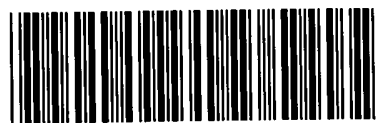


Company Number: 00298351

HAMMERSON UK PROPERTIES plc
ANNUAL REPORT AND FINANCIAL STATEMENTS
Year ended 31 December 2016

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HAMMERSON UK PROPERTIES plc

REPORT OF THE DIRECTORS

Year ended 31 December 2016

1. PRINCIPAL ACTIVITIES

The principal activity of the Company is property investment in the United Kingdom, both directly and through its investment in property owning subsidiaries. The Directors do not anticipate any significant change in the principal activity in the foreseeable future.

2. RESULTS AND DIVIDENDS

The profit for the year after tax was £73,858,000 (2015: £182,546,000). The Directors do not recommend the payment of a dividend for the year (2015: £nil). Further information relating to the business, its key risks and future prospects is provided in the Strategic Report on page 3.

3. DIRECTORS

- (a) Mr. D.J. Atkins, Mr. A.J. Berger-North, Mr. P.W.B Cole, Mr. N. T. Drakesmith and Mr. M. Plocica were Directors of the Company throughout the year.
- (b) Ms. R.S. Booth was appointed as a Director of the Company on 11 February 2016 and Mr. M.R. Bourgeois was appointed as Director of the Company on 17 March 2017.
- (c) Mr. M. Plocica resigned as a Director of the Company on 31 May 2017.
- (d) In accordance with the Articles of Association of the Company, the Directors are not required to retire by rotation.
- (e) No Director has any interest in contracts entered into by the Company.

4. COMPANY SECRETARY

Hammerson Company Secretarial Limited was Company Secretary throughout the year.

5. FIXED ASSETS

Details of the Company's investment properties and fixed asset investments are given in notes 9 and 10 to the accounts.

6. GOING CONCERN

The Directors have considered the use of the going concern basis in the preparation of the financial statements in light of the net current liability position on the balance sheet as at 31 December 2016 and concluded that it was appropriate. More information is provided in note 1(b) to the financial statements.

7. INDEMNITY

The Company's ultimate parent company, Hammerson plc, has made qualifying third party indemnity provisions for the benefit of the Company's Directors which were in place throughout the year and which remain in place at the date of this report.

HAMMERSON UK PROPERTIES plc

REPORT OF THE DIRECTORS
Year ended 31 December 2016

8. AUDITOR

Deloitte LLP acted as auditor of the Company for the year ended 31 December 2016. It is the intention of the Directors to appoint PricewaterhouseCoopers LLP for the year ending 31 December 2017.

9. PROVISION OF INFORMATION TO THE AUDITOR

Each of the persons who is a Director of the Company at the date of approval of this report has confirmed that:

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

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

By order of the Board



B. Lees
For and on behalf of
Hammerson Company Secretarial Limited
acting as Secretary
Date: 29 June 2017

Registered Office:
Kings Place, 90 York Way
London N1 9GE
Registered in England and Wales No. 00298351

HAMMERSON UK PROPERTIES plc

STRATEGIC REPORT

Year ended 31 December 2016

BUSINESS REVIEW AND FUTURE PROSPECTS

It is expected that the Company will continue to invest in properties and property owning subsidiaries for the foreseeable future. During the year the Company increased its investment in group entities by £992,769,000 which was funded by intra-group debt from the ultimate parent company as shown in notes 10 and 12 to the financial statements.


The Directors have considered the use of the going concern basis in the preparation of the financial statements in light of the net current liability position on the balance sheet as at 31 December 2016, and have concluded that it is appropriate. More information is provided in note 1(b) to the financial statements.

The Directors consider the following measures to be the key performance indicators for the Company: investment income and net asset value.

During 2016, the Company's investment income for the year was £57,131,000 (2015: £19,001,000). At 31 December 2016, the Company had net assets of £2,263,429,000 (2015: £2,065,871,000).

The key risk to the Company relates to the value of its investments in property owning subsidiary undertakings. The key performance indicators for these subsidiaries are net rental income and property values and the key risks they face relate to tenant exposure and the strength of the UK property market. Tenants' covenants are monitored at the start of leasing agreements and on an ongoing basis and collection performance is closely monitored. The Directors monitor the UK property market through the analysis of market forecasts and the performance of the property assets is compared against target returns. Further risks are discussed in the Annual Report of the ultimate controlling party, Hammerson plc, which does not form part of this report.

Signed on behalf of the Board of Directors



N.T. Drakesmith

Director

Date: 29 June 2017

HAMMERSON UK PROPERTIES plc

DIRECTORS' RESPONSIBILITIES STATEMENT

The Directors are responsible for preparing the annual report and financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practices (United Kingdom Accounting Standards and applicable law), including Financial Reporting Standard 101 *Reduced Disclosure Framework* (FRS "101"). Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether 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 adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

HAMMERSON UK PROPERTIES plc

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HAMMERSON UK PROPERTIES plc

We have audited the financial statements of Hammerson UK Properties plc for the year ended 31 December 2016 which comprise the income statement, the balance sheet, the statement of comprehensive income, the statement of changes in equity and the related notes. 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), including Financial Reporting Standard 101 Reduced Disclosure Framework.

