

**Where people
and brands
want to be**

Hammerson



Annual Report 2018

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Visit our website www.hammerson.com for more information about us and our business



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Our purpose

We create vibrant, continually evolving spaces, in and around thriving cities, where people and brands want to be. We seek to deliver value for all our stakeholders and to create a positive and sustainable impact for generations to come.

2018 overview

IFRS (loss)/profit¹

£(268)m

(2017: £388m profit)

Equity shareholders' funds¹

£5,433m

(2017: £6,024m)

Adjusted earnings per share²

30.6p

(2017: 31.1p)

EPRA NAV per share²

£7.38

(2017: £7.76)

Basic (loss)/earnings per share¹

(34.1)p

(2017: 49.0p earnings)

Total portfolio value³

£9,938m

(2017: £10,560m)

Dividend per share

25.9p

(2017: 25.5p)

Net debt⁴

£3,406m

(2017: £3,501m)

Leasing activity⁴

£27.7m

(2017: £33.3m)

Global emissions intensity ratio
(mtCO₂e/£m)

122

(2017: 150)

1. Attributable to equity shareholders.

2. Calculations for adjusted and EPRA figures are shown in note 11 to the financial statements on pages 143 and 145.

3. Proportionally consolidated, including premium outlets.

4. Proportionally consolidated, excluding premium outlets. See page 48 of the Financial review for a description of the presentation of financial information.

Decisive action to position the business well for the future

A strengthening balance sheet today will allow us to address the immediate challenge in today's retail market, while taking the steps needed to seize tomorrow's opportunities.

A challenged environment

This has undoubtedly been a difficult year for Hammerson shareholders, who have seen our share price drop substantially amid seismic changes in the broader retail sector. It has also been a challenging year for all Hammerson colleagues.

The key reason for the adverse share price performance is the increased pressure UK retailers have experienced during the year. They are facing a multitude of headwinds including the growth of online, rising costs, macro-economic pressures, and the challenge of integrating online and physical assets. These pressures have been exacerbated by a lack of confidence amongst businesses and consumers, who have held off making long term decisions due to the broader political and economic uncertainty, particularly as a result of Brexit. All this has created a weaker investment market for retail property. This is evidenced in the 10.7% reduction in the value of Hammerson's UK assets over 2018. Potential buyers are cautious. As a consequence demand has weakened and there has been very little transaction evidence across the retail property sector during the year. However, given that we have deployed our capital wisely over the years to diversify our portfolio and dilute risk, shareholders have benefited from the fact that nearly half of our assets are outside of the UK.

Despite these challenges, it is important that we keep sight of the long-term opportunities in our sector. They remain significant. These include the outperformance of luxury sales, the growth of thriving European cities and the rising consumer appetite for exceptional experiences. We are committed to seizing these opportunities, while dealing with the other challenges we face.



See page 10 for more information.

Our results

Our objective is to maximise shareholder value over the medium to long term. We took a decisive set of actions during 2018 with this in mind and I firmly believe that we ended the year with a stronger set of foundations, albeit with more work to do. Our business delivered a resilient performance this year despite the headwinds we faced.

We incurred an IFRS loss* in 2018 of £268 million. Adjusted earnings for the year decreased £6 million from last year to £240 million, with the adverse effect of disposals being partly mitigated by lower costs and higher profits in premium outlets. Adjusted earnings per share fell 1.6% to 30.6p.

In 2018, equity shareholders' funds fell by 9.8% to £5,433 million. EPRA net asset value per share was 738p at year end, down 4.9% on December 2017, with the impact of the portfolio valuation decline being slightly mitigated by the share buyback programme. Our headline loan to value ratio was 38% at December 2018, up 200 basis points on 2017.

The Board has proposed a final dividend of 14.8p per share, bringing the total dividend to 25.9p, up 1.6% on last year.

Taking the right actions for the long term

Shareholders will remember that we announced a plan to acquire intu in December 2017. As a result of the rapid change in the markets, the Board decided in April 2018 to withdraw from the transaction. We had concluded that short term prospects for the joint businesses looked less attractive, and the heightened risks outweighed the long-term benefits that could be expected from the acquisition, especially when compared to the other strategic options open to the Company. In particular, the success of the transaction depended on extensive UK disposals.

The events of the second half of 2018 demonstrated that we made the right decision. Retailers came under increasing pressure during this period, leading to significant falls in retail property share prices in the UK and Europe.

In addition, in March, we received an approach from Klépierre. Although no formal bid was received, the Board carefully considered the two outline proposals made. Following consultation with major shareholders, we concluded that the proposals very significantly undervalued Hammerson, and Klépierre withdrew its approach.

A reshaped strategy

Following these events, we undertook a comprehensive strategic review of the business, part of which included further significant engagement with our major shareholders to ensure that we fully understood their wider aspirations for the business. This was a key component in our decision making.

At our Half Year Results in July we set out our reshaped strategy alongside a decisive plan to create a portfolio of flagship destinations. We firmly believe that focusing on venues of the highest quality is the best way to deliver for shareholders and outperform in the changing market context.

In establishing our strategy, we left no stone unturned. We undertook extensive research to ensure that our thinking was based on the very latest insights into consumer and retailer needs, both now and into the future. We took a long, hard look at the business and made some tough decisions on the future of our portfolio.

* Attributable to equity shareholders.



We are confident that our sharpened focus on Europe's growing cities will allow us to navigate this ongoing period of structural change.

As a result of the strategic review, we took the decision to exit our retail parks portfolio over the medium term, focusing our future solely on flagship destinations and premium outlets. Since July, we have undertaken a further portfolio-wide review to accelerate transactions and have identified additional disposal opportunities across all our sectors and territories. Having executed a successful £570m disposal programme in 2018, we have a disposal target in excess of £500m in 2019. We are open-minded about the upper limit of the disposal programme and we are in active discussions on transactions which have a total value of over £900 million.

"We are confident that our sharpened focus on Europe's growing cities will allow us to navigate this period of structural change."

Our unique exposure to the European premium outlets market once again delivered a strong performance and the fundamental drivers for this distinct retail segment remain very strong as the tourist-led shopping trip is much less impacted by the headwinds facing the broader retail sector.

An additional key component of the strategy is our City Quarters concept, which will take our flagship destinations to the next level by leveraging our existing land interests and creating vibrant city neighbourhoods.

Looking ahead

As a Board, 2018 saw us navigate a challenging political and economic backdrop and a tough retail environment. We took major decisions to position the business for the future and the Board remains confident in Hammerson's standalone strengths. We will continue to review and evaluate our strategy to ensure we are on the right path.

The retail sector is going through a profound structural shift, affected by an increase in online consumer spending and exacerbated in the UK and Ireland by the potential impact of Brexit. Business leaders in the UK have stressed the need for clarity in the UK's future economic relationships since the outcome of the referendum in 2016.

At the time of writing, less than a month before the UK's planned departure from the EU, we still do not have any clarity about these future relationships. This uncertainty adversely affects both business and consumer confidence.

Irrespective of the political environment, we believe that the longer term merits of Hammerson's portfolio of flagship venues will underpin our future in the UK. In the meantime, the diversified nature of our business is going some way to offset the challenging conditions in our home market. 48% of our assets are outside of the UK, where we are seeing greater buoyancy in consumer confidence with fewer constraints on spending.

Our top priority during 2019 is to reduce our indebtedness by continuing to sell assets. This will put us in a strong position for the future with a robust balance sheet. This is a key component of our strategy.

Hammerson has a talented and committed team of colleagues, and the Board is extremely appreciative of everyone who has worked tirelessly during a period of substantial change and disruption, and continues to do so as we navigate the current political uncertainty and continued headwinds in retail.

I would especially like to thank Board colleagues who have made significant contributions during their time with us. Peter Cole stepped down from the Board at the end of 2018 and, after 30 years with Hammerson, will retire in 2019.

Jean-Philippe Mouton also stood down from the Board; he continues to manage the French business and Group marketing. Finally, Terry Duddy resigned from the Board in early 2019 after nine years, with the last three as Senior Independent Director. We also welcomed Carol Welch to the Board and she joins from 1st March 2019.

MORE [See page 64 for further information.](#)

At this time of intense challenge, we are taking deliberate, considered steps to develop our capabilities. The actions we are taking now will allow us to deliver the kind of vibrant spaces that successful cities demand and successful brands require, while ensuring through our disposal programme that we have the balance sheet strength to navigate any further disruption in our markets.

David Tyler
Chair of the Board

Where people and brands want to be

We create vibrant, continually evolving spaces, in and around thriving cities, where people and brands want to be. We are focusing our portfolio on the highest quality flagship destinations and premium outlets in key cities across the UK and Europe. By applying our expertise and skills we have significant opportunities to generate value for all stakeholders over the longer term.

Flagship destinations

21

Countries

14

Tenants

4,800

Premium outlets

20

Lettable area

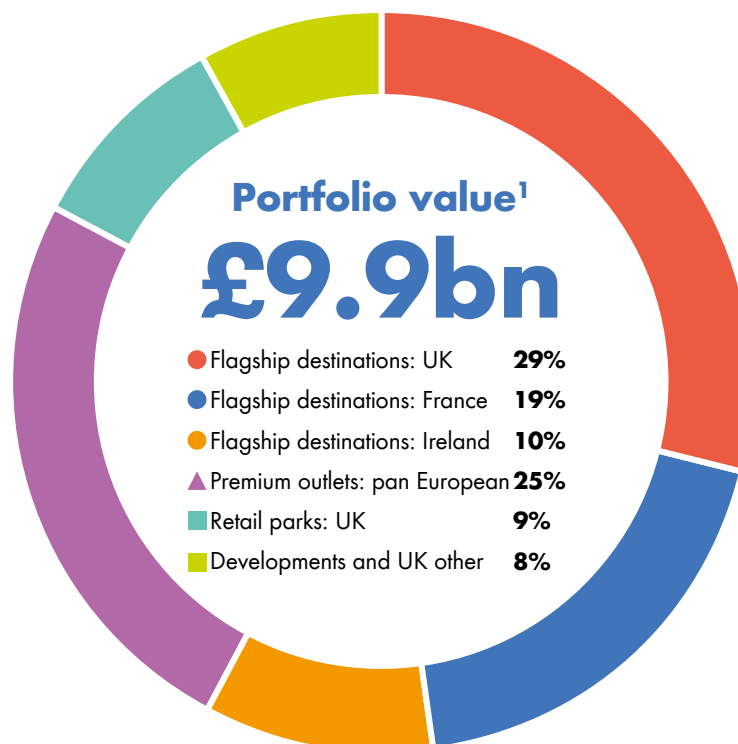
2.3m m²

Shopper visits per year

430m

Retail parks

13



1. As at 31 December 2018. Proportionally consolidated, including premium outlets. See page 48 of the Financial review for a description of the presentation of financial information. A full list of our properties is shown on pages 186 and 187.

UK Leicester

We sold a 50% interest in Highcross for £236 million in November 2018. This was one of the largest investment transactions in the UK retail market in the year.

Ireland Dublin

Pavilions, Swords achieved net rental income growth of 3.6%, the highest in our Irish portfolio. This was driven by rent reviews and recent leasing initiatives.

France Paris

In 2018 we started on-site with two extension projects at Italie Deux and Les 3 Fontaines. These will introduce exciting new brands to enhance each destination.

Premium outlets Lisbon

Freeport Lisboa Fashion Outlet achieved 16% brand sales growth, the highest sales growth in the VIA portfolio, following its remodelling in 2017.

- Flagship destinations: UK
- Flagship destinations: France
- Flagship destinations: Ireland
- ▲ Premium outlets: pan European
- Retail parks: UK
- Developments and UK other

Strengthening the business today, to create an even stronger business tomorrow

Taking a realistic view of the structural and cyclical challenges facing retail, and focusing on the assets and capabilities that will allow us to make the most of a wider set of global trends in the years ahead.

Significant change and substantial opportunity

The world in which we operate is going through a period of intense disruption, nowhere more so than in retail, where structural changes and the rise of online shopping continue to challenge many traditional businesses. There are also burdens on consumer income and cost pressures for many retailers. While we will benefit as and when these ease, we recognise their impact today.

Even so, there are undoubtedly major trends both in the UK and globally which could have a far more positive effect on our business, if we take the necessary steps to take advantage of them. In July, we highlighted the market themes that will shape our future, and outlined how our reshaped strategy will put us in the best position to deliver over the short, medium and longer term.



Further information on page 10.

With the growth in online shopping and the increasing scale of the largest players in the market, it is more important than ever for brands to find ways to stand out from the crowded and increasingly expensive first page of Google's shop window. The very best physical stores in prime locations are proving increasingly important for consumer brands to differentiate themselves.

Experiences attract people. That might be a large-scale event that everyone's talking about, or a beautifully Instagrammable meal with friends and family. There is a high bar – it needs to be genuinely new and exciting, as YouTube sensation James Charles demonstrated at Bullring in January 2019 – attracting 77,000 registrations for just 250 VIP tickets. When people are offered the chance to experience something fantastic, they will leap at the opportunity.

While household finances are under pressure, there is a healthy proportion of cities in the UK, Ireland, and across continental Europe that are

thriving like never before, and many are also significant tourist destinations. Often driven by a well educated workforce and strong transport links, these cities are already growing fast and are setting themselves up for sustained success.

These trends have set us on a clear path. Towards a focused portfolio of winning flagship destinations and premium outlets in and around major European cities where people and brands want to be. We will only own venues of the very highest quality, that we believe will be relevant and outperform in this rapidly changing environment.

To deliver this, the three pillars of our strategy are Capital efficiency; Optimised portfolio; Operational excellence. We have made strong progress with all three of these during the year.



Further information on page 12.

Strategic pillars and 2019 priorities

Capital efficiency

- Reducing debt



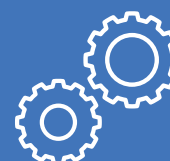
Optimised portfolio

- Exiting retail parks
- Pursuing portfolio-wide disposals



Operational excellence

- Managing structural shift in retail





2018 performance

2018 was undoubtedly a tough year, particularly in the UK. Retailer failures resulted in weaker market sentiment and pressure on values created a difficult operating environment for the business and the sector as a whole. Our European assets performed more positively with a strong contribution again from premium outlets – evidenced in our full-year numbers. The execution of our strategy delivered a resilient performance and gives confidence about the long-term strength of the business.

“The world in which we operate is going through a period of intense disruption, nowhere more so than in retail, where structural changes and the rise of online shopping continue to challenge many traditional businesses.”

Capital efficiency

We are intensely focused on making sure we run the business in a way that takes account of the realities of the environment we are in and reducing debt is our number one priority. Proceeds from disposals are contributing towards a reduction in leverage, with a debt reduction of £95 million during 2018, resulting in an LTV of 38%, versus our target of mid-30s %. In 2018, we sold £570 million of properties and in 2019 we have a disposal target of in excess of £500 million we are in active discussions on transactions with a total value of over £900 million. These transactions are in the form of portfolio sales, joint ventures and individual asset disposals from multiple sectors and territories. This includes a limited number of retail parks which we remain committed to exiting over the medium term. Assuming that the disposal programme is successful, our net debt would be below £3 billion by the end of 2019.

In the current market environment, and to give us greater flexibility for the future, we are prioritising balance sheet strength over share buybacks, so we have paused our £300 million share buyback programme, having repurchased £129 million of our shares last year. A decision to restart the programme will be set against progress with disposals and wider market conditions.

We continue to have considerable discretion over our capital expenditure and have deferred certain development projects, including Brent Cross, an important strategic project which remains one of London's leading retail destinations.

In Croydon we are currently reviewing the scheme to ensure it responds to changing retailer requirements and is appropriate for the future. In France, we are on site with extensions of our city flagship destinations at both Les 3 Fontaines in Cergy and Italie Deux in Paris. These major schemes are also being considered through our City Quarters lens.

Our financial position is robust, and our debt maturity profile has been carefully managed to ensure that we are able to sustain even material changes in asset valuations.

Optimised portfolio

We grew the Group's exposure to premium outlets, the fastest-growing retail format in Europe and go-to venues for global tourists. These are crucial marketplaces for the world's leading brands. Throughout the year we again saw strong retail sales in this high growth sector, particularly from overseas visitors, with strong performances coming on the back of extensions at Bicester Village, Oxfordshire and Batavia Stad, Amsterdam and an impressive uplift at Mallorca Fashion Outlet in the VIA portfolio. Brands are continuing to invest in this sector of the market where brand loyalty is high.

Set against the backdrop of exceptionally low retail real estate transaction volumes, we sold £570 million of assets. The disposals were 7% below book value and above market expectations. This provides further evidence of the ongoing attraction of our destinations both with shoppers and investors. Our transaction activity made up around 15% of all UK shopping centre and retail park disposals in 2018. The highlight was the 50% disposal of Highcross, Leicester in November, when we welcomed M&G Real Estate and its Asian client as our partner. To attract a major international investor, which is new to our joint venture line-up, is a real vote of confidence in our destinations and our operational excellence.

As at 31 December 2018 48% of our portfolio is outside the UK. Our focus is on balancing the benefits of diversification with that of scale in each individual market, and we take a meticulous approach to the management of our portfolio to ensure each venue can deliver sustained growth.

A focus for 2019 and beyond will be reimagining the land around our flagship destinations for City Quarters, to curate and build residential, leisure, conferencing, educational and cultural space. These are viable development projects in their own right but the primary purpose is to strengthen the destination status of our flagship assets by creating vibrant neighbourhoods that maximise the growth from Europe's top flight cities. The long-term potential is really significant with the ability to create 6,600 homes, 1,200 hotel rooms, nearly 200,000m² of workspace, nine parks and exceptional public realm.



Further information on page 31.

Operational excellence

Our flagship venues saw strong leasing demand in 2018, particularly in the UK where we saw record leasing by volume on a year-on-year basis. This demonstrates the appeal of our destinations and provides us with confidence for the future. This activity resulted in a more engaging brand mix across our portfolio and we took bold decisions where needed - like the complete reconfiguration of the former House of Fraser store at Highcross, Leicester, which commenced over two years ago and helped drive performance. In Ireland, Hamley's

decision to exit the Irish market provided the opportunity to create a more sophisticated dining offer at Dundrum.

During the year, we saw an increase in retailer failures and CVA (Company Voluntary Arrangements) in our UK portfolio. Despite this our venues have remained resilient, demonstrating their continued popularity. Occupancy remained high at 97.6% and tenant failure is limited to 1.7% of group passing rent.

While dealing with administrations and CVAs is complex and challenging, this rotation allows our skilled teams to target exciting, growing brands, which offer a unique experience. We work closely with new brands in this space, offering them the support necessary to succeed, for example by providing expertise on innovative shop designs and fit outs. This has led to some stand out results over the past 12 months including Jo Malone and Arket.

We continue to trial new ways of running and operating our venues with the objective of delivering the best possible experience, and to test new ways of engaging with shoppers, while ensuring our retailer relationships remain as strong as ever. Major initiatives included Shop

Online, which is now being rolled out across our UK flagship destinations, and becoming the first to trial voice enabled in-mall customer service. Because we are focused on delivering truly dynamic destinations, and we strive to be the brand partner of choice.



Further information on page 24.

We manage over 2,000 brand relationships and inevitably, not every business we work with will make it through the changes that are happening in the market. Over the past twelve months, we have seen increased volatility as retail trends evolve. It is clear that there is an excess supply of department store space and high street fashion in terms of both the number of fascias and stores. As a result, we have taken clear and decisive action to limit our exposure through proactively taking back stores such as the House of Fraser at Highcross in Leicester and reducing the space let to department stores, for example, Debenhams at The Oracle.

We already know that this makes financial sense, with significant income uplifts, but it also results in an improved performance in our destinations, as it allows us to bring in differentiated brands for consumers.

"The job of creating vibrant spaces is never done: it requires constant attention and innovation."



White Christmas at Highcross, Leicester



Festival of Light at Westquay, Southampton

At the same time, we have focused on categories where there is growing consumer demand such as aspirational fashion, direct to consumer brands, fantastic regional food and beverage concepts and experiential pop-ups. New brands which are shaping our retailer line-up include Arket, & Other Stories, Mercedes and vegan fast food operator, Miami Burger. This has resulted in a better, more vibrant mix for our shoppers, provided a more diverse income stream and clearly helps to offset lost income due to tenant failure.

The pursuit of the 'big day out' is a growing reason many customers visit large flagship destinations, and now constitutes a quarter of all shopping visits. That is why our strategy focuses on the continued need for exceptional events and experiences. Great examples during the year included Shop & Rock at Dundrum and the Yves Klein exhibition at Nicetoile. We are evolving our management capability to deliver this, to drive shopper footfall, increase dwell time and improve catchment sales for our retailers.

We continue to manage and control our costs, both operational and financial, and have an ongoing commitment to a leaner, more efficient cost base. We have already secured savings of £5.7 million per annum towards our £7 million per annum target.

Tomorrow's opportunity

Retail has always been a dynamic sector and that is more true now than ever before. In this context we will continue to review and evolve our strategy to ensure we can effectively respond to changing economic and market conditions whilst targeting growth for shareholders.

We are not assuming that the storm in UK retail is over. While UK retailer trading updates at the beginning of 2019 were better than many had predicted, we are preparing for further disruption and volatility. Over the next 12 months, we will continue to take the actions needed to respond to this challenge.

Based on the trends we are seeing, major brands will continue to prioritise prime flagship space in destinations to showcase their full offer and deliver an immersive experience, in a way which is impossible to do online. This fits perfectly with our strategy of focusing on flagship venues with growing consumer catchments.

For UK shoppers we expect to see a cautious approach to spending, which will be more positive across our European markets. We are evolving our destinations. Our ambition is far broader than pure retail, and we have a unique opportunity to create vibrant, mixed-use city neighbourhoods to meet the needs of some of the fastest-growing cities in

Britain, Ireland and continental Europe. City Quarters will leverage our unrivalled 97 acre land bank to enhance our existing estate and maximise future value creation.

We expect Ireland and continental Europe, which account for 48% of our portfolio, to outperform the UK in 2019. In particular our premium outlets, which have produced an IRR of 24% over the last seven years, will continue to produce industry beating returns.

In the right locations, there are millions of people who want to spend their time and money in vibrant spaces – as long as those spaces are dynamic, interesting and appealing. The job of creating these spaces is never done: it requires constant evolution, innovation and creativity. Based on our track record and the talent we have within our business, we are confident that we can continue to deliver flagship destinations in neighbourhoods that enable brands, cities, and our own business to thrive well into the future.

David Atkins
Chief Executive

Market overview

We operate in a complex series of markets which are characterised by five key themes.

Themes

How we are responding



See Our strategy pages 12 and 13.



Structural shift in retail

- The shift in consumer spending habits to shopping online continues, currently at 18% of overall retail spend in the UK (27% for clothing)
- European online spending lags, but a rapid acceleration from current levels (France 11%, Ireland 10%) is anticipated
- In the luxury market, ecommerce penetration is lower (up to 10%) as retailers, fearing devaluation, seek to protect their brands. However, acceleration of online spending in luxury is predicted, as brands start to recognise and respond to the needs of the emerging generation of new customers
- Off-price luxury online will lag the rest of the market, but the growth of sites such as The Outnet and Gilt demonstrates consumer demand
- F&B is being impacted by the growth of online food ordering platforms such as Deliveroo and Just Eat



Elevating experience

- The most popular reason for consumers to visit a flagship destination is for a 'big day out', with an average spend of £148, while catering-led visits are the fastest growing type of trip
- JLL forecast that F&B will account for 20% of the mix in European shopping centres by 2025
- Discretionary spending is shifting from retail to leisure, with 17% growth in leisure spend in the last five years
- Sustainability concerns are supporting the shift to spending money on experiences rather than material goods





Luxury sales outperform

- Sales of personal luxury goods grew by 6% in 2018, and are forecast to continue to grow by 3-5% per year to 2025
- 12% of luxury sales were made through off-price stores, the second fastest growth channel after online, growing at 7% from 2017-18, and forecast to continue to grow at 6% pa to 2025
- Long haul tourism is a key driver for sales growth in the luxury sector
- Luxury sales growth in Value Retail and VIA Outlets cities will be supported by strong tourist growth from China, which is expected to grow by 48% in total from 2017-2022 (8% CAGR)

- Hammerson continues to extend its focus on the premium outlets sector, through long term investments in Value Retail and VIA Outlets
- We have formed a 20 year relationship with our premium outlet partners on multiple levels across the business
- Our biggest investments in premium outlets are in the luxury/super premium category including Bicester Village, Oxfordshire, La Vallée Village, Paris, and La Roca Village, Barcelona. These destinations have an extensive array of luxury brands and are particularly attractive to tourists
- Opportunities for outlet refurbishments and extensions are delivered through self-funded capital expenditure, allowing new brands to enter our outlets



Thriving cities

- An increasing proportion of the population live in urban areas. By 2030, 78% of the European population is expected to live in cities
- Large cities are associated with income growth, high levels of productivity and technological adoption
- Concentrated transport links and digital infrastructure are also important
- These features indicate higher consumer spending, enabling large, flagship destinations to outperform
- A shortage of residential units is a feature of many cities; the UK Government is targeting building 300,000 homes per year, while it is predicted that Ireland needs 480,000 new homes by 2031, of which 50% will be needed in the Greater Dublin area

- We are focusing our ownership and investment on vibrant destinations which are located in or adjacent to fast growing European cities
- We are progressing our City Quarters concept, leveraging our existing land holdings of 97 acres in major European cities to move beyond retail and create vibrant city neighbourhoods, enhancing the experience for all of those who interact with them, and therefore the value of our flagship destinations
- Our City Quarters will include residential, workspace, leisure, hotels, educational and cultural space, relevant to the needs of their local communities



Technology driving change

- Rapid consumer adoption of technological innovation is driving the pace of change across the retail sector
- Technology is being used across retail and real estate to drive efficiency, enhance customer experience and accelerate growth
- Artificial intelligence, automation/robotics and voice recognition are three of the fastest growing areas of technology, enabling a wide range of technological developments
- Global investment in real estate technology nearly doubled to \$9.6 billion from 2016 to 2018.

- We take an agile approach to innovation, working with key technology partners to invest in low cost trials, allowing for iteration and roll out where successful
- Successful innovation projects to date include Style Seeker, an artificial intelligence-enabled visual search tool, developed in partnership with Cortexica, and the roll out of our customer service chatbots, developed in partnership with Webspiders
- We are the strategic retail partner of Concrete Venture Capital, the prop-tech focused start-up platform, which supports our drive to innovate across the business
- We are using AI to radically change our energy strategy at Bullring, in partnership with Grid Edge



Agenda to boost resilience

2018 priorities

Capital efficiency



- Implement £300 million share buy back
- Deleverage to mid-30s% LTV
- Defer Brent Cross development

Optimised portfolio



- Focus on flagship destinations and premium outlets
- Accelerate disposals including exiting retail parks over the medium term
- Increase geographical diversification
- Progress City Quarters concept

Operational excellence



- Step change in retailer line-up
- Devote more resource to experience-enhancing events and digital
- Reduce costs by at least £7 million pa

Our 2018 priorities were set in the context of our plans to acquire intu. These priorities were revised following the Board's decision to withdraw from the transaction in April 2018. The 2018 priorities set out below reflect our reshaped strategy announced in July 2018.

2018 progress

- By the end of December 2018, we had completed £129 million of share buybacks
- We reduced debt by £95 million; LTV was 38% at 31 December 2018
- In July 2018 we announced that we would be deferring the start on site of the extension and refurbishment of Brent Cross due to increased market risks
- During 2018, we made good progress on the Croydon project with a number of key milestones being achieved, which underpin the development opportunity going forward

- We completed the sale of 50% of Highcross for £236 million, along with four retail parks in the UK and Beauvais in France, totalling £570 million of sales
- The geographical split of the Group is now UK 52%:non-UK 48%
- In July, we launched the City Quarters concept and commenced the work up of a number of short term opportunities, such as a residential building in Dundrum and a co-working building in Birmingham
- We also continued to progress key strategic City Quarters opportunities, including Martineau Galleries in Birmingham and Broadmead in Bristol

- We successfully launched the repurposed former House of Fraser store in Highcross, and undertook extensive preparation to transform other challenged department stores
- We have added a wide range of new brands as tenants in our flagship destinations, including Morphe, Hush, Seasalt, Mowgli and Brewdog
- We are working with our partners in premium outlets to continue to orientate towards luxury brands like Gucci and Burberry, as well as expanding our VIP hospitality offering
- A programme of super events has been successfully executed at Westquay, improving our understanding of those which drive footfall and dwell time
- We have secured cost savings of £5.7 million pa, with the remainder of our £7 million pa target to be aligned with disposals

Future priorities and challenges

- Focus on balance sheet resilience
- We are targeting net debt of £3.0 billion at the end of 2019, using capital from disposals to prioritise maintaining balance sheet strength
- Future share buybacks are on hold until we achieve enhanced portfolio disposals and we see greater market certainty
- We will closely monitor capital expenditure commitments to support the reduction of net debt

- We are targeting disposals in excess of £500 million in 2019
- We are committed to exiting retail parks in the medium term; however, given the challenging investment market, we are pursuing portfolio-wide disposal options
- We continue to work up plans for a number of strategic City Quarters' sites in the UK, Ireland and France to realise our vision of creating vibrant city neighbourhoods around our flagship destinations
- We are targeting at least two planning consents on short term City Quarters' buildings in 2019, to enable a start on-site in 2020
- We will progress leasing and construction at the Italie Deux and Les 3 Fontaines extensions, ahead of completion in 2020/21
- We will continue to work with the relevant stakeholders on the Brent Cross and Croydon schemes

- Our work on the transformation of failing department stores will continue, to deliver alternative and experience-led spaces, with timing dependent on lease expiries and tenant failures
- We will continue our active strategy to introduce a wide range of successful occupiers to our flagship destinations, along with targeted new brands, to reduce exposure to challenged categories, such as legacy high street fashion
- We will continue to grow and diversify our F&B offer, responding to changing consumer tastes and expectations, to ensure continued customer appeal
- We will double our investment in an extensive experiential entertainment calendar, including super events across our flagship destinations
- We will invest in a range of customer experience improvements, including wifi and app upgrades, as well as trialling frictionless shopping and parking
- We will complete the £7 million pa cost savings target
- We will continue to reduce utility costs and carbon emissions



For longer term outlook, see Chief Executive's Review pages 6 and 9 and Our markets pages 10 and 11.

Our model for long term value

What we have

High-quality property in the right places

We own and operate high-quality, flagship destinations and premium outlets. Our City Quarters concept will enable us to leverage our existing land bank around these flagship assets, supporting their continued growth and success.

A dynamic and diverse team

We go to great lengths to attract, develop and retain the best people. By the end of 2018 Hammerson directly employed 533 people across the UK, France and Ireland.



**For more information see
Our people page 41.**

Insight led

We use property and consumer trends to shape our strategy and inform our decisions around capital allocation, project priorities and resource deployment. Our dedicated Insight team monitors the latest consumer habits and retail trends to better understand and respond to markets.

Effective capital management

Effective capital management ensures balance sheet resilience. We monitor against internal guidelines to maintain the Group's robust financial position. Our preferred source of debt is Group-level, unsecured funding and we have a platform of successful JV partners.



**For more information see
Financial review page 48.**

What we do



For more information see Our strategy pages 12 and 13.

Our purpose

We create vibrant, continually evolving spaces, in and around thriving cities, where people and brands want to be. We seek to deliver value for all our stakeholders and to create a positive and sustainable impact for generations to come.

Who we deliver for

Product experience framework

We create desirable spaces where people and brands want to be, by developing iconic destinations which at their core have the very best brands and experiences. We put the customer at the heart of everything we do, delivering a journey that is truly frictionless and supported.

The four key pillars of our framework are:

- Iconic destinations
- Retail specialism
- Experience led
- Customer first



For more information see page 24.

Positive places

We create destinations that deliver net positive impacts economically, socially and environmentally through the Group's Positive Places strategy.

Our target is to be net positive for carbon, resource use, water and waste by 2030.



For more information see Sustainability review page 34.

Shareholders

We have a broad range of institutional investors and private shareholders. We actively engage with them throughout the year and undertake regular communication to ensure they understand the performance of the business.



Brands

Our business strategy and future success is aligned with that of all of the brands which fill our destinations – retailers, F&B and leisure tenants, as well as direct to consumer brands.



Consumers

We create vibrant destinations that meet the needs of the wide range of consumers that engage with them. In a modern omnichannel environment, we need to provide more than just a place to shop.



Partners

We work with a wide range of partners over the long term including joint venture partners, suppliers and capital partners, making our business stronger and delivering a competitive edge.



Communities

Our assets rely on a strong, positive connection with thriving local communities. This is where we draw our customers from, and over 80% of the employees in our flagship destinations.



Our people

Talented, motivated colleagues are vital to the success of the business. We have built a winning team to support our delivery of flagship destinations.



For more information see Engagement with stakeholders page 74.

Monitoring our performance

We monitor Key Performance Indicators, or KPIs, to measure our achievements against our strategic priorities. The KPIs comprise financial and operational measures and each links to the three pillars of our strategy.

Financial KPIs

Chart 1

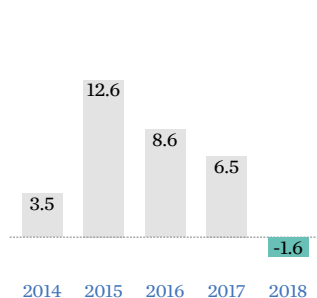
Adjusted EPS growth

-1.6%

Adjusted earnings per share (EPS) is the Group's primary profit measure and reflects underlying profit divided by the average number of shares in issue and is calculated in line with EPRA guidelines as explained on page 176.

Performance

In 2018, adjusted EPS decreased by 0.5 pence, or 1.6%, to 30.6p. This was principally due to a reduction in NRI associated with disposals in 2017 and 2018 and the impact of tenant failure. These factors were partially offset by higher earnings from our premium outlets, lower net administration costs and a reduction in interest costs due to refinancing activity.



Link to strategy



More on page 49.

Chart 2

Net debt^{*1}

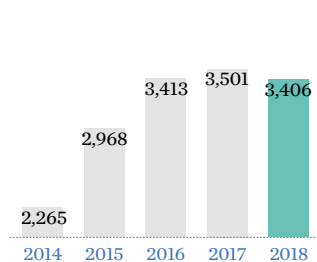
£3,406m

Net debt is the measure by which we monitor the indebtedness of our business, and comprises borrowings less cash and deposits.

Performance

During 2018, the Group's net debt has reduced by £95 million to £3,406 million. The reduction is principally due to net disposal proceeds received of £553 million and net cash inflow from operations of £203 million, partially offset by capital expenditure of £218 million and share buybacks of £127 million.

As detailed in the Chief Executive's review on page 6, we plan to dispose of in excess of £500 million of properties from across our portfolio in 2019 to strengthen the Group's financial position.



More in the Financial review on page 54.

Chart 3

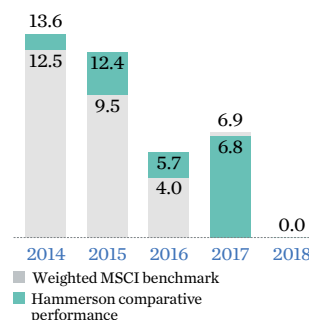
Total property return

0.0%

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

Performance

During 2018, the Group's properties produced a total return of 0.0%. The Group's investment and development portfolios produced total returns of -2.8% and 6.2% respectively. Premium outlets produced the highest return of 7.4%. At the date of this report, our MSCI benchmark is unavailable.



More on page 47.

Chart 4

Like-for-like NRI growth^{*}

-1.3%

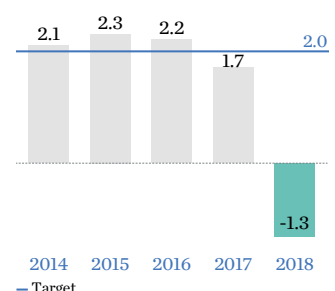
Net rental income (NRI) is the Group's primary revenue measure. Like-for-like NRI growth is key to growing earnings and dividends. Growth is achieved through the implementation of our Product Experience Framework which helps us enliven and enhance our properties.

Performance

Like-for-like NRI declined by 1.3% in 2018. Income at our UK and French flagships declined by 1.3% and 0.9% respectively, whilst NRI at our UK retail parks fell by 4.3%. Irish properties produced growth of 1.6%.

Tenant failure reduced NRI by £7.1 million in 2018. Excluding this impact, like-for-like NRI would have grown by 0.4%.

Proportionally consolidating the premium outlets growth of 5.2% would result in Group like-for-like NRI growth of 0.3%.



More in the Financial review on page 50.

* Proportionally consolidated, excluding premium outlets. See the Financial review on page 48 for further explanation.

1. In 2018, net debt has replaced the cost ratio as a KPI, reflecting the Group's increased focus on capital efficiency.

Link to remuneration

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

For 2019, the AIP contains the first three financial KPIs: adjusted EPS growth, net debt and total property return.

The performance against all of the KPIs is taken into account when considering the personal element of the AIP along with other specific objectives.

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



Further information on page 83.

Operational KPIs

Chart 5

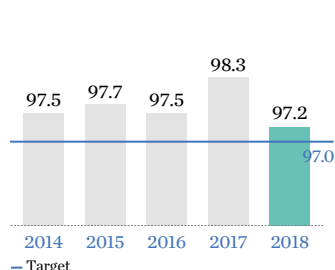
Occupancy*

97.2%

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

Performance

Occupancy remains above our 97.0% target, with 97.2% of the portfolio occupied at the end of 2018. Occupancy fell during the year, impacted by tenant failures during 2018. It was also impacted following the completion of two retail park developments which are not yet fully let and overall occupancy at UK retail parks decreased from 99.4% to 96.9%.



More in Table 88 on page 177.

Chart 6

Leasing activity*

£27.7m

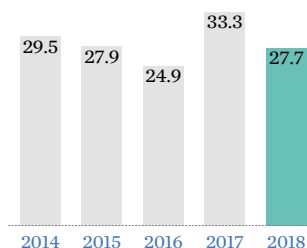
Our leasing strategy is designed to improve brand mix towards winning brands and categories, and differentiate our destinations. This KPI shows the amount of income secured across the investment portfolio including new lettings and lease renewals.

Performance

2018 leasing levels were 17% or £5.6 million below those experienced in 2017, but nonetheless demonstrated a strong performance in a challenging market.

£3.9 million of the reduction was due to lower leasing at UK retail parks.

In total there were 423 lettings comprising 156,600m² of space. For principal leases, the rent was 6% higher than December 2017 ERVs and 5% higher than the previous passing rent.



More on pages 18-33.

Chart 7

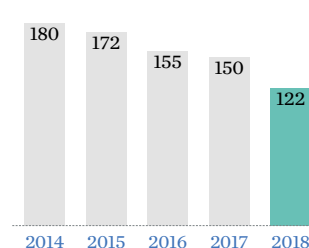
Global emissions intensity ratio

122mtCO₂e/£m

Reducing carbon emissions is a key sustainability target. This ratio measures the amount of CO₂e emissions from our properties and facilities, including corporate offices. The denominator is adjusted profit before tax for the same period. This ratio demonstrates our progress in decoupling business growth from increasing carbon emissions.

Performance

The ratio has reduced by 19% to 122mtCO₂e/£m during 2018. This significant year-on-year improvement has been achieved by investment in cross-portfolio efficiency projects and focused energy management, and supported by grid decarbonisation in the UK.



More on page 34.

Chart 8

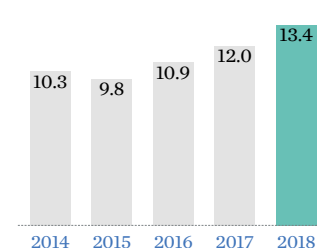
Voluntary staff turnover

13.4%

Our talented people are a key resource and we strive to retain, engage and develop them. We continue to monitor voluntary staff turnover to highlight any potential signs of demotivation or other people-related issues and include both corporate and centre-based employees in this measure.

Performance

In 2018, voluntary staff turnover increased to 13.4%. The increase compared with 2017 was largely due to 11 more leavers from our French office in 2018, whilst UK and Ireland staff turnover fell by 100 basis points. In spite of this increase, the turnover remains low compared to wider industry averages.



More in Our people on page 41.

Flagship destinations

UK

Sector overview

Not all destinations are equal and able to support the future needs of brands in today's dynamic omnichannel environment.

Properties are differentiated by scale, catchment size, customer experience and the quality of the brand mix. Flagship destinations are those with the ability to attract customers from a wide area and provide a superior trading environment for our tenants. These venues offer a range of experiences including shopping, dining and leisure where our visitors want to spend time and money.

A further differentiating factor is how destinations are operated. They need the optimum mix of retail, dining and leisure offers for the catchment and the ability to provide superior events and customer service. These factors are vital in attracting visitors. Brands continue to seek space in these venues which are well-invested, provide high footfall and support their growth and omnichannel strategies.

We own and operate 21 of these flagship destinations which are sited in major urban locations in the UK, France and Ireland. In total they provide over 1.3 million m² of shopping and entertainment space and were visited 300 million times in 2018.

Information on our strategy, the economic and consumer environment and market trends is set out in the Letter from the Chair of the Board, Chief Executive's review, Our markets, Our strategy and Our business model on pages 2 to 3 and 6 to 15.



Mark Bourgeois
Managing Director, UK and Ireland

Like-for-like NRI growth

-1.3%

(2017: 1.8%)

Occupancy

97.6%

(2017: 98.1%)

Leasing activity

£14.4m

(2017: £13.4m)

Leasing vs ERV

+5%

(2017: +8%)

Retail sales growth

-2.9%

(2017: -2.7%)

Footfall growth

-1.8%

(2017: 0.4%)

Our portfolio

Our UK portfolio accommodates more than 1,000 tenants in 838,000m² of space providing an exciting, modern environment with a wide mix of retail, catering and leisure brands. Our prime centres include Bullring, Birmingham; Cabot Circus, Bristol; and Westquay, Southampton.

Net rental income

On a like-for-like basis, net rental income decreased by 1.3% in 2018. A key factor in this decline has been the significant increase in tenant failures which have resulted in an adverse income impact of £3.0 million. Excluding the impact of tenant failure, like-for-like NRI would have increased by 0.8%.

Grand Central and Westquay recorded the highest income growth in the year associated with strong leasing demand. Silverburn and Victoria reported the most significant NRI reductions of 6%, due to tenant failures and higher car parking and marketing costs.

Occupancy and leasing

Whilst the wider retail market has suffered a turbulent period during 2018, our leasing performance has been strong with £14.4 million of annual rental income secured during the year, some £1.0 million (7.5%) higher than the prior year. This demand demonstrates the polarisation in the retail market, with brands increasingly seeking space in flagship destinations rather than less successful locations where a large number of brands are closing stores.

In 2018 we signed a total of 196 leases representing 86,600m² of space. For principal leases, which represented 60% of total leasing, rents secured were 5% above December 2017 ERVs and 1% above the previous passing rents. The average incentive package was seven months, compared to eight months in 2017. Leasing of reconfigured space represented 26% of total leasing with 14% being on a temporary basis. Temporary leases act to enhance the tenant offer across our portfolio, trial new concepts and brands and generate short-term income.

Occupancy levels remained high throughout the year and stood at 97.6% at 31 December 2018, only slightly lower than the prior year position of 98.1%. At six assets occupancy rose during the year, it fell at four and was unchanged at Union Square. The most significant reduction was at Westquay where River Island vacated in late December.

The turbulence in the wider UK retail market was demonstrated by an 88% increase in the number of stores impacted by tenant failure in 2018 compared with the prior year (Source: Centre for Retail Research). Our portfolio was not immune with a total of 55 units, representing 2.6% of the Group's passing rent, impacted by CVAs or administrations during 2018. The majority of tenants in CVA have chosen to remain trading in our venues as they are among their more successful stores. In total only 13 units subject to CVA or administration in 2018 were vacant at 31 December 2018.

At 31 December 2018, 49 units were let to tenants in administration or to tenants subject to a CVA and represent 1.8% of the Group's passing rents. As explained above, we estimate that tenant failure has adversely impacted 2018 net rental income by £3.0 million, with a further £1.6 million adverse impact, based on our current reletting assumptions, expected in 2019. There will be a further reduction in net rental income if there are additional tenant failures in 2019. The precise impact will depend on the lease terms, any unamortised incentive, the timing of the failure and whether the tenant continues to trade. Whilst administrations and CVAs reduce short-term income they provide opportunities to introduce new tenants and improve the tenant mix at our destinations.

We also settled 66 rent reviews, securing an uplift of £0.7 million, or 7%.

Our leasing strategy is to reduce the amount of floor space occupied by challenged retail categories, including department stores and high street fashion, and replace them with exciting new aspirational fashion, leisure and F&B brands. These will broaden our offer and enhance the visitor experience. Key leasing deals during 2018 included:

- At Bullring, Morphe, the US beauty retailer, opened its second UK store and Hugo Boss opened its first HUGO standalone store outside London. Other key brand lettings included Arket, Barbour, Calvin Klein, Kurt Geiger, NYX Professional Make Up and Tommy Hilfiger

“Despite the turbulent retail environment in the UK the attraction of our flagship destinations to brands has been clearly demonstrated in 2018 with a record leasing performance across the portfolio.”

- At Grand Central, we continue to improve the catering line-up with openings for Comptoir Libanais, Holy Moly Macaroni and Tasty Plaiice
- At Highcross, Jo Malone London opened and the sports and leisure offer was enhanced by introducing Cotswold Outdoor, Runners Need and Social Climbing, an exciting indoor bouldering operator
- At Silverburn, Khaadi, the international Pakistani clothing brand, opened its first store in Scotland and Fun Street opened a 1,100m² children's play concept
- At Union Square in November, Brewdog the locally founded, fast growing brewer opened its first bar and restaurant in a flagship destination
- At Victoria, the aspirational brand offer was improved through lettings to Penhaligons, Ralph Lauren and the Cornish lifestyle brand, Seasalt. The Ivy also opened its first restaurant in Leeds at Victoria Quarter which complements the existing high-quality dining offer

At Highcross, we completed the reconfiguration of the former House of Fraser anchor store in September. The project involved creating eight units including upsized stores for Zara and JD Sports and a new leisure offer, Treetop Adventure Golf. Debenhams has also invested £5 million in store improvements and introduced new brands to Leicester through concessions including Maisons du Monde, Murad and Kat Von D.

Next and River Island relocated from the high street in Reading and opened new flagship units in The Oracle where we reconfigured space formerly let to HMV and a small part of the Debenhams store.

Footfall, sales and occupancy cost

Footfall levels declined in 2018, with a reduction of 1.8%, although our assets outperformed the Tyco benchmark of -3.5%. Three destinations reported increased footfall with the strongest growth achieved at Grand Central. The weakest performance was at The Oracle which suffered from new local competition, but had a strong end to the year with 10% year-on-year growth in December.

Consistent with the turbulent retail backdrop, consumer confidence has been subdued during 2018. Retail sales at our centres fell by 2.9%, calculated on a same centre basis, broadly in line with the BDO sales index which fell by 2.7%. Sales performance by venue and retail category has been mixed with stronger performances from sports and leisure and health and beauty offset by weak high street fashion. Department store performance has also been mixed, with a clear differentiation between the various operators. The occupational cost ratio, calculated as total occupancy cost as a percentage of sales, increased from 21.7% at the end of 2017 to 22.6% at 31 December 2018, while the rent to sales ratio remained constant at 13.3%.

As previously explained and reinforced by work completed by McKinsey & Company in the first half of 2018, in-store sales figures are becoming less relevant in today's omnichannel world. They do not capture the additional benefit that tenants derive from their stores in our flagship destinations, such as online sales and returns and building brand awareness.

Positive places

The increase in F&B across our assets means more organic waste. The introduction of BioWhales at Westquay and Cabot Circus have turned this negative impact into a positive as the waste is used to generate natural gas which is fed into the national grid.

The BioWhale storage system compacts the organic waste and starts the natural digestion process. This has allowed us to store more waste on-site and has resulted in 203 fewer lorry trips in 2018, improving local traffic congestion and air quality. In total we generated 330mWh of gas, equivalent to saving 58 tonnes of CO₂.



Further information on
Sustainability on page 34.



Bullring, Birmingham

A game changer for the city

Bullring celebrated its 15th birthday in 2018 and is now one of Europe's most successful shopping and dining destinations. On opening, Bullring brought 53 new brands to the city, with more than 50 of the original brands continuing to trade there, including Selfridges and Zara. Since launch, the number of restaurants, aspirational brands and consumer brands at Bullring has doubled.

Providing over 4,000 full-time jobs and attracting more than £362 million of indirect investment to the local economy each year, Bullring has transformed the city centre and this will continue over the next decade. Our future investment in the UK's second city includes a new neighbourhood at Martineau Galleries, a 7 acre site adjacent to Bullring, part of our City Quarters concept (see page 31).

Flagship destinations

Ireland



Simon Betty
Director of Retail, Ireland

Like-for-like NRI growth

1.6%

(2017: 7.4%)

Occupancy

99.0%

(2017: 99.7%)

Leasing activity

£2.6m

(2017¹: £1.9m)

Leasing vs ERV

+8%

(2017: +10%)

Footfall growth²

-2.4%

(2017: n/a)

1. Since acquisition of properties.
2. Sales data not available for Ireland portfolio and footfall only available for 2018.

Sector overview

The Irish economy continues to perform strongly, with rising employment and GDP growth of over 6% forecast for 2018 (Source: Oxford Economics). Inward foreign investment remains a key driver of economic productivity.

Dublin's growing urban population of 1.4 million and significant tourism industry (9.9 million visitors in 2017) underpin demand for retail space in the city which accounts for 50% of national GDP. Grafton Street and Henry Street in the heart of Dublin are the focus of the city centre's retail offer and there are also a number of large shopping centres around the city's perimeter.

Our portfolio

Our Irish portfolio consists of three flagship centres in Dublin, the largest being Dundrum Town Centre (Dundrum) which is the country's pre-eminent retail destination. In total these three venues provide 199,000m² of high-quality space, with over 330 tenants and annual footfall of almost 50 million in 2018.

The portfolio also includes mixed-use development land in Dublin (see page 31), including Dublin Central, which will allow us to demonstrate our City Quarters concept and the potential to expand and diversify the portfolio.

Net rental income

The portfolio generated net rental income of £40.4 million during 2018 and produced like-for-like net rental income growth of 1.6%. All three centres recorded higher income. Growth at Pavilions, Swords, which was the final asset to have been acquired from the loan portfolio in September 2017, was due to rent reviews, tenant rotation initiatives and new restaurants which have enhanced the appeal of the venue.

At Dundrum, the closure of Hamleys following their withdrawal from the Irish market generated a surrender premium in the first half of 2018. Taking back space creates an opportunity to satisfy strong demand from new restaurant and leisure brands. Income from commercialisation has increased at all three centres showcasing brands including Tesla, Dyson and fashion start-up Folkster.

"2018 has been another strong year for our Irish portfolio with further rental growth and continued tenant demand."

Occupancy and leasing

Occupancy remained very high at 99.0%, and tenant demand for space continues to be strong.

In 2018, there have been fewer administrations and CVAs impacting our Irish portfolio than witnessed in the UK. During the year, the only significant tenant failure was House of Fraser at Dundrum where the store continues to trade. At 31 December 2018, no stores were let to tenants in administration or subject to CVAs.

We signed 51 leases representing £2.6 million of annual rental income. For principal leases, rents secured were 28% above previous passing rents and 8% higher than December 2017 ERVs. At Dundrum, leases were signed with wellness brands, Rituals and Therapie and at Pavilions, Swords with River Island and Smiggle. There is strong demand from restaurants and leisure operators including at Dundrum where Leon and PFChangs both opened their first stores in Ireland. In the vicinity of these restaurants we are investing in the new Pembroke Square district. We have signed key lettings with Fallon & Byrne and J2Sushi to anchor this 600m² new, enlivened public space.

Footfall and sales

While the economy continues to grow strongly, high living costs, especially housing, and lower consumer confidence has impacted retail sales growth in Ireland in 2018. Due to restrictions in leases, sales data is not available for the large majority of tenants in our Irish portfolio. National store retail sales continue to be positive, up 2.6% with strong growth in food, homeware and electricals, albeit this is lower than 2017 annual growth of 3.5% and was flat for fashion and footwear categories. In 2018, footfall at our destinations was 2.4% lower than in the prior year, in part due to the negative effect of extreme weather conditions in Q1.

Flagship destinations

France



Jean-Philippe Mouton
Managing Director, France

Like-for-like NRI growth

-0.9%

(2017: 2.6%)

Occupancy

97.1%

(2017: 97.9%)

Leasing activity

£7.3m

(2017: £9.8m)

Leasing vs ERV

+5%

(2017: +5%)

Retail sales growth

2.2%

(2017: 0.1%)

Footfall growth

2.5%

(2017: 1.6%)

Sector overview

The retail environment has been stable in France during 2018, although sales and footfall suffered towards the end of the year due to the temporary disruption caused by the "Yellow Jacket" protests. However, the outlook for GDP and employment remains positive.

French leases differ from those in the UK and Ireland. They are subject to annual indexation changes instead of five-yearly rent reviews and have three or six-year break clauses, although in practice these are seldom exercised. Indexation averaged 1.5% in 2018 and will increase to 2.1% in 2019.

Online penetration levels are lower in France (11%) compared to the UK (18%) (Source: Global Data). Nonetheless online retail continues to grow and retailers are focusing on their omnichannel strategies in a similar way to retailers operating in the UK.

Our portfolio

We own and manage seven high-quality flagship destinations in France which accommodate over 800 tenants and attract nearly 80 million visitors each year. The centres are in urban locations in Paris, Marseille and Nice and at 31 December 2018, the three largest centres, Les Terrasses du Port in Marseille and Italie Deux and Les 3 Fontaines in Paris, accounted for almost 90% of the value of the French portfolio and generate €75 million of annual passing rents. Our French team works closely with our UK and Irish teams to ensure operational excellence is maintained across all our destinations and a number of functions, including marketing and product innovation, have a Group-wide remit.

We are on-site with extension projects at Italie Deux and Les 3 Fontaines to enhance the quality of these destinations and further details of these schemes are provided on page 30.

"Our portfolio has outperformed the national sales and footfall indices and will be enhanced by the two on-site extension projects at Italie Deux and Les 3 Fontaines."

Net rental income

On a like-for-like basis, net rental income decreased by 0.9% in 2018. This was largely due to a lower occupancy during the year associated with tenant rotation and a £0.8 million reduction of turnover rent at Les Terrasses du Port, as in the first half of 2017 we received confirmation of sales for prior periods which were significantly higher than anticipated.

Occupancy and leasing

We continue to target new tenants to enhance the brand mix at our venues. During 2018, we signed 109 leases representing £7.3 million of annual rental income and 28,000m² of space. Leasing volumes were £2.5 million, or 25%, lower than in 2017, as the prior year included leasing at Place des Halles, Strasbourg and Saint Sébastien, Nancy which were sold in late 2017. On a like-for-like basis, 2018 leasing was 9% higher than the prior year. For principal leases, the new rents were 5% above both December 2017 ERVs and the previous passing rents. Key leasing transactions included:

- At Les Terrasses du Port, new lettings to Polo Ralph Lauren, Timberland and Boggi Milano - its first store to launch in a French shopping centre and Nespresso, the first to open in our French portfolio
- At Les 3 Fontaines, Cergy, 19 lettings including Foot Korner, Timberland and major renewals with Armand Thierry, Go Sport and Sephora
- At Italie Deux, lettings included Les Armoires de Paris, Sostrene and renewals with Carrefour and Celio

- At O'Parinor, 23 lettings including Decimas, Le Kolam and a new larger unit for JD Sports

At 97.1%, occupancy levels were 80 basis points lower than at the beginning of the year, but in line with our five-year average.

Tenant failure has been significantly lower in France compared with the UK and only 18 stores suffered tenant failure during 2018, 30% lower than the level of default suffered in 2017. These reduced NRI in 2018 by £1.0 million. At 31 December 2018 a total of 23 units were in administration, four fewer

than at the beginning of the year. All of these units continue to trade and represent only 0.7% of the Group's passing rents.

