefficient buildings, which in conjunction with the relatively limited development pipeline of high quality offices, may support rental levels over the medium term.

Legal and regulatory framework

Hammerson operates in the UK and France where planning regimes impose restrictions on new property developments. These restrictions are particularly onerous in the case of large retail schemes, limiting the supply of new space and thereby benefiting owners of existing retail properties. By contrast, it is generally more straightforward to gain permission to create new office buildings, which can lead to more marked imbalances between supply and demand, resulting in greater fluctuations in rents and values. From a developer's perspective, the planning process can sometimes be uncertain and protracted.

City office new development completions

Source: DTZ

In England and Wales, contracts to lease property are governed principally by the Landlord and Tenant Act 1954. The duration of a typical lease is 10-15 years, with rent payable quarterly in advance and with rent reviews at the end of each five-year period. Rent reviews are generally 'upward only' whereby the rent will be increased to the market rent, unless the market rent is lower than the passing rent, in which case it will remain unchanged. Occupiers bear the responsibility for repairing and insuring the property and have a right to renew their leases for a further term at the end of the lease.

Scotland has its own legal system and there is no equivalent of the Landlord and Tenant Act. There is little legislation or case law relating to leases and a Scottish lease will usually contain all relevant terms. However, common law provisions may apply if the lease is silent on a particular issue. Despite the legal differences, the commercial terms of Scottish leases are similar to those elsewhere in the UK as discussed above.

The trend in the UK is for a more flexible approach by property owners, which may include shorter leases, rent which is related to an occupier's turnover and rents being paid monthly.

In France, leases are governed by the 'Code du Commerce' and a typical lease is of around ten years' duration, with the occupier often having the right to break the lease every three years. Rent for the majority of leases is revised annually according to one of two official indices which are related to retail prices, retail sales and construction costs. Rents may go up or down depending on the index. Occupiers have the right to renew their leases for a further term at the end of the lease.

Hammerson is subject to various environmental regulations in the UK and France. In particular, our office and retail portfolio investment activities are subject to:

- Climate Change Act
- Carbon Reduction Commitment Energy Efficiency Scheme (CRC EES)
- Energy Performance Certificates (EPC)
- European Energy Performance of Buildings Directive
- Landfill regulations
- Grenelle de l'Environment – Acts one and two

Responding to market dynamics

We aim to provide the most dynamic and exciting environments for our retailers to thrive and their customers to shop, be entertained and socialise.

Structural changes are playing out across the retail sector

Urbanisation throughout Europe is leading to population migration, economic polarisation and wealth concentration. This accumulation of people, combined with the growth of internet technologies, is fuelling rapid growth in e-commerce, changing consumer behaviours and driving structural changes across the retail sector in response to these challenges.

Consumer preferences are increasingly driven by a combination of convenience or the wish for a special experience. Consumers are choosing the experience of dominant shopping centres, the convenience of retail parks and the perceived value of designer outlet villages over other retail formats.

Below: Italie 2, Paris
Opposite left: Forever 21, Bullring, Birmingham
Opposite right: SQY Ouest, Paris

Multi-channel is dominating retailer decisions

The greatest shift in retail is towards multi-channel where a consumer may use multiple channels to inform, inspire, research and buy. By 2020, it is anticipated that 75% of non-food sales will be influenced in some capacity by the internet and 50% will be fulfilled online. With a greater number of channels available, consumers are selecting physical retail only in locations that satisfy their needs for convenience or experience.

Store numbers are falling...

As the economics of retail change, retailers will require fewer stores as they increasingly look to migrate away from physical space to more cost effective formats. Whilst most retailers require fewer stores to access their markets, physical retail will continue to play a vital role as retailers need to support their brands and consumers continue to review and purchase items in-store.

Retailers are increasingly focusing their portfolios and reshaping their estates on 'winning' locations where physical space still adds value. The total number of UK shop units occupied by chain stores in 2010 was 36,000, this number is forecast to fall by 31% in town centre locations, 2% in out of town locations and by 25% in aggregate, by 2020. Similar trends are evident in continental Europe.

However, the impact for retail sectors and venues will be far from uniform, with the changes anticipated to be felt most acutely in secondary locations. Venues offering genuine convenience or an exciting consumer experience will continue to perform strongly.

...but average store sizes are rising

As the polarisation between shopping destinations grows, retailers will concentrate investment in physical retail solely in successful shopping venues capable of sustaining larger stores and suiting the needs of the consumer and retailer.

The overall trend is towards a fewer number of larger stores: the average store size across the UK's top 30 retailers has increased by 22% since 1999.

As retailers focus on 'top' locations

As consumer preferences evolve and customers migrate to retail locations that offer a combination of convenience or the wish for a special experience, retailers are increasingly focusing their portfolios on destinations where physical retail still adds value. Stores in large population concentrations deliver above average (and growing) contributions to group profitability. Consequently, retailers are becoming more international in their outlook, prioritising cross-border opportunities to access top retail venues.

Our portfolio of dominant regional shopping centres succeeds in providing experience based on range and depth of offering, customer services, catering, leisure and promotional activity.

The watchword for many retailers is 'fewer but bigger stores' – better ranged, better supported by multi-channel capabilities and situated only in the best locations.

Fewer	Bigger	Best
Challenging consumer and economic outlook accelerates trends seen to date	Multi-channel investment Concentration of market power Orientation towards 'top' venues Large formats	Focus on retail Increase scale Dominant or convenient locations

Our portfolio of convenient retail parks in the UK and local shopping centres in Europe, often anchored by food stores, satisfies the need for convenience for increasingly time-poor consumers.

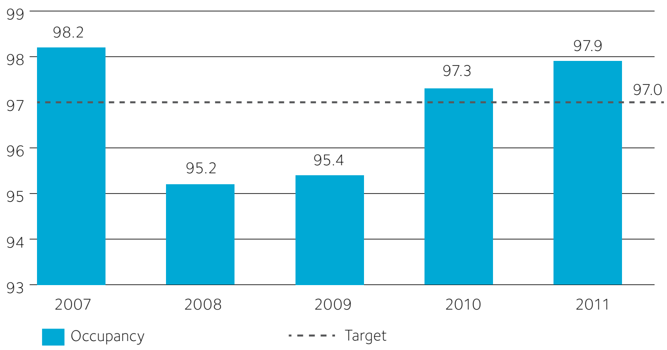
We recognise that the success of our retail properties relies on our ability to engage with retailers and provide exciting and stimulating environments. We treat our tenants as customers and understand that the fundamental value of our properties lies in the success of their businesses. Our marketing programmes focus on creating customer loyalty and encouraging repeat visits.

Key performance indicators

Strategic overview

To monitor the performance of our business, we measure three principal indicators against appropriate benchmarks. Set against the background of our strategy, these 'Key Performance Indicators', or 'KPIs', demonstrate the extent to which earnings and valuation growth drive returns. Growth in portfolio and equity returns should, over time, be reflected in improved shareholder returns. The sources of the information used to calculate KPIs are management reporting systems and IPD.

Occupancy (%)

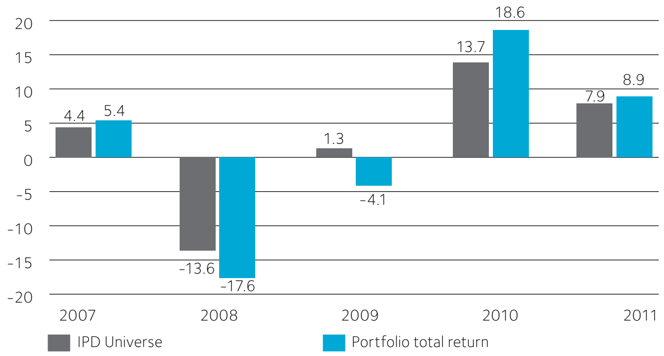


Strategy	KPI	Definition	Benchmark
Focus on income growth We aim to maximise the occupancy of our properties as income lost through vacancy has a direct impact on profitability. However, we believe that a minor level of structural vacancy is appropriate in our retail portfolio as it allows us to flex tenant mix and location within a property which may in turn increase rental income and provide capital growth.	**Occupancy**	The ERV of the space in the portfolio which is currently let, as a percentage of the total portfolio.[1]	97%
High quality property We invest in high quality properties which are attractive to tenants and consumers and provide a platform from which to grow income and value generating returns in excess of other classes of real estate.	**Portfolio total return relative to IPD[2]**	We compare the total return achieved from the portfolio against the relevant IPD index.	IPD + 100bp
Capital strength Our financing policy is to optimise the Group's weighted average cost of capital using an appropriate mix of debt and equity, which is complemented by prudent financial management. The resulting capital strength provides a platform from which our high quality portfolio can generate good returns. ROE is a measure of how effective Hammerson is in generating a return on the equity invested by shareholders in the business.	**Return on shareholders' equity (ROE)**	The income and capital returns in a year expressed as a percentage of shareholders' equity at the start of the year.[1]	8.2% (estimated cost of equity)

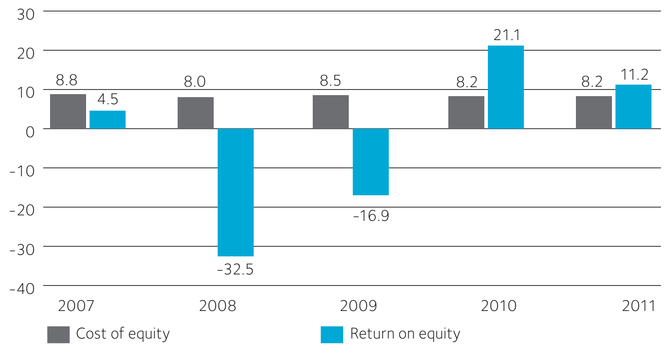
[1] Full definitions are provided in the glossary on page 123.
[2] In the chart, the total property returns are for the total portfolio. IPD returns are weighted indices for the UK and France for 2010 and prior. As the 2011 IPD index for France was not available at the time of publication, the 2011 IPD return used is the UK index.

All pictures: Cabot Circus, Bristol

Portfolio total returns and IPD Universe (%)



Return on shareholders' equity (%)



Performance in 2011	Focus on 2012	Further commentary
97.9% (2010: 97.3%) Lettings at Union Square, Cabot Circus and 125 Old Broad Street were the principal components of the increase in occupancy, together with the impact of property sales.	The challenging economic backdrop for retailers is likely to result in further administrations in 2012, which may increase vacancy. However, our prime portfolio should remain attractive to potential occupiers, who appear to be gravitating towards such locations.	Business and financial review, page 32
8.9% (IPD Universe 7.9%) (2010: 18.6% (IPD Universe 13.7%)) Prime assets of the type owned and operated by Hammerson outperformed other UK real estate classes in 2011.	We believe that, particularly in the current economic environment, prime shopping centres and well located retail parks of the type which Hammerson owns and operates will outperform other classes of real estate which should result in superior total returns.	Financial and property returns, page 22
11.2% (2010: 21.1%) The scale of the property portfolio relative to equity shareholders' funds and retained profits means that the main component of ROE is usually the portfolio revaluation surplus or deficit for the year. The lower ROE in 2011 compared with that in 2010 principally reflects a larger revaluation surplus in 2010, together with a lower figure for opening equity shareholders' funds.	Property values will to a large extent be determined by the broader economic situation in 2012, and this will have an impact on Hammerson's ROE. We have more control over the income element of ROE as we can use our skills to increase rental, commercial and other income from our portfolio.	Financial and property returns, page 22

The Company's Annual Incentive Plan ('AIP') and Long Term Incentive Plan ('LTIP') for senior management contain performance measures, set out on pages 58 and 59, that align closely with our corporate KPIs. Total property return relative to IPD is a specific measure in both the AIP and the LTIP and occupancy levels, income growth, capital strength and strong ROE drive higher earnings per share, total shareholder return and net asset value which form performance measures in either the AIP or the LTIP.

Financial and property returns

Our objective is to achieve a return on equity which is greater than our cost of equity. To achieve this, we set hurdle rates for investment, based on a minimum five-year internal rate of return and adjusted according to the risk associated with each project.

When appropriate, the returns that would be generated by buying in the Company's own shares are evaluated against the potential returns from property investment and development.

The table below provides information on the financial returns achieved in 2011 and compares them with appropriate benchmark indices.

The IPD annual return was not available at the time of publication, so the IPD benchmarks shown for the UK portfolio are based on the quarterly index. There is no benchmark for total portfolio returns which is comparable with Hammerson's geographical portfolio allocation. IPD data relating to the returns of the French property sector in 2011 will be available only after this Annual Report has been published.

An analysis of capital and total returns by business segment is provided in the Business review on pages 38 and 43.

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

Hammerson's return on shareholders' equity for the year ended 31 December 2011 was 11.2%. The income element of the return on shareholders' equity will tend to be relatively low given the high quality of the property portfolio, as described above. In 2011 the capital element of the return on equity reflected the increase in the value of the portfolio during the year, which principally resulted from the improvements in the real estate investment market.

Total shareholder return for 2011 underperformed the FTSE EPRA/NAREIT UK index. Over the last five years, Hammerson's average annual total shareholder return has been -16.5% compared with -17.5% for the EPRA/NAREIT UK index.

Returns data for 2011

Return	%	Benchmark	%
UK portfolio capital return	2.7	UK IPD Universe – capital	2.0
UK portfolio income return	5.2	UK IPD Universe – income	5.8
UK portfolio total return	8.0	UK IPD Universe – total	7.9
Total portfolio capital return	3.6	n/a	
Total portfolio income return	5.1	n/a	
Total portfolio total return	8.9	n/a	
Return on shareholders' equity	11.2	Estimated cost of equity	8.2
Total shareholder return over one year	-10.5	FTSE EPRA/NAREIT UK index over one year	-7.9
Total shareholder return over three years p.a.	4.4	FTSE EPRA/NAREIT UK index over three years p.a.	3.6
Total shareholder return over five years p.a.	-16.5	FTSE EPRA/NAREIT UK index over five years p.a.	-17.5

EPRA performance measures

Performance measure	Definition	Page	Purpose
EPRA Earnings	Recurring earnings from core operational activities	91	A key measure of a company's underlying operating results from its property rental business and an indication of the extent to which current dividend payments are supported by earnings
EPRA NAV	Net Asset Value adjusted to include properties and other investment interests at fair value and to exclude certain items not expected to crystallise in a long-term investment property business model	91	Adjusts IFRS NAV to provide stakeholders with relevant information on the fair value of the assets and liabilities of a real estate investment company with a long-term investment strategy
EPRA NNNAV (triple net)	EPRA NAV adjusted to include the fair values of financial instruments, debt and deferred taxes	91	Adjusts EPRA NAV to provide stakeholders with relevant information on the current fair value of the assets and liabilities of a real estate company
EPRA Net Initial Yield (NIY)	Annualised rental income based on cash rents passing at the balance sheet date, less non-recoverable property operating expenses, divided by the market value of the property, including estimated purchasers' costs	38	Comparable measure for portfolio valuations
EPRA 'topped-up' NIY	EPRA NIY adjusted for the expiry of rent-free periods	38	Comparable measure for portfolio valuations
Vacancy	Estimated market rental value (ERV) of vacant space divided by the ERV of the whole portfolio	32	A measure of investment property space that is vacant, based on ERV

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

Absolute measures for energy and water usage, greenhouse gas emissions and waste, together with intensity measures for energy and water usage and greenhouse gas emissions, as defined by EPRA, are set out in the connected reporting framework on pages 28 and 29.

A full Global Reporting Initiative ('GRI') and EPRA BPR compliance pack can be found online at www.hammerson.com

Risk management and principal uncertainties

Risk management is integral to the achievement of our financial and operating objectives. Risk management policies are designed to reduce the chances of financial loss, protect our reputation and optimise performance when opportunities arise. Our risk management framework, which is regularly reviewed by our senior team, helps us to identify and control risk and communicate risk management throughout the organisation.

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

Risk area (and executive responsibility)	Principal uncertainties
Business strategy **(GEC)**	**Property and financial markets** The uncertainty surrounding the eurozone and the austerity measures adopted by western governments continues to unsettle the financial markets, making lenders cautious, and is likely to hold back economic growth for some time. In the worst case, a full or partial break-up of the euro-community may contribute to a prolonged global recession. We are of course exposed to the specifics of the French economy through our shopping centre investments in France. During our Business Planning process in the latter stages of 2011, we stress-tested our business model against a severe downside economic scenario. We confirmed that our business is robust, reflecting low gearing, long-term secure income streams from our leases, the currency hedging of the value of our French portfolio, a good spread of debt maturity and the flexibility to phase or halt our development programme.
Property investment **(GEC)**	**Property valuations** Conditions prevailing in the property investment market and the general economic environment affect the value of Hammerson's property portfolio. Accordingly, the Group's net asset value may rise or fall due to external factors beyond management's control. Global financial markets have stabilised since the peak of the financial crisis, and investors have become more active in the real estate investment market, resulting in a rise in property values. However, the eurozone crisis continues to cause uncertainty and may generate significant instability and volatility in financial markets in the short- to medium-terms. Our property portfolio is of high quality, geographically diversified and let to a large number of tenants. These factors should help mitigate negative impacts which may arise from changes in the financial and property markets. **Tenant default** Some tenants continue to face challenging operating conditions, increasing the risk that they may be unable to pay their rents. The Group's geographical diversity and its large number of tenants mean the impact of individual tenant default for Hammerson is low. Furthermore, our occupational leases are generally long-term contracts, making the income relatively secure.
Property development **(GEC)**	**Development and letting** The current economic environment means that development is inherently more risky. Although we have a substantial development pipeline, we will progress developments only when the relevant markets are sufficiently robust, when we have the right level of interest from occupiers and on the basis that sound financial analysis demonstrates good returns. The uncertainty faced by potential occupiers means that they remain cautious about entering into commitments to lease space. We currently have only one major development underway, Les Terrasses du Port in Marseille, for which around 64% of the income has been contracted or is in solicitors' hands. We will continue to seek substantial pre-lets before progressing significant developments.
Treasury **(CFO)**	**Property valuations** The most significant element of the value of the Hammerson Group is the property portfolio. As noted above, the current economic situation may put downward pressure on property values which would increase gearing and could ultimately breach borrowing covenants. The high quality and diversification of our portfolio should help to protect values from the negative impacts which may arise from changes in the financial and property markets. At 31 December 2011, gearing stood at 52%, significantly lower than the Group's most stringent borrowing covenant that gearing should not exceed 150%. We estimate that values could fall by 43% from their December 2011 levels before covenants would be endangered. **Liquidity risk** In the current environment, companies with short-term financing requirements may find it difficult to secure sufficient funding, in particular from banks, at costs comparable with their existing facilities. Our funding strategy in 2011 has therefore been to address near-term maturities early. In 2012 we will also consider accessing the sterling, euro and private placement bond markets. In April we replaced £670 million of undrawn facilities, which were due to expire over the next two years, with a new £505 million five-year syndicated revolving credit facility. In November we agreed a £125 million syndicated five-year revolving credit facility which will be available to draw down from April 2012 when it will be used to refinance in part maturing bank debt. **Interest rate and exchange risk** Although the medium-term outlook for interest rates is that they will remain low, the interest charged on borrowings is a significant cost for Hammerson. To manage the risk of changes in interest rates, we set guidelines for our exposure to fixed and floating interest rates, using interest rate and currency swaps as appropriate. At 31 December 2011, 88% of the Group's gross debt was at fixed rates of interest. The Group is exposed to movements in the sterling/euro exchange rate through its investment in France. Exchange risk is managed principally by matching foreign currency assets with foreign currency borrowings or derivatives. At the end of 2011, 76% of the value of the Group's French portfolio was hedged in this way.
Business organisation and human resources **(GEC)**	For Hammerson, there are currently no significant uncertainties related to this risk.

The Group Executive Committee (GEC) comprises the Executive Directors, the Managing Directors of the UK and France retail divisions and the General Counsel.

Risk/impact	Mitigation	Further commentary
• Implementation of a strategy inconsistent with the market environment, risking poor investment decisions and inadequate returns • Specific sectors or markets underperform relative to other sectors or markets, eroding shareholder value.	• We commission and evaluate research into the economy and investment and occupational markets and use this to prepare an annual Business Plan and regular financial forecasts • Our commercial teams are aligned to reflect the profile of our customers • We monitor closely developments in multi-channel retailing and introduce innovative new concepts to our portfolio when appropriate • Hammerson's portfolio is diversified geographically and by sector and its allocation is regularly reviewed.	Chief executive's report (page 2) Chairman's statement (page 4) Market background (page 16) Responding to market dynamics (page 18) Business review (pages 32 to 38)
• Investment decisions result in inadequate returns or the adoption of unforeseen liabilities • Opportunities to divest of properties are missed, or limited by market constraints, reducing potential returns	• Acquisitions are thoroughly evaluated, including due diligence reviews • The performance of individual properties is benchmarked against target returns • Properties are held in a 'ready for sale' state.	Market background (page 16) Business review (page 36) Security and quality of income (page 41) Tenant covenant strength and collection rates (page 42)
• Financial loss arises through tenant default.	• We regularly monitor the credit status of tenants and adopt a flexible approach to tenant requests for changes to payment terms • Arrears are reported monthly and we report six monthly on Group-wide tenant exposures.	
• Over-exposure to developments within a short timeframe increases exposure to market risk and puts pressure on financing and cashflow • Poor control of the development programme and failure to address investment and occupational market risks could result in inadequate returns • Poor management and inadequate resourcing results in failed projects.	• The Group's exposure to developments and the phasing of projects is considered as part of our annual Business Plan and reviewed throughout the year • We monitor and report on development projects monthly • Detailed analysis, including market research, is undertaken prior to the approval of each development project • Project teams are assembled for each development project under a project 'owner' • A programme of post completion reviews ensures potential improvements to processes are identified.	Investing for income and capital growth through developments (pages 34 to 36)
• Breach of borrowing covenants, triggering default and/or repayment of facilities or bonds	• We set guidelines for financial ratios and these are monitored regularly by the Board • Our Business Plan includes stress tests considering the impact of a significant deterioration in the markets in which we operate	Financial review (page 40) Notes 20 and 21 to the accounts (pages 98 to 105)
• Poor planning and/or external factors, including failures in the banking system, lead to a liquidity squeeze preventing the refinancing of maturing debt or leading to insufficient liquidity to progress the development programme	• The Board approves future investment requirements and sufficient facilities are put in place with an appropriate maturity profile • We monitor the maturity profile of debt and take an opportunistic approach to refinancing • Credit ratings are set for lending counterparties and monitored. We use diverse sources of funding	
• Adverse currency or interest rate movements result in financial losses.	• Fixed rate borrowings are used where appropriate and foreign currency denominated assets are financed by borrowings in the same currency.	
• Inappropriate management structure or resourcing levels for achieving business objectives • Failure to recruit and retain key executives and staff with appropriate skills and calibre.	• A Human Resources plan features as part of the annual Business Plan • The Nomination Committee approves succession plans for senior roles • Significant changes to the management structure are approved by the Board • We periodically review the remuneration structure, including an annual review by the Remuneration Committee and benchmarking against industry, or other relevant comparatives.	Human resources (page 30) Governance (pages 44 to 53) Remuneration report (page 54)

Corporate responsibility

Overview and strategy

We concentrate on the business opportunities offered by CR within our investment portfolio and development projects, fully integrating CR initiatives into our corporate business plans. Against a weak economic backdrop and increasing utility costs, our customers continue to benefit from our drive to reduce consumption and increase recycling. At our developments, we have an innovative design approach which ensures we create properties fit for the future. We believe that changing legislation and rising energy prices will make our low-carbon investment portfolio more attractive to tenants and investors.

We have seen an increase in French legislation directing the industry towards a greener future. Hammerson has anticipated the requirements of the Grenelle d'environment and engaged with government, peers and suppliers in advance of its implementation, to ensure we create value for the business.

We have a standard way of engaging with our communities across the portfolio, which we adapt and implement locally. We actively support the communities in which we operate through volunteering, bursary projects and other forms of engagement. Local authorities in the UK and France increasingly focus on our track record in creating jobs and providing skill development opportunities for local people. We delivered a series of seminars in 2011 to share knowledge and to create new partnerships.

New approach to reporting

This year we restructured our CR reporting. First we responded to the requirement for real-time information by taking control of our own data in a new CR data management and reporting system. This will enable us to collate all Carbon Reduction Commitment Energy Efficiency Scheme ('CRC EES') data and evidence packs online, reducing administration, increasing both accuracy and timeliness, and removing risk. Second, recognising the needs of different stakeholders, we have moved away from a single annual CR report. Instead, in addition to the key documents such as the connected reported framework and GRI compliance report, we will produce short, focused communiqués for each of our five key stakeholder groups.

Investors

Investors are an excellent source of feedback. In 2011 we expanded our Environmental Social Governance ('ESG') engagement programme to include France, meeting with eight key investors. It was clear that investors are now factoring sustainability into their decisions. Hammerson again entered the Global Real Estate Sustainability Benchmarking study, with 349 global participants, and was ranked first among European listed property companies. Our good performance in the relevant indices continued, and we improved our score in both DJSI and FTSE 4 Good. Following requests for improved transparency relating to Health and Safety, we have now provided a separate statement for this area.

Employees

We continue to develop programmes to educate staff about the benefits of sustainability. Over 500 employees and contractors undertook our accredited environmental course. We are keen to link sustainability with individual performance, and have increased the number of employees with sustainability-related objectives. We approved new volunteering and charity donations policies, engaging staff in the identification and selection of charitable partnerships. The revised approach will ensure that we leverage cash donations through additional support by volunteering, in kind contributions and fundraising. This aligns with our objective to ensure that community investment is focused on long-term engagement with communities.

Community

European governments are increasingly focused on community engagement. At a national and local level we work with key stakeholders to align our community investment strategy with local priorities and needs. This was evident in our response to the civil unrest that occurred in the UK during the summer of 2011. We implemented a coordinated response to manage both the immediate and long-term impacts in the areas where we operate. We provided finance, skills and expertise to support local businesses and communities. Now that the Localism Act has been passed in the UK, we have implemented a number of measures around community consultation to further support our partners. In France our community investment strategy is concentrated on three national initiatives: France Initiative; Centre Ville Movement; and Pole Emploi.

Customers

95% of our main retail customers regard CR as crucial to their future. Their major focus for the last few years has been on the supply chain, but increased attention is now being placed on operational costs, in particular, energy. We continue to expand our green groups in both the UK and France, we have stepped up our engagement with customers and linked this to retailer awards at Union Square and WestQuay. We engaged in several partnerships with customers on subjects ranging from procurement strategies to reuse of steel. One of our occupiers engaged us on their own sustainability stakeholder review panel. We introduced 26 retailers to Retail Lab, our innovative collaboration with DeMontfort University. In France we began to capture tenant energy consumption via green leases and encourage retailers to turn lights off in the evening. These initiatives are welcomed as they raise awareness, reduce cost to tenants and provide a good source of data for benchmarking.

Our Community Day which took place on 10 June 2011

Suppliers

Without a sustainable supply chain we cannot deliver sustainable products. We are integrating our supplier questionnaire into our CR data management tool. The new system will streamline the process and improve data capture. Following a review of leaders in the field, especially retailers and contractors, we recognised the need for a suppliers' code of conduct which will be launched in 2012. The pilot will take place in March this year with our first annual survey taking place in April.

Performance

We reduced our carbon emissions across the portfolio by 11.5%, with several shopping centres producing outstanding results, notably Queensgate (-19%) and Bercy 2 (-8%). In France the warmer winter period had a dramatic impact on our carbon emissions as gas-fired heating systems were switched off, helping our French portfolio to deliver a 20% reduction. We centralised our waste management contract, so reducing cost through the inclusion of strict recycling targets. The overall recycling rate in the UK hit 58%. The full effect of this change will not be seen until the end of 2012, but it is already generating good results at some centres. In France we continue to improve our waste recycling rates, with a notable performance by Place des Halles as the management team identified a new supplier for its organic waste. We are now engaging with 389 community organisations, investing £1.2 million, an increase of 24%.

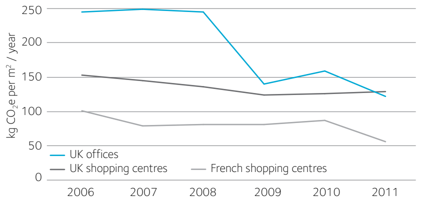
The future

The importance placed on carbon reduction by governments in the UK and France is evident through legislation and tax. We know that landfill tax in both countries will increase operating costs for our tenants, so well-managed centres with lower service charges will become more important. Our commitment to reduce emissions and increase recycling will align with customer needs. We see water usage as the next area of government attention, so have committed to reducing consumption to improve our performance and reduce risk. We will continue to engage with shareholders, who are focused increasingly on sustainability risks and opportunities. Civil unrest raised awareness of the need to maintain engagement with our communities and understand the challenges they face, and in response we ensure that we play our part in improving the local environment, and improving skills to create jobs.

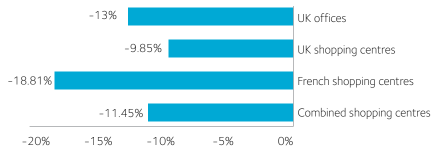
Connected reporting framework

Carbon and energy	Coverage	2009	2010	2011
CR MEASURE: Reduce carbon emissions associated with landlord-provided energy for shared services in the like-for-like portfolio by 1.5% per annum for UK offices and by 20% for shopping centres, from a 2010 baseline (UK/FR)	This measure covers 44,520 tonnes of CO_2e, which represents 100% of total greenhouse gas emissions			
Cost of energy (£000)	UK/FR all properties	10,858	8,202	9,707
Energy efficiency investment (£000)	UK/FR all properties	53	697	1,231
Estimated energy savings (£000)	UK/FR like-for-like	980	211	1,157

Year-on-year greenhouse gas emissions building intensity by portfolio (like-for-like properties), in line with EPRA BPR



Percentage change 2010 to 2011 (shopping centre and office portfolios)

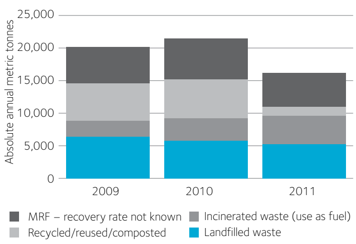


Comments on 2011 performance

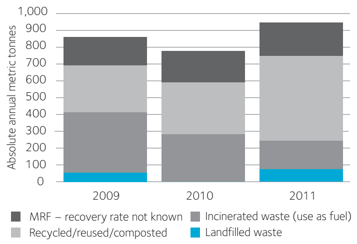
- The major drop in office energy intensity in 2009 related to a change in tenant/landlord apportionment
- A review of natural ventilation has been completed at all assets. Oracle and Queensgate completed stage two detailed design review
- Lighting projects to reduce consumption commenced across all car parks
- The cost of energy continued to rise, new contracts noted an increase of 18%
- 99 Bishopsgate topped the new Carbon Reduction Commitment league table
- Energy Performance Certificates have been completed at all assets with ratings shown in the Annual Report for the first time
- 125 Old Broad Street delivers new benchmark for energy efficiency in the Hammerson portfolio
- Good progress continues to be made in shopping centre portfolio, with the French portfolio reducing energy consumption by 14.6%
- Bercy 2 achieved a reduction of 8% through improved operational management.

Waste	Coverage	2009	2010	2011
CR MEASURE: Increase waste recycling to 75% by 2013 (offices and shopping centres) (UK/FR)				
Annual waste production by final disposal route, in line with EPRA				
Total waste cost (£000)	UK Only	1,473	1,668	1,325
Amount saved in landfill tax (£000)	UK Only	370	558	527
Income from sale of waste (£000)	UK Only	44	76	110

Shopping centres (UK & France)
Annual waste production (absolute by final disposal route)



Offices (UK)
Annual waste production (absolute by final disposal route)

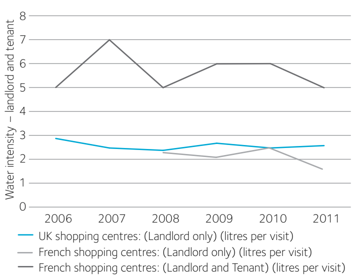


Comments on 2011 performance

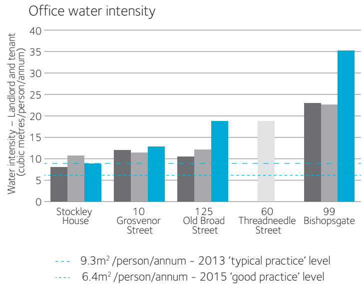
- Overall waste recycling has increased to 58.5%
- A new centralised management contract has been implemented including strict recycling targets. WestQuay implemented the new system in October and by December recycling rates had increased from 25% to 68%
- Silverburn continued to struggle this year but a new contractor has been selected and will commence work in 2012
- We continue to see a dramatic reduction in landfill tax. By 2014 landfill tax will reach £80 per tonne (UK) and €20 per tonne (France).

Water	Coverage	2009	2010	2011
CR MEASURE: Reduce water consumption to typical 9.3m³/person/pa by 2013, (CIBSE benchmark levels, offices) and good practice 6.4m³/person/pa by 2015 and by 12% by 2015 in the shopping centres portfolio (common part areas)				
Cost of water (£000)	UK/FR all properties	1,628	1,742	1,896
Investment in water management improvements (£000)	UK/FR all properties	14	12	16
Estimated water savings (£000)	UK/FR all properties	420	97	-143

Building water intensity



Office water intensity



Comments on 2011 performance

- Water intensity at 99 Bishopsgate has increased as a major refurbishment has reduced occupancy levels without an equivalent reduction in water consumption
- Water audits are complete at all UK shopping centres and water management plans underway
- Water explorer event held at Highcross in partnership with Levis to raise consumer awareness of water consumption and promote waterless jeans
- Despite a reduction in water consumption across the rest of the portfolio we cannot report a saving as we discovered a faulty meter at Silverburn resulting in a major increase in water consumption
- Water cost and investment figures have been restated for 2010, as a mistake has been identified in the calculation.

Suppliers	Coverage	2009	2010	2011	Comments on 2011 performance
CR MEASURE: 50% of suppliers by value to be engaged					• Continue to implement the sustainability questionnaire as part of all new tender requests • New supply contracts cannot be signed off without confirmation that a sustainability questionnaire has been completed • Questionnaire piloted at Brent Cross.
Number of suppliers by value over £100k	UK/FR	N/A	280	76	
Value of contracts with suppliers we engaged on sustainability (£000)	UK/FR	N/A	340,318	51,296	

Communities	Coverage	2009	2010	2011	Comments on 2011 performance
CR MEASURE: Create and implement community plans, focused on achieving a benchmark of 75% long-term community investment activities	All developments and managed assets				• 2011 based on UK and for the first time France • 2% increase in overall contributions in the UK is due in part to more effective data capture and recording of community investment activities particularly in our retail parks business • The community investment tool has been implemented in France improving investment figures by 24% • The total community investment contribution in France reflects the 3 conventions that are the pillars of our community programme in the country: Pole Emploi (employment); Centre Ville Movement (City Centre Management); and France Initiative (support for local enterprise).
Direct contributions (£000)	UK/FR	821	401	914	
Indirect contributions (£000)	UK/FR	754	632	365	
Number of organisations that benefited from Hammerson's direct and indirect contributions	UK	235	202	389	

Customers	Coverage	2009	2010	2011	Comments on 2011 performance
CR MEASURE: Engage with 100% of top 75 customers					• 95% of top 50 customers committed to sustainability • Research used to structure engagement campaign and loaded onto Customer Relationship Management database • Agreed and launched new green lease in France to comply with new government regulation • Commenced data collection of tenant energy in France in line with new regulation • Introduced 26 customers to Retail Lab.
Passing rent covered by green leases (£000)	UK/FR	52,700	74,381	83,555	
Number of green leases in portfolio	UK/FR	698	787	896	
Green leases as proportion of passing rent	UK/FR	19%	24%	23%	

Investors	Coverage	2009	2010	2011	Comments on 2011 performance
CR MEASURE: Engage with top 20 investors					• Hammerson ranked number one in Europe for the Global Real Estate Sustainability Benchmark • Hammerson commenced a sustainable valuation research project with JLL • Hammerson held its first Investor forum in France • Investors requested increased transparency on health & safety.
Total number of investors with whom we had collective or individual meetings	UK/FR	21	17	13	
Total number of shares held by the top 20 investors (000s)	UK/FR	n/a	n/a	417,375	
Total number of shares held by those top 20 investors with whom Hammerson engaged on sustainability (000s)	UK/FR	n/a	n/a	147,690	

Employees	Coverage	2009	2010	2011	Comments on 2011 performance
CR MEASURE: All employees to complete relevant CR training bi-annually depending on department/position					• Over 500 employees and contractors completed the ISO14001 accredited environmental training course • The senior management team commenced a leadership course and continued with personal coaching • Career development programme established for employees.
Total expenditure on training (£000)	UK/FR	338	303	352	
Total hours spent on training (hrs)	UK/FR	6,110	4,039	5,191	

Human resources

Our people are more than just the face of Hammerson. They deliver our products and services to customers and other key partners. Our people bring our values to life.

Our goal is to create a high performing organisation, made up of people who are inspired and enabled to give their very best.

With this in mind we have defined five key areas which determine the business' focus and drive our human resources related activities.

1. Recruit, develop and retain talent
2. Optimise results through leadership
3. Achieve partnership working
4. Embed a performance culture
5. Operate with an efficient and effective organisational structure

Each year we set objectives for each of these areas and track our progress against them.

Group Executive Committee

Hammerson's day-to-day operations are headed by the Group Executive Committee (the 'GEC'), comprising the Executive Directors, the Managing Directors of the UK and French retail divisions and the General Counsel. It has particular responsibility for preparing the Group's business plan and operating budget, for assessing and controlling risk in accordance with the approved Risk Management Framework and for ensuring the appropriate allocation and development of resources to meet Hammerson's objectives. It also approves appropriate corporate responsibility, ethics and health and safety policies, reviews a range of strategies and plans for submission to the Board and ensures effective communication with internal and external stakeholders.

Talent

At all levels of recruitment we seek individuals who will contribute fresh ideas to the business. During 2011 Timon Drakesmith was appointed as Chief Financial Officer bringing both sector expertise and significant wider industry and corporate finance experience to the role. During the year we strengthened our senior management team both in the UK and France with the engagement of Martin Plocica as Retail Portfolio Director in the UK and Vincent Ravat as Operations Director for our French business, both of whom have extensive international retail experience. At entry level we introduced a graduate programme into our London office with a planned annual intake. We now conduct twice-yearly reviews of all our employees to consider not just their performance but also their potential to progress and how management can best support this. We run development centres to assess skills and help create tailored development plans for some of our most promising people. The Company enjoys high levels of staff retention. Overall staff satisfaction – which we monitor through an annual confidential survey – has increased by 8 percentage points year-on-year.