This report is made solely to the Company's members 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, 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 financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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 Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2016 and of its profit for the year then ended;
- 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.

HAMMERSON UK PROPERTIES plc

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HAMMERSON UK PROPERTIES plc
(CONTINUED)**

Opinion on other matter prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

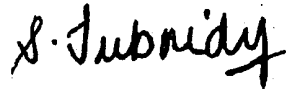
- the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Directors' Report has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified any material misstatements in the Directors' Report.

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, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements 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.



Sara Tubridy FCA (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Statutory Auditor
London, United Kingdom
Date: 29 June 2017

HAMMERSON UK PROPERTIES plc

INCOME STATEMENT

For the year ended 31 December 2016

	Notes	2016 £'000	2015 £'000
Gross rental income	2	8	88
Rents payable and other property outgoings		<u>(53)</u>	<u>(32)</u>
Net rental (loss)/income		(45)	56
Administration expenses	3	(18,396)	(17,166)
Other operating income	4	<u>9,885</u>	<u>8,887</u>
Operating loss before other net gains		(8,556)	(8,223)
Other net gains	5	<u>34,727</u>	<u>173,837</u>
Operating profit		26,171	165,614
Net finance costs	6	(9,233)	(2,069)
Investment income	7	<u>57,131</u>	<u>19,001</u>
Profit before tax		74,069	182,546
Current tax charge	8(a)	<u>(211)</u>	<u>-</u>
Profit for the year		<u>73,858</u>	<u>182,546</u>

All amounts relate to continuing activities.

HAMMERSON UK PROPERTIES plc

BALANCE SHEET As at 31 December 2016

	Notes	£'000	2016 £'000	£'000	2015 £'000
Tangible fixed assets					
Investment properties	9(a)		10,126		10,126
Investments	10		<u>3,380,281</u>		<u>2,234,364</u>
			3,390,407		2,244,490
Current assets					
Receivables	11	82,591		46,145	
Cash and deposits		<u>22</u>		<u>5</u>	
Total current assets		82,613		46,150	
Current liabilities					
Payables	12	<u>(1,209,591)</u>		<u>(224,769)</u>	
Net current liabilities			(1,126,978)		(178,619)
Total assets less current liabilities			2,263,429		2,065,871
Net assets			2,263,429		2,065,871
Capital and reserves					
Called up share capital	13		507,875		507,875
Share premium account	14		54,043		54,043
Revaluation reserve	14		262,395		138,695
Retained earnings	14		<u>1,439,116</u>		<u>1,365,258</u>
Shareholders' equity			2,263,429		2,065,871

These financial statements were approved by the Board of Directors on 29 June 2017 and authorised for issue on 29 June 2017.

Signed on behalf of the Board of Directors



N.T. Drakesmith
Director
Company number: 00298351

HAMMERSON UK PROPERTIES plc**STATEMENT OF COMPREHENSIVE INCOME**
For the year ended 31 December 2016

	2016 £'000	2015 £'000
Profit for the year	73,858	182,546
Items that may subsequently be recycled through the income statement		
Unrealised surplus on revaluation of investments (note 10)	<u>123,700</u>	<u>34,300</u>
Total recognised gains and losses for the year	<u>197,558</u>	<u>216,846</u>

STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2016

	Called up share capital £'000	Share premium account £'000	Revaluation reserve £'000	Retained earnings £'000	Total equity £'000
Balance at 1 January 2015	507,875	54,043	104,395	1,182,712	1,849,025
Profit and other comprehensive income for the year	<u>-</u>	<u>-</u>	<u>34,300</u>	<u>182,546</u>	<u>216,846</u>
Balance at 31 December 2015	507,875	54,043	138,695	1,365,258	2,065,871
Profit and other comprehensive income for the year	<u>-</u>	<u>-</u>	<u>123,700</u>	<u>73,858</u>	<u>197,558</u>
Balance at 31 December 2016	<u>507,875</u>	<u>54,043</u>	<u>262,395</u>	<u>1,439,116</u>	<u>2,263,429</u>

HAMMERSON UK PROPERTIES plc

NOTES TO THE ACCOUNTS Year ended 31 December 2016

1. ACCOUNTING POLICIES

The following principal accounting policies have been applied consistently throughout the current and preceding year.

(a) Basis of accounting

Basis of preparation

Hammerson UK Properties plc is a public company limited by shares incorporated in the United Kingdom under the Companies Act 2006. The nature of the Company's operations and its principal activities are set out on page 3. The address of the registered office is given on page 2.

These financial statements were prepared in accordance with Financial Reporting Standard 101 *Reduced Disclosure Framework* ("FRS 101") as issued by the Financial Reporting Council.

The presentation currency used is sterling and amounts have been presented in round thousands ("£000s"). The financial statements have been prepared on a historical cost basis, except for the revaluation of investment properties and other fixed asset investments. Historical cost is generally based on the fair value of the consideration given in exchange for the goods and services.