Footfall, sales and occupancy cost

Footfall in our centres increased by 2.5% in 2018, 420 basis points ahead of the national CNCC Index which reported a 1.7% decline. Italie Deux and Les Terrasses du Port recorded the highest footfall increases of 5.4% and 4.6% respectively, the former benefiting from the decision in late 2017 to permit Sunday opening. Footfall was 3.1% higher

until November when shopper visits were adversely impacted by the "Yellow Jacket" demonstrations. These were focused on major cities, such as Paris, Marseille and Nice, and reduced our footfall in November and December which fell by 0.5% and 0.2% respectively.

Retail sales, calculated on a same centre basis, increased by 2.2% which was 400 basis points higher than the CNCC index which fell by 1.8%. The occupational cost ratio fell slightly from 13.8% at the beginning of the year to 13.7%, while the rent to sales ratio increased by 10 basis points to 10.7% at 31 December 2018.

Positive places

The continued focus on energy efficiency has delivered further savings in 2018. At Les Terrasses du Port, electricity and gas demand were both 8% lower respectively. Electricity demand at Nicetoile was 4% lower driven by improved building management systems and new LED lighting.

At Italie Deux the project to modernise all common parts lighting was completed with new movement sensors installed to maximise efficiency. This project is expected to reduce annual energy consumption by 26,000 kWh.



Further information on
Sustainability on page 34.



Product experience framework across our flagship destinations



Innovation driving experience

The success of our destinations relies on first class customer service and creating compelling reasons for shoppers to visit. To ensure a focused approach, we have an insight driven product experience framework which shapes our strategy and anchors the way we build desirability for retailers and consumers alike.

As highlighted in the business model (page 15), the framework has four key pillars: iconic destinations, retail specialism, experience led and customer first.

Put into practice, this year we continued to enhance our digital offer, using technology to boost the shopper experience, with world-class entertainment encouraging shoppers to visit and spend time at our venues.

Challenging the customer journey to deliver the best

Our highly experienced customer experience team continues to apply the Product Experience Framework across the portfolio concentrating on where technology can solve real customer or business challenges. The framework guides our investment in specific initiatives which differentiate and enliven our destinations, drive shopper footfall and improve catchment sales for our retailers.

The framework is embedded across everything we do and ensures we constantly

challenge ourselves to apply best practice in retail design and digital solutions, customer engagement and sustainability.

Technology to boosts our brands

We have built a network of trusted partners that deliver specialist expertise in core technologies. Our approach of working with ambitious start-ups alongside more established technology partners gives us unique insight into emerging tech trends and has enabled us to trial and test new technologies in a low-cost and agile way.

Shopping with us 24/7

At the start of 2018, we launched our affiliate shop online portal on Bullring's website. Designed to support and drive traffic to retailers, it allows customers to browse products from over 100 brands meaning our loyal shoppers are able to shop with us 24hrs a day. We have subsequently rolled this out at Westquay, Southampton and Brent Cross, London to date the trial has driven over £3 million in retailer sales. We are on track for a full rollout to all UK destinations by the middle of 2019.

We also successfully rolled out a customer service chatbot across a number of our venues' websites in both the UK and France. The bot learns and delivers updated answers to shoppers on a real-time basis. To date over 42,000 customers have successfully used the tool, which has significantly improved customer service and provided a large volume of valuable insight on the online and offline customer experience.

World first to test appetite for voice tech

In September, we were the first in the industry to explore how to expand the success of chatbot using voice recognition technology. We undertook a voice technology trial which allowed customers to speak to VoiceBot at Bullring, sourcing content from our chatbot provider. This was an exciting trial, which demonstrated there is clear appetite from customers to use voice technology which they are comfortable with in their own home. However, the technology is not yet advanced enough to work consistently in the public environment. We will continue to monitor this technology as it is enhanced.

A problem parked

A focus of our 2018 digital strategy was driving shopper convenience. We partnered with Easytrip in Dundrum, Dublin to deliver a frictionless payment experience within the venues' car parks. A similar trial goes live in March 2019 at Bullring's car park, allowing customers to skip the queues and opt for automatic payment triggered by automatic number plate recognition (ANPR) technology.

Exhilarating entertainment and events

Finally, in July 2018, we announced an enhanced focus on events in 2019 to meet increased consumer demand for experience led destinations. We will be investing over £2 million in 'super events' across the portfolio, hiring expertise and leveraging the success of our pilot events program at Westquay, Southampton in 2018.



Festival of Light at Westquay, Southampton



VIA Management changes

In 2018, VIA Outlets partners have supported the ongoing consolidation of the VIA platform to create a more permanent and independent vehicle, capable of its own mission, identity and long-term growth.

During the year, VIA Outlets announced the appointment of two newly-created senior management positions to join its growing team of experienced real estate professionals, and subsequently successfully integrated its new Chief Operating Officer, Otto Ambagtsheer and Chief Financial Officer, Peter Stals.

These changes have supported the alignment of partners' strategy, strengthened relationships and enabled more effective governance.

Freeport Lisboa Fashion Outlet

Premium outlets



Timon Drakesmith

Chief Financial Officer and Managing Director, Premium outlets

Sector overview

Outlets offer a distribution channel for brands to sell excess inventory at a material discount to the original price. Premium outlets are at the top of this sector, offering visitors international fashion and luxury brands in an upscale shopping environment where retailers are able to maintain and protect their brand identity.

Over recent years, the European outlets sector has seen both strong sales growth and increasing retailer demand. The market for discounted luxury and fashion items is attractive for international tourists, in

particular from Greater China, Russia, South East Asia and the Middle East. Following very strong growth in 2017, 2018 saw further tax-free sales growth in our portfolio.

There are a limited number of specialist outlet operators in Europe, and planning consents for new schemes are often difficult to achieve. Consequently, growth of new space tends to be delivered through extensions to existing schemes and brands are attracted to well-managed centres where they can be confident of strong footfall and sales.

Table 9

Operational summary

	Value Retail ¹		VIA Outlets ¹	
	Year ended 31 December 2018	Year ended 31 December 2017	Year ended 31 December 2018	Year ended 31 December 2017
Brand sales (€m) ²	2,903	2,693	1,071	930
Brand sales growth (%) ³	8	8	9	13
Footfall (millions) ²	36.8	35.4	30.3	28.3
Average spend per visit (€) ²	79	76	35	33
Average sales density growth (%)	4	5	5	10
Like-for-like net rental income growth (%) ⁴	4	14	10	5
Occupancy (%) ⁵	97	95	92	91

1. With the exception of like-for-like net rental income growth, figures reflect overall portfolio performance, not Hammerson's ownership share and 2017 figures have been restated at 31 December 2018 exchange rates.
2. Figures include assets acquired from the date of acquisition. 2017 VIA Outlets figures have been updated to reflect more accurate footfall data and to include Zweibrücken Fashion Outlet from the date of acquisition.
3. Figures include assets owned for 24 months.
4. Like-for-like NRI growth now excludes the impact of extensions and reconfigurations. VIA Outlets 2017 like-for-like NRI has been restated for a foreign exchange correction (-4% impact to 2017 like-for-like NRI).
5. Occupancy is the spot occupancy as at 31 December 2018. 2017 VIA Outlets figures have been restated to reflect spot occupancy rather than assets owned for 12 months.

Our portfolio

Our interest in the sector is gained through investments in Value Retail (VR) and VIA Outlets (VIA). At 31 December 2018 we had interests in 20 centres in 14 European countries offering 450,000m² of retail space for international luxury and fashion brands.

The sector has many similarities with our directly managed properties and we utilise the knowledge gained from the sector to enhance the brand experience across our other portfolios.

We hold our VR interests in the holding companies as well as direct investments in the Villages and have grown our economic

interest in the net assets of VR from 20% to approximately 40% over the last five years. Details of our investments are shown in note 14 to the financial statements.

During 2018, we acquired a number of investor stakes in Villages including Bicester Village, La Roca Village, Las Rozas Village and La Vallée Village for a net purchase price of £109 million. This acquisition increased our economic interest in Bicester Village, the largest asset within the portfolio, to 50%.

VIA is a joint venture formed in 2014 in partnership with APG, Value Retail and Meyer Bergman in which we have a 47% stake.

These investments represent 25% of the Group's property portfolio value, or 31% of EPRA net assets. Within the portfolio, the six most high-end outlets account for more than 65% of total income. These six outlets deliver high to very high sales densities, highlighting the Group's strategy of investing in the most profitable and desirable outlets. Since 2014, a Compound Annual Growth Rate (CAGR) of 24% in investment property values has been achieved, 42% of which has been driven by underlying revaluation growth, 35% by acquisitions and 14% by capital expenditure, the balance being attributable to disposals and foreign exchange.

Our premium outlet investments are externally managed, independently financed and have operating metrics which differ from the Group's other sectors. The relevant legal agreements have pre-emption rights in favour of the Group and other owners of VR and VIA in the case of transactions of interests in the two businesses and have certain governance and liquidity provisions which are triggered by a change of control of Hammerson plc. Timon Drakesmith is a Board member of VR and is Chairman of the VIA Outlets Advisory Committee.

VIA Outlets management has significantly evolved in 2018 with the recruitment of its COO, Otto Ambagtsheer, and its CFO, Peter Stals. This is consistent with its transformation from an acquisition platform into a leading premium outlet operator.

Value Retail (VR)

Portfolio overview

Value Retail owns and operates nine high-end Villages in the UK and Western Europe which provide 190,000m² of floor space across more than 1,000 stores. VR focuses on international fashion and luxury brands and attracts long-haul tourists and wealthy domestic customers.

The Villages, which include Bicester Village outside London, La Vallée Village, Paris and La Roca Village, Barcelona, are among the best outlet centres in Europe.

In 2018, the Villages had an average sales density of €16,300/m² and generated total sales of €2.9 billion, placing them in the top echelons of the premium outlets sector. The Villages actively target the growing shopping-tourism market as well as attracting footfall from affluent domestic catchments. This strategy has been very successful and VR has delivered annual compound brand sales growth of 13% over the last 10 years.

In April 2018, the operating platform was rebranded as The Bicester Village Shopping Collection®, reflecting VR's continued focus on retail hospitality.

Income

Brand sales growth of 8% has again been strong in 2018, driven by domestic, regional and international guests. Tax-free sales at VR have increased by 12% during the second half of 2018 and by 7% over the full year. This significantly outperformed overall European tax-free sales which were down 4% after a strong 2017 (Source: Global Blue – December 2018). Value Retail continues to invest in broadening long-haul tourist markets, with Korea, Taiwan and India being strong growth drivers in 2018.

La Vallée Village achieved the highest sales growth as it continued to benefit from active remerchandising activity during 2017 and 2018 and from high tax-free sales growth. Fidenza Village and Bicester Village were the other top performers with sales boosted by their recent extensions. Wertheim Village was the weakest performer in 2018, with a small decline in year-on-year brand sales, partly due to nearby major motorway works. Sales in the second half were marginally positive following the opening of new brands.

Average sales densities increased by 4%, the strongest performances being at La Vallée Village and Fidenza Village. Sales density growth in 2018 at Bicester Village softened slightly as anticipated, as the extension which opened in late 2017 has marginally diluted densities in 2018.

Like-for-like net rental income growth was 4%, consistent with the growth in average sales densities. The strongest contributions were from Bicester Village, Kildare Village and La Vallée Village.

Occupancy and leasing

VR adopts a very active leasing and asset management strategy to enhance and refresh the Villages to maximise the customer experience. This strategy drives sales and recurring footfall. During 2018, 276 leases were signed, with a total of 109 new brands introduced to the Villages. Key new brands included Prada at La Vallée Village, Lululemon at Wertheim Village and Michael Kors at Kildare Village. There has also been a specific focus on enhancing the F&B offer across the portfolio, demonstrated by the opening of Menu Palais at La Vallée Village and Café Wolseley at Bicester Village. Value

Retail continues to welcome brands with their first openings of outlets worldwide such as Victoria Beckham at Bicester Village and Herschel at Maasmechelen Village.

Occupancy across the Villages has increased to 97%. Occupancy at premium outlets is typically marginally lower than the Group's other sectors to support proactive re-merchandising.

VR management continues to develop successful marketing strategies. New loyalty apps have been implemented and the focus on digital is illustrated by the successful partnership with Instagram influencers. For the second year running, The Bicester Village Shopping Collection® returned as exclusive partner at The Green Carpet Fashion Awards, benefiting from high media coverage and sponsoring emerging designers. Other collaborations include Tate opening a pop-up boutique at Bicester Village selling merchandise, with a bespoke virtual reality experience of Modigliani artist's studio. Partnerships with brands are also a successful feature across the portfolio. Demonstration of these partnerships during 2018 included Guess running personalisation events and Coach offering monogramming services, both with positive results on sales growth.

Developments and extensions

Following the opening of extensions in 2016, Fidenza Village and Kildare Village have shown high single-digit sales density growth in 2018 and have achieved occupancy of 98% and 100% respectively.

At Bicester Village, the opening of the 5,800m² extension in October 2017 enabled the acceleration of remerchandising and right sizing activity in 2018. In August 2018, Gucci opened a new flagship store in the former Polo Ralph Lauren unit from which the brand had transferred into the extension at opening.

Administrative approvals have been granted for the extension and remodelling of Kildare Village and of La Roca Village, where construction is expected to commence in 2019. The remodelling works at La Roca Village will increase the lettable area by 2,500m².

VIA Outlets (VIA)

Portfolio overview

At 31 December 2018, VIA operated 11 outlets in nine European countries, providing 260,000m² of floor space and over 1,100 stores. The centres include Batavia Stad Amsterdam Fashion Outlet, Freeport Lisboa Fashion Outlet and Zweibrücken Fashion Outlet on the Germany/France border. Following its acquisition in September 2017, the Norwegian Outlet was rebranded Oslo Fashion Outlet in August 2018.

Over the past four years, VIA has built a significant pan-European portfolio by acquiring existing European outlet centres with strong catchments, focused on mainstream fashion brands and with potential for growth through active asset and development management. By using VR's expertise and brand relationships, the VIA management team has implemented initiatives to enhance centre appearance, tenant mix, the provision of flagship stores and international brands, the leisure and catering offers, tourism marketing and overall centre management. This strategy has delivered strong operational and financial performance.

At 31 December 2018 the total portfolio was valued at £1.4 billion of which the Group's 47% share was £636 million. VIA Outlets has become a leading premium outlet operator, and has further evolved in 2018, with the appointment of its COO and CFO (see page 26). The team have developed a clear sustainability strategy and have completed BREEAM In-Use certification across the portfolio. This is being used to drive environmental improvements which will deliver cost savings and mitigate climate risk.

Income

Like-for-like brand sales growth was 9% in 2018. The highest growth was achieved at Freeport Lisboa Fashion Outlet which benefited from the remodelling completed in November 2017 and at Mallorca Fashion Outlet which saw the results of recent remerchandising and asset management initiatives. Double-digit sales growth was also achieved at Batavia Stad Amsterdam Fashion

Outlet where an extension opened in May 2017 and at Landquart Zürich Fashion Outlet where both occupancy and footfall have increased.

Fashion Arena Prague Fashion Outlet has been the weakest performer with lower year-on-year sales as the centre was impacted by a double-digit decrease in tax-free sales, in line with the Global Blue Prague Index (-13%; Source: Global Blue December 2018). Russian visitors were the main driver of this reduction, impacted by currency movements and the FIFA World Cup. The centre was also impacted by the opening of Prague The Style Outlet.

The strong sales performance across the portfolio resulted in like-for-like net rental income growth of 10%, with the most significant contributions from Mallorca Fashion Outlet and Freeport Lisboa Fashion Outlet.

Occupancy and leasing

Occupancy levels increased to 92% during 2018, compared with 91% in 2017.

The strong sales growth outlined above reflects the benefits of VIA's management and remerchandising initiatives introduced across the portfolio and 240 leases were signed during 2018, including 139 new or re-merchandised stores.

Key leasing transactions included the introduction of new brands such as Karl Lagerfeld at Batavia Stad Fashion Outlet, Polo Ralph Lauren at Freeport Lisboa Fashion Outlet, Samsonite at Hede Fashion Outlet and Mallorca Fashion Outlet, Skechers at Oslo Fashion Outlet, Lacoste at Wrocław Fashion Outlet and Under Armour at Zweibrücken Fashion Outlet. Leasing also focused on relocating and enhancing existing brands including some upsizing into flagship stores such as Nike at Batavia Stad Fashion Outlet and at Wrocław Fashion Outlet and Adidas at Hede Fashion Outlet.

After the opening of the Food Plaza in Lisbon in 2017, F&B continues to be improved across the portfolio illustrated by the openings of Starbucks and Ame Fashion Café at Batavia Stad Fashion Outlet, the remodelling of the food court at Sevilla Fashion Outlet and the opening of Pasibus at Wrocław Fashion Outlet.

In 2018, VIA continued the deployment of its loyalty programme, Fashion Club, across five of the outlets. In partnership with brands, VIA implemented its first cross-portfolio marketing campaign in September 2018 and will develop further portfolio marketing initiatives in 2019.

Developments and extensions

VIA acquired land at Sevilla Fashion Outlet and Oslo Fashion Outlet. Sevilla extended its car park and future expansion of parking is due to commence shortly in Oslo.

VIA recently started works on the extension of Hede Fashion Outlet. The programme will add an additional 2,700m² to the centre. In early 2019, a new train station adjacent to the outlet will open, which will allow visitors to travel from Gothenburg's city centre to the outlet in just 20 minutes. The total investment for this centre amounts to €11 million and the extension is set to open in October 2019.

Following the acquisitions in December 2016 and February 2017, refurbishment works have started as planned in Sevilla Fashion Outlet and Wrocław Fashion Outlet, with works due to start shortly in Zweibrücken Fashion Outlet. The remodelling will play an important part in delivering an enhanced experience to visitors and in welcoming new brands.

Remodelling studies have also progressed at Vila do Conde Porto Fashion Outlet and at Oslo Fashion Outlet.

VIA achieves its first GRESB Green Stars

Working closely with our joint venture partner APG, we have supported the VIA management team in establishing a strong sustainability strategy for this portfolio. This approach was rewarded in 2018 with a doubling of their GRESB score to 70 points and three green stars. This is a significant achievement for such a newly formed portfolio.



Further information on
Sustainability on page 34.

Developments and City Quarters



Peter Cole
Chief Investment Officer

Overview

The Group has a proven track record in delivering iconic, urban developments including destinations such as Bullring, Victoria Gate and Les Terrasses du Port. The launch in July of our City Quarters concept will leverage our expertise to extract value from our existing land holdings and complement our flagship destinations.

Capital expenditure is tightly controlled and we will only commit to projects when the balance of risk and reward is acceptable. Factors evaluated include funding and financial returns, cost and programme certainty, leasing confidence and pre-letting performance. Whilst projects are controlled individually, our total exposure to development is also closely monitored.

At 31 December 2018, developments represented only 7% of the Group's total property portfolio. 80% of the development value is related to five key schemes: Les 3 Fontaines extension, Croydon, Dublin Central, Leeds (Phase 2) and The Goodsyards. Committed capital expenditure remains low at £163 million at 31 December 2018. The majority of this expenditure related to the two on-site extension projects in Paris with the remainder relating to land acquisitions for the major London development schemes.

Reflecting the heightened uncertainty levels, particularly in UK retail markets, in July we decided to defer the start on site at Brent Cross. Given our focus on reducing debt during 2019, we do not expect to commit to any major projects until markets stabilise.

Completed developments

In February 2018, we completed the 21,400m², £16 million redevelopment of Parc Tawe, Swansea. The scheme has created a modern, mixed retail and leisure park with new public realm and improved pedestrian links to the city centre. Tenants include B&M, Office Outlet, the UK's first Denny's restaurant and our second carbon neutral Costa Eco Pod. The scheme was impacted by the Toys R Us administration, and there are currently four retail units and two restaurants to be let. When fully let, the project is forecast to achieve a yield on cost of 9%.

In March 2018, we opened the 8,700m² extension to the Orchard Centre in Didcot. This has been designed to attract consumers in this affluent and rapidly growing catchment. The scheme is currently 76% let and is anchored by a M&S Foodhall with other tenants including Boots, Fatface, H&M, JoJo Maman Bebe, Mountain Warehouse, Nandos and Soletrader. When fully let, the scheme is forecast to achieve a yield on cost of 5%.

On-site developments

Les 3 Fontaines extension

In January 2018, we commenced works on a major extension of Les 3 Fontaines which is part of a wider city centre development in Cergy-Pontoise, in the suburbs of Paris. The project involves extending the existing scheme and adding new retail, leisure and catering space together with a major refurbishment of the adjacent Cergy 3 centre, which was acquired in October 2017.

When complete in spring 2021, the project is forecast to achieve a yield on cost above 5% and will extend the entire trading space to over 100,000m², creating one of the leading flagship destinations in the Paris region.

At 31 December 2018, the costs to complete were £145 million and the project was valued at £194 million. The scheme is currently 23% pre-let to tenants including Adidas, JD Sports and Vapiano. We have recognised a total revaluation gain of £41 million to date.

"In 2018 we started two extension projects in Paris. We also launched our new City Quarters concept to extract value from our existing land holdings and complement our flagship destinations."

Italik extension

Italik, a 6,400m² extension of Italie Deux commenced in June 2018. The project will add 12 new retail, catering and leisure units to our central Paris scheme and will create an attractive new façade for the existing centre.

At 31 December 2018, the total development cost of the scheme is estimated to be £40 million, with £22 million of costs remaining. We have recognised £4 million of revaluation gains to date.

The scheme was due to complete in late 2019, however following a recent dispute with the contractor, the project has been delayed. The contractor has been changed without increasing the overall cost of the project. The scheme is now expected to open in spring 2020.

When launched the project is expected to generate £2 million of rental income representing an estimated yield on cost above 5% and is currently 34% pre-let. The pre-letting level has recently fallen following the decision of a major retailer to withdraw from the scheme, and we are currently in discussions with a number of alternative brands.

Future major developments

Whilst we do not expect to commit to any new major expenditure in the near-term, progress has been made in 2018 with our future major schemes as explained below.

Brent Cross extension

In conjunction with our joint venture partner, Aberdeen Standard Investments, in the first half of the year we signed agreements for lease for a planned major extension of the existing scheme with John Lewis & Partners and Showcase Cinema de Lux.

Following our decision in July to defer the start at the extension project, the joint venture has been working with Barnet Council and Argent Related to advance the wider Brent Cross Cricklewood regeneration programme and progress outstanding issues in preparation for future delivery.

This includes plans that will allow Brent Cross Thameslink to commence the new Brent Cross West Thameslink station and Brent Cross South to commence the mixed-use regeneration to the south, ahead of the retail and leisure extension to Brent Cross. This amended timeframe will allow the wider regeneration to proceed whilst the joint

venture continues to review the optimal mix of uses for the Brent Cross extension in light of evolving market conditions.

Croydon town centre

In 2018, the Croydon Partnership, a 50:50 joint venture with Unibail-Rodamco-Westfield, secured revised outline planning consent for the redevelopment of the Whitgift Centre. It also served notice on the local council to exercise compulsory purchase order powers to assemble the areas of the site not currently owned by the partnership. The partnership also announced that John Lewis & Partners had agreed to anchor the redevelopment with a new 15,300m² four-storey department store and a Waitrose.

The retail and leisure-led scheme will establish Croydon as a major lifestyle destination for south London and include up to 1,000 new homes. The development will also involve the refurbishment of the existing Centrale centre and is part of the wider large-scale regeneration already underway in the town.

We are currently reviewing the scheme to ensure it responds to changing retailer requirements and is appropriate for the future.

The Goodsyard

The Goodsyard is a 4.2ha site on the edge of the City of London and is owned 50:50 with our joint venture partner, Ballymore Properties. A planning application was called in by the Mayor of London in September 2015 and then deferred in April 2016 to allow for further consultation with the GLA's planning officers and potential redesign of some elements of the proposed scheme.

Work to submit an amendment to the application for a major mixed-use scheme including workspace, retail and residential has progressed through 2018, including an extensive public consultation in November 2018, which was well received. The joint venture is proposing to submit a planning amendment to the GLA in spring 2019, with a targeted determination from the Mayor of London later this year.

Dublin Central

In February 2018, the Court of Appeal in Dublin overturned an earlier ruling relating to buildings on Moore Street and their national monument status, which has enabled us to engage with stakeholders on the future of this site. This scheme will be included within our new City Quarters concept (see below).

City Quarters

A key strand of our strategy is our City Quarters concept. Our flagship destinations sit at the heart of their local communities. This concept takes this to the next level, breaking down the walls of our venues to move beyond retail. This will create vibrant, sustainable city neighbourhoods where people want to work, live and play.

This concept will leverage our existing land interests surrounding our flagship destinations, located in and around major European cities and near to key transport links. This provides the Group with opportunities to develop a mix of uses, including residential, workspace, hotel and leisure. These schemes will deliver financial

returns for the Group and complement our existing flagship destinations. Success will be further enhanced by our existing relationships with local authorities and landowners, building on our track record of great place-making to create truly integrated sustainable communities.

The opportunities have different timescales and include near-term schemes, such as a residential development adjacent to Dundrum and Ladywood House above Grand Central. Longer term projects include fully mixed-use sites such as Martineau Galleries in Birmingham and Dublin Central. Together with our major developments this concept has significant scale, with the possibility to deliver a total of 6,600

residential units, 1,200 hotel rooms, 200,000m² of workspace and nine parks and public spaces. An overview of a number of the projects is set out in Table 10 on page 32.

In 2019 we will submit further planning applications including Martineau Galleries, a hotel opportunity in Leeds and residential development at Dundrum.

Once schemes have been progressed and initial value secured through planning consents, we will determine the optimal implementation plan. This could include development by the Group, in partnership with expert third parties, or realisation of value through disposal whilst retaining a degree of control.

Table 10

Overview of City Quarters and major developments

	Area	Next planning submission	Start on-site	Retail/ F&B	Residential	Workspace	Leisure	Education/ Culture	Hotel	Public spaces
										
Near term										
Les 3 Fontaines, Cergy	8,500m ²	n/a	On-site	✓		✓	✓			
Citywall House, Southampton	2,800m ²	2019	Q2 2020			✓				
Dundrum Building 5, Dublin	10,000m ²	2019	Q2 2020		✓					
Victoria Hotel, Leeds	8,400m ²	2019	Q2 2020						✓	
Ladywood House, Birmingham	9,400m ²	2019	Q2 2020			✓				
Strategic										
Martineau Galleries, Birmingham	7 acres	2019		✓	✓	✓	✓	✓	✓	✓
Dundrum Phase 2	5 acres	2020		✓	✓				✓	✓
Broadmead, Bristol	9 acres	2020		✓	✓	✓	✓	✓	✓	✓
Dublin Central	6 acres	2021		✓	✓	✓			✓	✓
Pavilions Phase 3, Swords	13 acres	2021		✓	✓		✓			✓
Victoria Phase 2, Leeds	10 acres	2021		✓	✓	✓	✓	✓	✓	✓
Major										
Brent Cross	15 acres	n/a		✓	✓	✓	✓	✓	✓	✓
Croydon	22 acres	n/a		✓	✓		✓			✓
Bishopsgate Goodsyards, London	10 acres	2019		✓	✓	✓	✓	✓	✓	✓

Dundrum, Dublin

Realising a new neighbourhood

Dundrum is Ireland's leading retail destination located in the affluent southern Dublin catchment. As part of our City Quarters concept, we are expanding the neighbourhood offer at Dundrum and building new apartments, a product much needed and in high demand in the Dublin market. The first stage of the planning process has commenced with the local authority for a best-in-class Private Rented Sector scheme of over 100 apartments, complemented by generous open space and a range of shared resident amenities. The building is expected to achieve a BREAAAM Excellent rating.

Ideally located given its convenient access to excellent transport links, as well as its proximity to the flagship destination's retail and leisure offer, this residential development represents the first phase of a long-term strategy to create exceptional spaces at Dundrum.

UK retail parks



Andrew Berger-North
Director, UK Retail Parks

Like-for-like NRI growth

-4.3%

(2017: -2.5%)

Occupancy

96.9%

(2017: 99.4%)

Leasing activity

£2.4m

(2017: £6.3m)

Leasing vs ERV

+11%

(2017: +11%)

Footfall growth

-1.3%

(2017: -0.4%)

Sector overview

Retail parks tend to be situated in out-of-town locations and offer efficient and flexible space formats with larger units, lower rents per square metre than those in flagship destinations, and the ability to accommodate a wide range of retailers. Accessibility is a key success factor for retail parks with the majority of shoppers using cars or public transport.

Demand for space has been subdued during 2018, with a number of high profile tenant failures increasing the supply of available space in the market. This impact will take some time to work through the sector, although there continues to be demand for selected, well-managed parks where trading remains strong.

Our portfolio

We operate shopping parks, hybrid parks and key homeware parks where occupational demand has been strongest. At 31 December 2018, our portfolio comprised 13 convenient parks providing 318,000m² with more than 260 tenants. Our parks are intentionally located on the edge of town centres with ample free parking and are let to a wide spectrum of retailers including fashion, furniture, homewares and bulky goods.

As announced in the July 2018 strategy update, we intend to exit this sector over the medium term and sold four parks in 2018.

Net rental income

On a like-for-like basis net rental income fell by 4.3% in 2018. Consistent with our UK flagship destinations, the most significant impact was from CVAs and administrations, which reduced income by £2.8 million. If this impact was excluded like-for-like income would have grown by 0.4%. The most significant failures at our retail parks portfolio were Toys R Us, Poundworld, Fabb Sofas and Maplin.

“We continue to actively manage our high-quality retail parks portfolio to support the Group’s disposal strategy.”

Occupancy and leasing

Due to the challenging UK retail market, leasing activity was significantly lower in 2018. We signed 26 leases across the portfolio representing £2.4 million of annual rental income and 17,400m² of space. This was £3.9 million lower than the prior year. For principal leases, rents were contracted at 11% above December 2017 ERVs and 19% above previous passing rent.

Key leasing deals in 2018 include Tessuti at Cyfarthfa in Merthyr Tydfil, Decathlon at Telford Forge, Hobbycraft and NCF Furnishings at Elliott’s Field in Rugby and a new 3,600m² M&S store at Ravenhead in St.Helens following a relocation from the town centre.

Reflecting the turbulent UK retail market and impact of tenant failures, occupancy levels fell during 2018 to 96.9% at 31 December 2018. During 2018, 23 units were subject to administration or CVAs. At 31 December 2018, £1.9 million of passing rents related to units in administration or subject to CVAs and which remained trading in our parks. This represents 0.5% of the Group’s passing rents.

Footfall and sales

During 2018 the number of visitors to the portfolio fell by 1.3%, 80 basis points below the Springboard Retail Parks index which declined by 0.5%. As with flagships destinations, there was a mixed performance across the portfolio with higher footfall at the Orchard Centre, Didcot and Parc Tawe, Swansea which attracted more customers following their recent redevelopment, but lower footfall at the other parks.

Whilst we do not receive tenant sales information for our retail parks, based on recent customer surveys, retail spend was 7% higher than in 2017 and dwell times increased by 3%.

Positive Places

Destinations that deliver Net Positive impacts economically, socially and environmentally.

Our 2018 highlights

19%

Year-on-year improvement in business carbon intensity, one of our corporate KPIs

11%

Year-on-year reduction in carbon emissions across our UK, France and Ireland portfolios

11%

Year-on-year reduction in energy demand for the EPRA like-for-like portfolio

£790k

Year-on-year energy cost savings

100%

Renewable electricity contracts across UK and Ireland assets

75%

Operational waste recycled (2017 : 73%)

150+

Business start-ups supported in UK, Ireland and France through Pop-Up Business and Initiative France



Louise Ellison

Group Head of Sustainability

2018 has seen a step-change in the significance of sustainability for the business community and for society more widely. The awareness that began with the Paris Climate Accord in December 2015 has gained momentum with major media events such as Blue Planet 2, increasingly frequent extreme weather events, public concerns over plastics and food waste and the most recent predictions of the Intergovernmental Panel on Climate Change. There is a clear and growing expectation from investors and other stakeholders that businesses understand our exposure to climate risk in particular, and have a relevant, meaningful response. Positive Places, the sustainability programme we began over ten years ago, was designed to deliver on exactly this agenda. It continues to demonstrate leadership, delivered successful outcomes for all our stakeholders in 2018 and will do the same in 2019.

Targets based on robust, science based data

Delivering on this agenda starts with the challenging annual targets we set for each asset. Based on a robust, science-based analysis of our carbon footprint, completed in 2016, asset level targets are set to support achieving our corporate Net Positive target by 2030, going significantly beyond that required to achieve a 1.5 degree climate change scenario.

This approach delivered strong results again for the business in 2018. We continued to drive operational excellence, saving cost and carbon through efficiencies and good management alongside investment in impactful technologies bringing clear returns. The 11% year-on-year reduction in carbon emissions brings total emissions reduction to 22% since 2015, whilst growing the portfolio.

Reviewing our sustainability priorities

Our overarching sustainability priorities are climate change and social impact. These two fundamental challenges drive our sustainability thinking. We shape our strategy by focusing on areas that link our business activities with these two priorities. This keeps us focused on those areas where we can have the most significant impact.

Chart 11

Energy demand (EPRA Lfl portfolio)

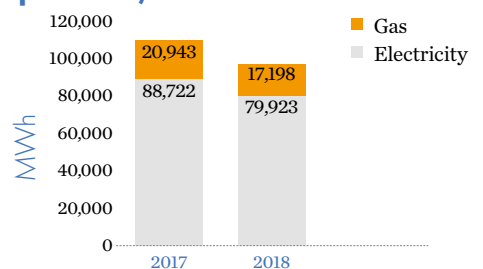
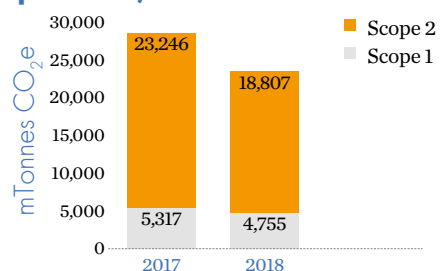


Chart 12

Carbon emissions (EPRA Lfl portfolio)



2018 materiality review

During 2018 we carried out a materiality review, engaging with key stakeholders to understand their perspective on sustainability and how that may have changed since our last review, four years ago.

Our discussions identified new and emerging issues for us to focus on within the key themes of climate change and social impact (see box) and confirmed that our key material sustainability issues remain:

- Energy security and demand
- Minimising use of resources
- Local community engagement

As we expected there was an increased focus on climate risk from our investor stakeholders. Understanding our exposure to these risks and having a clear strategy for managing them is expected as part of effective businesses management as set out in the recommendations of the Task Force for Climate-Related Financial (TCFD) Disclosures.

Related to this is an increasing concern amongst our investors with transition risk - how our assets and performance might be affected by regional, national and international policies implemented to mitigate climate change and its related impacts.

We are already experiencing this in the UK in the form of the Climate Change Levy, differential energy pricing for periods of peak demand and Clean Air Zone policies. Bristol is the first UK city to have set a target to be Carbon Net Zero by 2030, matching our target. In Ireland, the EU's Nearly Net Zero Energy Buildings requirements are being adopted early.

Our focus on energy management specifically addresses these risks and our development teams are experienced in reflecting tough targets in our planned schemes. Our Net Positive approach and thinking is being embedded into our City Quarters strategy, aligning our approach with these key stakeholder targets and ambitions.

Table 13

ESG benchmarking scores

	2018	2017
Carbon Disclosure Project	B	B-
GRESB	Green Star 4, 75	Green Star 4, 77
FTSE 4 Good	Percentile 91, ESG Rating: 3.9/5	Percentile 91, ESG Rating: 3.6/5
Dow Jones Sustainability Index	66	63
EPRA sBPR	Gold Award	Gold Award
MSCI	AA	AA
OEKOM	C+	C+

Our material issues

Our 2018 materiality review confirmed that our sustainability strategy is focused on the right areas. It also revealed changes in stakeholder priorities.

Topics moving upwards include:

- Reporting and Governance
- Climate Risk
- Sustainable product
- Building labels
- Place making

New issues to emerge include:

- Air quality
- Carbon pricing
- Accessibility and demographic change
- UN Sustainable Development Goals



For more on our materiality review see our 2018 Positive Places report at www.sustainability.hammerson.com.

Responding to the focus on climate risk

Having established a long term, consistent approach to addressing sustainability, we are already looking in detail at climate risk. We completed a climate risk assessment for our managed assets in 2018 using 2030 and 2050 climate scenarios. This means we understand where those risks lie for our assets. Two key areas were identified:

- potential over-heating during higher summer peak temperatures
- potential surface water flooding through extreme rainfall.

Our assets are not exposed to significant immediate climate risk. However, having completed this study we are now in a position to work with our suppliers to reflect the results in our planned maintenance work and business plans, ensuring the continued resilience of the portfolio in a timely, cost effective and managed way.

Increasing ESG reporting requirements

Another key insight from our materiality review was the significant increase in importance our investors are placing on clear environmental, social and governance (ESG) strategies and robust, detailed reporting.

Our long-term, strategic approach to sustainability places us at the forefront of our sector in being able to respond to this expectation in a positive way. We provide extensive reporting of our sustainability performance and outcomes annually along with updates on projects and initiatives through the year via social media and our Positive Places website.

We are benchmarked by a number of industry and investment benchmarks with consistently high performance within our sector (see Table 13).

Generating value for the business

Positive Places delivers both direct and indirect value for the business. Financial benefits flow directly to the Group through energy cost savings and income from renewable power generation. During 2018 energy efficiencies alone saved £790k for the business and our tenants, whilst reducing exposure to energy supply risk and carbon emissions. These benefits are driven by proactive management as well as investment in technology. All capital investments in environmental improvements are supported by a clear business case and return.

Indirect benefits include savings to service charge, boosting footfall and inspiring visitor loyalty with community engagement initiatives, all of which make our centres more attractive to retailers. Our strategy helps build our social capital as a trusted partner supporting our relationships with important stakeholders such as our investors, local authorities and community groups.

Achieving positive environmental and social outcomes while lowering costs is an important part of making our venues the first choice for the best brands.



The energy evolution

A constant, reliable supply of affordable energy is fundamental to the modern economy. However, in its traditional, fossil fuel form it is also a major threat to the modern economy. This conundrum is presenting major challenges for business including:

- Securing long-term supply
- Rising regulatory costs such as climate change levy and carbon pricing
- Spiking energy prices during periods of high demand
- City level policies to improve air quality
- Development control requirements for clean energy strategies and wider environmental improvements
- Climate risk – real estate assets in some geographies are already affected by this
- Rising shareholder expectations of reducing carbon emissions
- Increased risk of future policy interventions to reduce emissions

However, with these challenges come interesting opportunities including:

- On-site power generation
- Demand management
- Grid balancing
- Energy storage
- Power purchase agreements with renewable facilities

Innovative energy management

Our Positive Places strategy addresses these issues in a number of ways. At the most basic level, our approach to energy management and energy purchasing enables us to reduce our

exposure, and therefore our tenants' exposure, to some of these risks such as peak pricing and the rising regulatory costs of energy.

More interestingly, the growing requirement for grid balancing – reducing demand when the grid is under particular stress – is a potential opportunity. Investment in smart metering in eight of our UK assets means we can begin to engage with the grid balancing market.

Our work with GridEdge, an award winning tech start-up from Aston University, will give us the opportunity to take grid balancing to another level. Using machine learning GridEdge can predict the daily energy requirements of the Bullring, allowing us to reduce energy demand without impacting customer experience. This new application of machine learning (or AI) fundamentally changes our relationship with the energy market by allowing us to use the intrinsic inertia of the building as an energy store. We are extending our work with GridEdge to a second asset in 2019.

Looking to the future

On-site renewable power is an important opportunity for the business. We have installed three additional photovoltaic arrays in 2018, bringing our total onsite renewable capacity to 1.4mWh. The second PV array installed at Victoria Gate is our first car port system and in addition to generating energy for the centre, also provides a great space for events with fantastic views of Yorkshire!

Next we will be exploring opportunities to install battery storage capacity and combine this with on-site electricity generation. We expect battery technology to develop

significantly in 2019 so are monitoring this market closely.

This strategy links closely with our thinking on electrical vehicle charging (EV). The transition to EV is already happening and in conjunction with an increase in 'transport as a service' is expected to change our relationship with the car.

Use of EV charging points installed across our venues is rising but is yet to reach capacity. Our focus for 2019 is to raise awareness of the availability of these facilities, particularly as dwell times are increased by up to 60 minutes when visitors are charging cars. We will continue to monitor patterns of charging behaviour and have ensured our venues have infrastructure in place to support the expansion of charging facilities.

We are also exploring what charging infrastructure delivery vehicles may need in the future as retailer logistics transitions to EV. Combining on-site power generation with demand management, battery storage and EV charging will present interesting new opportunities for the business.

We have had clean electricity contracts in place across our directly managed UK and Irish assets for three years. Our French contracts are very low carbon as the grid is predominantly nuclear power. Now we are looking to go further and are exploring power purchase agreements as a potential energy procurement model. This would enable us to use our demand for clean energy to facilitate additional renewable energy supply into the grid, both de-risking our energy supply and supporting our Net Positive carbon emissions target.

How we deliver Positive Places

The consistent delivery of positive sustainability results requires genuine senior-team leadership which brings cross-business support. Our Positive Places programme and our Net Positive targets are well supported and understood across the business. Positive Places has become embedded within company culture with our approach to sustainability consistently achieving high scores in the annual Great Place to Work survey - 86% in 2018, the highest in the company.

We updated our sustainability governance structure in 2018 to reflect the increased level of ownership being taken for delivery of sustainability outcomes by each business area. With Board level responsibility being led by our Chief Executive, the structure for monitoring progress across the business along with key responsibilities is clear. Sustainability targets are included within personal objectives and cascaded to the teams from head offices through to site-based operations.

Our Group Head of Sustainability reports directly to our Chief Executive, who also chairs our Positive Places CR Board. This Board oversees our sustainability strategy and performance, monitoring progress and ensuring compliance with legislation. Three sustainability Working Groups meet regularly to monitor the progress being made within our Operations, Development and Corporate teams against our Positive Places objectives.

World green building week

In 2018 we extended our support for World Green Building Week. Colleagues across the business were encouraged to support sustainability issues affecting not only Hammerson but also their daily lives. We even turned the logo green.

Throughout the week, a social media campaign and short videos informed Hammerson Twitter and LinkedIn followers about the day's Net Positive theme and sustainable actions being taken across the business. Colleagues opted for meat-free Mondays, calculated their carbon footprint and pledged to reduce their emissions. Actions were posted to the Butterfly Bank employee engagement platform, and will support our Net Positive targets.

Linking Positive Places to the Group's strategy

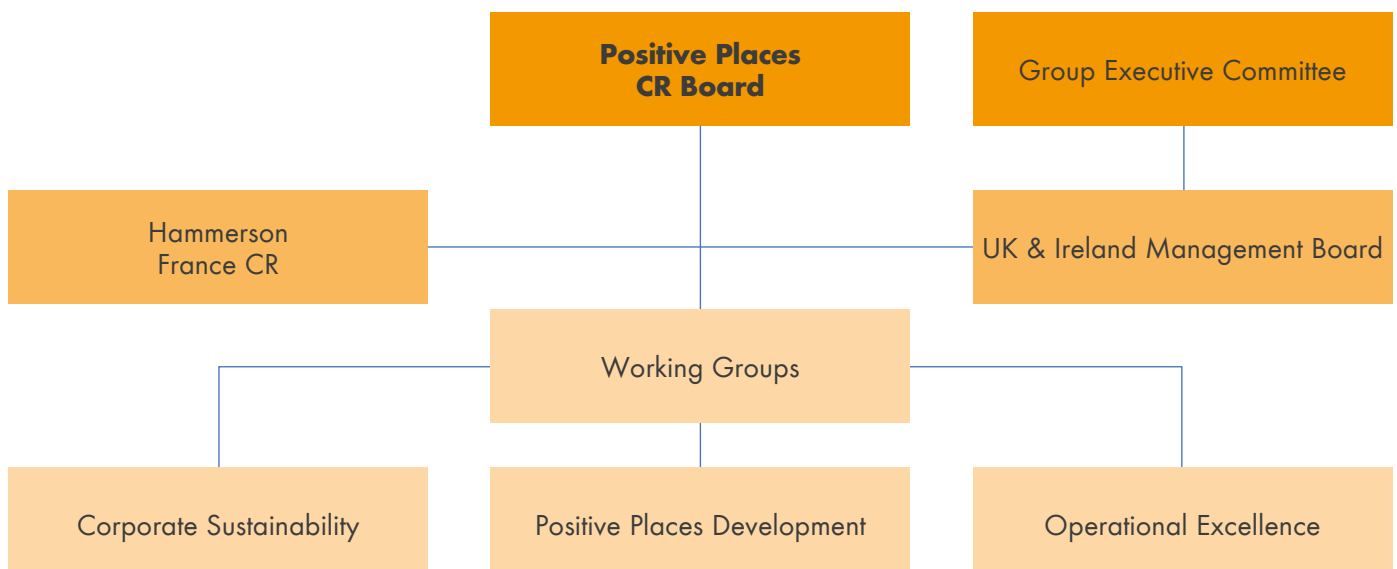
Looking ahead, Positive Places is at the heart of our City Quarters concept. Placing sustainability at the heart of our cities, both in the design of new buildings but also in the remodelling and operation of the existing estate will underpin the long term desirability and value of each scheme. New facilities, public realm and local infrastructure we deliver will have to respond to a changing climate and be fit for a low carbon world with a changing population. The knowledge our teams have developed through delivering our Positive Places strategy is directly informing and enriching our City Quarters ambitions to ensure our schemes are resilient and bring long term positive change for all our stakeholders.

UN goals

The UN Sustainable Development Goals were raised by a number of our stakeholders and have clearly gained traction with major corporates and investors as a helpful strategic sustainability framework for businesses. We identified the UNSDGs that we are most relevant to the business two years ago and these continue to be supported by our Positive Places strategy and actions.



Our sustainability governance structure





Case study

Focusing on accessibility – Purple Day 2018

We strive to ensure our assets provide a welcoming and accessible environment for everyone. In November 2018, Hammerson was pleased to support Purple Tuesday, the UK's first day dedicated to the needs of disabled shoppers, co-ordinated by Revo and disability organisation, Purple. Retailers and shopping destinations across the country introduced new measures to make the shopping experience more inclusive for disabled customers.

All Hammerson UK city-centre assets supported Purple Day, collaborating with our tenants, disability groups and organisations to deliver a range of initiatives and events. These aimed to address some of the difficulties those with a disability experience whilst shopping and to assess the most impactful long-term measures we could undertake to deliver a more positive experience for the disabled community, their families and carers.

A range of activities were enjoyed by centre visitors and staff alike. Volunteers and guide dogs from Guide Dogs UK visited Cabot Circus to raise awareness and offer advice to customers and brands. Shoppers, tenants

and our centre management team were able to navigate an obstacle course with a guide dog, whilst blindfolded, to get a brief insight into what a visually impaired person experiences when visiting the centre.

At Bullring, athletes from the British Wheelchair Basketball team demonstrated their skills, and encouraged visitors to try out wheelchair basketball for themselves. Freefall Dance Company, a partnership between Birmingham Royal Ballet and Fox Hollies Performing Arts College, performed a piece specifically choreographed for Purple Tuesday, showcasing ten dancers with learning disabilities.

Next steps...

Since Purple Tuesday, The Oracle has launched a Safe Places scheme. Safe Places aims to help people with a disability feel confident and safe whilst visiting the centre. To date, 14 brands have signed up to support it.

We are now working with Purple to support Purple Tuesday in 2019 which is shaping up to be an even bigger event. We are continuing to expand initiatives such as Autism Hour, Disability Confident training, and certification and AccessAble audits. Our 2019 target for all our UK flagship assets is to achieve Disability Confident certification.

“Whilst Hammerson are always incredibly inspiring to work with, they really outdid themselves in their support for Purple Tuesday right across their UK portfolio. From inviting charities into centres, teaming up with them locally, holding quiet hours for customers and a whole host of other activities, the support and endeavour shown was phenomenal.”

Samantha Sen

DWP Disability Retail Sector Champion,
Head of Policy and Campaigns, Revo

Positive social impacts

Social impact forms the second priority area within our Positive Places strategy. Our venues play an important role in generating local business opportunities, employment, training, new investment and a wealth of other activities for the local community.

Our True Value research shows that our social impacts are positive and that our business activities attract significant additional investment into local economies. However, the analysis also reveals a wide range of challenges facing the communities in which we operate. Our aim is to optimise the benefits our destinations bring to an area, through the creation and delivery of programmes tailored to specific community needs.

Our community engagement activities focus on four key themes:

- employment and skills
- enterprise
- young people
- health and wellbeing

Working with local organisations, we identify local needs and focus our community engagement where it will have the greatest local impact. These range from linking those furthest from employment with job opportunities in our venues to supporting projects for under-served groups within our communities.

During 2018:

- 750+ community activities and events have been supported by or taken place across our portfolio,
- 472 community organisations have been supported
- 100+ jobs secured at our assets for local, previously unemployed people
- 150+ business start-ups given training support and guidance.

Our assets are vital pieces of local infrastructure providing a much needed space for human interaction in an increasingly on-line world. Research we carried out this year revealed a worrying sense of isolation within our communities, particularly amongst young people. This makes the initiatives we run, that encourage engagement with local people, increasingly important.

All About Me Boutique in Croydon is an excellent example of this work. A collaboration with Croydon Council's Gateway Employment Service, All About Me offered local residents with disabilities the opportunity to gain a retail qualification by establishing and managing a store over a three week period. Participants learnt about running a boutique from stock and display management through to understanding the importance of delivering outstanding customer service. Eleven participants successfully gained a City & Guilds qualification, three have since entered paid employment.

Community Day 2018

Our annual Community Day is a highlight in the events calendar. This year it coincided with National Volunteering Week. All available Hammerson employees are expected to get out of the office on Community Day and spend time volunteering in our local communities.

The turn out this year was as strong as ever. Almost 400 employees (75%) participated in events in the UK, France and Ireland, volunteering over 3,000 hours of time to worthwhile causes.

Employee-led fundraising

In addition to Community Day, once again, this year Hammerson employees have gone above and beyond for many charitable causes. Over £38k was raised by employees this year from a variety of hiking, cycling and other activities for 13 different charities.

Beyond supporting different communities, volunteering and fundraising for good causes has multiple benefits for our staff, including:

- Improving teamwork and team relationships
- Enhancing personal development in areas such as improving organisation, communication, and management skills
- Building relationships with a range of community, voluntary and charitable organisations

Working within and learning about the local communities in which Hammerson operates enriches the experiences of our colleagues whilst reinforcing our local relationships.



The Hammerson Ireland team at Hillside Resource Community Centre in Dublin.



Inspire! brought 30 local school children into our head office for the day where they set about designing a shopping centre.

Table 14

Community investment

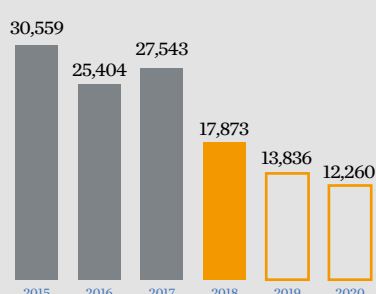
	2018	2017
Direct contribution (£'000s)	1,699	2,223
Indirect Contribution (£'000s)	312	260
Number of organisations	472	476

Our Net Positive progress

To be Net Positive we must put more back into our environment and our society than we take out.

Net Positive basis of reporting

Our Net Positive targets and reporting include the impacts of our portfolio at equity share, corporate impacts including office space and business travel, and the positive impacts of offsets, e.g. provision of power for electric vehicle charging. This basis of reporting is different to that used for our mandatory GHG emissions and EPRA environmental reporting.

	2018 targets	2018 outcomes	2019 plans														
Carbon Net Positive means carbon emissions avoided exceed emissions generated. 	– Continue reducing carbon emissions – Install additional renewable electricity capacity – Explore potential significant offset programmes	Our Net Positive Carbon emissions target is a key focus area and impacted by both water and waste. We made excellent progress against this target in 2018 achieving a 35% year-on-year reduction in emissions. This was driven by a combination of factors including energy savings, improved grid factors in the UK and onsite power generation.	We also offset over 200 tonnes of emissions by enabling EV charging and supporting tenant emission reductions. Energy demand fell by 15% across Net Positive portfolio and CO₂e by over 9,600 tonnes. Chart 15 Net Positive carbon emissions  <table><thead><tr><th>Year</th><th>Carbon Emissions (tonnes)</th></tr></thead><tbody><tr><td>2015</td><td>30,559</td></tr><tr><td>2016</td><td>25,404</td></tr><tr><td>2017</td><td>27,543</td></tr><tr><td>2018</td><td>17,873</td></tr><tr><td>2019</td><td>13,836</td></tr><tr><td>2020</td><td>12,260</td></tr></tbody></table>	Year	Carbon Emissions (tonnes)	2015	30,559	2016	25,404	2017	27,543	2018	17,873	2019	13,836	2020	12,260
Year	Carbon Emissions (tonnes)																
2015	30,559																
2016	25,404																
2017	27,543																
2018	17,873																
2019	13,836																
2020	12,260																
Resource use Net Positive means waste avoided, recycled or re-used exceeds materials used that are neither recycled, renewable or sent to landfill. 	– Review the use of materials in the Brent Cross, design to reduce resource impacts – Expand our clothes hanger re-use partnership across our centres – Continue to improve recycling rates	– Net Positive Resource use footprint fell by 28% year-on-year to 5,594 tonnes in 2018 – 412 tonnes of virgin materials saved at Cergy Trois Fontaines development using recycled content in concrete – Achieved a recycling rate of 75% across the Net Positive portfolio, 79% in UK and Ireland	– Optimise materials use within all development designs and major refurbishments – Continue to increase operational portfolio recycling rates – Work with retailers to support product and material reuse initiatives														
Water Net Positive means water replenished by external projects exceeds water consumed from mains supply. 	– Roll out a utilities metering that will significantly improve our ability to manage water demand – Explore opportunities for expanding rainwater harvesting across the portfolio	Water is potentially our most challenging net positive target. Being relatively low cost makes efficiency investment challenging. However it is scarce global resource. In 2018 we: – Installed smart water meters in eight UK assets allowing daily monitoring of consumption – Carried out water audits at one asset identifying and fixing leaks – Reduced water demand across the NP portfolio by 6% year-on-year	– Utilise EnviZ smart metering platform to drive further efficiencies – Implement findings from site water audits and extend audits to two further assets – Work with regional water companies to reduce leaks and identify offset projects														
Socio-economic Net Positive means making a measurable positive impact on socio-economic issues relevant to our local communities beyond a measured baseline. 	– Continue our programme of portfolio-wide community engagement initiatives	– Pop-up business events delivered at eight assets – Projects delivered at four assets with Initiative France – Over 100 local unemployed people provided with skills training and jobs through our employment and skills brokerages	– Run Pop-Up Business events at assets in UK and Ireland – Run Braveheart schools engagement days in UK and Ireland – Extend our support for Purple Day to French portfolio – Maintain our relationship with Initiative France														

Our people



Mark Duhig
Group HR Director

Headcount

Group

533

(2017: 587)

UK and Ireland

409

(2017: 449)

France

124

(2017: 138)

Voluntary staff turnover

Group

13.4%

(2017: 12.0%)

UK and Ireland

12.2%

(2017: 13.2%)

France

17.1%

(2017: 8.7%)

A people strategy to support our evolving business

Our people strategy is a key component of our business, enabling us to achieve our objectives and evolve over time. We aim to attract, develop and retain talent by offering a compelling employee proposition to make us an employer of choice for the best and brightest.

We are also committed to fostering an inclusive culture that supports and inspires our workforce. Furthermore, we remain focused on building diverse teams across the business and redressing the gender balance in our traditionally male-dominated industry.

Opportunities, roles and skills aligned with our strategy

Our strategy has important and far-reaching implications for how we manage our people. We already employ and recruit people with an excellent understanding of the retail and property industries. However, to ensure our future performance, we will need to use a combination of recruitment and training to nurture the expertise that exists within the business.