Leadership

In 2011 we launched the first phase of a major leadership development programme involving members of the Group Executive Committee and a further 23 senior managers from our Paris and London offices. Specific objectives have been set for the programme and include the development of managers as proactive agents of change, inspiring leaders and coaches, and enablers of collaborative working. The initial results are positive with employee satisfaction in leadership and management showing year-on-year improvements in both our London and Paris offices.

Partnership working

The Company's values are founded on partnership working with stakeholders and we are therefore focusing on promoting understanding and collaboration at every level of the business. On the leadership programme, managers from different functional areas have been brought together in small groups to help resolve their respective business issues. At the national level, teams from our London and Paris offices work closely together on the major Les Terrasses du Port development project to share knowledge and provide support. The Company encourages and facilitates staff moves between departments – seven employees in our London office (around 5% of the permanent workforce) undertook roles in new teams in 2011. We have piloted the use of short placements for employees to gain appreciation and experience of work in different parts of the organisation and have plans to extend this further in 2012.

Performance culture

Our approach to performance is to provide clarity of incentives and ensure accountability. Following a review of reward conducted at the end of 2010 with the extensive involvement of employees, we have published and implemented clear definitions for 'performance' which are common to all areas of the Group. Formal performance reviews – conducted twice yearly – are a balanced assessment to ensure Company values are respected. Recent changes to our employee bonus structure mean that the Company can clearly differentiate rewards according to individual achievement, whilst employees can show appreciation for their colleagues through recognition scheme awards.

"The relatively compact size of the Company combined with my rotations over several teams enables me to get a thorough understanding of the business and the property sectors involved. This way I can prepare myself to make a solid decision in which specific team I hope to develop my career further once qualified."

Robert van Vliet
Graduate Surveyor

"The graduate development programme, comprised of six-monthly rotations, enables me to gain portfolio-wide experience within a breadth of market sectors and locations. I expect the experience to provide me with a strong foundation for the APC (Assessment of Professional Competence) and beyond."

Shelley Taylor
Graduate Surveyor

Organisation

During 2011 the senior management structure in our London office was slimmed down by around 15% in headcount terms, as part of an ongoing drive to improve the speed of decision making, eliminate unnecessary cost from the business and ensure all roles retain challenge and accountability. The Company secretarial and legal functions were also combined under the direction of General Counsel Sarah Booth, in line with a broader organisational aim of deepening knowledge and supporting succession planning. In our shopping centre portfolio, we transferred the on-site management teams at Union Square, Silverburn and Brent Cross to Hammerson's employment as part of our continuing strategy to manage our assets and ensure a customer focused approach at every level in our business.

Diversity and equality

We have an equal opportunities policy which has at its core the practice of objectively assessing, recruiting and rewarding based on merit. Additionally, we monitor our performance in this area through our annual staff survey which contains specific questions on equal treatment (on grounds of age, race/ethnicity, gender, sexual orientation and disability) and which segments all responses by various demographics including gender, age, full and part-time status and those with caring responsibilities.

We seek to recruit individuals from diverse backgrounds and, wherever possible, with experience outside the property sector, to bring new perspectives to the way we manage and develop our business.

Gender diversity	% female participation 2009	2010	2011
Board	–	–	11
Group Executive Committee	–	–	17
All employees	53	52	56

Share ownership

Employees of Hammerson are encouraged to become investors in the Company through a range of share ownership schemes. At 31 December 2011, 279 employees owned shares or participated in the Group's share plans.

The remuneration of Directors is set out on pages 54 to 64.

Notes

Hammerson now employs around 270 people in the UK and 110 in France.

Hammerson is formally accredited as an 'Investor in People'.

Hammerson reports on a number of performance indicators relating to employees as part of the Global Reporting Initiative. These are available online at www.hammerson.com

Business review

Growing income through innovative asset management

Overview

Our objective is to generate good property returns, both absolute and relative to other real estate sectors and peers, through effective asset management. Our approach varies according to each of the markets in which we operate, but the common themes are:

- fostering close relationships with existing and prospective tenants
- monitoring, predicting and responding to local market trends
- offering attractive commercial solutions to tenants' occupational requirements
- considering the best format for our tenants to facilitate multi-channel sales
- providing an enhanced customer experience at our properties.

Market environment

The trading environment has become more difficult for retailers in the UK and France but we are focusing our efforts on growing income through tenant engineering, improving tenant mix, commercialisation and by continuing to pioneer multi-channel retailing. There is a continuing trend for retailers to prefer space in high quality, regionally dominant shopping centres and conveniently located retail parks of the types which we operate. Notwithstanding the weak economic backdrop, this polarisation of occupier demand is demonstrated by the trading record at our shopping centres which outperformed the wider markets in the UK and France, as shown in the Operational Data table opposite.

Operational Data – 2011 v 2010	2011	2010
Occupancy (%)	97.9	97.3
Net rental income growth like-for-like (%)	2.5	3.5
Leasing activity – new rent from units leased (£m)	24.5	24.7
Area of new lettings ('000m²)	104.7	119.2
Leasing v ERV (% above 31 December 2010/2009 ERV)	2.2	0.0
Retail sales like-for-like change (%)		
UK shopping centres (benchmark)	2.1 (0.1)	3.5 (2.6)
France shopping centres (benchmark)	-1.1 (-1.8)	0.7 (-0.6)
Footfall like-for-like change (%)		
UK shopping centres (benchmark)	0.4 (-1.2)	1.8 (-0.6)
France shopping centres (benchmark)	-2.8 (-1.3)	0.7 (-1.3)
Non-rental income (£m)		
UK	15.6	14.2
France	1.4	2.0

Occupancy/Vacancy

The Group's occupancy rate at the end of 2011, at 97.9%, was above our 97% target and 0.6 percentage points higher than that at the end of the previous year. Lettings at Union Square, Cabot Circus and 125 Old Broad Street were the principal components of the increase, together with the impact of property sales. The table below compares occupancy by portfolio segment at the current and previous reporting dates.

Occupancy (%)	UK retail	France retail	UK offices	Total
31 December 2011	97.8	98.2	98.3	97.9
31 December 2010	97.3	98.1	95.6	97.3

Like-for-like net rental income

On a like-for-like basis, net rental income increased by 3.1% in the UK and by 0.6% in France, resulting in a 2.5% uplift for the Group as a whole. The retail portfolio was the main contributor to UK growth rising by 4.6%, reflecting lettings and rent reviews. However income from the UK office portfolio fell by 6.8%, principally due to lease expiries.

Like-for-like net rental income for the year ended 31 December 2011

	Properties owned throughout 2010/11 £m	Increase/(Decrease) for properties owned throughout 2010/11 %	Acquisitions £m	Disposals £m	Developments £m	Total net rental income £m
United Kingdom						
Retail	169.0	4.6	19.1	0.2	–	188.3
Office	22.8	(6.8)	12.1	6.2	(2.0)	39.1
Total United Kingdom	191.8	3.1	31.2	6.4	(2.0)	227.4
Continental Europe						
France retail	61.8	0.6	(1.1)	4.1	3.8	68.6
Group						
Retail	230.8	3.5	18.0	4.3	3.8	256.9
Office	22.8	(6.8)	12.1	6.2	(2.0)	39.1
Total	253.6	2.5	30.1	10.5	1.8	296.0

Like-for-like net rental income for the year ended 31 December 2010

	Properties owned throughout 2010/11 £m	Exchange £m	Acquisitions £m	Disposals £m	Developments £m	Total net rental income £m
United Kingdom						
Retail	161.6	–	1.9	(0.2)	–	163.3
Office	24.4	–	5.5	14.4	(2.3)	42.0
Total United Kingdom	186.0	–	7.4	14.2	(2.3)	205.3
Continental Europe						
France retail	61.4	(0.8)	(2.0)	19.7	1.1	79.4
Group						
Retail	223.0	(0.8)	(0.1)	19.5	1.1	242.7
Office	24.4	–	5.5	14.4	(2.3)	42.0
Total portfolio	247.4	(0.8)	5.4	33.9	(1.2)	284.7

Leasing activity
In 2011 for the Group as a whole, we signed 355 leases representing 105,000m² of space and generated new rental income of £24.5 million per annum. The level of rents secured varied according to sector and geography, with UK and France retail 0.7% and 1.9% above December 2010 ERV respectively, and UK office lettings 6.9% above ERV. For the portfolio as a whole, the rents achieved were around 2.2% above ERVs, which have risen slightly since the start of the year. Rent reviews on 143 leases with rents passing of £29.1 million were also settled, which resulted in a further £1.0 million of rental income per annum.

In France, shopping centre rents change annually according to one of two indices: a composite index, partly based on retail prices (ILC); or a construction cost index (ICC). Around 80% by rental value of the retail leases in our French portfolio will increase by the ILC index of 2.56% from 1 January 2012. The corresponding movement in the index for 2011 was a fall of 0.22%. The balance of the leases in France changes in line with ICC, for which the index for 2012 is an increase of 5.01%.

Retailer sales and footfall
In the UK, like-for-like sales at our major shopping centres significantly outperformed the British Retail Consortium benchmark, as consumers gravitated towards regionally dominant retail destinations. Footfall in our UK retail portfolio also grew despite a decline nationally. Our French shopping centres outperformed the national sales benchmark, although performed less well against the footfall benchmark, suggesting an increase in sales per customer.

Non-rental income
Non-rental income includes net income from car parks and from the sale of advertising and merchandising opportunities at our shopping malls. We have increased the income generated by these activities from £16.2 million in 2010 to £17.0 million, after taking account of the loss of approximately £0.3 million arising from the part disposals of Espace Saint Quentin and O'Parinor in France.

The changing face of retail
The retail sector is facing structural challenges with retailers focusing their representation on the best and largest shopping centres and customers demanding convenience, flexibility and an entertaining shopping experience. Hammerson is well positioned to take advantage of this rebalancing of the retail environment and we continue to respond to the needs of retailers and consumers. We believe there are three key themes emerging – experience, convenience and multi-channel.

.

Experience
Leisure is becoming increasingly integral to the shopping experience and we continue to capitalise on increasing demand for quality catering within our portfolio. At Spiceal Street, a 1,860m², £8 million new restaurant quarter which opened in November at Bullring, Birmingham, three new restaurant brands are now operating. Birmingham based handmade burger Co., which pioneers local fresh food and ingredients, opened its UK flagship restaurant at Spiceal Street. Thai banquet-style Chaophraya, and Browns Bar and Brasserie are both new to the city. As part of the development, the existing Nando's and Pizza Hut restaurants extended their trading space by 54% and 20% respectively. Planning applications were also submitted in 2011 for two restaurant units at Fife Central Retail Park, Kirkcaldy, and a restaurant at Ravenhead Retail Park, St Helens. Furthermore, we are proposing three new restaurants at WestQuay, Southampton and the conversion of 1,500m² of retail space to restaurants at O'Parinor.

The cinema industry is another growth area ideally suited to partner retail and which will drive footfall at shopping venues. We have submitted a planning application for a multi-screen cinema as part of our proposed development at Centrale, Croydon, and have secured approval to build cinemas at Westmorland, Cramlington and O'Parinor.

Convenience
We are working with established retailers to create new formats at our conveniently located retail parks. We are building new 'pods' for Costa, the coffee shop operator, at our Brent South, Cleveland and Ravenhead retail parks and all three outlets will be open for trade in the autumn. We are in discussions with Costa for the provision of a further three pods elsewhere in the portfolio.

Multi-channel
More than ever, retailers and consumers use the internet and related technology to support and enhance the shopping experience. Whilst recognising that this is a complex and rapidly evolving arena, at Hammerson we have continued our focus on multi-channel retailing. In particular we have noted the growth in internet-supported store-based sales often supported by a 'Click and Collect' model. Working with our retailers we have supported the piloting of new initiatives in this space. In October, the UK's first House of Fraser.com store opened in Union Square, Aberdeen. The 200m² store utilises iPads, laptops and interactive screens to order merchandise that can be collected on site and was the first in the UK with a primary role as a collection hub for internet sales, drawing new footfall into the centre.

The use of online promotional techniques is gaining momentum in the retail market and we are exploiting this channel by engaging with consumers online to drive sales in our centres. We have run pilots using data provided by vente-privee at a number of our French shopping centres, where a voucher purchased online entitles the consumer to additional credit in-store. The success of the pilots, coupled with the data capture opportunities, means that we will progress more of this type of initiative in future. We now have more than 250,000 online followers of our shopping centres thanks to our focus on social media and our marketing team uses these channels to engage with our customer base. For example, 'lucieloveshighcross' is a micro-blogging site based around our shopping centre in Leicester. We also use social media to publish updates and promotional messages on behalf of our retailers, including the offer of rewards such as exclusive discounts redeemable at stores located in our centres.

Shoppers are increasingly accessing information and promotional offers on the internet with smart phones whilst on the move. As a result we have piloted a mobile phone-friendly website at Queensgate, Peterborough, which now accounts for 13% of the centre's website traffic. We are also centralising and enhancing the consumer websites for our UK shopping centre portfolio. This will see the remaining UK websites being optimised for use by mobile devices, as well as providing improved analytics and user targeting, better social media integration and enhanced content. The new site will launch at The Oracle in the spring of 2012, and will be rolled out to the remaining UK centres by the summer. Focusing on increased smart phone usage we are also in the early stages of a trial at Silverburn, Glasgow which involves pushing promotional vouchers, relevant to their location at the time, to the phones of customers that opt-in to the service. In addition, all of our French shopping centres have mobile apps featuring promotional offers and information about the centre.

Shoppers now expect free, easy access to wi-fi wherever they are. Wi-fi facilitates access to information including promotional messages and offers that help convert customer traffic into sales. We provide wi-fi at many of our centres and we are now investigating how best to provide free wi-fi access to shoppers at all our centres.

Advancements in mobile communications are also helping us with other aspects of our business. Eight of our shopping centres now have technology which uses mobile phone signals to analyse how customers navigate the centres and use stores, enabling us to plan for the optimal retail mix. Full roll out of this technology will be complete by the end of 2012.

It is important to note that the impact of multi-channel is not just about technology. In an increasingly competitive retail environment, where customers no longer shop exclusively either online or in-store, we must maximise the potential of every customer visit. We will continue to create destinations that focus on both the shopping and leisure needs of customers. Spiceal Street, our new restaurant quarter at Bullring is an excellent example of this. The quality of the shopping experience will also be a key driver and Hammerson is implementing an improved mystery shopping survey to ensure that we maintain our focus on those drivers of choice that are most important to shoppers.

Shopping outlets – Value Retail

For some years we have held an investment in Value Retail plc and some of its related companies. Value Retail is a highly successful developer and operator of luxury retail outlet villages in the UK and mainland Europe, and is now expanding into China. Our first investment, in 1998, was in Bicester Village, Oxfordshire, and we subsequently invested in Value Retail plc itself and in some of the European villages. In December we increased our interest in the Group investing a further £25 million in the European portfolio. As at the end of December 2011, our stake in the Group as a whole was valued at £214 million compared with a cost of £70 million. For the calendar year 2011, our income from the investment was £6.1 million. We are intending to work more collaboratively with the Group and expect that a closer dialogue will allow intellectual capital to be shared for the benefit of both organisations. Further information is provided in note 15 to the accounts on page 97.

Investing for income and capital growth through development

Hammerson has a reputation as a leading real estate developer in the UK and France. We manage complex urban regeneration schemes and office projects and forge strong links with local authorities and occupiers.

Our substantial pipeline of potential future developments may provide shareholders with high returns and we maintain close contact with local authorities and prospective occupiers who have interests in these schemes. We have the flexibility to progress projects when the relevant markets are sufficiently robust, when we have the right level of interest from occupiers and on the basis that sound financial analysis demonstrates good returns. We will also continue to follow a prudent funding strategy for developments, recycling established assets and entering into joint ventures where appropriate.

In 2011, we achieved several milestones in progressing the development programme:

- Completed the redevelopment of 54-60 rue du Faubourg Saint-Honoré
- Signed development agreements with:
  - Sheffield City Council for Sevenstone
  - South Oxfordshire District Council for The Orchard Centre, Didcot
- Achieved planning approvals for:
  - Principal Place, London EC2
  - Eastgate Quarters, Leeds

The major developments which we have started, or expect to start in the next few years, are summarised in the table on page 35.

Developments

Scheme	Lettable area m^2	Earliest start	Potential completion	Value at 31/12/11 £m	Estimated cost to complete[1] £m	Estimated annual income[2] £m	Let[3] %
Retail							
Committed							
Les Terrasses du Port, Marseille	56,000	Commenced	April 2014	133	245	27	64
Major developments							
Le Jeu de Paume, Beauvais	23,000	2013	2014	n/a	65	5	25
Eastgate Quarters, Leeds	92,900	2013	2016	47	550	45	nil
Sevenstone, Sheffield	60,500	2013/2014	2016	15	285	24	nil
Potential extensions and refurbishments							
Monument Mall, Newcastle	9,800	2012	2013		15	1	
Manor Walks, Cramlington	13,500	2012	2013		21	2	
Abbey, Belfast	6,500	2012	2013		14	1	
Ravenhead, St Helens	5,700	2012	2013		12	1	
Centrale, Croydon	66,800	2013	2014		90	6	
Silverburn, Glasgow[4]	10,400	2013	2014	n/a	10	1	nil
Elliott's Field, Rugby	11,200	2013	2014		27	2	
The Orchard Centre, Didcot	23,500	2013	2015		60	5	
Parc Tawe, Swansea	25,800	2013	2014		26	3	
SQY Ouest, Saint Quentin-en-Yvelines[4]	31,300	2013	2014		14	1	
Italie 2, Paris	6,000	2014	2016		31	2	
	210,500				320	25	
London office							
99 Bishopsgate, London EC2	12,100	Commenced	2012	n/a	14	1	nil
Principal Place, London EC2 – office and residential[5]	57,500	Dec 2012	Dec 2015	38	290	28	nil

1 Incremental capital cost including capitalised interest.
2 Net of head rents and after expiry of rent-free periods.
3 Let or in solicitors' hands by income at 23 February 2012.
4 50% ownership interest.
5 Estimated cost to complete and annual income for office element only.
6 € converted at £1 = €1.197.
7 Timings are indicative only.

Completed and committed developments

The redevelopment work at 54-60 rue du Faubourg Saint-Honoré, Paris 8ème, was completed in the autumn and the retailers, including Burberry, Moschino, Bally and Blumarine are now trading. The total cost of the redevelopment was £30 million, the uplift in annual rental income was £2.9 million and the valuation at 31 December 2011, for the property as a whole, was £52 million above cost.

In May construction commenced at Les Terrasses du Port, Marseille and the project is on programme to complete in 2014. The 56,000m^2 shopping centre will feature 160 shops and 2,600 car parking spaces and will be one of the largest shopping centre developments in France over the next few years. Having redesigned the original scheme we restarted discussions with retailers and agreed new lettings to Kiko, Sephora, Pepe Jeans, Golden Paradise, Soleil Sucré, Orange, Carnet de Vol and IZAC. The agreement signed with Vinci in January 2012 to operate the car park means that the project is now 64% pre-let or in solicitors' hands and discussions are progressing with a number of major space retailers. At 31 December 2011 the development was valued at £19 million above cost.

Major retail developments

We have made good progress in advancing our retail projects, which include some excellent opportunities for retail and leisure developments in the UK and France.

We are making headway with pre-letting our proposed French retail development. At Le Jeu de Paume, Beauvais, a 23,000m^2 city centre scheme to the north of Paris, we have agreed a pre-let with Carrefour Market for a 3,000m^2 store to anchor the scheme, which will consist of 76 retail units and 37 residential apartments. In total, leases signed or in solicitors' hands represent 25% of the expected income from the asset. We have conditional agreements with the City of Beauvais to purchase the land and with the Public Office of Housing to build the residential units.

Work continues to progress our retail-led city centre regeneration projects in Leeds and Sheffield. In July, our revised outline planning application to Leeds City Council for a 92,900m^2 shopping centre development received a resolution to grant consent. The proposal for Eastgate Quarters, for which we have a development agreement with the council, features a two-level shopping centre with 130 stores, anchored by John Lewis and Marks & Spencer, and parking for 2,500 cars.

We have a new development agreement with Sheffield City Council for Sevenstone, and now have control of the development land. Sevenstone has outline planning consent, some of the buildings within the scheme have detailed consent and we are working closely with principal stakeholders, such as John Lewis, to progress the project. The current scheme comprises 60,500m² of retail and leisure accommodation and 2,500 car parking spaces.

Potential extensions and refurbishments

There is the potential for several extensions, redevelopments and smaller development schemes in our pipeline, and these are set out in the table on page 35. These retail schemes have an estimated total cost of £320 million and would provide 210,500m² of new accommodation and restructured space. We estimate the average yield on cost for these projects to be in excess of 7.5%.

London office developments

The London Borough of Hackney resolved in July to grant planning consent, subject to completing a S106 agreement, for the mixed-use scheme at Principal Place. The Foster + Partners designed scheme will accommodate a single 57,500m², 16-storey office building offering large floor plates and flexibility to occupiers. An elegantly designed residential tower will also provide 243 private apartments, with a further 56 affordable units located on the site. The new scheme creates a main square for Principal Place at street level, creating a vibrant public realm with 2,900m² of retail units and restaurants. We are continuing to progress discussions with prospective occupiers and are negotiating with potential development partners for the residential component of the project.

Longer-term developments

There continues to be strong demand from retailers for well located, high quality accommodation in the UK and France. Planning restrictions, together with the expertise and funding required to build and operate prime shopping centres of this type, constrain their supply but our pipeline provides some exciting retail development opportunities. Brent Cross/Cricklewood and The Goodsyard are two further significant, long-term urban regeneration projects with a retail focus which we will continue to progress.

Portfolio management

In 2011, we continued our policy of disposing of mature properties and reinvesting in assets where we can apply our skills and experience to generate superior returns. During the year we made eight acquisitions, principally adding to our UK retail portfolio, for a total of £374 million and raised £272 million principally from disposing of an office building in the City of London and an interest in one of our French shopping centres. In the current environment we are opportunistic but selective when reviewing acquisition opportunities, continuing to concentrate on retail assets where we can use our expertise to generate income and capital growth.

A chronological summary of acquisitions made in 2011 is set out below.

We acquired in February, a 50% interest in SQY Ouest, a 31,300m² shopping centre in Saint Quentin-en-Yvelines, in a joint venture with Codic France. Hammerson's initial commitment was £17 million, excluding transaction costs. SQY Ouest is a modern retail and leisure scheme which was developed in 2005. Located 20km south west of Paris, it is adjacent to Espace Saint Quentin, a 58,700m² shopping centre, 27,900m² of which is jointly owned by Hammerson and Allianz in a 25:75 joint venture. SQY Ouest has good transport links and 39 retailers on four floors, including international brands such as Bershka, GoSport, Virgin Megastore and ZARA. The centre is currently 83.7% occupied, and the yield on purchase price was 9.2%, after taking account of vacancy charges and other direct costs. Through our management of the centre, we have the opportunity to improve returns by introducing new anchor tenants, improving the catering offer, and extending the retail space.

In March we acquired our partner's 75% interest in Central Retail Park, Falkirk for £69 million including costs, representing an implied yield of 5.4%. The 37,400m² scheme, anchored by a Tesco superstore, is 97.7% let to a diverse range of tenants including Argos, Boots, Cineworld, Homebase, Mothercare and Next. The scheme is at the edge of the town centre and has 1,350 parking spaces. Passing rents at 31 December 2011 were £5.8 million and since the acquisition we have redeveloped some of the units and increased the fashion offer. Hammerson's 25% stake, which was acquired in 2002 as part of the Grantchester acquisition, was valued at £23 million at 31 December 2010.

Also in March, we purchased a portfolio of five assets from St. Martins Property Investments Limited for £175 million, or £186 million including transaction costs. Passing rents on the properties total £15.0 million, and after taking account of vacancy charges and other direct costs the yield on the purchase price was 7.1%. This is a portfolio of good properties in strong trading locations and we have scope to create value by rejuvenating the principal assets through development and asset management initiatives.

The properties acquired are detailed below:

- Centrale Shopping Centre, purchased for £98 million, at an implied yield of 7.8%, is the largest of the assets and is in the heart of Croydon town centre. Croydon has the 13th largest shopping population in the UK with 455,000 people and the freehold centre covers 64,800m². It was constructed in two phases, in 1988 and 2004, and comprises 78 retail units and a 954 space car park. Tenants include Debenhams, H&M, House of Fraser and Next. The potential to create value through investment and transformation of the existing centre includes the introduction of new retail tenants, improving circulation between floors and providing a cinema and catering offer. A detailed planning application for the scheme was submitted in February 2012. Passing rents at 31 December were £10.0 million.
- Monument Mall, purchased for £28 million, is in the centre of Newcastle, with its main frontages opening onto the prime retailing pitches of Northumberland Street and Blackett Street. Newcastle has the sixth largest shopping population in the UK with 605,000 people. The freehold shopping centre covers 9,800m² comprising 16 retail units and a food gallery over four trading levels and currently generates passing rents of £1.8 million. The complex is adjacent to Fenwick and tenants include TK Maxx and Wallis. The centre offers restructuring potential through a comprehensive reconfiguration of existing units, exploiting the location by opening units to the street, and the introduction of new retailers.
- Elliott's Field Retail Park, purchased for £40 million, is situated near the road linking Rugby to Junction 1 of the M6 motorway. The 12,700m² open A1 consented park comprises nine units in four terraces and a standalone restaurant and passing rents at 31 December were £2.1 million. Despite the current consent, the freehold scheme's tenants are predominantly bulky goods retailers and include Comet, Halfords, Homebase and Wickes. There is scope for us to increase rental income by creating additional space and capitalising on strong demand from fashion and catering tenants.

- The 3,400m^2 Wickes unit at Folkestone and the 5,800m^2 Cathedral Lanes, Coventry were purchased for an aggregate £10 million including costs and together have passing rents of £1.1 million. Both assets provide short-term asset management potential to stabilise and protect income thereby maximising their investment values. As part of the portfolio transaction, we were also contracted to find a purchaser for Three Spires, in Lichfield, which was sold in June.

In July we acquired a 999-year leasehold, or virtual freehold, interest in 99 Bishopsgate, London EC2, from PRUPIM acting on behalf of the Prudential Assurance Company Ltd for £100 million, including costs. 99 Bishopsgate is a 26-storey tower providing 31,500m^2 of office accommodation in the City of London which is occupied by a number of financial and professional services companies. The rent payable to Prudential was £4.2 million per annum and ownership of the merged interest will ensure that we maximise returns to shareholders from this investment. A refurbishment of 12,100m^2 of the building has started and the space will be ready for occupation in 2012.

We have concluded two major sales during the year, contributing to total net disposal proceeds of £272 million. With our 51% partner, a client of Rockspring Property Investment Managers LLP, we exercised in October mutual options for the sale by Hammerson of a further 24% interest in O'Parinor, Aulnay-sous-Bois. The price for the transaction was based on the value agreed for the sale of the 51% interest in 2010 and generated net proceeds of £89 million, at 31 December 2011 exchange rates. Hammerson's interest in the asset is now 25%.

In December 2011, we sold 60 Threadneedle Street, London EC2, to St. Martins Property Investments Limited. This 19,900m^2 nine-storey office building was completed in January 2009 at a cost of £124 million. The net consideration for the sale, after deducting rental top-ups, was £176 million, £5 million of which is deferred subject to certain conditions which are expected to be satisfied by 2013. The property was valued at £165 million at 30 June 2011. Passing rents, post rent-free periods, were £8.8 million and the price represented an initial yield to the purchaser of 4.75%.

Valuations

Portfolio overview

Hammerson's high quality £5.7 billion property portfolio is focused on dominant regional shopping centres in the UK and France, conveniently located retail parks and prime office buildings in the City of London. At 31 December 2011, our retail portfolio provided 1.7 million m^2 of space and included 18 major shopping centres and 18 retail parks. The six prime buildings in central London which made up the majority of our office portfolio provided 108,000m^2 of accommodation.

Joint ventures accounted for 43% by value of the total portfolio, including eight major shopping centres in the UK and two in France. Our ten most valuable properties represented 47% of the portfolio value at 31 December 2011, with an average lot size of £267 million.

At the end of 2011, 75% of the portfolio by value was located in the UK, and the remainder in France. The retail and office weightings of the portfolio were 89% and 11% respectively and developments comprised 4% of the total. Despite significant investment activity during 2011, the shape of the portfolio is broadly unchanged when compared with the end of 2010.

Movement in portfolio value in 2011	£m
Portfolio value at 1 January	5,331
Valuation increase	186
Capital expenditure	
Acquisitions	375
Developments	62
Expenditure on existing portfolio	40
Capitalised interest	5
Disposals	(245)
Exchange	(34)
Portfolio value at 31 December	**5,720**

The table on page 38 analyses net and gross valuations, income and yields for the Group's investment portfolio, excluding developments. The yields are low relative to other property classes reflecting the prime locations and attractiveness of the portfolio.

The net initial yield, based on the net portfolio value, at 31 December 2011 of 5.5% was the same as that at the end of 2010.

Investment portfolio at 31 December 2011	Income £m	Gross value £m	Net book value £m
Portfolio value (net of cost to complete)		5,788	5,788
Purchasers' costs[1]			(309)
Net portfolio valuation as reported in the financial statements			5,479
Income and yields			
Rent for valuers' initial yield (equivalent to EPRA Net Initial Yield)	301.3	5.2%	5.5%
Rent-free periods (including pre-lets)	14.8	0.3%	0.3%
Rent for 'topped-up' initial yield	316.1	5.5%	5.8%
Non-recoverable costs (net of outstanding rent reviews)	9.1	0.1%	0.1%
Passing rents[2]	325.2	5.6%	5.9%
ERV of vacant space	6.7	0.1%	0.1%
Reversions	7.2	0.2%	0.2%
Total ERV/Reversionary yield	339.1	5.9%	6.2%
True equivalent yield		5.9%	
Nominal equivalent yield		5.7%	

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

Capital returns

The portfolio's total return for the year ended 31 December 2011 was 8.9%, and comprised a capital return of 3.6% and an income return of 5.1%.

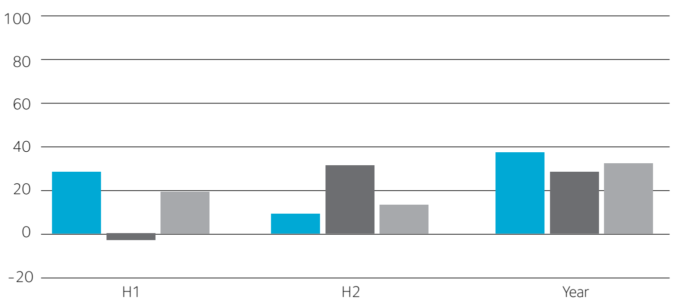
Capital returns – total portfolio for the year ended 31 December 2011	Shopping centres Value £m	Shopping centres Capital return %	Retail parks Value £m	Retail parks Capital return %	Offices Value £m	Offices Capital return %	Total Value £m	Total Capital return %
UK	2,441.0	1.7	1,198.8	2.6	623.7	5.8	4,263.5	2.7
France	1,346.6	6.6	109.5	17.3	–	–	1,456.1	7.3
Total	**3,787.6**	**3.2**	**1,308.3**	**3.6**	**623.7**	**5.8**	**5,719.6**	**3.6**

Improved valuation yields contributed virtually all of the capital return, or valuation uplift, in the UK portfolio, as the positive impact of increased rental income and rental value growth was largely offset by a conservative approach to valuing the development pipeline. The improvement in investment yields was weighted to the first six months of 2011, whereas the rental income effect accumulated more evenly over the year. The valuation movement in the UK shopping centre portfolio was almost entirely driven by changes to investment yields whilst for retail parks it was income-led. The picture for UK offices was broadly balanced between yield and income effects.

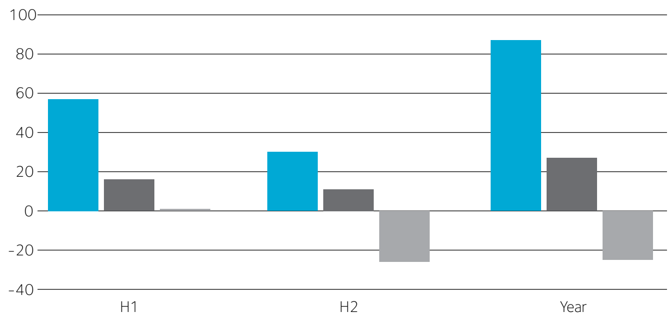
The valuation uplift in the French portfolio was derived fairly equally from movements in investment yields and income and development surpluses. However, the positive effects of changes to investment yields were weighted towards the first half of 2011, whilst the income element was more prominent in the second six months following the release of indices for 2012 rental increases.

The components of the valuation changes over the course of the year are shown in the charts below.

2011 Components of valuation change French Portfolio (£m)



2011 Components of valuation change UK Portfolio (£m)



Change in valuation yields | Income and rental value growth | Development and other

Financial review

Profit before tax

At £346.3 million, the Group's profit before tax for the year ended 31 December 2011 compared with £620.2 million for 2010. The reduction was principally the result of a portfolio valuation gain in 2011 of £186.3 million which was significantly lower than the gain of £447.1 million in 2010. A reconciliation between profit before tax on adjusted and unadjusted bases is shown in the table below.

Analysis of profit before tax	Year ended 31 December 2011 £m	Year ended 31 December 2010 £m
Adjusted profit before tax	141.6	144.5
Adjustments:		
Profit on the sale of investment properties, joint venture interests and associate	23.5	22.8
Revaluation gains on property portfolio	186.3	447.1
Share of revaluation gains and change in fair value of derivatives in associate	–	(0.5)
Distribution from other investments	–	4.6
Change in fair value of derivatives	(5.1)	1.7
Profit before tax	346.3	620.2

Adjusted profit before tax in 2011 was £141.6 million, some £2.9 million or 2.0% down on the £144.5 million for the year ended 31 December 2010. The net impact of acquisitions and disposals was to increase adjusted profit before tax by £2.1 million, but the benefits from completed and current developments (£5.0 million) and rental income growth (£6.2 million) were more than offset by higher administration expenses, restructuring charges and interest and other costs.

Reconciliation of adjusted profit before tax	Adjusted profit before tax £m	Adjusted EPS p
Adjusted profit before tax for year ended 31 December 2010	144.5	19.9
Acquisitions	21.2	3.0
Disposals	(19.1)	(2.7)
Developments	5.0	0.7
Like-for-like net rental income increase	6.2	0.9
Administration expenses – restructuring costs	(3.5)	(0.5)
Administration expenses – other	(7.5)	(1.1)
Interest and other	(5.2)	(0.9)
Adjusted profit before tax for year ended 31 December 2011	141.6	19.3

Adjusted earnings per share for the year ended 31 December 2011 at 19.3 pence were 3%, or 0.6 pence, lower than the 19.9 pence in the prior year. The reduction resulted from the lower profit referred to above and an increase in the average number of shares in issue. Detailed calculations for earnings per share are set out in note 10A to the accounts.

Net rental income

For the year ended 31 December 2011, net rental income was £296.0 million compared with £284.7 million in the prior year. The net rental income gained from acquisitions and developments more than offset that lost from disposals. Lettings and rent reviews in the UK retail portfolio also contributed to a 2.5% increase in like-for-like net rental income. A comparison of net rental income on a like-for-like basis between 2011 and 2010 is provided in the tables on pages 32 and 33.

Net rental income in 2011 included net income from car parks of £12.0 million (2010: £11.3 million) and rent related to tenants' turnover amounting to £6.3 million (2010: £5.1 million). The sale of advertising and merchandising opportunities in our shopping malls generated net income of £5.0 million in 2011, compared with £4.8 million in 2010.

Property outgoings were £44.3 million in 2011, slightly higher than the £42.2 million in the previous year. The increase principally reflected acquisitions in the year.

The table below reconciles net rental income as reported in the income statement to net income receivable, the latter being a proxy for the net cash inflow from tenant leases.

Analysis of net rental income	2011 £m	2010 £m
Net rental income as reported in the income statement	296.0	284.7
Items included in net rental income:		
Amortisation of tenant incentives and other costs	6.6	6.4
Rent allocated to rent-free periods	(5.5)	(12.8)
Net income receivable	297.1	278.3

Administration expenses

At £46.9 million, administration expenses were £11.0 million higher than in 2010, as analysed in the table below. The principal reasons for the increase were higher staff costs, restructuring charges of £3.5 million and a £3.8 million reduction in management fees receivable. Underlying administration expenses reflected the recruitment of senior staff in 2010 and 2011, which brought new skills into the business, and increased headcount in 2011. The restructuring programme is expected to save around £4.5 million per annum when fully implemented and we have a number of other initiatives underway to reduce other elements of the cost base. We anticipate a reduction in overall Group expenses of around £3.0 million in 2012. The fall in management fees receivable arose predominantly because of the cessation of the development management element of the Thornfield contract.

Administration expenses	2011 £m	2010 £m
Underlying administration expenses	49.2	45.5
Restructuring costs – staff	2.3	–
Restructuring costs – other	1.2	–
Management fees receivable	(5.8)	(9.6)
Administration expenses	46.9	35.9

Finance costs

Net finance costs for 2011, excluding the change in fair value of derivatives and capitalised interest, were £112.4 million compared with £108.0 million for 2010. The principal reasons for the increase were higher commitment fees and margin following the refinancing of our bank facilities in April. Interest capitalised of £4.9 million related principally to the development of Les Terrasses du Port.

The Group's average cost of borrowing for the year ended 31 December 2011, at 5.2%, was marginally higher than the 5.0% average cost in the previous year. The increase resulted from a higher proportion of fixed rate borrowings in early 2011 as disposal proceeds were used to repay cheaper variable rate bank debt. We are reviewing our debt profile with the intention of reducing our overall cost of debt and there is further detail on this provided in Financing on page 40.

Tax

The Group's status as a UK REIT and French SIIC means that its current tax charge is minimal.

Dividend

A final dividend of 9.3 pence per share is being recommended by the Directors, an increase of 5.7% on the 2010 final dividend. Together with the interim dividend of 7.3 pence per share, the 2011 total dividend is therefore 16.6 pence per share, up 4.1% compared with the total dividend for 2010 of 15.95 pence. The 2011 final dividend will be paid on 27 April 2012 to shareholders on the register at the close of business on 16 March 2012, with 7.0 pence per share being paid as a PID, net of withholding tax where appropriate, and the remainder of 2.3 pence per share paid as a normal dividend. There will be no scrip alternative although the dividend reinvestment plan continues to be available.

Balance sheet

At the end of 2011, equity shareholders' funds were £3.8 billion, an increase of £292 million over the year. Adjusted net asset value per share was up 7.1%, or 35p, to £5.30 compared with £4.95 at the end of 2010.

The increases were principally the result of the uplift in the values of the property portfolio and other investments, and retained profit. Calculations for net asset value per share are set out in note 10B to the accounts.