Disclosure exemptions adopted

In preparing these financial statements the Company has taken advantage of all disclosure exemptions conferred by FRS 101. Therefore these financial statements do not include:

- certain comparative information as otherwise required by EU endorsed IFRS;
- certain disclosures regarding the Company's capital;
- certain disclosures in relation to financial instruments held by the Company;
- certain disclosures in relation to the Company's investment properties and other investments carried at fair value;
- a statement of cash flows;
- the effect of future accounting standards not yet adopted; and
- disclosure of related party transactions with wholly owned members of the group headed by the ultimate parent company, Hammerson plc.

The above disclosure exemptions have been adopted because equivalent disclosures are included in the consolidated financial statements of Hammerson plc into which the Company is consolidated. The financial statements of Hammerson plc can be obtained as described in note 18. Group accounts have not been prepared on the basis that the Company is included in the consolidated financial statements of Hammerson plc.

HAMMERSON UK PROPERTIES plc

NOTES TO THE ACCOUNTS Year ended 31 December 2016

1. ACCOUNTING POLICIES (continued)

(b) Going concern

The financial position of the Company is as set out in the Balance Sheet. The Company has net current liabilities as at 31 December 2016 and is reliant on the support of its ultimate parent company, Hammerson plc, to be able to meet its liabilities as they fall due. These liabilities relate primarily to amounts due to fellow subsidiary and group undertakings. The Directors consider that the Company is an integral part of Hammerson plc's structure and strategy and this is evidenced by a letter of support from Hammerson plc, which states its intent to provide the necessary financial support to ensure that the Company is a going concern for at least twelve months from the date of signing of these financial statements. After making enquiries and taking account of the factors noted above, the Directors have a reasonable expectation that the Company will have access to adequate resources to continue in existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

(c) 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 added to the costs of property and are amortised over the lease term or, if the probability that the break option will be exercised is considered high, over the period to the first break option.

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

(d) Net finance costs

Net finance costs include interest payable on borrowings and interest receivable on funds invested.

(e) Taxation

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 in respect of all taxable temporary timing differences that may give rise to an obligation to pay more or less tax in the future. Deferred tax assets are only recognised to the extent that it is probable that taxable profits will be available.

(f) Profits on sale of properties

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

HAMMERSON UK PROPERTIES plc

NOTES TO THE ACCOUNTS Year ended 31 December 2016

1. ACCOUNTING POLICIES (continued)

(g) Investment properties

The Company applies the fair value accounting model to investment properties, being market value determined by professionally qualified external valuers. Changes in fair value are recognised in profit or loss. All costs directly associated with the purchase and construction of a property are capitalised.

(h) Investments

Investments in the Company's subsidiaries are stated at cost less provision for impairment. Other fixed asset investments are valued at the balance sheet date at market value and are classified as available for sale financial assets. Available for sale financial assets are investments in unlisted shares that are not traded in an active market but that are classified as available for sale and stated at fair value. Gains and losses arising from changes in fair value are recognised in other comprehensive income and accumulated in the revaluation reserve. Where the investment is disposed or is determined to be impaired, the cumulative gain or loss previously recognised in the investment revaluation reserve is reclassified to profit and loss.

(i) Financial instruments

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the instrument. All financial assets and liabilities are initially measured at transaction price (including transaction costs). Financial assets and liabilities are only offset in the balance sheet when, and only when there exists a legally enforceable right to set off the recognised amounts and the Company intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously. Financial assets are derecognised when and only when a) the contractual rights to the cash flows from the financial asset expire or are settled, b) the Company transfers to another party substantially all of the risks and rewards of ownership of the financial asset, or c) the Company, despite having retained some, but not all, significant risks and rewards of ownership, has transferred control of the asset to another party. Financial liabilities are derecognised only when the obligation specified in the contract is discharged, cancelled or expires.

(j) Critical accounting policies and estimation uncertainties

In the application of the Company's accounting policies, the Directors are required to make judgements, estimates and assumptions about the carrying value of assets and liabilities. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from those estimates. Estimates and the underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both the current and future periods.

HAMMERSON UK PROPERTIES plc

NOTES TO THE ACCOUNTS Year ended 31 December 2016

1. ACCOUNTING POLICIES (continued)

(j) Critical accounting policies and estimation uncertainties (continued)

The Company's critical judgements and area of estimation uncertainty is in respect of the following:

- (a) Shares in group entities. The Company has interests in group entities which are carried in the balance sheet at historical cost less provision for impairment, valued by the Directors based upon the net assets of the entities. The principal assets of these entities are investment properties which are valued six-monthly by professionally qualified external valuers. The Directors must ensure that they are satisfied that the Company's investment in the group entities is appropriate for the accounts. The basis of valuation of the group entities' investment properties is set out in the notes to the accounts of those entities for the year ended 31 December 2016.
- (b) Other fixed asset investments. The Company's other fixed asset investments comprise predominantly of investments in external entities which are carried in the balance sheet at valuation. The carrying values are based upon the net assets of the investee entities which consist mainly of investment properties valued by professionally qualified external valuers. The Directors must ensure that they are satisfied that the valuation of these investments is appropriate for the accounts.
- (c) Investment properties. The Company's investment properties, which are carried in the balance sheet at fair value, are valued six-monthly by professionally qualified external valuers and the Directors must ensure that they are satisfied that the valuation of the Company's property is appropriate for the accounts. Investment properties, excluding properties held for development, are valued by adopting the 'investment method' of valuation. This approach involves applying market-derived capitalisation yields to current and market-derived future income streams with appropriate adjustments for income voids arising from vacancies or rent-free periods. These capitalisation yields and future income streams are derived from comparable property and leasing transactions and are considered to be key inputs in the valuation. Other factors that are taken into account in the valuations include the tenure of the property, tenancy details and ground and structural conditions.