Firstly, we want to enhance our leasing expertise and sales skills to refresh our tenant line-up. Secondly, we will look to bring in fresh talent and to develop skill within our current workforce to drive forward our new City Quarters concept. And finally, it is essential to strengthen our digital and marketing skills as we invest more heavily in technology, customer experience and events. These changes will create new roles and demand different skillsets, which will provide exciting opportunities for existing colleagues and new hires.

Nurturing our talent

Aligned with the objectives of our strategy, in 2018 we made a number of significant changes to our senior management team. We broadened our Group Executive Committee (GEC) to ensure we are as well placed as possible to face the challenges of an ever-changing retail environment.

As a result, all country heads are now represented on the GEC. Furthermore, the inclusion of our Group Marketing and Communications Director reflects the growing importance of brand and customer experience to our business. Whilst the appointment of our Group Human Resources Director to the GEC further demonstrates the strategic value we place on our people and developing talent.

As in previous years, during the course of the year we made a number of other senior management appointments. The majority were filled by internal candidates who had previously been identified as senior leaders of the future as part of our succession planning activities. Of particular note was the appointment of our first Director of Strategy and Business Transformation. This new role is already working closely with the GEC to monitor and support the delivery of our strategy and identify future trends and opportunities.

Our success in identifying and nurturing internal talent is an on going success story and our track record in filling senior management roles through internal mobility is something we are proud of. However, as we execute our strategy we will also be looking to create new roles across the Group and to hire people from a much broader range of backgrounds and experiences.

A learning offer to develop our talent

In 2018 we launched the Hammerson Learning Management System (LMS) in the UK and Ireland. The system hosts e-learning material with modules ranging from personal development to management training and also includes many of our compliance training courses. Furthermore, it acts as a portal to the huge suite of programmes provided by our external training partner, QA Training.

The LMS includes an induction module that all new starters in the UK and Ireland are required to complete within four weeks of joining the Group. It covers policies and procedures in our Code of Conduct including whistleblowing, the EU's General Data Protection Regulation, that came into force this year, and anti-bribery and corruption training. We will be rolling this out in France in 2019.

Fostering an inclusive culture

We are committed to fostering a culture of inclusion and diversity, driven by a programme of workplace events and specialised training. Recently, we have focused on raising awareness of mental health issues through a series of training sessions undertaken by management across the organisation. Five programmes took place in 2018 and we are now working with the UK Mental Health Awareness Board to develop an e-learning module to be made available to all employees in 2019 via the LMS.

To help managers support their teams we have also delivered a series of workshops for senior colleagues on change management and equipped them with a suite of tools to implement this effectively. We are aware that the coming year will remain a challenging one, during which positive management will be crucial to keeping teams focused, engaged and motivated.

We have recently launched our Group Employee Forum, which will consist of a diverse cross-section of colleagues from across the business. The purpose of the Forum is to facilitate dialogue between colleagues and senior management and it will be influential in shaping our people related activities. In addition, the Forum will be encouraged to generate and recommend new and creative ideas in order to help the business improve performance and drive employee engagement. Our values – ambition, respect, collaboration and responsibility – continue to play a key role in guiding our behaviours and maintaining our positive culture. During the latter part of

2018, we have been working on developing our employee value proposition which we will be launching, linked to our values, in 2019.

Steady progress towards diversity

Developing a more inclusive business is important to us.

In 2017, we increased our target for female representation in senior management roles to a third, aligned with the voluntary objective set by the Hampton-Alexander review. As at the end of 2018, we exceeded this target within our UK and Ireland business and female representation now stands at 35%. In real terms this means that 13 of our 37 senior management positions are held by women. In France, we have seen a slight improvement in our senior management gender mix and this now stands at 22%, a figure we remain committed to improving over time.

In looking more broadly at gender representation within the business, we have also considered the split of our GEC and their direct reports. Under this measure, 39% of employees in such roles are female, a figure which puts Hammerson in the upper quartile amongst its UK listed peers.

We are also keen to ensure that female colleagues are well represented in the Group's professional level roles. This enables us to benefit from greater diversity on a day-to-day basis, create a more gender balanced senior management pipeline and achieve the objectives stated above. At the end of 2018, 46% of the Group's professional positions were filled by women.

Our competency-based selection process for both new recruits and promotions is testing and ensures we attract and promote the best talent and skills for the business. We welcome and fully consider all applications irrespective of gender, race, ethnicity, religion, age, sexual orientation or disability. We want to ensure Hammerson is a company where colleagues can be themselves and thrive both personally and professionally and all employees are encouraged to participate in our career development and promotion opportunities. Support also exists for employees who become disabled to continue in their employment or to be retrained for other suitable roles.

Employee survey highlights

Employee participation

83%

(2017: Over 80%)

Trust Index Score in UK and Ireland

65%

(2017: 71%)

Trust Index Score in France

75%

(2017: 72%)

Employees state Hammerson is "a great place to work"

71%

(2017: 75%)

Chart 16

All employees

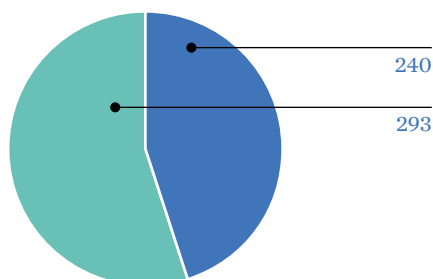


Chart 17

Senior management (excluding Board)¹

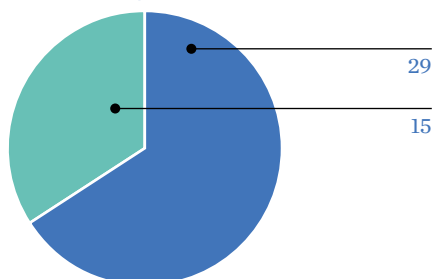
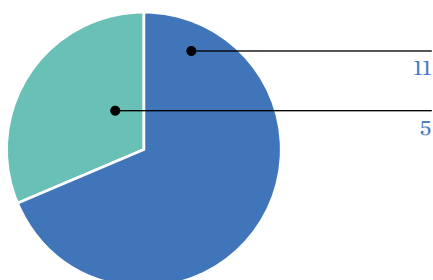


Chart 18

Centre general managers



■ Male ■ Female

1. Data includes Peter Cole and Jean-Philippe Mouton who were executive directors until 31 December 2018. The Board gender split is included in the Nomination Committee Report on page 78.

Gender pay gap reporting

Following the legislation that came into force in April 2018, all companies in the UK with over 250 employees are now required to publish their gender pay gap. As was the case last year, we are not required to report our gender pay gap as neither of our relevant employment entities employs more than 250 people. However, given our support for gender equality and the importance we place on ensuring that fair pay and reward practices exist within the Group, we choose to do so.

Tables 19 and 20 illustrate the gender pay distribution across our UK workforce and compares this year's results with those published in our 2017 Annual Report.

Table 19

Gender pay gap

Pay element	2018	2017	Variance
Difference in mean hourly rate of pay	43.6%	47.1%	(3.5%)
Difference in median hourly rate of pay	27.0%	35.6%	(8.6%)
Proportion of male employees who received bonus pay	87.4%	91.1%	(3.7%)
Proportion of female employees who received bonus pay	90.5%	89.6%	0.9%
Difference in mean bonus pay	78.7%	66.6%	12.1%
Difference in median bonus pay	56.3%	48.6%	7.7%

Whilst we are pleased with the variance reduction in our mean and median hourly rates of pay, we are aware that these figures show a significant pay gap between male and female employees within our UK business. This is a consequence of male employees occupying a higher proportion of our senior management roles and, as a result of proactive measures being taken to improve the gender balance of this population, we expect that this gap will continue to reduce over time.

In addition to reporting on the proportion of male and female employees in each quartile, Table 20 also shows the gender pay gap within each quartile. This supports our analysis of the root cause of our pay gap and we are pleased by the minimal variances in the lower, lower middle and upper middle quartiles. The larger gap within the upper quartile is a further demonstration of the impact of male employees occupying a higher proportion of the most senior roles in the business and improving the gender split at these levels is a key people objective for the business.

Table 20

Gender pay gap by quartile

Quartile split	% Male	% Female	Gender pay gap
Lower	26.6%	73.4%	(1.9%)
Lower middle	40.4%	59.6%	(3.4%)
Upper middle	54.8%	45.2%	1.1%
Upper	63.4%	36.6%	31.8%

Challenging investment markets drive mixed valuation performance

Investment markets

Investment markets for the Group's property sectors have slowed through 2018, with buyers reluctant to invest, reflecting a challenging occupational market and macro-economic uncertainty, particularly in the UK.

In the UK shopping centres, transaction volumes totalled £1.3 billion in 2018, approximately a third lower than 2017 (Source: Property Data). In addition to the Group's sale of a 50% interest in Highcross, key transactions included British Land's acquisition of Royal Victoria Place, Tunbridge Wells and the sale of Shop Stop, Clapham Junction to DTZ Investors. UK retail yields moved out by 50-75 basis points during the year and now range from 4.85% to 6.25% for prime and super prime centres. (Source: C&W).

In France, shopping centre transactions were also limited with a total volume of €0.4 billion in 2018 (2017: €1.0 billion) (Source: C&W). Prime assets remain in demand but are in relatively short supply, whilst there is a widening gap between prime and secondary assets. Yields have stabilised at a record low level of 3.5% for prime shopping centres.

The transaction volume in Ireland for 2018 is estimated at €0.1 billion, lower than recent years which have seen a number of large transactions. Yields remained stable throughout the year and this is expected to continue into 2019. Overseas investors accounted for approximately 65% of acquisitions across all sectors. (Source: C&W).

UK retail parks transactions in 2018 totalled £1.9 billion (2017: £2.7 billion) (Source: C&W). Institutional investors remain the most active buyers, favouring smaller lot sizes of less than £30 million. Yields moved out by 25-75 basis points during the year, with peripheral locations the worst affected.

The European outlets sector saw fewer transactions in 2018, with total investment volumes of €0.5 billion in 2018 (2017: €1.1 billion) (Source: C&W). Whilst there have been no sales at the top end of the market, strong demand remains for these premium outlets. Overall, investment yields have remained stable, with those for the best European outlets ranging from 4.5%-5.5%.

Portfolio valuation

At 31 December 2018, the Group's total portfolio, including premium outlets, was valued at £9,938 million, a reduction of £622 million or 5.9% during 2018. Movements in the portfolio valuation are shown in Table 21.

Table 21

Proportionally consolidated, including premium outlets	Investment £m	Development £m	Total (excl. outlets) £m	Premium outlets £m	Total Group £m
Value at 1 January 2018	7,750	576	8,326	2,234	10,560
Revaluation (losses)/gains on properties	(471)	23	(448)	56	(392)
Additions					
Acquisitions	12	–	12	115	127
Capital expenditure	87	84	171	39	210
	99	84	183	154	337
Disposals	(616)	–	(616)	–	(616)
Capitalised interest	–	2	2	–	2
Reclassification on completion of development	40	(40)	–	–	–
Exchange	29	3	32	15	47
Value at 31 December 2018	6,831	648	7,479	2,459	9,938

Acquisitions

During 2018, acquisition expenditure totalled £127 million and the principal transactions were:

- Land acquired in France to enable the commencement of the Italik extension project at Italie Deux, Paris for £12 million
- An increase in the Group's share of the premium outlets property portfolio via a number of direct investor interests including Bicester, La Vallée, La Roca and Las Rozas Villages totalling £115 million at an ungeared level

Capital expenditure

In 2018, capital expenditure totalled £210 million. Table 22 shows the expenditure on a sector basis and also analyses the spend between the creation of additional area and the creation of value through the enhancement of existing space.

Table 22

Capital expenditure analysis

Proportionally consolidated, including premium outlets	UK £m	France £m	Ireland £m	Flagship destinations £m	UK retail parks £m	Developments and UK other £m	Premium outlets £m	Group £m
Development	–	–	–	–	–	84	–	84
Capital expenditure – creating area	4	4	3	11	9	–	1	21
Capital expenditure – no additional area	28	25	–	53	6	15	30	104
Tenant incentives	(2)	(3)	–	(5)	(2)	–	8	1
	30	26	3	59	13	99	39	210

Capital expenditure on UK flagships totalled £30 million, with the most significant improvement projects including works to reconfigure the former House of Fraser store at Highcross and a new 2,750m² Next store at The Oracle.

The investment portfolio in France included capital expenditure on projects at SQY Ouest, Les Terrasses du Port, Italie Deux and Les 3 Fontaines. £4 million of costs in relation to the Italik project at Italie Deux, Paris were classified as space accretive.

UK retail parks incurred £13 million, with the remaining expenditure at the Elliott's Field Shopping Park development which completed in 2017 classified as creating additional space. Expenditure recorded as not creating additional area principally related to the completion of reconfiguration works at Ravenhead Retail Park in St. Helens following the relocation of M&S from the town centre.

Within the Developments and UK other portfolios, capital expenditure of £99 million was incurred of which £84 million was on the Group's development properties, principally on the extensions at Les 3 Fontaines and the Orchard Centre in Didcot. In the analysis above, costs incurred working up future development projects at Brent Cross and Croydon are classified as creating no additional area as work has not started on site. Further details of these projects are included in the Operating review on page 31.

Capital expenditure within the premium outlets portfolio totalled £39 million, of which £25 million was incurred by Value Retail and £14 million by VIA Outlets, principally on reconfigurations and extensions.

Disposals

Disposals reduced the portfolio by £616 million during 2018. The key transactions were:

- The sale of the residual stake of Saint Sébastien, Nancy completed in January 2018 for £10 million, the majority of the property having previously been sold in December 2017 for £129 million
- In February, we sold Battery Retail Park in Birmingham for proceeds of £57 million and Wrekin Retail Park in Telford for £35 million
- In July, we sold Jeu de Paume, a small shopping centre in Beauvais developed by the Group, for £19 million. Following opening in November 2015, it traded poorly with weak tenant sales and leasing demand, and the disposal is in line with our strategy of focusing only on flagship retail destinations
- In October, we completed the sale of Fife Retail Park, Kirkcaldy and Imperial Retail Park, Bristol for total proceeds of £164 million
- In November, we completed the sale of a 50% interest in Highcross Shopping Centre to an Asian investor introduced by M&G Real Estate for £236 million. The sale price represented a 5.5% net initial yield and a 5% discount to the December 2017 value

In addition to exiting the UK retail parks sector, we will continue with our capital recycling strategy and are targeting disposal proceeds in excess of £500 million from across our portfolio in 2019 to support the Group's debt reduction priority.

Valuation change

Table 23 below analyses the sources of the valuation change for the Group's property portfolio, including premium outlets.

Table 23

Components of valuation change

Proportionally consolidated, including premium outlets	UK £m	France £m	Ireland £m	Flagship destinations £m	UK retail parks £m	Developments and UK other £m	Premium outlets £m	Group £m
Yield	(279)	(8)	(10)	(297)	(98)	(6)	16	(385)
Income	(73)	(8)	19	(62)	(26)	2	40	(46)
Development and other	5	2	–	7	(2)	34	–	39
	(347)	(14)	9	(352)	(126)	30	56	(392)

In 2018, the Group's portfolio recognised a net revaluation deficit of £392 million.

In the UK, flagships suffered a deficit of £347 million principally due to outward yield shift averaging 37 basis points across the portfolio. Whilst the lack of shopping centre transactions provides limited evidence of this movement, it reflects the change in wider market sentiment during the year.

The underlying value of the French portfolio decreased by £14 million. Revaluation deficits at O'Parinor and Espace Saint Quentin were partially offset by uplifts on Les 3 Fontaines, Italie Deux and Les Terrasses du Port.

The Irish assets achieved a revaluation gain of £9 million, principally due to income growth at Pavilions, Swords and Dundrum Town Centre.

UK retail parks suffered a revaluation deficit of £126 million, also derived predominantly from outward yield shift. The impact of CVAs and administrations reduced the portfolio occupancy rate by 250 basis points to 96.9%.

Developments and UK other properties recognised a revaluation gain of £30 million, of which £23 million was from the development portfolio and was principally associated with the progress made on the 44,300m² Les 3 Fontaines extension where works commenced at the beginning of the year. UK other properties generated a gain of £7 million largely due to progress made with City Quarters development opportunities including mixed-use schemes in Bristol and Birmingham.

Once again, premium outlets delivered the strongest performance in the year, achieving a valuation gain of £56 million, of which £40 million was attributable to income growth and a further £16 million due to yield improvements. The most significant of these were at La Vallée Village, Paris, Las Rozas Village, Madrid and Freeport Lisboa Fashion Outlet.

Further analysis is included in Tables 94 and 95 in the Additional disclosures on page 180.

ERV growth

Table 24

Like-for-like ERV growth

Proportionally consolidated, excluding premium outlets ¹	UK %	France %	Ireland %	Flagship destinations %	UK retail parks %	Group investment portfolio %
2018	(2.0)	0.5	2.8	(0.6)	(2.7)	(0.9)
2017	0.9	0.9	2.7	1.2	(0.1)	0.9

1. The UK other portfolio is not shown above and produced like-for-like ERV growth of 0.3% (2017: 1.6%).

Like-for-like ERV at the Group's investment properties declined by 0.9% in 2018 compared to growth of 0.9% in 2017.

ERVs at UK flagships fell by 2.0% in 2018, compared with 0.9% growth achieved in 2017. The most significant declines were at Victoria Gate, Silverburn and Grand Central. These were due to a combination of vacancy, reduction in commercialisation ERVs and more challenging negotiations at lease expiry and rent review.

ERVs in France increased by 0.5%. The strongest performer was Les Terrasses du Port which achieved ERV growth of 2.3%, enhanced by uplifts on both the car park and rooftop.

Ireland produced the highest level of growth at 2.8%, having generated 2.7% in 2017. All three Irish flagships achieved like-for-like ERV increases with Pavilions, Swords generating the strongest growth of 6.7%.

ERV at UK retail parks fell by 2.7%, compared with a 0.1% decline in 2017. This was due to the impact of CVAs and higher vacancy.

Returns

Property returns

Table 25

Property returns analysis 2018

Proportionally consolidated, including premium outlets ¹	UK %	France %	Ireland %	Flagship destinations %	UK retail parks %	Developments %	Premium outlets %	Group %
Income return	4.6	4.0	4.3	4.3	5.4	2.1	4.9	4.4
Capital return	(10.6)	(1.7)	0.9	(6.2)	(13.2)	4.1	2.4	(4.3)
Total return	(6.5)	2.2	5.2	(2.1)	(8.5)	6.2	7.4	0.0

1. The UK other portfolio is not shown above and produced an income return of 4.5%, a capital return of 4.5% and a total return of 9.2%. The combined total return for the UK portfolio was -6.4% with a capital return of -10.7%.

The Group's property portfolio generated a nil total return in 2018, comprising a capital return of -4.3% and an income return of 4.4%. The strongest performer was again the premium outlets sector which generated a total return of 7.4%, primarily due to the revaluation gain of £56 million across the combined outlet portfolios.

We compare the individual portfolio returns against their respective MSCI benchmarks and compare the Group's portfolio against a weighted 60:40 UK All Retail Universe: Bespoke Europe (excluding UK) All Retail Universe index. These indices include returns from all types of retail property.

As the annual MSCI benchmarks are not available until after this Annual Report has been published, it is not yet possible to gauge the Group's comparative performance. The UK MSCI Quarterly All Retail Universe to December 2018 is available and reported a total return of -0.3%, 610 basis points higher than the Group's UK portfolio return of -6.4%. The Quarterly UK MSCI index included a total return of -4.6% for shopping centres, 1.5% for standard shops and -1.2% for retail warehouses. Compared to the quarterly index, the UK flagships underperformed their comparative MSCI index by 190 basis points, whilst UK retail parks underperformed by 730 basis points.

In 2018, the Reported Group portfolio (see Financial Review on page 48 for explanation) produced a total return of -1.1%, whilst properties held by our joint ventures and associates generated a total return of +0.8%. The performance of the latter portfolio was boosted by the strong return from premium outlets. An analysis of the capital and total returns by business segment is included in Table 94 on page 180.

Shareholder returns

Table 26

Return	% Benchmark	%
Total shareholder return over one year	(28.8) FTSE EPRA/NAREIT UK index over one year	(16.4)
Total shareholder return over three years p.a.	(29.4) FTSE EPRA/NAREIT UK index over three years p.a.	(19.8)
Total shareholder return over five years p.a.	(11.0) FTSE EPRA/NAREIT UK index over five years p.a.	3.0

For the year ended 31 December 2018, the Group's return on shareholders' equity was -3.2%, which compares to the Group's estimated cost of equity of 8.4%. The income element of the return on equity tends to be relatively low given the high-quality nature of the Group's property portfolio. The capital element of the return was driven by the portfolio's adverse valuation movement during the year.

Hammerson's total shareholder return for 2018 was -28.8%, an underperformance compared with the FTSE EPRA/NAREIT UK index of 12.4 percentage points as the wider index has declined less than the Company's share price during 2018. Over the last five years, the Group's average annual total shareholder return has been a reduction of 11.0%, compared to growth of 3.0% for the FTSE EPRA/NAREIT UK index.

Delivering consistent financial performance

IFRS loss for the year¹

**£(268.1)
million**

(2017: £388.4 million profit)

Adjusted EPS²

30.6p

(2017: 31.1p)

Shareholders' funds¹

£5,433 million

(2017: £6,024 million)

EPRA NAV per share³

£7.38

(2017: £7.76)

Dividend per share

25.9p

(2017: 25.5p)

Net debt

£3,406 million

(2017: £3,501 million)

1. Attributable to equity shareholders.
2. See note 11B to the financial statements for calculation.
3. See note 11D to the financial statements for calculation.

“The Group’s financial performance has been impacted by tough retail and property market conditions in the UK. These are mixed results but in line with our expectations.”

Timon Drakesmith
Chief Financial Officer

Presentation of financial information

The information presented in this Financial review is derived from the Group’s financial statements, prepared under IFRS. A significant proportion of the Group’s property interests are held in conjunction with third parties in joint ventures and associates. Under IFRS, the Group’s share of joint operations are proportionally consolidated and the results and net investment in joint ventures and associates are equity accounted and presented within single lines in the income statement and balance sheet.

The Group has property interests in a number of sectors and management reviews the performance of the Group’s property interests in flagship destinations, retail parks, UK other properties and developments on a proportionally consolidated basis to reflect the Group’s different ownership shares. Management does not proportionally consolidate the Group’s investments in Value Retail and VIA Outlets, which are externally managed by experienced outlet operators, independently financed and have operating metrics which differ from the Group’s other sectors. Except for property valuation and

returns, we review the performance of our premium outlet investments separately from the proportionally consolidated portfolio.

The key financial metrics for our premium outlets are: income growth; earnings contribution; property valuations and returns; and capital growth.

Within the Financial review, the Group financial statements and the Additional disclosures, properties which are wholly owned or where the Group’s share is in a joint operation, are defined as being held by the ‘Reported Group’, whilst those in joint ventures and associates are defined as ‘Share of Property interests’.

Further explanation of the accounting treatments of the Group’s different types of ownership is provided in note 1 to the financial statements on page 132 and in the Glossary on pages 192 and 193.

Alternative Performance Measures (APMs)

The Group uses a number of APMs, being financial measures not specified under IFRS, to monitor the performance of the business. These include a number of the Group’s key performance indicators on pages 16 and 17. Many of these measures are based on the EPRA Best Practice Recommendations (BPR) reporting framework which aims to improve the transparency, comparability and relevance of the published results of listed European real estate companies. The Group’s key EPRA metrics are shown in Table 87 within the Additional disclosures section on page 176.

For other APMs, the Financial review and Additional disclosures sections contain supporting information, including reconciliations to the IFRS financial statements. Definitions for APMs are also included in the Glossary on pages 192 and 193.

Loss for the year

The Group's IFRS loss for the year, attributable to equity shareholders, was £268.1 million, £656.5 million lower than the profit made in 2017. This was principally due to net revaluation losses on the Group's property portfolio totalling £448.6 million, net losses on property disposals of £64.9 million and lower revaluation gains on the premium outlets portfolio, from gains of £225.2 million in 2017 to £56.2 million in 2018.

Management principally reviews the Group's performance on an adjusted basis to monitor the Group's underlying earnings as it excludes capital and non-recurring items such as valuation movements, gains or losses on the disposal of properties and other one-off exceptional items. This approach is consistent with other property companies and we follow EPRA guidance to calculate adjusted figures. A reconciliation of (loss)/profit to adjusted profit for the year is shown in Table 27.

Table 27

Reconciliation of (loss)/profit for the year to adjusted profit for the year

	Year ended 31 December 2018 £m	Year ended 31 December 2017 £m
Proportionally consolidated, including premium outlets		
(Loss)/Profit for the year attributable to equity shareholders	(268.1)	388.4
Adjustments:		
Net revaluation losses/(gains) on property portfolio*	448.6	(21.3)
Net revaluation gains on premium outlets property portfolio	(56.2)	(225.2)
Recycling of net exchange gain on disposal of foreign operations (net of non-controlling interests)	(2.0)	(8.2)
Loss on sale of properties	64.9	15.5
Debt and loan facility cancellation costs*	15.3	41.5
Change in fair value of derivatives*	15.9	21.3
Deferred tax on premium outlets	13.8	35.0
Other adjustments	8.1	(0.7)
Adjusted profit for the year (note 11B)	240.3	246.3
Adjusted EPS, pence	30.6	31.1

* Proportionally consolidated, excluding premium outlets.

Analysis of the Group's IFRS income statement split between underlying 'Adjusted' profit and 'Capital and other' profit is shown in note 2 of the financial statements on page 135 and further details of the EPRA adjustments are provided in note 11B of the financial statements on page 143.

Adjusted profit

The Group's adjusted profit for 2018 was £240.3 million, £6.0 million or 2.4%, lower than in 2017. Table 28 bridges adjusted profit and adjusted EPS between the two years. The movements in each line are shown at constant exchange rates with the impact of foreign exchange movements included in 'Foreign exchange and other'. Explanations of the movements are provided later in this Financial review.

Table 28

Reconciliation of adjusted profit for the year

	Reported Group £m	Share of joint ventures £m	Share of associates £m	Adjusted profit for the year £m	Adjusted EPS pence
Including premium outlets					
Adjusted profit – Year ended 31 December 2017	59.6	160.7	26.0	246.3	31.1
Net rental income increase/(decrease):					
Acquisitions	4.1	–	–	4.1	0.5
Disposals	(33.3)	1.5	–	(31.8)	(4.0)
Development and other	5.8	2.0	–	7.8	1.0
Like-for-like portfolio	(3.4)	(0.7)	–	(4.1)	(0.5)
	(26.8)	2.8	–	(24.0)	(3.0)
Decrease in net administration expenses	3.9	0.3	–	4.2	0.5
Decrease/(Increase) in net finance costs	15.2	(8.6)	–	6.6	0.8
Increase in premium outlets earnings	–	1.7	1.5	3.2	0.4
Tax and non-controlling interests	3.6	(0.1)	–	3.5	0.4
Foreign exchange and other	0.2	0.4	(0.1)	0.5	0.1
Share buyback	–	–	–	–	0.3
Adjusted profit – Year ended 31 December 2018	55.7	157.2	27.4	240.3	30.6

Net rental income

Table 29

Analysis of net rental income

Proportionally consolidated, excluding premium outlets	Reported Group £m	Share of Property interests* £m	Year ended 31 December 2018 £m	Year ended 31 December 2017 £m	Change £m
Like-for-like investment properties	141.5	134.9	276.4	280.5	(4.1)
Acquisitions	4.6	1.5	6.1	2.0	4.1
Disposals	21.6	–	21.6	53.4	(31.8)
Developments and other	29.0	14.4	43.4	35.6	7.8
Foreign exchange	–	–	–	(1.1)	1.1
Net rental income	196.7	150.8	347.5	370.4	(22.9)

*Share of Property interests includes £1.4 million of like-for-like net rental income from Nicetoile which is accounted for as an associate (see note 14 of the financial statements).

In 2018, net rental income (NRI) decreased by £22.9 million to £347.5 million. The like-for-like portfolio saw a decline in income of £4.1 million compared with 2017. This was driven by the impact of tenant failures, which totalled £7.1 million across the Group and a reduction in surrender premiums received compared with 2017. £2.2 million of the total like-for-like decline related to the UK retail parks portfolio with a further £1.9 million from the Group's flagship destinations.

Acquisitions generated £4.1 million of additional income predominantly arising from Pavilions, Swords which was the final Irish loan to convert to property ownership in September 2017. In 2018 the Group's change in like-for-like NRI of 1.3%, as shown in KPIs on page 16, includes the performance of all our Irish flagship assets where the underlying net rental income received in 2017 prior to the conversion to property ownership of the final secured loan was treated as finance income. Like-for-like NRI performance by sector is further explained in the Operating review on pages 18 to 33.

Disposals reduced income in 2018 by £31.8 million. 2017 disposals at Westwood Gateway Retail Parks in Thanet, Place des Halles in Strasbourg and Saint Sébastien, Nancy contributed to a reduction of £22.0 million. In 2018, disposals of Battery Retail Park in Birmingham, Wrekin Retail Park Telford, Imperial Retail Park in Bristol, Fife Central Retail Park, Kirkcaldy, Jeu de Paume, Beauvais and the 50% disposal of Highcross resulted in a further income reduction of £9.8 million compared with 2017.

Developments and other factors increased net rental income by £7.8 million. Key contributors to this uplift included the completion of the second phase of the Elliott's Field development in Rugby in November 2017, development at the Orchard Centre, Didcot which completed in spring 2018, and additional income from UK other properties in Leeds and Croydon.

Administration expenses

Table 30

Administration expenses analysis

Proportionally consolidated, excluding premium outlets	Year ended 31 December 2018 £m	Year ended 31 December 2017 £m
Employee costs – excluding variable costs	47.8	44.7
Variable employee costs	4.3	11.7
Property fee income	(14.8)	(13.7)
Other corporate costs	17.7	18.3
Employee and corporate costs	55.0	61.0
Management fees receivable	(10.3)	(12.1)
Net administration expenses*	44.7	48.9

* In 2018, £0.2 million (2017: £0.5 million) of the Group's proportionally consolidated administration expenses related to the Group's Share of Property interests.

At £44.7 million, net administration expenses reduced by £4.2 million, or £4.3 million at constant exchange rates. This decrease was largely due to variable employee costs which were £7.4 million lower. This was associated with reduced 2018 bonus payments and the reversal of the accrual for the total property return element of the 2017 annual bonus where the payout threshold was not achieved when the outcome was finalised in April 2018. The reduction in administration expenses was partially offset by lower management fees receivable in 2018, as 2017 included a one-off development management fee paid on the full opening of Westquay South.

Our accounting policy is to capitalise the cost of staff working directly on on-site development projects. In 2018, £1.3 million of staff costs were capitalised on this basis, compared with £0.1 million in 2017.

Cost ratio

The EPRA cost ratio for the year ended 31 December 2018 was 21.9%, 30 basis points higher than 2017. The net administration expenses element of the ratio has reduced by 40 basis points to 11.5% consistent with the reduction in expenses explained above. The property costs element has increased from 9.7% to 10.4% due to costs associated with tenant failure. The sale of four retail parks also increased this ratio, as they have a lower level of property outgoings relative to the Group's other sectors. The calculation of the cost ratio is included as Table 93 of the Additional disclosures on page 179.

Loss on sale of properties

During 2018, we sold 11 properties raising proceeds of £570 million, or £553 million after deducting selling costs. Over 40% of these proceeds related to the sale of 50% of Highcross. These disposals resulted in a loss of £65 million (Reported Group: £80 million) against December 2017 valuations. The losses principally related to Highcross, Leicester and Jeu de Paume, Beauvais.

Acquisition-related costs

The Group recognised £6.4 million of acquisition-related costs during 2018, in addition to £6.5 million recognised in the second half of 2017. These costs were predominantly in relation to professional advisor and finance facility fees incurred due to the proposed acquisition of intu which was announced in December 2017 and the offers from Klépierre S.A. in March and April 2018. Both transactions were withdrawn in April 2018 and the costs have been excluded from the Group's adjusted earnings.

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

The Group has interests in 16 joint ventures (2017: 15) and the share of the results of joint ventures under IFRS for the year ended 31 December 2018 was a loss of £106.4 million (2017: £180.5 million profit). Further details are provided in note 13 to the financial statements.

As explained at the beginning of the Financial review on page 48, for management reporting purposes we review the Group's property portfolio on a proportionally consolidated basis, to reflect the Group's different ownership shares. We do not proportionally consolidate the Group's premium outlet investments in Value Retail (VR) and VIA Outlets (VIA). These are externally managed by experienced outlet operators, independently financed and have operating metrics which differ from the Group's other properties. Due to the differing nature of the Group's control, VIA is accounted for as a joint venture and VR is accounted for as an associate.

Table 31 below shows the contribution to the Group's adjusted profit from joint ventures and associates, split between the proportionally consolidated properties and the investments in premium outlets.

Table 31

Contribution to adjusted profit

	Joint ventures (incl. VIA) £m	Associates (incl. VR) £m	Year ended 31 December 2018 Total £m	Joint ventures (incl. VIA) £m	Associates (incl. VR) £m	Year ended 31 December 2017 Total £m
Share of results – IFRS	(106.4)	57.7	(48.7)	180.5	223.0	403.5
Revaluation losses/(gains) on properties	260.5	(44.5)	216.0	(46.3)	(198.3)	(244.6)
Other adjustments (notes 13B/14B)	3.1	14.2	17.3	26.5	1.3	27.8
Total adjustments	263.6	(30.3)	233.3	(19.8)	(197.0)	(216.8)
Adjusted earnings contribution	157.2	27.4	184.6	160.7	26.0	186.7
Analysed as:						
Share of Property interests	142.1	1.4	143.5	147.5	1.4	148.9
Premium outlets	15.1	26.0	41.1	13.2	24.6	37.8

Adjusted earnings from the Share of Property interests decreased by £5.4 million primarily due to the conversion of the final Irish loan on Pavilions, Swords in September 2017. In 2017, the loan, and hence interest income was in a joint venture, but since the property was acquired it has been accounted for as a joint operation, with the Group's share of results proportionally consolidated in the Reported Group.

Adjusted earnings from premium outlets of £41.1 million were £3.3 million higher than in 2017. The Group's share of VIA earnings increased by £1.9 million due principally to acquisitions including Zweibrücken Fashion Outlet and Vila do Conde Porto Fashion Outlet in the first half of 2017. VR's earnings increased by £1.4 million as the effect of the acquisition of additional investor stakes in 2018 was partially offset by higher finance and administration costs. Interest costs increased in 2018 as the premium outlets portfolio has taken advantage of low interest rates through a number of refinancings to increase the maturity profile of its borrowings. This has enabled reinvestment through development and other capital expenditure in addition to increased distributions.

Further details of the Group's joint ventures and associates are shown in notes 13 and 14 to the financial statements respectively. The operating performance of our premium outlets is described in the Operating review on pages 26 to 29 and the combined profit contribution is in Table 98 of the Additional disclosures on page 182.

Finance costs

Net finance costs, calculated on a proportionally consolidated basis totalled £132.9 million in 2018, compared with £170.4 million in 2017. £124.5 million related to the Reported Group and £8.4 million to the Share of Property interests as shown in note 2 to the financial statements.

Adjusted finance costs, which excludes the change in fair value of derivatives, debt cancellation costs and other non-recurring items, totalled £101.7 million in 2018, a decrease of £5.9 million, or £6.6 million at constant exchange rates. The decrease is principally due to the redemption of the £250 million 2020 6.875% bonds in October 2017 and the redemption of the €500 million 2019 2.75% bonds in August 2018. This was offset by lower finance income, largely due to the final Irish loan conversion in September 2017 and the impact of increases in UK base rates in November 2017 and August 2018 on the cost of floating rate debt.

Interest capitalised on development schemes at Orchard Centre, Didcot, Italie Deux and Les 3 Fontaines totalled £1.9 million in 2018, compared with £0.8 million in 2017.

The supporting calculation for adjusted finance costs is shown in Table 101 of the Additional disclosures on page 184.

Tax

The Group has tax exempt status in the UK, France and Ireland and is exempt from corporation tax on rental income and gains arising on property sales. The current tax charge, on a proportionally consolidated basis, was £1.9 million, £0.1 million higher than the previous year. The tax charge for the Reported Group was unchanged at £1.8 million for both years.

We publish guidance explaining the Group's tax strategy and have updated this for 2019. 'Hammerson's Approach to Tax for the year ending 31 December 2019' is available on the Group's website www.hammerson.com.

Dividends and share buyback

The Directors have proposed a final dividend of 14.8 pence per share. Together with the interim dividend of 11.1 pence, the total for 2018 is 25.9 pence, compared with 25.5 pence in 2017. The final dividend is flat year-on-year in order to maintain a high income yield for shareholders and indicate confidence in significant 2019 disposals, which would reduce future EPS but offer enough cover for the current dividend level.

The final dividend is payable on 2 May 2019 to shareholders on the register at the close of business on 22 March 2019. 7.4 pence will be paid as a PID, net of withholding tax where appropriate, with the balance of 7.4 pence paid as a normal dividend.

In July 2018, the Company announced the commencement of a £300 million share buyback programme, returning proceeds realised from disposals to shareholders over a twelve month period. At 31 December 2018, major we had purchased 28 million shares at a total cost of £129 million inclusive of fees. The accretive effect of the buyback on EPS and NAV per share is shown in tables 28 and 32 respectively. In January 2019, the suspension of the share buyback programme was announced. The Board has now decided to put the programme on hold until the Group achieves its enhanced disposal goal and sees greater market certainty.

Net assets

During 2018, equity shareholders' funds decreased by £591 million, or 9.8%, to £5,433 million at 31 December 2018. Net assets, calculated on an EPRA basis, were £5,650 million and on a per share basis reduced by 38 pence to £7.38. The movement during the year is shown in Table 32.

Table 32

Movement in net assets

	Equity shareholders' funds £m	Adjustments ¹ £m	EPRA net assets £m	EPRA NAV pence per share
Proportionally consolidated, excluding premium outlets				
31 December 2017	6,024	140	6,164	776
Property revaluation				
Proportionally consolidated property portfolio	(448)	–	(448)	(58)
Premium outlet properties	56	–	56	7
	(392)	–	(392)	(51)
Adjusted profit for the year	240	–	240	31
Loss on sale of properties	(65)	–	(65)	(8)
Debt and loan facility cancellation costs	(15)	–	(15)	(2)
Change in deferred tax	(14)	14	–	–
Dividends	(203)	–	(203)	(27)
Share buyback	(129)	–	(129)	12
Foreign exchange and other movements	(13)	63	50	7
31 December 2018	5,433	217	5,650	738

1. Adjustments in accordance with EPRA best practice shown in note 11D to the financial statements on page 145.

The reduction in EPRA net assets was primarily the result of net property revaluation losses totalling £392 million, mainly in the UK flagships and retail parks portfolios as explained in the Property portfolio review on page 46. This was partially offset by adjusted profit which increased net assets by £240 million. Dividends and the share buyback reduced net assets by £203 million and £129 million respectively.

Investment and development properties

The valuation of investment and development properties in the Reported Group at 31 December 2018 was £3,830 million, £856 million lower than the prior year. The movement in investment and development properties is shown in note 12 to the financial statements.

Details of the Group's property portfolio valuation calculated on a proportionally consolidated basis plus the Group's premium outlets is provided in the Property portfolio review on page 44.

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

Details of the Group's joint ventures and associates are shown in notes 13 and 14 to the financial statements respectively. Table 33 shows the Group's investment in joint ventures and associates on both IFRS and adjusted bases, split between the proportionally consolidated Share of Property interests and investments in premium outlets.

Table 33

Adjusted investment in joint ventures and associates

	31 December 2018			31 December 2017		
	Joint ventures (incl. VIA) £m	Associates (incl. VR) £m	Total £m	Joint ventures (incl. VIA) £m	Associates (incl. VR) £m	Total £m
IFRS investment in joint ventures/associates	3,604	1,242	4,846	3,674	1,099	4,773
Adjustments (see notes 13C/14D)	61	157	218	57	88	145
Adjusted investment in joint ventures/associates	3,665	1,399	5,064	3,731	1,187	4,918
Analysed as:						
Share of Property interests	3,279	31	3,310	3,312	31	3,343
Premium outlets	386	1,368	1,754	419	1,156	1,575

During 2018, the total adjusted investment in the Group's Share of Property interests reduced by £33 million to £3,310 million. Net revaluation deficits totalling £272 million were partially offset by the sale of Highcross into a joint venture and the associated refinancing (net increase of £154 million), distributions to the Reported Group of £99 million and adjusted earnings of £142 million.

The Group's total adjusted investment in premium outlets increased by £179 million in 2018 to £1,754 million. The increase was primarily due to our additional investment of £114 million through the acquisition of direct investor stakes in Bicester, La Vallée, La Roca and Las Rozas Villages. Property revaluation gains contributed a further £56 million to the uplift.

An analysis of the Group's combined investment in premium outlets is shown in Table 99 in the Additional disclosures on page 182.

Financing and cash flow

Our financing strategy is to generally borrow on an unsecured basis on the strength of the Group's covenant to maintain operational flexibility, although secured borrowings are occasionally used, mainly in conjunction with joint venture partners. Borrowings are arranged to maintain short term liquidity and to ensure an appropriate maturity profile. Acquisitions may initially be financed using short term funds before being refinanced with longer term funding when market conditions are appropriate. Short term funding is raised principally through syndicated revolving credit facilities from a range of banks and financial institutions with which we maintain strong working relationships. Long term debt mainly comprises the Group's fixed rate unsecured bonds and private placements and is secured against certain properties held by joint ventures. Derivative financial instruments are used to manage exposure to fluctuations in foreign currency exchange rates and interest rates, but are not employed for speculative purposes. The Board regularly reviews the Group's financing strategy and approves financing guidelines against which it monitors the Group's financial structure. These guidelines, together with the relevant metrics, are summarised in Table 34 which illustrates the Group's robust financial position.

Table 34

Key financing metrics

Proportionally consolidated, excluding premium outlets	Guideline ¹	31 December 2018	31 December 2017
Net debt (£m)		3,406	3,501
Gearing (%) ²	Maximum 85%	63	58
Loan to value (%) ² – headline	No more than 40%	38	36
Loan to value (%) ² – fully proportionally consolidated		43	40
Liquidity (£m)		729	958
Weighted average interest rate (%)		2.7	2.9
Weighted average maturity of debt (years)		5.4	5.6
Interest cover (times)	At least 2.0	3.4	3.4
Net debt/EBITDA (times) ³	Less than 10.0	9.5	9.3
FX hedging (%)	70-90%	79	78
Debt fixed (%)	At least 50%	74	78

1. Guidelines should not be exceeded for an extended period of time.

2. See Table 103 on page 184 for supporting calculation.

3. See Table 104 on page 185 for supporting calculation.

Net debt

On a proportionally consolidated basis, net debt at 31 December 2018 was £3,406 million, a reduction of £95 million during the year. This comprises loans of £3,423 million, the fair value of currency swaps of £85 million, less cash and deposits of £102 million. Cash and deposits were £164 million lower than at 31 December 2017 due to the receipt of sale proceeds from Place des Halles, Strasbourg at the end of 2017 which were used to repay floating rate debt facilities in January 2018. The movement in proportionally consolidated net debt is analysed in Table 35.

Table 35

Movement in proportionally consolidated net debt

Proportionally consolidated, excluding premium outlets	Total £m
Net debt at 1 January 2018	3,501
Net cash inflow from operations	(203)
Acquisitions	12
Disposals, net of selling costs	(553)
Development and other capital expenditure	218
Equity dividends paid	204
Premium outlets - acquisitions, refinancing and distributions	20
Share buyback	127
Exchange and other cash flows	80
Net debt at 31 December 2018	3,406

The Group's weighted average interest rate was 2.7% for 2018, 20 basis points lower than the 2.9% average rate in 2017.

2018 has been another active year from a financing perspective:

- In the first half of the year, we exercised extension options within our existing revolving credit facilities and received approval to extend the maturities for commitments totalling £770 million by one year from April 2022 to April 2023
- In August, we redeemed the Group's €500 million 2.75% bonds due September 2019. We incurred a one-off redemption premium of £15.3 million which has been treated as an exceptional financing cost. The redemption was funded using liquidity from disposals and contributed to the reduced weighted average cost of debt
- In November, as part of the 50% sale of Highcross for £236 million, the new joint venture signed a £165.2 million loan agreement (£82.6 million Hammerson share). The new loan was secured on the property on a non-recourse basis and is repayable in full at maturity in February 2024. The interest cost was fixed at less than 3%

The Group's liquidity at 31 December 2018, comprising cash and undrawn committed facilities, was £729 million, £229 million lower than at the beginning of the year. The Group's weighted average maturity of debt reduced marginally to 5.4 years (2017: 5.6 years).

We manage exposure to foreign exchange translation differences on euro-denominated assets through a combination of euro borrowings and derivatives. At 31 December 2018, the value of euro-denominated liabilities as a proportion of the value of euro-denominated assets was 79%, compared with 78% at the beginning of the year. Interest on euro debt also acts as a hedge against exchange differences arising on net income from our overseas operations. The sterling: euro exchange rate has remained broadly stable during the year, accordingly foreign exchange movements have not had a significant impact on the Group's financial results in 2018.

The Group's unsecured bank facilities and the private placement senior notes contain financial covenants that the Group's gearing should not exceed 150% and that interest cover should be not less than 1.25 times. Two of our unsecured bonds contain a covenant that gearing should not exceed 150%, whilst the covenant on the remaining bonds is that gearing should not exceed 175%. The bonds have no covenant for interest cover. The Group's financial ratios are comfortably within these covenants. The valuation of the Group's property portfolio at 31 December 2018 would have to fall by 29%, or over 55% for the UK portfolio only, to breach the highest of the Group's covenants. Planned future disposals will act to increase this headroom.

Fitch and Moody's rate Hammerson's unsecured credit as A- and Baal respectively. Following the termination of the Group's offer to acquire intu, in May 2018 Fitch removed their "rating watch negative" and affirmed Hammerson's long-term credit ratings of Issuer Default Rating BBB+ and senior unsecured rating at A-. These ratings from Fitch have remained unchanged since June 2011. Moody's long-term rating for Hammerson of Baal (stable outlook) has not changed since February 2015 when it was upgraded from Baa2.

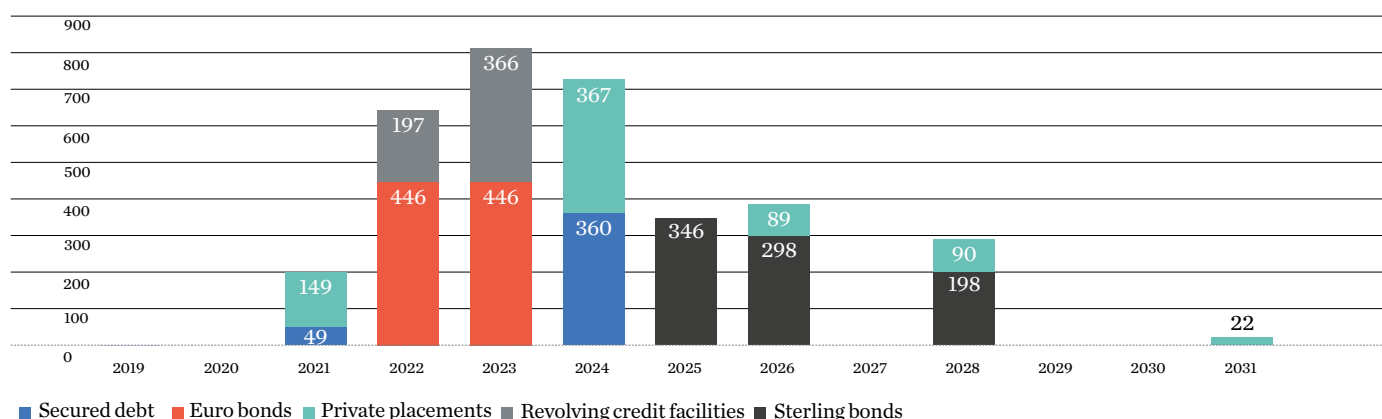
At 31 December 2018, the Group's loan to value was 38% and gearing was 63%, compared with 36% and 58% respectively at the beginning of the year. Supporting calculations are in Table 103 in the Additional disclosures on page 184.

At 31 December 2018, the Group's share of net debt in VR and VIA totalled £900 million (2017: £686 million). On a proforma basis, proportionally consolidating this net debt with the Group's share of net debt and property values held by VR and VIA, the Group's gearing would be 79% (2017: 69%) and loan to value would be 43% (2017: 40%).

Chart 36

Debt maturity profile at 31 December 2018 (£m)

Proportionally consolidated, excluding premium outlets



Our approach to risk management

The effective integration of risk management underpins our operating, financial and governance activities. Risk levels have heightened during 2018, particularly those associated with the UK retail market, and have been a key area of focus and action for the Group throughout the year.

Risk overview

Effective risk management supports the delivery of our strategy as (see page 12) and underpins our business model (see page 14). Our risk management policies and procedures are designed to enhance decision making, reduce the chances of financial loss, protect our reputation and improve efficiency.

The Board determines the Group's risk appetite and assesses the residual risk for each of the Group's principal risks. This process is supported by our Risk Management Framework (RMF) and Risk Dashboard.

Given the work undertaken during the year, the Board is able to confirm that during 2018 it has carried out a robust assessment of the Group's principal risks which are presented in this section of the Annual Report.

Risk appetite and assessment

As part of its risk management activities, the Board assesses the residual risk for each of the Group's 10 principal risks. This is done by evaluating the level of risk taking into account the impact of specified mitigating factors and actions. The residual risk is then considered within the context of the Board's risk appetite, which reflects its combined attitude to financial, operational and reputational risks.

The residual risk levels at 31 December 2018 are shown on the Risk Heat Map on Chart 37, with the red-coloured area in the top right-hand corner of the diagram being an assessment which would exceed the Board's risk appetite. The heat map also shows the movement in residual risk levels during 2018 with the opening position for the year reflecting the risk assessment associated with the proposed acquisition of intu.

Following the Board's decision to withdraw its offer for intu in April 2018, a number of the Group's risks reduced and the Acquisition completion risk was removed. However, the heat map shows that overall, the general risk

environment in which the Group operates has heightened over the course of the year. This is largely due to the continued level of uncertainty associated with the future impact of the UK's exit from the EU, the significant deterioration in the UK retail market and weaker investment markets.

As adverse risk events rarely occur in isolation, the increased level of risk was discussed throughout the year and formed a key element of the decision to withdraw from the acquisition of intu. Risks were also discussed at the 2018 Board Strategy Day in October and factored into the Group's five-year Business Plan.

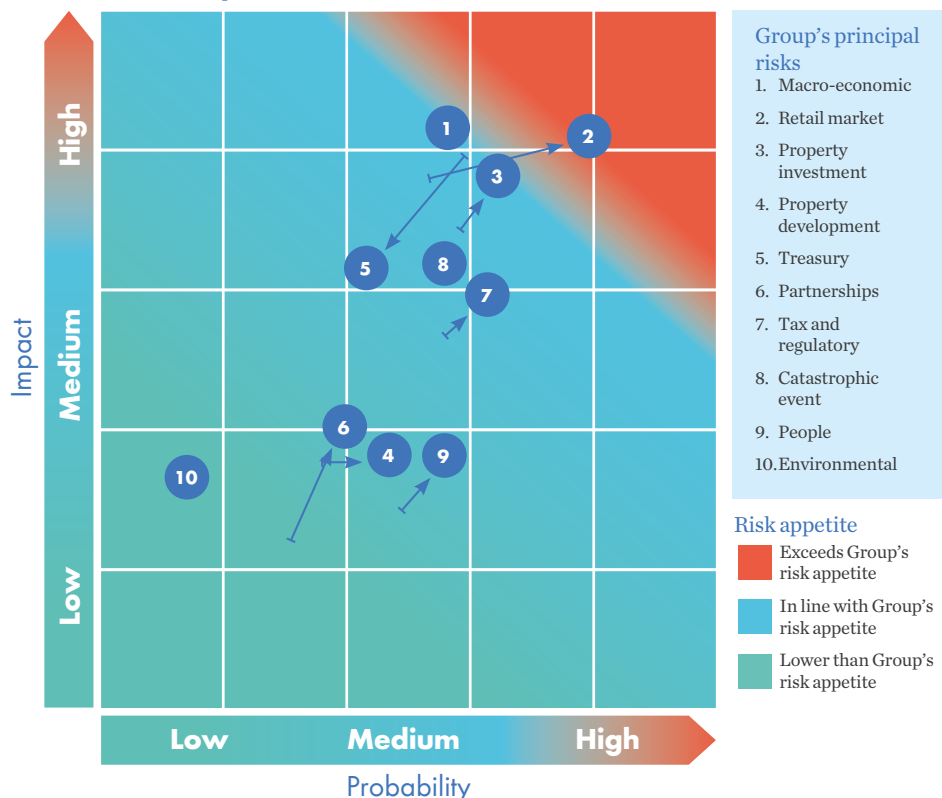
Retail market risk

The Board has determined that the residual risk associated with the Retail market, particularly in the UK, currently exceeds the Group's risk appetite. Mitigating actions to reduce this level of residual risk are consistent with the Group's strategy of optimising the portfolio; repurposing space away from challenged retail categories; and enhancing experience through events and digital innovation across our portfolio.

Other key factors in reducing the Group's overall level of residual risk include the 2019 priorities of reducing debt through disposals from across the portfolio, putting the share buyback programme on hold and limiting new expenditure commitments.

Chart 37

Risk Heat Map



Brexit

The UK's decision to exit from the EU by March 2019 has created significant uncertainty which impacts a number of the Group's principal risks. The Risk Heat Map on Chart 37 assumes an orderly Brexit.

From a risk perspective, the main impact of Brexit is on Macro-economic, Retail market, Property investment and Tax and regulatory risks. The absolute impact will be dependent on the timing and terms of the UK's exit from the EU, with a disorderly exit having a higher impact on these risks.

We have undertaken a Brexit review to understand its potential impact on the Group and this was factored into the Board viability statement assessment. As the Group does not directly rely on imports or exports we are largely protected from the immediate impact of a disorderly exit. However, we have taken steps such as increasing stocks of replacement parts for IT systems and plant and machinery at our properties and reviewed security arrangements in case of any disorder. The more significant impact is likely to be suffered by our tenants, particularly those who rely on imports and exports for their operations or those who employ EU nationals. There are also likely to be

medium to long-term impacts associated with the performance of the UK economy and its attractiveness to foreign investors.

The Board, having considered the Brexit review believes the Group's strategy and geographical and sector diversification will provide resilience until the outcome and wider impact of Brexit is determined.

Risk management responsibilities

The responsibility for risk management ultimately rests with the Board. However, it is vital that risk management is effectively integrated throughout the business and is instilled in the Group's culture and values. Our management structure means that the senior team is actively involved in designing, monitoring and ensuring adherence to the Group's risk-related policies and procedures. During 2018, to improve internal communication, we provided all colleagues with access to a common intranet, 'Ondemand'. This enables the effective sharing of news and issues across the Group.

Chart 38 illustrates the key roles and responsibilities for risk management and demonstrates the interaction between the Board and the various management teams and

committees in ensuring effective control is applied across the Group's activities.