Movement in net asset value	Equity shareholders' funds* £m	Adjusted NAV* £ per share
31 December 2010	3,498	4.95
Revaluation – investment portfolio	157	0.22
Revaluation – developments	30	0.04
Revaluation – investments in Value Retail	57	0.08
Adjusted profit for the year	137	0.19
Dividends	(92)	(0.13)
Exchange and other	(15)	(0.05)
31 December 2011	**3,772**	**5.30**

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

Financing

At the end of 2011, net debt was £2.0 billion, comprising borrowings of £2.1 billion and cash and deposits of £101 million. Acquisitions and development expenditure were the principal reason for the increase in net debt from £1.8 billion at the end of 2010.

We monitor the Group's financial structure in the context of guidelines approved by the Board. These guidelines currently include: gearing of no more than 85% for an extended period; interest cover of at least 2.0 times; and a net debt to EBITDA ratio of less than ten times. For the year ended 31 December 2011 these ratios were 52%, 2.6 times and 7.7 times respectively. In July, Fitch upgraded Hammerson's unsecured credit rating from BBB+ to A-.

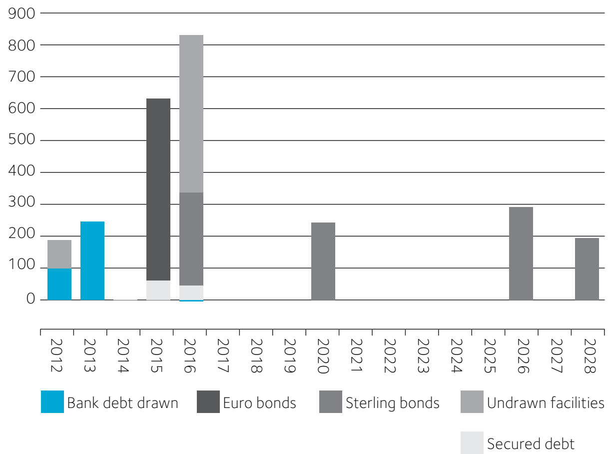
Our policy for the Group's ratio of fixed to variable rate debt is to maintain a minimum of 50% of debt at fixed rates, although this level may increase at higher gearing levels. During 2011, we repaid short-term bank borrowings at variable rates of interest, leaving our remaining debt predominantly in the form of long-term fixed rate bonds. The proportion of debt at fixed rates of interest has therefore increased and stood at 88% at 31 December 2011. In an environment of low short-term interest rates and falling longer term rates, a high percentage of debt at fixed rates of interest limits the potential benefit of lower interest rates. We are continuing to monitor exposure to interest rates and utilise interest rate derivatives to achieve an optimal balance of fixed and floating rate debt in line with our existing policy. In January 2012, we used interest rate swaps to change the interest payable on the 2020 bond from a fixed to a floating rate basis. In addition, an interest rate swap was cancelled that previously hedged the floating rate exposure on £100 million of unsecured bank loans maturing in 2013. Together, these transactions changed the Group's ratio of fixed to floating rate debt from 88% to 71%, allowing us to benefit from a continuing low interest rate environment whilst maintaining the security offered by fixed rates of interest on the majority of debt.

We also hedge our exposure to foreign exchange translation differences on euro denominated assets with a combination of foreign currency borrowings and derivatives. Our policy is to hedge around 80% of the value of such assets and at the end of 2011, the figure was 76%. The interest expense on the euro denominated debt also partially hedges rental income generated from the assets.

The number of international banks willing to lend to commercial real estate has fallen, and in light of this, our funding strategy in 2011 has been to address near-term maturities early. We signed a £505 million syndicated five-year revolving credit facility in April. The facility, which will be used for general corporate purposes, replaced existing undrawn facilities of £670 million which were due to expire in 2011 to 2013 and carries a margin of 150 basis points over LIBOR. Following the sale of a further 24% interest in O'Parinor in October, the joint venture, in which Hammerson now has a 25% interest, drew down a new €219 million credit facility. The non-recourse facility matures in 2016 with two one-year extension options and carries an attractive margin. In November we agreed a £125 million syndicated five-year revolving credit facility which will be available to draw down from April 2012 when it will be used to part refinance maturing bank debt. The facility will increase to £150 million in April 2013 and carries the same margin as the £505 million facility. The medium-term outlook for the sterling, euro and private placement bond markets is favourable and we believe they will be available to Hammerson to replace existing bank borrowings as they mature. We will continue to monitor these markets and consider accessing them as appropriate.

Cash, undrawn committed facilities and foreign currency swaps provided liquidity of £711 million at 31 December. The average maturity of the Group's debt was around seven years and our nearest debt maturity occurs in April 2012, as shown in the chart below.

Debt maturity profile at 31 December 2011 (£m)



The Group's unsecured bank facilities 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 be not less than 1.25 times. Three of the Company's unsecured bonds contain the same gearing covenant and two contain a covenant that gearing should not exceed 175%. The bonds contain no covenant for interest cover. Further discussion of financing risk is included within Risk management and principal uncertainties on page 24.

Cash flow

For the year ended 31 December 2011, cash generated from operations was £261 million compared with £237 million for 2010. Capital expenditure, including asset and investment acquisitions, was £489 million whilst £272 million was raised from property disposals and the sale of an interest in the O'Parinor joint venture.

Security and quality of income

Our investment portfolio generates a secure income stream which has the potential for growth and benefits from leases with long terms. At 31 December 2011, the weighted average unexpired lease term for the investment portfolio was more than eight years.

The investment portfolio was 2.2% reversionary at 31 December 2011, higher than the 2.0% at 31 December 2010. The shopping centre portfolio was 3.8% reversionary at the end of 2011 and the retail parks were 2.3% reversionary. Our office portfolio was 8.9% over-rented at the end of 2011, compared with 14.0% over-rented at December 2010. The main reason for the change was an increase in ERVs at 125 Old Broad Street.

Taking account of lease expiries, breaks and rent reviews, we estimate that our retail portfolio could generate an additional £15.7 million per annum by 2014, equivalent to earnings of 2.2 pence per share, assuming leases are renewed or reviewed at current ERVs. Further detail on the potential reversion is set out in the following tables and paragraphs.

Lease expiries and breaks

		Rents passing that expire/break in			ERV of leases that expire/break in			Weighted average unexpired lease term	
Lease expiries and breaks as at 31 December 2011		2012 £m	2013 £m	2014 £m	2012 £m	2013 £m	2014 £m	to break years	to expiry years
Notes		1	1	1	2	2	2		
United Kingdom									
Retail:	Shopping centres	14.5	9.0	10.3	18.9	8.6	10.6	7.9	9.3
	Retail parks	5.1	2.4	0.9	5.5	2.4	1.0	10.3	10.9
		19.6	11.4	11.2	24.4	11.0	11.6	8.7	9.8
Office:	City	0.2	0.3	8.4	0.2	0.3	5.4	6.9	7.8
	Other	0.7	0.6	–	0.7	0.6	–	6.2	8.6
		0.9	0.9	8.4	0.9	0.9	5.4	6.8	7.9
Total United Kingdom		20.5	12.3	19.6	25.3	11.9	17.0	8.5	9.6
France: Retail		20.4	7.9	5.6	21.4	8.5	5.8	2.5	4.6
Group									
Retail		40.0	19.3	16.8	45.8	19.5	17.4	7.0	8.4
Office		0.9	0.9	8.4	0.9	0.9	5.4	6.8	7.9
Total Group		**40.9**	**20.2**	**25.2**	**46.7**	**20.4**	**22.8**	**7.0**	**8.4**

[1] The amount by which rental income, based on rents passing at 31 December 2011, could fall in the event that occupational leases due to expire are not renewed or replaced by new leases. For the UK it includes tenants' break options. For France, it is based on the date of lease expiry.

[2] The ERV at 31 December 2011 for leases that expire or break in each year and ignoring the impact of rental growth and any rent-free periods.

The table above shows that over the period from 2012 to 2014, leases with current rents passing of £86.3 million will expire or are subject to tenants' break clauses. We estimate that additional rental income of £3.6 million per annum would be secured from these leases, assuming renewals take place at current rental values. The potential for increased rents at the shopping centre and retail parks portfolios is tempered by the over-rented position of the offices. This is not a forecast and takes no account of void periods, lease incentives or potential changes to rental values.

Rent reviews

Rent reviews as at 31 December 2011		Rents passing subject to review in: Outstanding £m	2012 £m	2013 £m	2014 £m	Projected rent at current ERV of leases subject to review in: Outstanding £m	2012 £m	2013 £m	2014 £m
Notes		1	1	1	1	2	2	2	2
United Kingdom									
Retail:	Shopping centres	21.2	14.7	35.5	16.1	23.0	16.2	37.0	18.1
	Retail parks	20.1	9.6	6.3	8.9	21.5	9.8	6.5	9.4
		41.3	24.3	41.8	25.0	44.5	26.0	43.5	27.5
Office:	City	5.2	0.6	4.4	2.4	5.2	0.8	4.4	2.8
	Other	2.0	–	–	0.6	2.0	–	–	0.6
		7.2	0.6	4.4	3.0	7.2	0.8	4.4	3.4
Total United Kingdom		**48.5**	**24.9**	**46.2**	**28.0**	**51.7**	**26.8**	**47.9**	**30.9**

1 Rents passing at 31 December 2011, after deducting head and equity rents, which are subject to review in each year.
2 Projected rents for space that are subject to review in each year, based on the higher of the current rental income and the ERV as at 31 December 2011 and ignoring the impact of changes in rental values before the review date.

UK leases with rents passing of £99.1 million are subject to review in the next three years and, if reviewed to current rental values, we estimate that rents from these leases would increase by £6.5 million per annum by 2014. In addition, assuming that outstanding rent review negotiations are concluded at current rental values, we would secure a further £3.2 million of annual rental income. This is not a forecast and takes no account of potential changes in rental values before the relevant review dates.

The majority of leases in our French portfolio are subject to annual indexation rather than periodic review.

Tenant covenant strength

Our ten most significant retail occupiers accounted for £57.8 million, or 17.8%, of rents passing at 31 December 2011, whilst £21.0 million, or 6.4% of rents passing, was represented by our five largest office occupiers.

Retail

Tenant	% of total passing rent
B&Q	3.1
H&M	2.1
Home Retail Group	2.0
Next	1.8
DSG Retail	1.8
Arcadia	1.8
New Look	1.4
Boots	1.4
Debenhams	1.2
Inditex	1.2
Total	**17.8**

Office

Tenant	% of total passing rent
RSA Group	2.3
Latham & Watkins LLP	2.0
Lloyds TSB	0.9
Deutsche Bank	0.6
DTZ	0.6
Total	**6.4**

We use a credit rating agency to assess the covenant strength of prospective tenants and monitor the credit ratings of major tenants. The agency's risk indicator scale runs from one to five, where a score of one is 'low risk' and two 'lower-than-average risk'. At the end of 2011, all of the top ten retail tenants were scored 'one'. Tenants with a low or lower-than-average risk indicator comprised 84% by passing rents of the UK retail portfolio and the score in that portfolio averaged 1.6.

At 31 December 2011, three of our top five office tenants had a low risk indicator and the others, one of which has its rent guaranteed by its parent company, were rated as 'two'. In the UK office portfolio at the end of 2011, the average risk score was 1.4 and 92% of passing rents was provided by tenants with a risk rating of one or two.

At 23 February 2012, in the UK 40 retail units were let to tenants in administration, and of these 20 continued to trade. The equivalent figures in the French portfolio were 23 and 22 units respectively. For the Group as a whole, income from tenants in administration no longer trading represented just 0.2% of passing rents at 31 December 2011.

Collection rates

Despite the tough retailing environment, rent collection has remained excellent, with 98.4% collected within 14 days of the December 2011 quarter day in the UK, the same rate as was collected for the equivalent period in 2010. For France the figures were 92.6% for the December 2011 quarter day and 85.1% for the comparative period in 2010.

Property portfolio information

Investment portfolio

Valuation data for investment property for the year ended 31 December 2011

		Properties at valuation £m	Revaluation in the year £m	Capital return %	Total return %	Initial yield %	True equivalent yield %
Notes						1	2
United Kingdom							
Retail:	Shopping centres	2,429.6	40.9	1.8	7.0	5.3	6.1
	Retail parks	1,180.4	23.9	2.2	7.9	5.4	6.1
		3,610.0	64.8	1.9	7.3	5.3	6.1
Office:	City	486.0	14.4	5.9	12.8	4.1	5.9
	Other	62.4	0.4	4.5	8.1	3.7	6.3
		548.4	14.8	5.7	12.1	4.1	5.9
Total United Kingdom		4,158.4	79.6	2.5	8.0	5.2	6.1
Continental Europe							
France:	Retail	1,320.0	76.9	5.9	11.2	5.0	5.4
Group							
Retail		4,930.0	141.7	2.8	8.1	5.3	5.9
Office		548.4	14.8	5.7	12.1	4.1	5.9
Total investment portfolio		5,478.4	156.5	3.1	8.6	5.2	5.9
Developments		241.2	29.8	20.3	18.9		
Total Group		**5,719.6**	**186.3**	**3.6**	**8.9**		

[1] Annual cash rents receivable, net of head and equity rents and the cost of vacancy, as a percentage of gross property value, as provided by the Group's external valuers. Rents receivable following the expiry of rent-free periods are not included. Rent reviews are assumed to have been settled at the contractual review date at ERV.
[2] The capitalisation rate applied to future cash flows to calculate the gross property value. The cash flows reflect the timing of future rents resulting from lettings, lease renewals and rent reviews based on current ERVs and assuming rents are received quarterly in advance. The property true equivalent yields are determined by the Group's external valuers.
[3] Further analysis of development properties by segment is provided in note 3B on page 83.
[4] The weighted average remaining rent-free period is 0.7 years.

Rental income

Rental data for investment portfolio for the year ended 31 December 2011

		Gross rental income £m	Net rental income £m	Vacancy rate %	Average rents passing £/m²	Rents passing £m	Estimated rental value £m	Reversion/ (over- rented) %
Notes				1	2	3	4	5
United Kingdom								
Retail:	Shopping centres	152.5	127.1	2.6	420	148.0	156.5	3.2
	Retail parks	65.9	61.8	1.6	190	68.6	71.6	2.6
		218.4	188.9	2.2	330	216.6	228.1	3.0
Office:	City	41.8	38.5	0.2	450	30.3	27.0	(12.2)
	Other	2.6	1.9	9.9	245	4.1	5.1	9.1
		44.4	40.4	1.7	410	34.4	32.1	(8.9)
Total United Kingdom		262.8	229.3	2.2	340	251.0	260.2	1.5
Continental Europe								
France:	Retail	80.7	68.9	1.8	335	74.2	78.9	4.4
Group								
Retail		299.1	257.8	2.1	330	290.8	307.0	3.4
Office		44.4	40.4	1.7	410	34.4	32.1	(8.9)
Total investment portfolio		343.5	298.2	2.1	340	325.2	339.1	2.2
Income from developments and other sources not analysed above		0.6	(2.2)					
As disclosed in note 2 to the accounts		**344.1**	**296.0**					

Selected data for the year ended 31 December 2010

	Gross rental income £m	Net rental income £m	Vacancy rate %	Average rents passing £/m²	Rents passing £m	Estimated rental value £m	Reversion/ (over- rented) %
Group							
Retail	281.3	243.2	2.5	340	269.7	288.7	4.5
Office	50.1	43.8	4.4	445	45.2	41.4	(14.0)
Total investment portfolio	331.4	287.0	2.7	355	314.9	330.1	2.0

[1] The ERV of the area in a property, or portfolio, excluding developments, which is currently available for letting, expressed as a percentage of the ERV of that property or portfolio.
[2] Average rent passing at 31 December 2011 before deducting head and equity rents and excluding rents passing from anchor units and car parks.
[3] The annual rental income receivable from an investment property at 31 December 2011, after any rent-free periods and after deducting head and equity rents.
[4] The estimated market rental value of the total lettable space in a property at 31 December 2011, after deducting head and equity rents, calculated by the Group's valuers.
[5] The percentage by which the ERV exceeds, or falls short of, rents passing together with the estimated rental value of vacant space, all at 31 December 2011.

Board of Directors

John Nelson
Chairman (Age 64)

Appointed to the Board:
1 May 2004.
Committee Membership:
Remuneration Committee and Chairman of the Nomination Committee.
Skills and experience:
John Nelson is a Chartered Accountant with a strong banking background, which is a key element for a commercial property company. He was appointed as chairman of Lloyds of London on 17 October 2011. He is also a senior advisor to Charterhouse Capital Partners LLP and a member of the chairman's advisory group of KPMG.
Other appointments:
Trustee of the National Gallery and chairman of its development board.
Past appointments:
Deputy chairman and senior independent director of Kingfisher plc. Non-executive director of BT Group plc, Cazenove Group Limited, JP Morgan Cazenove Holdings, Woolwich plc and English National Opera.

David Atkins
Chief Executive (Age 45)

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

Peter Cole
Chief Investment Officer (Age 53)

Appointed to the Board:
1 October 1999.
Skills and experience:
Peter Cole is a Chartered Surveyor who joined the Company in 1989 as a Senior Development Surveyor and was appointed to the Board of the Company's UK business in 1992. He is one of the most experienced directors and has had responsibility for Hammerson's development, acquisition and disposal programme since being appointed to the Board.
Other appointments:
General council member of the City Property Association.
Past appointments:
President of the City Property Association.

Timon Drakesmith
Chief Financial Officer (Age 46)

Appointed to the Board:
30 June 2011.
Skills and experience:
Timon Drakesmith is a Chartered Accountant. He was previously finance director of Great Portland Estates plc from 2005, until he joined Hammerson in 2011.
Past appointments:
He worked for Novar plc as finance director of MK Electric and group director of financial operations. His other financial roles have been at Credit Suisse, Barclays and Deloitte Haskins and Sells.

Terry Duddy
Non-Executive Director (Age 55)

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

Judy Gibbons
Non-Executive Director (Age 55)

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

Jacques Espinasse
Non-Executive Director (Age 68)

Appointed to the Board:
1 May 2007.
Committee Membership:
Audit Committee.
Skills and experience:
Jacques Espinasse has a BBA and MBA, which underpin his long business career in many different sectors, based in Brussels, London and Paris. He has an extensive knowledge of and insight into a key part of Hammerson's geographical business in France.
Other appointments:
Non-executive director and chairman of the audit committee of AXA Bank Europe and AXA Belgium. Non-executive director and member of the audit and remuneration committees of LBPAM and SES.
Past appointments:
Chief financial officer of Vivendi. Non-executive director of Canal + France, Maroc Telecom, SFR and Universal Music Group.

John Hirst
Non-Executive Director (Age 59)

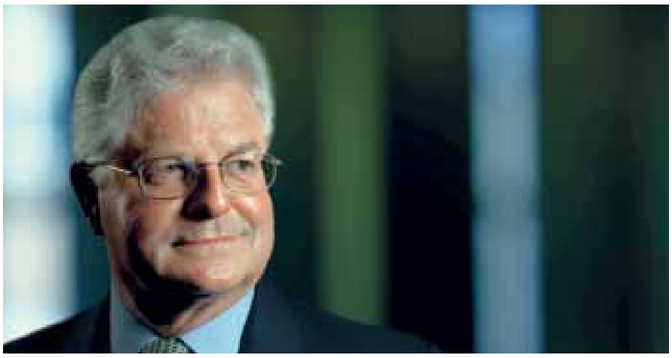
Appointed to the Board:
1 March 2004.
Committee Membership:
Chairman of Audit Committee.
Skills and experience:
John Hirst is a Chartered Accountant. He has a strong financial and audit background, which enables him to fulfil his role as Chairman of the Audit Committee. He is chief executive of the Met Office and chairman of the audit committee of the World Meteorological Organization.
Other appointments:
Director of Epilepsy Research UK and a trustee of Epilepsy Bereaved. Member of Exeter University Business School's advisory board.
Past appointments:
Group chief executive of Premier Farnell plc and director of ASBISC Enterprises plc.

Anthony Watson CBE
Non-Executive Director and Senior Independent Director (Age 66)

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

Q & A with the Chairman

Hammerson's General Counsel and Company Secretary Sarah Booth talks to John Nelson about the latest developments in corporate governance and the Company's approach to emerging themes.



John Nelson
Chairman

SARAH BOOTH: In 2010 the Financial Reporting Council issued the new UK Corporate Governance Code and recommended that in the Annual Report the Chairman makes a personal statement to shareholders regarding governance.

I am interested in your views on corporate governance generally.

JOHN NELSON: I am a strong supporter of the principles of good governance originally established by the Cadbury Committee in 1992, which have proved so valuable over the years and which now form the basis of the new UK Code.

LEADERSHIP PRINCIPLES: The Board should take collective responsibility for the long-term success of the Company, with a clear division of responsibility between the running of the Board and executive responsibility for running the business. No one individual should have unfettered powers of decision and Non-Executive Directors should constructively challenge and help develop proposals on strategy. The Chairman should have responsibility for leadership of the Board and ensuring its effectiveness on all aspects of its role.

(See page 48 for more detail on our compliance with the main Leadership principles)

SB: The purpose of corporate governance is to facilitate effective, entrepreneurial and prudent management that can deliver the long-term success of the Company.

What is the Board's role in delivering this?

JN: The Board's role is clearly to deliver good governance throughout the organisation, but also to play a significant role in creating value for shareholders. Boards can become preoccupied with governance issues – it is very important that they do not. There is a clear relationship between good governance and value creation. Governance must not unduly stifle enterprise and entrepreneurial management.

The Board reviewed the new UK Code during 2010 and implemented a majority of its updated recommendations last year, ahead of our first formal compliance statement for the 2011 financial year. We continued to monitor our structures and practices throughout 2011, seeking always to ensure improvement towards best practice and to reflect the new principles and related provisions.

SB: The new UK Code sets great store by the key principles of Leadership.

Do you think we reflect these principles well in Hammerson?

JN: The Board's composition – three Executive Directors, five Non-Executive Directors and myself – continues to facilitate robust debate and challenge at our regular Board meetings . The Executive team provides a healthy mix of experience in both the Company and the sector and they are running the business well in tough economic times. The Non-Executive team, drawn from varied but relevant commercial backgrounds, provide real added value in terms of leadership of the Company.

We have explained earlier in the Annual Report that in the second half of 2011 we conducted a full review of our strategy. We keep and will continue to keep our strategy under review. We are also implementing an enhanced programme of risk management discussions at Board level for 2012. I fully support the growing emphasis on effective risk management and risk mitigation and it is high on our agenda for the coming year, building on the efforts already made in 2011.

Overview
Business & financial review
Governance
Financial statements
Property portfolio
Other information

SB: The criteria for Effectiveness have changed under the new UK Code.

Are we tackling these new requirements well?

JN: As you can see from the biographies of our Board members, set out on pages 44 and 45, we have a balance of the skills we require and depth of experience to add real value to the Company. We keep under review the make-up of the Board and we also appraise the performance of the Board, Board Committees and individuals, annually. My own performance is also appraised annually. Directors are encouraged to keep up to date on key issues and to attend seminars where necessary.

We consider all our Non-Executive Directors to be independent. We have recruited a new Executive Director and a new Non-Executive Director with the assistance of external consultants. These appointments were followed up with full induction programmes.

We introduced the annual re-election of all Directors from last year. I am confident that they continue to demonstrate full commitment to the long-term success of the Company.

EFFECTIVENESS PRINCIPLES: The Board and its Committees should have an appropriate balance of skills, experience, independence and knowledge of the Company to enable them to discharge their duties and responsibilities effectively. It follows that there should be formality, rigour and transparency in the procedures for Board appointments, that all directors should allocate sufficient time to the Company, receive induction, regularly update their skills and knowledge and that the Board as a whole is supplied with timely, quality information. Finally, annual evaluations of the full Board, its Committees and individual directors should be undertaken and, subject to continued satisfactory performance, all Directors should be submitted for re-election at regular intervals.

(See pages 48 to 50 for more detail on our compliance with the main Effectiveness principles)

SB: One topic receiving particular attention at the moment is the question of diversity at senior level. As Chairman of the Company and of the Nomination Committee, do you think we have developed appropriate targets and aspirations in this area?

JN: I firmly believe that diversity, both at Board level and within management and staff at the Company, is an important factor for maximising performance. Within Hammerson we have significant diversity, including gender diversity. The male : female ratio in the Group as a whole is 44:56. At Board level, frankly, we are behind. We have recently welcomed Judy Gibbons as a Non-Executive Director, who brings significant online experience which is fundamental to our future strategy. We are aiming to add to female representation on the Board as soon as practicable and aim to reach over 20% female representation on the Board in the near term. We do maintain, though, a robust merit based approach to selection as we do for all appointments.

SB: Have we still got more work to do on improving our standards of governance?

JN: There is always room for improvement and no Board should ever be complacent. We are charged with delivering the long-term success of our Company and we take this duty very seriously. With this in mind I commend the following Governance Report to shareholders.

Compliance with the UK Corporate Governance Code

During 2011 the Board considered the main principles and provisions of the new UK Corporate Governance Code (the 'UK Code') and has sought to put in place practices to enable full compliance with these. Except where otherwise stated, the Company has complied with the UK Code throughout the year ended 31 December 2011.

Leadership

The Board

The Board currently consists of the Chairman, three Executive Directors and five Non-Executive Directors. The Board meets routinely not less than nine times during the year and additionally as may be required. It met on ten occasions in 2011. The Chairman sets the Board agenda and ensures that important matters and, in particular, strategic issues, receive adequate time and attention at meetings.

Non-Executive Directors are encouraged to communicate directly with Executive Directors and senior management between formal Board meetings. In addition to regular Board meetings, the Board takes part in an annual strategy day at which it considers the future direction of the Company at the start of the business planning process and in the second half of 2011 there has been considerable discussion as a result of the review of strategy. All Directors are expected to attend all meetings of the Board, and of those Committees on which they serve, and to devote sufficient time to the Company's affairs to enable them to fulfil their duties as Directors. When Directors are unable to attend a meeting, their comments on papers to be considered at the meeting may be provided in advance to the Chairman. The following table shows current Directors' attendance at Board and Committee meetings they were eligible to attend in 2011:

Director	Board	Audit	Remuneration	Nomination
John Nelson	10/10		9/9	3/3
David Atkins	10/10			
Peter Cole	10/10			
Timon Drakesmith[1]	5/5			
Terry Duddy[2]	9/10	2/2	6/7	2/3
Jacques Espinasse	10/10	4/4		
Judy Gibbons[3]	6/6	2/2		
John Hirst	10/10	4/4		
Anthony Watson[4]	10/10	4/4	8/9	3/3

1 Timon Drakesmith joined the Board on 30 June 2011

2 Terry Duddy was unable to attend one Board meeting, and certain Committee meetings, because of prior commitments associated with Quarter 3 trading results and the Annual General Meeting for Home Retail Group plc. However, he discussed the business of these meetings in advance with the Chairman

3 Judy Gibbons joined the Board on 1 May 2011

4 Anthony Watson was unable to attend one meeting of the Remuneration Committee convened to consider one item of business. His confirmation of approval of this business matter was subsequently obtained.

The roles and responsibilities of the Chairman, Chief Executive, Executive Directors and Non-Executive Directors are clearly defined and documented. The Chairman, John Nelson, was independent on his original appointment to the Board. Anthony Watson continued to serve as Senior Independent Director during 2011. Biographical details and the dates of appointment of all current Directors are provided on pages 44 and 45.

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

- strategy
- acquisition and divestment policy
- approval of major capital expenditure projects
- risk management
- monitoring performance
- internal control
- treasury and the raising of finance
- human resources
- corporate governance.

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

A schedule of regular matters to be addressed by the Board and its Committees is agreed on an annual basis and information is supplied to them in a manner that enables them to fulfil their responsibilities. This includes the circulation of comprehensive briefing papers one week prior to Board and Committee meetings. Presentations on business, financial and operational issues are made regularly to the Board by senior management and the annual programme of Board meetings is tailored to enable some meetings to be held at the Company's properties. During 2011, the Board visited the Company's shopping centres in Reading, Southampton and Paris. In addition to the encouragement of strategic debate at all Board meetings, the annual strategy day provides a forum at which all Directors are invited to challenge strategic direction and help develop strategic options for the future.

Effectiveness

Board balance and appointments process

The effectiveness of the Board and its Committees is vital to the success of the Company. Therefore care is taken, through the Nomination Committee, to recruit and appoint Directors who can provide and maintain an appropriate balance of skills, experience, independence and knowledge of the Company. During 2011, appropriate succession to both Executive and Non-Executive positions was achieved and the balance of the Board is reviewed annually.

Nomination committee report

Committee membership

Member	Date of appointment to Committee
John Nelson (Chairman)	7 April 2005
Terry Duddy	18 February 2010
Anthony Watson	3 May 2007

Meetings

The Committee met three times in 2011. The Committee undertakes an annual review of succession planning and ensures that the membership and composition of the Board, including the balance of Executive Directors and Non-Executive Directors, continues to be appropriate. As part of these reviews, the Committee considers the independence of Non-Executive Directors and the balance of skills and knowledge required of both Executive Directors and Non-Executive Directors. In addition to identifying potential successors for executive board level positions, senior functional positions within the Company are also considered.

David Edmonds retired from the Board on 28 April 2011. The Committee, advised by Russell Reynolds, considered candidates for the role of an additional Non-Executive Director and recommended the appointment of Judy Gibbons. Her commercial experience, particularly in internet technologies, digital media and e-commerce, were instrumental in her being recommended for appointment to the Board with effect from 1 May 2011.

Simon Melliss retired as Chief Financial Officer on 30 June 2011. In anticipation of his retirement the Committee, advised by Spencer Stuart, had, during 2010, considered successors for this position. Timon Drakesmith, with his background in banking and finance, most recently as the finance director of a major listed property company, had the necessary skills and experience and was recommended for appointment. He became Chief Financial Officer with effect from 30 June 2011.

The Nomination Committee has considered Hammerson's approach towards diversity, including gender diversity, arising from the 2011 Davies Report on Women on Boards. The Chairman's statement on diversity is set out on page 47 and further information on the Group's overall approach is set out on page 31 of the Human resources report.

The Board is satisfied that the Non-Executive Directors, each of whom is independent from management and has no material commercial or other connection with the Company, are able to exercise independent judgement. Their experience, gained from varied commercial backgrounds, enables them to bring specific insights and make valuable contributions to the Company. They challenge assumptions constructively and effectively and help the executive management to develop their thinking.

Commitment

The Chairman, John Nelson, holds other positions which are set out on page 44. During 2011 he became chairman of Lloyds of London, but relinquished his role as deputy chairman and senior independent director at Kingfisher plc. The Board is satisfied that his external appointments do not adversely affect his commitment as the Company's Chairman. Positions held by Non-Executive Directors are set out on page 45 and the Board is also satisfied that each of the Non-Executive Directors is able to devote sufficient time to the Company's business. Non-Executive Directors are advised on appointment of the time required to fulfil the role and are asked to confirm that they can make the required commitment. Anthony Watson, as the Senior Independent Director, would deputise for the Chairman in his absence, act as a sounding board for the Chairman and be available to advise and counsel all Board colleagues. Executive Directors are encouraged to take non-executive positions in other companies and organisations, to broaden their experience. The appointment to such positions is subject to the approval of the Board which considers, in particular, the time commitment required.

Development

There is an induction programme for Non-Executive Directors in place which is based on the guidelines issued by the Institute of Chartered Secretaries and Administrators, tailored to the specific requirements of newly appointed external Directors. On their appointment, Non-Executive Directors meet with the Chairman and the Chief Executive and are provided with briefings on their responsibilities as Directors and on the Company's business, finances, risks, strategy, procedures and the markets in which the Company operates. Non-Executive Directors also meet with members of senior management who provide further information on the Company's operations, including visits to the Company's properties, and with representatives from the Company's auditor and advisers. Any new Executive Director receives a tailored programme appropriate to his or her needs. Such programmes were implemented for Judy Gibbons and Timon Drakesmith on their appointments in 2011.

All Directors are kept informed of changes in relevant legislation and regulations and changing financial and commercial risks, with the assistance of the Company's legal advisers and auditor where appropriate. Executive Directors are subject to the Company's performance development review process through which their performance against predetermined objectives is reviewed and their personal and professional development needs considered. Non-Executive Directors are encouraged to improve their knowledge of the Company and visits to Hammerson's shopping centre construction site in Marseille were organised in 2011 for such purposes. The performance of Non-Executive Directors is appraised annually by the Chairman. The training and personal development requirements of Non-Executive Directors are reviewed and agreed as part of this appraisal process and Non-Executive Directors are encouraged to attend seminars and undertake external training at the Company's expense in areas considered to be appropriate for their own professional development including on issues relevant to the Board Committees to which they belong. A record of such training is maintained by the Company Secretary.

Information and support

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

Performance evaluation

In accordance with the UK Code, an external evaluation of the Board's performance, and those of its Committees and individual Directors, was undertaken in December 2010 by ICSA Board Evaluation. A number of recommendations for adjustments to practices arising from this review have already been implemented and further adjustments are also being made. It is intended that the next external Board evaluation will be undertaken in 2013 and that, in the intervening years, evaluations be undertaken internally by the Company Secretary. Such an internal evaluation of Board and Committee performance was conducted for 2011. A UK Code questionnaire-based approach was adopted for this evaluation. This has concluded that the Board and its Committees are operating effectively and that improvements and an increasingly positive view of performance are being seen. However, some further potential improvements have been highlighted and will be addressed under the guidance of the Chairman and the Company Secretary.

The Chairman meets with the Non-Executive Directors as necessary, but at least twice each year, without Executive Directors present. The Senior Independent Director chairs an annual meeting of Executive and Non-Executive Directors without the Chairman in order to appraise his performance and to provide an opportunity to address any other matters which the Directors might wish to raise. The outcome of these discussions is conveyed to the Chairman by the Senior Independent Director.

Re-election of Directors

In accordance with the UK Code, all Directors are submitting themselves for re-election at the 2012 Annual General Meeting and will be subject to annual re-election.

Accountability

Financial and business reporting

This Annual Report aims to tell a cohesive story, with the narrative section giving a consistent presentation and a balanced and understandable assessment of the Company's financial position, results and prospects. A description of our business model and strategy are set out in the Chief Executive's Report on pages 2 and 3. The Going Concern Statement is presented on page 65 and the Directors' and Auditor's responsibility statements on pages 67 to 69.

Risk management and internal control

The Board has ultimate responsibility for determining the nature and extent of the significant risks it is willing to take in achieving its strategic objectives, for maintaining sound risk management and internal control systems and for reviewing their effectiveness. Appetite towards risk is discussed at Board meetings whenever significant strategic, financial or operational proposals are discussed, and is also high on the Board's agenda at its annual strategy day. The Group's risk management and internal control systems are designed to safeguard assets against unauthorised use or disposition, ensure the maintenance of proper accounting records, provide reliable financial information and ensure compliance with relevant legislation, rules and regulations.

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

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

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

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

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

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

The Company has 'whistleblowing procedures' under which staff may report any suspicion of fraud, financial irregularity or other malpractice. No reports of any such matters have been received. The Company subscribes to the independent charity, Public Concern at Work, so that staff may have free access to its helpline.

The systems of risk management and internal control and their effectiveness have been reviewed by the Board for the year under review and during the period up to the date of this report and the process accords with the Turnbull guidance. The Board will continue to develop its awareness and monitoring of emerging risks and its approach to the reporting of risk throughout 2012.

Audit Committee

John Hirst
Audit Committee chairman

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

John Hirst, the Chairman of the Committee, is a Chartered Accountant and a member of the Association of Corporate Treasurers. He has been closely involved in financial issues as chief executive of the Met Office since 2007 and as chief executive of Premier Farnell plc between 1998 and 2005; prior to that he was group treasurer of ICI plc. The Board is satisfied that John Hirst has the necessary recent and relevant experience to meet the UK Code's requirements. In addition, Jacques Espinasse served as chief financial officer of Vivendi and currently chairs or serves as a member of the audit committee of a number of European companies.

The Committee's report for 2011 is set out below.

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

Committee membership

Member	Date of appointment to Committee
John Hirst (Chairman)	19 August 2004
Jacques Espinasse	1 May 2007
Judy Gibbons	1 May 2011
Anthony Watson	1 January 2010

Terry Duddy served as a member of the Audit Committee until 22 July 2011.

Notwithstanding that John Hirst has been a member of the Audit Committee for over six years, the Board considers that, given his experience and the need to provide continuity on the appointment of a new Chief Financial Officer during 2011, it is appropriate that he should continue to chair the Committee.

Meetings

The Committee meets at least four times each year with agendas organised around the Company's reporting cycle. During 2011 it met on four occasions.

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

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

Review of the year

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

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

- the external auditor's management letters
- internal audit reports, including recommendations arising from them and the review of progress in implementing previous recommendations
- reports on the systems of internal controls and the risk management framework
- the Company's approach to compliance with legislation and regulations and to the prevention of fraud, including arrangements for staff to raise concerns in confidence
- the recommendations of the 2010 Board and Committee performance evaluations
- the Company's plans to revise and implement policies and procedures designed to prevent bribery and corruption
- the Audit Planning Reports
- gifts and entertainments and expenses registers.

Auditors

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

The Company's external auditor is Deloitte LLP. The audit partner responsible for the Company's audit matters is changed every five years in accordance with the Ethical Standards issued by the Auditing Practices Board. In forming their opinion on the independence and objectivity of the external auditor, the Audit Committee takes into account the safeguards operating within Deloitte LLP. Under the Company's policy governing the provision of non-audit services by the external auditor, they may not provide a service which places them in a position where they may be required to audit their own work.

Specifically, they are precluded from providing services relating to bookkeeping or other services relating to accounting records or financial statements of the Company, financial information system design and implementation, appraisal or valuation services, actuarial services, any management functions, investment banking services, legal services unrelated to the audit, internal audit outsourcing services, remuneration related services or advocacy services.

Services that, exceptionally, might be provided by the external auditor, at the discretion of management, include tax compliance work, due diligence and property-related consultancy. During 2011, services provided by Deloitte LLP to the Company, in addition to acting as external auditor, included acting as reporting accountants for intra-group distributions, assistance with the electronic filing of accounts for tax returns and bond compliance work.

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

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

Where non-audit services are provided, the fees are based on the work undertaken and are not success related. Consideration is given to the nature of and remuneration received for other services provided by Deloitte LLP to the Company and confirmation is sought that the fee payable for the annual audit is adequate to enable the auditor to perform its obligations in accordance with the scope of the audit. The auditor's remuneration in respect of the year ended 31 December 2011, comprised approximately £527,000 for year end audit and half year review work (2010: £608,000) and £59,000 for other work (2010: £49,000).

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

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

Remuneration

The Board has established a Remuneration Committee which comprises three independent Non-Executive Directors and the Company Chairman. The Committee's composition was not fully compliant with provision D.2.1 of the UK Code for the whole of 2011, following the retirement of David Edmonds at the end of April 2011. However, it was considered that the high level of experience offered by Anthony Watson and John Nelson would ensure proper governance pending the appointment to the Committee of new independent Non-Executive Directors, Terry Duddy during the year, and Judy Gibbons in February 2012.