In the case of on-site developments, the approach applied is the 'residual method' of valuation, which is the investment method of valuation as described above with a deduction for all costs necessary to complete the development, together with a further allowance for remaining risk, developers' profit and purchasers' costs. Properties held for future development are generally valued by adopting the higher of the residual method of valuation allowing for all associated risks, or the investment method of valuation for the existing assets.

HAMMERSON UK PROPERTIES plc

NOTES TO THE ACCOUNTS Year ended 31 December 2016

2. GROSS RENTAL INCOME

Gross rental income and profit before tax are attributable to the principal activity of the Company. All gross rental income is derived from one class of business within the United Kingdom.

3. ADMINISTRATION EXPENSES

	2016 £'000	2015 £'000
Management fee payable to fellow group undertaking	18,346	17,166
Other administration expenses	50	-
	<u>18,396</u>	<u>17,166</u>

The average number of employees during the year, excluding Directors, was nil (2015: nil).

The Directors did not receive any remuneration for services to the Company in either the current or the preceding financial year. The services of the Directors are of a non-executive nature, and their emoluments are deemed wholly attributable to their services to other group companies. Accordingly, no Directors' emoluments are disclosed.

Another group company has paid the auditor's fees for the audit of the Company's annual accounts in both the current and preceding financial year. Fees for the audit of the Company were £7,575 (2015: £7,354). There were no non-audit fees payable by the Company to Deloitte LLP and its associates in the current or preceding year.

4. OTHER OPERATING INCOME

	2016 £'000	2015 £'000
Management fees receivable from joint arrangements (note 17)	8,361	7,460
Management fees receivable from group undertakings	1,524	1,427
	<u>9,885</u>	<u>8,887</u>

5. OTHER NET GAINS

	2016 £'000	2015 £'000
Revaluation losses on properties (see note 9)	-	(281)
Consideration received for prior year property disposals in companies that have been sold	1,769	1,425
Profit/(Loss) on sale of shares in group entities	11	(11,288)
Decrease in impairment of investments (see note 10)	32,947	183,514
Decrease in impairment provision against loans to subsidiary undertakings	-	1,946
Amounts written off relating to investments sold by subsidiary undertaking	-	(36)
Other fixed asset investments written off	-	(1,443)
	<u>34,727</u>	<u>173,837</u>

HAMMERSON UK PROPERTIES plc

NOTES TO THE ACCOUNTS Year ended 31 December 2016

6. NET FINANCE COSTS

	2016 £'000	2015 £'000
Interest receivable from ultimate parent company	-	484
Interest receivable from joint venture entities	1,061	-
Other interest receivable	5	2
Interest payable to ultimate parent company	(10,299)	(2,555)
	<u>(9,233)</u>	<u>(2,069)</u>

7. INVESTMENT INCOME

	2016 £'000	2015 £'000
Dividends received from subsidiary undertakings (note 16)	45,759	14,500
Distributions receivable from unit trust investments	11,372	4,501
	<u>57,131</u>	<u>19,001</u>

8. TAXATION

(a) Tax charge

	2016 £'000	2015 £'000
UK corporation tax		
Current year charge	91	-
Charge in respect of prior year	120	-
UK corporation tax	<u>211</u>	<u>-</u>

HAMMERSON UK PROPERTIES plc

NOTES TO THE ACCOUNTS Year ended 31 December 2016

8. TAXATION (continued)

(b) Factors affecting total tax charge

The tax assessed on the profit for the year is different from the standard rate of corporation tax of 20.00% (2015: 20.25%). The differences are reconciled below:

	2016 £'000	2015 £'000
Profit on ordinary activities before tax	74,069	182,546
Profit at UK corporation tax rate of 20.00% (2015: 20.25%)	14,813	36,966
Effects of:		
Tax-exempt losses (UK REIT)	369	316
Property revaluation losses	-	59
Profit on sale of investment properties	(354)	-
Loss on sale of fixed asset investments	(2)	2,286
Release of impairment of investments	(6,589)	(37,162)
Release of impairment of subsidiary loans	-	(394)
Other net gains		9
Distribution income not taxable	(11,426)	(3,848)
Tax losses surrendered as group relief	3,189	1,768
Non-relievable profits of CFCs	91	-
Adjustments in relation to prior periods	120	-
Total tax charge for the year	211	-

(c) Unrecognised deferred tax

A deferred tax asset is not recognised for UK revenue tax losses and UK capital losses where their future utilisation is uncertain. At 31 December 2016, the total of such losses was £158 million (2015: £158 million) and £358 million (2015: £393 million) respectively, and the potential tax effect of these was £28 million (2015: £29 million) and £71 million (2015: £64 million) respectively.