Risk review process

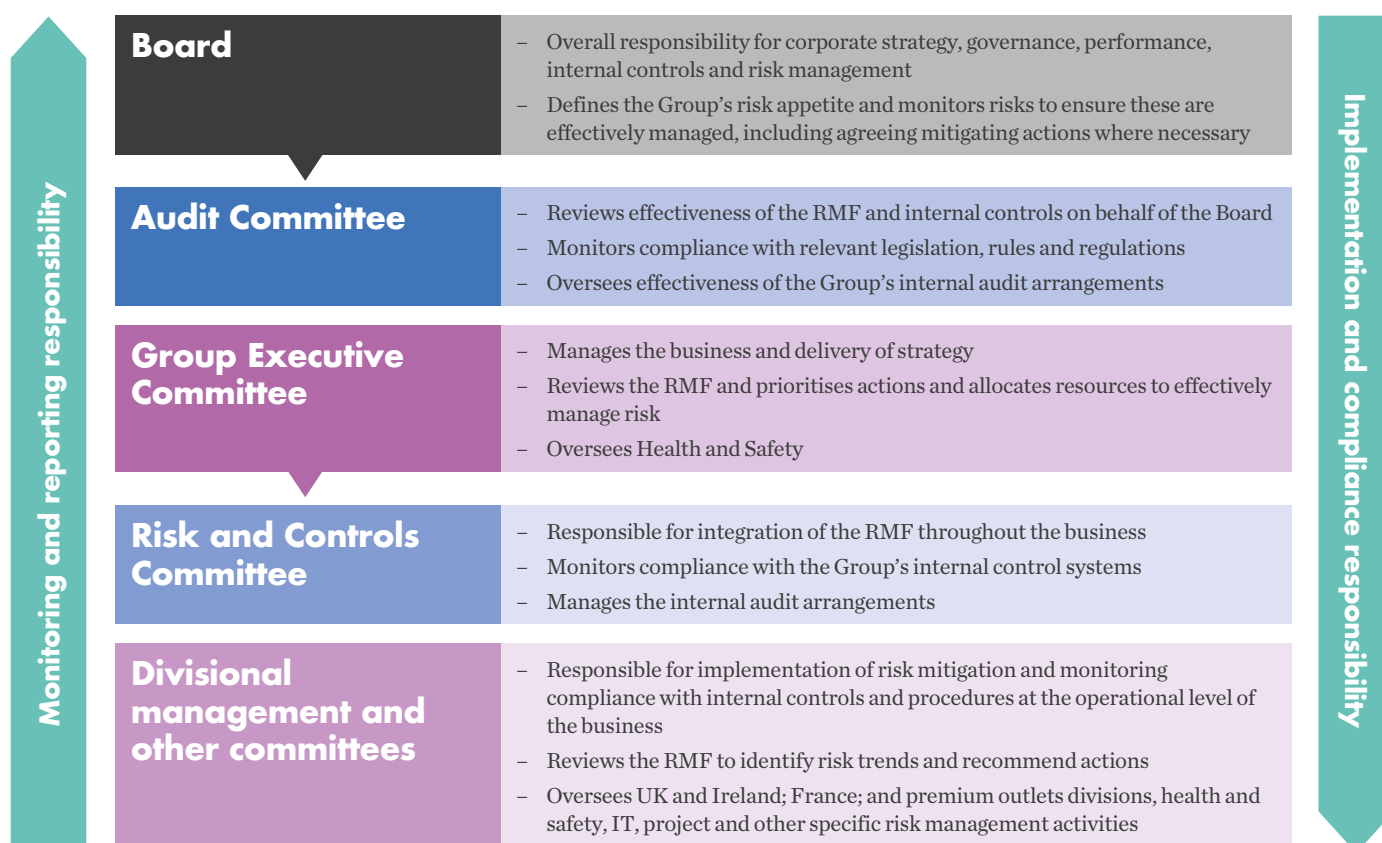
The RMF is structured around the Group's principal risks, although it also contains a number of other less material operational risks. For each risk, the RMF details mitigating factors and actions, senior management responsibility and is summarised on pages 58 to 62.

The RMF is reviewed at each Audit Committee and Risk and Controls Committee meeting and is also subject to a formal six-monthly management review. Feedback from this exercise is collated and reported to the two committees. A quarterly Risk Dashboard is produced which contains both current and forward-looking metrics for each of the principal risks and assists in assessing the Group's risk appetite.

The RMF is also used in determining the annual internal audit plan (see page 80), which is structured to ensure an appropriate coverage of the Group's principal risks, and to review areas of change or emerging risks across the business or risks which have not been subjected to recent audit review.

Chart 38

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



Risk management framework

Further details of the Group's ten principal risks extracted from the Group's RMF and their alignment to our strategy (see page 12) are shown below.

Risk	Mitigation factors/actions	Change during 2018 and outlook
1. Macro-economic Executive responsibility: David Atkins		
- Our financial performance is directly impacted by the macro-economic environment in the countries in which we operate. Key factors impacting our tenants and shoppers are GDP and disposable income growth, employment levels, inflation, business and consumer confidence, interest rates and foreign exchange movements. - The lack of clarity over the precise terms and timing of the UK's exit from the EU results in heightened macro-economic and property market uncertainty adversely impacting the Group's performance.	- Diversified portfolio (sectors, geography and tenants) - Flagship destinations located in heart of successful cities - Premium outlets located in affluent catchments with strong tourist appeal - Monitoring of macro-economic research - Economic review at annual Board Strategy Day - Business Plan projections stress tested - Resilient business model and financial position - Brexit assessment undertaken - Low level of capital commitments - Application of our Product Experience Framework	Impact ↔ Probability ↔ Residual risk assessment: High The UK economic position has weakened during 2018, largely due to the uncertainty associated with Brexit. Nonetheless, GDP has grown by 1.4% in the year and there are other economic indicators which provide some optimism for an improvement in sentiment if a smooth Brexit resolution can be delivered. There are similar mixed indicators across the EU, although in France and Ireland unemployment continues to fall and growth prospects remain favourable. Inflation and interest rate pressures remain stable and are closely linked to future economic performance and the GBP:€ exchange rate fell by only 1% in 2018. However, markets remain sensitive to external shocks, particularly associated with Brexit. The Group's diversification, both geographically and by sector, enhances our resilience to external shocks. We remain committed to retaining operational and financial flexibility in case of macro-economic weakness and are pursuing disposals from across our portfolio to strengthen the Group's balance sheet. MORE <u>See the Letter from the Chair of the Board on pages 2 and 3.</u>
2. Retail market Executive responsibility: David Atkins		
- We own and operate property in a dynamic retail marketplace. Failure to anticipate and address developments and trends in consumer and occupational markets, such as omnichannel retailing and digital technology, will result in financial underperformance and future obsolescence. - Retailer profitability is challenged due to increased costs, downward pressure on margins from channel shift and weak retail sales, particularly in the UK. This adversely impacts landlords through tenant failure and in the ability to achieve rental growth. - Given the dynamic market environment, retailers are seeking more flexible leases, with shorter terms or breaks which threatens the security of income for landlords.	- High-quality portfolio of flagship destinations and premium outlets - Significant diversity of retail categories and tenants which limits the impact from failure of individual tenants - Exit from UK retail parks sector over medium term - Application of our Product Experience Framework to ensure the relevance of our portfolio - Bespoke leasing strategies to repurpose space away from challenged retail categories supported by deep retailer relationships - Increased focus on experience with tailored F&B, leisure and events offers - A dynamic and diverse internal team to deliver the Group's strategy - Digital innovation strategy to provide detailed consumer insight and enable communication with our shoppers - Premium outlets already utilise flexible leases and benefit from favourable tourist trends	Impact ↑ Probability ↑ Residual risk assessment: High (in excess of risk appetite) 2018 has been a turbulent year with a spike in tenant failures in the UK portfolio reducing income by £6 million and continued growth in online retailing. We remain nervous about the trading environment in 2019 and are actively repurposing space away from challenged retail categories such as department stores and high street fashion. Leasing demand has remained solid in 2018, and our occupancy remains stable, although slightly lower than 2017. The retail market is polarising with tenants seeking space in vibrant locations which are able to support their evolving omnichannel strategies. Our business model and Product Experience Framework are designed to benefit from this evolution, although the transition will be challenging. Our premium outlets have again delivered strong brand sales growth and we are confident that demand for off-price luxury brands will support future performance. MORE <u>See Our markets on pages 10 and 11.</u>

[Link to strategy](#)



[Link to strategy](#)



Risk

Mitigation factors/actions

Change during 2018 and outlook

3. Property investment

Executive responsibility: David Atkins

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

[Link to strategy](#)



- Board approval for all significant investment decisions
- Track record of property recycling which has raised £1.6 billion over previous three years
- Announced £1.1 billion disposal target over period 2018-19, including exit from UK retail parks sector
- Pursuing disposals from across portfolio
- Thorough due diligence, research and risk assessment to support investment decisions
- Properties held 'ready for sale'
- Diversification of portfolio by sector and geography limits impact of downturn in a single market
- Twice-yearly independent valuations
- Stress tests included in annual Business Plan to assess balance sheet strength

Impact ↑ Probability ↑

Residual risk assessment: **High**

We completed £570 million of disposals in 2018 and we are aiming to dispose of at least £500 million in 2019. Although, whilst we remain committed to exit from UK retail parks over the medium term, to deliver our 2019 debt reduction priority we are pursuing disposals from across our portfolio.

Given the heightened level of uncertainty associated with both Brexit and the broader retail market, investors remain selective. There have been few sizeable transactions in retail property investment markets in 2018, with the UK market weakening significantly in the second half of the year.

The Group's properties have fallen in value by an average of 4% in 2018, which includes a reduction in UK values of 11%. We expect further moderate weakness in UK values until the outcome of Brexit is determined. Values of the Group's non-UK properties are forecast to be supported by the continuing low interest rate environment and stronger macro-economic backdrop in those jurisdictions. Overall we expect future investor demand to focus on high-quality property which is well-positioned for the dynamic retail marketplace.



See Property portfolio review on pages 44 to 47.

4. Property development

Executive responsibility: David Atkins

- Property development is complex and inherently risky. Major projects have long delivery times with multiple milestones, including planning and leasing. Unsuccessful projects result in adverse financial and reputational outcomes.
- Over-exposure to developments increases the potential financial impact of adverse valuation, cost inflation or other market factors which could overstretch the Group's financial capacity.
- Projects require appropriate resource and can be management intensive.

[Link to strategy](#)



- Proven track record of developing successful iconic destinations
- Only two on-site schemes and low capital commitments at 31 December 2018 of £163 million (2017: £89 million)
- Development plans and exposure included in annual Business Planning process
- Board approves all major commitments
- Regular project reviews including twice-yearly Board review and project risk reporting
- Clear project ownership and resourcing plans
- Projects typically use fixed price contracts and have appropriate contingencies
- Post-completion reviews undertaken to identify future improvements
- New City Quarters concept requires initial low levels of capital expenditure to deliver planning approvals

Impact ↔

Probability ↑

Residual risk assessment: **Low**

The Group's development exposure is low and at 31 December 2018 developments represented only 7% (2017: 5%) of our total property portfolio.

Two retail park schemes completed during the year and we started extension projects at Les 3 Fontaines and Italie Deux.

We also launched our City Quarters concept to bring forward development opportunities on land we own surrounding our existing flagship destinations. These schemes are at a relatively early stage and require planning consent before they can be started, meaning that the current expenditure required to extract value is low.

Given the heightened level of uncertainty, from both economic and retail market perspectives, we do not believe the risk and reward balance is appropriate for us to commit to any major schemes until markets stabilise.



See Operating review on pages 30 and 32.

Risk

Mitigation factors/actions

Change during 2018 and outlook

5. Treasury

Executive responsibility: Timon Drakesmith

- Poor treasury planning or external factors, including failures in the banking market, may lead to the Group having insufficient liquidity.
- The Group's financial position is unable to support the delivery of our strategy.
- Deterioration in our financial position due to property valuation declines could result in a breach of borrowing covenants.
- Significant fluctuations in sterling or euro exchange rates or a significant increase in interest rates could result in financial losses.
- Treasury planning to ensure appropriate liquidity levels are maintained
- Board approves and monitors key financing guidelines and metrics
- Annual Business Plan includes a financing plan and associated stress tests
- Capital provided by a diverse range of counterparties (banks, bond investors and JV partners)
- All major investment approvals supported by a financing plan
- No debt maturities due until 2021
- Low level of capital commitments of £163 million at 31 December 2018
- At 31 December 2018 we estimate that property values (including premium outlets) could fall by 29% and net rental income by 56% before our most stringent borrowing covenants would be exceeded
- Interest rate and currency hedging programme used to mitigate market volatility

Link to strategy



Impact ↓

Probability ↓

Residual risk assessment: **Medium**

At 31 December 2018 our balance sheet and key financing metrics remained robust, with liquidity of £729 million, loan to value of 38% and gearing of 63%.

In August, we redeemed the Group's €500 million 2.75% bonds which were due to mature in September 2019. Following this redemption, we have no debt maturing until mid-2021 and the average debt maturity has remained stable at 5.4 years (2017: 5.6 years).

Interest rates in the UK and EU are forecast to remain low over the medium term and the Group has significant headroom and financial flexibility to cope with further valuation reductions. Both Moody's and Fitch have recently reaffirmed the Group's credit rating of Baa1 and A- (senior unsecured) respectively (see page 55 for further details).

The reduction in the residual risk assessment also reflects the reduced leverage risk which was formally associated with the proposed intu acquisition.



See Financial review on pages 53 to 55.

6. Partnerships

Executive responsibility: David Atkins/Timon Drakesmith

- A significant proportion of the Group's properties are held in conjunction with third parties. These structures can limit the Group's control and reduce liquidity.
- Operational effectiveness may also be adversely impacted if partners are not strategically aligned.
- Our premium outlet investments are externally managed and this reduces control and transparency over performance and governance. They also contain pre-emption rights in favour of the Group and other owners in case of transactions in the interests of the two investments. Further details are provided on page 28.
- Proven track record of working successfully with diverse range of partners
- Contracts provide liquidity for partners whilst protecting Group interests
- Annual joint venture business plans ensure operational and strategic alignment
- The Group has governance rights for both its premium outlet investments and, whilst externally managed, joint control over VIA Outlets
- Board representation for both Value Retail and VIA Outlets
- Value Retail and VIA Outlets are both subject to local external audit. The properties are valued by Cushman & Wakefield and are subject to review by the Audit Committee and the Group's external auditor

Link to strategy



Impact ↑

Probability ↑

Residual risk assessment: **Medium**

Our partners provide capital to support our strategy of owning flagship destinations and premium outlets. At 31 December 2018, 63% (2017: 58%) of the Group's portfolio, including premium outlets, is held with third parties.

The increase in 2018 was due a combination of the valuation changes across the Group, the disposal of 50% of Highcross to a new joint venture, and the remaining disposals which were all wholly-owned.

The increased risk assessment is also due to the 2017 position reflecting the proposed intu acquisition which would have reduced the proportion of the portfolio held with third parties to approximately 40%.

We regularly monitor our partnership exposure and remain comfortable that it does not adversely impact performance or liquidity.



See notes 13 and 14 to the financial statements on pages 147 to 156.

Risk

Mitigation factors/actions

Change during 2018 and outlook

7. Tax and regulatory

Executive responsibility: Timon Drakesmith

- There is an increasing burden from compliance and regulatory requirements which can impede operational and financial performance.
- The real estate and physical retail sector has suffered a rising tax burden through recent increases in business rates, living wage, stamp duty etc. These adversely impact our financial performance and the profitability of our tenants.
- Brexit creates heightened uncertainty over the future UK tax and regulatory environment.

[Link to strategy](#)



- Maintenance of our low-risk tax status in the UK
- Regular meetings with key officials including from HMRC and government
- Participation in policy consultations and in industry-led dialogue with policy makers through bodies such as REVO, BPF, EPRA etc.
- Regular tax compliance reviews
- Advance planning for future regulatory and tax changes
- GDPR training completed by all employees before new regulation introduced in May 2018
- Brexit assessment undertaken

Impact ↑

Probability ↑

Residual risk assessment: **Medium/High**

We believe the Group is appropriately structured to mitigate the impact of future tax changes and continue to review all new legislation.

However, the heightened uncertainty over future regulatory and tax matters associated with Brexit acts to increase the Group's residual risk.

We support calls for a review of business rates and wider real estate taxation to ensure a fair tax burden is paid by all.



See note 9 to the financial statements on pages 141 and 142.

8. Catastrophic event

Executive responsibility: David Atkins

- Our operations, shopper safety, reputation or financial performance could be significantly affected by a major event such as a terrorist or cyber-attack, power shortage or civil unrest.

[Link to strategy](#)



- Continuity plans at both corporate and individual property levels
- Core crisis group for dealing with major incidents
- Enhanced physical security measures implemented
- Regular dialogue with security agencies to assess threat levels and best practice
- Mock terrorist incident staged in Bullring in late 2017
- Internal audits undertaken for business continuity and cybersecurity
- Insurance cover for terrorism and property damage
- Third-party support and regular testing for IT security
- Internal communications and training to enhance cybersecurity awareness

Impact ↔

Probability ↔

Residual risk assessment: **Medium/High**

Whilst there were fewer incidents in 2018, the threat of terrorism at public venues remains high.

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

The wider use of digital technology across the Group increases the risks associated with cybersecurity. In 2018, we have enhanced our staff training and communication on potential IT security and data protection issues. We continue to review these risks particularly when implementing new system solutions.

Risk

Mitigation factors/actions

Change during 2018 and outlook

9. People

Executive responsibility: David Atkins

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

- Annual Business Plan with human resources plan, covering team structures, training and talent management initiatives
- Succession planning undertaken across the senior management team
- Board approval required for significant management changes
- Annual employee appraisal process undertaken
- Staff training and development supported and encouraged
- Staff turnover and employee engagement monitored
- Annual 'Great Place to Work' survey monitors engagement and staff feedback
- Internal diversity and inclusion programme increases awareness and foster engagement

Impact ↑

Probability ↑

Residual risk assessment: **Low/Medium**

People are a key factor in the Group's performance. We continue to encourage and support their training and development. During the year, staff turnover across the Group has remained low at 13.4%, and was particularly low in the UK.

The heightened uncertainty associated with the proposed intitu acquisition and Klépierre approach increased job security concerns. Staff morale has also been adversely impacted by the turbulence in the UK retail market. This has been evidenced in a reduced engagement score in the UK in the recent 'Great Places to Work' survey. We are currently planning staff engagement activities to address a number of the issues raised in the survey.



See Our people on page 41.

[Link to strategy](#)



10. Environmental

Executive responsibility: David Atkins

- The Group's operations could be adversely impacted by an environmental incident such as extreme weather, flooding or energy supply issues.
- The Group's reputation and financial performance could be adversely impacted by the failure to achieve our Net Positive targets or other environmental objectives.
- Emerging environmental regulations and legislation, including amended legislation following Brexit, may act to increase costs or make properties obsolete.

- Experienced sustainability team to design and implement our environmental and corporate responsibility strategy in conjunction with the wider business
- Corporate responsibility committees monitor the Group's sustainability performance, including progress against Net Positive targets
- Detailed environmental risk framework maintained
- Green energy contracts in place across portfolio
- Core crisis group for dealing with major incidents
- Annual Board review of sustainability performance and future strategy
- External assurance of environmental reporting

Impact ↔

Probability ↔

Residual risk assessment: **Low**

We have further reduced our environmental impact during 2018. Key achievements were an 11% reduction in carbon emissions and like-for-like energy demand. Our environmental focus and expertise is expected to enable the Group to achieve its first set of Net Positive targets in 2020.

To achieve the more ambitious post 2020 Net Positive targets we need to collaborate with our tenants to reduce the environmental impact of our existing portfolio. We also need to ensure new developments are designed to deliver environmental excellence and reduce our carbon footprint.



See Sustainability review on page 34 and www.sustainability.hammerson.com.

[Link to strategy](#)



Viability statement

Viability statement

The Directors have considered the future viability of the Group taking into account its current position, strategy, principal risks and future prospects. The Group's strategy and business model are explained on pages 12 to 15. These are designed in response to the dynamic market trends in which the Group operates, as explained on pages 10 to 11, to create long-term value for our stakeholders.

Assessment of prospects

As explained on pages 2 to 3, following the withdrawal from the intu acquisition in April a thorough review of the Group's strategy was undertaken resulting in the announcement of a reshaped strategy in July 2018. The review, supported by McKinsey & Company and the Company's brokers and financial advisors, considered the recent and future performance of each of the Group's property sectors, taking into account macro-economic and property market projections from a number of external commentators including Bain & Company, Bank of England, Cushman & Wakefield, Oxford Economics, PMA.

The strategy was again reviewed at the 2018 Strategy Day in October and output from this event was incorporated into the Group's 2019 Business Plan which was subsequently approved by the Board.

The Business Plan was structured around the Group's strategy and includes income and balance sheet projections, funding plans and portfolio strategies; including asset management, investment, disposals and capital expenditure plans. In addition to the "base" plan, the Plan also included a number of alternative scenarios and stress tests to assess the Group's resilience to challenges in achieving its strategy and external shocks.

Projections were compiled on a property-by-property basis using the underlying lease data and the key base case assumptions included:

- A managed exit for the UK from the EU
- Forecast economic conditions, including broadly stable GDP growth and future interest and foreign exchange rates in the UK and EU
- Continued challenges in the retail property market, including further tenant failures and valuation weakness in the UK
- The ability to complete the Group's announced disposal plans
- Financial markets remaining available to the Group to refinance maturing facilities and bonds

In addition to the business planning process, the Board also considers the long-term prospects of the Group when approving significant transactions including disposals and capital expenditure requests. The Board receives twice-yearly updates on the Group's development schemes, including the major developments and progress with the City Quarters concept. A number of these projects have forecast completion dates outside of the five-year business planning period.

Assessment of period

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

- The Group's annual Business Plan covers a five-year period
- The Group has a stable, diverse, secure income stream with the majority of leases containing five-year, upward only, rent reviews with an average unexpired lease term of 5.5 years at 31 December 2018
- The Group has diverse sources of funding with an average maturity of 5.4 years and no debt maturities until June 2021

Assessment of viability

The Plan was assessed against a number of scenarios, including a disorderly Brexit outcome, and involved modelling changes in property values, rental income and disposal and reinvestment assumptions. These are consistent with adverse changes to the Group's principal risks which are most likely to impact the viability of the Group being: Macro-economic, Retail market, Property investment and Treasury risks.

The level of adverse change was assessed against a range of potential outcomes and historical evidence. These included a 5% reduction in Group net rental income, a £1 billion reduction in property values and the impact of no future disposals and reduced capital expenditure.

The scenarios, when combined with the Group's current financial position and mitigation actions available to management, supported the Group's predicted ability to overcome adverse economic and property market conditions over the forecast period. Key mitigating actions involved flexibility over future expenditure, disposals and funding plans.

In addition, stress tests were undertaken on the Plan to understand how far values and rental income would have to decline to breach the Group's existing gearing and interest cover financial covenants. The results of the calculations for the 2018 year-end position are disclosed in the explanation of the Group's Treasury principal risk on page 60 and the Board were satisfied that the Group has sufficient headroom.

Further factors considered in the viability assessment were the diversity of the Group's portfolio by both retail sector and geography and the low level of capital commitments.

Conclusion

Based on the assessment of the prospects and viability of the Group, the Directors have concluded that they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over a five-year period to 31 December 2023.

This five-year period is unchanged from the period adopted for the 2017 Viability statement.

Going Concern statement

The Directors have reviewed the current and projected financial position of the Group, including current assets and liabilities and the net current liabilities position, making reasonable assumptions about future trading performance, property valuations and capital expenditure plans. The review considered the Group's current liquidity position, current assets and liabilities, its debt maturity profile, future commitments and forecast cash flows.

Based on this review the Directors are able to conclude that they have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for at least the next 12 months and continue to adopt the going concern basis in preparing the financial statements for the year ended 31 December 2018.

2018 Strategic Report

Pages 1 to 63 of this Annual Report constitute the Strategic Report. It has been approved and signed on behalf of the Board on 25 February 2019.

David Atkins
Director

Timon Drakesmith
Director

Overseeing the strategy

The Board sets the strategy, governance and values of the Group and has ultimate responsibility for its management, direction and performance.

Dear Shareholders

I am pleased to present the Corporate Governance report for 2018. As in previous years this report should be read in conjunction with the section on how we have complied with the UK Corporate Governance Code on pages 108 to 112.

It has been a challenging year for Hammerson. Pressure on the retail sector intensified and the outlook became more uncertain, leading the Board to withdraw from the intu acquisition, while the weakness in Hammerson's share price attracted an indicative offer for the Company from Klépierre, which the Board rejected. The Board spent a great deal of time during 2018 reviewing and developing the strategy against the backdrop of these difficult market conditions, and you can read more about how the Board approached this on page 73. I am confident that the strategy will enable the business to deliver value for our shareholders in these challenging times. You can read more about our markets and strategy on pages 10 to 13.

Board changes

Peter Cole stepped down from the Board at the end of the year, after a career at Hammerson spanning 30 years. Peter led our major regeneration and development projects, including The Oracle, Reading, Westquay, Southampton, Bullring, Birmingham and Victoria, Leeds, all of which have helped to establish Hammerson as a leading developer of destinations. During Peter's time with us he has also been responsible for the Company's major acquisitions, disposals and joint ventures, including the acquisition of the Irish portfolio and the disposal in 2018 of 50% of Highcross, Leicester. Peter will continue in his role as Chief Investment Officer until 30 April 2019 when he will formally retire. I would like to thank Peter for his significant contribution to the Board and the Company and wish him well in retirement.

Following Peter's retirement he will continue to support the business by providing investment and development-related consultancy services until early 2020. Mark Bourgeois, Managing Director, UK and Ireland, will take responsibility for our development and project management teams and Simon Travis, Group Investment Director, will lead the investment team.

As announced in July 2018, Jean-Philippe Mouton stepped down from the Board on 31 December 2018. I would like to thank Jean-Philippe for his contribution and invaluable French perspective which he has brought to the Board's discussions and work during his tenure as a Director. I am pleased that Jean-Philippe will continue to lead our French business as Managing Director and be responsible for Group marketing, and he will remain a member of the Group Executive Committee.

Terry Duddy resigned as a Non-Executive Director on 25 January 2019. Terry served on the Board for nine years and as the Senior Independent Director from April 2015. I would like to thank Terry for the significant contribution he has made to the Board.

I am delighted that Gwyn Burr has accepted the role of Senior Independent Director following Terry's departure. Gwyn has strong commercial and shareholder relations experience and the right personal qualities to support me in this additional capacity.

I am very pleased to welcome Carol Welch who has been appointed to the Board with effect from 1 March 2019. Her recruitment process is described in the Nomination Committee report on page 77. Carol has extensive



“Engagement with stakeholders remains an important priority for Hammerson.”

code and industry best practice. We have reviewed and published updated versions of the matters reserved for the Board and terms of reference for the Committees of the Board.

The Board has established a new Investment and Disposal Committee to provide additional oversight and focus on the Company’s disposal initiatives. The Committee will be chaired by Andrew Formica and joined by Pierre Bouchut. The two further new Non-Executive Directors who we plan to appoint in 2019 will also join this Committee.

During 2019 we are increasing our employee engagement and I am pleased to report that Judy Gibbons is our nominated Director for employee engagement matters, in accordance with the new code.

Stakeholder views

Engagement with our stakeholders remains an important priority for Hammerson and assists us in understanding their opinions. Our stakeholders’ views are a key consideration for the Board when making business decisions. More information on how the Board considers stakeholders is on page 74 and details of how the Board engaged with shareholders regarding Hammerson’s reshaped strategy are on page 73.

Committed colleagues

The past year has been the most challenging for Hammerson in recent years and has seen the business and the retail sector face up to a period of profound structural change. Despite the challenges, my fellow Directors, management and colleagues have remained focused and positive. I would like to pay tribute to their continued drive and enthusiasm. I feel confident we are well-placed to meet the challenges in 2019 and beyond.

David Tyler
Chair of the Board

UK Corporate Governance Code

The Company has complied in full during 2018 and to the date of this report with the provisions of the UK Corporate Governance Code published in April 2016. The code is available on the website of the Financial Reporting Council at www.frc.org.uk.

experience in the fields of marketing and brand, together with leisure and hospitality. She will bring both an occupier perspective as well as a deep understanding of changing consumer tastes to the Board. I believe that this will allow her to make a significant contribution and I very much look forward to working with her in the coming year.

Following Carol Welch’s appointment we have reached 37.5% women on the Board which means that we have exceeded our gender diversity target of having at least one third women on the Board by 2020.

During 2019, we intend to appoint two further Non-Executive Directors to the Board. You can read more about this in the Nomination Committee report on pages 76 and 77.

Board effectiveness review

Another important annual exercise is the Board effectiveness review. I am pleased that the anonymised feedback confirms my view that the Board continues to work effectively and has the right skills and experience to support the business. The main findings of the review are available on page 75.

ICSA awards

At Hammerson we are constantly striving to improve our reporting to stakeholders and the

Board is committed to maintaining the highest standards of corporate governance. A testament to this is that Hammerson won two ICSA awards for our 2017 Annual Report, Annual Report of the Year in the FTSE 250 category and Remuneration Report of the Year. This is an important achievement as the annual ICSA awards recognise and celebrate excellence in governance and annual reporting. I am very proud of the report and would like to thank the team that produces it.

Advisors

In 2019, the Board appointed Morgan Stanley & Co. International plc as the Company’s Joint Corporate Broker to replace Deutsche Bank AG. The Board has also decided to tender the Group’s valuation instruction, currently undertaken by Cushman & Wakefield LLP, as this process was last undertaken in late 2011.

Corporate governance

The Financial Reporting Council published an updated UK Corporate Governance Code in July 2018, which applies to Hammerson from 1 January 2019. We have reviewed the requirements of the new code and we are confident that we will be able to report next year that the Company is compliant with this

Board of Directors



David Tyler

Chair of the Board



Appointed to the Board

12 January 2013 and appointed as Chair on 9 May 2013

Relevant skills and experience

David Tyler is an experienced chairman having served in this role at a number of listed companies, including J Sainsbury plc and Logica plc. His 45 years' experience in executive and non-executive roles spans the consumer, retail, business services and financial services sectors.

David places high importance on regular, constructive engagement with shareholders and on building relationships with his Hammerson colleagues. As Chair, he fosters high-quality and robust debate by co-ordinating the diverse knowledge and perspectives on the Board. David is committed to effective governance, and has served on the Investment Association's Executive Remuneration Working Group and as co-chair of the Parker Review Committee. David also brings extensive financial knowledge to the Board, as he is a Fellow of the Chartered Institute of Management Accountants and a member of the Association of Corporate Treasurers, and has held senior financial roles during his career.

External appointments

David is the chairman of Domestic & General Ltd and is standing down as chairman of J Sainsbury plc in March 2019. He is also the chairman of Hampstead Theatre.



David Atkins

Chief Executive

Appointed to the Board

1 January 2007 and appointed as Chief Executive on 1 October 2009

Relevant skills and experience

David Atkins is a Chartered Surveyor who joined the Company in 1998. His career at Hammerson began with responsibility for strategy and investment performance, working on a number of overseas transactions, particularly in France. In 2002 he took responsibility for the UK retail parks portfolio and, in 2006, for the wider UK retail portfolio. David therefore has an in-depth knowledge of the Group's operations and markets, which helps him to lead the business and be a key contributor to Board discussions. He considers stakeholder engagement crucial and spends considerable time talking to major shareholders, visiting Hammerson's destinations, hosting colleague briefings and maintaining wide relationships in the property industry. David's non-executive appointment at Whitbread PLC enables him to bring a valuable alternative perspective to his role on the Board.

External appointments

David is a non-executive director of Whitbread PLC, a member of the policy committee of the British Property Federation, a trustee of the Reading Real Estate Foundation and a governor of the Berkhamsted Schools Group.



Timon Drakesmith

Chief Financial Officer and Managing Director, Premium Outlets

Appointed to the Board

30 June 2011

Relevant skills and experience

Timon Drakesmith is a Chartered Accountant who brings extensive experience gained from senior financial roles at a number of financial services and listed companies. He also has comprehensive knowledge of property development and investment gained in part from his six years as finance director of Great Portland Estates plc. Timon brings a high level of probity and a sharp awareness of risks to the Board, and his comprehensive understanding of the financial position of the Group is invaluable when engaging with shareholders. As Managing Director, Premium Outlets, Timon has oversight of the Company's investments in Value Retail and the VIA Outlets joint venture and is therefore able to contribute his firsthand knowledge to Board discussions. Through his roles on the board of Value Retail and the advisory committee of VIA Outlets, he can ensure that the high operational and governance standards expected of this key part of Hammerson's business are in place.

External appointments

Timon is a non-executive director of Value Retail PLC and The Merchants Trust PLC, and chairman of VIA Outlets' advisory and investment committees.



Gwyn Burr

Non-Executive Director and Senior Independent Director



Appointed to the Board

21 May 2012 and appointed as Senior Independent Director on 25 January 2019

Relevant skills and experience

Gwyn Burr's contribution to the Board is enhanced by her broad expertise in marketing, customer services, human resources, sustainability and strategy obtained while working in senior roles at major retail brands, including Asda and Sainsbury's. She has a particular strength in customer insights, which is key as Hammerson develops its brand and communicates directly with visitors to our destinations. Gwyn has served on the boards of a diverse range of companies and has experience on other remuneration committees both as a member and chair. Her ability to consider the consequences of remuneration decisions, drawing on her understanding of the employee and wider business perspective, allows her to be an effective Chair of the Remuneration Committee. Gwyn's extensive board experience and understanding of different points of view and business circumstances underpin her recent appointment as the Senior Independent Director.

External appointments

Gwyn is a non-executive director of Just Eat plc, Metro AG and Taylor Wimpey plc. She is also a member of the boards of two unlisted companies, Sainsbury's Bank plc and Ingleby Farms and Forests ApS.

Key to Committee membership

- A** Audit Committee
- I** Investment and Disposal Committee
- N** Nomination Committee
- R** Remuneration Committee
- Committee Chair



Pierre Bouchut **A I N**
Non-Executive Director

Appointed to the Board
13 February 2015

Relevant skills and experience

Pierre Bouchut has very wide experience in both executive and non-executive roles at a number of companies in continental Europe, particularly in the French and Belgian retail sectors, and has worked internationally throughout his career. He therefore brings a highly knowledgeable perspective to the Board's discussions of our business in Europe. Pierre's experience of managing significant listed companies, including as chief executive of Casino, allows him a deep insight into how strategic changes may affect the retail and property sectors. He has a strong financial background, having been chief financial officer at Schneider Electric, Carrefour and Delhaize. He has extensive experience as an audit committee chair, assisting him to perform this role effectively at Hammerson where he encourages careful scrutiny of the Company's controls.

External appointments

Pierre is a non-executive director of Albioma SA and GVC Holdings PLC. He is also a member of the boards of two unlisted companies, Firmenich SA and GeoPost SA.



Andrew Formica **A I N**
Non-Executive Director

Appointed to the Board
26 November 2015

Relevant skills and experience

Andrew Formica is an actuary, having qualified in Australia and the UK. He brings deep experience in capital markets and fund management, including property management, and has managed portfolios and businesses across Europe and globally. In particular, he has invaluable experience of managing complex businesses through periods of significant change. Most recently he successfully led Henderson Group plc through its merger with Janus Capital in 2017 and then became co-chief executive of the combined group until 2018. Andrew has a strong strategic vision and a probing focus on risk and internal controls. He also contributes helpful insights to shareholder relations through the differing perspectives gained in his various roles of fund manager, chief executive of a listed company, and past deputy chairman of the Investment Association.

External appointments

Andrew will be appointed as chief executive officer and a director of Jupiter Fund Management plc on 1 March 2019, subject to customary regulatory approvals.



Judy Gibbons **A N R**
Non-Executive Director

Appointed to the Board
1 May 2011

Relevant skills and experience

Judy Gibbons has over 30 years' experience in digital technologies gained in executive roles at Apple, Hewlett Packard, Microsoft and in venture capital. Her extensive experience spans strategy, product development, marketing and international business. She has particular expertise in digital customer experience, digital media, e-commerce and mobile applications, which enables her to bring an invaluable perspective to Board discussions. Her deep understanding of how technology can transform a business is helpful as Hammerson faces the challenges of an evolving retail market and shifting consumer expectations. Judy complements her listed company experience as a non-executive director with experience gained from a non-corporate perspective through her work with cultural and not-for-profit organisations.

External appointments

Judy is a non-executive director of New York-listed Capri Holdings Limited, the global fashion luxury group which owns Michael Kors, Jimmy Choo and Versace. She is chair of Which? Limited and a trustee of House of Illustration, Nesta and Somerset House Trust.



Carol Welch **N R**
Non-Executive Director

Appointed to the Board
1 March 2019

Relevant skills and experience

Carol Welch has extensive experience in marketing, brand, innovation and business transformation gained while working in senior roles at a number of international consumer goods businesses including PepsiCo, Cadbury Schweppes and Associated British Foods. Carol also has more recent leisure and hospitality experience, having led the transformation of Costa Coffee as its chief marketing officer with responsibility for brand communication, digital, in-store design and the loyalty programme. In 2017 she joined ODEON Cinemas, a division of AMC Theatres, and has initiated a strategy to transform the UK estate and guest experience. Carol will bring to Board discussions a valuable occupier perspective as well as a useful understanding of the changing tastes of the UK consumer.

External appointments

Carol is the managing director for the UK and Ireland of ODEON Cinemas Group. She is a non-executive director of Digital Cinema Media Limited and a member of the board of the UK Cinema Association.

Group Executive Committee



David Atkins
Chief Executive

F ID CR

David Atkins is a chartered surveyor and joined Hammerson in 1998, with responsibility initially for strategy and investment performance, then retail parks and more recently the wider UK portfolio prior to his appointment as Chief Executive in 2009. David leads the management team and is responsible for the development and implementation of the Group's strategy.



Andrew Berger-North
Director, UK Retail Parks

UI RC ID CR IT HS

Andrew Berger-North is a chartered surveyor and joined Hammerson in 2003. He was appointed Director, UK Retail Parks in 2005. Andrew is responsible for all aspects of the retail parks portfolio, including acquisitions, disposals, development and asset management.



Simon Betty
Director of Retail, Ireland

UI RC

Simon Betty is a chartered surveyor and joined Hammerson in 2006 with responsibility for a number of retail regeneration projects, before joining the corporate finance team in 2011. Simon was appointed Director of Retail, Ireland in 2015 and was instrumental in the acquisition of the Dublin portfolio, which he now manages.



Sarah Booth
General Counsel and
Company Secretary

RC ID

Sarah Booth is a qualified solicitor and joined Hammerson as General Counsel in 2010. She was appointed Company Secretary in 2011. Sarah provides legal advice on significant business matters and is responsible for the legal services strategy. She also ensures the provision of a full company secretarial service to the Hammerson plc Board and all Group subsidiaries.



Mark Bourgeois
Managing Director,
UK and Ireland

UI RC ID CR IT HS

Mark Bourgeois is a chartered surveyor and joined Hammerson in 2017 as Managing Director, UK and Ireland. Mark has overall responsibility for the performance of all the Company's assets in the UK and Ireland. He will also lead on developments and project management from 2019.



Stephen Brown
Group Marketing and
Communications Director

RC IT

Stephen Brown joined Hammerson in 2010 as Marketing Director for the UK before being appointed Group Marketing Director in 2013. He took on management of the communications team in 2017. Stephen leads the UK marketing operations and is responsible for implementing the marketing and communications strategy across the Group.



Peter Cole
Chief Investment Officer

F ID

Peter Cole is a chartered surveyor and joined Hammerson in 1989 as a senior development surveyor. He has held overall responsibility for developments, acquisitions, disposals and joint ventures since 1999. Peter stepped down from the Board of Directors on 31 December 2018 and will formally retire at the end of April 2019.



Timon Drakesmith
Chief Financial Officer and
Managing Director,
Premium Outlets

F RC ID IT HS

Timon Drakesmith is a chartered accountant and joined Hammerson in 2011 as Chief Financial Officer. In addition to leading the finance team and managing Hammerson's investments in premium outlets, Timon also chairs the Health and Safety Committee and Group IT Committee.

Key to Committee membership

- UI** UK and Ireland Management Board
- F** Hammerson France Management Board
- RC** Risk and Controls Committee
- ID** Group Investment and Development Committee

- CR** Positive Places CR Board
- IT** Group IT Committee
- HS** Health and Safety Committee
- Committee Chair**



Mark Duhig
Group HR Director

RC HS

Mark Duhig joined Hammerson in 2010 as Head of HR for the UK and was appointed Group HR Director in 2014. Mark leads the HR team and is responsible for the Group's people strategy to ensure that development and succession plans are in place to support the implementation of the Business Plan.



Jean-Philippe Mouton
Managing Director, France

F ID CR HS

Jean-Philippe Mouton joined Hammerson in 2003 to manage property leasing, development and asset management in France. He was appointed Managing Director, France in 2010 and served on the Board of Directors from 2013 until he stepped down on 31 December 2018. In addition to managing the French portfolio, Jean-Philippe leads on Group marketing.



Richard Shaw
Director of Finance

RC ID

Richard Shaw is a chartered accountant and joined Hammerson in 2000. He worked in a variety of senior UK and Group finance roles prior to his appointment as Director of Finance in 2018. Richard is responsible for internal and external financial reporting, risk and controls and investor relations.



Simon Travis
Group Investment Director

ID

Simon Travis is a chartered surveyor and joined Hammerson in 1998. He worked in asset management, investment and business development prior to his appointment as Group Investment Director in 2018. Simon is responsible for sourcing new business opportunities and delivering the disposal programme. He will also lead on investments and joint ventures from 2019.

Managing the business

The Group Executive Committee (GEC), which is chaired by David Atkins, supports the Board by providing executive management of Hammerson plc within the strategy and Business Plan approved by the Board. The GEC has responsibility for operational matters, including the implementation of the Group's Business Plan and strategy. The chief responsibilities of the GEC are set out on page 70. During the year a decision was made to increase the breadth of membership of the GEC and several new appointments were made.

The GEC meets formally once a month. The members also meet most weeks for informal discussion on day-to-day issues.

At its meetings during the year the GEC received a number of regular reports including on finance, trading and marketing, the property portfolio, human resources, corporate communications and the Group's Risk Management Framework. It also received regular update reports from each of the Committees which reports to the GEC, which are set out in the governance structure overleaf. The GEC also received regular updates on the Value Retail and VIA Outlets businesses, which are externally managed.

The GEC monitored the progress of the strategic and operational objectives set by the Board, through the delivery of the Business Plan. It reviewed the Group's Risk Management Framework and internal controls in conjunction with the Risk and Controls Committee. It also ensured that development and succession plans were in place so that the business had people of the right calibre and skills to deliver the Business Plan for the current year and in the future.

In addition to the regular reports described above, the GEC also spent time on the following activities:

- Oversaw strategic planning to prepare for the proposed acquisition and integration of intu in the period before the Board withdrew its offer to acquire intu
- Oversaw plans to ensure compliance with the General Data Protection Regulation which came into force in May 2018
- Reviewed Hammerson's Modern Slavery and Human Trafficking Statement for recommendation to the Board for approval and publication on the Group's website
- Received and discussed feedback from the Great Place to Work Employee Survey
- Received the annual Health and Safety Report including an update on the Company's review of its assets and audit of building cladding following the Grenfell Tower fire in June 2017
- Oversaw a project to review the Company's strategy, and reviewed the proposed revised Business Plan 2019 and accompanying papers for the Board's October Strategy Day
- Reviewed the proposed changes in the UK Corporate Governance Code published in July 2018 and how they would impact the business

Meetings regularly take place between members of the GEC and senior management as a whole. For example, in May, the Chief Executive and Chief Financial Officer hosted a leadership forum in London. This was an opportunity for senior colleagues to meet, discuss the current market environment and future direction of the business and share ideas. Feedback from the event was reviewed at a subsequent GEC meeting. The feedback also helped to inform the Board's consideration of Hammerson's reshaped strategy. More information about this can be found on page 73.

Hammerson's governance structure

The Board promotes the long-term sustainable success of the Company, generating value for its shareholders and contributing to wider society.

Hammerson plc Board

- Sets the Group's strategic direction, purpose and values and aligns these with its culture
- Approves major acquisitions, disposals, capital expenditure and financing
- Oversees the Group's systems of internal control, corporate governance and risk management
- Approves the Business Plan

The Board has delegated a number of its responsibilities to its Audit, Nomination, Remuneration and Investment and Disposal Committees. The terms of reference of each of its Committees and the Board's schedule of reserved matters can be found at www.hammerson.com.

Group Executive Committee

- Implements the Group's strategy and Business Plan
- Manages the business
- Manages risk
- Establishes financial and operational targets and monitors performance against those targets



See page 69.

Audit Committee

- Oversees financial reporting
- Monitors independence of internal and external audit
- Oversees internal controls
- Monitors risk management including emerging risks
- Oversees external asset valuation process
- Oversees relationship with External Auditor



See page 79.

Nomination Committee

- Recommends Board appointments
- Oversees succession planning
- Ensures an appropriate mix of skills and experience on the Board
- Promotes diversity



See page 76.

Remuneration Committee

- Establishes remuneration policy
- Sets Executive Director and senior management remuneration
- Oversees workforce remuneration-related policies and practices across the Group
- Oversees alignment of reward, incentives and culture
- Approves bonus plan and long term incentive plan targets



See page 82.

Investment and Disposal Committee

- Oversees acquisitions and disposals programme
- Recommends to the Board acquisitions and disposals above £50 million
- Oversees allocation of capital

UK and Ireland Management Board

- Oversees the financial, operational and governance performance of the Group's business in the UK and Ireland

Hammerson France Management Board

- Oversees the financial, operational and governance performance of the Group's business in France

Risk and Controls Committee

- Supports the Audit Committee by promoting the integration of the Risk Management Framework in the business
- Monitors compliance with the Group's internal control systems
- Manages the internal audit programme



See page 110.

Group Investment and Development Committee

- Supports the Investment and Disposal Committee
- Identifies new business and development opportunities
- Monitors strategic partnerships and joint ventures
- Recommends new development opportunities
- Reviews allocation of capital
- Approves acquisitions and disposals between £10 - £50 million
- Recommends acquisitions and disposals above £50 million

Positive Places CR Board

- Oversees the Positive Places programme
- Monitors achievement of Hammerson's sustainability targets and corporate sustainability risk framework
- Identifies and promotes relevant innovation projects
- Ensures sustainability is linked with and reflected in business activities



See page 34 and visit sustainability.hammerson.com.

Group IT Committee

- Oversees IT strategy and systems
- Establishes and monitors IT policies
- Plans IT implementation projects
- Monitors IT risks
- Oversees cybersecurity

Health and Safety Committee

- Monitors the Group's health and safety management system
- Ensures the Group's compliance with relevant health and safety regulations
- Oversees management of the Group's health and safety risks

How the Board supported the delivery of Hammerson's strategy in 2018

Hammerson's governance structure supports our strategy and is central to the way we run the business. It enables the Board to ensure that good governance also extends beyond the boardroom and is continually borne in mind in the successful delivery of the Group's strategic priorities over the shorter and longer term. A key aspect of our governance structure is our culture and values: ambition, respect, collaboration and responsibility. We have set out below how the Board's governance role links to the strategic priorities of the business and the risks identified in the Risk Management Framework as well as some of the Board's activities during 2018 to support those objectives.

Strategic priority	Board governance role	Risk Management Framework	Key activities in 2018
Capital efficiency 	- Oversees the Group's financial performance - Reviews capital structure - Reviews major changes to corporate structure	- Macro-economic - Property investment - Treasury - Partnerships - Tax and regulatory	- Approved £1,500 million revolving credit facility for acquisition of intu which was subsequently cancelled - Approved early redemption of €500 million 2.75% bonds due 2019 - Approved the commencement and subsequent pause of a share buyback programme for a maximum aggregate consideration of £300 million
Optimised portfolio 	- Establishes as the Group's strategy - Approves the Business Plan - Ensures necessary resources are in place for the Group to meet its objectives - Determines risk appetite - Oversees acquisitions and disposals progress as part of active management of our portfolio	- Macro-economic - Retail market - Property investment - Property development - Partnerships - Tax and regulatory	- Considered the acquisition of intu and made the decision to withdraw from the transaction - Discussed and evaluated strategic focus and risks for Hammerson's strategy and Business Plan - Approved decision to sell 50% of Highcross and create a joint venture - Approved exit from Hammerson's UK retail parks portfolio over the medium term
Operational excellence 	- Oversees the portfolio - Reviews the development pipeline - Ensures balance of interests between all stakeholders	- Retail market - Property development - Catastrophic event - People - Environmental	- Reviewed progress against Net Positive strategy targets - Visited Les 3 Fontaines, Cergy-Pontoise - Visited Freeport Lisboa Fashion Outlet - Reviewed the Group's major development projects including plans for Whitgift Centre, Croydon and Brent Cross, London

See pages 56 to 62 for further information on the Risk Management Framework and pages 12 and 13 on Our strategy.



Visiting the business

Visiting the assets of the business is a key activity in the Board's year as it provides an opportunity for the Directors to meet local teams and see at firsthand how our business is run. Such visits complement the Board's experience of the business from the perspective of the boardroom and give the Non-Executive Directors in particular an insight into how the culture and values of the business are translated into day-to-day operations. This year the Board spent the day at Les 3 Fontaines, Cergy-Pontoise and included a visit to Freeport Lisboa Fashion Outlet while in Lisbon for the Board's annual Strategy Day.

Board visit to Les 3 Fontaines, Cergy-Pontoise

In September the Board made a day visit to Les 3 Fontaines, Cergy-Pontoise, scheduled outside the formal Board meetings calendar. The day provided an opportunity to mix informally with French colleagues and centre management. During lunch the Board discussed the business and listened to the local team's views on matters that concerned them and the challenges of running the centre. The asset management team then gave a presentation to the Board covering an overview of the financial performance of the asset, an update on the extension project and progress against pre-letting targets. The team also presented their strategy and key initiatives for developing this destination. The day ended with a tour of the asset. The Board found the visit informative and welcomed the opportunity to meet and discuss the progress of the business with French colleagues.



See pages 30 to 32 for more information on developments and City Quarters.



See pages 26 to 29 for more information on premium outlets.

Board visit to Freeport Lisboa Fashion Outlet

In October the Board made a two-day visit to Lisbon during which the Board visited Freeport Lisboa Fashion Outlet, one of the assets in Hammerson's premium outlets portfolio. The Board toured the Time Out Market in central Lisbon, accompanied by senior management. This provided an opportunity to assess various F&B concepts in the food court. During the visit a dinner was held for the Board and senior colleagues which enabled informal discussions to be held on the progress of the premium outlets business. Further insights were provided by senior colleagues at Value Retail who joined the Board to discuss the performance of the relationship. Following the Strategy Day discussions on the second day of the visit, the Board had a presentation from local VIA Outlets management and a tour of the asset. The Board found that meeting local teams and seeing the asset gave it a valuable insight into the outlets business.

Governance in action – strategy

The strategy of the business is at the core of the Board’s activities and this was no exception during the year when it was the focus of significant additional debate by the Board.

The year began with a number of Board meetings held in addition to the scheduled meetings. During these meetings the Board reviewed the actions necessary to progress the proposed acquisition of intu. The Chair of the Board, Chief Executive and Chief Financial Officer had frequent contact with a number of major shareholders and their views on the transaction were regularly communicated to the Board. As well as monitoring shareholder views, the Board reviewed closely a number of economic and market factors throughout this period.

In March, the Board received a highly preliminary proposal from Klépierre to acquire Hammerson in cash and shares, followed later by a further tentative revised proposal. The Board considered this approach carefully and reviewed its options fully, taking account of shareholders’ views and advice from its bankers. At the conclusion of this process, Klépierre’s proposals were rejected by the Board as they significantly undervalued the Company.

Over the early months of the year, conditions in the UK retail market deteriorated after a poor Christmas. A number of administrations and company voluntary arrangements (CVAs) were announced and investor demand for retail property showed signs of weakness. All this made it clear to the Board that the risks of carrying out the intu transaction had materially heightened. After considerable analysis and assessment the Board decided that it was no longer in the best interests of the shareholders to carry out the acquisition and on 18 April 2018 it announced that it was withdrawing its recommendation for the offer to acquire intu.

Following this announcement, the Board initiated a strategic review exercise led by the Group Executive Committee.

As part of this strategic review, the Board considered key sector themes and the impact on Hammerson of:

- Structural shifts such as online and urbanisation
- The concept of the ‘big day out’
- The growth in food and beverage
- Ways of managing the tenant mix
- Retailer behaviours
- Trends in retail real estate

The risks were evaluated thoroughly and the Board took account of advice from its external advisors and reviewed investor feedback. This led to a portfolio-wide review of disposals and a decision to exit retail parks, a reshaped strategy including operational improvements, a fresh approach to some of the commercial aspects of the business, a more prudent balance sheet plan involving the reduction of debt and a reassessment of capital allocation priorities. This reshaped strategy was communicated to shareholders at the end of July.

The annual Board Strategy Day took place in the autumn in Lisbon. As in previous years, the Board’s discussions focused on trends in the market and Hammerson’s strengths and weaknesses as Board members considered the future direction of the Company and further refinements to the strategy announced at the half-year.

In preparation for the day the Board received a background reading pack, including:

- Institutional investors’ feedback from meetings held with the Chief Executive, Head of Investor Relations and Chief Financial Officer
- A background summary of the economy and markets in which the business operates
- An update on key retail, shopper and technology trends
- Hammerson’s performance benchmarked against that of its peers
- The economic outlook for the UK, France and Ireland

“We are confident that our sharpened focus on Europe’s growing cities and best destinations will allow us to navigate this ongoing period of structural change.”

David Tyler – Chair

The agenda for the day began with a discussion on the Group’s portfolio of assets and developments to help inform the direction of the business planning exercise for 2019-2023. The GEC and senior colleagues from asset management and development joined the Board to provide insights and stimulate discussion on a number of strategic options. The Chief Executive led a discussion on the capital markets backdrop as the context in which to discuss shareholders’ views. Following the Strategy Day, certain ideas generated were further considered and refined for incorporation into the Business Plan.

The strategy of the business will, of course, remain central to the Board’s activities. In the coming year, the Board intends to continue to explore and evaluate its strategy in light of market changes and the views of shareholders and other stakeholders.



Highcross, Leicester

Engagement with stakeholders

We seek to deliver value for all our stakeholders and the Board is also aware that our actions and decisions impact all our stakeholders and the communities in which we operate. Effective engagement with stakeholders is important to the Board as it strengthens the business and helps to deliver a positive result for all our stakeholder groups.

Key

stakeholders

Why the Board engages

Key activities in 2018

Shareholders



The Directors consider shareholders' views as part of their decision-making process and welcome discussions with them in particular in relation to strategy, governance and remuneration

- The Chief Executive and Chief Financial Officer met regularly with the Company's institutional shareholders to discuss strategic issues and present the Company's results
- The Chair of the Board held a significant number of shareholder meetings in 2018 to discuss matters in connection with the proposed acquisition of intu and Klépierre's approach
- The Board discussed shareholder feedback with the Company's brokers Deutsche Bank AG and J.P. Morgan Cazenove
- The 2018 investor relations programme included attendance at a number of industry conferences
- An investor presentation on Environmental Social Governance and Sustainability (ESG) issues was delivered at J.P. Morgan's SRI conference
- Discussions were held with institutional shareholders on ESG matters
- Institutional shareholders were invited to visit assets in Dublin and Birmingham
- Investor roadshows were held in Amsterdam, Edinburgh, Cape Town, Johannesburg and Paris
- The General Counsel and Company Secretary discussed governance matters with institutional shareholders and the feedback from these meetings was reported to the Board
- All the Directors attended the Annual General Meeting in 2018
- The Board approved a dividend reunification programme in 2018 to return funds to former shareholders

Brands



The Board takes interest in ensuring there are close relationships with Hammerson's retailers, F&B and leisure tenants and direct-to-consumer brands, which are critical to the Company's success

- The Board monitored events in connection with repurposing vacant units in cases of tenant distress
- The Board received regular updates at each Board meeting on retailers' trading performance at the Group's assets

Consumers



The Board has a strategy which creates destinations to meet the needs of a wide range of consumers who visit them

- The Board received regular updates on consumer behaviour providing invaluable insight into local and national consumer trends
- Consumer insights gathered using market research agencies inform future investment decisions and identify key revenue drivers

Partners



The Board recognises that our partnerships and relationships provide financial capital and insights from other markets, which together make Hammerson a stronger business and give us a competitive edge. The Board oversees our partnerships and relationships including Value Retail and VIA Outlets

- The Board visited assets in Portugal and France and met local teams
- The Board received regular updates about activity concerning acquisitions and disposals
- The Board met senior executives from our partners, Value Retail and APG, to discuss the performance of the premium outlets sector and the Chief Financial Officer provided regular updates to the Board on the premium outlets portfolio

Communities



Hammerson's destinations are in the communities that they serve. The Directors appreciate that nurturing strong links with those communities directly fosters the long-term success of our assets, while the investment in our centres boosts local employment and business opportunities

- The Board received an update on the progress against Net Positive targets as part of the annual sustainability report
- The Board received regular updates regarding engagement with local decision-makers to ensure that future development plans help drive regional economic growth

Our people



The Board recognises that Hammerson's culture and values underpin the effective delivery of the Company's strategy. Regular engagement with employees takes place throughout the year through a number of briefings to update and inform colleagues. The Board also supports the opportunity for colleagues to join the Hammerson SIP and Sharesave schemes and become shareholders

- The Board met colleagues on visits to Les 3 Fontaines, Cergy, and Freeport Lisboa Fashion Outlet, Lisbon
- The Board held discussions with colleagues at the Board Strategy Day
- The Board reviewed and discussed the results of the 2017 Great Place to Work employee engagement survey
- The Chair of the Board met the finance team at Aquis House for an informal question and answer session at their team conference
- The Board reviewed plans for the establishment of an employee forum in 2019.