Committee membership

Member	Date of appointment to Committee
Anthony Watson (Chairman)	1 February 2006
Terry Duddy	18 February 2011
Judy Gibbons	3 February 2012
John Nelson	21 July 2006

David Edmonds served as a member of the Committee from 1 January 2010 until his retirement from the Board on 28 April 2011.

Meetings

The Committee met nine times during 2011. Details of the responsibilities of the Remuneration Committee and a review of its activities during the year are included in the Remuneration Report on pages 54 to 64. The Chief Executive (other than in respect of his own remuneration) is invited to attend meetings of the Committee.

Relations with shareholders

The Company has an active dialogue with its shareholders through a programme of investor meetings which include formal presentations of the full and half-year results. All Non-Executive Directors are available to attend meetings if requested to do so by shareholders and may attend meetings between shareholders and management if desired. The Board receives reports of meetings with institutional shareholders together with regular market reports and brokers' circulars. This enables the Directors to obtain the required understanding of the views of shareholders. The Board always takes account of the corporate governance guidelines of institutional shareholders and their representative bodies such as the Association of British Insurers and the National Association of Pension Funds. Hammerson complies with all best practice recommendations on the preparation and despatch of documents to shareholders in advance of the Annual General Meeting ('AGM'). Shareholders are invited to ask questions at the AGM and to meet the Directors, including the Chairman of the main Board Committees, informally after the meeting. The number of proxy votes cast on resolutions is announced at the AGM and published on the Company's website.

Other governance issues

Conflicts of interest

The Company's Articles of Association allow the Directors to authorise conflicts and potential conflicts of interest, where appropriate. For the 2011 year end, each of the Directors was asked to identify any conflicts or potential conflicts by returning a schedule to the Company Secretary. The Board considered all the responses and approved potential conflicts as it deemed appropriate.

Pension scheme

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

The defined benefit pension scheme, The Hammerson Group Management Limited Pension & Life Assurance Scheme (the 'Scheme'), is administered by two corporate trustees, one of which is an independent trustee. The other is a subsidiary of the Company which has four directors. The Chairman of this subsidiary is David Edmonds, one of the Company's former Non-Executive Directors. David Edmonds continued as the Chairman of this subsidiary and has chaired meetings of the Trustees following his retirement as a Director of the Company in April 2011. One of the remaining directors is an employee, but not a Director of the Company and the other two directors are former employees. The Scheme's funds are invested and managed independently of the Company.

By Order of the Board

Sarah Booth
General Counsel and Company Secretary
23 February 2012

Remuneration report

Dear Shareholder

Last year was one of considerable change in the perceptions of executive remuneration by external commentators and this is likely to continue in the coming year. Hammerson's underlying approach has always been to seek to meet evolving best practice in the structure of its Board, Executive and senior management pay, to recognise and respond to the views of our shareholders and to appreciate the wider political and public debate that executive pay generates.

The new UK Corporate Governance Code stresses that remuneration scheme performance conditions should be relevant, stretching and designed to promote the long-term success of the Company. It also places a new emphasis on including non-financial performance metrics, making remuneration incentives compatible with risk policies and systems and the introduction of clawback provisions in exceptional circumstances such as financial misstatement or misconduct. I hope that Hammerson's approach towards all of these key principles is set out clearly in the following pages.

Remuneration philosophy

The Committee's over-arching philosophy is to recognise effectively an individual's contribution and performance through appropriate differentiation of reward but also to promote shared objectives and teamwork throughout the business, all operated and delivered through robust and transparent performance management and review processes to ensure that pay is fair at all levels. The Committee has sight of and takes into account all-employee reward arrangements when making its decisions on senior pay.

We also believe that reward is about more than financial compensation, and that Hammerson should enable its people to derive value from personal and professional challenge, a positive company culture, the opportunity to work with other talented people who share similar values and the opportunity to make a difference. The Executive management team puts a huge amount of effort into these factors and we support them wholeheartedly for their commitment to making Hammerson a great place to work.

The Committee itself adopts an approach of continuous review and improvement to its own methods of working. In 2011 we assessed our processes and cycle of meetings and we now meet at least four times a year, including an opportunity to review the market, strategy and overall policy.

Remuneration in 2011

Last year, we explained a number of changes to top level reward structures, the detailed implementation of which is set out in this year's main report. The aim was to align longer-term reward with strategic objectives, improve alignment between shorter-term performance and reward, implement targets more appropriate to the property sector, and to set total remuneration and base salaries by reference to an appropriate – median rather than upper quartile – level. While external benchmarks are recognised, they are not slavishly followed. Applying these principles, total remuneration for Executive Directors in 2011 was:

	Salary £000	Total pay[3] £000
David Atkins	564	1,252
Peter Cole	415	877
Timon Drakesmith[1]	201	565
Simon Melliss[2]	214	527

1 Joined the Board on 30 June 2011
2 Retired from the Board on 30 June 2011
3 Includes base salary, bonus in respect of 2011 performance (cash and deferred share elements) and benefits, but excludes pension payments. The bonus payment was 105.2% of salary on average (i.e. 52.6% of the maximum bonus payable) which the Committee considers to be appropriate. No gains were made under the Long Term Incentive Plan (the 'LTIP') in 2011.

Remuneration in 2012

The arrangements introduced for 2011 remain largely appropriate, and the Committee has recommended the following for 2012:

- no salary or fee increases for Executive Directors and the Chairman. There will also be no fee increase for the Non-Executive Directors
- a return to LTIP awards at the normal level of 200% of base salary for Executive Directors (following the exceptional award of 300% in the transitional year of 2011), with a four year performance period applying for the full award
- the inclusion of clawback provisions in the LTIP and other discretionary incentive plans to cover situations of personal misconduct and/or where accounts or information relevant to performance for a vesting or award are shown to be materially wrong and that the vesting or award was higher than should have been the case.

We are aware that a number of provisions in certain Executive Director service agreements are not in line with current best practice, although they were in line with best practice at the time they were signed. As a matter of principle, Hammerson believes in honouring the terms of its contractual obligations. However, we also ensure that new service agreements comply with best practice when entered into. There is evolving legislation and guidance in this area and we will review the position once these become clearer.

Principles for the future

The Committee's role is to put in place reward structures designed to achieve Hammerson's corporate strategy and the business plan. We also believe that executive remuneration arrangements should attract, motivate and retain the right people to deliver these key objectives. We therefore aim to pay sufficient to attract senior management of this calibre, with a strong focus on variable pay.

Targets should be stretching and designed to drive superior returns against our competitor set and at all times to encourage entrepreneurial but responsible management of our Company. Finally, corporate and individual Key Performance Indicators should be aligned and be demonstrably consistent with the aims of promoting the long-term success of the Company and enhancing shareholder value.

With these key principles in mind, I commend the following Directors' Remuneration Report to shareholders.

Anthony Watson
Chairman of the Remuneration Committee

The Directors submit their report on remuneration for the year ended 31 December 2011. The report reflects the policy for that year, for 2012 and, subject to ongoing review by the Remuneration Committee (the 'Committee'), subsequent years.

This report has been approved and adopted by the Board and has been prepared in accordance with the Companies Act 2006 and Schedule 8 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations, the Listing and Disclosure and Transparency Rules of the Financial Services Authority, and the principles relating to Directors' remuneration in the UK Corporate Governance Code (the 'UK Code').

The Committee

The Committee's responsibilities are set out in its terms of reference which are available on request to shareholders and on the Company's website.

Committee membership

The Committee comprises Anthony Watson (Chairman), Terry Duddy (appointed on 18 February 2011), Judy Gibbons (appointed on 3 February 2012) and John Nelson, Chairman of the Company. John Nelson was considered independent on his original appointment to the Board and the Board considers the other members of the Committee to be independent.

No Director has any involvement in discussions about his/her own remuneration.

David Edmonds was a member of the Committee until his retirement from the Board following the Company's Annual General Meeting on 28 April 2011.

The Committee's composition was not fully compliant with provision D.2.1 of the UK Code for the whole of 2011, following the retirement of David Edmonds at the end of April 2011. However, it was considered that the high level of experience offered by Anthony Watson and John Nelson would ensure proper governance pending the appointment to the Committee of new independent Non-Executive Directors, Terry Duddy during the year and Judy Gibbons in February 2012.

Attendance of Committee members at meetings during 2011 was as follows:

Member	Meetings attended during 2011	Date of appointment to Committee
Anthony Watson[1] (Chairman)	8/9	1 February 2006
Terry Duddy[2]	6/7	18 February 2011
David Edmonds[3]	1/2	1 January 2010
Judy Gibbons	n/a	3 February 2012
John Nelson	9/9	21 July 2006

1 Unable to attend one meeting convened to approve one item of business which was approved subject to the Committee Chairman's confirmation which was subsequently obtained

2 Unable to attend one meeting, due to a prior commitment associated with the Annual General Meeting of Home Retail Group plc, convened to approve one item of business which was discussed in advance with the Committee Chairman

3 Retired from the Board and the Committee on 28 April 2011.

Advisers

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

- Aon Hewitt provided general and specific advice on executive remuneration until 16 August 2011, including on remuneration for Timon Drakesmith on his appointment to the Board in June 2011. Fees paid to Aon Hewitt for 2011 were £56,609 (excluding VAT)
- FIT Remuneration Consultants LLP ('FIT') (which is a member of the Remuneration Consultants Group, the professional association for remuneration consultants, and complies with its Code of Conduct) were appointed by the Committee as advisers on 17 August 2011. They have provided advice on reward structures and levels since then. FIT's terms of engagement are available on request to shareholders and on the Company's website. These terms specify that, in order to avoid any conflicts of interest, FIT will only provide advice expressly authorised by or on behalf of the Committee. Where instructions are taken on behalf of the Committee from other employees of the Company, FIT will ensure that the Committee is kept informed of the broad scope of such matters. The fees paid to FIT during 2011 were £42,425 (excluding VAT)
- Herbert Smith LLP provided advice to the Committee throughout the year.

Aon Hewitt continue to provide the Company with general salary data for the property sector. FIT did not provide any other services to the Company during 2011. Herbert Smith LLP provided other legal services to the Company throughout the year.

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

Remuneration policy

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

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

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

In implementing the policy, following its approval by the Board, the Committee takes into account remuneration packages available within other comparable companies (whilst remaining mindful of the need to treat comparisons with caution), the Company's overall performance, internal relativities, achievement of corporate objectives, individual performance and published views of institutional investors and their representative bodies.

Review of the year

As reported in the 2010 Annual Report, there were a number of structural changes to 2011 remuneration arrangements. The changes were made in light of evolving best practice, and to promote the long-term success of the Company and shareholder alignment. Remuneration packages are designed to be competitive by reference to market rates across competitor companies, to take account of the individual contribution of each Executive Director, and to reflect the performance of the Company against financial and non-financial objectives.

Changes included:

- an increase in the length of the performance period for future awards under the LTIP from three to four years
- an increase in the deferred share element of the annual bonus (from 30% to 40% of any bonus earned) with the balance to be delivered in cash (rather than a mixture of cash and shares) so that the cash element increased to 60% of the annual bonus
- an increase in the shareholding guideline requirement for the Chief Executive from 100% to 150% of gross base salary
- the introduction of a clawback provision in the LTIP whereby the Committee can recover incentive awards in the event that it is subsequently found that accounts or information relevant to performance for a vesting are shown to be materially wrong and that vesting was higher than should have been the case. This provision has subsequently been extended to embrace situations of personal misconduct. Clawback provisions have also been applied to all other discretionary incentive plans.

Details of how these changes have been implemented during 2011 are set out in the appropriate parts of this report.

During the year, the Committee met nine times to consider:

- a strategic review of the Company's remuneration policy in light of regulatory and market developments and guidelines
- the structure of the Company's share plans and share-based grants
- performance measures and targets for the AIP and LTIP
- awards under the Company's share plans
- salary and bonus reviews for the Executive Directors and senior executives
- remuneration for Timon Drakesmith, who was appointed Chief Financial Officer with effect from June 2011
- the retirement provisions for Simon Melliss, the previous Chief Financial Officer who retired from the Board in June 2011
- a review of pension policy following changes in pension legislation
- other ad hoc matters.

Remuneration of Executive Directors

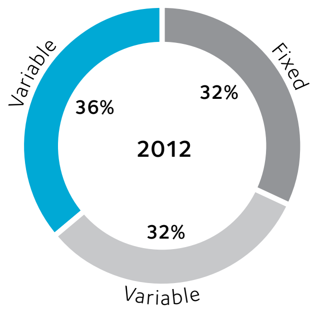
The remuneration packages for Executive Directors are structured to reward corporate and individual performance. Details of all payments to Executive Directors for 2011 are disclosed in the table on page 62. Over two thirds of the Executive Directors' total target remuneration (excluding pension and benefits) is performance related, which is considered to be appropriate.

The table below and on the opposite page sets out each element of total remuneration, the purpose and policy objectives which underpin each element and the basis of their operation:

Element	Purpose	Policy	Operation
Base salary	Reflects the accountabilities of the role and the value skills and experience an individual brings to the position.	Generally positioned within a narrow range (+/- 10%) of the median relative to the main markets in which Hammerson competes for talent. Position within the range is dependent on skills, experience and performance. For new appointments, the Committee may set salaries below the range with a view to reaching median level within two to three years subject to performance. Increases in salary for Executive Directors normally follow the salary budgets for the rest of the organisation.	Reviewed by the Committee annually on the same timeframe and basis as employees and fixed for the year beginning 1 April. Benchmarked against the property peer group with account also taken of the market capitalisation peer group and the FTSE 71-100. Benchmarking data is independently compiled and considered at the total remuneration level. Paid monthly in cash and pensionable.

Element	Purpose	Policy	Operation
Annual Incentive Plan	Incentivises Executive Directors to achieve short-term performance goals primarily focused on key financial and non-financial metrics derived from the business plan. Recognises the Executive Directors' contribution to the wider development of the organisation and its core values.	Clear line of sight from individual performance to business outcomes. Performance targets are stretching, comprise clear financial and non-financial measures and take due account of business risk. Once set, performance measures generally remain unchanged for the year except to reflect any corporate acquisition or transaction. Awards under the plan materially differentiate on the basis of performance.	Targets approved annually by the Committee. Awards are up to a maximum of 200% of salary, subject to performance. Objectives relate to: 1. Group financial targets (Earnings per share and Total Property Return) 2. Group results in key operational areas 3. Individual (divisional where relevant) objectives. Personal performance is assessed through a transparent and robust performance management process. Award result is determined by the Committee after year end, based on performance against all targets. The Committee retains an overriding discretion to increase/decrease pay-outs where, in exceptional circumstances, it is considered appropriate, but subject always to the overriding cap. Paid in a mix of cash (60%) and shares (40%) which are deferred for two years to aid retention. From 2011 onwards, dividends will accrue on share awards and be delivered as additional shares at the end of the vesting period. Non-pensionable. Subject to clawback in the event of situations of personal misconduct and/or where accounts or information relevant to performance for a cash or share award are shown to be materially wrong and that the award was higher than should have been the case.
Long Term Incentive Plan	Incentivises Executive Directors to achieve superior long-term returns for shareholders. Aligns the interests of Executive Directors with those of shareholders and aids retention.	The performance measurement/vesting period is set to reflect the capital intensive and cyclical nature of Hammerson's business. The choice of performance/vesting measures is determined by those drivers which deliver value to shareholders in the longer term.	A discretionary annual award of shares to a value of 200% of salary (300% in exceptional circumstances), subject to a four year performance measure. Dividends accrue on awards and are delivered as additional shares at the end of the vesting period. Performance conditions are based on three equally weighted measures: 1. Total Shareholder Return against a comparator group of entities (to align interests of Directors with shareholders) 2. Total Property Return against a composite index (to focus on underlying property returns) 3. Absolute Net Asset Value per share (to introduce a balance of relative and absolute performance measures). Committee has discretion to reduce the level of award. Non-pensionable. Subject to clawback provisions in situations of personal misconduct and/or where accounts or information relevant to performance for a vesting are shown to be materially wrong and vesting was higher than should have been the case.
Pension	Provides competitive retirement benefits.	Legacy pension arrangements (defined benefit scheme closed to new joiners since early 2003) are supported but the costs of doing so are kept under review. New Executive Directors may receive either a 20% employer contribution to the Company's Group personal pension plan or a 20% non-pensionable salary supplement. Pension benefits are taken into account when determining total remuneration. No compensation for public policy or tax changes.	Non-contributory for Executive Directors. Employer contributions paid monthly. For the defined benefit scheme, normal retirement age is 60; members may retire from age 55 subject to actuarial reduction; members may draw their pension from age 55 whilst remaining in employment. From 6 April 2011 all pension scheme members impacted by the reduction in annual tax free limit to £50,000 may choose to cap their benefit and receive a salary top-up of the balance. Non-pensionable salary supplement paid monthly. Cash (ie other than base salary) and other benefits are excluded from pensionable pay.
Other benefits	Provides market competitive reward.	Benefits in kind, cash allowance and the opportunity to participate in all-employee share schemes. Contractual benefits are taken into account when determining total remuneration.	Contractual benefits are car allowance, private medical insurance, life assurance and permanent health insurance. Non-pensionable.

Split of Executive Directors' on-target pay



Base salary

Annual Incentive Plan
Assumes 'on-target' annual bonus of 50% of maximum potential

Long Term Incentive Plan
Assumes an award over shares of 200% of salary at grant, with a vesting of 55% of the award

(On-target pay excludes pension and benefits)

Base salary

In December 2011, the Committee conducted its annual review of remuneration for Executive Directors and, in view of current market conditions and an analysis of independently compiled salary survey information, no salary increases for 2012 for Executive Directors have been recommended. This approach is consistent with reviews for employees at professional and senior management level throughout the Group.

Accordingly, base salaries for Executive Directors for 2012 will remain as follows:

	Salary for 2012
David Atkins	£585,000
Peter Cole	£420,000
Timon Drakesmith	£400,000

Annual Incentive Plan

As reported last year, the structure of the 2011 performance related bonus (which is paid in 2012) was amended to eliminate the portion of the award delivered in shares vesting immediately. This increases the relative proportions of the cash and the deferred share elements. The Committee believes that these changes improve alignment between performance and reward, and ensure that the AIP remains valued by the participants, consistent with current best practice and aligned with the interests of shareholders.

In February 2012, the Committee determined the level of achievement of the 2011 performance targets, which is reported on page 62.

The Committee has also reviewed the AIP structure for 2012 (which will be paid in 2013), and determined that it will remain broadly the same as for 2011. Details of the AIP structure and targets from 2010 to 2012 are shown below:

Year of award	Maximum award potential	Proportion of award paid in cash	Proportion of award paid in shares	Weighting of performance conditions	Composition of financial targets
2010 award (paid in 2011)	Up to 200% of salary	40%	60%: – 30% vesting immediately – 30% subject to a two year vesting period	50% for Group financial targets	30% based on adjusted Group earnings per share 20% based on net asset value.
				50% for personal objectives	
2011 award (to be paid in 2012)	Up to 200% of salary	60%	40% subject to a two year vesting period	60% for Group financial targets	36% based on adjusted Group earnings per share 24% based on Total Property Return relative to IPD[1].
				15% for Group operational targets 25% for personal objectives	
2012 award (to be paid in 2013)	Up to 200% of salary	60%	40% subject to a two year vesting period	60% for Group financial targets	30% based on adjusted Group earnings per share 30% based on Total Property Return relative to IPD[1].
				10% for Group operational targets 30% for personal objectives	

[1] IPD is the Investment Property Databank's Annual Index

Long Term Incentive Plan

As explained earlier and in last year's report, in 2011 a number of structural changes were made to the LTIP and, in order to smooth the transition from a three-year performance period to a four-year performance period, an enhanced award of 300% of salary was made, with half of the award subject to a three-year performance period (vesting in 2014) and half subject to a four-year performance period (vesting in 2015). This will ensure there is no vesting 'gap' in 2014 and, overall, will result in only a modest reduction in potential awards vesting to Executive Directors in the three-year period from 2014 to 2016 (assuming a consistent level of performance is achieved).

In 2011, the Committee also introduced Absolute Net Asset Value as a performance measure, and believes that this will provide a balance of relative and absolute performance measures, rather than focusing exclusively on relative measures. Details of the LTIP structure from 2008 to 2012 are set out below.

Year of grant	Level of award	Performance period	Performance measures	Weighting of performance conditions	Comparator group
2008 2009 2010	200% of salary	Three years	Total Shareholder Return Total Property Return	50% 50%	British Land, Brixton (2008 and 2009 grants only) Capital and Regional, Corio, Derwent London, Great Portland Estates, IVG, Klepierre, Land Securities, Liberty International, Quintain Estates, SEGRO, Shaftesbury, St Modwen Properties, Unibail-Rodamco and the FTSE 100 Index.
2011	300% of salary	50% of award: three years 50% of award: four years	Total Shareholder Return Total Property Return Absolute Net Asset Value per share performance	33.33% 33.33% 33.33%	British Land, Capital and Regional, Capital Shopping Centres, Corio, Derwent London, Great Portland Estates, IVG, Klepierre, Land Securities, Quintain Estates, SEGRO, Shaftesbury, St Modwen Properties, Unibail-Rodamco and the FTSE 100 Index.
2012	200% of salary	Four years	Total Shareholder Return Total Property Return Absolute Net Asset Value per share performance	33.33% 33.33% 33.33%	As for 2011

The vesting of the LTIP awards granted in 2009 and subsequent years cannot be determined until the end of the performance periods from April 2012 onwards.
In order to increase the flexibility of the plan, awards granted under the LTIP in 2012 will be made in the form of nil cost options, with an exercise period of up to seven years from the date of grant. This will have no impact on the commercial value of the awards.

The performance measures

Total Shareholder Return ('TSR') performance is measured over the three/four-year period from the date of grant, in comparison with a comparator group, including some European real estate companies.

Total Property Return ('TPR') is measured over the three/four financial years commencing with the year of grant and in comparison with a composite index comprising Investment Property Databank's Annual UK Index and Annual France All Property Index, the relative composition of which may vary with each grant to ensure that it reflects the Company's portfolio.

Absolute Net Asset Value ('NAV') is measured over the three/four financial years commencing with the year of grant, and is calculated in accordance with the Best Practices recommendations of the European Public Real Estate Association, being the adjusted shareholders' funds divided by the adjusted number of shares in issue.

The performance conditions

Vesting under the TSR performance condition is as follows:

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

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

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

Vesting under the TPR performance condition is as follows:

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

Vesting for intermediate performance between these levels is pro-rata on a linear basis.

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

Less than 7.5% p.a. growth	0%
Equal to 7.5% p.a. growth	25%
More than or equal to 15% p.a. growth	100%

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

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

Vesting for intermediate performance for both the 2011 and 2012 awards will be pro-rata on a linear basis.

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

Pensions

David Atkins and Peter Cole participate in the Hammerson Group Management Pension and Life Assurance Scheme (the 'Scheme'), the Company's defined benefit pension scheme, more fully described in note 6 to the accounts on pages 85 to 87.

Pension entitlements are based on base salary. In previous years, members who joined the Scheme on or after 1 June 1989 were subject to restrictions imposed by the Income and Corporation Taxes Act 1988. Following the introduction of the Finance Act 2004, these restrictions no longer apply for service accrued on or after 6 April 2006.

Since 6 April 2006 an individual's benefits under the Company's pension scheme are subject to additional tax should those benefits exceed certain defined limits. The Committee has agreed that, in these circumstances, a Director may elect to receive a cash supplement rather than further contributions being made to the Scheme. Such a cash supplement will be subject to Income Tax and National Insurance Contributions and will not qualify for AIP purposes or entitlements under the LTIP.

With effect from 6 April 2006, tax privileged savings in approved pension arrangements are subject to an annual allowance, which was reduced to £50,000 with effect 6 April 2011. From this date, pension accrued over the tax year that exceeds £50,000 will be subject to a tax charge. The Company has agreed that affected members can opt to have pension benefits that exceed the annual allowance paid as a cash supplement in lieu of pension and David Atkins and Peter Cole have both taken this option. Any such supplement in lieu of pension will be subject to Income Tax and National Insurance Contributions and will not qualify for AIP purposes or entitlements under the LTIP.

Timon Drakesmith has elected not to participate in a Company pension scheme and has elected to receive a non-pensionable salary supplement of 20% of his base salary, which is subject to Income Tax and National Insurance Contributions and will not qualify for AIP purposes or entitlements under the LTIP.

All employee share schemes

The Company operates a Savings Related Share Option Scheme ('Sharesave') and a Share Incentive Plan ('SIP'), both of which are approved by HM Revenue and Customs, for all eligible UK employees. Executive Directors are entitled to participate in both of these plans on the same terms as other eligible UK employees. Details relating to Sharesave can be found in note 24 to the accounts on pages 106 to 107.

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

Share ownership guidelines

All Directors are encouraged to own shares in the Company. The deferred share element of the AIP, the LTIP and other Company share plans are designed to enable Executive Directors, over a period of time, to build up and retain a shareholding with a value equivalent to 150% of the annual gross base salary for the Chief Executive and 100% of the annual gross base salary for other Executive Directors.

Service agreements

Details of the service agreements of the Executive Directors who served during 2011 are shown in the table below:

	Date of Agreement	Notice periods
David Atkins	11 January 2008	12 months from Company; 6 months from individual
Peter Cole	28 February 2002	12 months from Company; 6 months from individual
Timon Drakesmith	18 January 2011	12 months from Company or individual
Simon Melliss	28 February 2002	12 months from Company; 6 months from individual

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

In addition, the payment in lieu of notice for David Atkins and Peter Cole (and for Simon Melliss who retired from the Board on 30 June 2011) would include a payment equivalent to the average bonus paid over the preceding three years (save in exceptional circumstances) and the treatment of any LTIP awards would be subject to the LTIP rules.

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

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

New Executive Directors' contracts will be subject to equal notice periods from the employer and employee and have due regard to prevailing best practice provisions in relation to mitigation of loss, and phasing and exclusion from compensation of the loss of variable pay opportunity.

The Committee has reviewed existing service agreements during the course of the year, but is aware that there is evolving legislation and guidance in this area and will address the possibility of adjustments when the position is clearer.

Chairman and Non-Executive Directors

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

The Chairman of the Board is John Nelson. His appointment, which is subject to a twelve month notice period, was initially for a period of three years to 30 September 2008, on completion of which it was extended for a further three years to 30 September 2011. As disclosed last year, following review by the Board (excluding the Chairman), this appointment was renewed for a further period of three years ending 30 September 2014.

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

Non-Executive Director	Date of Appointment to Board
Terry Duddy	3 December 2009
Jacques Espinasse	1 May 2007
Judy Gibbons	1 May 2011
John Hirst	1 March 2004
Anthony Watson	1 February 2006

John Nelson's fee is determined by the Committee and those of the other Non-Executive Directors are determined by the Board. Non-Executive Directors are not eligible for performance-related bonuses or participation in the Company's share plans and their fees are not pensionable. The fees of the Chairman and the Non-Executive Directors were reviewed in February 2012 and no changes were recommended for 2012.

The annual fees payable to the Chairman and the other Non-Executive Directors are as follows:

Chairman	£270,000
Non-Executive Director: base fee	£50,000

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

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

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

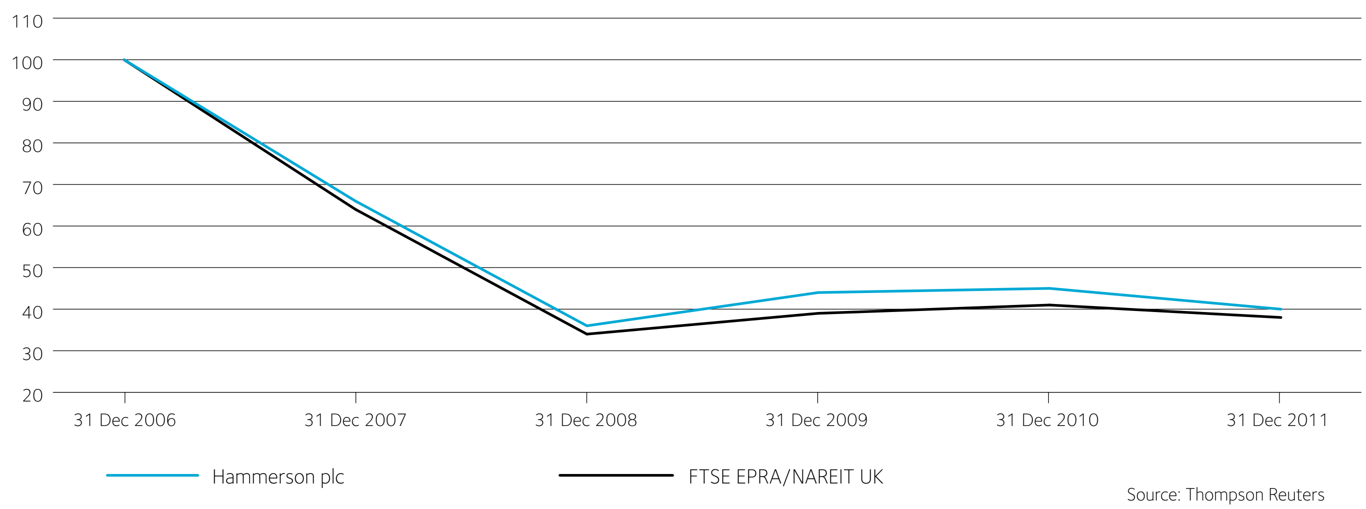
In addition, while David Edmonds was a Non-Executive Director of Hammerson plc, he received a fee of £7,500 per annum as a director of Hammerson Pension Scheme Trustees Limited ('HPSTL') which is a corporate trustee of the Company's defined benefit pension scheme. David Edmonds retired as a Director of the Board on 28 April 2011. He retains his role as Chairman of HPSTL, for which he receives a revised fee of £10,000 per annum with effect from 1 May 2011.

All the Directors will offer themselves for re-election at the forthcoming Annual General Meeting in accordance with the UK Code.

Shareholder return

The graph below shows the total shareholder return in respect of the Company's ordinary shares of 25 pence each for the five years ended 31 December 2011 relative to the total return of the FTSE EPRA/NAREIT UK Index, which comprises shares of the Company's peers. The total shareholder return is rebased to 100 at 31 December 2006. The other points plotted are the values at intervening financial year ends.

Total Shareholder Return Index
(31 December 2006 = 100)



Source: Thompson Reuters

Audited information

Remuneration of the Directors

The following table shows a breakdown of the remuneration of the Directors for the year ended 31 December 2011:

		Annual Incentive Plan[1]				Total emoluments	
	Salaries/fees £000	Cash £000	Deferred shares £000	Benefits[2] £000	Salary/cash supplements[3]	2011 £000	2010 £000
Executive Directors							
David Atkins	564	363	242	18	65	1,252	1,199
Peter Cole	415	267	178	17	–	877	1,020
Timon Drakesmith[4]	201	189	126	9	40	565	–
Simon Melliss[5]	214	239	–	10	64	527	1,078
Non-Executive Directors							
John Nelson	270	–	–	–	–	270	259
Terry Duddy[6]	57	–	–	–	–	57	52
David Edmonds[7]	18	–	–	–	–	18	60
Jacques Espinasse	55	–	–	–	–	55	52
Judy Gibbons[8]	37	–	–	–	–	37	–
John Hirst	64	–	–	–	–	64	58
Anthony Watson	75	–	–	–	–	75	72
	1,970	1,058	546	54	169	3,797	3,850

1 The AIP figures represent the cash and deferred share elements payable in 2012 for the 2011 award.
2 Benefits include car allowance, private medical insurance, life assurance and permanent health insurance.
3 See Pensions on page 64.
4 Timon Drakesmith joined the Company on 6 June 2011 and was appointed to the Board on 30 June 2011. His remuneration in the above table represents the period from 30 June 2011 to 31 December 2011. For 2011 only he participated in the AIP on the basis of number of months employed multiplied by 1.5. His total remuneration for 2011 was £638,777.
5 Simon Melliss retired from the Board on 30 June 2011. His remuneration represents the period from 1 January 2011 to 30 June 2011. He received 100% of his AIP award in cash in respect of the period from 1 January 2011 to 30 June 2011. Instead of a car allowance, Simon Melliss had the use of a company car. Executive Directors may hold external appointments and retain any related fees. During 2011 until his retirement from the Board, Simon Melliss served as a member of Hermes Proper Unit Trust and as a non-executive director and chairman of the Audit Committee of Whitbread PLC. He received a total of £42,500 in fees for these services.
6 Terry Duddy was appointed to the Remuneration Committee on 18 February 2011 and served as a member of the Audit Committee until 22 July 2011.
7 David Edmonds retired from the Board on 28 April 2011, and his fee represents the period from 1 January 2011 to 28 April 2011. He also received £9,167 in fees as a director of HPSTL for the year to 31 December 2011.
8 Judy Gibbons was appointed to the Board on 1 May 2011 and her fee represents the period from 1 May 2011 to 31 December 2011.

During the year ended 31 December 2011, no payments were made to Directors for expenses other than those incurred wholly and directly in the course of their employment or appointment.

For the 2011 AIP award the adjusted earnings per share target was achieved, for Executive Directors, to a level of 13% and the Total Property Return target was achieved to a level of 50%. This, together with individual achievement against operational targets and personal objectives, resulted in an average payment to Executive Directors representing approximately 53% of the maximum potentially payable. This compares with an average payment of 73% of the maximum potential in respect of the 2010 award.

Annual Incentive Plan

The table below demonstrates the movements during 2011 in relation to the share awards made to Executive Directors under the AIP, and awards outstanding as at 31 December 2011:

	Awards held at 1 January 2011	Awards during the year[1]	Award date	Shares vested during the year	Vesting date	Market price per share at vesting	Awards held at 31 December 2011
David Atkins	81,307	66,043	3 March 2011	21,719	3 March 2011	461.40p	72,786
				52,845	25 March 2011[2]	460.58p	
Peter Cole	75,363	59,034	3 March 2011	19,414	3 March 2011	461.40p	65,908
				49,075	25 March 2011[2]	460.58p	
Simon Melliss[3]	78,370	–	–	52,471	25 March 2011[2]	460.58p	–
				25,899	30 June 2011	483.90p	

1 Awards made during 2011 were in respect of the 2010 performance related bonus, and consisted of a share entitlement which vested immediately and a share entitlement which is deferred for two years.
2 The shares that vested on 25 March 2011 were in respect of the 2008 performance related bonus. In view of market conditions at the time of the award (due to the 2009 Rights Issue), the Executive Directors agreed to defer the vesting of the immediately vesting shares as if they were deferred shares.
3 Simon Melliss retired on 30 June 2011 and, in accordance with the terms of the plan, any outstanding awards vested on retirement. As disclosed last year, in respect of the bonus for 2010, his entitlement to the immediately vesting shares was paid in cash on the bonus payment date and the deferred share entitlement was paid in cash at retirement.

The market price per share on award was 265.00 pence for the award made in 2009, 384.90 pence for the award made in 2010 and 461.40 pence for the award made in 2011. Details of the bonus targets for the awards made in 2011 can be found on page 58.

All share awards made from 2012 will be deferred for two years from the date of grant. Details of the AIP can be found on page 58.

Long Term Incentive Plan

The table below demonstrates the movements during 2011 in conditional share awards, including the reinvestment of notional dividends, made to Executive Directors under the LTIP and awards outstanding as at 31 December 2011:

	Awards held at 1 January 2011	Awards granted during the year 1 April 2011	Awards granted during the year 6 June 2011	Awards lapsed during the year[1] 1 April 2011	Awards forfeited during the year 30 June 2011	Notional dividends received	Awards held at 31 December 2011
David Atkins	514,873	387,416	–	(68,566)	–	20,360	854,083
Peter Cole	524,658	278,144	–	(85,705)	–	18,781	735,878
Timon Drakesmith[2]	–	–	251,046	–	–	3,722	254,768
Simon Melliss[3]	535,621	–	–	(85,705)	(196,073)	12,083	265,926

1 Awards granted on 1 April 2008 did not vest as they did not meet their performance conditions.
2 A conditional award of 251,046 shares was made to Timon Drakesmith on 6 June 2011, in accordance with the terms of his service agreement.
3 Following Simon Melliss' retirement, in accordance with the LTIP rules the Committee has applied a pro rata reduction to the number of shares outstanding, based on the period of time in office from the date of grant to retirement, relative to the three year period. As a result, Simon Melliss forfeited 58,080 shares that were awarded on 1 April 2009 and 137,993 shares that were awarded on 30 April 2010. The outstanding shares that were awarded to Simon Melliss will vest on the third anniversary of the grant date provided that the relevant performance conditions are met.

The average middle market price, adjusted for the 2009 Rights Issue where appropriate, of the ordinary shares in the Company for the five dealing days before the award dates which were used for calculating the number of shares over which an award was made was 258.60p for the 2009 award, 385.88p for the 2010 award and 453.00p and 478.00p for the 1 April and 6 June 2011 awards respectively. Details of the performance conditions of the LTIP awards can be found on page 59.

Recruitment share award

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

	Shares awarded[1]	Award date	Vesting date	Notional dividends awarded	Total shares held at 31 December 2011
First Tranche[2]	250,000	6 June 2011	1 June 2012	3,707	253,707
Second Tranche[3]	83,682	6 June 2011	6 June 2014	1,240	84,922
Total recruitment share award	333,682			4,947	338,629

1 The market price of the shares awarded on 6 June 2011 was 478.00p per share.
2 The First Tranche of the award is not subject to any performance conditions and is subject only to continued employment at date of vesting, although it may be subject to early vesting in certain good leaver situations or upon change of control.
3 The Second Tranche of the award is made on materially the same terms as the LTIP award, with a three-year performance period. Details of the LTIP performance conditions are set out on page 59.

From 6 June 2011, Timon Drakesmith became eligible to participate in the AIP, the LTIP and the all-employee share plans. For 2011 only, he participated in the AIP on the basis of the number of months employed multiplied by 1.5, as part of his recruitment terms. From 2012 onwards, he will participate in all the share plans on the same basis as other Executive Directors. Details of these plans can be found on pages 58 to 60.

Savings-related share option scheme

The Directors' interests in options over ordinary shares of the Company under the Sharesave as at 31 December 2011 are as follows:

	1 January 2011	Granted	Exercised	Lapsed	31 December 2011	Exercise price[1]	Exercise dates
David Atkins	4,212	–	–	–	4,212	217.20p	1 May 2012 to 31 October 2012
Peter Cole	4,980	–	–	–	4,980	312.24p	1 May 2015 to 31 October 2015

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

The middle market price of the ordinary shares of the Company, as derived from the London Stock Exchange Daily Official List, was 360.0p on 30 December 2011 and the range during the year was 345.2p to 490.9p.