9. INVESTMENT PROPERTIES

(a) The movements in the year on properties were:

	Freehold £'000	Long leasehold £'000	2016 Total £'000	Freehold £'000	Long leasehold £'000	2015 Total £'000
At 1 January	9,746	380	10,126	4,890	380	5,270
Additions	-	-	-	6,221	-	6,221
Disposals	-	-	-	(1,084)	-	(1,084)
Deficit arising on revaluation	-	-	-	(281)	-	(281)
At 31 December	9,746	380	10,126	9,746	380	10,126

HAMMERSON UK PROPERTIES plc

NOTES TO THE ACCOUNTS Year ended 31 December 2016

9. INVESTMENT PROPERTIES (continued)

- (b) Properties are stated at market value at 31 December 2016, valued by professionally qualified external valuers, DTZ Debenham Tie Leung, Chartered Surveyors. The valuations have been prepared in accordance with the RICS Valuation – Professional Standards 2014 based on certain assumptions as set out in note 1(i).
- (c) The historical cost of investment properties at 31 December 2016 was £16,330,000 (2015: £16,330,000).

10. INVESTMENTS

	Shares in group entities at cost less provision for impairment £'000	Other fixed asset investments at valuation £'000	Total £'000
At 1 January 2015	1,800,809	137,478	1,938,287
Additions at cost	114,706	-	114,706
Disposals	(35,000)	-	(35,000)
Other fixed asset investments written off	-	(1,443)	(1,443)
Movement in impairment of investments	183,514	-	183,514
Surplus arising on revaluation	-	34,300	34,300
At 31 December 2015/1 January 2016	2,064,029	170,335	2,234,364
Additions at cost	992,769	-	992,769
Disposals	(3,499)	-	(3,499)
Movement in impairment of investments	32,947	-	32,947
Surplus arising on revaluation	-	123,700	123,700
At 31 December 2016	3,086,246	294,035	3,380,281

The additions in shares during the year relate primarily to investment in new share capital issued by a number of subsidiaries which has been funded by intra-group debt from the ultimate parent company as shown in note 12. Disposals of £3,499,000 relate to the Company's investment in Grand Central Unit Trust which was acquired during the year.

During 2016 the Company's fixed asset investments impairment reduced by £32,947,000 (2015 £183,514,000). This reflected increases in the underlying valuation of these investments primarily due to the increase in value of the properties held within a number of subsidiaries. However, the Company does not revalue its investments in subsidiaries. At 31 December 2016, the unrecognised underlying valuation surplus of the Company's investments in subsidiaries was £1,619,067,000 (2015: £921,648,000).

In the opinion of the Directors, the aggregate value of investments in subsidiary undertakings at 31 December 2016 is not less than their carrying value in the balance sheet. Further details of investments in subsidiaries are shown in note 15.

The remainder of the balance of other fixed asset investments as at 31 December 2016 relates primarily to investments in Value Retail plc and related companies. The surplus arising on revaluation has been transferred to the revaluation reserve.

HAMMERSON UK PROPERTIES plc

NOTES TO THE ACCOUNTS Year ended 31 December 2016

11. RECEIVABLES

	2016 £'000	2015 £'000
Amounts owed by subsidiary undertakings	65,201	41,187
Amounts owed by fellow group undertakings	13,262	2,093
Other receivables	4,128	2,865
	<u>82,591</u>	<u>46,145</u>

All amounts shown under receivables fall due for payment within one year. Interest is charged on the amounts owed by the ultimate parent company at variable rates based on LIBOR. Amounts owed by wholly-owned subsidiary undertakings and fellow group undertakings are non-interest bearing. The amounts owed by subsidiary undertakings are impaired as at 31 December 2016 by £3,000 (2015: £3,000). Subsidiary and fellow group undertaking balances were transferred to the ultimate parent company, Hammerson plc subsequent to the year end.

12. PAYABLES

	2016 £'000	2015 £'000
Amounts owed to ultimate parent company	1,168,801	167,970
Amounts owed to subsidiary undertakings	16,584	28,467
Amounts owed to fellow group undertakings	16,348	26,781
Other payables	7,244	892
Accruals	614	659
	<u>1,209,591</u>	<u>224,769</u>

Amounts owed to the ultimate parent company are repayable on demand and bear interest at variable rates based on LIBOR. Amounts owed to subsidiary undertakings and fellow group undertakings are repayable on demand and are non-interest bearing. These balances were transferred to the ultimate parent company, Hammerson plc subsequent to the year-end.

At 31 December 2016 other payables included £6 million relating to building works which were incurred on behalf of, and recharged to, a fellow group undertaking during the year.