Board effectiveness review 2018



“I believe that evaluation, whether internal or external, is important in reviewing the Board’s performance over the year. We continually strive to be more effective and use the feedback from the annual review to work on improving how we operate together as a Board.”

The process

A Board effectiveness review is carried out each year. Every three years the review is carried out externally. In the intervening years the review is conducted internally and is led by the Chair of the Board with the support of the General Counsel and Company Secretary. The review in 2019 will be carried out externally.

In 2018 an internal effectiveness review was carried out by means of an online questionnaire. The Directors were invited to comment anonymously on progress against actions identified in the previous review as well as reflect on the Board’s decision-making process.

The questionnaire also sought the Directors’ views on the format and focus of the annual Strategy Day, how to identify effectively challenges and opportunities for the business, the Board’s oversight of culture and values and its engagement with stakeholders. The Directors were also asked to share best practice ideas observed in their roles on other boards.

The individual responses from the questionnaire were collated into a report for the Chair of the Board to review and discuss with the General Counsel and Company

Secretary. Recommended actions were then compiled for discussion by the Board.

Board review of outcomes

The Board discussed the findings and recommendations from the review before agreeing actions for the coming year as set out in the table below. The Board also considered its performance generally during the year and agreed that it was satisfied that the Directors had worked well together, and that the Board had discharged its duties and worked effectively with its Committees.

Table 39

Recommendations from 2017 review	Progress in 2018	2019 actions
Continue Board-level focus on the culture of the business	The Board received an update on the Internal Communications strategy and receives annual presentations on the Employee Survey results	A designated Non-Executive Director to report regularly to the Board on the proceedings of the employee forum. Presentations to the Board focusing on insights and feedback from different stakeholder groups are planned for 2019
Provide opportunities for the Non-Executive Directors to make informal visits to the business	Non-Executive Directors who were able to schedule informal visits found these valuable and informative	Focus on this to continue in 2019 to allow the Non-Executive Directors to gain firsthand insights into the business
Review the Board’s work plan	The Board’s work plan was reviewed by the General Counsel and Company Secretary to focus the Board’s work on strategy and topics to support that debate	Topics for in-depth reviews by the Board have been identified and will be scheduled throughout the year
Recommendations from 2018 review	2019 actions	
Review the format and timings of the Board Strategy Day	A planning session for the 2019 Board Strategy Day will be scheduled for the Directors to agree the content and focus for the day in advance	
Review the guidance on the structure and content of Board papers	The structure of the Board papers and associated guidance for preparers will be reviewed to ensure that the Board is receiving an appropriate level of detail and that stakeholder views are clearly identified and adequately considered as part of the decision-making process	

Securing skills and diversity on the Board



The Committee's key role is to ensure that the Board has the appropriate skills, knowledge and experience to operate effectively and deliver our strategy.

Nomination Committee members

David Tyler (Chair)

Pierre Bouchut

Gwyn Burr

**Terry Duddy (resigned
25 January 2019)**

Andrew Formica

Judy Gibbons

Dear Shareholders

I am pleased to present the Nomination Committee report covering the work of the Committee in 2018. This report should be read in conjunction with the separate section on compliance with the UK Corporate Governance Code on pages 108 to 112.

The Committee's key role is to ensure that the Board has the appropriate skills, knowledge and experience to operate effectively and deliver our strategy. It is responsible for reviewing the size, structure and composition of the Board and its Committees, making recommendations about new appointments and ensuring that appointment processes are formal, rigorous and transparent.

Changes to the Board

Following the Board's strategy review in the first half of 2018 (which you can read about elsewhere), the Board determined that the number of Executive Directors would be reduced to two to achieve a more appropriate balance in line with governance best practice. The Board announced in July that Peter Cole and Jean-Philippe Mouton would step down from the Board on 31 December 2018. Jean-Philippe Mouton will continue in his role as Managing Director of the Group's French business and leading Group marketing. In addition, Peter Cole announced his intention to retire after 30 years at Hammerson. Terry Duddy stepped down as a Non-Executive Director and Senior Independent Director on 25 January 2019, after serving nine years on the Board. The Committee considered a successor for Terry as Senior Independent Director and decided that Gwyn Burr had the right mix of skills and experience for the role. It recommended to the Board her appointment as Senior Independent Director and Gwyn assumed the role on 25 January 2019.

As mentioned in my introductory letter, I would like to record my personal thanks to Peter Cole, Jean-Philippe Mouton and Terry Duddy, each of whom has made a huge contribution to the Board and the execution of the strategy of the business.

During 2018, the Committee also focused its attention on selecting two potential new Non-Executive Directors to join the Board. This process led to the announcement of the appointment of Carol Welch to the

Board with effect from 1 March 2019. The process is explained more fully on the adjacent page. I am delighted that Carol will be joining the Board. She has an outstanding track record in brand and marketing and will also bring her significant knowledge of innovation and changing customer behaviours to the Board's mix of skills and experience.

During 2019, the Board intends to appoint two further Non-Executive Directors, as explained below. Russell Reynolds has been appointed to facilitate and advise on the search.

Board balance and skills

As it does annually, the Committee has also reviewed the composition and balance of the Board in light of the changes described above. As part of this review the Committee considered:

- Whether the balance between Executive and Non-Executive Directors was appropriate
- The membership of the Committees
- The tenure of Directors
- A matrix of core skills and experience of the Board to ensure the right balance of relevant skills, experience and knowledge
- Diversity on the Board
- The independence of the Non-Executive Directors and confirmed that all remained independent

Following this review the Committee is satisfied that the Board continues to have an appropriate mix of skills and experience to fulfil its role

effectively. However, in order to ensure orderly succession planning and a continuing broad balance of diversity, skills and experience the Company intends to appoint two further Non-Executive Directors during the course of 2019, who will strengthen the support and constructive challenge of the Executive Directors and oversight of the implementation of Hammerson's strategy.

Each Director brings a range of relevant skills gained in diverse business environments and an excellent track record gained through working in a number of different sectors. This enables the Directors to bring the benefit of varying perspectives to Board debate. During the year three Executive Directors served on external boards and one Non-Executive Director held an executive director role.

The skills and experience of the Directors are summarised in Table 41.



For further information see the Directors' biographies on pages 66 and 67.

Diversity

The Board's Diversity policy recognises the benefits of diversity in its broadest sense and sets out the Board's ambitions and objectives regarding diversity at Board and senior management level. It reflects the Board's view that in order to be effective a board must properly reflect the environment in which it operates and that diversity in the boardroom can have a positive effect on the quality of decision-making. Aligned to the broad objectives the policy has a number of specific objectives. The table below sets out the progress made in 2018 against the key policy objectives. The policy can be read in full on the Group's website.

Table 40

Board Diversity policy objectives	Progress update
Ensure that Non-Executive candidate lists are drawn from a broad range of candidates including those who may not have listed company experience but who possess suitable skills and qualities	The candidate list compiled for the recent Non-Executive Director appointment met the criteria and resulted in the appointment of Carol Welch to her first listed company board role
Improve gender diversity at Board and senior management level by working to achieve at least one third women on the Board, the Group Executive Committee (GEC) and direct reports to the GEC by 2020	Following the appointment of Carol Welch to the Board and the resignation of Terry Duddy the percentage of female Directors on the Board will be 37.5%. Options continue to be considered to improve gender diversity on the GEC where only 8% of the members are female. The Committee has monitored a number of recommendations for promotion amongst the direct reports to the GEC which have resulted in increased female representation at this level to 38%
Encourage and monitor the development of talented employees	The Committee received periodic updates from the Group HR Director on learning and career development opportunities for high-potential individuals. Colleagues below management level attended and presented at Board meetings and the Board met colleagues at different levels of the business when visiting assets
Oversee succession plans to ensure that they meet current and future needs of the business	Succession plans have been reviewed in light of opportunities to develop high calibre employees and improve diversity
Oversee plans for diversity and inclusion and assess progress annually	The Committee has reviewed the progress of plans to improve diversity and inclusion. For more information see the Our people section of the Annual Report on pages 41 to 43

Appointment of Carol Welch as a Non-Executive Director

The Chair of the Board, assisted by the Committee and the General Counsel and Company Secretary, led the process that resulted in the appointment of Carol Welch as a Non-Executive Director. Key steps in the process are outlined below.

At its June meeting the Committee discussed succession planning for Non-Executive Directors and it was agreed that the following should form part of the candidate brief to the executive search consultancy firms:

- Relevant experience of some of the following: luxury brands, entertainment and hospitality, experiential technology such as virtual reality and multichannel technology

- Experience of working at senior Executive Director level or equivalent
- Diversity of gender, nationality and ethnic origin should be reflected on any shortlist

The Committee discussed its recommended list of executive search consultancy firms, bearing in mind the Board's Diversity policy objective of only engaging search firms who have signed up to the voluntary code of conduct on gender diversity and best practice. The Committee agreed that Russell Reynolds should be appointed to facilitate and advise on the search. Russell Reynolds has no other connection with the Group, is accredited for the FTSE 350 category of the Enhanced Voluntary Code of Conduct for Executive Search Firms and has made a commitment to promoting diversity.

The Chair of the Board and the General Counsel and Company Secretary reviewed a range of candidates following which a first shortlist was drawn up for review and discussion by the Committee.

The Chair of the Board then met and interviewed a number of candidates on this list and reviewed their respective skills and experience and the fit of each candidate with the Board's candidate profile.

Members of the Committee then interviewed the final shortlist of candidates and the Committee made a recommendation to the Board.

The Board approved the appointment of Carol Welch with effect from 1 March 2019.

Table 41

Relevant skills and experience on the Board as at the AGM 2019

	David Tyler	David Atkins	Timon Drakesmith	Gwyn Burr	Pierre Bouchut	Andrew Formica	Judy Gibbons	Carol Welch
Audit and risk management	●		●		●	●		
Finance, banking, financial services and fund management	●		●	●	●	●		
Mergers, acquisitions, investment and transactions	●	●	●		●	●		
Property, regeneration and development projects		●	●		●	●		
Retail	●			●	●		●	●
Marketing				●			●	●
Customer service, customer behaviours and digital technology	●	●	●	●		●	●	●
Shareholder relations	●	●	●	●	●	●	●	
International business and markets	●	●	●	●	●	●	●	●
Business transformation and innovation	●	●		●		●	●	●

● Executive Director

● Non-Executive Director

Succession planning

As in previous years the Committee spent time during 2018 considering the important topic of succession planning across the business. The Committee received a paper on Executive Director succession planning and reviewed plans for the development of a number of key individuals with the potential to be considered as candidates for either the role of Chief Executive or Chief Financial Officer in the future. It also reviewed plans for senior individuals to broaden their roles by taking on Peter Cole's responsibilities following his retirement and the decision not to appoint a successor to Peter in the role of Chief Investment Officer. I also kept closely in touch with the Executive Directors and other members of the senior management team on matters of career development and succession.

The Committee also considered the senior management succession plan which includes members of the Group Executive Committee (GEC) and all senior management roles in the business. The plan identifies immediate

successors for a large number of these roles and identifies candidates as potential successors to roles in the longer term. The Committee was satisfied that plans remain sufficiently robust to enable vacancies to be filled on a short- to medium-term basis while taking account of the continuing need to consider gender diversity and meet the objective of at least 33% female representation in the roles included in the plan in less than three years. The Committee reviewed progress against this objective which has been exceeded with 39.5% of senior management roles having potential female successors identified within the timescale.



For further information on diversity see the Our people section on page 42.

The Committee acknowledges that in a business the size of Hammerson, it is not always possible to identify internal successors for all roles.

The Committee reviewed plans for changes to the membership of the GEC and plans to improve diversity on the GEC in the near term.



For further information about the members of the GEC can be found on pages 68 to 69.

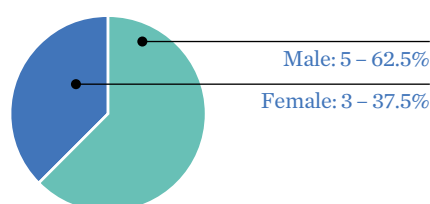
The Committee is confident that it has carried out its role effectively during the year and its work will help to ensure that a strong pipeline of talented individuals is available to support the Company and meet its future business objectives and fulfil its strategic goals.

David Tyler

Chair of the Nomination Committee

Chart 42

Directors: gender split*



* As at 30 April 2019

Chart 43

Non-Executive Directors: years of service*

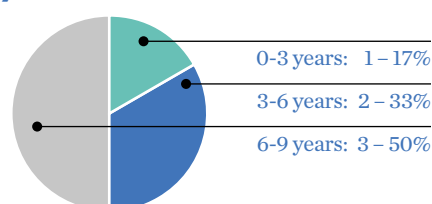
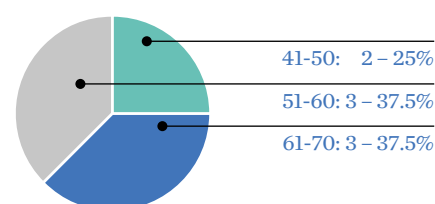


Chart 44

Directors: ages*



Monitoring financial reporting, internal control and risk management



The Committee assists the Board in fulfilling its oversight responsibilities by monitoring the financial reporting process, ensuring the independence and effectiveness of the internal and external audit processes and internal control and identifying and overseeing prevailing and emerging risks.

Audit Committee members

Pierre Bouchut (Chair)
Gwyn Burr
Andrew Formica
Judy Gibbons

Dear Shareholders

I am pleased to present the Committee's report for the year. This report should be read in conjunction with our UK Corporate Governance Code compliance section which is on pages 108 to 112.

During 2018 the Committee has continued to play a key governance role and has supported the Board in matters relating to financial reporting, internal control and risk management. As well as the key activities the Committee carries out during the year in accordance with its structured work plan, this report also provides detail about other matters the Committee has considered.

Audit Committee members

All of the Committee members are independent Non-Executive Directors and each brings a wide knowledge and significant business experience in financial reporting, risk management, internal control and strategic management. This combined knowledge and experience enables us to

perform our duties properly. In addition, the Board considers that the Committee members as a whole have competence relevant to the Company's sector. I also fulfil the requirement to bring recent and relevant financial experience to the Committee. You can read more about the expertise and experience of the Committee in their biographies on pages 66 to 67.

Audit Committee meetings

The Committee met five times during the year as the meeting which would have taken place in December 2017 was rescheduled to early January 2018. The agenda for each meeting reflected the annual reporting cycle of the Group and particular matters for the Committee's consideration. I reported to the Board following each meeting. My fellow Committee members and I met in private either prior to or following each Committee meeting and I have also held private sessions with the Group's Valuers, Cushman & Wakefield, the External Auditor, PwC and the Risk and Controls Manager who manages the internal audit process.

External monitoring and Risk Management Framework

Throughout the year the Committee has monitored broader market conditions and property and consumer trends as well as the risks and challenges arising from Brexit. The Committee uses the Risk Management Framework as a basis for such discussions. It is kept under regular review by management and the Committee to ensure that prevailing and emerging risks are

appropriately identified and categorised, their potential impact on the Group is understood and appropriate steps are taken to mitigate them.

Audit Committee effectiveness review

The annual review of the effectiveness of the Committee was carried out internally during the year. The Committee and senior management attendees were invited to provide responses and comment via an online questionnaire. The questions covered, amongst other matters, meeting arrangements, the focus of discussion at meetings, identification of emerging risks and the approach for reviewing property valuations. I am pleased that responses indicated that the Committee continues to perform well with no significant concerns. The private sessions of the Committee also provide further opportunities to discuss matters in connection with the functioning of the Committee.

Looking forward, we have already considered our response to the latest corporate governance requirements in the new UK Corporate Governance Code which came into effect from 1 January 2019 and against which we will report in the next Annual Report.

I look forward to meeting shareholders at the forthcoming Annual General Meeting when I will be happy to take questions on this report.

Pierre Bouchut
Chair of the Audit Committee

The External Auditor

This is the second financial year in which the Annual Report and Financial Statements have been audited by PwC following its appointment as the Company's External Auditor in April 2017. The appointment is subject to ongoing monitoring and the Committee considered the effectiveness of PwC as part of the 2018 year end process. The Committee took a number of factors into account when considering the effectiveness of the external audit including the quality and scope of the audit plan and reporting. The Committee also sought the views of key members of the finance team, senior management and Directors on the audit process and the quality and experience of the audit partners engaged in the audit. Their feedback confirmed that PwC had performed well and provided an appropriate level of challenge to management. The Committee has concluded that overall PwC has carried out its audit for 2018 effectively and efficiently.

During the year the Committee reviewed and approved the proposed audit fees and terms of engagement for the 2018 audit and recommended to the Board that it propose to shareholders that PwC be reappointed as the Group's External Auditor at the AGM on 30 April 2019.

Non-audit services

The Committee recognises the need for objective and independent auditors and how such objectivity might be, or appear to be, compromised through the provision of non-audit services by the External Auditor. During the year the Committee considered the extent of the non-audit services provided by PwC, noting that the level of non-audit fees was significantly higher than in the previous year, principally due to work undertaken by PwC to support the proposed acquisition of intu. Further details of the provision of non-audit services and associated fees paid to PwC during the year are shown in Note 5 to the financial statements on page 139. The full policy on non-audit services is available at www.hammerson.com.

Internal audit

The internal audit arrangements are undertaken internally and supplemented when required with additional external resource or specialist expertise. This allows the Risk and Controls Manager, who leads internal audit activities, to draw on technical knowledge for certain internal audit reviews. In the development of the plan for 2018, the Group's Risk Management Framework was reviewed and key risks which had not been

subject to recent internal audit and key areas of change were identified. The proposals were discussed with the Risk and Controls Committee before being reviewed and approved by the Committee. During 2018 audits were carried out on the following activities:

- Sustainability reporting
- The integration of the Irish assets
- Joint venture asset management services
- VIA Outlets procurement
- Turnover rents in France
- The supplier payment process in France
- Completion of 2017 internal audit recommendations

The Committee received an internal audit update report at each meeting to review progress of the plan. Each of the audits confirmed the related areas were appropriately controlled. Some recommendations for improvement were identified and agreed with management and responsibility for implementation assigned. The Committee also received a regular update on any outstanding actions from earlier audits and the expected timetable for their completion.

In 2019 the Committee expects to continue to follow a risk-based approach to internal audit. Risk areas scheduled for Group-wide audits in 2019 include retailer sales reporting, implementation of policies and procedures in relation to the General Data Protection Regulation and cybersecurity arrangements. Additionally, there will be a review of software systems and processes implemented in 2018 and a review of car park operations.

A review of the effectiveness of the internal audit was carried out using a specifically created online survey which was completed by Committee members and certain members of senior management who had received and reviewed audit reports. The survey responses were analysed and collated into a report which was reviewed and discussed with the Chair of the Committee. The survey responses indicate that the Group's internal audit function is performing well with no significant concerns raised. The Committee is satisfied that the internal audit arrangements continue to provide effective assurance over the Group's risk and controls environment.

Fair, balanced and understandable

As in previous years, an internal editorial team consisting of members drawn from Group Finance, the Company Secretariat, Corporate Communications, Investor Relations and Marketing led the process to produce the

Annual Report. The editorial team met regularly to establish the broad direction and themes to review progress and ensure balanced reporting with appropriate links between key themes, and sections of the Annual Report. PwC and the designers, Black Sun also provided feedback on the structure, format and content to assist management in ensuring the Annual Report was user-friendly and presented a fair and balanced review of the year.

As part of this process, the Committee was provided with an early draft of the Annual Report to assess the tone and key themes. A further draft was provided to the Committee prior to the meeting at which it gave its final opinion. When forming its opinion the Committee considered the following questions in a paper presented to the Committee to help it challenge and test the assessment that the Report was fair, balanced and understandable:

Is the Report fair?

- Is the whole story presented?
Have any sensitive material areas been omitted?
- Is information by business sector in the Business Review consistent with that used for reporting in the financial statements?

Is the Report balanced?

- Is there a good level of consistency between the front and back sections of the Report?
- Is the Annual Report properly a document for shareholders and other stakeholders?

Is the Report understandable?

- Is there an appropriate mix of statutory and adjusted measures and are any adjustments explained clearly?
- Is the Report presented in straightforward language and a user-friendly and easy to understand manner?

Following its review, the Committee is of the opinion that the 2018 Annual Report and financial statements are representative of the year and present a fair, balanced and understandable overview providing the necessary information for stakeholders to assess the Group's position, performance, business model and strategy.

Whistleblowing, anti-fraud and anti-bribery

During the year the Committee received the annual Whistleblowing and Fraud report and reviewed the arrangements in place for individuals to raise concerns and the mechanism for the investigation of such matters. During 2018 no reports were made using that facility and no concerns were raised that have been treated as whistleblowing. It also reviewed the Company's procedures and policies for detecting fraud and systems and controls for preventing inappropriate behaviour. The Group has

continued to reinforce the message of zero tolerance for bribery and corruption within the business through a new training programme launched during the year via the Group's online Learning Management System.

Viability statement

The Committee reviewed management's work on assessing the potential risks to the business and the appropriateness of the Company's choice of a five-year assessment period. Following this review, the Committee was satisfied that management had conducted a

robust assessment and recommended to the Board that it could approve and make the Viability statement on page 63.

Going concern statement

The Committee received the information, underlying assumptions and analysis presented in support of the Going Concern statement. The Committee concluded that it was appropriate to adopt the Going Concern basis in preparing the financial statements and make the statement on page 63.

Significant financial judgements

The Committee considered a number of significant issues during the year. These related to areas requiring management to exercise particular judgement or a high degree of estimation. The Committee assesses whether the judgements and estimates made by management are reasonable and appropriate. The issues and how they were addressed by the Committee are set out below:

Key financial reporting and significant financial judgements considered in relation to the financial statements	How the issue was addressed by the Committee
Valuation of the Group's property portfolio The valuation of the Group's property portfolio is a key recurring risk due to its significance in the context of the Group's net asset value. Valuations are inherently subjective due to the assumptions and judgements required concerning capitalisation yields and market rental income (ERV). Valuations are undertaken by the Group's independent valuer, Cushman & Wakefield (the Valuer), and are thoroughly reviewed by management and the Group's External Auditor. At 31 December 2018, there is a higher degree of subjectivity in the valuation of the Group's UK destinations and retail parks. The Royal Institution of Chartered Surveyors (RICS) issued a notification in December 2018 highlighting the structural change in the retail property market and directing valuers to reference the widest range of available evidence when assessing values. There is a higher degree of subjectivity in the valuation of the Group's premium outlets as it requires judgement about future trading and operating performance and discount rates.	The Committee ensured that there was a robust procedure in place to satisfy itself that the Valuer's valuations and assumptions were appropriate, particularly given the recent RICS notifications. The Committee understands the established valuation practices followed by the Valuer. The Committee is also familiar with the process by which management provides information to the Valuer. The Valuer presented the valuations for all the Group's properties to the Committee in July 2018 and January 2019. These were scrutinised, challenged and debated. The Committee asked the Valuer to highlight any significant judgements or disagreements encountered during the valuation process. It was satisfied that the procedures and methodologies used were appropriate. The Chair of the Committee held a private meeting with the Valuer at which he discussed the valuation process and was able to satisfy himself that the process was independent and objective. The Chair of the Committee also held a private meeting with PwC to discuss its review of the valuation process and its conclusions. The Committee concluded that the valuation of the Group's property portfolio had been carried out in an appropriate manner with reference to the widest range of available evidence and was therefore suitable for inclusion in the Group's financial statements.
Accounting for significant transactions During the year the Group undertook a number of disposals and acquisitions. The accounting treatment of these transactions is a recurring risk for the Group because of the financial significance and complexity of such transactions. Judgement is required to determine the transfer of risks and rewards associated with each transaction and the appropriate disclosure requirements.	The Committee reviewed management's report explaining the proposed accounting treatment for transactions completed during the year. These included the sale of Highcross, Leicester, Battery Retail Park, Birmingham, Wrekin Retail Park, Telford, Fife Central Retail Park, Kirkcaldy and Jeu de Paume, Beauvais. The Committee reviewed and challenged the proposed accounting treatments and was satisfied that the approach adopted was appropriate.
Presentation of information The Group uses a number of Alternative Performance Measures (APMs), being financial measures not specified under IFRS, to monitor the performance of the business. Management principally reviews the Group on a proportionally consolidated basis, except for the Group's premium outlets investments. Judgement is required to ensure disclosures and associated commentary clearly explain the performance of the business and provide reconciliations to the IFRS financial statements.	The Committee reviewed the disclosure and commentary in the Annual Report including the relative prominence of APMs and IFRS financial measures, and amendments to the presentation of segmental reporting to align with the Group's reshaped strategy. The Committee was satisfied with the disclosures and reconciliations provided.



See Note 1 to the Financial Statements on page 131.

Balancing reward and performance



Remuneration Committee members

Gwyn Burr (Chair)
Terry Duddy (resigned 25 January 2019)
Judy Gibbons
David Tyler

Remuneration Policy Objectives

- Align remuneration with strategy and business objectives
- Align remuneration with shareholder interests
- Ensure remuneration structures promote the long-term success of the Company
- Design remuneration packages that are consistent and transparent
- Reward performance with competitive remuneration
- Support Hammerson's values

The primary role of the Committee is to determine remuneration policy in relation to the remuneration of the Chair of the Board and Executive Directors. The objectives of the policy are to align remuneration with strategy and shareholder interests, design structures that promote the long-term success of the Company and ensure that we can continue to attract, retain and motivate quality leaders.

Dear Shareholders

As Chair of the Remuneration Committee (Committee) I am pleased to present our Directors' Remuneration Report for the year ended 31 December 2018.

Context for the Committee's decisions

The Committee carries out its duties against the backdrop of the performance of the wider economy, the market within which the Company operates and specific Company performance. Continued uncertainty about the impact of Brexit and structural changes to the retail environment were key themes during 2018, and you will have read more about these in the earlier sections of the Annual Report.

The first part of the year was dominated by corporate activity and the subsequent reshaped strategy, against which good progress is being made. You can also read more about this in the earlier sections of the Annual Report.

Remuneration of the wider workforce

The Committee is regularly updated on workforce pay and benefits throughout the Group and considers workforce remuneration as part of the review of executive remuneration. The Committee is also tasked with overseeing major changes in employee benefit structures. It has responsibility for the remuneration of the members of the Group Executive Committee and other senior executives and is therefore able to ensure that the remuneration of the Executive Directors is in line with senior management and other colleagues.

AIP 2018 performance

This year none of the financial targets set for the annual incentive plan (AIP) were met resulting in a zero pay out against these measures. The AIP also rewards personal objectives which form 30% of the potential pay out. Despite the Committee considering that each of the Executive Directors achieved a number of the objectives set for them at the start of the year, and proactively led the setting and implementation of a reshaped strategy in light of the changing economic environment, the Committee agreed with David Atkins and Timon Drakesmith's request not to be considered for an AIP award in the broader context of the Company's overall financial performance. In the case of Peter Cole and Jean-Philippe Mouton, the Committee considered it was appropriate to award a bonus based on the achievement of certain key personal objectives.



Further information on outturn against performance targets for the AIP and LTIP is on pages 87 and 89 respectively.

Having reviewed the performance of both the AIP and LTIP, the Committee considered that no use of discretion was needed, beyond the decision not to award David Atkins and Timon Drakesmith with any element of bonus, as the outturn reflected both the achievement against performance targets and Company performance as a whole. Given the outturn, there was also no need for the Committee to consider the impact of the share buybacks on the AIP.

The year ahead

Remuneration alignment to strategy

All aspects of remuneration are regularly considered by the Committee to ensure that they support and are aligned to strategy. In light of the reshaped strategy, the Committee looked at the performance measures for the 2019 AIP and LTIP and, in line with the change to Company KPIs, decided to remove NRI growth from the AIP and replace this with Net Debt to reflect the strategic objective of reducing leverage and strengthening the balance sheet. This balance sheet focus is also reflected as part of the Executive Directors' personal objectives for the 2019 AIP.

Performance measures and targets for the 2019 LTIP award remain the same as in 2018 but will be re-assessed as part of the remuneration policy review to be carried out during the year. However, the weighting of the TPR index for the AIP and LTIP will be split 50:50 UK: Europe broadly to reflect the latest geographic portfolio allocation.



Further information on the 2019 AIP and LTIP performance measures and targets is on pages 104 and 105.

2019 pay approach

Factors that the Committee took into account in determining salary increases for the Executive Directors included an inflationary environment and market competition. Following its review the Committee approved base salary increases of 2.5% for the Executive Directors with effect from 1 April 2019. This compares with a general increase of 2.75% for other senior executives and 3% for other colleagues.

Corporate governance reforms

During the year the anticipated remuneration reporting reforms were introduced by the government and a new UK Corporate Governance Code (2018 Code) was published. Compliance with the new regulations and the 2018 Code is effective for financial years beginning on or after 1 January 2019 and will be reported on by the Company in the 2019 Annual Report. Hammerson already complies with many of the 2018 Code requirements. However, as part of its work-stream, the Committee is reviewing these new areas and how it plans to address them.

The table below sets out in summary the new requirements in as far as they relate to executive remuneration and the Committee's approach to their implementation.

Engagement with stakeholders

We communicate with and receive feedback from our employees through a variety of channels. We have a Company intranet, hold regular employee briefings on a variety of topics and conduct an annual work place survey. These channels will allow us to communicate more fully with employees on remuneration matters in the future in line with developing best practice and changes to the 2018 Code. We have also recently established a Group Employee Forum, which you can read about in Our people section.

Table 45

Executive remuneration reforms

The Companies (Miscellaneous Reporting) Regulations 2018

Proposal

Share price impact and scenario reporting	The Company has adopted this requirement early (see pages 85 and 89)
CEO's pay ratio	This will be reported on in the 2019 Annual Report
2018 UK Corporate Governance Code	
Remuneration Committee chairman to have served on a remuneration committee for at least 12 months before appointment	The Committee has reviewed and amended its terms of reference to ensure these requirements are reflected
Review of workforce remuneration and related policies	
Share awards to be subject to a total vesting and holding period of five years or more	LTIP awards are already subject to a four-year vesting period and one-year holding period
Formal policy for post-employment shareholding	The Committee will review this during 2019
Alignment of executive directors' pension contribution rates with the workforce	The Committee will review pension arrangements during 2019 which will include a review of pension rates for new Executive Directors
Remuneration schemes and policies should enable the use of discretion to override formulaic outcomes	Performance conditions for 2019 LTIP awards will contain discretionary override provisions
Compensation commitments in directors' terms of appointment should not reward poor performance	AIP and LTIP scheme rules already contain best practice malus and clawback provisions
Remuneration policy and practices to support clarity, simplicity, risk, predictability, proportionality and alignment to culture	The Committee will address this as part of its review of the Remuneration Policy during 2019
Engagement with the workforce to explain how executive remuneration aligns with wider company pay policy	Engagement with the workforce on a variety of matters is already well-established within Hammerson. Options will be considered to further communicate with employees on remuneration matters

Directors' Remuneration report Chair's annual statement continued

Shareholder engagement

This year there were no changes to Policy or issues of concern raised on remuneration at the AGM and, therefore, no specific consultation with shareholders on remuneration was carried out. However, the Chair of the Board is regularly in communication with the Company's shareholders on a variety of matters as is the General Counsel and Company Secretary. As reported below, we expect that there will be a consultation exercise with major shareholders at the time of the review of the Policy to be carried out later in 2019.

Board changes

Peter Cole will retire from the Company in April 2019 and stepped down as an Executive Director with effect from 31 December 2018. Peter Cole's services will be retained on a consultancy basis until 2020 in order to assist with the Company's development projects. Jean-Philippe Mouton also stepped down as an Executive Director at the end of the year. Jean-Philippe Mouton will continue as Managing Director of Hammerson's French business and to lead Group marketing, and will, therefore, remain an employee of the Hammerson Group. As a result of stepping down from the Board, he has accepted a lower salary and variable pay opportunity consistent with other non-Board executive roles. As he remains an employee he will retain the LTIP awards granted to him as an Executive Director, which will vest in the normal way depending on the outcome of the appropriate performance measures. Neither Director received any termination payments in relation to stepping down from the Board.

Remuneration Policy

Our Remuneration Policy (the Policy) was approved by shareholders at our 2017 AGM with 98.7% of the shares voted in favour. The Committee will review the Policy during 2019 to be put forward for approval by shareholders at our 2020 AGM. As part of this exercise we will consult our major shareholders and take into account the requirements of the 2018 Code as far as they relate to remuneration.

The Directors' Remuneration Report 2018 will be put to shareholders for an advisory vote at the 2019 AGM and I look forward to receiving your continued support at this meeting.

Gwyn Burr

Chair of the Remuneration Committee

Table 46

Summary of major activities and decisions of the Committee in 2018

Salary	2018 Executive Directors' pay review Review and approval of Chair's fee
Annual	Consideration of AIP 2017 outturn and confirmation of bonus payments
Incentive Plan and Long Term	Review and approval of 2018 AIP structure, performance targets and personal objectives Review of likely 2018 AIP outturn and options for 2019
Incentive Plan	Review and approval of 2018 LTIP award levels and performance conditions Consideration of 2014 award performance conditions and approval of vesting outcomes Review of 2019 LTIP performance measures and conditions
Benefits	Review and approval of an increase in the car allowance for UK Executive Directors to bring in line with market practice
Governance	Review of government's corporate governance reforms Review of AGM season remuneration report results, and investor and proxy agencies' views on remuneration
Other	Review of 2018 Annual Remuneration Report Employee share plan award activity Incentive plan rule updates Review of remuneration consultant costs and re-appointment

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2018 Remuneration at a glance

Table 47

2018 Remuneration year in summary

Salary	Salary increases for the Executive Directors of 2.5%, less than the average for other Group employees	
Bonus total vesting percentage	David Atkins and Timon Drakesmith did not wish to be considered for a bonus in 2018	15%
	Peter Cole	15%
	Jean-Philippe Mouton	15%
2018 LTIP	200% of salary awarded with EPS, TPR and TSR performance targets measured over four years with a one-year post vesting holding period	
Shareholding	Shareholding guidelines of 250% of base salary	
Chair of the Board and NED fees	Chair of the Board and Non-Executive Director fees increased by 2.5%	

Table 48

AIP Performance

AIP Financial/Operational Measure	Target	Actual	Outcome
EPS¹	32.4p	30.6p	0%
TPR²	IPD+1.0%	IPD+<0.5%	0%
NRI	2.0%	-1.3%	0%

1. Adjusted EPS
2. Estimate

Table 49

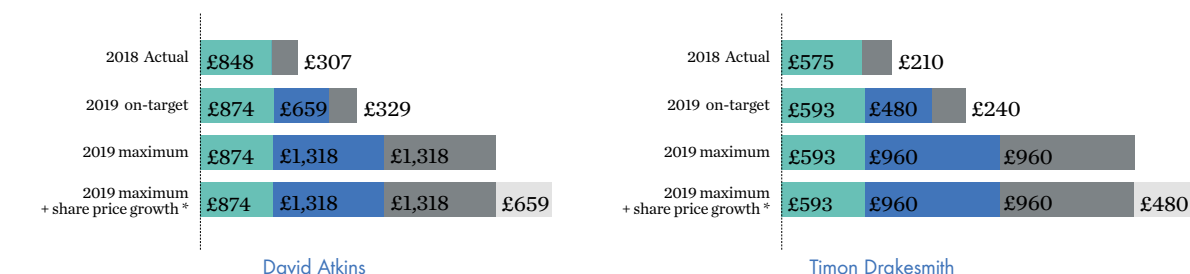
LTIP Performance¹

LTIP Measure	Target	Actual	Outcome
EPS²	CPI +3.00%	CPI+4.91%	60.81%
TPR³	IPD+0.00%	IPD+1.18%	90.31%
TSR	Median	Below median	0%

1. LTIP performance disclosed on the same basis as the Single Figure Table, Table 51 (EPS and TPR elements from the 2015 LTIP and TSR from the 2014 LTIP)
2. Adjusted EPS
3. Estimate

Chart 50

Executive Directors' Remuneration scenarios – 2018 actual remuneration v 2019 on-target and maximum potential (£000)



- Fixed (salary, benefits, pension) – For 2019 salary is base salary (from 1 April 2019), benefits are as shown in Single Figure Table for 2018
- AIP – 2019 on-target consists of 50% of bonus maximum. Maximum bonus is 200% of base salary
- LTIP – 2019 on-target consists of the threshold level of vesting (25% of the face value of the award). 2019 maximum is 200% of base salary
- Impact of share price appreciation - 50% of maximum LTIP award value
- * (Based on value of award)

The Directors' Remuneration Report sets out how the Directors' Remuneration Policy was put into practice in 2018 and how it will be implemented in 2019. It is divided into three sections:

Section 1: Single Figure Tables

Section 2: Further information on 2018 remuneration

Section 3: Implementation of Remuneration Policy in 2019

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

The Remuneration Policy was approved by shareholders at the AGM held on 25 April 2017 and is available on the Company's website at www.hammerson.com. A summary of the key provisions for each element of the Remuneration Policy is set out on pages 103 to 106.

Section 1: Single Figure Tables

This section contains the single figure tables showing 2018 remuneration for the Executive Directors and Non-Executive Directors and information that relates directly to the composition of these figures.

All figures highlighted in **GREEN** in the Remuneration Report relate directly to a figure that is found in the Single Figure Table, table 51.

Executive Directors' remuneration: Single Figure Table *

Table 51 below shows the remuneration of the Executive Directors for the year ended 31 December 2018, and the comparative figures for the year ended 31 December 2017.

Table 51

Executive Directors' remuneration for the year ended 31 December 2018

	Salary		Benefits		Annual bonus (AIP)		Long Term Incentive Plan (LTIP)		Pension		Total	
	2018 £000	2017 £000	2018 £000	2017 £000	2018 £000	2017 £000	2018 £000	2017 £000	2018 £000	2017 £000	2018 £000	2017 £000
David Atkins	639	623	17	14	0	595	307	376	192	187	1,155	1,795
Peter Cole ¹	465	454	17	14	140	407	224	274	140	136	986	1,285
Timon Drakesmith	465	447	17	30	0	434	210	257	93	89	785	1,257
Jean-Philippe Mouton ¹	385	373	31	30	116	356	155	212	82	81	769	1,052
Total	1,954	1,897	82	88	256	1,792	896	1,119	507	493	3,695	5,389

1. Peter Cole and Jean-Philippe Mouton ceased to be directors of Hammerson plc with effect from 31 December 2018.



Further information on the AIP, LTIP and truing up of 2017 Single Figure Table numbers see pages 87 to 88, 89 and 90.

Commentary on the Single Figure Table *

Salary

With effect from 1 April 2018, all of the Executive Directors received a salary increase of approximately 2.5% which was slightly below the average of Hammerson employees generally.

Benefits

Taxable benefits include a car allowance, private health insurance and permanent health insurance. The car allowance was increased from £12,000 to £16,000 per annum with effect from 1 April 2018. Consistent with practice in France, Jean-Philippe Mouton received a seniority allowance, welfare and subsistence contributions. UK Executive Directors participate in the Company's all-employee share plan arrangements (SIP and Sharesave). There was no award of SIP free shares to participants during 2018. Jean-Philippe Mouton participated in a profit-sharing scheme in France and received an employer's contribution to a French employee saving scheme.

Annual bonus for 2018

The Annual Incentive Plan (AIP) is the Company's annual bonus scheme. The bonus awards are based on performance conditions that were approved by the Committee at the start of the financial year. The AIP bonus is split 70% for performance against financial measures and 30% for performance against personal objectives. The Committee also considers every year the overall AIP outcome as determined by achievement against the financial and personal targets to check that the bonus level is appropriate given the Company's performance during the year and has the ability to override the indicative formulaic outturn if it considers that not to be appropriate in all the circumstances. David Atkins and Timon Drakesmith requested not to be considered for a bonus this year. Further details may be found in the Chair's letter on page 82.

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



A summary of the Remuneration Policy for the AIP and DBSS is on page 104.

The following tables (Tables 52, 53 and 54) show the AIP outcomes and achievement against AIP performance targets for 2018.

Table 52

Total AIP outcomes for 2018

	Financial measures (% of bonus achieved, max 70%)	Personal measures (% of bonus achieved, max 30%)	Total vesting percentage (%, max 100%)	Vesting amount as % of salary (max 200%)	AIP amount (£000) (Shown in Single Figure Table)
David Atkins	0	N/A	0	0	0
Peter Cole	0	15	15	30	140
Timon Drakesmith	0	N/A	0	0	0
Jean-Philippe Mouton	0	15	15	30	116

Table 53

Achievement against financial measures (70% weighting)

AIP Outcome	Performance against targets ¹					Bonus achieved	
Performance measure	Entry threshold (% vesting at threshold)	On-target (50% vesting)	Full vesting target (100% vesting)	Result achieved	Vesting percentage against target	Weighting (% of max bonus available)	% of max bonus achieved
Adjusted EPS ²	30.9p (0%)	32.4p	33.9p	30.6p	0%	30%	0%
TPR (estimated outcome) ³	IPD +0.5% (25%)	IPD +1.0%	IPD +2.0%	IPD +<0.5%	0%	30%	0%
NRI ⁴	1.0% (0%)	2.0%	3.0%	-1.3%	0%	10%	0%
							0% out of 70%

AIP financial performance measures

- Each of the AIP performance conditions is subject to a straight-line payment scale between entry, on-target and full vesting points.
- Adjusted EPS is the Group's underlying adjusted profit divided by the average number of shares in issue.
- The TPR performance is measured against a composite index comprising the IPD Annual Retail Property Indices for the UK and a bespoke Europe Index (weighted on a 60:40 basis). The annual data for these indices is not available at the date of this report. Accordingly, the closing measurement for TPR for the year to 31 December 2018 is based on management's best estimate using available data (see page 47 for property returns data). The AIP is not paid until the confirmed data for these indices is available. The actual outcome will be disclosed in the 2019 Annual Report.
- Net Rental Income (NRI) is the percentage growth in the Group net rental income, calculated on a like-for-like basis.

Achievement against personal objectives (30% weighting)

Personal objectives focus on the delivery of the Business Plan, strategic elements for 2018 (refer to 'Our strategy' on page 12, an assessment of behaviours based on the Company's values and the Executive Director's capability in managing colleagues to maximise their contribution. They may also incorporate environmental, social and governance parameters where appropriate. The assessment in 2018 considered progress to expand on diversity and inclusion plans and the commitment to progress sustainability measures.

AIP objectives were set at the beginning of the year. For 2018 these focused on the intu acquisition. In light of this transaction not taking place personal objectives were reviewed and revised appropriately by the Committee.

Table 54 sets out the key 2018 personal objectives for the Executive Directors and how these support the Company's three strategic priorities.

Table 54

2018 Key personal objectives

Personal objectives	Link to Strategic Priorities				Sustainability culture and values	Achievement	% of max bonus achieved (max 30%)
							
David Atkins							
- Re-set Group strategy after a thorough review of the property market and Hammerson’s competitive position	✓	✓	✓	✓	Challenging year; strong leadership; led reshaped strategy and shareholder engagement; achieved disposals of £570m.	N/A	
- Lead the effective execution of the strategy, with an emphasis on disposals	✓	✓	✓	✓			
- Engage closely with shareholders and articulate Hammerson’s investment proposition		✓		✓			
Peter Cole							
- Progress developments at Croydon Town Centre, Brent Cross Extension and The Goodsyard, London	✓				Progress on developments in increasingly uncertain market conditions; completed successful handover of responsibilities.	15%	
- Review and promote overall disposal strategy	✓		✓				
- Complete succession plan and handover to ensure smooth transition		✓		✓			
Timon Drakesmith							
- Development of strategic approach and implement strategic initiatives	✓	✓	✓	✓	Significant contribution to reshaped strategy; good performance in premium outlets against core objectives; maintained strong relationships with key capital and credit counterparties.	N/A	
- Deliver strong performance from premium outlets investments and internalise management at VIA Outlets		✓					
- Maintain investment grade ratings with Moody’s & Fitch; constant review of cost/income ratios; manage debt financing			✓				
Jean-Philippe Mouton							
- Developments - start works at Les 3 Fontaines, Cergy-Pontoise and Italie Deux, Paris 13ème developments	✓			✓	Good operational performance; developments well-managed; new marketing initiatives rolled out; strong leadership of French and marketing teams.	15%	
- Execution of Group marketing plan and budget: roll out Style Seeker, frictionless parking and affiliate transactional website	✓	✓		✓			
- Maximise French operational performance and maintain morale of French team		✓					

Bonus deferral under the AIP

The AIP amounts earned for 2018 will be paid 60% in cash and 40% in the form of a deferred share award granted under the DBSS. The deferred share award is granted in two tranches: the DBSS (A) award relates to the bonus achieved against the EPS, NRI and personal objectives measures; and the DBSS (B) award relates to the TPR measure and so is only granted once the TPR result is known and at the same time as that cash element is paid. Each award is granted with a face value equal to 40% of the bonus achieved against the relevant measures, over a number of shares calculated based on the average mid-market closing share price of a share over the five dealing days prior to the date of grant. Details of the DBSS (A) and (B) awards granted in 2019 will be included in next year's Annual Report.

Long Term Incentive Plan

The Long Term Incentive Plan (LTIP) is an award programme for Executive Directors designed to incentivise the creation of long-term returns for shareholders. Performance under the LTIP is assessed over differing performance periods. TSR is assessed over a period of four years from the date of grant, and TPR and EPS are assessed over a period of four financial years commencing with the financial year in which the award is granted. The Single Figure Table for 2018 is required to report the value of the LTIP element for which the performance period ends during 2018. Consequently, the LTIP values shown in the Single Figure Table comprise the value of the TSR element of the 2014 award (where the performance period ended 31 March 2018) and the TPR and EPS elements of the 2015 award (where the performance period ended 31 December 2018).

Achievement against targets

The following table shows the level of performance achieved against the targets set for the three performance components that drive the 2018 LTIP vesting value as shown in the Single Figure Table.

Table 55

LTIP Outcome	Performance against targets				
Performance measure and period	Entry threshold target (25% vesting at threshold)	Full vesting target	Result achieved	Vesting percentage against target	
TSR (1/4/14 – 31/3/18) 	Median	Upper Quartile	Below median rank	0%	TSR element of the LTIP award granted in 2014 which vested in 2018
TPR (estimated outcome) (1/1/15 – 31/12/18) 	IPD+0%	IPD+1.5%p.a.	IPD + 1.18%	90.31%	TPR element of the LTIP award granted in 2015. Award is scheduled to vest in April 2019
Adjusted EPS (1/1/15 – 31/12/18) 	CPI+3% p.a.	CPI+7%p.a.	CPI + 4.91%	60.81%	EPS element of the LTIP award granted in 2015. Award is scheduled to vest in April 2019



For further information on the 2014 and 2015 LTIP award performance measures see pages 96 and 97.

Vesting value achieved

Table 56 shows the level of vesting outcome for the three components that drive the 2018 LTIP vesting as shown in the Single Figure Table.

Table 56

	TSR Performance period: 1/4/14 - 31/3/18 (TSR component of the 2014 LTIP)				TPR ¹ Performance period: 1/1/15 - 31/12/18 (TPR component of the 2015 LTIP)				EPS Performance period: 1/1/15 - 31/12/18 (EPS component of the 2015 LTIP)				Total value (shown in Single Figure Table) ^{3,4}
	Shares available	Vesting % against target	Number of shares that vested	Value £000	Shares available	Vesting % against target	Number of shares due to vest ²	Value £000	Shares available	Vesting % against target	Number of shares due to vest ²	Value £000	
David Atkins	41,277	0	0	0	49,769	90.31	44,946	183	49,769	60.81	30,265	124	307
Peter Cole	30,076	0	0	0	36,264	90.31	32,750	134	36,264	60.81	22,052	90	224
Timon Drakesmith	28,208	0	0	0	34,013	90.31	30,717	125	34,013	60.81	20,683	85	210
Jean-Philippe Mouton	23,313	0	0	0	25,057	90.31	22,629	92	25,057	60.81	15,237	62	155

Notes

- The element dependent on TPR is estimated as the IPD data regarding TPR performance is not available at the date of the Annual Report.
- The number of shares includes any notional dividend shares awarded to date. The actual number of shares that vest may increase by the amount of any notional dividend shares awarded up to the date of vesting of the award.
- The value shown is based on the average of the mid-market closing price of a share for each dealing day in the three-month period to 31 December 2018 (408.2p). The actual value that vests, based on the closing share price on the vesting date, will be disclosed in next year's Annual Report.
- No amount of the total value disclosed is attributable to share price appreciation as the share price calculated per note 3 above is below the market value of shares used to calculate the number of options awarded under the 2015 LTIP (684.1p). No discretion has been exercised by the Committee to the final result of the award as a result of share price appreciation or depreciation.

Pension*

Executive Directors receive a salary supplement in lieu of pension benefits. David Atkins and Peter Cole each received a salary supplement of 30% of base salary. Timon Drakesmith received a salary supplement of 20% of base salary. Jean-Philippe Mouton received a salary supplement of €80,000 (2017: €80,000) and a legacy collective supplementary defined benefit scheme contribution of €12,810 (2017: €12,648) which is included in his total shown below.

All salary supplements paid to Executive Directors in lieu of pension benefits are subject to deductions required for income tax and social security contributions in the UK and France. Salary supplements and the pension benefit received by Jean-Philippe Mouton do not qualify for AIP purposes or entitlements under the LTIP.



Information on the accrued pension benefits for David Atkins and Peter Cole under the Company's closed defined benefit scheme is on page 100.

Table 57

Salary supplements in lieu of pension benefits

	2018 £000 (shown in Single Figure Table)	2017 £000
David Atkins	192	187
Peter Cole	140	136
Timon Drakesmith	93	89
Jean-Philippe Mouton	82	81

Truing up of 2017 Single Figure Table numbers*

Each year the outcome of AIP and LTIP elements dependent on Total Property Return (TPR) are estimated because the data regarding TPR performance of the relevant index is not available at the date of the Annual Report.

In the 2017 Annual Report, the TPR element of AIP was estimated at IPD +1.0%, resulting in an estimated payout level at 50% for that measure. The final closing measurement for TPR during 2017 was just below the IPD Index figure, resulting in a final payout level of 0%. The final AIP payout levels disclosed for 2017 are therefore less than the estimated levels reported last year.

The estimated TPR outcome for the 2017 LTIP figure was IPD +2.0% resulting in an estimated payout level of 100% for that measure. The full vesting target was IPD+1.5% p.a.. The actual TPR outcome was IPD +1.7% p.a. and therefore the final payout levels were the same as the estimated level reported last year. In addition, the 2017 LTIP figure contained a value for the TPR and EPS portions of the 2014 LTIP where the performance period ended on 31 December 2017 and was calculated based on the average share price over the three months to 31 December 2017. The 2017 LTIP figure in the Single Figure Table on page 86 has therefore been adjusted to reflect the actual share price of 538.00p on the vesting date (23 April 2018).

Sterling: euro exchange rates*

Jean-Philippe Mouton's salary, benefits, annual bonus and pension contributions were paid in euro. When converted, the sterling equivalent varies with currency movements. The amounts paid are shown in the Single Figure Table converted into sterling using the average exchange rate for 2018 (£1:€1.131). The LTIP is calculated in sterling and converted to euro at the same conversion rate. Equivalent data for 2017 has been converted at the average exchange rate for that year (£1:€1.141). The euro amounts are shown below in Table 58.

Table 58

	Salary		Benefits		Annual bonus (AIP)		Long Term Incentive Plan (LTIP)		Pension		Total	
	2018 £000	2017 €000	2018 €000	2017 €000	2018 £000	2017 €000	2018 £000	2017 €000	2018 £000	2017 €000	2018 £000	2017 €000
Jean-Philippe Mouton	436	426	35	34	132	406	175	242	93	93	871	1,201

Non-Executive Directors: Single Figure Table *

Table 59 below shows the remuneration of Non-Executive Directors for the year ended 31 December 2018 and the comparative figures for the year ended 31 December 2017.

Table 59

Non-Executive Directors' remuneration for the year ended 31 December 2018

	Committee membership and other responsibilities				Fees		Benefits		Total	
	Audit Committee	Nomination Committee	Remuneration Committee	Other	2018 £000	2017 £000	2018 £000	2017 £000	2018 £000	2017 £000
David Tyler		Chair	Member	Chair of the Board	343	334	0	0	343	334
Pierre Bouchut	Chair	Member			76	74	16	21	92	95
Gwyn Burr ¹	Member	Member	Chair	Senior Independent Director	81	77	2	1	84	78
Terry Duddy ¹		Member	Member	Senior Independent Director	76	74	0	0	76	74
Andrew Formica	Member	Member			66	64	0	0	66	64
Judy Gibbons	Member	Member	Member		71	69	2	0	73	69
Total					713	692	20	22	734	714

1. Terry Duddy resigned from the Board and from his position as Senior Independent Director on 25 January 2019. Gwyn Burr was appointed as Senior Independent Director on 25 January 2019.

Fees payable to Non-Executive Directors

The Chair of the Board's fee was reviewed by the Committee and the Non-Executive Directors' fees were reviewed by the Board in February 2018. A benchmark exercise against a property peer group, FTSE 31-100 group and FTSE 71-100 group and a general market review were carried out as part of this exercise. The Chair of the Board and Non-Executive Director base fees were increased by 2.5% from 1 April 2018, in line with the general increase for the Executive Directors. The annual fees payable to Non-Executive Directors from that date are set out in Table 60 below.

Table 60

Chair of the Board and Non-Executive Directors' 2018 annual fees		£
Chair of the Board		345,500
Non-Executive Director		61,500
Senior Independent Director		10,000
Audit Committee Chair		15,000
Remuneration Committee Chair		15,000
Audit/Remuneration Committee Member		5,000

Benefits

The benefits disclosed in Table 59 relate to the reimbursement of travel and accommodation expenses incurred in attending Board meetings at the Company's Head Office. For those Non-Executive Directors based abroad this includes the cost of international travel and accommodation. The grossed-up value has been disclosed. In accordance with the Remuneration Policy, any tax arising is settled by the Company.

Section 2: Further information on 2018 remuneration

Directors' shareholdings and share plan interests *

Table 61

Summary of all Directors' shareholdings and share plan interests as at 31 December 2018 *

	Outstanding scheme interests 31/12/18				Actual shares held		Total of all share scheme interests and shareholdings at 31/12/18 ⁴
	Unvested scheme interests (subject to performance measures) ¹	Unvested scheme interests (not subject to performance measures) ²	Vested but unexercised scheme interests ³	Total shares subject to outstanding scheme interests	As at 1 January 2018	As at 31 December 2018	
Executive Directors							
David Atkins	915,891	116,967	0	1,032,858	613,599	703,973	1,736,831
Peter Cole	667,168	133,527	0	800,695	324,778	468,735	1,269,430
Timon Drakesmith	649,996	83,101	0	733,097	415,861	481,866	1,214,963
Jean-Philippe Mouton	520,236	67,798	0	588,034	308,758	341,701	929,735
Non-Executive Directors							
David Tyler	–	–	–	–	62,370	77,370	77,370
Pierre Bouchut	–	–	–	–	20,279	20,279	20,279
Gwyn Burr	–	–	–	–	5,182	5,182	5,182
Terry Duddy	–	–	–	–	50,000	65,000	65,000
Andrew Formica	–	–	–	–	22,000	22,000	22,000
Judy Gibbons	–	–	–	–	4,115	4,115	4,115

Notes

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

Between 1 January 2019 and 25 February 2019, the Executive and Non-Executive Directors' beneficial interests in Table 61 above remained unchanged.