Share Incentive Plan

The Directors' interests in ordinary shares of the Company under the SIP as at 31 December 2011 are as follows:

	Total SIP shares 1 January 2011	Partnership shares purchased	Matching shares awarded	Free shares awarded[1]	Dividend shares purchased	Total SIP Shares 31 December 2011	Cost to Company of Shares awarded in 2011[3]
David Atkins	7,111	–	–	671	229	8,011	£6,120
Peter Cole	6,343	652	1,304	671	235	9,205	£21,657
Simon Melliss[2]	5,772	–	–	671	85	–	£5,509

1 The free shares were awarded on 8 April 2011 at a price of 446.90p per share.
2 On 4 July 2011, following his retirement from the Company, 6,528 shares were released from the SIP Trust to Simon Melliss.
3 The purchases and awards were funded by shares held in the Employee Benefit Trust.

Pensions

Timon Drakesmith does not participate in a Company pension scheme and receives a non-pensionable salary supplement equal to 20% of his base salary. The supplement received for the period from 30 June 2011 to 31 December 2011 was £40,222.

The former Chief Financial Officer, Simon Melliss, received a cash supplement (rather than further contributions being made to the Company deferred benefit pension scheme) of £64,068 for the period from 1 January 2011 to 30 June 2011, when he retired from the Board.

As stated earlier, David Atkins and Peter Cole participate in the Hammerson Group Management Pension and Life Assurance Scheme (the 'Scheme'), the Company's defined benefit pension scheme, more fully described in note 6 to the accounts on pages 85 to 87. For the year ended 31 December 2011, David Atkins will receive a cash supplement of £64,908 for pension benefits that exceed the annual allowance of £50,000 in respect of the year ending 31 December 2011. Peter Cole has not been affected by the annual allowance restriction and will not be receiving a cash supplement.

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

The Scheme is non-contributory. Therefore neither David Atkins nor Peter Cole have made any contributions during the year.

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

	Age at 31 December 2011	Years' service at 31 December 2011	Normal retirement age	Total accrued benefit at 31 December 2011 £000	Increase in accrued benefit during the year £000	Increase in accrued benefit during the year excluding inflation £000
David Atkins	45	13	60	72	15	12
Peter Cole	52	22	60	213	19	9

For each Director, the total accrued benefit at 31 December 2011 represents the annual pension that is expected to be payable on eventual retirement, given the length of service and salary of each Director at 31 December 2011. The increase in accrued benefit earned during the year represents the increase in this expected pension, including the effect of inflation, when compared with the position at 31 December 2010.

The increase in accrued benefit during the year excluding the effect of inflation over the year is also shown.

Requirements	Companies Act 2006			The Listing Rules
	Transfer value at 31 December 2010 of total accrued benefit £000	Transfer value at 31 December 2011 of total accrued benefit £000	Value of increase in accrued benefit during the year £000	Transfer value at 31 December 2011 of increase in accrued benefit £000
David Atkins	550	745	195	127
Peter Cole	2,488	2,908	420	123

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

For each Director, the increase in transfer value of accrued benefits under the requirements of Schedule 8 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 is the transfer value of the total accrued benefit at 31 December 2011 less the corresponding transfer value at 31 December 2010. The transfer value of the increase in accrued benefits under the Listing Rules is the transfer value at 31 December 2011 of the increase in accrued benefits during the period (excluding inflation).

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

By Order of the Board

Sarah Booth
General Counsel and Company Secretary
23 February 2012

Additional disclosures

Dividends

The Directors recommend a final dividend of 9.3 pence per share which, together with the interim dividend paid on 7 October 2011, will make a total dividend for the year of 16.6 pence (2010: 15.95 pence). It is intended that the final dividend will be paid on 27 April 2012 to shareholders on the register at the close of business on 16 March 2012.

It is intended that 7.0 pence per share will be paid as a Property Income Distribution (PID), net of withholding tax where appropriate, and the remainder of 2.3 pence paid as a normal dividend.

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

Principal activities

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

Fixed assets and capitalised interest

Changes in tangible fixed assets and capitalised interest during the year are set out in notes 11 and 12 to the accounts on pages 92 and 93, whilst details of Hammerson's property portfolio are provided on pages 115 to 122.

Share capital

Changes to the Company's share capital, principally as a result of shares issued under the scrip dividend scheme during the year, are set out in note 24 to the accounts on pages 106 and 107.

On 31 December 2011 there were 712,615,209 ordinary shares of 25 pence each in issue each with one vote, of which 1,200,000 shares were held in treasury. The total number of voting rights in Hammerson plc at 31 December 2011 was therefore 711,415, 209.

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

Purchase of own shares

The Company was granted authority at the Annual General Meeting in 2011 to purchase its own shares up to a total aggregate value of 10% of the issued nominal capital. That authority expires on the date of the 2012 Annual General Meeting at which a resolution will be proposed for its renewal. The Company purchased a total of 1,200,000 shares between 15 September and 20 September 2011 with a nominal value of £300,000 (representing 0.2% of the Company's issued share capital on 15 September 2011) at a total cost of £4,716,636. The reason for the purchase is to match obligations under the various share-based incentive plans. These shares are held in treasury.

Going concern

The current economic conditions have created a number of uncertainties as set out on page 24. The Group's business activities, together with the factors likely to affect its future development, performance and position are set out on pages 32 to 38 of the Annual Report. The financial position of the Group, its liquidity position and borrowing facilities are described on pages 39 to 42 and in notes 18, 20 and 21 to the accounts.

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

Provisions on change of control

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

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

Employees

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

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

Substantial shareholders

At 31 December 2011 and 15 February 2012 the following interests in voting rights over the issued share capital of the Company had been notified:

	At 31 December 2011		At 15 February 2012	
	Ordinary Shares of 25p each	Percentage of total voting rights	Ordinary shares of 25p each	Percentage of total voting rights
APG Algemene Pensioen Groep N.V.	62,447,188	8.78%	62,630,002	8.80%
BlackRock Inc.	51,084,249	7.18%	53,250,080	7.49%
Norges Bank Investment Management	33,511,748	4.71%	33,694,383	4.74%
Legal & General Investment Management Ltd	24,115,656	3.39%	24,016,269	3.38%
Sumitomo Mitsui Trust Holdings Inc.	22,289,181	3.13%	20,626,929	2.90%

Directors

The biographical details of the current directors are shown on pages 44 and 45. During the year, David Edmonds retired as a Non-Executive Director on 28 April 2011 and Judy Gibbons was appointed as a Non-Executive Director on 1 May 2011. Simon Melliss retired as Chief Financial Officer of the Company on 30 June 2011 and Timon Drakesmith was appointed from that date.

In accordance with the UK Corporate Governance Code, all the Directors will retire and offer themselves for election and re-election at the forthcoming Annual General Meeting.

David Atkins, Peter Cole and Timon Drakesmith have service agreements with the Company. The appointments of the Non-Executive Directors, including the Chairman, are governed by letters of appointment. Details of the service agreements and the letters of appointment are set out in the Remuneration Report on page 60. Details of the Directors' interests in the share capital of the Company are set out below.

Directors' interests

The beneficial interests of the Directors in the ordinary shares of the Company are set out below:

	31 December 2011	1 January 2011
John Nelson	49,000	49,000
David Atkins	159,100	93,085
Peter Cole	218,878	196,620
Timon Drakesmith	50,000	–
Terry Duddy	40,000	20,000
Jacques Espinasse	12,235	12,000
Judy Gibbons	–	–
John Hirst	13,495	13,425
Anthony Watson	12,000	12,000

At 31 December 2011, Anthony Watson had an interest in £60,000 nominal 6.875% Sterling bonds due 2020. Between 1 January and 15 February 2012, the Directors' beneficial interests above have remained unchanged.

No contract existed during the year in relation to the Company's business in which any Director was materially interested.

Directors' remuneration

Details of the remuneration of each of the Directors are set out in the Remuneration Report on pages 54 to 64.

Directors' and officers' liability insurance

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

Company secretary

Stuart Haydon resigned as Company Secretary on 22 September 2011 and Sarah Booth was appointed as General Counsel and Company Secretary from that date.

Sarah Booth is a qualified solicitor. She has held a number of General Counsel positions in various industries and listed companies. She joined Hammerson in March 2010 as General Counsel and was appointed to the Group Executive Committee on 21 March 2011.

Donations

During the year Hammerson made charitable donations in the United Kingdom of £144,845 (2010: £125,075). Under the Company's charitable donations policy for 2011, donations were made to a variety of children's, medical, music and arts charities and to charities connected to localities in which the Company is represented.

For 2012, Hammerson will make charitable donations focused on children and young people, health and local regeneration of community infrastructures and facilities. Donations to political or religious organisations are not made.

Creditor payment policy

It is the Group's policy and practice that the terms of payment to suppliers are agreed in advance of the supply of any goods and services and that payments are made in accordance with those terms and conditions provided that the supplier has also complied with them. The Group's creditor payment days as at 31 December 2011 represented 23 days' purchases (2010: 31 days).

Financial instruments

Details of the financial instruments used by the Group and the Company are set out in note 21 to the accounts on pages 100 to 105.

Auditor

Deloitte LLP are willing to be reappointed as the auditor to the Company. Their reappointment has been considered and recommended by the Audit Committee and a resolution concerning their reappointment will be proposed at the Annual General Meeting.

Disclosure of information to the auditor

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

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

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

Annual general meeting

The Annual General Meeting will be held on Thursday 19 April 2012 at 10 Grosvenor Street, London W1K 4BJ at 11.00 am. The Notice of Meeting and the explanatory notes will be included in a separate notice to be sent to all shareholders.

By Order of the Board

Sarah Booth
General Counsel and Company Secretary
23 February 2012

Directors' responsibilities

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

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

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

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

However, Directors are also required to:

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

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

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

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

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

Responsibility Statement

We confirm to the best of our knowledge:

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

Signed on behalf of the Board on
23 February 2012

David Atkins
Director

Timon Drakesmith
Director

Independent auditor's report on the Group financial statements

Independent auditor's report to the members of Hammerson plc

We have audited the Group financial statements (the 'financial statements') of Hammerson plc for the year ended 31 December 2011 which comprise the consolidated income statement, the consolidated statement of comprehensive income, the consolidated balance sheet, the consolidated statement of changes in equity, the consolidated cash flow statement, the analysis of movement in net debt and the related notes 1 to 29. The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

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

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

Scope of the audit of the financial statements

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

Opinion on the financial statements

In our opinion the Group financial statements:

- give a true and fair view of the state of the Group's affairs as at 31 December 2011 and of its profit for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006 and Article 4 of the IAS Regulation.

Opinion on other matter prescribed by the Companies Act 2006

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

Matters on which we are required to report by exception

We have nothing to report in respect of the following:

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

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

Under the Listing Rules we are required to review:

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

Other matter

We have reported separately on the parent company financial statements of Hammerson plc for the year ended 31 December 2011 and on the information in the Directors' Remuneration Report that is described as having been audited.

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

23 February 2012

Consolidated income statement

For the year ended 31 December 2011

	Notes	2011 £m	2010 £m
Gross rental income	2	344.1	332.0
Operating profit before other net gains and share of results of associate	2	249.1	248.8
Other net gains	2	209.8	469.9
Share of results of associate	2	–	1.5
Operating profit	2	458.9	720.2
Finance costs		(112.7)	(111.5)
Change in fair value of derivatives		(5.1)	1.7
Finance income		5.2	9.8
Net finance costs	7	(112.6)	(100.0)
Profit before tax		346.3	620.2
Current tax charge	8A	(0.7)	(0.6)
Deferred tax charge	8A	–	(0.1)
Tax charge		(0.7)	(0.7)
Profit for the year		345.6	619.5
Attributable to:			
Equity shareholders		335.7	615.4
Non-controlling interests		9.9	4.1
Profit for the year		345.6	619.5
Basic earnings per share	10A	47.3p	87.2p
Diluted earnings per share	10A	47.3p	87.2p

Adjusted earnings per share are shown in note 10A. All results derive from continuing operations.

Consolidated statement of comprehensive income

For the year ended 31 December 2011

	2011 £m	2010 £m
Foreign exchange translation differences	(35.9)	(65.1)
Net gain on hedging activities	27.9	50.8
Revaluation gains on owner-occupied property	2.8	4.5
Revaluation gains on other investments	57.4	18.4
Actuarial losses on pension schemes	(5.7)	(4.8)
Net gain recognised directly in equity	46.5	3.8
Profit for the year	345.6	619.5
Total comprehensive income for the year	**392.1**	623.3
Attributable to:		
Equity shareholders	384.0	621.8
Non-controlling interests	8.1	1.5
Total comprehensive income for the year	**392.1**	623.3

Consolidated balance sheet

As at 31 December 2011

	Notes	2011 £m	2010 £m
Non-current assets			
Investment and development properties	11	5,719.6	5,331.1
Interests in leasehold properties		17.7	30.5
Plant, equipment and owner-occupied property	12	35.4	33.4
Other investments	15	215.1	133.2
Receivables	16	55.7	45.2
		6,043.5	5,573.4
Current assets			
Receivables	17	111.7	80.7
Cash and deposits	18	100.7	126.2
		212.4	206.9
Total assets		6,255.9	5,780.3
Current liabilities			
Payables	19	244.4	220.1
Tax	8C	1.1	1.0
Borrowings	20A	100.7	4.4
		346.2	225.5
Non-current liabilities			
Borrowings	20A	1,979.2	1,916.2
Deferred tax	8C	0.5	0.5
Tax	8C	0.3	0.5
Obligations under finance leases	22	17.6	30.3
Payables	23	63.7	55.6
		2,061.3	2,003.1
Total liabilities		2,407.5	2,228.6
Net assets		3,848.4	3,551.7
Equity			
Share capital	24	178.2	176.9
Share premium		1,221.9	1,222.5
Translation reserve		381.1	415.2
Hedging reserve		(306.7)	(334.6)
Capital redemption reserve		7.2	7.2
Other reserves		9.3	8.6
Revaluation reserve		161.7	101.5
Retained earnings		2,125.7	1,890.1
Investment in own shares	25	(1.8)	(4.0)
Treasury shares	26	(4.7)	(3.4)
Equity shareholders' funds		3,771.9	3,480.0
Non-controlling interests		76.5	71.7
Total equity		3,848.4	3,551.7
Diluted net asset value per share	10B	£5.30	£4.93
EPRA net asset value per share	10B	£5.30	£4.95

These financial statements were approved by the Board of Directors on 23 February 2012.

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 2011

	Share capital £m	Share premium £m	Translation reserve £m	Hedging reserve £m	Capital redemption reserve £m	Other reserves £m	Revaluation reserve £m	Retained earnings £m	Investment in own shares £m	Treasury shares £m	Equity shareholders' funds £m	Non-controlling interests £m	Total equity £m
Balance at 1 January 2011	176.9	1,222.5	415.2	(334.6)	7.2	8.6	101.5	1,890.1	(4.0)	(3.4)	3,480.0	71.7	3,551.7
Issue of shares	0.1	0.6	–	–	–	–	–	–	–	–	0.7	–	0.7
Share-based employee remuneration	–	–	–	–	–	4.0	–	–	–	–	4.0	–	4.0
Cost of shares awarded to employees	–	–	–	–	–	(5.6)	–	–	5.6	–	–	–	–
Transfer on award of own shares to employees	–	–	–	–	–	2.3	–	(2.3)	–	–	–	–	–
Proceeds on award of own shares to employees	–	–	–	–	–	–	–	0.2	–	–	0.2	–	0.2
Transfer from treasury shares	–	–	–	–	–	–	–	–	(3.4)	3.4	–	–	–
Purchase of treasury shares	–	–	–	–	–	–	–	–	–	(4.7)	(4.7)	–	(4.7)
Dividends	–	–	–	–	–	–	–	(92.3)	–	–	(92.3)	(3.3)	(95.6)
Scrip dividends	1.2	(1.2)	–	–	–	–	–	–	–	–	–	–	–
Foreign exchange translation differences	–	–	(34.1)	–	–	–	–	–	–	–	(34.1)	(1.8)	(35.9)
Net gain on hedging activities	–	–	–	27.9	–	–	–	–	–	–	27.9	–	27.9
Revaluation gains on owner-occupied property	–	–	–	–	–	–	2.8	–	–	–	2.8	–	2.8
Revaluation gains on other investments	–	–	–	–	–	–	57.4	–	–	–	57.4	–	57.4
Actuarial losses on pension schemes	–	–	–	–	–	–	–	(5.7)	–	–	(5.7)	–	(5.7)
Profit for the year attributable to equity shareholders	–	–	–	–	–	–	–	335.7	–	–	335.7	9.9	345.6
Total comprehensive income/(loss) for the year	–	–	(34.1)	27.9	–	–	60.2	330.0	–	–	384.0	8.1	392.1
Balance at 31 December 2011	**178.2**	**1,221.9**	**381.1**	**(306.7)**	**7.2**	**9.3**	**161.7**	**2,125.7**	**(1.8)**	**(4.7)**	**3,771.9**	**76.5**	**3,848.4**
Notes	24								25	26			

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

Consolidated statement of changes in equity

For the year ended 31 December 2010

	Share capital £m	Share premium £m	Translation reserve £m	Hedging reserve £m	Capital redemption reserve £m	Other reserves £m	Revaluation reserve £m	Retained earnings £m	Investment in own shares £m	Treasury shares £m	Equity shareholders' funds £m	Non-controlling interests £m	Total equity £m
Balance at 1 January 2010	175.7	1,223.6	477.7	(385.4)	7.2	10.3	78.6	1,372.4	(4.6)	(5.8)	2,949.7	73.4	3,023.1
Issue of shares	–	0.1	–	–	–	–	–	–	–	–	0.1	–	0.1
Share-based employee remuneration	–	–	–	–	–	3.2	–	–	–	–	3.2	–	3.2
Cost of shares awarded to employees	–	–	–	–	–	(6.4)	–	–	6.4	–	–	–	–
Transfer on award of own shares to employees	–	–	–	–	–	1.5	–	(1.5)	–	–	–	–	–
Proceeds on award of own shares to employees	–	–	–	–	–	–	–	0.1	–	–	0.1	–	0.1
Transfer from treasury shares	–	–	–	–	–	–	–	–	(5.8)	5.8	–	–	–
Purchase of treasury shares	–	–	–	–	–	–	–	–	–	(3.4)	(3.4)	–	(3.4)
Dividends	–	–	–	–	–	–	–	(91.5)	–	–	(91.5)	(3.2)	(94.7)
Scrip dividends	1.2	(1.2)	–	–	–	–	–	–	–	–	–	–	–
Foreign exchange translation differences	–	–	(62.5)	–	–	–	–	–	–	–	(62.5)	(2.6)	(65.1)
Net gain on hedging activities	–	–	–	50.8	–	–	–	–	–	–	50.8	–	50.8
Revaluation gains on owner-occupied property	–	–	–	–	–	–	4.5	–	–	–	4.5	–	4.5
Revaluation gains on other investments	–	–	–	–	–	–	18.4	–	–	–	18.4	–	18.4
Actuarial losses on pension schemes	–	–	–	–	–	–	–	(4.8)	–	–	(4.8)	–	(4.8)
Profit for the year attributable to equity shareholders	–	–	–	–	–	–	–	615.4	–	–	615.4	4.1	619.5
Total comprehensive income/(loss) for the year	–	–	(62.5)	50.8	–	–	22.9	610.6	–	–	621.8	1.5	623.3
Balance at 31 December 2010	**176.9**	**1,222.5**	**415.2**	**(334.6)**	**7.2**	**8.6**	**101.5**	**1,890.1**	**(4.0)**	**(3.4)**	**3,480.0**	**71.7**	**3,551.7**
Notes	24								25	26			

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

Consolidated cash flow statement

For the year ended 31 December 2011

	Notes	2011 £m	2010 £m
Operating activities			
Operating profit before other net gains and share of results of associate	2	249.1	248.8
Increase in receivables		(10.5)	(3.6)
Increase in payables		19.5	0.2
Adjustment for non-cash items	27	2.7	(8.4)
Cash generated from operations		260.8	237.0
Interest paid		(115.4)	(111.1)
Interest received		3.1	3.4
Distribution received from other investments		–	4.6
Tax paid	8C	(0.7)	(1.2)
Cash flows from operating activities		147.8	132.7
Investing activities			
Property acquisitions		(374.1)	(218.6)
Development and major refurbishments		(91.2)	(60.8)
Other capital expenditure		(23.6)	(25.5)
Sale of properties		178.9	474.6
Sale of interest in joint venture/associate		92.9	80.0
Purchase of other investments		(24.7)	(1.1)
Increase/(Decrease) in non-current receivables		(10.2)	0.3
Cash flows from investing activities		(252.0)	248.9
Financing activities			
Issue of shares		0.7	0.1
Proceeds from award of own shares		0.2	0.1
Purchase of treasury shares		(4.7)	(3.4)
Increase/(Decrease) in non-current borrowings		78.3	(306.6)
Increase/(Decrease) in current borrowings		94.0	(29.2)
Dividends paid to non-controlling interests		(3.3)	(3.2)
Equity dividends paid	9	(86.1)	(95.4)
Cash flows from financing activities		79.1	(437.6)
Net decrease in cash and deposits		(25.1)	(56.0)
Opening cash and deposits		126.2	182.9
Exchange translation movement		(0.4)	(0.7)
Closing cash and deposits	18	100.7	126.2

Analysis of movement in net debt

For the year ended 31 December 2011

	Short-term deposits £m	Cash at bank £m	Current borrowings including currency swaps £m	Non-current borrowings £m	Net debt £m
Balance at 1 January 2011	54.4	71.8	(4.4)	(1,916.2)	(1,794.4)
Cash flow	(14.8)	(10.3)	(94.0)	(78.3)	(197.4)
Exchange	(0.1)	(0.3)	12.7	15.3	27.6
Balance at 31 December 2011	39.5	61.2	(85.7)	(1,979.2)	(1,964.2)

Notes to the accounts

1 Significant accounting policies

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

During 2011, the following pronouncements either had no impact on the financial statements or resulted in changes to presentation and disclosure only:

- Revised IAS 24 Related Party disclosures; effective for accounting periods beginning on or after 1 January 2011
- Amendments to IFRS 7 Disclosures – Transfers of Financial Assets; effective for accounting periods beginning on or after 1 July 2011
- IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments; effective for accounting periods beginning on or after 1 July 2010
- Amendments to IFRS 1 Limited Exemption from Comparative IFRS 7 Disclosures; effective for accounting periods beginning on or after 1 July 2010

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

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

These pronouncements, when applied, will either result in changes to presentation and disclosure, or are not expected to have a material impact on the financial statements.

Basis of preparation
The financial statements are prepared on a going concern basis as explained in the Directors' Report on page 65.

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

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

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

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

Property valuations
The property portfolio, which is carried in the balance sheet at fair value, is valued six-monthly by professionally qualified external valuers and the Directors must ensure that they are satisfied that the valuation of the Group's properties is appropriate for the accounts. The independent valuations are based on a number of assumptions such as appropriate discount rates and estimates of future rental income and capital expenditure. Property valuations are one of the principal uncertainties of the Group, as noted on page 24.

1 Significant accounting policies (continued)

Other investments
The Company holds other investments which are classified as available for sale and held at fair value on the balance sheet. The fair value of these investments is based on the Directors' valuation, having regard to external valuations of the underlying properties and the Group's interest in these properties.

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

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

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

Basis of consolidation

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

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

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

Associates
Associates are those entities over which the Group is in a position to exercise significant influence, but not control or joint control. The results, assets and liabilities of associates are accounted for using the equity method. Investments in associates are carried in the balance sheet at cost as adjusted for post acquisition changes in the Group's share of the net assets of the associate, less any impairment. Losses of an associate in excess of the Group's interest in that associate are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

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

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

Foreign currency

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

Notes to the accounts (continued)

1 Significant accounting policies (continued)

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 = €1.197 (2010: £1 = €1.167). The principal exchange rate used for the income statement is the average rate, £1 = €1.153 (2010: £1 = €1.166).

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

Borrowings, interest and derivatives

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

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

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

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

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

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

Property portfolio

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

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

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

1 Significant accounting policies (continued)

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

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

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

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

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

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

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

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

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.

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

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

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

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

Notes to the accounts (continued)

1 Significant accounting policies (continued)

Employee benefits

Defined contribution pension plans

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

Defined benefit pension plans

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

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

Share-based employee remuneration

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

Tax

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

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

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

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

2 Result for the year

	Notes	Adjusted £m	Capital and other £m	Total 2011 £m	Adjusted £m	Capital and other £m	Total 2010 £m
Gross rental income	3A	344.1	–	344.1	332.0	–	332.0
Ground and equity rents payable		(3.8)	–	(3.8)	(5.1)	–	(5.1)
Gross rental income, after rents payable		340.3	–	340.3	326.9	–	326.9
Service charge income		59.8	–	59.8	59.9	–	59.9
Service charge expenses		(70.1)	–	(70.1)	(67.7)	–	(67.7)
Net service charge expenses		(10.3)	–	(10.3)	(7.8)	–	(7.8)
Other property outgoings		(34.0)	–	(34.0)	(34.4)	–	(34.4)
Property outgoings		(44.3)	–	(44.3)	(42.2)	–	(42.2)
Net rental income	3A	296.0	–	296.0	284.7	–	284.7
Management fees receivable		5.8	–	5.8	9.6	–	9.6
Cost of property activities		(34.8)	–	(34.8)	(30.1)	–	(30.1)
Corporate expenses		(17.9)	–	(17.9)	(15.4)	–	(15.4)
Administration expenses		(46.9)	–	(46.9)	(35.9)	–	(35.9)
Operating profit before other net gains and share of results of associate		249.1	–	249.1	248.8	–	248.8
Gain/(Loss) on the sale of investment properties		–	19.5	19.5	–	(15.7)	(15.7)
Gain on sale of interest in joint venture/associate		–	4.0	4.0	–	38.5	38.5
Revaluation gains on investment properties		–	156.5	156.5	–	447.0	447.0
Revaluation gains on development properties		–	29.8	29.8	–	0.1	0.1
Other net gains		–	209.8	209.8	–	469.9	469.9
Share of results of associate	13	–	–	–	2.0	(0.5)	1.5
Operating profit		249.1	209.8	458.9	250.8	469.4	720.2
Net finance (costs)/income	7	(107.5)	(5.1)	(112.6)	(106.3)	6.3	(100.0)
Profit before tax		141.6	204.7	346.3	144.5	475.7	620.2
Current tax charge	8A	(0.7)	–	(0.7)	(0.6)	–	(0.6)
Deferred tax charge	8A	–	–	–	–	(0.1)	(0.1)
Profit for the year		140.9	204.7	345.6	143.9	475.6	619.5
Non-controlling interests		(3.9)	(6.0)	(9.9)	(3.7)	(0.4)	(4.1)
Profit for the year attributable to equity shareholders	10A	137.0	198.7	335.7	140.2	475.2	615.4

Included in gross rental income is £6.3 million (2010: £5.1 million) calculated by reference to tenants' turnover.

The management fees receivable of £5.8 million (2010: £9.6 million) include fees paid to Hammerson in respect of joint ventures and a former associate for investment and development management services. All other related party transactions, with the exception of Directors' remuneration, are eliminated on consolidation.

The Group's revenue includes gross rental income, service charge income, management fees receivable and finance income. See table above and note 4 on page 84.

Notes to the accounts (continued)

3 Segmental analysis

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

A: Revenue and profit by segment

		2011		2011 Non-cash items		2010		2010 Non-cash items	
		Gross rental income £m	Net rental income £m	Within net rental income £m	Revaluation gains on properties £m	Gross rental income £m	Net rental income £m	Within net rental income £m	Revaluation gains on properties £m
United Kingdom									
Retail:	Shopping centres	152.5	127.1	(6.4)	40.9	136.8	113.6	(2.2)	260.8
	Retail parks	65.9	61.8	(1.0)	23.9	54.1	50.2	(0.6)	101.6
		218.4	188.9	(7.4)	64.8	190.9	163.8	(2.8)	362.4
Office:	City	41.8	38.5	5.9	14.4	36.1	31.6	7.8	39.7
	Other	2.6	1.9	0.1	0.4	14.0	12.2	1.0	4.5
		44.4	40.4	6.0	14.8	50.1	43.8	8.8	44.2
Total United Kingdom		262.8	229.3	(1.4)	79.6	241.0	207.6	6.0	406.6
Continental Europe									
France:	Retail	80.7	68.9	0.3	76.9	90.4	79.4	0.4	40.4
Group									
Retail		299.1	257.8	(7.1)	141.7	281.3	243.2	(2.4)	402.8
Office		44.4	40.4	6.0	14.8	50.1	43.8	8.8	44.2
Total investment portfolio		343.5	298.2	(1.1)	156.5	331.4	287.0	6.4	447.0
Developments and other sources not analysed above		0.6	(2.2)	–	29.8	0.6	(2.3)	–	0.1
Total portfolio		344.1	296.0	(1.1)	186.3	332.0	284.7	6.4	447.1
As disclosed in note		2	2	27	11	2	2	27	11

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

3 Segmental analysis (continued)

B: Property assets by segment

		2011 Investment properties £m	2011 Development properties £m	2011 Total £m	2011 Capital expenditure £m	2010 Investment properties £m	2010 Development properties £m	2010 Total £m	2010 Capital expenditure £m
United Kingdom									
Retail:	Shopping centres	2,429.6	11.4	2,441.0	154.4	2,242.4	11.4	2,253.8	26.1
	Retail parks	1,180.4	18.4	1,198.8	123.7	1,025.2	13.4	1,038.6	98.1
		3,610.0	29.8	3,639.8	278.1	3,267.6	24.8	3,292.4	124.2
Office:	City	486.0	74.6	560.6	116.8	518.3	58.9	577.2	136.4
	Other	62.4	0.7	63.1	0.1	66.2	0.7	66.9	2.0
		548.4	75.3	623.7	116.9	584.5	59.6	644.1	138.4
Total United Kingdom		4,158.4	105.1	4,263.5	395.0	3,852.1	84.4	3,936.5	262.6
Continental Europe									
France:	Retail	1,320.0	136.1	1,456.1	81.9	1,338.1	56.5	1,394.6	29.8
Group									
Retail		4,930.0	165.9	5,095.9	360.0	4,605.7	81.3	4,687.0	154.0
Office		548.4	75.3	623.7	116.9	584.5	59.6	644.1	138.4
Total		5,478.4	241.2	5,719.6	476.9	5,190.2	140.9	5,331.1	292.4

C: Analysis of equity shareholders' funds

	Assets employed		Net debt		Equity shareholders' funds	
	2011 £m	2010 £m	2011 £m	2010 £m	2011 £m	2010 £m
United Kingdom	4,376.7	3,938.2	(898.3)	(694.1)	3,478.4	3,244.1
Continental Europe	1,359.4	1,336.2	(1,065.9)	(1,100.3)	293.5	235.9
	5,736.1	5,274.4	(1,964.2)	(1,794.4)	3,771.9	3,480.0

As part of the Group's foreign currency hedging programme, at 31 December 2011 the Group had currency swaps outstanding which are included in the analysis above. Further details are set out in note 21C.

Overview
Business & financial review
Governance
Financial statements
Property portfolio
Other information

Notes to the accounts (continued)

4 Administration expenses

Administration expenses include the following items:

Staff costs, including Directors

		Note	2011 £m	2010 £m
Salaries and wages			24.0	21.6
Performance-related bonuses	– payable in cash		5.4	5.1
	– payable in shares		0.5	0.8
			5.9	5.9
Other share-based employee remuneration			3.5	2.4
Social security			5.4	4.7
Net pension expense	– defined benefit schemes	6	1.4	1.3
	– defined contribution schemes	6	1.9	1.5
			3.3	2.8
			42.1	37.4

Of the above amount, £8.7 million (2010: £7.6 million) was recharged to tenants through service charges. Further details of share-based payment arrangements, some of which have performance conditions, are provided in the Remuneration Report on pages 54 to 64. In addition to the figures above, redundancy related costs of £1.6 million (2010: £0.6 million) were incurred during the year.

Staff throughout the Company, including Executive Directors, participate in a performance-related bonus scheme, part payable in cash and part payable in shares. The Company also operates a number of share plans under which employees, including Executive Directors, are eligible to participate. Details of these schemes are set out in the Remuneration Report on pages 58 to 60. In addition, the Company operates the following share plans in which Directors do not participate:

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

French Share Plan
For French employees, who are not able to participate in the Share Incentive Plan referred to on page 60 or the Restricted Share Plan referred to above, there is a share plan under which conditional awards of shares are made. The number of shares which will vest after a two-year period is dependent on a combination of the performance of the Company's investment portfolio in France and the Group's performance.

Staff numbers

	2011 Number	2010 Number
Average number of staff	380	344
Staff recharged to tenants, included above	130	112

Other information

		2011 £m	2010 £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
	Other services, pursuant to legislation	–	0.1
	Other services	0.1	0.1
Other auditor's remuneration:	Audit of subsidiaries, pursuant to legislation, and other services	0.2	0.1
Depreciation of plant, equipment and owner-occupied property		1.7	1.4

5 Directors' emoluments

Full details of the Directors' emoluments, as required by the Companies Act 2006, are disclosed in the audited sections of the Remuneration Report on pages 62 to 64. The Executive Directors are considered to be 'Key Management' for the purposes of IAS 24 'Related party transactions'.

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

6 Pensions

Defined benefit pension schemes

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

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

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

Defined contribution pension schemes

The Company operates the UK funded approved Group Personal Pension Plan and the UK funded unapproved retirement benefit scheme, both of which are defined contribution pension schemes. The Group's total cost for the year relating to defined contribution pension schemes was £1.9 million (2010: £1.5 million).

Principal actuarial assumptions used for defined benefit pension schemes

	31 December 2011 %	31 December 2010 %	31 December 2009 %	31 December 2008 %	31 December 2007 %
Discount rate for scheme liabilities	4.70	5.40	5.75	6.50	5.90
Expected return on plan assets	6.40	7.60	7.80	6.80	8.20
Increase in pensionable salaries	3.70	4.00	4.10	3.30	3.70
Increase in retail price index	3.20	3.50	3.60	2.80	3.20
Increase in pensions in payment	3.20	3.50	3.60	2.80	3.20
Mortality table	SAPS Light CMI 0.5%	SAPS Light CMI 0.5%	SAPS MC	PA92 C2020	PA92 C2020

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

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

	Included in income statement within	2011 £m	2010 £m
Current service cost	Administration expenses	1.4	1.3
Expected return on assets	Other interest payable	(3.9)	(3.7)
Interest cost	Other interest payable	4.0	3.8
Total pension expense		**1.5**	1.4

The Group expects to make regular contributions totalling £1.8 million to the Scheme in the next financial year.

Notes to the accounts (continued)

6 Pensions (continued)

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

	2011 £m	2010 £m	2009 £m	2008 £m	2007 £m
Fair value of Scheme assets	**51.5**	51.0	47.4	42.4	47.0
Present value of Scheme obligations	**(70.7)**	(66.0)	(58.4)	(40.9)	(46.3)
	(19.2)	(15.0)	(11.0)	1.5	0.7
Present value of unfunded defined benefit obligations	**(4.4)**	(4.6)	(4.5)	(4.0)	(3.0)
Present value of US unfunded defined benefit obligations	**(7.1)**	(6.3)	(5.6)	(5.6)	(4.1)
Net pension liability	**(30.7)**	(25.9)	(21.1)	(8.1)	(6.4)

	2011 £m	2010 £m
Analysed as:		
Current liabilities	**(0.7)**	(0.7)
Non-current liabilities: Other payables	**(30.0)**	(25.2)
	(30.7)	(25.9)

The actual return on the Scheme assets for the year ended 31 December 2011 was 0.5% (2010: 0.1%).

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

Experience gains and losses for current and prior years

	2011 £m	2010 £m	2009 £m	2008 £m	2007 £m
Experience (losses)/gains on plan liabilities	**(0.2)**	0.3	(0.1)	(0.3)	(0.1)
Experience (losses)/gains on plan assets	**(3.6)**	(0.8)	3.9	(8.5)	1.1

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

	2011 %	2010 %
Investments with target return linked to retail price index	**100**	100

Changes in the present value of defined benefit pension scheme obligations

	2011 £m	2010 £m
At 1 January	**77.0**	68.5
Service cost	**1.5**	1.3
Interest cost	**4.0**	3.8
Actuarial losses	**2.1**	5.7
Benefits	**(2.4)**	(2.3)
At 31 December	**82.2**	77.0

6 Pensions (continued)

Changes in the fair value of defined benefit pension scheme assets

	2011 £m	2010 £m
At 1 January	51.1	47.4
Expected return	3.9	3.6
Actuarial (losses)/gains	(3.6)	0.9
Contributions by employer	1.7	0.8
Benefits	(1.6)	(1.6)
At 31 December	**51.5**	51.1

The cumulative net actuarial losses recognised in the consolidated statement of comprehensive income at 31 December 2011 were £29.9 million (2010: £24.2 million).

7 Net finance costs

	2011 £m	2010 £m
Interest on bank loans and overdrafts	12.2	9.9
Interest on other borrowings	101.9	98.5
Interest on obligations under finance leases	1.8	2.4
Other interest payable	1.7	2.4
Gross interest costs	117.6	113.2
Less: Interest capitalised	(4.9)	(1.7)
Finance costs	112.7	111.5
Change in fair value of interest rate swaps	4.0	(1.1)
Change in fair value of currency swaps outside hedge accounting designation	1.1	(0.6)
Change in fair value of derivatives	5.1	(1.7)
Distribution from other investments (note 15)	–	(4.6)
Other finance income	(5.2)	(5.2)
Finance income	(5.2)	(9.8)
Net finance costs	**112.6**	100.0

Notes to the accounts (continued)

8 Tax

A: Tax charge

	2011 £m	2010 £m
UK current tax	0.1	0.4
Foreign current tax	0.6	0.2
Total current tax charge	0.7	0.6
Deferred tax charge	–	0.1
Tax charge	0.7	0.7

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

B: Tax charge reconciliation

	2011 £m	2010 £m
Profit before tax	346.3	620.2
Profit multiplied by the UK corporation tax rate of 26.5% (2010: 28%)	91.8	173.7
UK REIT tax exemption on net income before revaluations and disposals	(27.1)	(29.1)
UK REIT tax exemption on revaluations and disposals	(29.1)	(125.2)
SIIC tax exemption	(40.3)	(24.3)
Non-deductible and other items	5.4	5.6
Tax charge	0.7	0.7

C: Current and deferred tax movements

	1 January 2011 £m	Recognised in income £m	Tax paid £m	31 December 2011 £m
Current tax	1.2	0.7	(0.7)	1.2
Deferred tax	0.5	–	–	0.5
	1.7	0.7	(0.7)	1.7
Analysed as:				
Current assets: Corporation tax	(0.3)			(0.2)
Current liabilities: Tax	1.0			1.1
Non-current liabilities: Deferred tax	0.5			0.5
Non-current liabilities: Tax	0.5			0.3
	1.7			1.7

8 Tax (continued)

D: Unrecognised deferred tax

At 31 December 2011, the Group had unrecognised deferred tax assets as calculated at a tax rate of 25% (2010: 27%) of £80 million (2010: £83 million) for surplus UK revenue tax losses carried forward and £66 million (2010: £87 million) for UK capital losses.