13. SHARE CAPITAL

	2016 £'000	2015 £'000
Authorised:		
2,042,000,000 ordinary shares of 25p each	<u>510,500</u>	<u>510,500</u>
Allotted, called up and fully paid:		
2,031,500,000 ordinary shares of 25p each	<u>507,875</u>	<u>507,875</u>

HAMMERSON UK PROPERTIES plc

NOTES TO THE ACCOUNTS Year ended 31 December 2016

14. RESERVES

The following describes the nature and purpose of each reserve within equity:

<u>Reserve</u>	<u>Description and purpose</u>
Share capital	Nominal value of share capital subscribed for
Share premium	Premium and costs on issue of shares
Revaluation reserve	Revaluation movements on other fixed asset investments
Retained earnings	Cumulative profits and losses less any dividends paid

15. SUBSIDIARIES AND OTHER RELATED UNDERTAKINGS

The Company's subsidiaries and other related undertakings at 31 December 2016 are listed below.

Direct subsidiaries

Unless otherwise shown, the Company has a 100% interest in the ordinary share capital of the following entities, which are registered/operate in the countries as shown:

England & Wales

Registered office: Kings Place, 90 York Way, London N1 9GE

280 Bishopsgate Investments Limited	Hammerson (Leicester GP) Limited
Abbey Retail Park Limited (Northern Ireland) ¹	Hammerson (Lichfield) Limited
Christchurch UK Limited	Hammerson (Merthyr) Limited
Cricklewood Regeneration Limited (50% direct, 50% indirect)	Hammerson (Milton Keynes) Limited
Hammerson (60 Threadneedle Street) Limited	Hammerson (Moor House) Properties Limited
Hammerson (9-13 Grosvenor Street) Limited	Hammerson (Newcastle) Limited
Hammerson (Abbey) Limited	Hammerson (Newtownabbey) Limited
Hammerson (Bicester No. 2) Limited	Hammerson (Oldbury) Limited
Hammerson (Brent Cross) Limited	Hammerson (Paddington) Limited
Hammerson (Brent South) Limited	Hammerson (Renfrew) Limited
Hammerson (Bristol Investments) Limited	Hammerson (Rugby) Limited
Hammerson (Bristol) Limited	Hammerson (Silverburn) Limited (Isle of Man) ²
Hammerson (Cardiff) Limited	Hammerson (Staines) Limited
Hammerson (Centurion) Limited	Hammerson (Telford) Limited
Hammerson (Coventry) Limited	Hammerson (Thanet) Limited
Hammerson (Cramlington I) Limited	Hammerson (Value Retail Investments) Limited
Hammerson (Cricklewood) Limited	Hammerson (Victoria Gate) Limited
Hammerson (Croydon) Limited	Hammerson (Victoria Investments) Limited
Hammerson (Didcot) Limited	Hammerson (Victoria Quarter) Limited
Hammerson (Didcot II) Limited	Hammerson (Watermark) Limited
Hammerson (Euston Square) Limited (25% direct, 75% indirect)	Hammerson (Whitgift) Limited
Hammerson (Folkestone) Limited	Hammerson Birmingham Properties Limited
Hammerson (Glasgow) Limited	Hammerson Bull Ring Limited
Hammerson (Grosvenor Street) Limited	Hammerson Croydon (GP1) Limited
Hammerson (Kingston) Limited	Hammerson Croydon (GP2) Limited
Hammerson (Kirkcaldy) Limited	Hammerson Investments (No. 12) Limited
Hammerson (Leeds Developments) Limited	Hammerson Investments (No. 13) Limited
Hammerson (Leeds GP) Limited	Hammerson Investments (No. 16) Limited
Hammerson (Leeds Investments) Limited	Hammerson Investments (No. 23) Limited
Hammerson (Leeds) Limited	Hammerson Investments (No. 35) Limited
Hammerson (Leicester) Limited	Hammerson Investments (No. 36) Limited

HAMMERSON UK PROPERTIES plc

NOTES TO THE ACCOUNTS Year ended 31 December 2016

15. SUBSIDIARIES AND OTHER RELATED UNDERTAKINGS (continued)

England & Wales

Registered office: Kings Place, 90 York Way, London N1 9GE

Hammerson Investments (No. 37) Limited	Hammerson Ravenhead Limited
Hammerson Investments Limited	Hammerson Retail Parks Holdings Limited
Hammerson Junction (No 3) Limited	Hammerson Sheffield (NRQ) Limited
Hammerson Junction (No 4) Limited	Hammerson Shelf Co 6 Limited
Hammerson Martineau Galleries Limited	Hammerson Shelf Co 7 Limited
Hammerson MGLP Limited	Hammerson Shelf Co 8 Limited
Hammerson MGLP 2 Limited	Hammerson Shelf Co 9 Limited
Hammerson MLP Limited	Hammerson Shelf Co 10 Limited
Hammerson Moor House (LP) Limited	Monesan Limited (Northern Ireland) ¹
Hammerson Operations Limited	New Southgate Limited
Hammerson Oracle Investments Limited	RT Group Developments Limited
Hammerson Oracle Properties Limited	RT Group Property Investments Limited
Hammerson Peterborough (GP) Limited	Union Square Developments Limited (Scotland) ³
Hammerson Peterborough (No 1) Limited	West Quay (No.1) Limited
Hammerson Peterborough (No 2) Limited	West Quay (No.2) Limited
Hammerson Project Management Limited	West Quay Shopping Centre Limited

Registered offices: (1) Cleaver Fulton Rankin, 50 Bedford Street, Belfast, BT2 7FW; (2) Fort Anne, Douglas, IM1 5PD;
(3) 1 George Square, Glasgow, G2 1AL.