Directors' share ownership guidelines *

Table 62 shows for the Executive Directors actual share ownership compared with the current share ownership guidelines. Non-Executive Directors are also encouraged to acquire a shareholding in the Company.

Table 62

Executive Directors' shareholdings as a percentage of salary

	Shares held as at 31 December 2018	Vested but unexercised share scheme interests ¹	Guideline on share ownership as % of salary	Actual beneficial share ownership as % of salary ²	Guideline met
David Atkins	703,973	0	250%	361%	Yes
Peter Cole	468,735	0	250%	330%	Yes
Timon Drakesmith	481,866	0	250%	339%	Yes
Jean-Philippe Mouton	341,701	0	250%	290%	Yes

Notes

1. The number of shares shown is on a net of tax and NI basis in accordance with the share ownership guidelines.
2. As at and based on the share price of 329.4 pence on 31 December 2018.

Executive Directors' share plan interests (including share options)*

Tables 63 to 66 set out the Executive Directors' interests under the Deferred Bonus Share Scheme (DBSS), the Long Term Incentive Plan (LTIP) and the Sharesave scheme.

Performance conditions and form of awards

Awards under the DBSS and Sharesave scheme are not subject to any performance conditions (other than continued employment on the vesting date). The LTIP awards are subject to performance conditions, details of which are in Tables 67 and 68.

Awards to UK Executive Directors under the LTIP and DBSS are made in the form of nil-cost options. For French tax reasons, LTIP awards granted to Jean-Philippe Mouton were in the form of conditional awards of free shares. Awards to Jean-Philippe Mouton under the DBSS were made in the form of nil-cost options.

Accrual of dividend shares

Awards to UK Executive Directors under the DBSS and LTIP up to and including the 2013 awards accrue notional dividend shares to the date of transfer. Awards made from 2014 onwards accrue notional dividend shares to the date of vesting (including any holding period). The Sharesave scheme does not accrue notional dividend shares. For Jean-Philippe Mouton notional dividend shares accrued to the date of vesting in respect of the 2014 LTIP and DBSS awards and subsequent awards.

Face values

Face values for the DBSS and LTIP awards are calculated by multiplying the number of shares granted during 2018 by the average share price for the five business days preceding the awards. Notional dividend shares are not included in the face value calculations.

Executive Directors' share plan interest movements during 2018*

Table 63

	Date of award	Vesting or exercise date	Number of awards held as at 1 January 2018	Awarded	Notional dividend shares accrued	Exercised/ vested	Lapsed	Number of awards held as at 31 December 2018	Grant price in pence (exercise price for Sharesave)	Face value of awards granted during 2018 £000
David Atkins										
DBSS (A)	01/03/2016	Mar-18	48,950	–	–	48,950	–	0	–	–
DBSS (B)	27/04/2016	Apr-18	21,700	–	666	22,366	–	0	–	–
DBSS (A)	01/03/2017	Mar-19	37,213	–	1,869	–	–	39,082	–	–
DBSS (B)	02/05/2017	May-19	18,530	–	931	–	–	19,461	–	–
DBSS (A)	06/03/2018	Mar-20	–	52,900	2,657	–	–	55,557	450.30	238
DBSS (B) ²	–	–	–	–	–	–	–	–	–	–
								114,100		238
LTIP	01/04/2014	Apr-18	120,145		3,684	69,901	53,928	0	–	–
	26/03/2015	Mar-19	142,168		7,141	–	–	149,309	–	–
	24/03/2016	Mar-20	219,359		11,018	–	–	230,377	–	–
	03/04/2017	Apr-21	224,974	–	11,300	–	–	236,274	–	–
	06/03/2018	Mar-22	–	285,587	14,344	–	–	299,931	450.30	1,286
								915,891		1,286
Sharesave	24/03/2016	May-19	2,102	–	–	–	–	2,102	–	–
	23/03/2017	May-20	765	–	–	–	–	765	–	–
								2,867		

Directors' Remuneration report continued

Table 64

	Date of award	Vesting or exercise date	Number of awards held as at 1 January 2018	Awarded	Notional dividend shares accrued	Exercised/ vested	Lapsed	Number of awards held as at 31 December 2018	Grant price in pence (exercise price for Sharesave)	Face value of awards granted during 2018 £000
Peter Cole										
DBSS	12/03/2012	Mar-14	53,224	–	2,673	55,897	–	0	–	–
DBSS	11/03/2013	Mar-15	70,137	–	3,523	25,000	–	48,660	–	–
DBSS (A)	01/03/2016	Mar-18	35,667	–	–	35,667	–	0	–	–
DBSS (B)	27/04/2016	Apr-18	15,812	–	484	16,296	–	0	–	–
DBSS (A)	01/03/2017	Mar-19	27,119	–	1,362	–	–	28,481	–	–
DBSS (B)	02/05/2017	May-19	13,503	–	679	–	–	14,182	–	–
DBSS (A)	06/03/2018	Mar-20	–	36,121	1,814	–	–	37,935	450.30	163
DBSS (B) ²	–	–	–	–	–	–	–	–	–	–
								129,258		163
LTIP										
	02/04/2013	Apr-17	97,004	–	2,975	99,979		0	–	–
	01/04/2014	Apr-18	87,542	–	2,684	50,932	39,294	0	–	–
	26/03/2015	Mar-19	103,589	–	5,204	–		108,793	–	–
	24/03/2016	Mar-20	159,834	–	8,028	–		167,862	–	–
	03/04/2017	Apr-21	163,976	–	8,236	–		172,212	–	–
	06/03/2018	Mar-22	–	207,861	10,440	–		218,301	450.30	936
								667,168		936
Sharesave										
	24/03/2016	May-21	3,504	–	–	–	–	3,504	–	–
	23/03/2017	May-20	765	–	–	–	–	765	–	–
								4,269		–

Table 65

	Date of award	Vesting or exercise date	Number of awards held as at 1 January 2018	Awarded	Notional dividend shares accrued	Exercised/ vested	Lapsed	Number of awards held as at 31 December 2018	Grant price in pence (exercise price for Sharesave)	Face value of awards granted during 2018 £000
Timon Drakesmith										
DBSS (A)	01/03/2016	Mar-18	32,734	–	–	32,734	–	0	–	–
DBSS (B)	27/04/2016	Apr-18	14,831	–	454	15,285	–	0	–	–
DBSS (A)	01/03/2017	Mar-19	27,187	–	1,365	–	–	28,552	–	–
DBSS (B)	02/05/2017	May-19	12,656	–	635	–	–	13,291	–	–
DBSS (A)	06/03/2018	Mar-20	–	38,557	1,936	–	–	40,493	450.30	174
DBSS (B) ²	–	–	–	–	–	–	–	–	–	–
								82,336		174
LTIP										
	01/04/2014	Apr-18	82,108	–	2,518	47,772	36,854	0	–	–
	26/03/2015	Mar-19	97,160	–	4,880	–	–	102,040	–	–
	24/03/2016	Mar-20	149,914	–	7,529	–	–	157,443	–	–
	03/04/2017	Apr-21	163,976	–	8,236	–	–	172,212	–	–
	06/03/2018	Mar-22	–	207,861	10,440	–	–	218,301	450.30	936
								649,996		936
Sharesave										
	23/03/2017	May-20	765	–	–	–	–	765	–	–
								765		–

Table 66

	Date of award	Vesting or exercise date	Number of awards held as at 1 January 2018	Awarded	Notional dividend shares accrued	Exercised/ vested	Lapsed	Number of awards held as at 31 December 2018	Grant price in pence (exercise price for Sharesave)	Face value of awards granted during 2018 £000
Jean-Philippe Mouton ¹										
DBSS (A)	01/03/2016	Mar-18	26,082	–	–	26,082	–	0	–	–
DBSS (B)	27/04/2016	Apr-18	11,498	–	353	11,851	–	0	–	–
DBSS (A)	01/03/2017	Mar-19	21,702	–	1,091	–	–	22,793	–	–
DBSS (B)	02/05/2017	May-19	10,687	–	537	–	–	11,224	–	–
DBSS (A)	06/03/2018	Mar-20	–	32,166	1,615	–	–	33,781	450.30	145
DBSS (B) ²	–	–	–	–	–	–	–	–	–	–
								67,798		145
LTIP	01/04/2014	Apr-18	67,858	–	2,081	39,481	30,458	0	–	–
	26/03/2015	Mar-19	71,578	–	3,595	–	–	75,173	–	–
	24/03/2016	Mar-20	118,734	–	5,963	–	–	124,697	–	–
	03/04/2017	Apr-21	131,358	–	6,598	–	–	137,956	–	–
	06/03/2018	Mar-22	–	173,687	8,723	–	–	182,410	450.30	782
								520,236		782

Notes

1. Jean-Philippe Mouton's entitlement to awards arising under the LTIP and DBSS is calculated in euro. The prevailing exchange rate at grant is used to determine the number of shares to award.
2. As explained on page 90 under the truing up of 2017 Single Figure Table numbers, the final closing measure for the TPR element of the AIP was below the entry level threshold and therefore the payout under this measure was nil resulting in no DBSS (B) award in 2018.

Long Term Incentive Plan structure *

In addition to the annual bonus provided by the AIP, Executive Directors are incentivised over the longer term through the LTIP.



A summary of the Remuneration Policy in relation to the LTIP is on page 105.

Tables 67 and 68 set out a summary of the LTIP structure and details of the LTIP performance measures and conditions.

Table 67

LTIP structure summary

	All years	2014	2015	2016	2017	2018
Level of award		100% of salary	150% of salary	200% of salary	200% of salary	200% of salary
Performance measures	TSR, TPR, EPS					
Performance period	Four years					
Post-vesting holding period	One year					
Weighting of performance measures	33.33%					
TPR: Measured over four financial years commencing with year of grant in comparison with composite index	IPD UK Annual Retail Property Index and France Annual Retail Index			IPD Annual Retail Property indices for UK and a bespoke Europe index		
						
Adjusted EPS: Measured over four financial years commencing with year of grant. Calculated with reference to EPRA Best Practice recommendations	Benchmark: RPI	Benchmark: Blend of UK/French CPI		Benchmark: Blend of UK/French/Irish CPI		
						
TSR: Measured over four-year period from date of grant						
						
TSR Comparator Group	Altarea, British Land, Capital & Regional, intu, Eurocommercial, Klépierre, Land Securities, London Metric, SEGRO, Shaftesbury, Unibail-Rodamco-Westfield, FTSE 100 Index			British Land, intu, Klépierre, Unibail-Rodamco-Westfield, Land Securities		
	Plus: Corio ¹ , Wereldhave	Plus: New River Retail	Plus: Wereldhave, New River Retail			

Notes

- Corio merged with Klépierre on 31 March 2015 and delisted from Euronext Amsterdam. Corio is retained, with performance measured to the date of delisting. The EPRA NAREIT Developed Europe Index is substituted for Corio from the date of its delisting to the end of the performance period.

Table 68

LTIP performance conditions 2014 to 2018

TSR 	Vesting threshold	0%	25%	100%		
	All award years	Less than TSR of median-ranked entity in comparator group	Equal to TSR of median-ranked entity in comparator group	Equal to TSR of upper quartile-ranked entity in comparator group		
	Vesting for intermediate performance between median and upper quartile-ranked entities is on a straight-line basis between 25% and 100%. Vesting under the TSR performance condition is subject to the Committee's satisfaction that the Company's underlying performance has been satisfactory in comparison with that of the FTSE Real Estate sector.					
TPR 	Vesting threshold	0%	25%	55%	85%	100%
	All award years	Less than index	Equal to index	Index +0.5% (average) p.a.	Index +1.0% (average) p.a.	Index +1.5% (average) p.a.
	Vesting for intermediate performance between these levels will be pro-rated on a straight-line basis.					
Adjusted EPS 	Vesting threshold	0%	25%	100%		
	2015, 2016, 2017 and 2018 awards	Less than a CPI blend + 3.0% p.a. growth	Equal to or more than a CPI blend +3.0% p.a. growth	Equal to or more than a CPI blend +7.0% p.a. growth		
	2014 awards	Less than RPI + 3.0% p.a. growth	Equal to or more than RPI +3.0% p.a. growth	Equal to or more than RPI +7.0% p.a. growth		
	Vesting for intermediate performance between these levels will be pro-rated on a straight-line basis between 25% and 100%.					

Details of 2014 LTIP (which vested during 2018)

The following table shows the number of shares delivered on vesting of the 2014 LTIP (which vested on 23 April 2018):

Table 69

	TSR Performance period: 1/4/14 - 31/3/18				TPR Performance period: 1/1/14 - 31/12/17				EPS Performance period: 1/1/14 - 31/12/17				Total shares delivered	Total value of shares delivered £000
	Shares available	Vesting % against target	Number of shares delivered	Value of shares delivered	Shares available	Vesting % against target	Number of shares delivered	Value of shares delivered £000	Shares available	Vesting % against target	Number of shares delivered	Value of shares delivered £000		
David Atkins	41,277	0%	0	0	41,276	100%	41,276	222	41,276	69.3%	28,625	154	69,901	376
Peter Cole	30,076	0%	0	0	30,075	100%	30,075	162	30,075	69.3%	20,857	112	50,932	274
Timon Drakesmith	28,208	0%	0	0	28,209	100%	28,209	152	28,209	69.3%	19,563	105	47,772	257
Jean-Philippe Mouton	23,313	0%	0	0	23,313	100%	23,313	125	23,313	69.3%	16,168	87	39,481	212

Notes

1. The value shown is based on the share price on the date on which the awards vested of 538p.
2. Details of the TPR and EPS performance conditions were shown as estimates in the 2017 Annual Report. The value of those components was reflected in the Single Figure Table for 2017 as the performance period for those components ended during 2017. The table above shows the final outcome.
3. Details of the assessment of the TSR performance condition are shown on page 89, Table 55.
4. The number of shares vested includes any notional dividend shares awarded up to the date of vesting.

Executive Directors' SIP interests*

The Executive Directors' interests in ordinary shares of the Company under the Share Incentive Plan (SIP) as at 31 December 2018 are shown in table 70 below. The shares are held in a SIP trust. Jean-Philippe Mouton was not eligible to participate in the SIP.

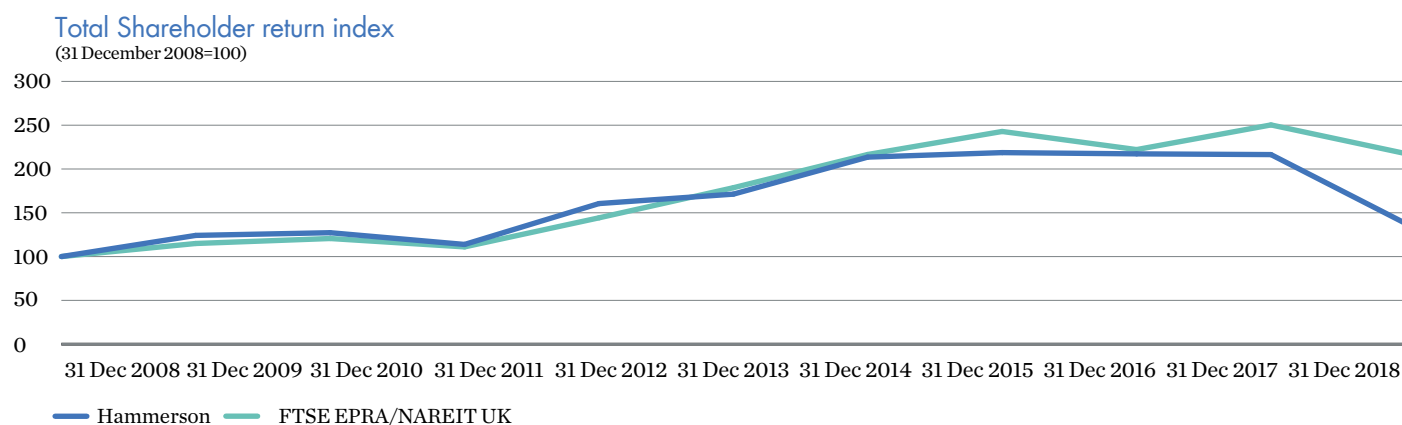
Table 70

	Total SIP shares 1 January 2018	Partnership shares purchased	Matching shares awarded	Free shares awarded	Dividend shares purchased	Total SIP shares 31 December 2018
David Atkins	14,612	0	0	0	663	15,275
Peter Cole	16,058	0	0	0	729	16,787
Timon Drakesmith	7,216	0	0	0	327	7,543

Total Shareholder Return

Table 71 below shows the total shareholder return in respect of the Company's ordinary shares of 25 pence each for the 10 years ended 31 December 2018 against the return of the FTSE EPRA/NAREIT UK Index, which comprises shares of the Company's peers. The total shareholder return is rebased to 100 at 31 December 2008. The other points plotted are the values at intervening financial year ends.

Chart 71



Remuneration of the Chief Executive over the last 10 years

Table 72 shows the remuneration of the holder of the office of Chief Executive for the period from 1 January 2009 to 31 December 2018.

Table 72

Chief Executive's remuneration history

Year	Notes	Total remuneration £000	Annual bonus ⁵	LTIP vesting ⁵
2018	1	1,155	0%	50.4%
2017	2	1,795	47.5%	56.4%
2016		2,681	65.3%	64.9%
2015		2,147	77.3%	–
2014		1,568	65.3%	–
2013		2,216	56.2%	51.6%
2012		2,451	88.9%	52.6%
2011		1,515	51.7%	–
2010		1,594	68.2%	–
2009 (David Atkins)	3	242	55.0%	–
2009 (John Richards)	4	895	48.8%	49.4%

Notes

1. The total remuneration and annual bonus figures for 2018 include certain estimated values for the LTIP and AIP vesting. See the Single Figure Table (Table 51) on page 86 for details.
2. The total remuneration reported in the 2017 Annual Report contained estimates; the numbers given here are the actual values. See the Single Figure Table (Table 51) on page 86.
3. David Atkins became Chief Executive on 1 October 2009, having been an Executive Director since 2007. The figure for 2009 has been pro-rated accordingly.
4. John Richards retired as Chief Executive on 30 September 2009.
5. All numbers are expressed as a percentage of the maximum that could have vested in that year.

Remuneration for the Chief Executive compared with UK employees of the Hammerson Group

Table 73 shows the percentage change from 31 December 2017 to 31 December 2018 in base salary, taxable benefits and bonus for the Chief Executive compared with all other employees of the Hammerson Group in the UK. In prior years this disclosure was based on all Group employees but has been amended to UK employees only for consistency with gender pay gap reporting and in anticipation of future reporting requirements. For information the number of FTE UK employees is 375 compared to 545 for all Group employees.

The difference in the change between the Chief Executive's benefits and that of UK employees relates to the increased car allowance. The change in annual bonus reflects that no bonus will be paid to the Chief Executive in respect of 2018.

Table 73

Percentage change in the Chief Executive's base salary, taxable benefits and bonus

	Notes	Salary	Benefits	Annual bonus	Change % Total
David Atkins	1,2	2.5%	3.8%	-100.0%	-40.3%
Total UK employees	1,2	1.2%	0.8%	-19.8%	-1.7%

Notes

1. The percentage movement in annual bonus is based on calculations that incorporate an estimated value for the TPR performance measure within the AIP. The calculation of the percentage change in total remuneration excludes pensions and LTIP.
2. David Atkins has been excluded from the UK employees calculation. Data for the UK employees calculation includes bonuses. The Group calculation uses a weighted average headcount for the year. Employees received an average salary increase of 3% during 2018, although this is not reflected in the above figures due to the number of leavers and joiners.

Relative importance of spend on pay

Table 74 below shows the Company's total employee costs compared with dividends paid and share buybacks carried out in 2018.

Table 74

Total employee costs compared with dividends paid and share buybacks

	Employee costs ¹	Dividends ²	Share buybacks
2018	£52.1m	£203.4m	£128.9m
2017	£56.4m	£193.6m	£0m
Percentage change	(7.6%)	5%	100%

Notes

1. These figures have been extracted from note 5 (Administration expenses) to the financial statements on page 138.
2. These figures have been extracted from note 10 (Dividends) to the financial statements on page 142.
3. These figures have been extracted from note 23 (Share capital) to the financial statements on page 165.

Detail of Executive Directors' accrued pension benefits *

Following the closure of the Company's defined benefit pension scheme (Scheme) in 2014, David Atkins and Peter Cole remain eligible for a deferred pension based on their pensionable salary and service at the point they ceased to accrue further benefits in the Scheme. The normal retirement age under the Scheme is 60. Members may draw their pension from the age of 55, subject to actuarial reduction and the Trustees' consent. Further information concerning the Scheme is in note 7 to the financial statements on page 139.

Table 75 below shows the total accrued benefit at 31 December 2018 representing the annual pension that is expected to be payable on retirement and the transfer values of Executive Directors' accrued entitlements. The transfer value figures do not represent sums paid or payable to individual Executive Directors but represent a potential liability of the Scheme. Any increase or decrease in transfer value over the year represents a change in the transfer value assumptions that the Scheme applies.

Table 75

Executive Directors' accrued pension benefits and transfer values

	Total accrued benefit at 31 December		Transfer value at 31 December of total accrued benefit	
	2018 £000	2017 £000	2018 £000	2017 £000
David Atkins	87	84	1,902	1,857
Peter Cole	255 ¹	250	6,266 ²	6,395

1. Total accrued benefit immediately before Peter Cole's retirement from the Scheme during the year. In practice it is reduced for early payment and exchange for cash lump sum.
2. Theoretical transfer value at 31 December 2018. In practice, Peter Cole is not entitled to receive a transfer value as he is in receipt of his pension.

Directors' service contracts and letters of appointment

Executive Directors – Service Contracts

A summary of obligations in the Executive Directors' service agreements which could give rise to or impact on payments for loss of office are set out in the Remuneration Policy available on the Company's website www.hammerson.com.

Table 76

	Date of service contract	Notice period	Expiry date
David Atkins	11 January 2008	12 months' notice to the Executive Director and 6 months' notice from the Executive Director	Rolling service contract with no fixed contract date
Peter Cole ¹	28 February 2002		
Timon Drakesmith	18 January 2011	12 months' notice on either side	
Jean-Philippe Mouton ¹			
	25 March 2013	3 months' notice in case of dismissal or resignation on either side. No notice where there is an agreed termination	
French employment			
UK Directorship	25 March 2013	3 months' notice period on either side	

1. Peter Cole and Jean-Philippe Mouton resigned as directors of the Company on 31 December 2018.

Non-Executive Directors – Letters of Appointment

Table 77

	Date of original appointment to board	Commencement date of current term	Unexpired term as at April 2019
Pierre Bouchut	13 February 2015	13 February 2018	1 year, 10 months
Gwyn Burr	21 May 2012	21 May 2018	2 years, 1 month
Terry Duddy ¹	3 December 2009	3 December 2015	N/A
Andrew Formica	26 November 2015	26 November 2018	2 years, 7 months
Judy Gibbons	1 May 2011	1 May 2017	1 year
David Tyler	12 January 2013	12 January 2019	2 years, 9 months
Carol Welch	1 March 2019	1 March 2019	2 years, 11 months

1. Terry Duddy resigned from the Board on 25 January 2019.

External board appointments

Where Board approval is given for an Executive Director to accept an outside non-executive directorship, the individual is entitled to retain any fees received. Timon Drakesmith is a non-executive director of The Merchants Trust PLC for which he receives an annual fee of £30,500. David Atkins is a non-executive director of Whitbread PLC for which he receives an annual fee of £70,000. Peter Cole was appointed as a non-executive director of Primary Health Properties PLC with effect from 1 May 2018, and received fees of £27,686 for that role in the year to 31 December 2018.

Advisors

The Committee appointed FIT Remuneration Consultants (FIT) in place of Aon Hewitt in 2011 following a tendering exercise. FIT has no other connection with the Company or its Directors. Directors may serve on the Remuneration Committees of other companies for which FIT acts as Remuneration Consultants. The Committee is satisfied that all advice given was objective and independent. FIT is a member of the Remuneration Consultants Group and subscribes to its Code of Conduct. Details of the fees and services provided by FIT are set out below.

Table 78

Advisor	Appointed by	Services provided to the Committee	Fees paid for services to the committee in 2018 and basis of charge	Other services provided to the Company
FIT Remuneration Consultants LLP (FIT)	Remuneration Committee (August 2011)	Reward structures and levels and other aspects of the Company's Remuneration Policy	£64,492 (excluding VAT) (2017: £47,955, excluding VAT). Charged on normal FIT time basis	None. Terms of engagement (available on request to shareholders) specify that FIT will only provide advice expressly authorised by or on behalf of the Remuneration Committee

Herbert Smith Freehills LLP provides legal advice and Lane Clark & Peacock LLP provides actuarial advice to the Company. The Committee may seek advice from both firms where it relates to matters within its remit. In addition the Chief Executive, Chief Financial Officer and Group Human Resources Director attend Committee meetings by invitation. The General Counsel and Company Secretary is the Secretary to the Committee. The Chief Executive, senior human resources staff and the General Counsel and Company Secretary provided advice to the Committee on matters relating to the Remuneration Policy and Company practices. No-one is present during discussions concerning their own remuneration.

Statement of voting at Annual General Meeting

Table 79 below shows votes cast by proxy at the AGM held on 24 April 2018 in respect of the Directors' Remuneration Report and at the AGM held on 25 April 2017 in respect of the Directors' Remuneration Policy. Shareholders raised no issues concerning remuneration during the AGM.

Table 79

Statement of voting on remuneration

	Votes for number of shares and percentage of shares voted	Votes against number of shares and percentage of shares voted	Votes withheld number of shares
To receive and approve the 2017 Directors' Remuneration Report (2018 AGM)	573,338,546 96.62%	20,082,608 3.38%	10,027,007
To receive and approve the Remuneration Policy (2017 AGM)	563,721,945 98.73%	7,263,050 1.27%	1,374,514

Payments to past Directors *

There were no payments to past Directors in 2018.

Payments for loss of office *

There were no payments for loss of office to past Directors in 2018.

Section 3: Implementation of Remuneration Policy in 2019

This section sets out information on how the Remuneration Policy, approved by shareholders at the 2017 Annual General Meeting, will be implemented in 2019. A copy of the full Remuneration Policy is available on the Company's website www.hammerson.com.

In implementing the Remuneration Policy, the Committee will continue to take into account factors such as remuneration packages available within comparable companies, the Company's overall performance, internal relativities, achievement of corporate objectives, individual performance and experience, published views of institutional investors, general market and wider economic trends.

Table 80

Summary of planned implementation of the Remuneration Policy during 2019

Salary

Policy

Purpose and link to strategy	Performance measures	Operation
- To continue to retain and attract quality leaders - To recognise accountabilities, skills, experience and value	Not applicable	Reviewed but not necessarily increased annually by the Committee. The base salary for any existing Executive Director will not exceed £850,000 (or the equivalent if denominated in a different currency) with this limit increasing annually at the rate of UK CPI.

Implementation

In February 2019, the Committee determined that an increase in base salaries of approximately 2.5% was appropriate for the Executive Directors. Other senior executives received in the region of 2.75% and increases in salaries across the Group were generally in the region of 3%, reflecting the view that the Executive Directors and the senior management team should demonstrate personal leadership in a cost-conscious environment. Factors influencing the increases included the effect of inflation and evidence of salaries within the real estate sector. The increases take effect from 1 April 2019.

2019 Executive Directors salaries	£000
David Atkins	659
Timon Drakesmith	480

Benefits

Policy

Purpose and link to strategy	Performance measures	Operation
- To provide a range of benefits in line with market practice - To continue to retain and attract quality leaders	Not applicable	The aggregate value received by each Executive Director (based on value of P11D tax calculations or equivalent basis for a non-UK based Executive Director) will not exceed £100,000 with this maximum increasing annually at the rate of UK CPI.

Implementation

In 2019 these benefits will continue to include a car allowance, enhanced sick pay, private medical insurance, permanent health insurance and life assurance. Following a market review in April 2018 car allowances were increased from £12,000 to £16,000 p.a.

Pension

Policy

Purpose and link to strategy	Performance measures	Operation
- To provide market competitive retirement benefits - To continue to retain and attract quality leaders	Not applicable	Executive Directors may receive a non-contributory allowance (Pension Choice) to be paid as, or as a combination of: (i) an employer contribution to the Company's defined contribution pension plan; (ii) a payment to a personal pension plan; or (iii) a salary supplement. Pension Choice is limited to an aggregate limit of 30% of base salary.

Implementation

Executive Directors will continue to receive a salary supplement by way of pension provision. No changes in the rates are envisaged.

Table 80 continued

Annual Incentive Plan (AIP) and deferral under the Deferred Bonus Share Scheme (DBSS)

Policy

Purpose and link to strategy	Performance measures	Operation
- To align Executive Director remuneration with annual financial and Company strategic targets as determined by the Company's Business Plan - To differentiate appropriately, in the view of the Committee, on the basis of performance - The partial award in shares aligns interests with shareholders and supports retention	The annual bonus operates by reference to financial and personal performance measures assessed over one year. The weighting of financial measures will be at least 60% of the total opportunity	Awards are paid in a mix of cash and deferred shares, with the deferred shares element being at least 40% of the total award. The deferral period is at least two years and may not be shorter. Awards are subject to clawback and malus provisions.

Implementation

The AIP maximum for Executive Directors in 2019 will remain at 200% of base salary.

Performance measures for the AIP in 2019 remain weighted 70% towards Group financial targets and 30% towards personal objectives.

Group financial targets in 2019 comprise:

- 27.5% Adjusted earnings per share
- 27.5% Total Property Return relative to IPD
- 15% Net debt

Adjusted earnings per share and Total Property Return are retained from prior year AIP performance measures. Net debt has been added to replace net rental income, the Committee having taken the view that a net debt measure better reflects the Company's strategic focus on disposals to deleverage and improve the strength of the balance sheet.

As is demonstrated in this report in respect of previous years, the Committee designs the financial targets and personal objectives to align closely to the Company's strategy as well as to the Business Plan and the priorities for the coming year. It is therefore felt that the specific financial targets and important personal objectives are commercially sensitive such that, having considered this carefully, the Board is of the view that it is in the Company's interests not to disclose this information in advance. However, personal objectives are centred on the delivery of strategic objectives and focus on the strength of the balance sheet, supporting returns through an optimised portfolio, operational excellence and cost savings. Full details of the specific targets and key personal objectives set will be disclosed in the 2019 Annual Report.

40% of the 2019 AIP vesting will be deferred by making an award of shares under the DBSS, with a deferral period of two years. No change to current arrangements is proposed for 2019.

Table 80 continued

Long Term Incentive Plan

Policy

Purpose and link to strategy	Performance measures	Operation
– To incentivise the creation of long-term returns for shareholders – To align interests of Executive Directors with shareholders and support retention	Performance measures may consist of a combination of financial measures to align with strategic priorities	A discretionary annual award up to a value of 200% of base salary. The Committee reserves the discretion to increase the maximum award to 300% of base salary in exceptional circumstances. Awards are typically structured as nil-cost options or a conditional award of shares. Awards are subject to clawback and malus provisions.

Implementation

Annual award of 200% of base salary. Vesting of the award is subject to the following performance measures weighted 33.33% and measured over a four-year performance period with an additional one-year holding period:

Adjusted Earnings Per Share: calculated with reference to the European Public Real Estate Association Best Practice recommendations. CPI is a 65:25:10 weighted blend of UK, France and Ireland.

Vesting under the EPS performance measure is as follows

Performance	Percentage of award vesting
Less than CPI +3.0% p.a. growth	0%
Equal to CPI +3.0% p.a. growth	25%
Equal to or more than CPI +7.0% p.a. growth	100%

Total Property Return: measured against a composite index comprising the Investment Property Databank Annual Retail Property Indices for the UK and a bespoke Europe Index (weighted on a 50:50 basis).

Performance compared to the Index	Percentage of Award vesting
Less than index	0%
Equal to index	25%
Index + 0.5% (average) p.a.	55%
Index + 1.0% (average) p.a.	85%
Index + 1.5% (average) p.a.	100%

Vesting for EPS and TPR targets for intermediate performance between levels is pro-rated on a straight-line basis between the specified award levels.

Total Shareholder Return: measured against a comparator group comprising British Land, intu, Klépierre, Unibail-Rodamco-Westfield and Land Securities.

Performance compared to the comparator group	Percentage of award vesting
Less than TSR of median-ranked entity	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 straight-line basis between 25% and 100%. Vesting is subject to the Committee's satisfaction that underlying performance has been satisfactory in comparison with that of the FTSE Real Estate sector.

For 2019, the conditions have been amended to ensure that the Committee has a broad discretion to reduce the indicative formulaic outturn if it concludes that it would not be appropriate to allow the formula to stand in all the circumstances.

Table 80 continued

Participation in all-employee arrangements

Policy

Purpose and link to strategy	Performance measures	Operation
– In order to be able to offer participation in all-employee plans to employees generally, the Company is either required by the relevant UK and French legislation to allow Executive Directors to participate on the same terms or chooses to do so	Not generally applicable. Any award of free shares under the SIP may be subject to a Company performance target	Executive Directors are eligible to participate in all-employee incentive arrangements on the same terms as other employees.

Implementation

All-employee arrangements currently offered in the UK are Sharesave and SIP share awards. The opportunity to participate in all-employee arrangements continues on the same basis as for all staff in the UK.

No change to current arrangements is proposed for 2019.

Share ownership guidelines

Policy

The Company has in place share ownership guidelines for the Executive Directors. Executive Directors are normally required to achieve the minimum shareholding requirement within seven years of the date of appointment. An annual calculation as a percentage of salary is made against the guidelines as at 31 December each year based on the middle-market value of a share price on the last business day in December.

Implementation

250% of base salary for the Chief Executive and all other Executive Directors.

Chair of the Board and Non-Executive Directors' Fees

Policy

Purpose and link to strategy	Performance measures	Operation
– To ensure the Company continues to attract and retain high-quality Chair and Non-Executive Directors by offering market competitive fees	Not applicable	The Chair of the Board's fee is determined by the Committee. Other Non-Executive Directors' fees are determined by the Board on the recommendation of the Executive Directors. Aggregate total fees payable annually to all Non-Executive Directors are subject to the limit stated in the Company's Articles of Association (currently £1,000,000).

Implementation

The Chair of the Board and Non-Executive Directors' fees were reviewed in February 2019. The Chair and all of the Non-Executive Directors decided that they would not accept any increase in their fees in 2019. Therefore, no change to the fees will be made in 2019.

Chairman and Non-Executive Directors' 2019 annual fees

	£
Chair of the Board	345,500
Non-Executive Director	61,500
Senior Independent Director	10,000
Audit Committee Chair	15,000
Remuneration Committee Chair	15,000
Audit/Remuneration Committee Member	5,000

Remuneration for employees below Board level in 2019

Remuneration packages for all Group employees may comprise both fixed and variable elements. Generally, the more senior the individual, the greater the variable pay offer as a proportion of overall pay due to the ability of senior managers to impact more directly upon Company performance. As well as assessing the remuneration packages of the Executive Directors, the Committee reviews the remuneration of the senior management team and is kept informed of remuneration developments across the Group including the salary increases and employee benefits of the wider employee population. In accordance with prevailing commercial practice, the Committee does not consult with employees in preparing the remuneration policy.

Summary of 2019 remuneration structure for employees below Board level

Table 81

Element	Approach/Policy
Base salary	An assessment is made each year on pay increases across the Group. The assessment may include benchmarking exercises for different roles. Other factors taken into consideration are Company performance, competition in the marketplace and general economic climate, specifically rates of inflation and wage growth. Pay increases are expected to be in line with market rate and any increase awarded to an individual will reflect competence and experience. Exceptional pay increases are sometimes awarded to bring pay in line with market practice or recognition of an individual's development within a role. More usually exceptional personal performance is recognised through variable pay. For 2019, base salary budgets have been set on average at 2-3% for all employees below Board and senior management team level.
Annual bonus	An annual cash bonus scheme is operated throughout the Group. Although there are some minor differences in application of the scheme according to jurisdiction of employment, the same principle applies to all employees in that there is an opportunity to receive a bonus based on personal or company performance or a mixture of both. Generally, the more senior the employee the more the weighting is towards Company performance. The maximum cash bonus opportunity varies according to seniority. In addition to Executive Directors, Group Executive Committee members have a proportion of their award deferred into shares.
Pension	The pension offering forms an important part of the reward package across the Group. All employees may participate in one of a number of defined contribution pension arrangements across the UK, France and Ireland. Employee and employer contribution structures vary depending on the scheme.
Share schemes	A variety of all-employee and discretionary share schemes are in operation across the Group. Generally, where local legislation allows, eligible employees may participate in an all-employee share scheme such as the Sharesave scheme operated in the UK and Ireland. In addition a number of UK employees have the opportunity to join the UK Share Incentive Plan (SIP) with the potential for an annual SIP Free Share Award based on Company stretch performance. No Free Share Award was made in 2018. Employees of Hammerson France are eligible to participate in a profit share plan which rewards performance against certain performance measures. Senior employees in the UK may participate in the Restricted Share Plan and in France in the Free Shares Award Scheme.
Employee benefits	Benefits offered by the Group include life assurance, private medical care, car allowances, permanent health insurance and health checks. The offer of a particular benefit to an employee will depend on location within the business, their role and seniority.

By order of the Board

Sarah Booth

General Counsel and Company Secretary

25 February 2019

This section of the Corporate Governance Report details the Company's application of the principles and compliance with the provisions set out in the UK Corporate Governance Code (the Code) published in April 2016 which is available at www.frc.org.uk. This section should be read in conjunction with the Corporate Governance Report as a whole, which is set out on pages 64 to 114.

The Company has complied in full with the requirements of the Code in 2018. Work has also been undertaken during the year to meet the requirements of the updated UK Corporate Governance Code which was published by the Financial Reporting Council in July 2018 and applies to the Company from 1 January 2019.

A. Leadership

A.1 The role of the Board

The Board is collectively responsible to the Company's shareholders for the Company's long-term success and the delivery of its strategic and operational objectives.

The Board sets the strategic direction, governance and values of the Group and has ultimate responsibility for its management, direction and performance.

MORE **The Board operates through a sound risk management and internal controls system, details of which are on pages 56 to 62 and 110.**

The Board has a formal schedule of matters specifically reserved for its decision which can be accessed at www.hammerson.com.

The Board has regular meetings throughout the year. It held seven of these in 2018. Additional Board conference calls are held between the formal Board meetings as required. During 2018 eight additional meetings were scheduled to consider the intu acquisition, the approach from Klépierre and the Company's strategy. Table 82 includes details of attendance at all Board meetings and conference calls held in 2018, including additional meetings scheduled at short notice. On the few occasions when Directors were unable to attend these additional meetings due to conflicting prior commitments, the Chair of the Board gathered their views in advance of the meeting and ensured that they were taken into account as part of the discussion. Non-Executive Directors are encouraged to communicate directly with Executive Directors and senior management between Board meetings.

All Directors are expected to attend all meetings of the Board, the meetings of those Committees on which they serve, and the

Table 82

Board and Committee meetings attendance

	Scheduled Board meetings	Additional Board meetings	Audit Committee meetings ³	Remuneration Committee meetings	Nomination Committee meetings
David Tyler	7/7	8/8	–	4/4	4/4
David Atkins	7/7	8/8	–	–	–
Peter Cole	7/7	8/8	–	–	–
Timon Drakesmith	7/7	7/8	–	–	–
Jean-Philippe Mouton	7/7	8/8	–	–	–
Pierre Bouchut	7/7	7/8	5/5	–	4/4
Gwyn Burr	7/7	6/8	5/5	4/4	4/4
Terry Duddy ¹	7/7	7/8	–	2/4	3/4
Andrew Formica	7/7	8/8	5/5	–	4/4
Judy Gibbons ²	6/7	8/8	4/5	3/4	4/4

1. Terry Duddy was unable to attend two Remuneration Committee meetings and one Nomination Committee meeting due to last minute conflicting commitments.
2. Judy Gibbons was unable to attend one scheduled Board meeting, one Audit Committee meeting and one Remuneration Committee meeting due to a medical emergency.
3. The Audit Committee normally holds four meetings per year. In 2018 five meetings were held due to the meeting originally planned for December 2017 being rescheduled to January 2018.

Annual General Meeting (AGM). They are also expected to devote sufficient time to the Company's affairs to enable them to fulfil their duties as Directors.

A.2 Division of responsibilities

The Chair of the Board and Chief Executive have separate roles and responsibilities which are clearly defined, documented and approved by the Board. The Chair of the Board, David Tyler, is responsible for the operation of the Board. The Chief Executive, David Atkins, is responsible for leading and managing the business within the authorities delegated by the Board.

A.3 The Chair of the Board

The Chair of the Board sets the Board's agenda and ensures that important matters, in particular strategic issues, receive adequate time and attention at meetings. The Chair of the Board encourages a collegiate environment on the Board which facilitates open discussion.

When he became Chair of the Board in 2013, David Tyler was considered independent. In accordance with the Code, the continuing test of independence for the Chair is not necessary.

The Chair of the Board ensures that he engages regularly with institutional shareholders.

MORE **Further details of shareholder engagement are on page 74.**

A.4 Non-Executive Directors

The Non-Executive Directors challenge and help develop proposals on strategy. The annual Board Strategy Day is dedicated to considering the future direction of the Company at the start of the business planning process.

MORE **Further details of the 2018 Board Strategy Day are on page 73.**

A.4.1 Senior Independent Director

Terry Duddy was the Senior Independent Director throughout 2018 and until he stepped down from the Board on 25 January 2019, when Gwyn Burr was appointed as the new Senior Independent Director.

The Senior Independent Director is available to address shareholders' concerns on governance. When and if necessary, she can also address concerns on other issues that have not been resolved through the normal channels of communication with the Chair of the Board, Chief Executive or Chief Financial Officer, or in cases when such communications would be inappropriate. She can also deputise for the Chair of the Board in his absence, act as a sounding board for the Chair of the Board and advise and counsel all Board colleagues.

The Senior Independent Director chairs an annual meeting of Executive and Non-Executive Directors without the Chair of the Board to appraise the Chair of the Board's performance and address any other matters which the Directors might wish to raise.

The Senior Independent Director conveys the outcome of these discussions to the Chair of the Board. Time is also scheduled at the end of each Board meeting for the Chair of the Board to meet with the Non-Executive Directors without the Executive Directors present, as a result of the recommendations of the Board effectiveness review in 2017.

If any Director has concerns about the running of the Company or a proposed action which cannot be resolved, these will be recorded in the Board minutes. No such concerns arose in 2018.

B. Effectiveness

B.1 The composition of the Board

During the year the Board reviewed the overall balance of skills, experience, independence and knowledge of the Board and Committee members.



You can read more about the outcomes of this review in the Nomination Committee report on pages 76 to 78.

During 2018, there were six Non-Executive Directors (including the Chair of the Board) and four Executive Directors on the Board.

The Board is satisfied that the Non-Executive Directors, each of whom is independent from management and has no material or other connection with the Company, are able to exercise independent judgement.

The Board reviews the independence of its Non-Executive Directors each year in accordance with the criteria set out in the Code.

B.2 Appointments to the Board

The Nomination Committee, which is chaired by the Chair of the Board and comprises all Non-Executive Directors, leads the process for Board appointments, which are made on merit, against objective criteria, and makes recommendations to the Board.

The Committee's terms of reference can be found at www.hammerson.com.

Non-Executive Directors are appointed for three-year terms and stand for re-election at each AGM. Any term beyond six years is subject to a rigorous review, taking into account the need for progressive refreshment of the Board.

No new appointments were made to the Board in 2018. However, during the year the Nomination Committee led the process that resulted in the appointment of Carol Welch as a Non-Executive Director with effect from 1 March 2019. Russell Reynolds, which has no other connection with the Group, was used as

the external search consultancy to facilitate and advise on the appointment.



Further details of the work of the Nomination Committee, including the appointment of Carol Welch as a Non-Executive Director, are on pages 76 to 78.

Disclosures on diversity are on pages 42 to 43 and 77 to 78.

B.3 Commitment

The Board is satisfied that all the Non-Executive Directors are able to devote sufficient time to the Company's business. Non-Executive Directors are advised when appointed of the time required to fulfil the role and asked to confirm that they can make the required commitment. Each individual's commitment to their role is reviewed annually as part of their annual appraisal. Letters of appointment for the Non-Executive Directors are available for inspection at the AGM.



Positions held by Non-Executive Directors are set out on pages 66 and 67.

All Executive Directors are encouraged to take a non-executive position in another company or organisation. These appointments are subject to the approval of the Board which considers particularly the time commitment required.



Non-Executive Director positions held by Executive Directors are set out on page 66.

B.4 Development

All Directors receive an induction programme when appointed to the Board, which takes into account their qualifications and experience. Where appropriate Non-Executive Directors are offered opportunities to meet institutional shareholders. All Directors are kept informed of changes in relevant legislation and regulations and of changing financial and commercial risks. Where appropriate the Company's legal advisors and External Auditor assist in this regard. Executive Directors are also subject to the Company's annual performance development review process in which their performance is reviewed against pre-determined objectives and their personal and professional development needs are considered.

During the annual appraisal of Non-Executive Directors' performance, the Chair of the Board reviews and agrees each Non-Executive Director's training and personal development requirements. Non-Executive Directors are also encouraged to attend seminars and

undertake external training at the Company's expense in areas considered appropriate for their professional development. These include issues relevant to the Board and the Committees to which they belong.

B.5 Information and support

The Directors have access to independent professional advice at the Company's expense, as well as to the advice and services of the General Counsel and Company Secretary who advises the Board on corporate governance matters. The Board and its Committees receive high-quality, up to date information for them to review in good time before each meeting. The General Counsel and Company Secretary ensures that Board procedures are followed and that the Company and the Board operate within applicable legislation. The General Counsel and Company Secretary is also responsible for facilitating Directors' induction, assisting with identifying and enabling appropriate training and Board performance evaluation.

The appointment and removal of the General Counsel and Company Secretary is a matter requiring Board approval.

B.6 Evaluation

In 2018 a formal performance evaluation of the Board was conducted internally by means of an online questionnaire, led by the Chair of the Board with the support of the General Counsel and Company Secretary. The evaluation of the Board is externally facilitated every three years. An externally facilitated performance evaluation of the Board was carried out in 2016 by Independent Audit Limited, which has no connection with the Group. The 2019 performance evaluation will be externally facilitated.

The Chair of the Board carries out a formal performance evaluation individually with each Non-Executive Director every year. The Non-Executive Directors, led by the Senior Independent Director, are responsible for the annual evaluation of the Chair of the Board's performance.

Following the internal Board effectiveness review in 2018, the Directors concluded that the Board and its Committees operate effectively and that each Director continues to contribute effectively and demonstrates commitment to the role.



More details of the Board effectiveness review are on page 75.

B.7 Election and re-election

All Directors are subject to election at the first AGM following their appointment and annual re-election at each AGM thereafter. Peter Cole and Jean-Philippe Mouton both stepped down from the Board on 31 December 2018 and Terry Duddy stepped down on 25 January 2019. All other Directors are submitting themselves for re-election at the 2019 AGM. Carol Welch has been appointed as a Director by the Board with effect from 1 March 2019 and will therefore submit herself for election for the first time at the 2019 AGM.



Directors' biographies are on pages 66 to 67 and also in the Notice of Meeting for the 2019 AGM.

Further discussion of the balance of skills, knowledge and experience on the Board is on pages 76 to 78.

C. Accountability

C.1 Financial and business reporting

The Board considers that the Annual Report, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy.



A statement of the Directors' responsibilities regarding the financial statements is on page 115.

An explanation of the Group's strategy and business model is on pages 12 to 15.

The Board has established processes to ensure that all reports and information which it is required to present in accordance with regulatory requirements are a fair, balanced and understandable assessment of the Company's position and prospects.



Further details about the fair, balanced and understandable process for the Annual Report are on page 80.

C.2 Risk management and internal control

The Board has established processes for monitoring sound risk management and internal control which allow it to review the effectiveness of the systems in place within the Group. A robust assessment of the principal risks facing the Company has been carried out during the year.



An assessment of the principal risks facing the Company is on pages 58 to 62 and Key Performance Indicators are on pages 16 to 17.

The Directors have assessed the prospects of the Company over a five-year period and have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the period of this assessment.



The Viability statement and Going Concern statement are on page 63.

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
- Enable regular reporting of financial performance to the Board to support management's review process, including the production of external financial results
- Provide reliable information
- Identify and, as far as possible, mitigate potential impediments to the Group achieving its objectives
- Ensure compliance with relevant legislation, rules and regulations

It must be recognised that the Group's internal controls provide reasonable but not absolute assurance against material misstatement or loss.

Management has established a risk management framework and put in place sufficient procedures necessary to enable the Directors to report the Company's compliance with the Code on internal controls. These involve analysis, evaluation and management of the key risks to the Group, including a review of all material controls. They also include plans for the continuity of the Company's business in the event of unforeseen interruption. Having monitored the Group's risk management and internal controls, and having reviewed the effectiveness of material controls, the Audit Committee has not identified any significant failings or weaknesses in the Group's internal control structure during the year.

The Risk and Controls Committee supports the Audit Committee.

It is not a committee of the Board but of senior management from across the business and is chaired by the Chief Financial Officer. The Committee reports its activities to the Group Executive Committee. The Committee's role is to:

- Promote the application of the Risk Management Framework throughout the business
- Encourage proactive discussion of risk around the business
- Manage the annual internal audit programme
- Consider the results and recommendations of reviews
- Monitor the implementation of recommendations
- Oversee the Group's Business Continuity plans
- Monitor data protection compliance

The Audit Committee regularly reports to the Board on key risks to the Group. The Board allocates responsibility for the management of each key risk to the Executive Directors and senior executives across the Group.

The Audit Committee assists the Board in fulfilling its responsibilities relating to the adequacy and effectiveness of the control environment and the Group's compliance.

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

- Internal audit reports including monitoring the implementation of recommendations arising from them
- Reports on the system of internal controls and the Risk Management Framework
- The Company's approach to compliance with legislation and the prevention of fraud
- The General Data Protection Regulation implementation programme
- Gifts and entertainment and expenses registers



Further explanation of the Company's approach to risk management is on pages 56 to 57.

C.3 Audit Committee and Auditor

The Audit Committee comprises four independent Non-Executive Directors. It normally holds four meetings per year, organised around the Company's reporting schedule. In 2018 five Audit Committee meetings were held due to the December 2017 meeting being rescheduled to January 2018.

The Chair of the Audit Committee regularly reports details of the work carried out by the Audit Committee to the Board in accordance with its terms of reference.



The terms of reference for the Audit Committee are available at www.hammerson.com.

Pierre Bouchut, the Chair of the Audit Committee, has been determined by the Board to have recent and relevant financial experience as required by the Code. The Audit Committee as a whole has competence relevant to the sector in which the Company operates.



Details of the composition of the Audit Committee are on page 79. The biographies of members of the Audit Committee are on pages 66 and 67.

The Chair of the Board, the Chief Executive, the Chief Financial Officer and other members of the senior finance management team together with senior representatives of the Company's External Auditor, PricewaterhouseCoopers LLP (PwC), are invited to attend all or part of meetings as appropriate. In order to fulfil its duties as set out in its terms of reference, the Audit Committee receives presentations and reviews reports from the Group's senior management, consulting as necessary with PwC.

The Audit Committee meets with no Company management present at least once a year with PwC, and at least once with the head of the internal audit function.

Cushman & Wakefield LLP (the Valuer) and PwC have full access to one another and the Chair of the Audit Committee meets with the Valuer and PwC to discuss the half-year and year end valuation process to ensure each is satisfied that there has been a full and open exchange of information and views.

The Audit Committee has regard to the recommendations of the Financial Reporting Council on regular and open communications between audit committees and external auditors and it has concluded that the relationship with PwC meets these recommendations.

The Audit Committee assists the Board in fulfilling its responsibilities in relation to:

- Ensuring that management has systems and procedures in place to ensure the integrity of financial information
- Reviewing the Company's internal audit arrangements
- Maintaining an appropriate relationship with PwC
- Reviewing the effectiveness, objectivity and independence of PwC including the scope of work and the fees paid to PwC

The Committee is responsible for developing, implementing and monitoring the Group's policy on the engagement of the External Auditor to supply non-audit services. The principal requirements of the policy are that:

- The External Auditor may not provide a service which places it in a position where it may be required to audit its own work, such as bookkeeping or valuation services
- Some services may be provided in specific or exceptional circumstances and may include due diligence and property-related consultancy. Each occasion is specifically assessed and authorised by an Executive Director up to a limit of £50,000 and above that level by the Chair of the Audit Committee



Further details are in the terms of reference for the Audit Committee and the full policy on non-audit services is available at www.hammerson.com.

The Audit Committee has considered the re-appointment of PwC and recommended it to the Board. The Board will therefore recommend the re-appointment of PwC to shareholders at the 2019 AGM. There are no contractual obligations which restrict the Audit Committee's choice of external auditor or which put in place a minimum period for their tenure. There are no current plans to re-tender the services of the External Auditor.

PwC's remuneration as External Auditor for the year ended 31 December 2018 was £0.7 million. Consideration is given to the nature of and remuneration received for other services provided by PwC to the Company. Confirmation is also sought that the fee payable for the annual audit is sufficient to enable PwC to perform its obligations in accordance with the scope of the audit.

During 2018 non-audit services provided by PwC to the Company included work to support the Company's preparation of the interim acquisition documentation, work to provide an opinion on the Company's 31 March 2018 profit estimate and other assurance and advisory services. Fees for non-audit services provided to the Company by PwC for the year ended 31 December 2018 were £1.0 million.



Further information on the remuneration of PwC is in note 5 to the financial statements on page 139.

The Audit Committee oversees and monitors the policies and procedures which form the core components of the Group's adequate procedures under the Bribery Act including the Code of Conduct, the Anti-Bribery and Corruption Policy, the Whistleblowing Policy and other controls and training. The Code of Conduct explains how colleagues are expected to fulfil their responsibilities by acting in the best interests of the Group and in line with its corporate and financial objectives.



A summary of the Code of Conduct is available at www.hammerson.com.

The Whistleblowing Policy sets out the procedures for colleagues to report any suspicions of fraud, financial irregularity or other malpractice on an entirely confidential basis. Reports are provided to the General Counsel and Company Secretary, who ensures that matters are investigated appropriately. The Audit Committee receives a report on any matters raised. However, there were no reports received in 2018. The Company subscribes to the independent charity Protect so that colleagues may have free access to its helpline.



Details of how the Audit Committee has discharged its responsibilities during the year are in the Audit Committee Report on pages 79 to 81.

D. Remuneration

D.1 The level and components of remuneration

The principal responsibility of the Remuneration Committee is to determine and agree with the Board the overall remuneration principles and the framework for remuneration of the Executive Directors, the General Counsel and Company Secretary and the other members of the Group Executive Committee. The terms of reference for the Committee are reviewed annually.

The Chair of the Remuneration Committee reports regularly on the Committee's activities at Board meetings.



The Directors' Remuneration report is on pages 82 to 107.

D.2 Procedure

When determining policy on executive remuneration the Remuneration Committee takes into account all factors which it deems necessary. These include:

- Relevant legal and regulatory requirements
- The provisions of the Code
- Associated guidance
- Views of principal shareholders



Further details are in the terms of reference for the Remuneration Committee which are available at www.hammerson.com.

Details of the composition of the Remuneration Committee are on page 82.

Details of advisors who provided services to the Remuneration Committee during the year are on page 102.

During 2018 no individual was present when his or her own remuneration was being determined.

E. Relations with shareholders

E.1 Dialogue with shareholders

The Company actively engages with its shareholders.

Throughout 2018 the Company attended a wide variety of meetings, presentations and road shows. The Chair of the Board and the Executives meet regularly with institutional shareholders. Views are communicated to the Board as a whole. Institutional shareholders are offered the opportunity to attend meetings with the Senior Independent Director, or may request such meetings. The Board receives reports of meetings with institutional shareholders together with regular market reports and brokers' reports which enable the Directors to understand the views of shareholders. The Board takes account of corporate governance guidelines of institutional shareholders and their representative bodies such as the Investment Association and the Pensions and Lifetime Savings Association.