Deferred tax is not provided on potential gains on investments in subsidiaries and joint ventures when the Group can control whether gains crystallise and it is probable that gains will not arise in the foreseeable future. At 31 December 2011 the total of such gains was £206 million (2010: £168 million) and the potential tax effect before the offset of losses was £52 million (2010: £45 million).

If a UK REIT sells a property within three years of completion of development, the REIT exemption will not apply. At 31 December 2011, the value of such completed development properties was £217 million (2010: £854 million) and the potential tax charge that would arise if these properties were to be sold was £nil (2010: £nil).

E: UK REIT status

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

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

F: French SIIC status

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

Outstanding SIIC dividend obligations arising on disposals and earnings prior to 31 December 2011 amount to £127 million (2010: £203 million) and are expected to be settled within dividends paid by Hammerson plc over the following four years. A further £281 million (2010: £239 million) of dividends would be payable if the properties were realised at their 31 December 2011 values. Since 1 July 2009, qualifying foreign dividends have been exempt from UK tax and therefore no deferred tax provision is recognised.

If Hammerson plc ceased to qualify as a French SIIC before 1 January 2014, tax penalties of £163 million (2010: £199 million) would be payable. To continue to qualify, at least 80% of assets must be employed in property investment and, with limited temporary exceptions, no shareholder may hold 60% or more of the shares.

Notes to the accounts (continued)

9 Dividends

The proposed final dividend of 9.3 pence per share was recommended by the Board on 23 February 2012 and, subject to approval by shareholders, is payable on 27 April 2012 to shareholders on the register at the close of business on 16 March 2012. 7.0 pence will be paid as a PID, net of withholding tax if applicable, and the remainder of 2.3 pence per share will be paid as a normal dividend. There will be no scrip alternative.
The aggregate amount of the 2011 final dividend is £66.2 million. This has been calculated using the total number of eligible shares outstanding at 31 December 2011.

The interim dividend of 7.3 pence per share was paid on 7 October 2011. 5.5 pence per share was paid as a PID, net of withholding tax where appropriate, with the remaining 1.8 pence per share paid as a normal dividend.

The total dividend for the year ended 31 December 2011 will be 16.6 pence per share (2010: 15.95 pence per share).

	PID pence per share	Non-PID pence per share	Total pence per share	Equity dividends 2011 £m	Equity dividends 2010 £m
Current year					
2011 final dividend	7.0	2.3	9.3	–	–
2011 interim dividend	5.5	1.8	7.3	52.0	–
	12.5	4.1	16.6		
Prior years					
2010 final dividend[1]	8.8	–	8.8	40.3	–
2010 interim dividend	–	7.15	7.15	–	50.5
	8.8	7.15	15.95		
2009 second interim dividend[1]				–	41.0
Dividends as reported in the consolidated statement of changes in equity				92.3	91.5
2009 withholding tax (paid January 2010)				–	3.9
2011 withholding tax (paid January 2012)				(6.2)	–
Dividends paid as reported in the consolidated cash flow statement				86.1	95.4

[1] The Company offered shareholders a scrip dividend alternative for these dividends. Where a shareholder elected to receive the scrip, the dividend ceased 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: Earnings per share

The calculations for earnings per share use the weighted average number of shares, which excludes those shares held in the Hammerson Employee Share Ownership Plan (note 25) and treasury shares (note 26), which are treated as cancelled.

			2011			2010
	Earnings £m	Shares million	Pence per share	Earnings £m	Shares million	Pence per share
Basic	335.7	709.8	47.3	615.4	705.8	87.2
Dilutive share options	–	0.3	–	–	0.2	–
Diluted	335.7	710.1	47.3	615.4	706.0	87.2
Adjustments:						
Other net gains (note 2)	(209.8)		(29.5)	(469.9)		(66.6)
Adjustment for associate (note 13)	–		–	0.5		0.1
Change in fair value of derivatives (note 7)	5.1		0.7	(1.7)		(0.2)
Distribution from other investments (note 7)	–		–	(4.6)		(0.6)
Deferred tax charge (note 8A)	–		–	0.1		–
Non-controlling interests in respect of the above	6.0		0.8	0.4		–
EPRA and adjusted	137.0		19.3	140.2		19.9

Further commentary on earnings and net asset value per share is provided in the Financial review on pages 39 to 42.

B: Net asset value per share

			2011			2010
	Equity shareholders' funds £m	Shares million	Net asset value per share £	Equity shareholders' funds £m	Shares million	Net asset value per share £
Basic	3,771.9	712.6	5.29	3,480.0	707.6	4.92
Company's own shares held in Employee Share Ownership Plan	–	(0.4)	n/a	–	(0.4)	n/a
Treasury shares	–	(1.2)	n/a	–	(0.8)	n/a
Unexercised share options	3.8	0.8	n/a	4.2	0.9	n/a
Diluted	3,775.7	711.8	5.30	3,484.2	707.3	4.93
Fair value adjustment to borrowings	(149.7)		(0.21)	(77.5)		(0.11)
EPRA triple net	3,626.0		5.09	3,406.7		4.82
Fair value of derivatives	(4.4)		–	12.9		0.02
Fair value adjustment to borrowings	149.7		0.21	77.5		0.11
Deferred tax	0.5		–	0.5		–
EPRA	3,771.8		5.30	3,497.6		4.95

Notes to the accounts (continued)

11 Investment and development properties

	Investment properties		Development properties		Total	
	Cost £m	Valuation £m	Cost £m	Valuation £m	Cost £m	Valuation £m
Balance at 1 January 2011	4,469.6	5,190.2	180.6	140.9	4,650.2	5,331.1
Exchange adjustment	(19.8)	(33.5)	(1.6)	(1.4)	(21.4)	(34.9)
Additions – Capital expenditure	34.2	34.2	67.7	67.7	101.9	101.9
– Asset acquisitions	375.0	375.0	–	–	375.0	375.0
	409.2	409.2	67.7	67.7	476.9	476.9
Disposals	(194.5)	(244.5)	–	–	(194.5)	(244.5)
Capitalised interest	0.5	0.5	4.2	4.2	4.7	4.7
Revaluation adjustment	–	156.5	–	29.8	–	186.3
Balance at 31 December 2011	4,665.0	5,478.4	250.9	241.2	4,915.9	5,719.6

	Investment properties		Development properties		Total	
	Cost £m	Valuation £m	Cost £m	Valuation £m	Cost £m	Valuation £m
Balance at 1 January 2010	4,515.5	5,022.4	160.2	119.1	4,675.7	5,141.5
Exchange adjustment	(35.1)	(59.6)	(1.5)	(1.4)	(36.6)	(61.0)
Additions – Capital expenditure	47.0	47.0	26.3	26.3	73.3	73.3
– Asset acquisitions	219.1	219.1	–	–	219.1	219.1
	266.1	266.1	26.3	26.3	292.4	292.4
Disposals	(277.6)	(486.4)	(5.4)	(4.2)	(283.0)	(490.6)
Capitalised interest	0.7	0.7	1.0	1.0	1.7	1.7
Revaluation adjustment	–	447.0	–	0.1	–	447.1
Balance at 31 December 2010	4,469.6	5,190.2	180.6	140.9	4,650.2	5,331.1

Properties are stated at market value as at 31 December 2011, valued by professionally qualified external valuers. In the United Kingdom, the Group's properties were valued by DTZ Debenham Tie Leung, Chartered Surveyors. In France, the Group's properties were valued by Cushman & Wakefield, Chartered Surveyors. The valuations have been prepared in accordance with the Royal Institution of Chartered Surveyors Valuation Standards and with IVA 1 of the International Valuation Standards.

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

At 31 December 2011 the total amount of interest included in development properties was £4.2 million (2010: £1.0 million). Capitalised interest is calculated using the Group's average cost of borrowings, which for 2011 was 5.2% (2010: 4.2%).

Included in investment and development properties at 31 December 2011 is property held for sale valued at £130 million (2010: nil).

	Freehold £m	Long leasehold £m	Total £m
Balance at 31 December 2011	3,447.5	2,272.1	5,719.6
Balance at 31 December 2010	3,176.2	2,154.9	5,331.1

	2011 £m	2010 £m
Capital commitments	237.6	54.8

At 31 December 2011, Hammerson's share of the capital commitments in respect of joint ventures, which is included in the table above, was £18.8 million (2010: £27.9 million).

12 Plant, equipment and owner-occupied property

	Owner-occupied property £m	Plant and equipment £m	Total £m
Cost or valuation			
Balance at 1 January 2010	22.6	14.9	37.5
Exchange adjustment	–	(0.2)	(0.2)
Additions	–	0.3	0.3
Disposals	–	(1.3)	(1.3)
Revaluation adjustment	4.5	–	4.5
Balance at 31 December 2010/1 January 2011	27.1	13.7	40.8
Exchange adjustment	–	(0.1)	(0.1)
Additions	–	1.6	1.6
Revaluation adjustment	2.8	–	2.8
Balance at 31 December 2011	**29.9**	**15.2**	**45.1**
Depreciation			
Balance at 1 January 2010	–	(7.1)	(7.1)
Exchange adjustment	–	0.1	0.1
Disposals	–	1.0	1.0
Depreciation charge for the year	–	(1.4)	(1.4)
Balance at 31 December 2010/1 January 2011	–	(7.4)	(7.4)
Disposals	–	(0.6)	(0.6)
Depreciation charge for the year	–	(1.7)	(1.7)
Balance at 31 December 2011	**–**	**(9.7)**	**(9.7)**
Book value at 31 December 2011	**29.9**	**5.5**	**35.4**
Book value at 31 December 2010	27.1	6.3	33.4

The Group occupies part of 10 Grosvenor Street, London W1, in which it holds a 50% joint venture interest. This property was valued as part of the portfolio valuation referred to in note 11. The fair value of owner-occupied property represents a nominal apportionment of the fair value of the property as a whole. The cost of owner-occupied property at 31 December 2011 was £12.0 million (2010: £12.0 million).

Notes to the accounts (continued)

13 Investment in associate

On 14 December 2010, the Group sold its interest in Bishops Square Holdings Limited, a company in which the Group held a 25% interest.

Share of results of associate

	2011 £m	2010 £m
Gross rental income	–	8.7
Other operating profits and finance costs	–	2.0
Change in fair value of derivatives	–	0.1
Deferred tax charge	–	(0.6)
	–	(0.5)
Profit after tax for the year	–	1.5

14 Joint ventures

As at 31 December 2011 certain property and corporate interests, being jointly controlled entities, have been proportionately consolidated, and the significant interests are set out in the following table:

	Group share %
Investments	
Brent Cross Shopping Centre	41.2
Brent South Shopping Park	40.6
Bristol Alliance Limited Partnership	50
Queensgate Limited Partnership	50
Retail Property Holdings Limited	50
SCI Espace Plus	50
SCI ESQ (Espace Saint Quentin)	25
SCI RC Aulnay 1 and SCI RC Aulnay 2 (O'Parinor)	25
The Bullring Limited Partnership	33.33
The Grosvenor Street Limited Partnership	50
The Martineau Galleries Limited Partnership	33.33
The Oracle Limited Partnership	50
The Highcross Limited Partnership	60
The West Quay Limited Partnership	50
125 OBS Limited Partnership	50
10 Gresham Street LLP	30
Developments	
Bishopsgate Goodsyard Regeneration Limited	50

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

The summarised income statements and balance sheets on pages 95 and 96, show the proportion of the Group's results, assets and liabilities which are derived from its joint ventures.

14 Joint ventures (continued)

Income statements for the year ended 31 December 2011

	Brent Cross[1] £m	Bristol Alliance Limited Partnership £m	Bullring Limited Partnership £m	Oracle Limited Partnership £m	Queensgate Limited Partnership £m	Highcross Limited Partnership £m	West Quay Limited Partnership £m	Retail Property Holdings Limited £m	SCI RC Aulnay[2] £m	SCI ESQ £m	Other £m	Total 2011 £m
Net rental income	17.2	16.0	15.0	12.0	6.2	13.2	13.1	8.8	8.7	3.0	13.1	**126.3**
Administration expenses	–	(0.4)	–	–	(0.1)	–	–	–	–	–	(0.2)	**(0.7)**
Operating profit before other net gains/(losses)	17.2	15.6	15.0	12.0	6.1	13.2	13.1	8.8	8.7	3.0	12.9	**125.6**
Other net gains/(losses)	7.6	3.0	15.3	18.9	(0.7)	(3.1)	9.4	1.4	0.5	2.5	22.7	**77.5**
Net finance costs	–	(0.4)	–	–	–	0.1	(0.2)	–	(3.1)	–	(5.6)	**(9.2)**
Profit/(Loss) before tax	24.8	18.2	30.3	30.9	5.4	10.2	22.3	10.2	6.1	5.5	30.0	**193.9**

Balance sheets as at 31 December 2011

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

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

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

Notes to the accounts (continued)

14 Joint ventures (continued)

Income statements for the year ended 31 December 2010

	Brent Cross[1] £m	Bristol Alliance Limited Partnership £m	Bullring Limited Partnership £m	Oracle Limited Partnership £m	Queensgate Limited Partnership £m	Highcross Limited Partnership £m	West Quay Limited Partnership £m	Retail Property Holdings Limited £m	SCI RC Aulnay[2] £m	SCI ESQ[3] £m	Other £m	Total 2010 £m
Net rental income	17.8	16.3	15.2	12.1	6.2	12.4	12.4	8.2	1.7	0.6	8.8	111.7
Administration expenses	–	(0.5)	–	–	(0.1)	–	–	(0.1)	–	–	(0.2)	(0.9)
Operating profit before other net gains/(losses)	17.8	15.8	15.2	12.1	6.1	12.4	12.4	8.1	1.7	0.6	8.6	110.8
Other net gains/(losses)	52.6	25.1	53.9	35.6	5.6	24.6	34.5	15.2	(9.1)	0.9	9.1	248.0
Net finance costs	–	(0.3)	–	0.1	–	0.1	(0.2)	–	–	–	(2.9)	(3.2)
Profit/(Loss) before tax	70.4	40.6	69.1	47.8	11.7	37.1	46.7	23.3	(7.4)	1.5	14.8	355.6

Balance sheets as at 31 December 2010

	Brent Cross[1] £m	Bristol Alliance Limited Partnership £m	Bullring Limited Partnership £m	Oracle Limited Partnership £m	Queensgate Limited Partnership £m	Highcross Limited Partnership £m	West Quay Limited Partnership £m	Retail Property Holdings Limited £m	SCI RC Aulnay[2] £m	SCI ESQ[3] £m	Other £m	Total 2010 £m
Non-current assets												
Investment and development properties at valuation	348.2	294.6	287.2	243.3	105.6	277.3	232.3	166.8	181.8	51.5	242.2	2,430.8
Interests in leasehold properties	–	7.3	–	–	–	–	2.1	–	–	–	1.0	10.4
Receivables	–	–	–	–	–	–	–	–	–	–	1.8	1.8
	348.2	301.9	287.2	243.3	105.6	277.3	234.4	166.8	181.8	51.5	245.0	2,443.0
Current assets												
Other current assets	5.4	2.0	1.0	2.2	0.8	2.6	1.9	0.9	1.2	0.3	3.5	21.8
Cash and deposits	1.9	7.3	4.2	4.5	3.5	3.9	3.8	3.1	1.0	0.6	4.1	37.9
	7.3	9.3	5.2	6.7	4.3	6.5	5.7	4.0	2.2	0.9	7.6	59.7
Current liabilities												
Other liabilities	(15.3)	(8.4)	(4.3)	(4.5)	(1.0)	(7.3)	(5.0)	(3.4)	(1.9)	(1.2)	(6.4)	(58.7)
	(15.3)	(8.4)	(4.3)	(4.5)	(1.0)	(7.3)	(5.0)	(3.4)	(1.9)	(1.2)	(6.4)	(58.7)
Non-current liabilities												
Borrowings	–	–	–	–	–	–	–	–	–	–	(65.3)	(65.3)
Other liabilities	–	(7.3)	–	–	–	–	(2.1)	–	(1.6)	–	(2.8)	(13.8)
	–	(7.3)	–	–	–	–	(2.1)	–	(1.6)	–	(68.1)	(79.1)
Net assets	340.2	295.5	288.1	245.5	108.9	276.5	233.0	167.4	180.5	51.2	178.1	2,364.9

[1] Includes Brent Cross Shopping Centre and Brent South Shopping Park.
[2] Reflects the Group's disposal in October 2010 of a 51% interest in O'Parinor shopping centre.
[3] Reflects the Group's disposal in October 2010 of a 75% interest in Espace Saint Quentin shopping centre.

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

15 Other investments

Available for sale investments	Value Retail Investors Limited Partnerships £m	Investments in Value Retail plc and related companies £m	Other investments £m	Total £m
Balance at 1 January 2010	56.4	57.5	0.1	114.0
Exchange adjustment	–	(0.2)	–	(0.2)
Additions	–	–	1.0	1.0
Revaluation adjustment	18.4	–	–	18.4
Balance at 31 December 2010/1 January 2011	74.8	57.3	1.1	133.2
Exchange adjustment	–	(0.2)	–	(0.2)
Additions	–	24.7	–	24.7
Revaluation adjustment	41.2	16.2	–	57.4
Balance at 31 December 2011	**116.0**	**98.0**	**1.1**	**215.1**

The Group has an effective 35.6% interest in Value Retail Investors Limited Partnership I and an effective 26.6% interest in Value Retail Investors Limited Partnership II, both of which have interests in a designer outlet centre in Bicester, in the United Kingdom. The total cost of the investments was £7.8 million (2010: £7.8 million). These investments are included at fair value, based on the market value of the underlying property, at 31 December 2011 of £116.0 million (2010: £74.8 million), the property elements of which have been reviewed by DTZ Debenham Tie Leung, Chartered Surveyors. These investments have neither been consolidated, nor equity accounted, within the Group accounts as the Group does not have significant influence over the management of the partnerships. Investments in Value Retail plc and related companies are included at fair value. In December 2011, the Company acquired interests in Value Retail group entities which hold interests in five of the group's designer outlets in continental Europe for a total consideration of £24.7 million, bringing the total cost of investments to £62.1 million (2010: £37.4 million).

During 2010, the Company received a special distribution of £4.6 million from the Value Retail Investors Limited Partnerships, which was included in finance income (see note 7).

16 Receivables: non-current assets

	2011 £m	2010 £m
Loans receivable	52.6	41.9
Other receivables	3.1	3.3
	55.7	45.2

Loans receivable includes a loan of €28 million (£23.4 million) to Value Retail plc bearing interest at 11% and maturing on 22 August 2014 (2010: €16 million (£13.7 million)).

Loans receivable also includes £29.2 million (2010: £28.2 million), representing a loan of €30 million plus accumulated interest, to SCI Quantum, the purchaser in 2009 of a property in France. The loan is secured by way of a second charge on the property, bears interest at 6.1% and is for a term of three years from June 2009, extendable at the option of the purchaser for a further year.

17 Receivables: current assets

	2011 £m	2010 £m
Trade receivables	42.6	38.9
Other receivables	47.4	37.6
Corporation tax	0.2	0.3
Prepayments	6.5	3.9
Fair value of currency swaps	15.0	–
	111.7	80.7

Trade receivables are shown after deducting a provision for bad and doubtful debts of £12.4 million (2010: £11.9 million) as set out in the table on page 98. The movement in the provision during the year was recognised entirely in income. Credit risk is discussed in note 21F.

Notes to the accounts (continued)

17 Receivables: current assets (continued)

	2011 Gross receivable £m	2011 Provision £m	2011 Net receivable £m	2010 Gross receivable £m	2010 Provision £m	2010 Net receivable £m
Not yet due	25.2	–	25.2	22.8	–	22.8
1-30 days overdue	9.6	0.6	9.0	7.5	0.6	6.9
31-60 days overdue	2.0	0.1	1.9	2.3	0.1	2.2
61-90 days overdue	0.3	0.1	0.2	0.7	0.2	0.5
91-120 days overdue	2.2	1.0	1.2	2.9	1.6	1.3
More than 120 days overdue	15.7	10.6	5.1	14.6	9.4	5.2
	55.0	12.4	42.6	50.8	11.9	38.9

18 Cash and deposits

	2011 £m	2010 £m
Cash at bank	61.2	71.8
Short-term deposits	39.5	54.4
	100.7	126.2
Currency profile		
Sterling	76.7	109.5
Euro	24.0	16.7
	100.7	126.2

Short-term deposits principally comprise deposits placed on money markets with rates linked to LIBOR for maturities of not more than one month, at an average rate of 0.4% (2010: 0.5%). Such deposits are considered to be cash equivalents. Included in the cash balance is £1.6 million (2010: £1.6 million) which may be used only in relation to certain development projects or in respect of secured borrowings.

19 Payables: current liabilities

	2011 £m	2010 £m
Trade payables	23.1	15.8
Other payables	147.0	128.9
Accruals	23.2	26.4
Deferred income[1]	51.1	49.0
	244.4	220.1

[1] Trade payables relating to rents received in advance have been reclassified as deferred income in both 2010 and 2011.

20 Borrowings

A: Maturity

	Bank loans and overdrafts £m	Other borrowings £m	2011 Total £m	2010 Total £m
After five years	–	742.5	742.5	1,040.0
From two to five years	103.3	882.1	985.4	837.8
From one to two years	251.3	–	251.3	38.4
Due after more than one year	354.6	1,624.6	1,979.2	1,916.2
Due within one year	100.7	–	100.7	4.4
	455.3	1,624.6	2,079.9	1,920.6

At 31 December 2010 and 2011 no borrowings due after five years were repayable by instalments.

At 31 December 2011 the fair value of currency swaps was an asset of £15.0 million which is included within current receivables (see note 17). At 31 December 2010 the fair value was a liability of £4.4 million and is included in the table above.

20 Borrowings (continued)

B: Analysis

	2011 £m	2010 £m
Unsecured		
£200 million 7.25% Sterling bonds due 2028	197.8	197.7
£300 million 6% Sterling bonds due 2026	297.0	296.8
£250 million 6.875% Sterling bonds due 2020	247.7	247.5
£300 million 5.25% Sterling bonds due 2016	298.3	298.0
€700 million 4.875% Euro bonds due 2015	583.8	598.5
Bank loans and overdrafts	345.5	212.4
	1,970.1	1,850.9
Fair value of currency swaps	(15.0)	4.4
	1,955.1	1,855.3
Secured		
Euro variable rate mortgage due 2016	44.9	–
Sterling variable rate mortgage due 2015	64.9	65.3
	2,064.9	1,920.6

Security for secured euro and sterling borrowings as at 31 December 2011 is provided by a first legal charge on two properties, for which the Group's share of the carrying value is £91.3 million and £128.4 million respectively.

C: Undrawn committed facilities

	2011 £m	2010 £m
Expiring within one year	90.0	40.0
Expiring between one and two years	–	746.5
Expiring after more than two years	505.0	126.9
	595.0	913.4

D: Interest rate and currency profile

	Fixed rate borrowings			Fair value of currency swaps	Other variable rate borrowings	2011 Total
	%	Years	£m	£m	£m	£m
Sterling	6.2	9	1,201.5	(476.2)	249.7	975.0
Euro	4.9	3	625.0	461.2	3.7	1,089.9
	5.5	7	1,826.5	(15.0)	253.4	2,064.9

	Fixed rate borrowings			Fair value of currency swaps	Other variable rate borrowings	2010 Total
	%	Years	£m	£m	£m	£m
Sterling	6.0	10	1,200.7	(501.3)	104.1	803.5
Euro	4.9	4	598.5	505.7	12.9	1,117.1
	5.6	8	1,799.2	4.4	117.0	1,920.6

The analysis above reflects the effect of currency and interest rate swaps in place at 31 December 2010 and 2011, further details of which are set out in note 21.

Variable rate borrowings bear interest based on LIBOR, with the exception of certain euro borrowings whose interest costs are linked to EURIBOR.

Notes to the accounts (continued)

21 Financial instruments and risk management

Exposure to credit, interest rate and currency risks arises in the normal course of the Group's business. Derivative financial instruments are used to manage exposure to fluctuations in foreign currency exchange rates and interest rates, but are not employed for speculative purposes. Further discussion of these issues is set out in Risk management and principal uncertainties on page 24.

The Group's risk management policies and practices with regard to financial instruments are as follows:

A: Debt management

The Group generally borrows on an unsecured basis on the strength of its covenant in order to maintain operational flexibility. Borrowings are arranged to ensure an appropriate maturity profile and to maintain short-term liquidity. Acquisitions may be financed initially using short-term funds before being refinanced for the longer-term when market conditions are appropriate. Short-term funding is raised principally through syndicated revolving credit facilities from a range of banks and financial institutions with whom Hammerson maintains strong working relationships. Long-term debt mainly comprises the Group's fixed rate unsecured bonds.

B: Interest rate management

Interest rate swaps are used to alter the interest rate basis of the Group's debt, allowing changes from fixed to variable rates or vice versa. Clear guidelines exist for the Group's ratio of fixed to variable rate debt and management regularly reviews the interest rate profile against these guidelines.

At 31 December 2011, the Group had interest rate swaps of £100.0 million (2010: £100.0 million), £60.7 million (2010: £60.7 million) and £41.2 million (2010: £nil) maturing in 2013, 2015 and 2018 respectively. Under these swaps the Group pays interest at fixed rates of 4.725%, 2.455% and 3.075% respectively and receives interest linked to LIBOR and EURIBOR.

At 31 December 2011, the fair value of interest rate swaps was a liability of £10.6 million (2010: £8.5 million).

The fair value of interest rate swaps excludes derivatives embedded within £100 million of unsecured bank loans maturing in 2013 in accordance with IAS 39.

The Group does not hedge account for its interest rate swaps and states them at fair value with changes in fair value included in the income statement.

C: Foreign currency management

The impact of foreign exchange movements is managed by financing the cost of acquiring euro denominated assets with euro borrowings. The Group borrows in euros and uses currency swaps to match foreign currency assets with foreign currency liabilities.

To manage the foreign currency exposure on its net investments in subsidiaries in Continental Europe, the Group has designated all euro borrowings, including euro denominated bonds and currency swaps, as hedges. The carrying amount of the bonds at 31 December 2011 was £583.8 million (2010: £598.5 million) and their fair value was £604.1 million (2010: £622.7 million).

At 31 December 2011, the Group had currency swaps of £476.2 million, being €552.0 million sold forward against sterling: €372.0 million for value in March 2012 at a rate of £1 = €1.162 and €180.0 million for value in June 2012, at a rate of £1 = €1.146. At 31 December 2010, the Group had currency swaps of £501.3 million, being €590.1 million sold forward against sterling: €187.5 million for value in January 2011, at a rate of £1 = €1.182 and €402.6 million for value in February 2011, at a rate of £1 = €1.175. The fair value of currency swaps is shown in note 21I.

The exchange differences on hedging instruments and on net investments in foreign subsidiaries are recognised in equity.

D: Profit and loss account and balance sheet management

The Group maintains internal guidelines for interest cover, gearing and other ratios. Management monitors the Group's current and projected financial position against these guidelines. Further details of these ratios are provided in the Financial review on pages 39 to 41.

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 whilst maximising the rate of return on cash resources, giving due consideration to risk.

Longer-term liquidity requirements are met with an appropriate mix of short and longer-term debt as explained in note 21A above.

21 Financial instruments and risk management (continued)

F: Credit risk

The Group's principal financial assets are bank and cash balances, short-term deposits, trade and other receivables and investments.

The Group's credit risk is attributable to its trade and other receivables, cash and short-term deposits and derivative financial instruments.

Trade receivables consist principally of rents due from tenants. The balance is low relative to the scale of the balance sheet and the Group's tenant base is diversified geographically, with tenants generally of good financial standing. The majority of tenant leases are long-term contracts with rents payable quarterly in advance and the average unexpired lease term at 31 December 2011 was 8.4 years (2010: 8.8 years). Rent deposits and personal or corporate guarantees are held in respect of some leases. Taking these factors into account the risk to the Group of individual tenant default and the credit risk of trade receivables are considered low. The Group's most significant tenants are set out in the Financial review on page 42.

Loans receivable and other receivables include balances due from joint venture partners, available for sale investments and VAT receivables. These items do not give rise to significant credit risk.

The receivables in notes 16 and 17 are presented net of allowances for doubtful receivables and allowances for impairment are made where appropriate. An analysis of trade receivables and the related provisions is shown in note 17.

The credit risk on short-term deposits and derivative financial instruments is limited because the counterparties are banks, who are committed lenders to the Group, with high credit ratings assigned by international credit-rating agencies.

At 31 December 2011, the Group's maximum exposure to credit risk was £268.1 million (2010: £252.1 million).

G: Financial maturity analysis

The following table provides a maturity analysis for income-earning financial assets and interest-bearing financial liabilities.

					2011 Maturity
	Total £m	Less than one year £m	One to two years £m	Two to five years £m	More than five years £m
Cash and deposits	(100.7)	(100.7)	–	–	–
Sterling variable rate secured bank loan	64.9	0.7	1.3	62.9	–
Euro variable rate secured bank loan	44.9	–	–	44.9	–
Unsecured bonds					
Sterling fixed rate bonds	1,040.8	–	–	298.3	742.5
Euro fixed rate bonds	583.8	–	–	583.8	–
Interest rate swaps (variable)	(201.9)	–	(100.0)	(101.9)	–
Interest rate swaps (fixed)	201.9	–	100.0	101.9	–
Unsecured bank loans and overdrafts	345.5	100.0	250.0	(4.5)	–
Fair value of currency swaps	(15.0)	(15.0)	–	–	–
Net debt	1,964.2	(15.0)	251.3	985.4	742.5
Loans receivable	(52.6)	–	(29.2)	(23.4)	–
	1,911.6	(15.0)	222.1	962.0	742.5

Borrowings are stated net of unamortised fees. Where facilities are undrawn, unamortised fees appear in the analysis above as negative amounts in the period in which the facility matures.

Notes to the accounts (continued)

21 Financial instruments and risk management (continued)

	Total £m	Less than one year £m	One to two years £m	Two to five years £m	More than five years £m
					2010 Maturity
Cash and deposits	(126.2)	(126.2)	–	–	–
Sterling variable rate secured bank loan	65.3	–	0.7	64.6	–
Unsecured bonds					
Sterling fixed rate bonds	1,040.0	–	–	–	1,040.0
Euro fixed rate bonds	598.5	–	–	598.5	–
Interest rate swaps (variable)	(160.7)	–	–	(160.7)	–
Interest rate swaps (fixed)	160.7	–	–	160.7	–
Unsecured bank loans and overdrafts	212.4	–	37.7	174.7	–
Fair value of currency swaps	4.4	4.4	–	–	–
Net debt	1,794.4	(121.8)	38.4	837.8	1,040.0
Loans receivable	(41.9)	–	(13.7)	(28.2)	–
	1,752.5	(121.8)	24.7	809.6	1,040.0

H: Sensitivity analysis

In managing interest rate and currency risks the Group aims to reduce the impact of short-term fluctuations on the Group's earnings. Over the longer-term, however, permanent changes in foreign exchange and interest rates may have an impact on consolidated earnings.

At 31 December 2011, it is estimated that an increase of one percentage point in interest rates would have increased the Group's annual profit before tax by £2.8 million (2010: increase of £3.3 million) and a decrease of one percentage point in interest rates would have decreased the Group's annual profit before tax by £4.4 million (2010: decrease of £3.5 million). There would have been no effect on amounts recognised directly in equity. The sensitivity has been calculated by applying the interest rate change to the variable rate borrowings and loans receivable, net of interest rate swaps, at the year end. The decrease in the Group's annual profit before tax with a reduction in interest rates is due to the change in fair value of interest rate swaps having a greater charge than the saving on floating rate borrowings.

It is estimated that, in relation to financial instruments alone, a 10% strengthening of sterling against the euro, would have increased the net gain taken directly to equity for the year ended 31 December 2011 by £95.0 million. A 10% weakening of sterling against the euro would have decreased the net gain taken directly to equity for the year ended 31 December 2011 by £116.1 million. For the year ended 31 December 2010, a 10% strengthening of sterling against the euro would have increased the net gain taken directly to equity by £101.5 million. A 10% weakening of sterling against the euro would have decreased the net gain taken directly to equity by £124.1 million. However, these effects would be more than offset by the effect of exchange rate changes on the euro denominated net assets included in the Group's financial statements.

In relation to financial instruments alone, there would have been no impact on the Group's profit before tax. This has been calculated by retranslating the year end euro denominated financial instruments at the year end foreign exchange rate changed by 10%. Forward foreign exchange contracts have been included in this estimate.

I: Fair values of financial instruments

The fair values of borrowings, currency and interest rate swaps, together with their carrying amounts included in the balance sheet, are as follows:

	2011		2010	
	Book value £m	Fair value £m	Book value £m	Fair value £m
Borrowings, excluding currency swaps	2,079.9	2,229.6	1,916.2	1,993.7
Currency swaps	(15.0)	(15.0)	4.4	4.4
Total	2,064.9	2,214.6	1,920.6	1,998.1
Interest rate swaps	10.6	10.6	8.5	8.5

At 31 December 2011, the fair value of financial instruments exceeded their book value by £149.7 million equivalent to 21 pence per share on an adjusted net asset value per share basis. At 31 December 2010, the book value of financial instruments exceeded their fair value by £77.5 million, equivalent to 11 pence per share on an adjusted net asset value per share basis.

21 Financial instruments and risk management (continued)

The fair values of the Group's borrowings have been estimated on the basis of quoted market prices, representing Level 1 fair value measurements as defined by IFRS 7 Financial Instruments: Disclosures. The fair values of the Group's outstanding interest rate swaps have been estimated by calculating the present value of future cash flows, using appropriate market discount rates, representing Level 2 fair value measurements as defined by IFRS 7. The fair value of the Group's currency swaps have been estimated on the basis of the prevailing forward rates at the year end, representing Level 2 fair value measurements as defined by IFRS 7.

Details of the Group's cash and short-term deposits are set out in note 18. Their fair values and those of other financial assets and liabilities equate to their book values. Details of the Group's receivables are set out in notes 16 and 17. The amounts are presented net of allowances for doubtful receivables and allowances for impairment are made where appropriate. Details of the Group's investments, stated at fair value, are set out in notes 13 and 15. The table below reconciles the opening and closing balances for Level 3 fair value measurements of available for sale investments and loans. The comparatives have been updated to include loans receivable.

Available for sale loans and investments	2011 £m	2010 £m
Balance at 1 January	175.1	185.9
Total gains		
– in profit and loss	3.6	3.5
– in other comprehensive income	55.7	16.9
Other movements		
– acquisitions	24.7	1.0
– settlement of interest	(2.1)	(2.1)
– loan issue/(repayment)	10.7	(30.1)
Balance at 31 December	267.7	175.1

J: Carrying amounts, gains and losses of financial instruments

The carrying amounts, and net gains or net losses, of financial instruments are as follows:

	Notes	2011 Carrying amount £m	2011 Gain/(Loss) to income £m	2011 Gain/(Loss) to equity £m	2010 Carrying amount £m	2010 Gain/(Loss) to income £m	2010 Gain/(Loss) to equity £m
Trade receivables	17	42.6	(0.6)	–	38.9	(0.8)	–
Cash and deposits	18	100.7	0.5	–	126.2	0.5	–
Loans and receivables		143.3	(0.1)	–	165.1	(0.3)	–
Other investments	15	215.1	(0.2)	57.4	133.2	(0.2)	18.4
Loans receivable	16	52.6	3.8	(1.7)	41.9	2.3	(1.5)
Loans to associate – interest bearing		–	–	–	–	1.4	–
Available for sale loans and investments		267.7	3.6	55.7	175.1	3.5	16.9
Interest rate swaps	23	(10.6)	(9.6)	–	(8.5)	(4.5)	–
Liabilities at fair value (held for trading)		(10.6)	(9.6)	–	(8.5)	(4.5)	–
Currency swaps	17, 20	15.0	(0.9)	8.9	(4.4)	0.3	13.2
Derivatives in effective hedging relationships		15.0	(0.9)	8.9	(4.4)	0.3	13.2
Payables	19, 23	(215.2)	–	–	(187.0)	–	–
Borrowings, excluding currency swaps	20	(2,079.9)	(109.1)	19.0	(1,916.2)	(102.3)	37.6
Finance leases	22	(17.6)	(1.8)	–	(30.3)	(2.4)	–
Liabilities at amortised cost		(2,312.7)	(110.9)	19.0	(2,133.5)	(104.7)	37.6
Total for financial instruments		(1,897.3)	(117.9)	83.6	(1,806.2)	(105.7)	67.7

The total loss to income for the year ended 31 December 2011 in respect of interest rate swaps shown above includes the loss arising from the change in fair value of £4.0 million (2010: gain of £1.1 million), included within net finance costs in note 7.

Notes to the accounts (continued)

21 Financial instruments and risk management (continued)

The table below reconciles the net gain or loss taken through income to net finance costs:

		Note	2011 £m	2010 £m
Total loss on financial instruments to income			(117.9)	(105.7)
Add back:	Trade receivables loss		0.6	0.8
	Other interest income		0.9	2.6
	(Gain)/Loss to income on currency swaps outside hedge accounting designation	7	(1.1)	0.6
	Interest capitalised	7	4.9	1.7
Net finance costs		7	(112.6)	(100.0)

No financial instruments were designated as at fair value through profit and loss on initial recognition. No financial instruments are classified as held to maturity. Financial instruments classified as held for trading are hedging instruments that are not designated for hedge accounting.

The total of the net equity gains in relation to currency swaps of £8.9 million (2010: £13.2 million) and borrowings of £19.0 million (2010: £37.6 million) is £27.9 million (2010: £50.8 million), as shown in the movement in the hedging reserve in the consolidated statement of changes in equity.

K: Maturity analysis of financial liabilities

The remaining contractual maturities are as follows:

2011	Payables £m	Interest rate swaps £m	Currency swaps £m	Financial liability cash flows £m	Finance leases £m	2011 Total £m
Notes			20D	21L	22	
After 25 years	–	–	–	–	300.8	300.8
From five to 25 years	10.5	1.2	–	1,172.7	21.2	1,205.6
From two to five years	3.0	3.5	–	1,256.3	4.2	1,267.0
From one to two years	9.2	2.8	–	351.2	1.1	364.3
Due after more than one year	22.7	7.5	–	2,780.2	327.3	3,137.7
Due within one year	192.5	4.0	461.2	203.7	1.1	862.5
	215.2	11.5	461.2	2,983.9	328.4	4,000.2

2010	Payables £m	Interest rate swaps £m	Currency swaps £m	Financial liability cash flows £m	Finance leases £m	2010 Total £m
Notes			20D	21L	22	
After 25 years	–	–	–	–	359.7	359.7
From five to 25 years	8.4	–	–	1,499.3	51.9	1,559.6
From two to five years	3.3	0.3	–	1,119.2	10.4	1,133.2
From one to two years	6.1	3.5	–	139.7	2.6	151.9
Due after more than one year	17.8	3.8	–	2,758.2	424.6	3,204.4
Due within one year	169.2	4.5	505.7	100.1	2.6	782.1
	187.0	8.3	505.7	2,858.3	427.2	3,986.5

At 31 December 2011, the currency swap liability is offset by an asset of £476.2 million (2010: £501.3 million), so that the fair value of the currency swaps is an asset of £15.0 million (2010: liability of £4.4 million) as reported in note 21L.