Jersey

Registered office: 47 Esplanade, St. Helier, JE1 0BD, Jersey

Hammerson Birmingham Investments Limited	Hammerson Junction (No 2) Limited
Hammerson Bull Ring (Jersey) Limited	Hammerson VIA (Jersey) Limited
Hammerson Croydon Investments Limited	Hammerson VRC (Jersey) Limited
Hammerson Highcross Investments Limited	Hammerson Whitgift Investments Limited
Hammerson Junction (No 1) Limited	

Indirect subsidiaries and other wholly-owned entities

Unless otherwise shown the Company has an indirect 100% interest in the ordinary share capital of the following entities, which are registered/operate in the countries as shown:

England & Wales

Registered office: Kings Place, 90 York Way, London N1 9GE

Governeffect Limited	Mentboost Limited
Hammerson (Parc Tawe I) Limited	Precis (1474) Limited (Ordinary & Deferred)
Hammerson Wrekin LLP ¹	SEVCO 5025 Limited
Highcross (GP) Limited	Spitalfields Developments Limited
Highcross Residential (Nominees 1) Limited	Spitalfields Holdings Limited (Ordinary & Preference)
Highcross Residential (Nominees 2) Limited	The Highcross Limited Partnership ¹
Highcross Residential Properties Limited	The Junction (General Partner) Limited
Junction Nominee 1 Limited	The Junction (Thurrock Shareholder GP) Limited
Junction Nominee 2 Limited	The Junction Limited Partnership ¹
Leeds (GP1) Limited	The Junction Thurrock (General Partner) Limited
Leeds (GP2) Limited	The Junction Thurrock Limited Partnership ¹
LWP Limited Partnership ¹	The Martineau Galleries Limited Partnership ¹
Martineau Galleries (GP) Limited	Thurrock Shares 1 Limited
Martineau Galleries No. 1 Limited	Thurrock Shares 2 Limited
Martineau Galleries No. 2 Limited	

(1) No shares in issue for Limited Partnerships.

HAMMERSON UK PROPERTIES plc

NOTES TO THE ACCOUNTS
Year ended 31 December 2016

15. SUBSIDIARIES AND OTHER RELATED UNDERTAKINGS (continued)

Indirect subsidiaries and other wholly-owned entities (continued)

Jersey

Registered office: 47 Esplanade, St. Helier, JE1 0BD, Jersey

Hammerson 60 TNS Unit Trust ¹	Highcross (No.2) Limited
Hammerson Leeds Unit Trust ¹	Highcross Leicester Limited
Hammerson Victoria Gate Unit Trust ¹	Junction Thurrock Unit Trust ¹
Hammerson Victoria Quarter Unit Trust ¹	Telford Forge Retail Park Unit Trust ¹
Highcross (No.1) Limited	The Junction Unit Trust ¹

(1) No shares in issue for Unit Trusts.

Indirectly held joint venture entities

	Country of registration or operation	Class of share held	Ownership %
Bishopsgate Goodsyard Regeneration Limited			
	England & Wales ¹	Ordinary	50
Bristol Alliance (GP) Limited	England & Wales ¹	Ordinary	50
Bristol Alliance Limited Partnership	England & Wales ¹	N/A	50
Bristol Alliance Nominee No.1 Limited	England & Wales ¹	Ordinary	50
Bristol Alliance Nominee No.2 Limited	England & Wales ¹	Ordinary	50
BRLP Rotunda Limited	England & Wales ¹	Ordinary	50
Bull Ring (GP) Limited	England & Wales ¹	Ordinary	50
Bull Ring (GP2) Limited	England & Wales ¹	Ordinary	50
Bull Ring No.1 Limited	England & Wales ¹	Ordinary	50
Bull Ring No.2 Limited	England & Wales ¹	Ordinary	50
Croydon (GP1) Limited	England & Wales ¹	Ordinary	50
Croydon (GP2) Limited	England & Wales ¹	Ordinary	50
Croydon Car Park Limited	England & Wales ¹	Ordinary	50
Croydon Limited Partnership	England & Wales ¹	N/A	50
Croydon Management Services Limited	England & Wales ¹	Ordinary	50
Croydon Property Investments Limited	England & Wales ¹	Ordinary	50
Grand Central (GP) Limited	England & Wales ¹	Ordinary	50
Grand Central Limited Partnership ¹	England & Wales ¹	N/A	50
Grand Central No. 1 Limited	England & Wales ¹	Ordinary	50
Grand Central No. 2 Limited	England & Wales ¹	Ordinary	50
Hammerson (Silverburn) JV Investment Advisor Limited	England & Wales ¹	Ordinary	50
Moor House General Partner Limited	England & Wales ¹	Ordinary	67
Oracle Nominees (No. 1) Limited	England & Wales ¹	Ordinary	50
Oracle Nominees (No. 2) Limited	England & Wales ¹	Ordinary	50
Oracle Nominees Limited	England & Wales ¹	Ordinary	50
Oracle Shopping Centre Limited	England & Wales ¹	Ordinary	50
Reading Residential Properties Limited	England & Wales ¹	Ordinary	50
The Bull Ring Limited Partnership	England & Wales ¹	N/A	50
The Moor House Limited Partnership	England & Wales ¹	N/A	67
The Oracle Limited Partnership	England & Wales ¹	N/A	50
The West Quay Limited Partnership	England & Wales ¹	N/A	50
Whitgift Limited Partnership	England & Wales ¹	N/A	50
Retail Property Holdings (SE) Limited	Guernsey ²	Ordinary	50
Retail Property Holdings Limited	Isle of Man ³	Ordinary	50
Bull Ring Joint Venture Trust	Jersey ⁴	N/A	50
Croydon Jersey Unit Trust	Jersey ⁴	N/A	50