Hammerson's website contains information of interest to both institutional and private shareholders.



Further details about engagement with shareholders and other stakeholders are in the Corporate Governance report on page 74.

E.2 Constructive use of general meetings

At general meetings, the online and paper proxy appointment forms give shareholders options either to direct their proxy vote for or against each resolution or to withhold their vote. The Company will ensure that the proxy appointment form and any announcement of the results of a vote will make it clear that a 'vote withheld' is not a vote in law; it will therefore not be counted when calculating the proportions of votes that were for and against the resolution. All valid proxy appointment forms are properly recorded and counted. After the vote has been counted, information is given on the number of proxy votes for and against each resolution (and the number of shares representing withheld votes), both at the general meeting and on the Company's website. Notice of a general meeting is despatched to shareholders at least 14 days in advance.

Separate resolutions are proposed on each substantially separate issue.

When a significant proportion of the votes at any general meeting is cast against a resolution, the Company will explain, when announcing the results of the vote, the actions it intends to take to gain an understanding of the reasons behind the result.

This report (Directors' Report) forms part of the management report as required under the Disclosure Guidance and Transparency Rules (DTR). The Strategic Report on pages 1 to 63 includes an indication of likely future developments in the Company, details of important events since the year ended 31 December 2018 and the Company's business model and strategy. The Corporate Governance Report on pages 64 to 112 is incorporated in this Directors' Report by reference.

Company's Articles of Association (Articles)

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

Branches

Details of the Company's French and Irish branches are provided on page 190.

Directors

Details of the Directors who served during the year and continue to serve at the date of approval of the Directors' Report are set out on pages 66 to 67. Peter Cole and Jean-Philippe Mouton both stepped down as Directors on 31 December 2018 and Terry Duddy stepped down on 25 January 2019.

Directors are appointed and replaced in accordance with the Articles, the Act and the UK Corporate Governance Code. The powers of the Directors are set out in the Articles and the Act.

Directors' interests

Details of the Directors' share interests can be found on page 92.

Disclosure of information to auditors

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

- So far as she or he is aware, there is no relevant information of which the Company's External Auditor is unaware
- She or he has taken all the steps that she or he ought to have taken as a Director in order to make herself or himself aware of any relevant audit information and to establish that the Company's External Auditor is aware of that information

Dividend

Details of the recommended final dividend can be found on page 52 and in note 10 on page 142.

Employees

Details of the Company's policies regarding the employment of disabled persons are provided on page 42.

Employees receive regular briefings and updates via the Company's intranet to inform them of the performance of the business and opportunities to participate in employee share schemes. Details of engagement with employees can be found on page 74.

Financial instruments

Details of the Group's financial risk management in relation to its financial instruments are available in note 20 on pages 158 to 164.

Going Concern and Viability statements

The Company's Going Concern statement and Viability statement can be found on page 63.

Greenhouse gas emissions reporting

Information regarding the Company's greenhouse gas emissions can be found on page 189.

Indemnification of and insurance for Directors and officers

The Company maintains directors' and officers' liability insurance, which is reviewed annually. The Company's Directors and officers are adequately insured in accordance with best practice. Directors are indemnified under the Articles and through a Deed Poll of Indemnity.

Provisions on change of control

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

In addition, under the Company's credit facilities and private placement notes, the lending banks or holders may request repayment of outstanding amounts within 30 and 52 days respectively of any change of control.

Purchase of own shares

At the 2018 Annual General Meeting (AGM), the Company was granted authority by shareholders to purchase up to 79,422,719 ordinary shares (10% of the Company's issued ordinary share capital as at 28 February 2018). This authority will expire at the conclusion of the 2019 AGM, at which a resolution will be proposed for its renewal, or, if earlier, on 24 July 2019.

Details of the shares purchased by the Company during 2018 can be found on page 52 and in note 23 on page 165.

Listing Rule 9.8.4R disclosures

Table 83 sets out where disclosures required in compliance with Listing Rule 9.8.4R are located.

Table 83

	Page
Interest capitalised and tax relief	141
Publication of unaudited financial information	n/a
Details of long term incentive schemes	82–107
Waiver of emoluments by a director	n/a
Waiver of future emoluments by a director	n/a
Non pre-emptive issues of equity for cash	n/a
Non pre-emptive issues of equity for cash by major subsidiary undertakings	n/a
Parent company participation in a placing by a listed subsidiary	n/a
Contracts of significance	n/a
Provision of services by a controlling shareholder	n/a
Agreements with controlling shareholders	n/a
Shareholder waivers of dividends	114
Shareholder waivers of future dividends	114

Responsibility statement

The Directors' responsibility statement is set out on page 115.

Share capital and substantial shareholders

Details of the Company's capital structure are set out in note 23 on page 165. The rights and obligations attached to the Company's shares are set out in the Articles. There are no restrictions on the transfer of shares except the UK Real Estate Investment Trust restrictions.

Interests in voting rights over the issued share capital of the Company disclosed in accordance with DTR 5 can be found in Table 85 below.

Shares held in the Employee Share Ownership Plan

The Trustees of the Hammerson Employee Share Ownership Plan hold Hammerson plc shares in trust to satisfy awards under the Company's employee share plans. The Trustees have waived their right to receive dividends on shares held in the Company. As at 31 December 2018, 1,508,235 shares were held in trust for employee share plans purposes.

Statement of compliance with the Competition and Markets Authority (CMA) order

The Company confirms that it has complied with The Statutory Audit Services for Large Companies Market Investigation (Mandatory Use of Competitive Processes and Audit Committee Responsibilities) Order 2014 (Article 7.1), published by the CMA on 26 September 2014.

Sarah Booth

General Counsel and Company Secretary
25 February 2019

Non-Financial Information Statement

Table 84

Reporting requirement	Where to read more about our policies, including the principal risks relating to these matters	Page	Some of our relevant policies
Environmental matters	Sustainability review Risks and uncertainties – Environmental Sustainability Report 2018 ¹	34–40 62	Environmental policy ¹ Climate change policy ¹ Biodiversity policy ¹ Responsible procurement policy ¹
Employees	Our people Risks and uncertainties – People Corporate Governance report – Engagement with stakeholders Nomination Committee report	41–43 62 74 76–78	Code of conduct ² Board Diversity policy ² Equal opportunities policy ¹ Health and safety policy ¹
Human Rights	Corporate Governance report – Managing the business	69	Modern slavery and human trafficking statement ² Responsible procurement policy ¹
Social matters	Sustainability review Risks and uncertainties – Catastrophic event Corporate Governance report – Engagement with stakeholders Sustainability Report 2018 ¹	34–40 61 74	Code of conduct ² Responsible procurement policy ¹ Health and safety policy ¹
Anti-bribery and corruption	Our people Audit Committee report Compliance with the UK Corporate Governance Code	41–43 79–81 108–112	Code of conduct ² Anti-bribery and corruption policy ³ Whistleblowing policy ³ Responsible procurement policy ¹
Business model	Our business model	14–15	
Non-financial KPIs	Operational KPIs Operating review	17 18–33	

1. Available on our Positive Places website sustainability.hammerson.com.

2. Available on our website www.hammerson.com.

3. Available to all employees through the Hammerson intranet. Not published externally.

Interests disclosed under DTR 5

Table 85

	Number of voting rights attached to shares or held through financial instruments	% of total voting rights disclosed to the Company ⁴
BlackRock, Inc.	85,741,722	10.79
APG Asset Management N.V.	62,111,208	7.83
Barclays Plc ³	46,520,468	6.063
Coronation Asset Management (Pty) Ltd	46,300,470	6.03
JPMorgan Chase & Co. ¹	41,260,553	5.34
Elliott Capital Advisors L.P.	41,840,715	5.2681
Peel Holdings (IOM) Limited ²	36,230,050	4.567

1. JPMorgan Chase & Co. notified the Company:

- on 31 January 2019 that its holding had decreased to 5.31% of the Company's total voting rights, including a decrease through financial instruments from 5.16% to 4.94%.
- on 1 February 2019 that its holding had increased to 5.34% of the Company's total voting rights, including an increase through financial instruments from 4.94% to 5.21%.

2. Peel Holdings (IOM) Limited notified the Company on 8 February 2019 that its holding had decreased to 3.985% of the Company's total voting rights.

3. Barclays Plc notified the Company on 15 February 2019 that its holding had decreased to 5.977% of the Company's total voting rights.

4. No other changes to table 85 have been disclosed to the Company between 31 December 2018 and 25 February 2019.

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

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the Group financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and Company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 'Reduced Disclosure Framework', and applicable law). 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 Group and Company and of the profit or loss of the Group and Company for that period. In preparing the financial statements, the Directors are required to:

- Select suitable accounting policies and then apply them consistently
- State whether applicable IFRS as adopted by the European Union have been followed for the Group financial statements and United Kingdom Accounting Standards, comprising FRS 101, have been followed for the Company financial statements, subject to any material departures disclosed and explained in the financial statements
- Make judgements and accounting estimates that are reasonable and prudent
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and Company will continue in business

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group and Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and Company and enable them to ensure that the financial statements and the Directors' Remuneration Report comply with the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

The Directors are also responsible for safeguarding the assets of the Group and 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 Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

The Directors consider that the Annual Report and financial statements, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group and Company's position and performance, business model and strategy.

Each of the Directors, whose names and functions are listed in the Corporate Governance Report, confirms that to the best of their knowledge:

- The Company financial statements, which have been prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 'Reduced Disclosure Framework', and applicable law), give a true and fair view of the assets, liabilities, financial position and profit of the Company
- The Group financial statements, which have been prepared in accordance with IFRSs as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and loss of the Group
- The Strategic Report includes a fair review of the development and performance of the business and the position of the Group and Company, together with a description of the principal risks and uncertainties that they face

In the case of each Director in office at the date the Directors' Report is approved:

- So far as the Director is aware, there is no relevant audit information of which the Group and Company's auditors are unaware
- They have taken all the steps that they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the Group and Company's auditors are aware of that information

By order of the Board

David Atkins
Chief Executive

Timon Drakesmith
Chief Financial Officer

25 February 2019

Report on the audit of the financial statements

Opinion

In our opinion:

- Hammerson plc's Group financial statements and Company financial statements (the 'financial statements') give a true and fair view of the state of the Group's and of the Company's affairs as at 31 December 2018 and of the Group's loss and cash flows for the year then ended;
- the Group financial statements have been properly prepared in accordance with International Financial Reporting standards (IFRSs) as adopted by the European Union;
- the Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 'Reduced Disclosure Framework', and applicable law); and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

We have audited the financial statements, included within the Annual Report, which comprise: the Consolidated and Company Balance Sheets as at 31 December 2018; the Consolidated Income Statement and the Consolidated Statement of Comprehensive Income, the Consolidated Cash Flow Statement, and the Consolidated and Company Statements of Changes in Equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Our opinion is consistent with our reporting to the Audit Committee.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ('ISAs (UK)') and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

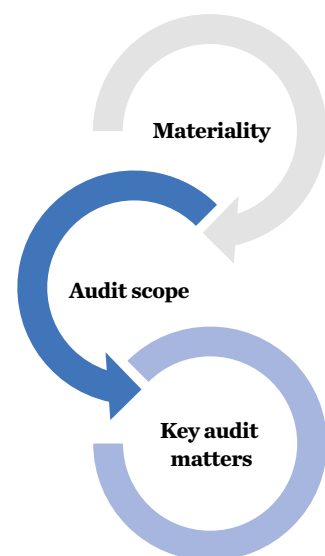
We remained independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, as applicable to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

To the best of our knowledge and belief, we declare that non-audit services prohibited by the FRC's Ethical Standard were not provided to the Group or the Company.

Other than those disclosed in note 5 to the financial statements, we have provided no non-audit services to the Group or the Company in the period from 1 January 2018 to 31 December 2018.

Our audit approach

Overview



- Overall Group materiality: £67.0 million (2017: £74.0 million), based on 0.75% of the Group's total assets.
- Specific Group materiality: £12.0 million (2017: £12.3 million), based on 5% of adjusted earnings.
- Overall Company materiality: £77.8 million (2017: £84.0 million), based on 0.75% of the Company's total assets.

- The UK and French components were subject to a full scope audit. Together these components account for 73% of the Group's total assets.
- The Irish and VIA Outlets components were subject to an audit over certain account balances (including investment property).
- The underlying financial information of Value Retail was subject to specified procedures over certain account balances (including investment property).

- Valuation of investment property, either held directly or within joint ventures (Group).
- Accounting for the investment in Value Retail and valuation of investment property held by Value Retail (Group).
- Valuation of investments in subsidiary companies (Company).

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements.

Capability of the audit in detecting irregularities, including fraud

Based on our understanding of the Group and industry, we identified that the principal risks of non-compliance with laws and regulations to be related to tax legislation including the Real Estate Investment Trust requirements, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the preparation of the financial statements such as the Companies Act 2006 and Listing Rules. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries to increase revenue, and management bias in accounting estimates. The Group engagement team shared this risk assessment with the component auditors so that they could include appropriate audit procedures in response to such risks in their work. Audit procedures performed by the Group engagement team and/or component auditors included:

- Discussions with management and internal audit, including consideration of known or suspected instances of non-compliance with laws and regulation and fraud;
- Evaluation of management's controls designed to prevent and detect irregularities;
- Challenging assumptions and judgements made by management in their significant accounting estimates, in particular in relation to the valuation of investment property (see related key audit matter below); and
- Identifying and testing journal entries, in particular any journal entries posted to revenue with unusual account combinations or posted by senior management.

There are inherent limitations in the audit procedures described above and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we would become aware of it. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. This is not a complete list of all risks identified by our audit.

Key audit matter	How our audit addressed the key audit matter
<i>Valuation of investment property, either held directly or within joint ventures</i> Group Refer to page 81 (Audit Committee Report), pages 146 to 152 (Notes to the financial statements – notes 12 and 13), page 131 (Significant judgements and key estimates), and page 133 (Significant accounting policies). The Group directly owns, or owns via joint ventures or associates, a portfolio of property which includes shopping centres, retail parks, developments and premium outlets. The total value of this portfolio as at 31 December 2018 was £9,938 million (2017: £10,560 million). Of this portfolio £3,830 million is held by subsidiaries (2017: £4,686 million) and £4,256 million by joint ventures (2017: £4,211 million). These properties are spread across the UK, French, Irish and VIA Outlets components. The remainder of the portfolio is held within associates, primarily in respect of Value Retail. The Group's share of Value Retail's investment property is £1,823 million (2017: £1,634 million). The valuation of this property is discussed within the subsequent key audit matter. This was identified as a key audit matter given the valuation of the investment property portfolio is inherently subjective and complex due to, among other factors, the individual nature of each property, its location, and the expected future rental streams for that particular property. The wider challenges currently facing the UK retail real estate occupier and investor markets further contributed to the subjectivity for the year ended 31 December 2018. The valuation is carried out by external valuers, Cushman & Wakefield (as defined in note 12), in accordance with the RICS Valuation – Professional Standards and the Group accounting policies which incorporate the requirements of International Accounting Standard 40, 'Investment Property'.	Given the inherent subjectivity involved in the valuation of investment properties, the need for deep market knowledge when determining the most appropriate assumptions, and the technicalities of valuation methodology, we engaged our internal valuation experts (qualified chartered surveyors) to assist us in our audit of this matter. <i>Assessing the valuers' expertise and objectivity</i> We assessed the external valuers' qualifications and expertise and read their terms of engagement with the Group to determine whether there were any matters that might have affected their objectivity or may have imposed scope limitations upon their work. We also considered fee arrangements between the external valuers and the Group, and other engagements which might exist between the Group and the valuers. We found no evidence to suggest that the objectivity of the external valuers, in their performance of the valuations, was compromised. <i>Data provided to the valuers</i> We checked the accuracy of the underlying lease data and capital expenditure used by the external valuers in their valuation of the portfolio by tracing the data back to the relevant component accounting records and signed leases on a sample basis. No exceptions were identified from this work. <i>Assumptions and estimates used by the valuers</i> We read the external valuation reports for all the properties and confirmed that the valuation approach for each was in accordance with RICS standards and suitable for use in determining the final value for the purpose of the financial statements. We met with external valuers to discuss and challenge the valuation process, the key assumptions, and the rationale behind the more significant valuation movements during the year. It was evident from our interaction with the external valuers, and from our review of the valuation reports, that close attention had been paid to each property's individual characteristics at a granular, tenant by tenant level, as well as considering the property specific factors such as the overall quality, geographic location and desirability of the asset as a whole.

Key audit matter*Valuation of investment property, either held directly or within joint ventures (continued)*

The properties are held primarily at investment value reflecting the fact that the properties are largely existing operational properties currently generating rental income. Shopping centres and retail parks are primarily valued using the income capitalisation method, and premium outlets are valued on a discounted cash flow ("DCF") basis.

Those development properties that are subject to an active ongoing development are valued using the residual valuation approach. Existing operational properties, but which have development potential, are valued under the income capitalisation method but adjusted to account for development potential. Development land is valued on a land per acre basis.

Shopping centres and retail parks

In determining the valuation of a shopping centre or retail park the valuers take into account property specific information such as the current tenancy agreements and rental income. They then apply judgemental assumptions such as yield and estimated rental value ("ERV"), which are influenced by prevailing market yields and where appropriate comparable market transactions, to arrive at the final valuation. Due to the unique nature of each property, the judgemental assumptions to be applied are determined having regard to the individual property characteristics at a granular, tenant by tenant level, as well as considering the qualities of the property as a whole.

Premium outlets

In determining the valuation of a premium outlet the valuers take into account property specific information such as the current tenancy agreements, rental income generated by the asset, as well as property operating costs. They then apply judgemental assumptions such as yield, discount rate, sales density and expected rental income growth rates, which are influenced by prevailing market yields and where appropriate comparable market transactions, to arrive at the final valuation. Due to the unique nature of each property, the judgemental assumptions to be applied are determined having regard to the individual property characteristics at a granular, unit by unit level, as well as considering the qualities of the property as a whole.

Developments

In determining the valuation of development property held under a residual valuation the valuers take into account the property specific information such as the development plans for the site. They then apply a number of judgemental assumptions including ERV and yield within the gross development value, estimated costs to complete and developers profit to arrive at the valuation. Due to the unique nature of an ongoing development the judgemental assumptions to be applied are determined having regard to the nature and risks associated with each development. In determining the valuation of operational properties with development potential the valuers initially follow the same methodology as described previously to arrive at an income capitalisation value. Having regard to the unique nature of each property, the likelihood of the development progressing and the status of planning consents for the development, the valuers then make adjustments to the valuation to reflect development potential.

In determining the value of development land the valuers primarily have regard for the land per acre value achieved by comparable recent land transactions.

How our audit addressed the key audit matter

In addition we performed the following procedures for each type of property. We were able to obtain sufficient evidence to support the valuation and did not identify any material issues during our work.

– Shopping centres and retail parks

For shopping centres and retail parks we obtained details of each property and set an expected range for yield and capital value movement, determined by reference to published benchmarks and using our experience and knowledge of the market. We compared the yield and capital movement of each property with our expected range. We also considered the reasonableness of other assumptions that are not so readily comparable with published benchmarks, such as ERV. Where assumptions were outside the expected range or otherwise appeared unusual we undertook further investigations and, when necessary, obtained corroborating evidence to support explanations received. This enabled us to assess the property specific factors that have had an impact on value, including recent comparable transactions where appropriate, and to conclude on the reasonableness of the assumptions utilised.

– Premium outlets

For premium outlets we initially obtained details of each property. We then assessed the reasonableness of each property's key assumptions comparing its yield, discount rate, sales density and rental income growth rates to comparable market benchmarks. In doing so we had regard to property specific factors and our knowledge of the market, including recent comparable transactions where appropriate. We obtained corroborating evidence to support explanations received from the valuers where appropriate.

– Developments

For significant ongoing developments valued via the residual valuation method we obtained the development appraisal and assessed the reasonableness of the valuers' key assumptions. This included comparing the yield to publicised benchmarks, comparing the costs to complete estimates to development plans, and considering the reasonableness of other assumptions that are not so readily comparable with published benchmarks, such as ERV and developers profit. Where assumptions appeared unusual we undertook further investigations and, when necessary, obtained corroborating evidence to support explanations received.

For operational properties with development potential we performed the same procedures as described previously for shopping centres and retail parks. Additionally we considered the reasonableness of any additional value recognised for development potential by reviewing the stage of progress of the proposed development including verifying any planning consents obtained.

For development land valued on a land per acre basis we obtained details of the comparable land transactions utilised by the valuers. We verified the value of these transactions to supporting evidence and considered their comparability to the asset being valued.

Overall findings

We found that the assumptions used by the valuers were predominantly consistent with our expectations and comparable benchmarking information for the asset type, and that the assumptions were applied appropriately and reflected those available comparable market transactions. Where assumptions did not fall within our expected range we were satisfied that variances were due to property specific factors such as new lettings at higher rents. We concluded that the assumptions used in the valuations by the external valuers were supportable in light of available and comparable market evidence.

Key audit matter

Accounting for the investment in Value Retail and valuation of investment property held by Value Retail

Group

Refer to page 81 (Audit Committee Report), pages 153 to 156 (Notes to the financial statements – note 14), page 131 (Significant judgements, key assumptions and estimates), and page 132 (Significant accounting policies).

The Group has an investment in Value Retail, a separate group owning a number of premium outlet centres across the United Kingdom and Europe. The Group equity accounts for its interest in Value Retail as an associate. The Group's investment as at 31 December 2018 was £1,211 million (2017: £1,069 million).

Investment property valuation

The valuation of the Group's investment in Value Retail is predominantly driven by the valuation of the property assets within the Value Retail portfolio. The value of this property was £5,029 million as at 31 December 2018 (2017: £4,760 million). The Group's share of the Value Retail property, which is included within the wider Group portfolio of £9,938 million (2017: £10,560 million), was £1,823 million (2017: £1,634 million).

The judgements and risks associated with the valuation of this portfolio are similar to those in the remainder of the Group's premium outlets portfolio discussed within the previous key audit matter, with the properties also being valued by Cushman & Wakefield (as defined in note 12) on a DCF basis.

Accounting for the investment in Value Retail

Value Retail has a complex ownership structure whereby each investing party owns differing proportions of each of the entities, and hence properties, within the Value Retail group. As such this creates significant complexity in determining the overall investment in Value Retail held within the Group consolidated financial statements.

Therefore, on the basis of the significant judgement within the investment property valuation, and the complexity in determining the overall investment in Value Retail, we identified this as a key audit matter.

Valuation of investments in subsidiary companies

Company

Refer to page 170 (Notes to the Company financial statements – note C) and page 170 (Accounting policies).

The Company has investments in subsidiary companies of £4,551 million (2017: £4,897 million) as at 31 December 2018.

The Company's accounting policy is to hold these investments at fair value. Given the inherent judgement and complexity in assessing the fair value of a subsidiary, this was identified as a key audit matter for our audit of the Company.

The primary determinant and key judgement within the fair value of each subsidiary company is the value of the investment property held by each investee. As such it was over this area we applied the most focus and audit effort.

How our audit addressed the key audit matter

Investment property valuation

As Group auditors we formally instructed the component auditors of Value Retail to perform specified procedures over the underlying financial information of Value Retail. These procedures included work over the valuation of investment property within Value Retail.

The procedures performed were in line with those procedures described within the previous key audit matter surrounding the remainder of the Group's premium outlet investment properties.

We have obtained reporting from the component auditors and have reviewed the results and quality of their work over investment property valuation.

In addition the Group audit team attended the meeting held between Cushman & Wakefield and the component auditors and reviewed the component auditors' working papers.

We have no issues to report and have obtained sufficient audit comfort over the investment property balances within the Value Retail information.

Accounting for the investment in Value Retail

In respect of the complexity within the calculation of the Group's investment in Value Retail, we obtained the ownership structure for Value Retail as at 31 December 2018. We instructed the component auditor to verify the Group's percentage ownership of each entity within the Value Retail group including taking account of the acquisitions in the year. We have obtained reporting from the component auditors on this procedure and have reviewed the results and quality of their work.

We have tested the adjustments made within the Group consolidation in accordance with IAS 28 'Investments in associates and joint ventures' in arriving at the Group's equity accounted investment in Value Retail to ensure they are appropriate.

We have no issues to report in respect of this work.

We obtained the Directors' valuation for the value of investments held in subsidiary companies as at 31 December 2018.

We assessed the accounting policy for investments to ensure it was compliant with FRS 101 'Reduced Disclosure Framework'.

We verified that the methodology used by the Directors in arriving at the fair value of each subsidiary was compliant with FRS 101 'Reduced Disclosure Framework'.

We identified the key judgement within the valuation of investments held in subsidiary companies to be the valuation of investment property held by each investee. For details of our procedures over investment property valuations please refer to page 117 within this report since this was identified as a key audit matter in its own right for the Group.

We have no matters to report in respect of this work.

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the Group and the Company, the accounting processes and controls, and the industry in which they operate.

The Group owns and invests in a number of shopping centres, retail parks, developments and premium outlets across the United Kingdom and Europe. These are held within a variety of subsidiaries, joint ventures and associates.

Based on our understanding of the Group we focused our audit work primarily on five components being: UK, France, Ireland, Value Retail and VIA Outlets.

The UK and French components were subject to a full scope audit given their financial significance to the Group. Ireland and VIA Outlets were subject to an audit over certain account balances (including investment property), based on our assessment of risk and materiality of the Group's operations at each component. The underlying financial information of Value Retail was subject to specified procedures over certain account balances (including investment property), based on our assessment of risk and materiality of the Group's operations at this component.

The UK and French components account for 73% (2017: 77%) of the Group's total assets.

The UK and Irish components were audited by the Group team. The French, VIA Outlets and Value Retail components were audited by component teams.

Detailed instructions were sent to all component teams. These instructions covered the significant areas that should be addressed by the component auditors (which included the relevant risks of material misstatement) and set out the information required to be reported back to the Group audit team. In addition, regular meetings were held with the component audit teams, with the Group audit team attending the clearance meeting for all component audits. Finally the Group audit team performed a detailed review of the working papers of all component teams to ensure the work performed was appropriate.

These procedures, together with additional procedures performed at the Group level (including audit procedures over the consolidation and consolidation adjustments), gave us the evidence we needed for our opinion on the Group financial statements as a whole.

In respect of the audit of the Company, the Group audit team performed a full scope statutory audit.

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	Group financial statements	Company financial statements
Overall materiality	£67.0 million (2017: £74.0 million).	£77.8 million (2017: £84.0 million).
How we determined it	0.75% of the Group's total assets.	0.75% of the Company's total assets.
Rationale for benchmark applied	We determined materiality based on total assets given the valuation of investment properties, whether held directly or through joint ventures and associates, is the key determinant of the Group's value. This materiality was utilised in the audit of investing and financing activities.	Given the Hammerson plc entity is primarily a holding company we determined total assets to be the appropriate benchmark.
Specific materiality	£12.0 million (2017: £12.3 million).	Not applicable.
How we determined it	5% of adjusted earnings.	Not applicable.
Rationale for benchmark applied	In arriving at this materiality we had regard to the fact that adjusted earnings is a secondary financial indicator of the Group (Refer to note 11 of the financial statements where the term is defined in full). This materiality was utilised in the audit of operating activities.	Not applicable.

For each component in the scope of our Group audit, we allocated a materiality that is less than our overall Group materiality. The range of materiality allocated across components was £20.0 million to £57.0 million.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £3.3 million (Group audit) (2017: £3.7 million) and £3.9 million (Company audit) (2017: £4.2 million) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

In addition we agreed with the Audit Committee we would report to them misstatements identified during our Group audit above £1.2 million (2017: £0.6 million) for misstatements related to operating items within the financial statements, as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Going concern

In accordance with ISAs (UK) we report as follows:

Reporting obligation	Outcome
We are required to report if we have anything material to add or draw attention to in respect of the Directors' statement in the financial statements about whether the Directors considered it appropriate to adopt the going concern basis of accounting in preparing the financial statements and the Directors' identification of any material uncertainties to the Group's and the Company's ability to continue as a going concern over a period of at least twelve months from the date of approval of the financial statements.	We have nothing material to add or to draw attention to. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Group's and Company's ability to continue as a going concern. For example, the terms on which the United Kingdom may withdraw from the European Union, which is currently due to occur on 29 March 2019, are not clear, and it is difficult to evaluate all of the potential implications on the Group's and Company's trade, customers, suppliers and the wider economy.
We are required to report if the Directors' statement relating to Going Concern in accordance with Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit.	We have nothing to report.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The Directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, the Companies Act 2006, (CA06), ISAs (UK) and the Listing Rules of the Financial Conduct Authority (FCA) require us also to report certain opinions and matters as described below (required by ISAs (UK) unless otherwise stated).

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 December 2018 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements. (CA06)

In light of the knowledge and understanding of the Group and Company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report. (CA06)

The Directors' assessment of the prospects of the Group and of the principal risks that would threaten the solvency or liquidity of the Group

We have nothing material to add or draw attention to regarding:

- The Directors' confirmation on page 56 of the Annual Report that they have carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity.
- The disclosures in the Annual Report that describe those risks and explain how they are being managed or mitigated.
- The Directors' explanation on page 63 of the Annual Report as to how they have assessed the prospects of the Group, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

We have nothing to report having performed a review of the Directors' statement that they have carried out a robust assessment of the principal risks facing the Group and statement in relation to the longer-term viability of the Group. Our review was substantially less in scope than an audit and only consisted of making inquiries and considering the Directors' process supporting their statements; checking that the statements are in alignment with the relevant provisions of the UK Corporate Governance Code (the 'Code'); and considering whether the statements are consistent with the knowledge and understanding of the Group and Company and their environment obtained in the course of the audit. (Listing Rules)

Other Code Provisions

We have nothing to report in respect of our responsibility to report when:

- The statement given by the Directors, on page 115, that they consider the Annual Report taken as a whole to be fair, balanced and understandable, and provides the information necessary for the members to assess the Group's and Company's position and performance, business model and strategy is materially inconsistent with our knowledge of the Group and Company obtained in the course of performing our audit.
- The section of the Annual Report on page 79 describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee.
- The Directors' statement relating to the Company's compliance with the Code does not properly disclose a departure from a relevant provision of the Code specified, under the Listing Rules, for review by the auditors.

Directors' Remuneration

In our opinion, the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006. (CA06)

Responsibilities for the financial statements and the audit

Responsibilities of the Directors for the financial statements

As explained more fully in the Statement of Directors' Responsibilities set out on page 115, the Directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The Directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

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

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the Company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- the Company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Appointment

Following the recommendation of the Audit Committee, we were appointed by the members on 25 April 2017 to audit the financial statements for the year ended 31 December 2017 and subsequent financial periods. The period of total uninterrupted engagement is two years, covering the years ended 31 December 2017 to 31 December 2018.

Paul Cragg (Senior Statutory Auditor)

for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
25 February 2019

Consolidated income statement
for the year ended 31 December 2018

	Notes	2018 £m	2017 £m
Revenue*	4	292.4	320.6
Operating profit before other net (losses)/gains and share of results of joint ventures and associates	2	152.2	174.2
Loss on sale of properties		(79.9)	(15.5)
Net exchange gain previously recognised in equity, recycled on disposal of foreign operations		2.0	27.8
Acquisition-related costs		(6.4)	(6.5)
Revaluation (losses)/gains on properties		(161.4)	1.9
Other net (losses)/gains	2	(245.7)	7.7
Share of results of joint ventures	13A	(106.4)	180.5
Share of results of associates	14A	57.7	223.0
Operating (loss)/profit	2	(142.2)	585.4
Finance costs		(109.2)	(125.3)
Debt and loan facility cancellation costs		(15.3)	(41.5)
Change in fair value of derivatives		(14.5)	(21.3)
Finance income		14.5	16.1
Net finance costs	8	(124.5)	(172.0)
(Loss)/Profit before tax		(266.7)	413.4
Tax charge	9A	(1.8)	(1.8)
(Loss)/Profit for the year		(268.5)	411.6
Attributable to:			
Equity shareholders		(268.1)	388.4
Non-controlling interests	28C	(0.4)	23.2
(Loss)/Profit for the year		(268.5)	411.6
Basic (loss)/earnings per share	11B	(34.1)p	49.0p
Diluted (loss)/earnings per share	11B	(34.1)p	48.9p

* Following the adoption of IFRS 15 Revenue from Contracts with Customers, a new financial statement line "Revenue" replaces the previously reported "Gross rental income". Comparative figures have been amended accordingly. See note 1 on page 130 for further details.

Consolidated statement of comprehensive income
for the year ended 31 December 2018

	2018 £m	2017 £m
Items recycled through the consolidated income statement on disposal of foreign operations		
Exchange gain previously recognised in the translation reserve	(10.3)	(54.4)
Exchange loss previously recognised in the net investment hedge reserve	8.3	46.2
Net exchange gain relating to equity shareholders	(2.0)	(8.2)
Exchange gain relating to non-controlling interests	–	(19.6)
	(2.0)	(27.8)
Items that may subsequently be recycled through the consolidated income statement		
Foreign exchange translation differences	41.5	161.1
Loss on net investment hedge	(29.0)	(99.3)
Net gain/(loss) on cash flow hedge	4.1	(0.3)
Share of other comprehensive loss of associates	(3.3)	–
	13.3	61.5
Items that may not subsequently be recycled through the consolidated income statement		
Change in fair value of participative loans within investment in associates	–	(0.5)
Net actuarial gains/(losses) on pension schemes	0.8	(0.3)
	0.8	(0.8)
Total other comprehensive income	12.1	32.9
(Loss)/Profit for the year	(268.5)	411.6
Total comprehensive (loss)/income for the year	(256.4)	444.5
Attributable to:		
Equity shareholders	(256.0)	437.7
Non-controlling interests	(0.4)	6.8
Total comprehensive (loss)/income for the year	(256.4)	444.5

Consolidated balance sheet

as at 31 December 2018

	Notes	2018 £m	2017 £m
Non-current assets			
Investment and development properties	12	3,830.4	4,686.1
Interests in leasehold properties		39.9	37.2
Plant and equipment		4.5	5.1
Investment in joint ventures	13A	3,604.5	3,673.7
Investment in associates	14C	1,241.5	1,099.5
Derivative financial instruments*	20A	24.5	16.6
Receivables		3.6	3.8
		8,748.9	9,522.0
Current assets			
Receivables	15	113.8	110.5
Derivative financial instruments*	20A	4.1	–
Restricted monetary assets	16	24.0	37.3
Cash and deposits	17	31.2	205.9
		173.1	353.7
Total assets		8,922.0	9,875.7
Current liabilities			
Payables	18	(233.7)	(261.1)
Tax		(0.9)	(0.5)
Derivative financial instruments*	20A	(9.8)	(1.7)
		(244.4)	(263.3)
Non-current liabilities			
Loans	19	(3,013.9)	(3,352.4)
Deferred tax		(0.5)	(0.5)
Derivative financial instruments*	20A	(101.0)	(98.9)
Obligations under head leases	21	(42.3)	(38.9)
Payables	22	(87.0)	(84.2)
		(3,244.7)	(3,574.9)
Total liabilities		(3,489.1)	(3,838.2)
Net assets		5,432.9	6,037.5
Equity			
Share capital	23	191.6	198.6
Share premium		1,266.0	1,265.9
Translation reserve		794.3	763.1
Net investment hedge reserve		(624.7)	(604.0)
Cash flow hedge reserve		(8.2)	(12.3)
Merger reserve		374.1	374.1
Other reserves		27.2	22.0
Retained earnings		3,415.3	4,016.4
Investment in own shares		(3.0)	(0.3)
Equity shareholders' funds		5,432.6	6,023.5
Non-controlling interests	28C	0.3	14.0
Total equity		5,432.9	6,037.5
EPRA net asset value per share	11D	£7.38	£7.76

* Derivative financial instruments have been presented separately on the face of the consolidated balance sheet to improve the clarity of reporting. Comparative figures have been amended accordingly. See note 20A on page 158 for details.

These financial statements were approved by the Board of Directors on 25 February 2019.

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 2018

	Share capital £m	Share premium £m	Translation reserve £m	Net investment hedge reserve £m	Cash flow hedge reserve £m	Merger reserve £m	Other reserves ¹ £m	Retained earnings £m	Investment in own shares ² £m	Equity shareholders' funds £m	Non-controlling interests £m	Total equity £m
Balance at 1 January 2018	198.6	1,265.9	763.1	(604.0)	(12.3)	374.1	22.0	4,016.4	(0.3)	6,023.5	14.0	6,037.5
Issue of shares	–	0.1	–	–	–	–	–	–	–	0.1	–	0.1
Share buyback	(7.0)	–	–	–	–	–	7.0	(128.9)	–	(128.9)	–	(128.9)
Share-based employee remuneration (note 5)	–	–	–	–	–	–	3.4	–	–	3.4	–	3.4
Cost of shares awarded to employees	–	–	–	–	–	–	(3.6)	–	3.6	–	–	–
Transfer on award of own shares to employees	–	–	–	–	–	–	(1.6)	1.6	–	–	–	–
Proceeds on award of own shares to employees	–	–	–	–	–	–	–	0.2	–	0.2	–	0.2
Purchase of own shares	–	–	–	–	–	–	–	–	(6.3)	(6.3)	–	(6.3)
Dividends (note 10)	–	–	–	–	–	–	–	(203.4)	–	(203.4)	(13.3)	(216.7)
Exchange (gain)/loss previously recognised in equity recycled on disposal of foreign operations	–	–	(10.3)	8.3	–	–	–	–	–	(2.0)	–	(2.0)
Foreign exchange translation differences	–	–	41.5	–	–	–	–	–	–	41.5	–	41.5
Loss on net investment hedge	–	–	–	(29.0)	–	–	–	–	–	(29.0)	–	(29.0)
Gain on cash flow hedge	–	–	–	–	27.7	–	–	–	–	27.7	–	27.7
Gain on cash flow hedge recycled to net finance costs	–	–	–	–	(23.6)	–	–	–	–	(23.6)	–	(23.6)
Share of other comprehensive loss of associates (note 14E)	–	–	–	–	–	–	–	(3.3)	–	(3.3)	–	(3.3)
Net actuarial gains on pension schemes (note 7C)	–	–	–	–	–	–	–	0.8	–	0.8	–	0.8
Loss for the year	–	–	–	–	–	–	–	(268.1)	–	(268.1)	(0.4)	(268.5)
Total comprehensive income/(loss) for the year	–	–	31.2	(20.7)	4.1	–	–	(270.6)	–	(256.0)	(0.4)	(256.4)
Balance at 31 December 2018	191.6	1,266.0	794.3	(624.7)	(8.2)	374.1	27.2	3,415.3	(3.0)	5,432.6	0.3	5,432.9

1. Other reserves comprise a capital redemption reserve of £14.3 million (2017: £7.3 million) relating to share buybacks and £12.9 million (2017: £14.7 million) relating to share-based employee remuneration.

2. Investment in own shares is stated at cost.

Consolidated statement of changes in equity continued

for the year ended 31 December 2017

	Share capital £m	Share premium £m	Translation reserve £m	Net investment hedge reserve ¹ £m	Cash flow hedge reserve ¹ £m	Merger reserve £m	Other reserves ² £m	Retained earnings £m	Investment in own shares ³ £m	Equity shareholders' funds £m	Non-controlling interests £m	Total equity £m
Balance at 1 January 2017	198.3	1,265.7	659.6	(550.9)	(12.0)	374.1	23.7	3,817.3	(0.2)	5,775.6	81.4	5,857.0
Issue of shares	0.3	0.2	–	–	–	–	–	–	(0.3)	0.2	–	0.2
Share-based employee remuneration (note 5)	–	–	–	–	–	–	5.4	–	–	5.4	–	5.4
Cost of shares awarded to employees	–	–	–	–	–	–	(2.2)	–	2.2	–	–	–
Transfer on award of own shares to employees	–	–	–	–	–	–	(4.9)	4.9	–	–	–	–
Proceeds on award of own shares to employees	–	–	–	–	–	–	–	0.2	–	0.2	–	0.2
Purchase of own shares	–	–	–	–	–	–	–	–	(2.0)	(2.0)	–	(2.0)
Dividends (note 10)	–	–	–	–	–	–	–	(193.6)	–	(193.6)	(74.2)	(267.8)
Exchange (gain)/loss previously recognised in equity recycled on disposal of foreign operations	–	–	(54.4)	46.2	–	–	–	–	–	(8.2)	(19.6)	(27.8)
Foreign exchange translation differences	–	–	157.9	–	–	–	–	–	–	157.9	3.2	161.1
Loss on net investment hedge	–	–	–	(99.3)	–	–	–	–	–	(99.3)	–	(99.3)
Loss on cash flow hedge	–	–	–	–	(36.9)	–	–	–	–	(36.9)	–	(36.9)
Loss on cash flow hedge recycled to net finance costs	–	–	–	–	36.6	–	–	–	–	36.6	–	36.6
Change in fair value of participative loans within investment in associates (note 14E)	–	–	–	–	–	–	–	(0.5)	–	(0.5)	–	(0.5)
Net actuarial losses on pension schemes (note 7C)	–	–	–	–	–	–	–	(0.3)	–	(0.3)	–	(0.3)
Profit for the year	–	–	–	–	–	–	–	388.4	–	388.4	23.2	411.6
Total comprehensive income/(loss) for the year	–	–	103.5	(53.1)	(0.3)	–	–	387.6	–	437.7	6.8	444.5
Balance at 31 December 2017	198.6	1,265.9	763.1	(604.0)	(12.3)	374.1	22.0	4,016.4	(0.3)	6,023.5	14.0	6,037.5

1. Disclosed in 2017 as 'hedging reserve'.

2. Other reserves comprise a capital redemption reserve of £7.3 million (2016: £7.3 million) relating to share buybacks and £14.7 million (2016: £16.4 million) relating to share-based employee remuneration.

3. Investment in own shares is stated at cost.

Consolidated cash flow statement

for the year ended 31 December 2018

	Notes	2018 £m	2017 £m
Operating activities			
Operating profit before other net (losses)/gains and share of results of joint ventures and associates	2	152.2	174.2
Decrease in receivables		1.4	6.6
Decrease/(Increase) in restricted monetary assets		13.6	(1.5)
Decrease in payables		(32.7)	(14.5)
Adjustment for non-cash items	25	10.3	9.1
Cash generated from operations		144.8	173.9
Interest received		14.5	12.9
Interest paid		(110.0)	(129.9)
Acquisition-related costs paid		(12.9)	–
Debt and loan facility cancellation costs	8	(15.3)	(41.5)
Tax paid		(1.6)	(1.1)
Distributions and other receivables from joint ventures		95.0	125.0
Cash flows from operating activities		114.5	139.3
Investing activities			
Property acquisitions		(12.0)	(122.5)
Developments and major refurbishments		(89.3)	(46.7)
Other capital expenditure		(60.3)	(66.7)
Sale of properties		553.2	490.8
Advances to joint ventures	13D	(30.0)	(165.6)
Return of equity from joint ventures	13D	–	275.0
Funds from financing transferred from joint ventures		144.2	–
Acquisition of additional interest in Irish loan portfolio	13D	–	(56.2)
Acquisition of interest in associates		(108.6)	(39.3)
Distributions received from associates		37.6	130.9
Repayment of loans receivable		–	19.9
Cash flows from investing activities		434.8	419.6
Financing activities			
Issue of shares		0.1	0.2
Proceeds from award of own shares		0.2	0.2
Purchase of own shares		(5.1)	(2.0)
Share buyback		(126.5)	–
Proceeds from new borrowings		240.3	526.9
Repayment of borrowings		(616.3)	(687.7)
Net decrease in borrowings	24	(376.0)	(160.8)
Dividends paid to non-controlling interests	28C	(13.3)	(74.2)
Equity dividends paid	10	(204.1)	(191.7)
Cash flows from financing activities		(724.7)	(428.3)
Net (decrease)/increase in cash and deposits		(175.4)	130.6
Opening cash and deposits		205.9	74.3
Exchange translation movement		0.7	1.0
Closing cash and deposits	17	31.2	205.9

An analysis of the movement in net debt is provided in note 24.

Notes to the financial statements

for the year ended 31 December 2018

1: Significant accounting policies

Statement of compliance

The consolidated financial statements of Hammerson plc have been prepared in accordance with IFRS and interpretations adopted by the European Union and with the Companies Act 2006 applicable to companies reporting under IFRS, as well as SAICA Financial Reporting Guides as issued by the Accounting Practices committee. The following new and revised Standards and Interpretations have been issued:

Issued, endorsed by the European Union, and effective

- IFRS 9 Financial Instruments; effective for accounting periods beginning on or after 1 January 2018
- IFRS 15 Revenue from Contracts with Customers; effective for accounting periods beginning on or after 1 January 2018
- Amendments to IFRS 2 Share Based Payments – amendments to clarify the classification and measurement of share-based payment transactions; effective for accounting periods beginning on or after 1 January 2018
- Amendments to IAS 40 Investment Property – transfer of property; effective for accounting periods beginning on or after 1 January 2018

Issued, endorsed by the European Union, and not yet effective

- IFRS 16 Leases; effective for accounting periods beginning on or after 1 January 2019 (to be adopted in 2019)
- Amendments to IFRS 3 Business Combinations; amendments to assess whether a transaction meets the definition of a business combination; effective for periods beginning on or after 1 January 2020 with earlier application permitted

The most significant of these, and their impact on the Group's accounting, are set out below:

Impact assessment of adopting new accounting Standards and Interpretations

IFRS 9 Financial Instruments

This standard deals with the classification, measurement and recognition of financial assets and liabilities and replaces the guidance in IAS 39 Financial Instruments: Recognition and Measurement.

The adoption of IFRS 9 has led to no changes in the carrying amounts of financial instruments, although there has been some change in classification and presentation.

The table below reflects the classification categories under IAS 39 and IFRS 9.

Included in the Group's investment in Value Retail is a participative loan of £169.4 million (2017: £128.8 million) as shown in note 14C to the financial statements. Under the new standard, this loan is classified entirely as a 'fair value through profit and loss' financial asset. For the year ended 31 December 2018, the entire change in fair value of the asset of £5.9 million is included within the Group's share of profit from associates within the consolidated income statement.

For the year ended 31 December 2017, under the previous accounting standard, the participative loan was split into two elements and each treated separately:

- (1) the underlying host participative loan of £6.9 million, which was treated as an 'available for sale' financial asset, with the fair value movement of £0.5 million being recognised within other comprehensive income; and
- (2) the embedded derivative element of the loan of £121.9 million was classified as a 'fair value through profit and loss' financial asset and the change in fair value of £14.7 million included in the consolidated income statement within the Group's share of profit from associates.

The comparative financial information has not been restated with this change applied from 1 January 2018.

The standard also introduces an expected credit losses model, which replaces the incurred loss impairment model. The financial impact of the new standard on the provisioning for the Group's financial assets is immaterial.

The Group's treasury and hedging documentation has been amended to reflect the requirements of the new standard.

Financial instrument	IAS 39 classifications	IAS 39 measurement	IFRS 9 classifications and measurement
Cash and other receivables	Loans and receivables	Amortised cost	Financial assets held at amortised cost
Loans receivable	Available for sale investments and loans	Fair value through other comprehensive income	Financial assets held at amortised cost
Participative loans to associates	Available for sale investments and loans	Fair value through other comprehensive income	Financial assets at fair value through profit and loss
Derivatives	Financial assets at fair value through profit and loss	Fair value through profit and loss	Financial assets at fair value through profit and loss
Balances due from joint ventures	Loans and receivables	Amortised cost	Financial assets held at amortised cost
Financial liabilities	Financial liabilities at amortised cost	Amortised cost	Financial liabilities at amortised cost

1: Significant accounting policies continued

Impact assessment of adopting new accounting Standards and Interpretations (continued)

IFRS 15 Revenue from Contracts with Customers

This standard is based on the principle that revenue is recognised when control passes to a customer. The majority of the Group's income is from tenant leases and is outside the scope of the new standard. However, certain non-rental income streams, such as car park and service charge income and management fees are within the scope of the standard.

There has been no financial impact of the new standard to the Group; however a new 'Revenue' line has been included within the consolidated income statement which replaces the previously presented 'Gross rental income'. An analysis of 'Revenue' is provided in note 4 to the financial statements. For management reporting purposes, gross rental income and net rental income remain the primary income measures.

Further presentational amendments within operating (loss)/profit have been made in note 2 to the financial statements, which include providing further analysis of 'Property outgoings' and 'Employee and corporate costs'.

IFRS 16 Leases

The standard does not impact the Group's financial position as a lessor or the Group's rental income from its investment properties. The standard requires lessees to recognise a right-of-use asset and related lease liability representing the obligation to make lease payments. The interest expense on the lease liability and depreciation on the right-of-use asset will be recognised in the consolidated income statement.

Having reviewed the Group's current operating leases, the most significant are leases for the Group's offices in London, Reading, Paris and Dublin. It is estimated that the Group would recognise a right-of-use asset and corresponding lease liability of approximately £13 million and the net impact on the income statement will not be material.

'Amendments to IFRS 2 Share Based Payments' and 'Amendments to IAS 40 Investment Property' were effective from 1 January 2018. The impact on the Group from adopting these is immaterial.

There are no other Standards or Interpretations yet to be effective that would be expected to have a material impact on the financial statements of the Group.

Basis of preparation

The financial statements are prepared on a going concern basis, as explained in the Risks and uncertainties section of the Strategic report on page 63.

The financial statements are presented in sterling. They are prepared on the historical cost basis, except that investment and development properties 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. These judgements and key estimates are considered by the Audit Committee, as explained on page 81, and are set out below:

Property valuations

The property portfolio is valued six-monthly by independent, third-party valuers in accordance with RICS Valuation – Global Standards.

The valuation of the Group's properties, which are carried in the balance sheet at fair value, is the most material area of estimation due to its inherent subjectivity, reliance on assumptions and sensitivity to market fluctuations. The retail market, particularly in the UK, has experienced significant challenges in 2018 due to tenant failures and wider macro-economic uncertainty. The valuation of the portfolio is further complicated by a lack of transactional evidence.

The Directors have satisfied themselves that the valuation process is sufficiently rigorous and supports the carrying value of the Group's properties in the financial statements.

Investment properties, excluding properties held for development, are valued by adopting the 'investment method' of valuation. This approach involves applying capitalisation yields to estimated future rental income streams reflecting contracted income reverting to Estimated Rental Value or "ERVs" with appropriate adjustments for income voids arising from vacancies, lease expiries or rent-free periods. These capitalisation yields and future income streams are derived from comparable property and leasing transactions and are considered to be the key inputs to the valuations. Other factors that are taken into account include, but are not limited to, the location and physical attributes of the property, tenure, tenancy details and environmental and structural conditions.

A tailored approach is taken to the valuation of the Group's developments due to their unique nature. 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 and developers' profit.

Properties held for future development are generally valued by adopting the higher of the residual method of valuation allowing for all associated risks, and the investment method of valuation for the existing asset.

Valuations of the Group's investment in properties within the premium outlets are calculated on a discounted cash flow basis, utilising key assumptions such as net operating income, exit yield, discount rate and forecast sales density growth.

Inputs to the valuations, some of which are 'unobservable' as defined by IFRS 13, include capitalisation yields (nominal equivalent yield) and market rental income (ERV). These inputs to the valuations are analysed by segment in the rental and valuation data tables on pages 177 and 180 and the valuation change analysis in the Property portfolio review on page 46. All other factors remaining constant, an increase in rental income would increase valuations, whilst increases in capitalisation yields and discount rates would result in a fall in values and vice versa. However, there are interrelationships between unobservable inputs as they are determined by market conditions. The existence of an increase of more than one unobservable input would augment the impact on valuation. The impact on the valuation would be mitigated by the interrelationship between unobservable inputs moving in opposite directions. For example, an increase in rents may be offset by an increase in yield, resulting in no net impact on the valuation.

A sensitivity analysis showing the impact on valuations of changes in yields and rental income is detailed in the table below.

	Investment properties valuation £m	Impact on valuation of 50bp change in nominal equivalent yield		Impact on valuation of 5% change in estimated rental value (ERV)	
		Decrease £m	Increase £m	Increase £m	Decrease £m
Key unobservable inputs sensitivity analysis					
Reported Group	3,441	370	(305)	172	(172)
Share of Property interests	3,390	375	(307)	169	(169)
Premium outlets	2,459	170	(142)	97	(97)
Total Group	9,290	915	(754)	438	(438)

Accounting for significant transactions

Management must use judgement to assess when the risks and rewards associated with a disposal have transferred. During 2018, the Group completed a number of acquisitions and disposals. For properties identified for potential disposal at the balance sheet date, management must assess whether the property should be classified as 'held for sale' and excluded from investment and development properties. This judgement is based on the degree of certainty of the disposal completing.

In July 2018, the Group announced its intention to dispose of the retail parks portfolio over the medium-term. Due to the lack of immediacy and certainty at the balance sheet date, and in accordance with IFRS 5, management have not classified these properties as "held for sale" at 31 December 2018.

1: Significant accounting policies continued

Basis of consolidation

Subsidiaries

Subsidiaries are entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. All intragroup transactions, balances, income and expenses are eliminated on consolidation.

Joint operations, joint ventures and associates

The accounting treatment for joint operations, joint ventures and associates requires an assessment to determine the degree of control or influence that the Group may exercise over them and the form of that control.

The Group's interest in joint arrangements is classified as either:

- (1) a joint operation, whereby the joint controlling parties have rights to the assets and obligations for the liabilities, relating to the arrangement; or
- (2) a joint venture, whereby the joint controlling parties have rights to the net assets of the arrangement.

The Group's interests in its joint arrangements are commonly driven by the terms of partnership agreements, which ensure that control is shared between the partners.

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

The Group's share of interests in joint operations is proportionally consolidated into the Group financial statements.

The results, assets and liabilities of joint ventures and associates are accounted for using the equity method. Investments in joint ventures and associates are carried in the balance sheet at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the joint venture or associate, less any impairment. Losses of a joint venture or associate in excess of the Group's interest in that entity are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the entity.

Loans to joint ventures and associates are separately presented from equity interests within the notes to the financial statements, although aggregated in the Group's balance sheet. The Group eliminates upstream and downstream transactions with its joint ventures, including interest and management fees.

Accounting for acquisitions

An acquisition is recognised when the risks and rewards of ownership have transferred. This is usually on completion of the transaction.

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

Foreign currency

Foreign currency transactions

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

Financial statements of foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on consolidation, are translated into sterling at the exchange rates ruling at the balance sheet date.

The operating income and expenses of foreign operations are translated into sterling at the average exchange rates for the year. Significant transactions, such as property sales, are translated at the foreign exchange rate ruling at the date of each transaction.

The principal exchange rate used to translate foreign currency-denominated amounts in the balance sheet is the rate at the end of the year, £1 = €1.115 (2017: £1 = €1.127). The principal exchange rate used for the income statement is the average rate, £1 = €1.131 (2017: £1 = €1.141).

Net investment in foreign operations

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

Cash, receivables, payables and borrowings

Cash and cash equivalents and restricted monetary assets

Cash and cash equivalents comprise cash and short-term bank deposits with an original maturity of three months or less which are readily accessible.

Restricted monetary assets relate to cash balances which legally belong to the Group but which the Group cannot readily access. These do not meet the definition of cash and cash equivalents and consequently are presented separately from cash and deposits in the Group balance sheet.

Trade and other receivables and payables

Trade and other receivables and payables are initially measured at fair value subsequently measured at amortised cost and, where the effect is material, discounted to reflect the time value of money. Trade receivables are shown net of any loss allowance provision.

Loans receivable

Loans receivable are financial assets which are initially measured at fair value, plus acquisition costs and are subsequently measured at amortised cost, using the effective interest method, less any impairment.

Borrowings

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

Derivative financial instruments

The Group uses derivative financial instruments to economically hedge its exposure to foreign currency movements and interest rate risks. Hedge accounting is applied in respect of net investments in foreign operations and of debt raised in non-functional currencies. Derivative financial instruments are recognised initially at fair value, which equates to cost and subsequently remeasured at fair value, with changes in fair value being included in the income statement, except where hedge accounting is applied.