21 Financial instruments and risk management (continued)

L: Reconciliation of maturity analyses in notes 20 and 21K

The maturity analysis in note 21K shows contractual non-discounted cash flows for all financial liabilities, including interest payments, but excluding the fair value of the currency swaps, which is not a cash flow item. The following table reconciles the borrowings column in note 20 with the financial maturity analysis in note 21K.

2011	Borrowings £m	Interest £m	Unamortised borrowing costs £m	Financial liability cash flows £m
Notes	20A			21K
From five to 25 years	742.5	422.6	7.6	1,172.7
From two to five years	985.4	261.7	9.2	1,256.3
From one to two years	251.3	99.9	–	351.2
Due after more than one year	1,979.2	784.2	16.8	2,780.2
Due within one year	100.7	103.0	–	203.7
	2,079.9	887.2	16.8	2,983.9

2010	Borrowings £m	Fair value of currency swaps £m	Interest £m	Unamortised borrowing costs £m	Financial liability cash flows £m
Notes	20A	20B			21K
From five to 25 years	1,040.0	–	449.3	10.0	1,499.3
From two to five years	837.8	–	278.9	2.5	1,119.2
From one to two years	38.4	–	101.1	0.2	139.7
Due after more than one year	1,916.2	–	829.3	12.7	2,758.2
Due within one year	4.4	(4.4)	100.1	–	100.1
	1,920.6	(4.4)	929.4	12.7	2,858.3

M: Capital structure

The Group's capital structure comprises debt and equity in the form of share capital. Further information on debt is provided in the Financial review on page 40 and information on share capital is set out on page 65 and in note 24 on page 106.

22 Obligations under finance leases

Finance lease obligations in respect of rents payable on leasehold properties are payable as follows:

	2011			2010		
	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	300.8	(283.3)	17.5	359.7	(329.6)	30.1
From five to 25 years	21.2	(21.1)	0.1	51.9	(51.7)	0.2
From two to five years	4.2	(4.2)	–	10.4	(10.4)	–
From one to two years	1.1	(1.1)	–	2.6	(2.6)	–
Within one year	1.1	(1.1)	–	2.6	(2.6)	–
	328.4	(310.8)	17.6	427.2	(396.9)	30.3

23 Payables: non-current liabilities

	2011 £m	2010 £m
Net pension liability	30.0	25.2
Other payables	23.1	21.9
Fair value of interest rate swaps	10.6	8.5
	63.7	55.6

Notes to the accounts (continued)

24 Share capital

	Called up, allotted and fully paid 2011 £m	2010 £m
Ordinary shares of 25p each	**178.2**	176.9

	Number
Movements in issued share capital	
Number of shares in issue at 1 January 2011	707,578,856
Issued in respect of scrip dividend	4,881,115
Share options exercised – Share option scheme	148,012
Share options exercised – Save As You Earn	7,226
Number of shares in issue at 31 December 2011	**712,615,209**

The number of shares in issue at the balance sheet date included 1,200,000 (2010: 800,000) shares held in treasury, see note 26.

Share options

At 31 December 2011 the following options granted to staff remained outstanding under the Company's executive share option scheme:

Expiry year	Exercise price (pence)	Number of ordinary shares of 25p each
2012	381	1,083
2013	286	15,454
2014	440	41,330
2015	583	236,632
2016	839	131,148
		425,647

At 31 December 2011 the following options granted to Executive Directors and staff remained outstanding under the Company's savings-related share option scheme:

Expiry year	Exercise price (pence)	Number of ordinary shares of 25p each
2012	217.2	202,007
2013	312.24	23,242
2014	217.2-368.0	101,667
2015	312.24	11,055
2016	217.2-368.0	55,990
2017	312.24	2,505
2018	368.0	1,936
		398,402

The number and weighted average exercise prices of share options under the Company's executive share option scheme are as follows:

	2011 Number of options	2011 Weighted average exercise price £	2010 Number of options	2010 Weighted average exercise price £
Outstanding at 1 January	**587,864**	**5.88**	673,226	5.61
Forfeited during the year	**(14,205)**	**6.71**	(26,973)	5.73
Exercised during the year	**(148,012)**	**4.40**	(58,389)	2.89
Outstanding at 31 December	**425,647**	**6.37**	587,864	5.88
Exercisable at 31 December	**425,647**	**6.37**	587,864	5.88

The weighted average share price at the date of exercise for share options exercised during the year was £4.63 (2010: £3.87). The options outstanding at 31 December 2011 had a weighted average remaining contractual life of 2 years (31 December 2010: 2 years).

24 Share capital (continued)

The number and weighted average exercise price of share options under the Company's savings-related share option scheme are as follows:

	2011 Number of options	2011 Weighted average exercise price £	2010 Number of options	2010 Weighted average exercise price £
Outstanding at 1 January	323,969	2.38	308,659	2.38
Granted during the year	111,734	3.68	42,322	3.12
Forfeited during the year	(27,127)	2.52	(20,568)	2.31
Expired during the year	(2,948)	5.98	(5,178)	5.88
Exercised during the year	(7,226)	2.68	(1,266)	2.17
Outstanding at 31 December	398,402	2.67	323,969	2.38

The weighted average share price at the date of exercise for share options exercised during the year was £4.31 (2010: £3.95). No options outstanding under the Company's savings-related share option scheme were exercisable at 31 December 2011 or 31 December 2010.

At 31 December 2011, the following shares remained outstanding under the Company's Restricted Share Plan and Long-Term Incentive Plan.

	Number of ordinary shares of 25p each			
	Restricted Share Plan		Long-Term Incentive Plan	
	2011	2010	2011	2010
Outstanding at 1 January	777,191	445,995	2,656,495	1,988,253
Awarded during the year	390,846	388,679	1,256,872	913,114
Dividends awarded during the year	27,413	22,083	85,617	83,647
Vested during the year	(90,405)	(48,714)	–	–
Forfeited during the year	(119,543)	(30,852)	(377,831)	–
Lapsed during the year	–	–	(461,102)	(328,519)
Outstanding at 31 December	985,502	777,191	3,160,051	2,656,495

	Number of ordinary shares of 25p each			
	Restricted Share Plan		Long-Term Incentive Plan	
Year of grant	2011	2010	2011	2010
2008	–	90,485	–	454,153
2009	280,616	297,536	1,206,054	1,272,936
2010	356,904	389,170	773,442	929,406
2011	347,982	–	1,180,555	–
	985,502	777,191	3,160,051	2,656,495

25 Investment in own shares

At cost	2011 £m	2010 £m
Balance at 1 January	4.0	4.6
Transfer from treasury shares	3.4	5.8
Cost of shares awarded to employees	(5.6)	(6.4)
Balance at 31 December	1.8	4.0

The Trustees of the Hammerson Employee Share Ownership Plan acquire the Company's own shares to award to participants in accordance with the terms of the Plan. The expense related to share-based employee remuneration is calculated in accordance with IFRS 2 and the terms of the Plan and is recognised in the income statement within administration expenses. The corresponding credit is included in other reserves. When the Company's shares are awarded to employees as part of their remuneration, the cost of the shares is transferred to other reserves. Should this not equal the credit previously recorded against other reserves, the balance is adjusted against retained earnings.

The number of shares held as at 31 December 2011 was 412,844 (2010: 345,481) following awards to participants during the year of 732,637 shares (2010: 546,878) and a transfer of 800,000 treasury shares (2010: 500,000).

Notes to the accounts (continued)

26 Treasury shares

At cost	2011 £m	2010 £m
Balance at 1 January	3.4	5.8
Transfer to investment in own shares	(3.4)	(5.8)
Purchase of treasury shares	4.7	3.4
Balance at 31 December	4.7	3.4

The number of treasury shares held at 31 December 2011 was 1,200,000 (2010: 800,000) following the transfer at cost of 800,000 shares (2010: 500,000 shares) to the Hammerson Employee Share Ownership Plan during the year. Between 15 September 2011 and 20 September 2011, the Company purchased 1,200,000 of its own shares for a total of £4.7 million.

27 Adjustment for non-cash items in the cash flow statement

	Note	2011 £m	2010 £m
Amortisation of lease incentives and other costs		6.6	6.4
Increase in accrued rents receivable		(5.5)	(12.8)
Non-cash items included within net rental income	3A	1.1	(6.4)
Depreciation		1.7	1.4
Share-based employee remuneration		4.0	3.2
Exchange and other items		(4.1)	(6.6)
		2.7	(8.4)

28 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 Market background on page 17 and in the Business review on pages 41 and 42.

	2011 £m	2010 £m
Within one year	234.9	253.2
From one to two years	212.2	226.5
From two to five years	476.7	516.7
After five years	1,170.5	1,193.7
	2,094.3	2,190.1

29 Contingent liabilities

There are contingent liabilities of £42.9 million (2010: £17.1 million) relating to guarantees given by the Group and a further £33.5 million (2010: £27.7 million) relating to claims against the Group arising in the normal course of business. Hammerson's share of contingent liabilities arising within joint ventures, which is included in the figures shown above, is £11.4 million (2010: £9.9 million).

Independent auditor's report on the parent company financial statements

Independent auditor's report to the members of Hammerson plc

We have audited the parent company financial statements of Hammerson plc for the year ended 31 December 2011 which comprise the Parent Company Balance Sheet and the related notes A to M. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement, the Directors are responsible for the preparation of the parent company financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the parent company financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

Opinion on the financial statements

In our opinion the parent company financial statements:

- give a true and fair view of the state of the parent company's affairs as at 31 December 2011;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006; and
- the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the parent company financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Other matter

We have reported separately on the Group financial statements of Hammerson plc for the year ended 31 December 2011.

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

23 February 2012

Company balance sheet

As at 31 December 2011

	Notes	2011 £m	2010 £m
Non-current assets			
Investments in subsidiary companies	C	2,624.7	2,448.9
Receivables	D	4,076.7	3,703.9
		6,701.4	6,152.8
Current assets			
Receivables	E	20.7	2.8
Cash and short-term deposits		34.7	66.8
		55.4	69.6
Total assets		6,756.8	6,222.4
Current liabilities			
Payables	F	1,009.7	879.2
Borrowings	G	100.0	4.4
		1,109.7	883.6
Non-current liabilities			
Borrowings	G	1,870.1	1,850.9
Payables	H	5.1	7.9
		1,875.2	1,858.8
Total liabilities		2,984.9	2,742.4
Net assets		3,771.9	3,480.0
Equity			
Called up share capital	24	178.2	176.9
Share premium	I	1,221.9	1,222.5
Capital redemption reserve	I	7.2	7.2
Other reserves	I	0.1	0.1
Revaluation reserve	I	1,029.1	805.8
Retained earnings	I	1,341.9	1,274.9
Investment in own shares	J	(1.8)	(4.0)
Treasury shares	26	(4.7)	(3.4)
Equity shareholders' funds	K	3,771.9	3,480.0

These financial statements were approved by the Board of Directors on 23 February 2012.

Signed on behalf of the Board

David Atkins
Director

Timon Drakesmith
Director

Registered in England No. 360632

Notes to the Company accounts

A: Accounting policies

Although the consolidated Group accounts are prepared under IFRS, the Hammerson plc company accounts presented in this section are prepared under UK GAAP. The accounting policies relevant to the Company are the same as those set out in the accounting policies for the Group in note 1, except as set out below.

Investments in subsidiary companies are included at valuation. The Directors determine the valuations with reference to the underlying net assets of the subsidiaries. In accordance with UK GAAP, in calculating the underlying net asset values of the subsidiaries, no deduction is made for deferred tax relating to revaluation surpluses on investment properties.

The Company has taken advantage of the exemption in FRS 29 Financial Instruments – Disclosure section 2D not to present the disclosures required in respect of the Hammerson plc company accounts as the Company is included in the consolidated Group accounts. The consolidated accounts of Hammerson plc comply with IFRS 7 Financial Instruments – Disclosure which is materially consistent with FRS 29.

The Company does not utilise net investment hedging under FRS 26 Financial Instruments – Recognition and Measurement.

B: Profit for the year and dividend

As permitted by section 408 of the Companies Act 2006, the income statement of the Company is not presented as part of these financial statements. The profit for the year attributable to equity shareholders dealt with in the financial statements of the Company was £159.3 million (2010: £274.6 million).

Dividend information is provided in note 9 to the consolidated accounts.

C: Investments in subsidiary companies

	Cost less provision for permanent diminution in value £m	Valuation £m
Balance at 1 January 2011	1,643.1	2,448.9
Disposals	(81.4)	(47.5)
Revaluation adjustment	–	223.3
Balance at 31 December 2011	1,561.7	2,624.7

Investments are stated at Directors' valuation. A list of the principal subsidiary companies at 31 December 2011 is included in note M.

D: Receivables: non-current assets

	2011 £m	2010 £m
Amounts owed by subsidiaries	4,053.3	3,690.2
Loans receivable (see note 16)	23.4	13.7
	4,076.7	3,703.9

Amounts owed by subsidiaries are unsecured and interest-bearing at variable rates based on LIBOR. These amounts are repayable on demand, however it is the Company's current intention not to seek repayment before 31 December 2012.

E: Receivables: current assets

	2011 £m	2010 £m
Other receivables	5.7	2.8
Fair value of currency swaps	15.0	–
	20.7	2.8

Notes to the Company accounts (continued)

F: Payables

	2011 £m	2010 £m
Amounts owed to subsidiaries	947.7	822.8
Other payables and accruals	62.0	56.4
	1,009.7	879.2

The amounts owed to subsidiaries are unsecured, repayable on demand and interest bearing at variable rates based on LIBOR.

G: Borrowings

	Bank loans and overdrafts £m	Other borrowings £m	2011 Total £m	2010 Total £m
After five years	–	742.5	742.5	1,040.0
From two to five years	(4.5)	882.1	877.6	773.2
From one to two years	250.0	–	250.0	37.7
Due after more than one year	245.5	1,624.6	1,870.1	1,850.9
Due within one year	100.0	–	100.0	4.4
	345.5	1,624.6	1,970.1	1,855.3

Details of the Group's borrowings and financial instruments are given in notes 20 and 21 to the consolidated accounts. The Company's borrowings are unsecured and comprise sterling and euro denominated bonds, bank loans and overdrafts.

H: Payables: non-current liabilities

	2011 £m	2010 £m
Fair value of interest rate swaps	5.1	7.9

I: Equity

	Share premium £m	Capital redemption reserve £m	Other reserves £m	Revaluation reserve £m	Retained earnings £m
Balance at 1 January 2011	1,222.5	7.2	0.1	805.8	1,274.9
Issue of shares	0.6	–	–	–	–
Scrip dividends	(1.2)	–	–	–	–
Dividends	–	–	–	–	(92.3)
Revaluation gains on investments in subsidiary companies	–	–	–	223.3	–
Profit for the year	–	–	–	–	159.3
Balance at 31 December 2011	**1,221.9**	**7.2**	**0.1**	**1,029.1**	**1,341.9**

J: Investment in own shares

	2011 £m	2010 £m
Balance at 1 January	4.0	4.6
Transfer from treasury shares	3.4	5.8
Transfer to employing subsidiaries – cost of shares awarded to employees	(5.6)	(6.4)
Balance at 31 December	**1.8**	4.0

The Trustees of the Hammerson Employee Share Ownership Plan acquire the Company's own shares to award to participants in accordance with the terms of the Plan.

The Company has no employees. When the Company's own shares are awarded to Group employees as part of their remuneration, the cost of the shares is transferred by the Company through intercompany accounts to the employing subsidiaries, where the related credit is recognised in equity.

Further details of share options and the number of own shares held by the Company are set out in notes 24, 25 and 26 respectively to the consolidated accounts.

K: Reconciliation of movements in equity shareholders' funds

	2011 £m	2010 £m
Balance at 1 January	3,480.0	2,949.7
Issues of shares	0.7	0.1
Dividends	(92.3)	(91.5)
Revaluation gains on investments in subsidiary companies	223.3	344.1
Cost of shares awarded to employees	5.6	6.4
Purchase of treasury shares	(4.7)	(3.4)
Profit for the year	159.3	274.6
Balance at 31 December	**3,771.9**	3,480.0

L: Fair value of financial instruments

	2011		2010	
	Book value £m	Fair value £m	Book value £m	Fair value £m
Borrowings, excluding currency swaps	1,970.1	2,119.8	1,850.9	1,928.4
Currency swaps	(15.0)	(15.0)	4.4	4.4
Total	**1,955.1**	**2,104.8**	1,855.3	1,932.8
Interest rate swaps	**5.1**	**5.1**	7.9	7.9

M: Principal subsidiary companies

All principal subsidiary companies are engaged in property investment and development, investment holding or management. Unless otherwise stated, the companies are 100% owned subsidiaries through investment in ordinary share capital. As permitted by section 409 of the Companies Act 2006, a complete listing of all the Group's undertakings has not been provided. A complete list of the Group's undertakings will be filed with the Annual Return.

Subsidiaries are incorporated/registered and operate in the following countries:

UK

Hammerson International Holdings Ltd
Hammerson UK Properties plc
Grantchester Holdings Ltd
Hammerson (125 OBS LP) Ltd[1]
Hammerson (99 Bishopsgate) Ltd
Hammerson (Brent Cross) Ltd
Hammerson (Bristol Investments) Ltd
Hammerson Bullring Ltd
Hammerson (Cramlington 1) Ltd
Hammerson (Croydon) Ltd
Hammerson Group Management Ltd
Hammerson (Leicester) Ltd
Hammerson Operations Ltd
Hammerson Oracle Investments Ltd
Hammerson Peterborough (No.1) Ltd
Hammerson (Silverburn) Ltd[2]
Union Square Developments Ltd
West Quay Shopping Centre Ltd

The Netherlands

Hammerson Europe BV

France

Hammerson SAS
Hammerson Holding France SAS
Hammerson Centre Commercial Italie SAS
Hammerson Faubourg Saint-Honoré SAS
Société Civile de Développement du Centre Commercial de la Place des Halles SDPH (64.5%)

[1] Incorporated/registered in Jersey.
[2] Incorporated/registered and resident in the Isle of Man.

Ten-year financial summary

	2011 £m	2010 £m	2009 £m	2008 £m	2007 £m	2006 £m	2005 £m	IFRS 2004 £m	2003 £m	UK GAAP 2002 £m
Income statement										
Net rental income	**296.0**	284.7	293.6	299.8	275.7	237.4	210.3	189.5	189.5	175.9
Operating profit before other net gains/(losses)	**249.1**	248.8	252.6	257.5	234.5	201.3	178.9	162.9	164.6	151.6
Other net gains/(losses)	**209.8**	469.9	(590.4)	(1,698.3)	25.2	748.0	607.6	330.2	(18.8)	5.3
Cost of finance (net)	**(112.6)**	(100.0)	(114.5)	(170.7)	(149.3)	(156.9)	(87.9)	(79.7)	(78.7)	(66.0)
Profit/(Loss) before tax	**346.3**	620.2	(453.1)	(1,611.5)	110.4	792.4	698.6	413.4	67.1	90.9
Current tax	**(0.7)**	(0.6)	(0.9)	(0.6)	(16.4)	(99.4)	1.0	(80.9)	(1.7)	(2.5)
Deferred tax	**–**	(0.1)	103.6	38.3	17.6	333.8	(133.9)	104.2	(13.1)	(11.1)
Non-controlling interests	**(9.9)**	(4.1)	5.9	1.2	(10.6)	(9.9)	(11.3)	(5.3)	(2.0)	(1.7)
Profit/(Loss) for the year attributable to equity shareholders	**335.7**	615.4	(344.5)	(1,572.6)	101.0	1,016.9	554.4	431.4	50.3	75.6
Balance sheet										
Investment and development properties	**5,719.6**	5,331.1	5,141.5	6,456.8	7,275.0	6,716.0	5,731.7	4,603.0	3,997.5	3,948.2
Cash and short-term deposits	**100.7**	126.2	182.9	119.9	28.6	39.4	45.5	53.7	187.0	242.2
Borrowings	**(2,079.9)**	(1,920.6)	(2,319.0)	(3,452.6)	(2,524.2)	(2,282.6)	(2,094.8)	(1,799.5)	(1,772.2)	(1,883.6)
Other assets	**435.6**	323.1	342.0	319.5	318.7	301.1	278.1	194.0	138.6	162.5
Other liabilities	**(327.1)**	(307.6)	(323.9)	(425.3)	(573.5)	(448.9)	(378.4)	(385.9)	(289.8)	(356.2)
Net deferred tax provision	**(0.5)**	(0.5)	(0.4)	(108.4)	(99.6)	(103.3)	(406.4)	(213.4)	(54.8)	(34.8)
Non-controlling interests	**(76.5)**	(71.7)	(73.4)	(89.3)	(70.4)	(56.6)	(49.9)	(41.7)	(38.1)	(40.1)
Equity shareholders' funds	**3,771.9**	3,480.0	2,949.7	2,820.6	4,354.6	4,165.1	3,125.8	2,410.2	2,168.2	2,038.2
Cash flow										
Operating cash flow after tax	**147.8**	132.7	105.3	29.8	(29.2)	5.5	44.9	60.5	68.4	57.6
Dividends	**(86.1)**	(95.4)	(64.5)	(86.7)	(73.1)	(57.7)	(51.0)	(47.4)	(44.4)	(42.0)
Property and corporate acquisitions	**(374.1)**	(218.6)	(39.5)	(123.5)	(163.3)	(219.5)	(308.1)	(320.8)	(183.7)	(461.8)
Developments and major refurbishments	**(91.2)**	(60.8)	(164.1)	(376.7)	(335.5)	(250.5)	(186.3)	(203.3)	(188.8)	(161.8)
Other capital expenditure	**(23.6)**	(25.5)	(23.7)	(13.9)	(44.6)	(29.6)	(36.9)	(20.2)	(68.5)	(43.9)
Disposals	**271.8**	554.6	394.2	245.3	537.2	628.0	224.4	398.7	556.2	519.6
Other cash flows	**(34.9)**	(0.8)	–	–	(10.9)	(10.2)	17.7	5.6	–	–
Net cash flow before financing	**(190.3)**	286.2	207.7	(325.7)	(119.4)	66.0	(295.3)	(126.9)	139.2	(132.3)
Per share data*										
Basic earnings/(loss) per share	**47.3p**	87.2p	(54.1)p	(368.9)p	23.7p	242.6p	134.4p	106.0p	12.4p	18.4p
Adjusted earnings per share	**19.3p**	19.9p	19.7p	25.8p	27.3p	22.3p	21.2p	19.5p	20.2p	19.8p
Dividend per share	**16.6p**	15.95p	15.45p	18.9p	18.5p	14.7p	13.4p	12.2p	11.4p	10.7p
Diluted net asset value per share	**£5.30**	£4.93	£4.20	£6.61	£10.22	£9.91	£7.44	£5.90	£5.32	£5.01
Adjusted net asset value per share, EPRA basis	**£5.30**	£4.95	£4.21	£7.03	£10.49	£10.18	£8.39	£6.41	£5.45	£5.10
Financial ratios										
Return on shareholders' equity	**11.2%**	21.1%	-16.9%	-32.5%	4.5%	25.3%	34.0%	21.7%	9.3%	4.3%
Gearing	**52%**	52%	72%	118%	57%	54%	66%	72%	73%	81%
Interest cover	**2.6x**	2.6x	2.2x	1.7x	1.9x	1.8x	1.9x	1.9x	1.8x	1.9x
Dividend cover	**1.2x**	1.2x	1.3x	1.4x	1.5x	1.5x	1.6x	1.6x	1.8x	1.9x

The financial information shown above for the years 2004 to 2011 was prepared under IFRS. The information for prior years was prepared under UK GAAP. Consequently, certain data may not be directly comparable from one year to another.

*Comparative per share data was restated following the rights issue in March 2009.

UK shopping centres

Our ten major UK shopping centres attract over 170 million visitors each year. The portfolio includes internationally recognised city centre schemes such as Bullring, Birmingham; Brent Cross in North London and The Oracle, Reading.

Brent Cross, London NW4

Ownership
41%

Property net internal area
83,500m²

Brent Cross, situated in affluent North West London, enjoys a loyal customer base with 14 million visits per year. The centre is regularly the location of choice for international fashion retailers launching in the UK, such as Abercrombie & Fitch's brand Hollister and Banana Republic. Recent lettings include Kurt Geiger, Whistles, All Saints, Lola & Grace, Intimissimi, Calzedonia and Footlocker's new concept store, Locker Room. ZARA has recently upsized their store and re-geared their lease to introduce their new flagship store format. The centre benefits from strong transport links: it is served by three main arterial routes – the M1, A406 and A41 – three train stations, and a major bus station. Hammerson and Standard Life have secured planning consent for a major extension to the centre which includes the Cricklewood development area adjacent to the centre.

JV partner: Standard Life (59%)
Key dates: 1976 developed, 1995 refurbished
Tenure: Leasehold

Principal occupiers: Fenwick, John Lewis, Marks & Spencer, Waitrose
No. of tenants: 119
Unexpired lease term to expiry: 8 years
Occupancy rate: 99.8%

Rents passing: £18.1 million p.a.
Average rents passing: £1,115 per m²
Environmental rating: ISO 14001
Energy Performance Certificate Rating: D

Bullring, Birmingham

Ownership
33%

Property net internal area
125,200m²

Developed in 2003 and now owned in a three-way joint venture between Hammerson, Henderson Global Investors and Future Fund, Bullring has transformed Birmingham's city centre. With footfall of almost 40 million a year, it is one of the UK's most successful retail destinations and regeneration projects. Anchored by Selfridges and Debenhams, Bullring continues to attract high quality aspirational UK and international brands, demonstrated by recent store openings including Forever 21, Hugo Boss, Hollister, Luke 1977, True Religion and Jack Wolfskin. The catering offer has been further strengthened by the completion of Spiceal Street in November 2011 which saw the opening of three new restaurants. Browns Bar and Brasserie and Chao Baby opened their first outlets in the city and handmade burger Co. have also opened a new flagship restaurant.

JV partners: Future Fund (33%), Henderson Global Investors (33%)
Key dates: 2003 developed
Tenure: Leasehold

Principal occupiers: Debenhams, Selfridges
No. of tenants: 163
Unexpired lease term to expiry: 7 years
Occupancy rate: 99.1%

Rents passing: £17.2 million p.a.
Average rents passing: £500 per m²
Environmental rating: ISO 14001
Energy Performance Certificate Rating: D

Cabot Circus, Bristol

Ownership
50%

Property net internal area
96,100m²

Cabot Circus opened to the public in September 2008 following a three-year construction programme. The retail element is anchored by House of Fraser and Harvey Nichols department stores and provides 150 retail units, including 15 flagship stores, cafes, bars and restaurants. The scheme also includes 250 residential units, a 13-screen Cinema de Lux, two new public squares, three pedestrianised shopping streets and 2,600 parking spaces. Since opening, the centre has continued to attract a range of aspirational retailers, including Hollister and Urban Outfitters. Recent openings include Mango, Pandora, Foyles and Sanctuary Spa.

JV partner: Land Securities (50%)
Key dates: September 2008 opened
Tenure: Leasehold

Principal occupiers: Harvey Nichols, House of Fraser
No. of tenants: 134
Unexpired lease term to expiry: 10 years

Occupancy rate: 99.3%
Rents passing: £15.1 million p.a.
Average rents passing: £370 per m²
Environmental rating: BREEAM Excellent

Centrale, Croydon

Ownership
100%

Property net internal area
64,800m²

Hammerson acquired Centrale in March 2011. The scheme is situated in the heart of Croydon town centre and benefits from being the 13th largest shopping population in the UK with over 455,000 people. It was originally constructed in 1988 with an extension added in 2004 and is anchored by Debenhams and House of Fraser. Hammerson are progressing plans for an extensive refurbishment and repositioning of Centrale including reconfiguring existing retail floorspace and the addition of leisure and restaurant areas. In February 2012 a planning application was submitted for the re-development of the centre.

Key dates: 1988 developed, 2011 acquired
Tenure: Freehold
Principal occupiers: Debenhams, House of Fraser, H&M, Next

No. of tenants: 57
Unexpired lease term to expiry: 8 years
Occupancy rate: 98.1%

Rents passing: £10 million p.a.
Average rents passing: £265 per m²
Environmental rating: None
Energy Performance Certificate Rating: C

Highcross, Leicester

Ownership
60%

Property net internal area
104,700m²

Highcross opened to the public in September 2008 following a three-year development and refurbishment programme. This major project comprised an extensive refurbishment of the former Shires shopping centre, together with a 61,000m² mixed-use extension. The project, which created two new iconic anchor buildings and two public squares, more than doubled the size of the existing centre with 40 additional retail units, and revitalised Leicester's shopping, dining and city centre living. The scheme is anchored by John Lewis, House of Fraser, Debenhams and Next. Recent lettings include Pizza Express, Patisserie Valerie and Simply Be.

JV partner: Royal Mail Pension Plan (40%)
Key dates: 2002 acquired, extension and refurbishment completed September 2008
Tenure: Freehold

Principal occupiers: Cinema de Lux, Debenhams, House of Fraser, John Lewis, Next, River Island, ZARA
No. of tenants: 140
Unexpired lease term to expiry: 13 years

Occupancy rate: 97.9%
Rents passing: £16.8 million p.a.
Average rents passing: £420 per m²
Environmental rating: BREEAM Very Good
Energy Performance Certificate Rating: D

The Oracle, Reading

Ownership
50%

Property net internal area
70,500m²

Since opening in 1999, The Oracle has become the foremost shopping and leisure destination in the Thames Valley region. Developed in a joint venture between Hammerson and the Abu Dhabi Investment Authority (ADIA), The Oracle continues to attract UK and international retailers with recent store openings including Apple and Hollister. The Riverside, The Oracle's restaurant and leisure venue designed to regenerate Reading's riverside area, is home to 18 cafés and restaurants including Jamie's Kitchen and Wagamama, and a 10-screen Vue cinema. Recent openings include Browns and Côte Brasserie.

JV partner: ADIA (50%)
Key dates: 1999 developed
Tenure: Leasehold
Principal occupiers: Debenhams, House of Fraser

No. of tenants: 113
Unexpired lease term to expiry: 7 years
Occupancy rate: 99.0%
Rents passing: £14.2 million p.a.

Average rents passing: £530 per m²
Environmental rating: ISO 14001
Energy Performance Certificate Rating: D

UK shopping centres (continued)

Queensgate, Peterborough

Ownership **50%**

Property net internal area **81,900m²**

The centre is a fully enclosed two-level shopping centre with 112 tenants and 2,300 car parking spaces. Hammerson acquired its 50% interest in the centre in 2005. Adjacent to the city centre railway station, it represents the principal retail offer in Peterborough with an annual footfall of 15 million. Anchored by John Lewis, Marks & Spencer and Waitrose, the centre is being repositioned to bring new retailers into the city including a new 5,500m² Primark opening in late 2012. Recent openings include SuperDry, Fat Face, Jack and Jones with Carluccio's opening in summer 2012. Plans to refurbish the scheme's common areas and add to the restaurant and catering offer will complement the recent public realm infrastructure investment in the city centre and further develop the evolving evening economy.

- JV partner: Aviva Investors (50%)
- Key dates: 2005 acquired
- Tenure: Freehold
- Principal occupiers: Boots, John Lewis, Marks & Spencer, Next, Waitrose
- No. of tenants: 112
- Weighted average unexpired lease term: 15 years
- Occupancy rate: 96.6%
- Rents passing: £7.9 million p.a.
- Average rents passing: £300 per m²
- Environmental rating: ISO 14001
- Energy Performance Certificate Rating: E

Silverburn, Glasgow

Ownership **50%**

Property net internal area **91,100m²**

Hammerson and Canada Pension Plan Investment Board (CPPIB) entered into a 50:50 joint venture to purchase Silverburn in December 2009. Opened in 2007, Silverburn is a single-level covered centre with 100 tenants and 4,500 parking spaces. The site includes a 20,000 m² Tesco Extra. The centre attracts approximately 14 million customers per year and is anchored by Debenhams, Marks & Spencer, Next and New Look. Recent lettings include Fossil and TV1. Hammerson received planning approval to extend the existing centre by an additional 7,700m², creating high quality retail and leisure space.

- JV partner: Canada Pension Plan Investment Board (50%)
- Key dates: 2007 opened, 2009 acquired
- Tenure: Freehold
- Principal occupiers: Debenhams, Marks & Spencer, New Look, Next, Tesco Extra
- No. of tenants: 99
- Unexpired lease term to expiry: 10 years
- Occupancy rate: 98.0%
- Rents passing: £9.5 million p.a.
- Average rents passing: £335 per m²
- Environmental rating: None
- Energy Performance Certificate Rating: C

Union Square, Aberdeen

Ownership **100%**

Property net internal area **51,600m²**

Union Square, Aberdeen, opened to the public in October 2009 and provides a combination of traditional mall shopping and a retail terrace. Adjacent to Aberdeen's central railway station, the scheme is the largest development of its type in Scotland, providing 18,000m² of retail units, a 15,000m² shopping park, 10-screen cinema, 5,700m² of restaurants and catering space, a 200 bed hotel 1,700 parking spaces and a new civic square. The centre has brought new retailers to the city including Apple, Hollister and Gio Goi, as well as restaurants such as Wagamama and Giraffe. Having welcomed almost 14 million visitors in 2011, recent additions to the scheme line up include Hugo Boss and Dune.

- Key dates: October 2009 opened
- Tenure: Freehold
- Principal occupiers: Apple, Cine UK, H&M, Marks & Spencer, Next, ZARA
- No. of tenants: 75
- Unexpired lease term to expiry: 13 years
- Occupancy rate: 94.8%
- Rents passing: £14.2 million p.a.
- Average rents passing: £375 per m²
- Environmental rating: BREEAM Very Good
- Energy Performance Certificate Rating: B

WestQuay, Southampton

Ownership **50%**

Property net internal area **76,000m²**

Developed by Hammerson and opened in 2000, WestQuay has established Southampton as the region's premier shopping destination. Many of WestQuay's retailers are unique to the region, including flagship fashion and lifestyle stores. Recent openings include Toby Carvery Express and TM Lewin. Hammerson is working on proposals for the next phase of Southampton's regeneration, Watermark WestQuay, on a 2.4 hectare site adjacent to the shopping centre. A refurbishment of the foodcourt is being progressed through the design and planning phases.

- JV partner: GIC (50%)
- Key dates: 2000 developed
- Tenure: Leasehold
- Principal occupiers: John Lewis, Marks & Spencer
- No. of tenants: 93
- Unexpired lease term to expiry: 6 years
- Occupancy rate: 99.0%
- Rents passing: £13.9 million p.a.
- Average rents passing: £625 per m²
- Environmental rating: ISO 14001
- Energy Performance Certificate Rating: D

Bristol Investment Properties

Ownership **50%**

Property net internal area **33,700m²**

These properties are adjacent to the Cabot Circus scheme.

- JV partner: Land Securities (50%)
- Key dates: 2000-2006 acquired
- Tenure: Leasehold
- Principal occupiers: BHS, Currys, Sports World, Superdrug
- No. of tenants: 66
- Unexpired lease term to expiry: 10 years
- Occupancy rate: 99.0%
- Rents passing: £4.0 million p.a.
- Average rents passing: £265 per m²
- Environmental rating: None

Monument Mall, Newcastle

Ownership **100%**

Property net internal area **9,800m²**

Acquired in 2011, Monument Mall is located in the centre of Newcastle opening onto the prime retailing pitches of Northumberland Street and Blackett Street. Newcastle has the 6th largest shopping population in the UK with 605,000 people. Arranged over four levels, the centre comprises 16 small retail units, a food gallery and a large basement unit let to TK Maxx. In December 2011 planning permission was granted to reconfigure the space to provide an additional 3,000m² of retail floor space, infill the internal malls at all levels and create up to 9 well configured ground floor unit shops with basement trading potential and a 3,500m² unit trading on first and second floors, accessed from Northumberland Street.

Pre-letting is progressing well and over 50% of the floor space will be let or in solicitor's hands before construction commences.

- Key dates: 2011 acquired
- Tenure: Freehold
- Principal occupiers: TK Maxx and Wallis
- No. of tenants: 14
- Unexpired lease term to expiry: 5 years
- Occupancy rate: 80.7%
- Rents passing: £1.8 million p.a.
- Average rents passing: £207 per m²
- Environmental rating: None

UK retail parks

Hammerson owns 17 retail parks in the UK which together provide over 370,000m² of floorspace. These easily accessible parks, located on the edge of town centres, are let to both bulky goods and fashion retailers. They offer large-format modern stores with ample parking.

Abbey Retail Park, Belfast

Ownership **100%**

Property net internal area **20,200m²**

The scheme is located approximately three miles north of Belfast city centre in an established retail destination adjacent to the Abbey centre and Marks & Spencer. Planning consent has been secured for 6,225m² of retail and leisure floorspace, comprising part of a larger future development of the park.

Key dates: 2006 acquired
Tenure: Freehold
Principal occupiers: B&Q, Tesco

No. of tenants: 4
Unexpired lease term to expiry: 18 years
Occupancy rate: 100%
Planning: Part open A1, part bulky goods

Rents passing: £3.3 million p.a.
Average rents passing: £145 per m²
Environmental rating: EPC completed[1]

Battery Retail Park, Birmingham

Ownership **100%**

Property net internal area **13,000m²**

Built in 1990, Battery Retail Park is located four miles to the southwest of Birmingham city centre. The park consists of eight units. The asset offers further redevelopment potential. In 2010, Hammerson bought out its partner to become sole owner. Planning permission has been secured for the redevelopment of the B&Q unit and discussions with occupiers are ongoing. A comprehensive refurbishment of the existing terrace is also planned.

Key dates: Built 1990, 2002 acquired, 2010 bought out partner
Tenure: Leasehold
Principal occupiers: B&Q, Currys, Halfords, Homebase, Next, PC World

No. of tenants: 8
Unexpired lease term to expiry: 5 years
Occupancy rate: 100%
Planning: Open A1 and restaurants

Rents passing: £4.0 million p.a.
Average rents passing: £305 per m²
Environmental rating: BREEAM Pass

Brent South Shopping Park, London NW2

Ownership **41%**

Property net internal area **8,500m²**

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

JV partner: Standard Life Investments (59%)
Key dates: 2004 developed
Tenure: Freehold
Principal occupiers: Arcadia, Next, TK Maxx

No. of tenants: 9
Unexpired lease term to expiry: 10 years
Occupancy rate: 100%
Planning: Mainly open A1

Rents passing: £1.8 million p.a.
Average rents passing: £505 per m²
Environmental rating: EPC completed[1]

Central Retail Park, Falkirk

Ownership **100%**

Property net internal area **37,400m²**

Hammerson acquired its joint venture partner's interest in the scheme in 2011. The park which is located on the edge of town is anchored by a Tesco Superstore and comprises 27 units let to a range of retailers including, Boots, Next, Sports Direct, Mothercare and Clarks. Recent lettings have been concluded with Dunelm and Hobbycraft. The scheme also offers a Cineworld Cinema and Bannatynes Health Club along with 1,350 car parking spaces.