HAMMERSON UK PROPERTIES plc

NOTES TO THE ACCOUNTS Year ended 31 December 2016

15. SUBSIDIARIES AND OTHER RELATED UNDERTAKINGS (continued)

Indirectly held joint ventures (continued)

	<i>Country of registration or operation</i>	<i>Class of share held</i>	<i>Ownership %</i>
The Grand Central Unit Trust	Jersey ⁴	N/A	50
The Silverburn Unit Trust	Jersey ⁴	N/A	50
VIA Limited Partnership	Jersey ⁴	N/A	47

Registered offices: (1) Kings Place, 90 York Way, London, N1 9GE; (2) Firman house, St. George's Place, St. Peter Port, GY1 2BH; (3) Fort Anne, Douglas, Im1 5PD; (4) 47 Esplanade, St. Helier, JE1 0BD, Jersey.

Indirectly held associate entities

	<i>Country of registration or operation</i>	<i>Class of share held</i>	<i>Ownership %</i>
VR Maasmechelen Tourist Outlets Comm. VA	Belgium ¹	B-shares	25
Bicester Investors Limited Partnership	Bermuda ²	N/A	25
Bicester Investors II Limited Partnership	Bermuda ²	N/A	25
Value Retail Investors Limited Partnership	Bermuda ²	N/A	71
Value Retail Investors II Limited Partnership	Bermuda ²	N/A	80
VR Franconia GmbH	Germany ³	Ordinary	15
Master Holding BV	Netherlands ⁴	Ordinary	12
VR Ireland BV	Netherlands ⁴	Ordinary	12
Value Retail PLC	UK ⁵	Ordinary	24
US Paris LLC	USA ⁶	N/A	42

Registered offices: (1) Zetellan 100, 3630 Maasmechelen, Belgium; (2) Victoria Place, 31 Victoria Street, Hamilton, HM10, Bermuda; (3) Almosenberg, 97877, Wertheim, Germany; (4) TMF, Luna Arena, Herikerbergweg 238, 1101 CM Amsterdam, Netherlands; (5) 19 Berkley street, London, W1J 8ED; (6) 35 Mason Street, Greenwich CT 06830 USA.

16. RELATED PARTY TRANSACTIONS

During the year, the Company received the following amounts in project and asset management fees relating to joint arrangements:

	2016	2015
	£'000	£'000
Croydon Management Services Limited	2,156	1,995
The West Quay Limited Partnership	1,389	1,332
Bristol Alliance Limited Partnership	1,336	1,251
Retail Property Holdings Limited	1,160	1,182
The Oracle Limited Partnership	1,083	1,014
The Bull Ring Limited Partnership	929	525
Bishopsgate Goodsynd Regeneration Limited	115	115
Triskelion Property Holding Designated Activity Company	112	18
125 OBS Limited Partnership ¹	50	25
Grand Central Limited Partnership	31	-
The Martineau Galleries Limited Partnership ²	-	3
	8,361	7,460

¹ comprises fees received from a former joint arrangement.

² comprises fees for the period whilst still a joint arrangement.

HAMMERSON UK PROPERTIES plc

NOTES TO THE ACCOUNTS

Year ended 31 December 2016

16. RELATED PARTY TRANSACTIONS (continued)

At 31 December 2016 amounts due from these joint arrangements to the Company was £1,895,000 (2015: £5,919,000 due by the Company to the joint arrangements). In the opinion of the Directors there are no other related party transactions to be disclosed in the current or preceding financial year.

17. ADVANCES, CREDIT AND GUARANTEES

The Company did not grant any credits, advances or guarantees of any kind to its Directors during the year. The Company has provided guarantees in respect of certain subsidiaries which arise in the normal course of business.

18. ULTIMATE PARENT COMPANY AND CONTROLLING PARTY

At 31 December 2016, the Company's ultimate parent company was Hammerson plc, which is registered in England and Wales and is the largest and smallest group to consolidate the financial statements. At 31 December 2016, the Company's immediate parent company was Hammerson International Holdings Limited.

The consolidated financial statements of the ultimate parent company, Hammerson plc, are available from that company's registered office, Kings Place, 90 York Way, London N1 9GE.