Key dates: 2002 acquired, 2003 extended
Tenure: Leasehold
Principal occupiers: Boots, Comet, Homebase, Mothercare, Next, Tesco

No. of tenants: 27
Weighted average unexpired lease term: 11 years
Occupancy rate: 97.9%
Planning: Mixed
Rents passing: £5.8 million p.a.

Average rents passing: £190 per m²
Environmental rating: EPC completed[1]

Cleveland Retail Park, Middlesbrough

Ownership **100%**

Property net internal area **27,100m²**

The scheme has benefited from two major extensions, the first in 2006 and the second in 2009. The relocation of bulky goods retailers into the second extension has enabled the original terrace to be redeveloped and let to high street operators including Next, Boots and Outfit. New lettings were concluded during 2011 to M&S Simply Food and Poundworld, together with A3 lettings to Frankie & Benny's and Costa who will occupy new units being developed during 2012. The scheme is anchored by B&Q who occupy a 9,500m² unit.

Key dates: 2002 acquired, 2006 extended, 2009 reconfiguration
Tenure: Freehold
Principal occupiers: Argos, B&Q, Boots, Currys, Matalan, M&S Simply Food, Next, Outfit

No. of tenants: 19
Unexpired lease term to expiry: 13 years
Occupancy rate: 100%
Planning: Part open A1, part bulky goods

Rents passing: £4.3 million p.a.
Average rents passing: £160 per m²
Environmental rating: BREEAM Good

Cyfarthfa Retail Park, Merthyr Tydfil

Ownership **100%**

Property net internal area **23,800m²**

Hammerson completed construction of Cyfarthfa Retail Park in January 2005. The scheme is fully let and comprises 13 retail units and three fast food outlets. The retail park, which is one of the most successful in South Wales, also includes a DW Sports health club, and parking for over 1,000 cars.

Key dates: 2005 developed
Tenure: Freehold
Principal occupiers: Argos, B&Q, Boots, Currys, Debenhams, DW Sports, New Look, Next, TK Maxx

No. of tenants: 17
Unexpired lease term to expiry: 12 years
Occupancy rate: 100%
Planning: Mixed (open A1, bulky goods, restaurant)

Rents passing: £5.0 million p.a.
Average rents passing: £210 per m²
Environmental rating: EPC completed[1]

[1] Energy Performance Certificates completed for individual retail units.

UK retail parks (continued)

Dallow Road, Luton

Ownership
100%

Property net internal area
10,100m²

Hammerson completed the construction of a 9,000m² B&Q Warehouse in February 2006. The scheme also consists of a 1,100m² Aldi store and 670 car parking spaces.

Key dates: 2002 acquired, 2006 redeveloped
Tenure: Freehold
Principal occupiers: Aldi, B&Q
No. of tenants: 2

Unexpired lease term to expiry: 18 years
Occupancy rate: 100%
Planning: Food and bulky goods

Rents passing: £2.0 million p.a.
Average rents passing: £195 per m²
Environmental rating: EPC completed[1]

Drakehouse Retail Park, Sheffield

Ownership
100%

Property net internal area
21,000m²

Hammerson acquired Drakehouse Retail Park in 2003. The scheme is located seven miles from Sheffield city centre and adjoins Crystal Peaks Shopping Centre. Tenants include Homebase, Currys, Comet, Smyths Toys and Dreams. In addition there is an 830 space car park.

Key dates: 2003 acquired
Tenure: Freehold
Principal occupiers: Carpetright, Comet, Currys, Dreams, Homebase, JD Sports, JJB Sports, Smyths Toys

No. of tenants: 18
Unexpired lease term to expiry: 11 years
Occupancy rate: 92.9%
Planning: Restricted open A1

Rents passing: £3.8 million p.a.
Average rents passing: £200 per m²
Environmental rating: EPC completed[1]

Elliott's Field, Rugby

Ownership
100%

Property net internal area
12,700m²

Acquired in March 2011, Elliott's Field is located two miles from Rugby town centre close to Junction 1 of the M6. The open A1 consented park comprises 11 units over three retail terraces, and the principal tenants include Next, TK Maxx and Homebase. The park provides significant redevelopment opportunities and pre-letting discussions with high street anchor stores are being progressed.

Key dates: 2011 acquired
Tenure: Freehold
Principal occupiers: Comet, Halfords, Homebase, TK Maxx, Wickes

No. of tenants: 10
Unexpired lease term to expiry: 2 years
Occupancy rate: 100%
Planning: Open A1

Rents passing: £2.1 million p.a.
Average rents passing: £165 per m²
Environmental rating: BREEAM Good

Fife Central Retail Park, Kirkcaldy

Ownership
100%

Property net internal area
28,200m²

Hammerson acquired Fife Central Retail Park in Kirkcaldy in April 2005. The property was developed in 1997 and following completion of an 11,000m² extension, the park now comprises 16 retail and three restaurant units. The scheme is anchored by B&Q with other tenants including Argos, Next, Sainsbury's, Toys 'R' Us and Mothercare.

Key dates: 2005 acquired, 2009 extension
Tenure: Freehold
Principal occupiers: Argos, B&Q, Boots, Homebase, Mothercare, Next, Sainsbury's

No. of tenants: 19
Unexpired lease term to expiry: 11 years
Occupancy rate: 100%
Planning: Part open A1, part bulky goods

Rents passing: £5.7 million p.a.
Average rents passing: £205 per m²
Environmental rating: BREEAM Pass

Manor Walks, Cramlington

Ownership
100%

Property net internal area
48,100m²

Manor Walks Shopping Centre and the adjoining Westmorland Retail Park form the core retail area of Cramlington which is situated nine miles north of Newcastle. Proposals to extend the retail park are being progressed. The plans include the construction of a multiplex cinema, which is currently pre-let to Vue and restaurants adjacent to the Shopping Centre.

Key dates: 2006 acquired
Tenure: Freehold
Principal occupiers: Argos, Asda, Boots, Next, Sainsbury's, Vue

No. of tenants: 103
Unexpired lease term to expiry: 5 years
Occupancy rate: 96.6%
Planning: Open A1

Rents passing: £6.4 million p.a.
Average rents passing: £155 per m²
Environmental rating: EPC completed[1]

The Orchard Centre, Didcot

Ownership
100%

Property net internal area
22,800m²

The Orchard Centre provides the main retail offer for Didcot, 14 miles south of Oxford. Part open mall, part retail park, it is anchored by a Sainsbury's food store. A 20,000m² retail-led mixed use extension is proposed and pre-letting discussions are underway with anchor retailers and a planning application is scheduled for submission in Spring 2012.

Key dates: 2006 acquired
Tenure: Leasehold
Principal occupiers: Argos, Next, Sainsbury's

No. of tenants: 48
Unexpired lease term to expiry: 16 years
Occupancy rate: 98.8%
Planning: Open A1

Rents passing: £3.7 million p.a.
Average rents passing: £200 per m²
Environmental rating: EPC completed[1]

[1] Energy Performance Certificates completed for individual retail units.

Parc Tawe Retail Park, Swansea

Ownership
100%

Property net internal area
22,600m²

Parc Tawe Retail Park is an edge-of-city centre scheme in Swansea. The scheme incorporates 5,500m² of leisure uses, including a cinema. The park benefits from an open A1 planning consent and represents an attractive redevelopment opportunity.

Key dates: 2006 acquired
Tenure: Leasehold
Principal occupiers: Mothercare, Odeon, Toys 'R' Us
No. of tenants: 14
Unexpired lease term to expiry: 1 year
Occupancy rate: 87.4%
Planning: Open A1
Rents passing: £1.9 million p.a.
Average rents passing: £100 per m²
Environmental rating: EPC completed[1]

Ravenhead Retail Park, St Helens

Ownership
100%

Property net internal area
27,500m²

Ravenhead Retail Park is an out of town high-specification modern retail park which was developed in several phases from 2000 to 2006. Planning consent exists for a further 5,800 m² of new retail floorspace and a scheme design is being finalised in accordance with tenant demand.

Key dates: 2007 acquired
Tenure: Freehold
Principal occupiers: Argos, B&Q, Boots, Currys, Next, Outfit, Smyths Toys
No. of tenants: 18
Unexpired lease term to expiry: 12 years
Occupancy rate: 100%
Planning: Part open A1, part bulky goods
Rents passing: £4.8 million p.a.
Average rents passing: £175 per m²
Environmental rating: BREEAM Pass

St Oswald's Retail Park, Gloucester

Ownership
100%

Property net internal area
20,500m²

Located north of Gloucester city centre, St Oswald's is the dominant retail park in its catchment comprising 19,400m² of predominantly bulky goods retail and leisure space over two terraces including 1,100m² of restaurants and 990 parking spaces.

Key dates: 2002 acquired, 2005 developed
Tenure: Leasehold
Principal occupiers: B&Q, Comet, Homebase, JJB Sports, Mothercare
No. of tenants: 13
Unexpired lease term to expiry: 16 years
Occupancy rate: 100%
Planning: Mixed (open A1, bulky goods, restaurant)
Rents passing: £4.5 million p.a.
Average rents passing: £220 per m²
Environmental rating: EPC completed[1]

Westwood & Westwood Gateway Retail Parks, Thanet

Ownership
100%

Property net internal area
24,900m²

Hammerson owns two adjacent schemes, Westwood Retail Park (formerly East Kent and Westwood Retail Parks) and Westwood Gateway Retail Park. The former Westwood Retail Park was redeveloped by Hammerson in 2009 to create a new 5,300m² terrace let to Bhs, Brantano and Dunelm Mill. Other occupiers include Homebase, Argos, Matalan and Sports Direct.

Key dates: 2002 acquired, 2009 extended
Tenure: Freehold
Principal occupiers: Argos, Bhs, Comet, Homebase, Matalan, Sports Direct
No. of tenants: 18
Unexpired lease term to expiry: 12 years
Occupancy rate: 100%
Planning: Part open A1
Rents passing: £5.1 million p.a.
Average rents passing: £195 per m²
Environmental rating: EPC completed[1]

Wrekin Retail Park, Telford

Ownership
100%

Property net internal area
13,400m²

In November 2010, Hammerson acquired Wrekin Retail Park west of Telford town centre. The park was developed in 1996 and is currently fully let. The scheme comprises nine retail units and adjoins an owner occupied Tesco Extra store.

Key dates: 1996 development; 2010 acquired
Tenure: Freehold
Principal occupiers: Asda Living, Boots, Homebase, Matalan
No. of tenants: 12
Unexpired lease term to expiry: 9 years
Occupancy rate: 100%
Planning: Open A1
Rents passing: £2.6 million p.a.
Average rents passing: £195 per m²
Environmental rating: EPC completed[1]

[1] Energy Performance Certificates completed for individual retail units.

France retail

In France, we own and manage some of the top shopping centres in the Ile-de-France region, including Italie 2 and O'Parinor, together with high quality centres in Strasbourg and Angers. Our French shopping centres attract over 70 million visitors each year.

54-60 rue du Faubourg Saint-Honoré, Paris 8ème

Ownership **8,000m²**

Property net internal area **8,000m²**

Hammerson acquired the buildings at 54-60 rue du Faubourg Saint-Honoré, in Paris' prestigious luxury goods quarter, in 2005. Located between rue d'Aguesseau and rue d'Anjou, the buildings comprise six blocks of multi-let properties. A refurbishment programme of the retail element of the scheme completed the 8,000m² mixed-use property which now includes 3,900m² of retail space, 200m² of office space and 3,900m² of residential accommodation. New brands include Burberry, Moschino, Bally, Blumarine, Paper Rain, Jenny Packham and Brunello Cucinelli.

Key dates: 2005 acquired, 2010 refurbishment
Tenure: Freehold
Principal occupier: Burberry
No. of tenants: 51
Unexpired lease term to expiry: 8 years
Occupancy rate: 99.3%
Rents passing: £5.4 million p.a.
Average rents passing: £680 per m²
Environmental rating: None

Bercy 2, Charenton-le-Pont

Ownership **20,200m²**

Property net internal area **35,200m²**

In 2000, Hammerson acquired 20,200 m² of the mall units in Bercy 2, representing a 56% interest in the co-ownership. Built in 1990 and refurbished in 1997, the three-level scheme designed by Renzo Piano is anchored by Carrefour. A renovation of the shopping centre both internal and external, has been on going since July 2011 with completion expected in July 2012. The landmark scheme occupies a high profile site on one of the key exits from Paris on the boulevard Périphérique, has 2,300 parking spaces, and is one of the most important shopping destinations in the eastern suburbs of the capital.

Co-ownership: Carrefour and Darty
Key dates: 2000 acquired
Tenure: Freehold
Principal occupiers: Carrefour, Go Sport, H&M, La Grande Recré, Tati, Virgin
No. of tenants: 62
Unexpired lease term to expiry: 5 years
Occupancy rate: 93.7%
Rents passing: £5.1 million p.a.
Average rents passing: £300 per m²
Environmental rating: None

Espace Saint Quentin, Saint Quentin-en-Yvelines

Ownership **25%**

Property net internal area **58,700m²**
(of which JV ownership is 27,900 m²)

Acquired by Hammerson in 1994, Espace Saint Quentin is part of a larger mixed-use development including residential, office and hotel accommodation and a food court. Anchored by Carrefour, the centre was extended in 1999 and 2002. The single level retail element has direct access to car parking providing 2,600 spaces. A 5,800 m² restructuring programme was completed in 2007. Hammerson sold a 75% interest in the scheme to Allianz in 2010.

JV partner: Allianz (75%)
Co-ownership: Buffalo Grill, C&A, Carrefour, Darty, McDonalds,
Key dates: 1994 acquired, 2007 reconfiguration
Tenure: Freehold
Principal occupiers: C&A, Carrefour, Go Sport, H&M, Sephora
No. of tenants: 121
Unexpired lease term to expiry: 4 years
Occupancy rate: 97.8%
Rents passing: £3.3 million p.a.
Average rents passing: £485 per m²
Environmental rating: None

Grand Maine, Angers

Ownership **9,100m²**

Property net internal area **22,000m²**

Located in the Lac du Maine area at the edge of Angers city centre, Grand Maine is a 22,000 m² shopping centre. Carrefour anchors the scheme and is also the largest co-owner. The centre provides free parking for 1,350 cars.

Co-ownership: Carrefour
Key dates: 2007 acquired
Tenure: Freehold
Principal occupiers: Camaieu, Carrefour, Celio, Etam, Jeff de Bruges, Naf Naf, Paul, Yves Rocher
No. of tenants: 58
Unexpired lease term to expiry: 4 years
Occupancy rate: 100%
Rents passing: £2.8 million p.a.
Average rents passing: £305 per m²
Environmental rating: None

Italie 2, Avenue d'Italie, Paris 13ème

Ownership **56,900m²**

Property net internal area **56,900m²**

Hammerson's 1998 acquisition of this three-level shopping complex was followed by a major refurbishment, completed in 2001. The scheme is the second largest shopping centre in central Paris and is a key location for fashion and leisure brands. Italie 2 forms part of a large mixed-use scheme incorporating residential towers, offices and a hotel. A mall refurbishment will be launched in mid 2012 and further development opportunities are being worked through.

Key dates: 1998 acquired, 2001 refurbished
Tenure: Freehold
Principal occupiers: CarrefourMarket, Darty, Fnac, Go Sport, La Grande Récré, Printemps, Sephora, Tati, ZARA
No. of tenants: 128
Unexpired lease term to expiry: 4 years
Occupancy rate: 99.4%
Rents passing: £19.1 million p.a.
Average rents passing: £410 per m²
Environmental rating: HQE for proposed extension

Les 3 Fontaines, Cergy Pontoise

Ownership **22,900m²**

Property net internal area **58,900m²**

Opened in 1972, and refurbished in 1996, following Hammerson's acquisition in 1995, Les 3 Fontaines is a three-level enclosed shopping centre. Anchored by Auchan, principal tenants include H&M and Mango. The centre also benefits from 3,300 car parking spaces.

Co-ownership: Auchan
Key dates: 1995 acquired, 1996 refurbished
Tenure: Freehold
Principal occupiers: Auchan, C&A, Darty, H&M, Mango, New Look
No. of tenants: 78
Unexpired lease term to expiry: 3 years
Occupancy rate: 99.5%
Rents passing: £11.7 million p.a.
Average rents passing: £505 per m²
Environmental rating: None

O'Parinor, Aulnay-sous-Bois

Ownership
25%

Property net internal area
90,500m²
(of which JV ownership is 57,100m²)

In September 2008, Hammerson completed a 24,000m² redevelopment and extension of the existing Parinor shopping centre. The centre is the largest to the north of Paris totalling over 90,000m² and provides high quality retail offer and customer facilities. It comprises 210 stores and is anchored by one of the top 10 Carrefour hypermarkets in France. Other principal occupiers include C&A, Boulanger, Toys 'R' Us, Darty, Fnac, Sephora, ZARA and H&M. The scheme includes 5,200 parking spaces. In October 2010, Hammerson sold a 51% interest in the scheme to a client of Rockspring Property Investment Managers LLP. In October 2011, a further 24% interest was sold.

JV partner: Client of Rockspring Property Investment Managers LLP (75%)
Co-ownership: Carrefour and Redevco
Key dates: 2002 acquired, September 2008 completion of major extension and redevelopment
Tenure: Freehold
Principal occupiers: C&A, Carrefour, Darty, Fnac, Go Sport, H&M, New Look, Saturn, Toys 'R' Us, ZARA
No. of tenants: 186
Unexpired lease term to expiry: 5 years
Occupancy rate: 95.9%
Rents passing: £5 million p.a.
Average rents passing: £360 per m²
Environmental rating: None

Place des Halles, Strasbourg

Ownership
39,900m²

Property net internal area
41,200m²

Part of a mixed-use development including four office buildings, two residential buildings and two hotels, Place des Halles is the main shopping destination in Strasbourg, located in the city centre. Hammerson extensively refurbished the two-level shopping centre in 2002. The centre provides parking for 2,600 cars. A major refurbishment project is planned for the centre.

Minority interest: Assurbail (35.5%)
Key dates: 1998 acquired, 2002 refurbished
Tenure: Freehold
Principal occupiers: C&A, Darty, Galeries Gourmandes, Go Sport, H&M, Mango, New Look, Sephora, Toys 'R' Us
No. of tenants: 120
Unexpired lease term to expiry: 5 years
Occupancy rate: 99.2%
Rents passing: £12.3 million p.a.
Average rents passing: £310 per m²
Environmental rating: None

SQY Ouest, Saint Quentin-en-Yvelines

Ownership
50%

Property net internal area
31,000m²

In February 2011 Hammerson acquired SQY Ouest in Saint Quentin-en-Yvelines in a 50/50 joint venture with Codic France. Developed in 2005, SQY Ouest is a modern retail and leisure scheme located 20km to the south west of Paris and is adjacent to the Espace Saint Quentin shopping centre, also co-owned by Hammerson. The four level shopping centre comprises 36 retailers including the international brands Bershka, GoSport and ZARA and is anchored by one of UGC's most successful multiplex cinemas.

JV partner: Codic France 50%
Key dates: 2005 opened, 2011 acquired
Tenure: Freehold
Principal occupiers: UGC, GoSport, Virgin Megastore, ZARA, Bershka
No. of tenants: 39
Unexpired lease term to expiry: 4 years
Occupancy rate: 83.7%
Rents passing: £2.4 million p.a.
Average rents passing: £175 per m²
Environmental rating: None

Villebon 2, Villebon-sur-Yvette

Ownership
47,500m²

Property net internal area
47,500m²

Acquired in July 2005, Villebon 2 is one of the largest retail parks in the Paris region and accommodates 46 retailers, including Darty and Fnac verte. It has 1,200 car parking spaces and forms part of a larger retail destination including one of the most successful Auchan hypermarkets. A 5,600m² extension was completed in 2007 and let to fashion retailers including C&A and Kiabi.

Key dates: 2005 acquired, 2007 extension
Tenure: Freehold
Principal occupiers: Animalis, Autobacs, C&A, Darty, Fnac, Gemo, Kiabi, Sport 2000, Toys 'R' Us
No. of tenants: 46
Unexpired lease term to expiry: 6 years
Occupancy rate: 100%
Rents passing: £7.3 million p.a.
Average rents passing: £155 per m²
Environmental rating: None

Offices

Our 108,000m² portfolio includes landmark buildings such as 99 Bishopsgate and 125 Old Broad Street.

1 Leadenhall Court, London EC3

Ownership
100%

Property net internal area
10,000m²

Acquired in 2010 the building was constructed in 1988 in a prime City of London location at the corner of Gracechurch Street and Leadenhall Street, between Bank and Liverpool Street stations. The building is fully let to RSA Insurance Group until March 2014.

Key dates: 2010 acquired
Tenure: Leasehold
Principal occupiers: RSA Group
No. of tenants: 1
Unexpired lease term to expiry: 2 years
Occupancy rate: 100%
Rents passing: £7.2 million p.a.
Average rents passing: £760 per m²
Environmental rating: None

10 Gresham Street, London EC2

Ownership
30%

Property net internal area
23,600m²

Hammerson and its joint venture partner Canada Pension Plan Investment Board acquired this property in 2010. The eight floor building designed by Foster + Partners was completed in 2003.The principal occupier is Lloyds TSB Bank, with the remainder of the building let to six other tenants including Milbank Tweed Hadley & McCloy.

JV partner: Canada Pension Plan Investment Board (70%)
Key dates: 2010 acquired
Tenure: Leasehold
Principal occupiers: Lloyds TSB and Milbank Tweed Hadley & McCloy
No. of tenants: 7
Unexpired lease term to expiry: 9 years
Occupancy rate: 99.9%
Rents passing: £3.2 million p.a.
Average rents passing: £475 per m²
Environmental rating: BREEAM Excellent
Energy Performance Certificate Rating: C

10 Grosvenor Street, London W1

Ownership
50%

Property net internal area
6,000m²

Developed in joint venture between Hammerson and Grosvenor, this six-storey Mayfair office building was completed in December 2003. It houses Hammerson's headquarters with Associated British Foods occupying the top two floors of the building and hedge fund manager LDFM, the third floor. The scheme includes 570m² of retail space on the ground floor.

JV partner: Grosvenor (50%)
Key dates: 2003 developed
Tenure: Leasehold
Principal occupiers: Associated British Foods, Hammerson, LDFM
No. of tenants: 6
Unexpired lease term to expiry: 10 years
Occupancy rate: 100%
Rents passing: £2.1 million p.a.
Average rents passing: £695 per m²
Environmental rating: BREEAM Excellent in use
Energy Performance Certificate Rating: C

99 Bishopsgate, London EC2

Ownership
100%

Property net internal area
31,500m²

Acquired by Hammerson in 1994, and extensively redeveloped in 1995, 99 Bishopsgate provides 26 floors of high specification office accommodation totalling 31,500m², of which 12,100m² is currently being refurbished. In July 2011 Hammerson acquired the virtual freehold of the building. Principal tenants include Latham & Watkins and Deutsche Bank. Hammerson carried out a refurbishment of the top five floors, totalling 5,000m², in 2006, and re-let the space to Charles River Associates and existing tenant Latham & Watkins.

Key dates: 1995 developed
Tenure: Leasehold
Principal occupiers: Charles River Associates, Deutsche Bank, Latham & Watkins
No. of tenants: 5
Unexpired lease term to expiry: 6 years
Occupancy rate: 99.9% (excluding area under refurbishment)
Rents passing: £11.3 million p.a.
Average rents passing: £600 per m²
Environmental rating: ISO 14001
Energy Performance Certificate Rating: C

125 Old Broad Street, London EC2

Ownership
50%

Property net internal area
30,300m²

Hammerson and its joint venture partners completed the redevelopment of the 26-storey tower building at 125 Old Broad Street, the former London Stock Exchange, in July 2008. The development provides 29,300m² of Grade-A office accommodation and 1,000m² of retail and storage space. Principal tenants include international real estate advisor DTZ, international law firms Gide Loyrette Nouel, King and Spalding, Renaissance RE and service office providers Landmark Business Centres. Retailers include tailor Turnbull & Asser and French bistro Brasserie Le Relais de Venise l'Entrecôte.

JV partners: GE Real Estate (25%), Bank of Ireland (25%)
Key dates: 2002 site acquisition; July 2008 completion
Tenure: Freehold
Principal occupiers: DTZ, Gide Loyrette Nouel, King and Spalding, Renaissance RE and Landmark Business Centres
No. of tenants: 24
Unexpired lease term to expiry: 11 years
Occupancy rate: 99.5%
Rents passing: £7.8 million p.a.
Average rents passing: £515 per m²
Environmental rating: BREEAM Very Good
Energy Performance Certificate Rating: C

Stockley House, Victoria, London SW1

Ownership
100%

Property net internal area
6,500m²

Acquired by Hammerson in 2007, this building offers an opportunity for redevelopment either as a standalone scheme or as part of the wider Victoria Station regeneration. Principal occupiers include Balfour Beatty and Hays Specialist Recruitment.

Key dates: 2007 acquired
Tenure: Freehold
Principal occupiers: Balfour Beatty, Hays Specialist Recruitment
No. of tenants: 3
Unexpired lease term to expiry: 4 years
Occupancy rate: 76.3%
Rents passing: £1.6 million p.a.
Average rents passing: £320 per m²
Environmental rating: None
Energy Performance Certificate Rating: E

Glossary of terms

Adjusted figures (per share)	Reported amounts adjusted 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	The cost of finance expressed as a percentage of the weighted average of borrowings during the period.
Capital return	The change in property value during the period after taking account of capital expenditure and exchange translation movements, calculated on a monthly time-weighted basis.
DTR	Disclosure and Transparency Rules, issued by the United Kingdom Listing Authority.
Dividend cover	Adjusted earnings per share divided by dividend per share.
Earnings per share (EPS)	Profit for the period attributable to equity shareholders divided by the average number of shares in issue during the period.
EBITDA	Earnings before interest, tax, depreciation and amortisation.
EPRA	European Public Real Estate Association. This organisation has issued recommended bases for the calculation of earnings per share and net asset value per share.
Equivalent yield (true and nominal)	The capitalisation rate applied to future cash flows to calculate the gross property value. The cash flows reflect the timing of future rents resulting from lettings, lease renewals and rent reviews based on current ERVs. The true equivalent yield assumes rents are received quarterly in advance. The nominal equivalent yield assumes rents are received annually in arrears. The property true and nominal equivalent yields are determined by the Group's external valuers.
ERV	The estimated market rental value of the total lettable space in a property, after deducting head and equity rents, calculated by the Group's external valuers.
Gearing	Net debt expressed as a percentage of equity shareholders' funds.
Gross property value	Property value before deduction of purchaser's costs, as provided by the Group's external valuers.
Gross rental income	Income from rents, car parks and commercial income, after accounting for the net effect of the amortisation of lease incentives.
IAS	International Accounting Standard.
IASB	International Accounting Standards Board.
IFRS	International Financial Reporting Standard.
Initial yield	Annual cash rents receivable (net of head and equity rents and the cost of vacancy, and in the case of France, net of an allowance for costs of approximately 5.2% primarily for management fees), as a percentage of gross property value, as provided by the Group's external valuers. Rents receivable following the expiry of rent-free periods are not included. Rent reviews are assumed to have been settled at the contractual review date at ERV.
Interest cover	Net rental income divided by net cost of finance before capitalised interest and change in fair value of derivatives.
Interest rate or currency swap (or derivatives)	An agreement with another party to exchange an interest or currency rate obligation for a pre-determined period of time.
IPD	Investment Property Databank. An organisation supplying independent market indices and portfolio benchmarks to the property industry.
Like-for-like/underlying net rental income	The percentage change in net rental income for completed investment properties owned throughout both current and prior periods, after taking account of exchange translation movements.
Loan to value ratio	Borrowings and foreign currency swaps expressed as a percentage of the total value of investment and development properties.
Net asset value per share (NAV)	Equity shareholders' funds divided by the number of shares in issue at the balance sheet date.
Net rental income	Income from rents, car parks and commercial income, after deducting head and equity rents payable, and other property related costs.
Occupancy rate	The ERV of the area in a property, or portfolio, excluding developments, which is let, expressed as a percentage of the total ERV of that property or portfolio.

Glossary of terms (continued)

Over-rented	The amount by which ERV falls short of rents passing, together with the estimated rental value of vacant space.
Pre-let	A lease signed with a tenant prior to completion of a development.
Property Income Distribution (PID)	A dividend, generally subject to withholding tax, that a UK REIT is required to pay from its tax-exempt property rental business and which is taxable for UK-resident shareholders at their marginal tax rate.
REIT	Real Estate Investment Trust. A tax regime 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.
Rents passing or passing rents	The annual rental income receivable from an investment property, after any rent-free periods and after deducting head and equity rents. This may be more or less than the ERV (see over-rented and reversionary or under-rented).
Return on shareholders' equity (ROE)	Capital growth and profit for the year expressed as a percentage of equity shareholders' funds at the beginning of the year, all excluding deferred tax and certain non-recurring items.
Reversionary or under-rented	The amount by which the ERV exceeds the rents passing, together with the estimated rental value of vacant space.
Scrip dividend	A dividend received in the form of shares.
SIIC	Sociétés d'Investissements Immobiliers Côtées. A French tax-exempt regime available to property companies listed in France.
Total development cost	All capital expenditure on a development project, including capitalised interest.
Total return	Net rental income and capital return expressed as a percentage of the opening book value of property adjusted for capital expenditure and exchange translation movements, calculated on a monthly time-weighted basis.
Total shareholder return	Dividends and capital growth in the share price, expressed as a percentage of the share price at the beginning of the year.
Turnover rent	Rental income which is related to an occupier's turnover.
UK GAAP	United Kingdom Generally Accepted Accounting Practice.
Vacancy rate	The ERV of the area in a property, or portfolio, excluding developments, which is currently available for letting, expressed as a percentage of the ERV of that property or portfolio.
Yield on cost	Rents passing expressed as a percentage of the total development cost of a property.

Index

Accounting policies	76, 111
Adjustment for non-cash items in the cash flow statement	108
Administration expenses	39, 84
Analysis of movement in net debt	40, 75
Auditor's report	
Group financial statements	68
Parent company financial statements	109
Board of Directors	44
Borrowings	40, 98, 112
Market background	16
Business review	32
Cash and deposits	40, 98
Chairman's Q & A	46
Chairman's statement	4
Chief Executive's report	2
Company balance sheet	110
Consolidated balance sheet	72
Consolidated cash flow statement	75
Consolidated income statement	70
Consolidated statement of changes in equity	73
Consolidated statement of comprehensive income	71
Contingent liabilities	108
Corporate governance	48
Corporate responsibility	26
Developments	34
Directors' remuneration	62
Directors' report	IFC
Directors' responsibilities	67
Dividends	5, 40, 65, 90
Equity	112
Financial highlights	IFC
Financial instruments	100, 113
Financial review	39
Glossary of terms	123
Human resources	30
Investment and development properties	34, 43, 92
Investment in associate	94
Investment in own shares	107
Investments in subsidiary companies	111
Joint ventures	95
Key performance indicators (KPIs)	20
Net finance costs	39, 87
Notes to the accounts	76, 111
Obligations under finance leases	105
Operating lease receipts	108
Other investments	97
Our principal properties	6
Payables	105, 112
Pensions	53, 60, 85
Per share data	IFC, 39, 40, 91
Plant, equipment and owner-occupied property	93
Principal group addresses	127
Principal uncertainties	24
Principal subsidiary companies	113
Profit before tax	39, 70, 81
Property portfolio	115
Property portfolio information	43
Property returns	20, 21, 22
Receivables	97, 111
Real Estate Investment Trusts (REITs)	40, 88, 89
Remuneration report	54
Responding to market dynamics	18
Result for the year	81
Risk management	24
Segmental analysis	41, 43, 82
Share capital	65, 106
Shareholder information	126
Shareholder return	22, 61
Sociétés d'Investissements Immobiliers Côtées (SIIC)	40, 88, 89
Strategy	2, 20
Tax	40, 88
Ten-year financial summary	114
Treasury shares	108

Shareholder information

Financial calendar

Full-year results announced		24 February 2012
Recommended final dividend	– Ex-dividend date	14 March 2012
	– Record date	16 March 2012
	– Election (or cancellation) date for Dividend Reinvestment Plan	5.00 pm on 2 April 2012
	– Payable on	27 April 2012
Annual General Meeting		19 April 2012
Anticipated 2012 interim dividend		October 2012

Annual General Meeting

The Annual General Meeting for 2012 will be held at 11.00 am on 19 April 2012 at 10 Grosvenor Street, London W1K 4BJ. Details of the Meeting and the resolutions to be voted upon can be found in the Notice of Meeting sent to all shareholders.

UK Real Estate Investment Trust ('REIT') taxation

As a UK REIT, Hammerson plc (the 'Company') 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.

Registrar

If you have any queries about the administration of shareholdings, such as lost share certificates, change of address, change of ownership or dividend payments please contact the Registrar:

Capita Registrars
The Registry
34 Beckenham Road
Beckenham, Kent BR3 4TU

Tel: 0871 664 0300 (calls cost 10p per minute plus network extras, lines are open 8.30 am to 5.30 pm Monday to Friday),
or +44 (0)20 8639 3399 (from overseas); email: ssd@capitaregistrars.com website: www.capitashareportal.com

Registering on the Registrar's website enables you to view your shareholding in the Company including an indicative share price and valuation, a transaction audit trail and dividend payment history. You can also amend certain standing data relating to your account.

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 on request or at www.capitaregistrars.com/shareholders/aspx. Under this arrangement, tax vouchers are sent to the shareholder's registered address unless the shareholder requests otherwise.

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 write to the Registrar giving details of the accounts concerned and instructions on how they should be amalgamated.

Dividend Reinvestment Plan ('DRIP')

Shareholders can reinvest dividend payments in additional shares in the Company under the DRIP operated by the Company's Registrar by completing an application form online at www.capitashareportal.com or calling Capita IRG Trustees: Tel: 0871 664 0381 (from the UK calls cost 10p per minute plus network extras) or +44 (0) 20 8639 3402 (from overseas) email: ssd@capitaregistrars.com.

Elections to participate in the DRIP (or cancellation of previous instructions) must be received by the Company's Registrar no later than 5.00 pm on Monday, 2 April 2012. Further details can be found on the website at www.hammerson.com on the 'Investors' page.

SCRIP dividend alternative

The Company will not be offering shareholders a SCRIP dividend alternative for the 2011 final dividend. The DRIP will therefore automatically be reinstated in respect of the 2011 final dividend for those shareholders who have already completed an application form. Such shareholders should take no action unless they wish to receive their dividend in cash, in which case they should contact Capita Registrars to cancel their instruction.

International payment service

In conjunction with Travelex, Capita Registrars provides a service to convert sterling dividends into certain local currencies. For further information, please contact Capita Registrars (address on page 126). Tel: 0871 664 0385 (calls cost 10p per minute plus network extras, lines are open 9.00 am to 5.30 pm Monday to Friday) or +44 (0)20 8639 3405 (from overseas); email: ips@capitaregistrars.com. Further details can be found at http://international.capitaregistrars.com/

Capita share dealing services

An online and telephone dealing facility is available, providing shareholders with an easy to access and simple to use service. There is no need to pre-register and there are no complicated forms to fill in. The online and telephone dealing service allows you to trade 'real time' at a known price which will be given to you at the time you give your instruction. This is subject to a credit check for shareholders dealing in shares valued at more than the sterling equivalent of €15,000.

For further information on this service, or to buy and sell shares Tel: 0871 664 0364 (calls cost 10p per minute plus network extras, lines are open 8.00 am to 4.30 pm Monday to Friday), +44 (0)20 3367 2686 (from overseas) or 1 890 946 375 (from Ireland);
email: info@capitadeal.com website: www.capitadeal.com

Shareholder security

Many shareholders of UK companies have received unsolicited telephone calls or correspondence from overseas-based 'brokers' who target UK shareholders, offering to sell them what often turn out to be worthless or high-risk shares in US or UK investments. These operations are commonly known as 'boiler rooms'. More detailed information on this or similar activity can be found on the Financial Services Authority website at: http://www.fsa.gov.uk/consumerinformation/scamsandswindles/investment_scams/boiler_room

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 (charity number 1052686). Further information about ShareGift is available at www.sharegift.org or by writing to ShareGift, The Orr Mackintosh Foundation, 17 Carlton House Terrace, London SW1Y 5AH.

Unsolicited mail

Hammerson is obliged by law to make its share register available on request to other organisations. This may result in you receiving unsolicited mail. If you wish to limit the receipt of unsolicited mail you may do so by writing to the Mailing Preference Service, an independent organisation whose services are free to you. Once your name and address have been added to its records, it will advise the companies and other bodies that support the service that you no longer wish to receive unsolicited mail. If you would like more details you should write to:

The Mailing Preference Service
FREEPOST 29
LON 20771
London W1E 0ZT

Or telephone their helpline on 0845 703 4599 (calls charged at local rate) or register on their website www.mpsonline.org.uk

Website

The 2011 Annual Report and other information is available on the Company's website: www.hammerson.com on the 'Investors' page. The Company operates a service whereby all registered users can choose to receive, via email, notice of all Company announcements which can be viewed on the website.

Registered office

10 Grosvenor Street, London W1K 4BJ
Registered in England No. 360632

Advisers

Valuers	Cushman & Wakefield, DTZ Debenham Tie Leung
Auditor	Deloitte LLP
Solicitors	Herbert Smith LLP
Stockbrokers	Citi, Deutsche Bank AG

Principal Group addresses

United Kingdom
Hammerson plc
10 Grosvenor Street
London
W1K 4BJ

Tel +44 (0)20 7887 1000
Fax +44 (0)20 7887 1010

France
Hammerson SAS
Washington Plaza Immeuble Artois
44 rue Washington
75408 Paris CEDEX 08
France

Tel +33 (1) 56 69 30 00
Fax +33 (1) 56 69 30 01

MIX
Paper from responsible sources
FSC® C016486

This report is printed on Hello Silk paper which is FSC® Certified and was manufactured at a mill that is certified to the ISO14001 and EMAS environmental standards.

Printed by Fulmar Colour

Fulmar Colour are ISO14001 certified, CarbonNeutral®, Alcohol Free, FSC and PEFC Chain of Custody certified. The inks used are vegetable oil based.

Designed and produced by Salterbaxter

Hammerson plc
10 Grosvenor Street,
London, W1K 4BJ
www.hammerson.com