Derivative financial instruments are presented as current assets or liabilities if they are expected to be settled within 12 months after the end of the reporting period, otherwise they are held as non-current assets or liabilities.

The fair value gain or loss on remeasurement of derivative financial instruments and the exchange differences on non-derivative financial instruments that are designated in a net investment hedge are recognised in the net investment hedge reserve in total comprehensive income, to the extent they are effective, and the ineffective portion is recognised in the income statement within finance costs. Amounts are reclassified from the net investment hedge reserve to profit or loss when the associated hedged item is disposed of.

The fair value gain or loss on re-measurement of derivative financial instruments that are designated in a cash flow hedge are recognised in the cash flow hedge reserve in total comprehensive income, to the extent they are effective, and the ineffective portion is recognised in the income statement within finance costs. Amounts are reclassified from the cash flow hedge reserve to profit and loss when the associated hedged transaction affects profit or loss.

Finance costs

Net finance costs

Net finance costs include interest payable on debt, derivative financial instruments, debt and loan facility cancellation costs, net of interest capitalised, interest receivable on funds invested and derivative financial instruments, 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 significant 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, normally practical completion. Capitalised interest is calculated with reference to the actual rate payable on borrowings for development purposes or, for that part of the development cost financed out of general funds, at the Group's weighted average interest rate.

Property portfolio

Investment and development properties

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

Properties acquired with the intention of redevelopment are classified as development properties and stated at fair value, being market value determined by professionally qualified external valuers. Changes in fair value are included in the income statement. All costs directly associated with the purchase and construction of a development property are capitalised. When development properties are completed, they are reclassified as investment properties. Further details are given in note 12.

Accounting for disposals

The Group accounts for the disposal of a property or corporate entity when the risks and rewards of ownership transfer, usually on the date of completion of a contract for sale. A property may be classed as 'held for sale' and excluded from investment and development properties if it is ready for sale at the balance sheet date.

Gains or losses on the sale of properties are calculated by reference to the carrying value at the end of the previous year, adjusted for subsequent capital expenditure. Where a corporate entity, whose primary asset is a property, is disposed, the associated gains or losses on the sale of the entity are included within the gain or loss on sale of properties.

Leasehold properties

The Group owns a number of properties on long leaseholds. These are leased out to tenants under operating leases, are classified as investment properties or development properties as appropriate, and included in the balance sheet at fair value. The obligation to the freeholder or superior leaseholder for the buildings element of the leasehold is included in the balance sheet at the present value of the minimum lease payments at inception. Payments to the freeholder or superior leaseholder are apportioned between a finance charge and a reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Contingent rents payable, such as rent reviews or those related to rental income, are charged as an expense in the period in which they are incurred. An asset equivalent to the leasehold obligation is recorded in the balance sheet within 'Interests in leasehold properties', and is amortised over the lease term.

Tenant leases

Management has exercised judgement in considering the potential transfer of the risks and rewards of ownership, in accordance with IAS 17 Leases, for properties leased to tenants and has determined that such leases are operating leases.

Depreciation

In accordance with IAS 40 Investment Property, no depreciation is provided in respect of investment and development properties, which are carried at fair value.

Net rental income

Rental income from investment property leased out under an operating lease is recognised in the income statement on a straight-line basis over the lease term. Non-rental income such as car park or commercialisation income or contingent rents, such as turnover rents, rent reviews and indexation, are recorded as income in the period in which they are earned. Rent reviews are recognised when such reviews have been agreed with tenants. Lease incentives and costs associated with entering into tenant leases are amortised over the lease term or, if the probability that a break option will be exercised is considered high, over the period to the first break option.

Property operating expenses, including any operating expenditure not recovered from tenants through service charges, are charged to the income statement as incurred.

Plant and equipment

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

1: Significant accounting policies continued

Management fees

Management fees are recognised in the period to which they relate. Performance fee-related elements are recognised when the fee can be reliably estimated.

Employee benefits

Defined contribution pension plans

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

Defined benefit pension plans

The Group's net obligation in respect of defined benefit pension plans comprises the amount of future benefit that employees have earned, discounted to determine a present value, less the fair value of the pension plan assets. The calculation is performed by a qualified external actuary using the projected unit credit method. Actuarial gains and losses are recognised in equity. Where the assets of a plan are greater than its obligation, the asset included in the balance sheet is limited to the present value of any future refunds from the plan or reduction in future contributions to the plan.

Share-based employee remuneration

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

Tax

Tax exempt status

The Company has elected for UK REIT, French SIIC and Irish QIAIF status. To continue to benefit from these tax regimes, the Group is required to comply with certain conditions as outlined in note 9A to the financial statements. Management intends that the Group should continue as a UK REIT, a French SIIC and an Irish QIAIF for the foreseeable future.

Current and deferred 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 non-tax exempt income for the period, net of allowable expenses and tax deductions, using the tax rate(s) prevailing during the accounting period, together with any adjustment in respect of previous periods.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for tax purposes. The following temporary differences are not provided for:

- goodwill not deductible for tax purposes
- the initial recognition of assets or liabilities that affect neither accounting nor taxable profit
- 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: (Loss)/Profit for the year

As stated in the Financial review on page 48 and in note 3, management reviews the performance of the Group's property portfolio on a proportionally consolidated basis. Management does not proportionally consolidate the Group's premium outlet investments in Value Retail and VIA Outlets, and reviews the performance of these investments separately from the rest of the proportionally consolidated portfolio.

The following tables have been prepared on a basis consistent with how management reviews the performance of the business and show the Group's (loss)/profit for the year on a proportionally consolidated basis in column C, by aggregating the Reported Group results (shown in column A) with those from its Share of Property interests (shown in column B), the latter being reallocated to the relevant financial statement lines.

The Group's share of results arising from its interests in premium outlets has not been proportionally consolidated and hence these have not been reallocated to the relevant financial statement lines, but is shown within 'Share of results of joint ventures' and 'Share of results of associates' in column C.

The Group's proportionally consolidated (loss)/profit for the year in column C is then allocated between 'Adjusted' and 'Capital and other' for the purposes of calculating figures in accordance with EPRA best practice.

	Notes	Reported Group £m	Share of Property interests £m	Proportionally consolidated £m	2018	
					Proportionally consolidated	
					Adjusted £m	Capital and other £m
		A	B	C	D	D
Notes (see page 136)						
Gross rental income^E	3A	223.3	175.5	398.8	398.8	–
Ground and equity rents payable		(1.4)	(2.1)	(3.5)	(3.5)	–
Gross rental income, after rents payable		221.9	173.4	395.3	395.3	–
Service charge income		44.0	38.5	82.5	82.5	–
Service charge expenses		(47.1)	(42.0)	(89.1)	(89.1)	–
Net service charge expenses		(3.1)	(3.5)	(6.6)	(6.6)	–
Inclusive lease costs recovered through rent		(5.3)	(2.4)	(7.7)	(7.7)	–
Other property outgoings		(16.8)	(16.7)	(33.5)	(33.5)	–
Property outgoings		(25.2)	(22.6)	(47.8)	(47.8)	–
Net rental income	3A	196.7	150.8	347.5	347.5	–
Administration costs		(69.6)	(0.2)	(69.8)	(69.8)	–
Property fee income		14.8	–	14.8	14.8	–
Employee and corporate costs		(54.8)	(0.2)	(55.0)	(55.0)	–
Joint venture and associate management fees		10.3	–	10.3	10.3	–
Net administration expenses		(44.5)	(0.2)	(44.7)	(44.7)	–
Operating profit before other net losses and share of results of joint ventures and associates		152.2	150.6	302.8	302.8	–
(Loss)/Profit on sale of properties ^F		(79.9)	15.0	(64.9)	–	(64.9)
Net exchange gain previously recognised in equity, recycled on disposal of foreign operations		2.0	–	2.0	–	2.0
Acquisition-related costs ^G		(6.4)	–	(6.4)	–	(6.4)
Revaluation losses on properties ^F		(161.4)	(287.2)	(448.6)	–	(448.6)
Other net losses		(245.7)	(272.2)	(517.9)	–	(517.9)
Share of results of joint ventures	13A, 13B	(106.4)	131.0	24.6	15.1	9.5
Share of results of associates	14A, 14B	57.7	(0.9)	56.8	26.0	30.8
Operating (loss)/profit		(142.2)	8.5	(133.7)	343.9	(477.6)
Net finance costs ^H	8	(124.5)	(8.4)	(132.9)	(101.7)	(31.2)
(Loss)/Profit before tax		(266.7)	0.1	(266.6)	242.2	(508.8)
Tax charge	9A	(1.8)	(0.1)	(1.9)	(1.9)	–
(Loss)/Profit for the year		(268.5)	–	(268.5)	240.3	(508.8)
Non-controlling interests ^I		0.4	–	0.4	–	0.4
(Loss)/Profit for the year attributable to equity shareholders	11B	(268.1)	–	(268.1)	240.3	(508.4)

2: (Loss)/Profit for the year continued

					2017	
	Notes	Reported Group £m	Share of Property interests £m	Proportionally consolidated £m	Proportionally consolidated	
					Adjusted £m	Capital and other £m
Notes (see page 136)		A	B	C	D	D
Gross rental income^E	3A	248.9	173.0	421.9	421.9	–
Ground and equity rents payable		(1.4)	(2.7)	(4.1)	(4.1)	–
Gross rental income, after rents payable		247.5	170.3	417.8	417.8	–
Service charge income		45.9	31.9	77.8	77.8	–
Service charge expenses		(50.1)	(35.3)	(85.4)	(85.4)	–
Net service charge expenses		(4.2)	(3.4)	(7.6)	(7.6)	–
Inclusive lease costs recovered through rent		(4.9)	(2.8)	(7.7)	(7.7)	–
Other property outgoings		(15.8)	(16.3)	(32.1)	(32.1)	–
Property outgoings		(24.9)	(22.5)	(47.4)	(47.4)	–
Net rental income	3A	222.6	147.8	370.4	370.4	–
Administration costs		(74.2)	(0.5)	(74.7)	(74.7)	–
Property fee income		13.7	–	13.7	13.7	–
Employee and corporate costs		(60.5)	(0.5)	(61.0)	(61.0)	–
Joint venture and associate management fees		12.1	–	12.1	12.1	–
Net administration expenses		(48.4)	(0.5)	(48.9)	(48.9)	–
Operating profit before other net gains and share of results of joint ventures and associates		174.2	147.3	321.5	321.5	–
Loss on sale of properties		(15.5)	–	(15.5)	–	(15.5)
Net exchange gain previously recognised in equity, recycled on disposal of foreign operations		27.8	–	27.8	–	27.8
Acquisition-related costs ^G		(6.5)	–	(6.5)	–	(6.5)
Revaluation gains on properties		1.9	19.4	21.3	–	21.3
Other net gains		7.7	19.4	27.1	–	27.1
Share of results of joint ventures	13A, 13B	180.5	(166.9)	13.6	13.2	0.4
Share of results of associates	14A, 14B	223.0	(1.4)	221.6	24.6	197.0
Operating profit/(loss)		585.4	(1.6)	583.8	359.3	224.5
Net finance (costs)/income ^H	8	(172.0)	1.6	(170.4)	(107.6)	(62.8)
Profit before tax		413.4	–	413.4	251.7	161.7
Tax charge	9A	(1.8)	–	(1.8)	(1.8)	–
Profit for the year		411.6	–	411.6	249.9	161.7
Non-controlling interests ^I		(23.2)	–	(23.2)	(3.6)	(19.6)
Profit for the year attributable to equity shareholders	11B	388.4	–	388.4	246.3	142.1

Notes

A. Reported Group results as shown in the consolidated income statement on page 123.

B. Property interests reflect the Group's share of results of Property joint ventures as shown in note 13A and Nicetoile included within note 14A.

C. Aggregated results on a proportionally consolidated basis showing Reported Group together with Share of Property interests.

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

E. Included in gross rental income on a proportionally consolidated basis in Column C is £8.5 million (2017: £7.9 million) of contingent rents calculated by reference to tenants' turnover.

F. Reclassification of £15.0 million between '(Loss)/Profit on sale of properties' and 'Revaluation losses on properties' in column B, to present the sale of the 50% interest in Highcross on a proportionally consolidated basis.

G. Acquisition-related costs of £6.4 million (2017: £6.5 million) recognised in respect of the proposed acquisition of intu and the offers from Klépierre S.A.

H. Adjusted finance costs presented on a proportionally consolidated basis are shown in Table 101 on page 184.

I. The Group's non-controlling interests represented a 35.5% interest in an entity which disposed of its property in December 2017. See note 28C.

3: Segmental analysis

The factors used to determine the Group's reportable segments are the sectors in which it operates and geographic locations (UK, France and Ireland). These are generally managed by separate teams and are the basis on which performance is assessed and resources allocated. As stated in the Financial review on page 48, the Group has property interests in a number of sectors and management reviews the performance of the Group's property interests in flagship destinations, retail parks, other UK properties and developments on a proportionally consolidated basis to reflect the Group's different ownership shares. Management does not proportionally consolidate the Group's premium outlet investments in Value Retail and VIA Outlets, which are externally managed by experienced outlet operators, independently financed and have operating metrics which differ from the Group's other sectors. Except for property valuation and returns, we review the performance of our premium outlet investments separately from the proportionally consolidated portfolio.

The segmental analysis has been prepared on the same basis that management uses to review the business, rather than on a statutory basis. In 2018, management has revised the presentation of segmental information to reflect the Group's strategy, to focus on flagship destinations and premium outlets. The revised presentation is consistent with management reporting and analysis, and prior-year comparatives have been restated accordingly. Property interests represent the Group's non wholly-owned properties which management proportionally consolidates when reviewing the performance of the business. For reconciliation purposes the Reported Group figures, being properties either wholly-owned or held within joint operations, are shown in the following tables.

Gross rental income represents the Group's revenue from its tenants and customers. As stated in the Key Performance Indicators section on page 16, net rental income is the Group's primary revenue measure and is used to determine the performance of each sector, except premium outlets. 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

	2018		2017	
	Gross rental income £m	Net rental income £m	Gross rental income £m	Net rental income £m
Flagship destinations				
UK	178.2	151.9	180.2	152.9
France	83.4	74.8	104.6	95.3
Ireland	44.2	40.4	37.9	34.8
	305.8	267.1	322.7	283.0
UK retail parks	63.5	59.1	72.4	69.3
UK other	12.4	8.9	12.3	8.8
Investment portfolio	381.7	335.1	407.4	361.1
Developments	17.1	12.4	14.5	9.3
Property portfolio	398.8	347.5	421.9	370.4
Less share of Property interests	(175.5)	(150.8)	(173.0)	(147.8)
Reported Group	223.3	196.7	248.9	222.6

B: Investment and development property assets by segment

	2018			2017		
	Property valuation £m	Property additions £m	Revaluation (losses)/gains £m	Property valuation £m	Property additions £m	Revaluation gains/(losses) £m
Flagship destinations						
UK	2,920.9	29.7	(346.6)	3,488.9	28.4	23.9
France	1,885.2	37.9	(14.3)	1,887.0	55.4	(11.4)
Ireland	978.5	2.9	9.0	959.6	124.5	(1.5)
	5,784.6	70.5	(351.9)	6,335.5	208.3	11.0
UK retail parks	873.1	13.3	(126.3)	1,234.1	46.7	(27.2)
UK other	173.3	15.0	6.9	180.1	3.4	13.4
Investment portfolio	6,831.0	98.8	(471.3)	7,749.7	258.4	(2.8)
Developments	648.5	84.2	22.7	576.6	150.8	24.1
Property portfolio – excluding premium outlets	7,479.5	183.0	(448.6)	8,326.3	409.2	21.3
Premium outlets	2,458.8	153.9	56.2	2,234.1	278.9	225.2
Total Group	9,938.3	336.9	(392.4)	10,560.4	688.1	246.5
Less premium outlets	(2,458.8)	(153.9)	(56.2)	(2,234.1)	(278.9)	(225.2)
Less share of Property interests	(3,649.1)	(35.0)	287.2	(3,640.2)	(65.7)	(19.4)
Reported Group	3,830.4	148.0	(161.4)	4,686.1	343.5	1.9

3: Segmental analysis continued

C: Analysis of non-current assets employed

	Non-current assets employed	
	2018 £m	2017 £m
UK	4,305.8	5,255.5
Continental Europe	3,581.7	3,433.6
Ireland	861.4	832.9
	8,748.9	9,522.0

Included in the above table are investments in joint ventures of £3,604.5 million (2017: £3,673.7 million), which are further analysed in note 13 on pages 147 to 152. The Group's share of the property valuations held within Property interests of £3,649.1 million (2017: £3,640.2 million) has been included in note 3B above, of which £2,664.4 million (2017: £2,650.2 million) relates to the UK, £194.4 million (2017: £211.5 million) relates to Continental Europe and £790.3 million (2017: £778.5 million) relates to Ireland.

4: Revenue

	2018 £m	2017 £m
Base rent	198.5	217.0
Turnover rent	3.6	4.1
Car park income*	19.1	18.8
Lease incentive recognition	(6.7)	(2.3)
Other rental income	8.8	11.3
Gross rental income	223.3	248.9
Service charge income*	44.0	45.9
Property fee income*	14.8	13.7
Joint venture and associate management fees*	10.3	12.1
Revenue	292.4	320.6

* The above income streams reflect revenue recognised under IFRS 15 Revenue from Contracts with Customers and total £88.2 million (2017: £90.5 million). All other revenue streams relate to income recognised under IAS17 Leases.

5: Administration expenses

Administration expenses include the following items:

Staff costs

	Note	2018 £m	2017 £m
Salaries and wages		35.4	32.8
Performance-related bonuses – payable in cash		3.1	7.2
– payable in shares		0.3	1.1
		3.4	8.3
Other share-based employee remuneration		3.1	4.3
Social security		7.3	8.1
Net pension expense – defined contribution scheme	7A	2.9	2.9
Total		52.1	56.4

Of the above amount, £1.3 million (2017: £0.1 million) was capitalised in respect of development projects.

Staff throughout the Company, including Executive Directors, participate in a performance-related bonus scheme which, for certain senior employees, is part payable in cash and part payable in shares. The Company also operates a number of share plans under which employees, including Executive Directors, are eligible to participate. Further details of share-based payment arrangements, some of which have performance conditions, are provided in the Directors' Remuneration report on pages 82 to 107.

Staff numbers

	2018 Number	2017 Number
Average number of staff	545	558
Staff recharged to tenants, included above	233	231

Other information

		2018 £m	2017 £m
Auditor's remuneration:	Audit of the Company's annual financial statements	0.3	0.2
	Audit of subsidiaries, pursuant to legislation	0.3	0.3
	Audit-related assurance services	0.1	0.1
	Audit and audit-related assurance services	0.7	0.6
	Other fees ¹	1.0	0.3
	Total auditor's remuneration	1.7	0.9
Depreciation of plant and equipment		1.5	2.1
Operating lease expenses		3.5	3.5

1. In 2018, other fees were payable to the Group's auditor, PwC for work to support the Company's preparation of the documentation for the proposed acquisition of intu, to provide an opinion on the Company's 31 March 2018 profit estimate and for other assurance services. In 2017, other fees payable to PwC comprised work on the Qualified Financial Benefits Statement to assess the future synergies in respect of the acquisition of intu, for the provision of training materials and for other assurance and advisory services.

6: Directors' emoluments

Full details of the Directors' emoluments, as required by the Companies Act 2006, are disclosed in the audited sections of the Directors' Remuneration Report on pages 82 to 107. The Company did not grant any credits, advances or guarantees of any kind to its Directors during the current and preceding years.

7: Pensions

A: Defined contribution pension scheme

The Company operates a UK funded approved Group Personal Pension Plan which is a defined contribution pension scheme. The Group's cost for the year was £2.9 million (2017: £2.9 million).

B: Defined benefit pension schemes

[Hammerson Group Management Limited Pension & Life Assurance Scheme \(the 'Scheme'\)](#).

The Scheme is funded and the funds, which are administered by trustees, are independent of the Group's finances. The Scheme was closed to new entrants on 31 December 2002 and was closed to future accrual for all participating employees on 30 June 2014.

Unfunded Unapproved Retirement Schemes

The Company also operates three Unfunded Unapproved Retirement Schemes. Two schemes provide pension benefits to two former Executive Directors, the other meets pension commitment obligations to former US employees.

7: Pensions continued**C: Changes in present value of defined benefit pension schemes**

	Obligations £m	Assets £m	2018 Net £m	Obligations £m	Assets £m	2017 Net £m
At 1 January	(123.1)	71.7	(51.4)	(120.0)	65.3	(54.7)
Amounts recognised in the income statement						
– interest (cost)/income ¹	(3.2)	1.9	(1.3)	(3.4)	1.9	(1.5)
Amounts recognised in equity						
– actuarial experience (losses)/gains	(1.3)	(4.5)	(5.8)	(1.0)	3.2	2.2
– actuarial gains/(losses) from changes in financial assumptions	6.8	–	6.8	(4.8)	–	(4.8)
– actuarial (losses)/gains from changes in demographic assumptions	(0.2)	–	(0.2)	2.3	–	2.3
	5.3	(4.5)	0.8	(3.5)	3.2	(0.3)
Contributions by employer ²	–	3.5	3.5	–	3.5	3.5
Benefits	3.9	(2.8)	1.1	3.3	(2.2)	1.1
Exchange (losses)/gains	(0.5)	–	(0.5)	0.5	–	0.5
At 31 December	(117.6)	69.8	(47.8)	(123.1)	71.7	(51.4)
Analysed as:						
Present value of the Scheme	(104.9)	69.8	(35.1)	(110.0)	71.7	(38.3)
Present value of Unfunded Retirement Schemes	(12.7)	–	(12.7)	(13.1)	–	(13.1)
	(117.6)	69.8	(47.8)	(123.1)	71.7	(51.4)
Analysed as:						
Current liabilities (note 18)			(0.9)			(0.8)
Non-current liabilities (note 22)			(46.9)			(50.6)
			(47.8)			(51.4)

1. Included in Other interest payable (note 8).

2. The Group expects to make contributions totalling £3.5 million to the Scheme in 2019.

D: Summary of Scheme assets

	2018 £m	2017 £m
Diversified Growth Funds	48.4	49.4
Equities	20.2	21.4
Total invested assets	68.6	70.8
Cash and other net current assets	1.2	0.9
Total Scheme assets	69.8	71.7

E: Principal actuarial assumptions used for defined benefit pension schemes

	2018 %	2017 %
Discount rate for Scheme liabilities	2.9	2.6
Increase in retail price index	3.2	3.2
Increase in pensions in payment	3.2	3.2
	Years	Years
Life expectancy from age 60 for Scheme members:		
Male aged 60 at 31 December	27.7	27.8
Male aged 40 at 31 December	29.2	29.4
Weighted average maturity	Years	Years
The Scheme	17.0	18.2
UK Unfunded Retirement Scheme	12.5	13.2
French Unfunded Retirement Scheme	12.5	13.0
US Unfunded Retirement Scheme	6.1	6.6

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.

F: Sensitivities to changes in assumptions and conditions

(Decrease)/Increase in net balance sheet liability of the Scheme at 31 December	2018 £m	2017 £m
Discount rate + 0.1%	(1.8)	(2.0)
Price inflation + 0.1%	1.8	2.0
Long-term improvements in longevity 1.5% per annum	0.8	1.0
Asset value falls 5%	3.4	3.6

8: Net finance costs

	2018 £m	2017 £m
Interest on bank loans and overdrafts	13.2	12.3
Interest on other borrowings	92.7	109.8
Interest on obligations under head leases	2.4	2.2
Other interest payable	2.8	1.8
Gross interest costs	111.1	126.1
Less: Interest capitalised	(1.9)	(0.8)
Finance costs	109.2	125.3
Debt and loan facility cancellation costs ¹	15.3	41.5
Change in fair value of derivatives	14.5	21.3
Finance income	(14.5)	(16.1)
	124.5	172.0

1. 2018 costs relate to the cancellation of the €500 million 2.75% euro bonds due 2019. Costs for 2017 included £41.1 million to cancel the £250 million 6.875% sterling bonds due 2020 and other loan facility cancellation costs of £0.4 million.

9: Tax

A: Tax charge

	2018 £m	2017 £m
UK current tax	0.1	0.2
Foreign current tax	1.7	1.6
Tax charge	1.8	1.8

The Group's tax charge remains low because it has tax exempt status in its principal operating countries. In the UK, the Group has been a REIT since 2007 and a SIIC in France since 2004. These tax regimes exempt the Group's property income and gains from corporate taxes provided a number of conditions in relation to the Group's activities are met including, but not limited to, distributing at least 90% of the Group's UK tax exempt profit as property income distributions (PID). The residual business in both the UK and France are subject to corporation tax as normal. The Irish properties are held in a QIAIF which provides similar tax benefits to those of a UK REIT but which subject distributions from Ireland to the UK to a 20% withholding tax.

9: Tax continued**B: Tax charge reconciliation**

	Notes	2018 £m	2017 £m
(Loss)/Profit before tax	2	(266.7)	413.4
Less: Loss/(Profit) after tax of joint ventures	13A	106.4	(180.5)
Less: Profit after tax of associates	14A	(57.7)	(223.0)
(Loss)/Profit on ordinary activities before tax		(218.0)	9.9
(Loss)/Profit multiplied by the UK corporation tax rate of 19% (2017: 19.25%)		(41.4)	1.9
UK REIT tax exemption		43.4	(4.5)
French SIIC tax exemption		(8.9)	(14.3)
Irish QIAIF tax exemption		(0.2)	6.6
Losses for the year not utilised		4.5	9.5
Non-deductible and other items		4.4	2.6
Tax charge		1.8	1.8

C: Unrecognised deferred tax

A deferred tax asset is not recognised for UK revenue losses and UK capital losses where their future utilisation is uncertain. At 31 December 2018, the total of such losses was £475 million (2017: £440 million) and £440 million (2017: £460 million) respectively, and the potential tax effect of these was £81 million (2017: £75 million) and £75 million (2017: £78 million) respectively.

Deferred tax is not provided on potential gains on investments in subsidiaries when the Group can control whether gains crystallise and it is probable that gains will not arise in the foreseeable future. At 31 December 2018, the total of such gains was £535 million (2017: £690 million) and the potential tax effect before the offset of losses was £91 million (2017: £117 million).

If a UK REIT sells a property within three years of completion of development, the REIT exemption will not apply. At 31 December 2018 the value of such completed properties was £464 million (2017: £269 million). If these properties were to be sold without the benefit of the tax exemption the tax arising would be £nil (2017: £nil) due to the availability of capital losses.

10: Dividends

The proposed final dividend of 14.8 pence per share was recommended by the Board on 25 February 2019 and, subject to approval by shareholders, is payable on 2 May 2019 to shareholders on the register at the close of business on 22 March 2019. 7.4 pence per share will be paid as a PID, net of withholding tax at the basic rate (currently 20%) if applicable, and 7.4 pence per share will be paid as a normal dividend. There will be no scrip alternative although the dividend reinvestment plan (DRIP) remains available to shareholders. The aggregate amount of the 2018 final dividend is £113.4 million. This has been calculated using the total number of eligible shares outstanding at 31 December 2018.

The interim dividend of 11.1 pence per share was paid on 8 October 2018 as a PID, net of withholding tax where appropriate. The total dividend for the year ended 31 December 2018 would be 25.9 pence per share (2017: 25.5 pence per share).

	PID pence per share	Non-PID pence per share	Total pence per share	Equity dividends 2018 £m	Equity dividends 2017 £m
Current year					
2018 final dividend	7.4	7.4	14.8	–	–
2018 interim dividend	11.1	–	11.1	86.8	–
	18.5	7.4	25.9		
Prior years					
2017 final dividend	7.4	7.4	14.8	116.6	–
2017 interim dividend	10.7	–	10.7	–	84.2
	18.1	7.4	25.5		
2016 final dividend				–	109.4
Dividends as reported in the consolidated statement of changes in equity				203.4	193.6
2016 interim dividend withholding tax (paid 2017)				–	11.5
2017 interim dividend withholding tax (paid 2018)				13.4	(13.4)
2018 interim dividend withholding tax (paid 2019)				(12.7)	–
Dividends paid as reported in the consolidated cash flow statement				204.1	191.7

11: (Loss)/Earnings per share and net asset value per share

The European Public Real Estate Association (EPRA) has issued recommended bases for the calculation of certain per share information and these are included in the following tables B and D. Commentary on (loss)/earnings and net asset value per share is provided in the Financial review on pages 48 to 55. Headline earnings per share has been calculated and presented in note 11C as required by the Johannesburg Stock Exchange listing requirements.

A: Number of shares for per share calculations

	2018		2017	
	Basic, EPRA and adjusted	Diluted*	Basic, EPRA and adjusted	Diluted
Shares (million)	786.3	786.3	792.9	794.0

* In 2018, there was no difference in the weighted average number of shares used for the calculation of basic and diluted loss per share as the effect of all potentially dilutive shares outstanding was anti-dilutive.

The calculations for (loss)/earnings per share use the weighted average number of shares, which excludes those shares held in the Hammerson Employee Share Ownership Plan, which are treated as cancelled. The calculations for net asset value per share use the number of shares in issue at 31 December as shown in note 23.

B: (Loss)/Earnings per share

		Notes	2018		2017	
			(Loss)/Earnings £m	Pence per share	(Loss)/Earnings £m	Pence per share
Basic			(268.1)	(34.1)	388.4	49.0
Dilutive share schemes			–	–	–	(0.1)
Diluted			(268.1)	(34.1)	388.4	48.9
Basic			(268.1)	(34.1)	388.4	49.0
Adjustments:						
Revaluation losses/(gains) on properties:	Reported Group	2	161.4	20.5	(1.9)	(0.2)
	Share of Property interests ¹	2	287.2	36.5	(19.4)	(2.5)
			448.6	57.0	(21.3)	(2.7)
Loss on sale of properties:	Reported Group	2	79.9	10.2	15.5	2.0
	Share of Property interests ¹	2	(15.0)	(1.9)	–	–
			64.9	8.3	15.5	2.0
Net exchange gain previously recognised in equity, recycled on disposal of foreign operations:	Reported Group	2	(2.0)	(0.3)	(27.8)	(3.5)
Debt and loan facility cancellation costs:	Reported Group	8	15.3	1.9	41.5	5.2
Change in fair value of derivatives:	Reported Group	8	14.5	1.8	21.3	2.7
	Share of Property interests	13B	1.4	0.2	–	–
			15.9	2.0	21.3	2.7
Other adjustments:	Reported Group					
	Acquisition-related costs	2	6.4	0.8	6.5	0.8
	Non-controlling interests	2, 28C	(0.4)	–	19.6	2.5
			6.0	0.8	26.1	3.3
Premium outlets:	Revaluation gains on properties	13B, 14B	(56.2)	(7.1)	(225.2)	(28.4)
	Deferred tax (including on acquisition)	13B, 14B	13.8	1.7	35.0	4.4
	Other adjustments	13B, 14B	2.0	0.3	(6.2)	(0.8)
			(40.4)	(5.1)	(196.4)	(24.8)
Total adjustments			508.3	64.6	(141.1)	(17.8)
EPRA			240.2	30.5	247.3	31.2
Other adjustments:	Translation movement on intragroup funding loan: Premium outlets	13B	0.1	0.1	(1.0)	(0.1)
Adjusted			240.3	30.6	246.3	31.1

1. For 2018, the revaluation losses on properties relating to the Share of Property interests includes: £271.7 million in respect of Property joint ventures (note 13B); £0.5 million in respect of associates (note 14B); and the reclassification of £15.0 million from 'loss on sale of properties' referred to in footnote F of note 2, to reflect the sale of a 50% interest in Highcross.

11: (Loss)/Earnings per share and net asset value per share continued**C: Headline earnings per share**

	Notes	2018 Earnings £m	2017 Earnings £m
(Loss)/Profit for the year attributable to equity shareholders		(268.1)	388.4
Revaluation losses/(gains) on properties: Reported Group and Share of Property interests	11B	448.6	(21.3)
Loss on sale of properties: Reported Group and Share of Property interests	11B	64.9	15.5
Net exchange gain previously recognised in equity, recycled on disposal of foreign operations: Reported Group	11B	(2.0)	(27.8)
Non-controlling interests	11B	(0.4)	19.6
Revaluation gains on properties: Premium outlets	11B	(56.2)	(225.2)
Deferred tax (including on acquisition): Premium outlets	11B	13.8	35.0
Translation movements on intragroup funding loan: Premium outlets	13B	0.1	(1.0)
Headline earnings		200.7	183.2
Basic headline earnings per share (pence)		25.5p	23.1p
Diluted headline earnings per share (pence)		25.5p	23.1p

		2018 Earnings £m	2017 Earnings £m
Reconciliation of headline earnings to adjusted earnings			
Headline earnings as above		200.7	183.2
Debt and loan facility cancellation costs: Reported Group	11B	15.3	41.5
Change in fair value of derivatives: Reported Group and Share of Property interests	11B	15.9	21.3
Acquisition-related costs: Reported Group	11B	6.4	6.5
Change in fair value of derivatives: Premium outlets	13B, 14B	3.5	3.6
Change in fair value of participative loans – revaluation movement: Premium outlets	14B	(2.2)	(11.8)
Loan facility costs written off: Premium outlets	14B	0.7	2.0
Adjusted earnings		240.3	246.3

D: Net asset value per share

	Notes	2018			2017	
		Equity shareholders' funds £m	Shares million	Net asset value per share £	Equity shareholders' funds £m	Shares million
Basic		5,432.6	766.4	7.09	6,023.5	794.2
Company's own shares held in Employee Share Ownership Plan		–	(1.5)	n/a	–	(1.0)
Dilutive share schemes		2.0	1.2	n/a	1.4	1.2
Diluted		5,434.6	766.1	7.09	6,024.9	794.4
Fair value adjustment to borrowings						
– Reported Group	20H	(110.0)		(0.14)	(262.0)	(0.33)
– Share of Property interests		(3.2)		–	(2.3)	–
		(113.2)		(0.14)	(264.3)	(0.33)
EPRA NNAV		5,321.4		6.95	5,760.6	7.25
Fair value adjustment to borrowings		113.2		0.14	264.3	0.33
Deferred tax: Reported Group		0.5		–	0.5	–
Fair value of interest rate swaps						
– Reported Group	20H	(2.7)		–	(6.3)	(0.01)
– Share of Property interests	13C	1.4		–	–	–
		(1.3)		–	(6.3)	(0.01)
Premium outlets						
– Fair value of derivatives	13C, 14D	8.8		0.01	(9.7)	(0.01)
– Deferred tax	13C, 14D	274.4		0.36	212.0	0.27
– Goodwill as a result of deferred tax	13C, 14D	(66.7)		(0.08)	(57.1)	(0.07)
		216.5		0.29	145.2	0.19
EPRA NAV		5,650.3	766.1	7.38	6,164.3	7.76

12: Investment and development properties

	2018			2017		
	Investment properties Valuation £m	Development properties Valuation £m	Total Valuation £m	Investment properties Valuation £m	Development properties Valuation £m	Total Valuation £m
Balance at 1 January	4,348.9	337.2	4,686.1	4,561.8	202.1	4,763.9
Exchange adjustment	20.3	2.5	22.8	79.3	4.5	83.8
Additions – Asset acquisitions	11.5	0.4	11.9	162.9	72.0	234.9
– Capital expenditure	70.7	65.4	136.1	73.1	35.5	108.6
	82.2	65.8	148.0	236.0	107.5	343.5
Transfer to investment in joint ventures (note 13D)	(235.7)	–	(235.7)	–	–	–
Disposals	(631.3)	–	(631.3)	(506.6)	(1.2)	(507.8)
Capitalised interest	0.2	1.7	1.9	0.3	0.5	0.8
Reclassification on completion of developments	39.5	(39.5)	–	–	–	–
Revaluation (losses)/gains	(183.4)	22.0	(161.4)	(21.9)	23.8	1.9
Balance at 31 December	3,440.7	389.7	3,830.4	4,348.9	337.2	4,686.1

Analysis of properties by tenure	Freehold £m	Long leasehold £m	Total £m
Balance at 31 December 2018	2,563.6	1,266.8	3,830.4
Balance at 31 December 2017	3,345.7	1,340.4	4,686.1

Properties are stated at fair value as at 31 December 2018, valued by professionally qualified external valuers. Cushman & Wakefield Debenham Tie Leung Limited, Chartered Surveyors, have valued the Group's properties, excluding those held by the Group's premium outlet investments which have been valued by Cushman & Wakefield LLP, Chartered Surveyors. Valuations have been prepared in accordance with the RICS Valuation – Global Standards 2017 based on certain assumptions as set out in note 1. Valuation fees are based on a fixed amount agreed between the Group and the valuers and are independent of the portfolio value. Summaries of the valuers' reports are available on the Company's website: www.hammerson.com.

In the case of leasehold properties, valuations are net of any obligation to freeholders or superior leaseholders. To comply with IAS 40 and IAS 17 these obligations and the related leasehold assets are included in the balance sheet within 'Obligations under head leases' (note 21) and 'Interests in leasehold properties' respectively. Further information is provided in 'Significant accounting policies' on page 133.

As noted in 'Significant judgements and key estimates' on page 131, real estate valuations are complex, derived from data which is not widely publicly available and involve a significant degree of estimation. For these reasons, and consistent with EPRA's guidance, we have classified the valuations of our property portfolio as Level 3 as defined by IFRS 13.

During the year, the extension at The Orchard Centre, Didcot was completed and £39.5 million was reclassified from development to investment properties, which included £0.2 million of interest capitalised during the year. The total amount of interest included in development properties at 31 December 2018 was £1.5 million (2017: £0.5 million). Capitalised interest is calculated using the cost of secured debt or the Group's weighted average cost of borrowings, as appropriate, and the effective rate applied in 2018 was 2.7% (2017: 2.9%). At 31 December 2018 the historical cost of investment and development properties was £3,145.9 million (2017: £3,912.8 million).

Joint operations

At 31 December 2018, investment properties included properties with a value of £215.1 million (2017: £202.4 million) held within joint operations which are jointly controlled and proportionally consolidated. The Hammerson ICAV acquired a 50% interest in the Ilac Centre, Dublin in December 2016 and at 31 December 2018 a co-ownership agreement was in place with Irish Life Assurance plc, the holder of the remaining 50% interest. The Hammerson ICAV also holds a 50% interest in Pavilions, Swords, acquired in September 2017 and at 31 December 2018 a Co-ownership agreement was in place with Irish Life Assurance plc and IPUT plc, both of which held a 25% interest in the property. See footnotes 4 and 5 of note 13D on page 152 for further details.

13: Investment in joint ventures

The Group has investments in a number of jointly controlled property and corporate interests, which have been equity accounted under IFRS in the consolidated financial statements.

As explained the Financial review on page 48, management reviews the business principally on a proportionally consolidated basis, except for its premium outlet investments. The Group's share of assets and liabilities of joint ventures is split between Property joint ventures, being joint ventures which are proportionally consolidated, and VIA Outlets, a premium outlets investment, which is not proportionally consolidated. The Group's significant joint venture interests are set out in the table below. Further details of the Group's interests in joint ventures are shown in note G on pages 174 and 175.

	Partner	Principal property ^A	Group share %
United Kingdom			
Bishopsgate Goodsynd Regeneration Limited	Ballymore Properties	The Goodsynd	50
Brent Cross	Aberdeen Standard Investments	Brent Cross	41
Brent South Shopping Park	Aberdeen Standard Investments	Brent South	41
Bristol Alliance Limited Partnership	AXA Real Estate	Cabot Circus	50
Croydon Limited Partnership/Whitgift Limited Partnership	Unibail-Rodamco-Westfield	Centrale/Whitgift	50
Grand Central Limited Partnership	CPPIB	Grand Central	50
Highcross Leicester Limited Partnership ^B	Asian investor introduced by M&G Real Estate	Highcross	50
Silverburn Unit Trust ^C	CPPIB	Silverburn	50
The Bull Ring Limited Partnership	Nuveen, CPPIB	Bullring	50
The Oracle Limited Partnership	ADIA	The Oracle	50
The West Quay Limited Partnership	GIC	Westquay	50
VIA Limited Partnership ^C	APG, Meyer Bergman, Value Retail	VIA Outlets	47
Ireland			
Dundrum Retail Limited Partnership / Dundrum Car Park Limited Partnership	Allianz	Dundrum	50
France			
SCI ESQ	Allianz	Espace Saint-Quentin	25
SCI RC Aulnay 1 and SCI RC Aulnay 2	Client of Rockspring Property Investment Managers	O'Parinor	25

A. The names of the principal properties operated by each partnership have been used in the summary income statements and balance sheets in note 13A. Brent Cross and Brent South are presented together as Brent Cross. The two Dundrum partnerships are presented together as the 'Irish portfolio'. The Goodsynd, Espace Saint-Quentin and O'Parinor are presented together as 'Other'.

B. On 28 November 2018, the Group sold a 50% interest in Highcross Leicester Limited Partnership to an Asian investor introduced by M&G Real Estate.

C. Registered in Jersey (see note H on page 175).

The Reported Group's investment in joint ventures at 31 December 2018 was £3,604.5 million (2017: £3,673.7 million). An analysis of the movements in the year is provided in note 13D on page 152.

The following footnotes apply to the summarised income statements and balance sheets in note 13A which show 100% of the results, assets and liabilities of joint ventures, and where appropriate have been restated to the Group's accounting policies and exclude all balances which are eliminated on consolidation.

1. The Group's share of revaluation gains within VIA Outlets of £11.2 million (2017: £14.0 million) includes revaluation gains on properties of £11.2 million (2017: £26.9 million) and deferred tax acquired of £nil (2017: £12.9 million).
2. In addition to the distributions payable, the Group received interest from its joint ventures of £10.3 million (2017: £17.4 million). See note 28A.
3. Included within the 100% cash and deposits figures are balances of £4.1 million (2017: £nil) and £4.5 million (2017: £6.4 million) in respect of Highcross and the Irish Portfolio respectively, which are classed as 'restricted' under the terms of the loan agreements.
4. The Group and its partners invest in joint ventures principally by way of equity investment. To provide further clarity of this investment, those balances which are not equity have been included within other payables as a liability of the joint venture, and the Group's interest has been shown separately.

13: Investment in joint ventures continued**A. Summary financial statements of joint ventures****Share of results of joint ventures for the year ended 31 December 2018**

See page 147 for footnotes.

	Brent Cross £m	Cabot Circus £m	Bullring £m	Grand Central £m	The Oracle £m	Westquay £m
Ownership (%)	41	50	50	50	50	50
Gross rental income	45.8	38.1	58.8	12.0	32.8	36.2
Net rental income	42.0	32.6	51.2	11.0	28.1	28.6
Administration expenses	–	–	–	–	–	–
Operating profit before other net (losses)/gains	42.0	32.6	51.2	11.0	28.1	28.6
Revaluation (losses)/gains on properties ¹	(59.1)	(77.0)	(118.7)	(62.8)	(121.3)	(50.2)
Operating (loss)/profit	(17.1)	(44.4)	(67.5)	(51.8)	(93.2)	(21.6)
Change in fair value of derivatives	–	–	–	–	–	–
Translation movement on intragroup funding loan	–	–	–	–	–	–
Other finance (costs)/income	(0.1)	(0.7)	–	(0.2)	–	(0.4)
Net finance (costs)/income	(0.1)	(0.7)	–	(0.2)	–	(0.4)
(Loss)/Profit before tax	(17.2)	(45.1)	(67.5)	(52.0)	(93.2)	(22.0)
Current tax charge	–	–	–	–	–	–
Deferred tax credit	–	–	–	–	–	–
(Loss)/Profit for the year	(17.2)	(45.1)	(67.5)	(52.0)	(93.2)	(22.0)
Hammerson share of (loss)/profit for the year	(6.9)	(22.6)	(33.7)	(26.0)	(46.6)	(11.0)
Hammerson share of distributions payable²	0.2	9.8	27.2	–	6.2	–

Share of assets and liabilities of joint ventures as at 31 December 2018

	Brent Cross £m	Cabot Circus £m	Bullring £m	Grand Central £m	The Oracle £m	Westquay £m
Non-current assets						
Investment and development properties	1,026.3	574.1	1,145.9	283.2	573.5	654.5
Goodwill	–	–	–	–	–	–
Other non-current assets	12.8	13.9	–	2.7	–	4.2
	1,039.1	588.0	1,145.9	285.9	573.5	658.7
Current assets						
Other current assets	9.6	6.3	12.8	4.7	6.5	8.8
Cash and deposits ³	18.0	15.9	19.2	13.7	9.6	8.8
	27.6	22.2	32.0	18.4	16.1	17.6
Current liabilities						
Other payables	(17.4)	(12.7)	(21.7)	(6.2)	(11.7)	(12.4)
Loans – secured	–	–	–	–	–	–
	(17.4)	(12.7)	(21.7)	(6.2)	(11.7)	(12.4)
Non-current liabilities						
Loans – secured	–	–	–	–	–	–
Derivative financial instruments	–	–	–	–	–	–
Obligations under head leases	(12.8)	(13.9)	–	(2.7)	–	(4.2)
Other payables	(1.3)	(0.6)	(1.4)	(0.6)	(1.1)	(697.7)
Deferred tax	–	–	–	–	(0.2)	–
	(14.1)	(14.5)	(1.4)	(3.3)	(1.3)	(701.9)
Net assets/(liabilities)	1,035.2	583.0	1,154.8	294.8	576.6	(38.0)
Hammerson share of net assets/(liabilities)	420.3	291.5	577.4	147.4	288.3	(19.0)
Balance due to Hammerson ⁴	–	–	–	–	–	348.2
Total investment in joint ventures	420.3	291.5	577.4	147.4	288.3	329.2

100%							Hammerson share		
Silverburn £m	Centrale/ Whitgift £m	Highcross £m	Irish portfolio £m	VIA Outlets £m	Other £m	Total 2018 £m	Property joint ventures £m	VIA Outlets £m	Total 2018 £m
50	50	50	50	47	various				
21.2	24.6	3.3	66.5	90.7	33.2	463.2	174.0	42.6	216.6
19.4	16.0	2.8	60.2	68.0	28.6	388.5	149.4	31.9	181.3
(0.1)	(0.1)	-	(0.2)	(15.4)	(0.1)	(15.9)	(0.2)	(7.2)	(7.4)
19.3	15.9	2.8	60.0	52.6	28.5	372.6	149.2	24.7	173.9
(25.8)	(2.1)	(1.4)	4.5	23.9	(81.1)	(571.1)	(271.7)	11.2	(260.5)
(6.5)	13.8	1.4	64.5	76.5	(52.6)	(198.5)	(122.5)	35.9	(86.6)
-	-	(1.4)	(1.5)	(4.6)	-	(7.5)	(1.4)	(2.2)	(3.6)
-	-	-	-	(0.2)	-	(0.2)	-	(0.1)	(0.1)
-	0.1	(0.4)	(10.8)	(15.7)	(2.9)	(31.1)	(7.0)	(7.4)	(14.4)
-	0.1	(1.8)	(12.3)	(20.5)	(2.9)	(38.8)	(8.4)	(9.7)	(18.1)
(6.5)	13.9	(0.4)	52.2	56.0	(55.5)	(237.3)	(130.9)	26.2	(104.7)
-	(0.1)	-	-	(4.8)	(0.1)	(5.0)	(0.1)	(2.2)	(2.3)
-	-	-	-	1.1	-	1.1	-	0.6	0.6
(6.5)	13.8	(0.4)	52.2	52.3	(55.6)	(241.2)			
(3.2)	6.9	(0.2)	26.1	24.6	(13.8)	(106.4)	(131.0)	24.6	(106.4)
10.6	-	-	16.8	62.2	0.6	133.6			

100%							Hammerson share		
Silverburn £m	Centrale/ Whitgift £m	Highcross £m	Irish portfolio £m	VIA Outlets £m	Other £m	Total 2018 £m	Property joint ventures £m	VIA Outlets £m	Total 2018 £m
312.1	373.7	470.7	1,580.7	1,354.6	767.9	9,117.2	3,619.8	635.8	4,255.6
-	-	-	-	-	-	-	-	3.6	3.6
0.2	-	-	0.7	7.0	-	41.5	16.2	3.4	19.6
312.3	373.7	470.7	1,581.4	1,361.6	767.9	9,158.7	3,636.0	642.8	4,278.8
5.7	67.8	5.8	16.6	23.9	12.7	181.2	75.4	7.7	83.1
7.4	17.8	5.5	19.5	70.7	15.8	221.9	70.0	33.2	103.2
13.1	85.6	11.3	36.1	94.6	28.5	403.1	145.4	40.9	186.3
(7.2)	(22.2)	(12.3)	(14.7)	(33.5)	(11.0)	(183.0)	(71.0)	(15.8)	(86.8)
-	-	-	-	(68.4)	-	(68.4)	-	(32.0)	(32.0)
(7.2)	(22.2)	(12.3)	(14.7)	(101.9)	(11.0)	(251.4)	(71.0)	(47.8)	(118.8)
-	-	(163.6)	(556.6)	(518.7)	(196.9)	(1,435.8)	(409.3)	(243.6)	(652.9)
-	-	(1.3)	(1.5)	(6.6)	-	(9.4)	(1.4)	(3.1)	(4.5)
-	-	-	-	-	-	(33.6)	(15.6)	-	(15.6)
-	(53.5)	-	(0.9)	(6.6)	(189.1)	(952.8)	(5.9)	(3.1)	(9.0)
-	-	-	-	(127.4)	-	(127.6)	-	(59.8)	(59.8)
-	(53.5)	(164.9)	(559.0)	(659.3)	(386.0)	(2,559.2)	(432.2)	(309.6)	(741.8)
318.2	383.6	304.8	1,043.8	695.0	399.4	6,751.2			
159.1	191.8	152.4	521.9	326.3	109.2	3,166.6			
-	26.7	-	-	-	63.0	437.9			
159.1	218.5	152.4	521.9	326.3	172.2	3,604.5	3,278.2	326.3	3,604.5

13: Investment in joint ventures continued**A. Summary financial statements of joint ventures** continued**Share of results of joint ventures for the year ended 31 December 2017**

See page 147 for footnotes.

	Brent Cross £m	Cabot Circus £m	Bullring £m	Grand Central £m	The Oracle £m	Westquay £m
Ownership (%)	41	50	50	50	50	50
Gross rental income	47.7	37.5	57.4	10.3	34.9	35.4
Net rental income	43.1	31.5	50.8	7.8	29.5	28.0
Administration expenses	–	–	–	–	–	–
Operating profit before other net (losses)/gains	43.1	31.5	50.8	7.8	29.5	28.0
Revaluation (losses)/gains on properties ¹	(3.3)	9.2	33.5	(3.0)	1.6	38.2
Operating profit/(loss)	39.8	40.7	84.3	4.8	31.1	66.2
Change in fair value of derivatives	–	–	–	–	–	–
Translation movement on intragroup funding loan	–	–	–	–	–	–
Other finance (costs)/income	–	(0.8)	–	(0.2)	–	(0.4)
Net finance (costs)/income	–	(0.8)	–	(0.2)	–	(0.4)
Profit/(Loss) before tax	39.8	39.9	84.3	4.6	31.1	65.8
Current tax charge	–	–	–	–	–	–
Deferred tax credit/(charge)	–	–	–	–	0.1	–
Profit/(Loss) for the year	39.8	39.9	84.3	4.6	31.2	65.8
Hammerson share of profit/(loss) for the year	16.4	19.9	42.2	2.3	15.6	32.9
Hammerson share of distributions payable²	–	8.3	22.3	1.2	7.8	–

Share of assets and liabilities of joint ventures as at 31 December 2017

	Brent Cross £m	Cabot Circus £m	Bullring £m	Grand Central £m	The Oracle £m	Westquay £m
Non-current assets						
Investment and development properties	1,040.6	646.3	1,267.9	344.7	678.0	702.5
Goodwill	–	–	–	–	–	–
Other non-current assets	–	13.9	–	2.8	0.1	4.2
	1,040.6	660.2	1,267.9	347.5	678.1	706.7
Current assets						
Other current assets	11.8	7.1	10.6	8.6	7.0	8.8
Cash and deposits	0.7	10.9	20.4	4.0	10.4	9.9
	12.5	18.0	31.0	12.6	17.4	18.7
Current liabilities						
Other payables	(18.3)	(14.8)	(20.8)	(10.2)	(11.4)	(13.9)
Tax	–	–	–	–	–	–
Loans – secured	–	–	–	–	–	–
	(18.3)	(14.8)	(20.8)	(10.2)	(11.4)	(13.9)
Non-current liabilities						
Loans – secured	–	–	–	–	–	–
Derivative financial instruments	–	–	–	–	–	–
Obligations under head leases	–	(13.9)	–	(2.8)	–	(4.2)
Other payables	(1.2)	(0.6)	(1.4)	(0.3)	(1.0)	(697.9)
Deferred tax	–	–	–	–	(0.2)	–
	(1.2)	(14.5)	(1.4)	(3.1)	(1.2)	(702.1)
Net assets	1,033.6	648.9	1,276.7	346.8	682.9	9.4
Hammerson share of net assets	421.1	324.5	638.4	173.4	341.4	4.7
Balance due to Hammerson ⁴	–	–	–	–	–	348.2
Total investment in joint ventures	421.1	324.5	638.4	173.4	341.4	352.9

100%						Hammerson share		
Silverburn £m	Centrale/ Whitgift £m	Irish portfolio £m	VIA Outlets £m	Other £m	Total 2017 £m	Property joint ventures £m	VIA Outlets £m	Total 2017 £m
50	50	50	47	various				
22.1	24.4	64.5	77.1	33.6	444.9	171.4	36.2	207.6
20.1	15.2	59.2	54.7	29.8	369.7	146.4	25.6	172.0
(0.1)	(0.1)	(0.6)	(9.5)	(0.2)	(10.5)	(0.5)	(4.4)	(4.9)
20.0	15.1	58.6	45.2	29.6	359.2	145.9	21.2	167.1
(24.0)	(1.4)	(3.3)	29.5	(19.1)	57.9	19.4	14.0	33.4
(4.0)	13.7	55.3	74.7	10.5	417.1	165.3	35.2	200.5
-	-	-	3.5	-	3.5	-	1.6	1.6
-	-	-	2.1	-	2.1	-	1.0	1.0
-	-	5.9	(13.5)	(2.9)	(11.9)	1.6	(6.4)	(4.8)
-	-	5.9	(7.9)	(2.9)	(6.3)	1.6	(3.8)	(2.2)
(4.0)	13.7	61.2	66.8	7.6	410.8	166.9	31.4	198.3
-	-	-	(3.4)	-	(3.4)	-	(1.6)	(1.6)
-	-	-	(34.5)	-	(34.4)	-	(16.2)	(16.2)
(4.0)	13.7	61.2	28.9	7.6	373.0			
(2.0)	6.9	30.6	13.6	2.1	180.5	166.9	13.6	180.5
7.1	-	22.8	14.5	0.6	84.6			

100%						Hammerson share		
Silverburn £m	Centrale/ Whitgift £m	Irish portfolio £m	VIA Outlets £m	Other £m	Total 2017 £m	Property joint ventures £m	VIA Outlets £m	Total 2017 £m
334.5	363.9	1,557.0	1,278.8	835.9	9,050.1	3,611.1	600.3	4,211.4
-	-	-	-	-	-	-	3.6	3.6
-	-	-	0.5	-	21.5	10.5	0.2	10.7
334.5	363.9	1,557.0	1,279.3	835.9	9,071.6	3,621.6	604.1	4,225.7
2.8	5.7	24.0	30.4	14.3	131.1	52.7	14.5	67.2
15.4	22.6	17.9	44.6	7.9	164.7	58.5	20.9	79.4
18.2	28.3	41.9	75.0	22.2	295.8	111.2	35.4	146.6
(6.3)	(24.6)	(17.9)	(43.0)	(4.7)	(185.9)	(79.6)	(20.2)	(99.8)
(1.4)	-	-	-	-	(1.4)	(0.7)	-	(0.7)
-	-	-	(58.8)	(194.3)	(253.1)	(48.6)	(27.7)	(76.3)
(7.7)	(24.6)	(17.9)	(101.8)	(199.0)	(440.4)	(128.9)	(47.9)	(176.8)
-	-	(550.0)	(355.8)	-	(905.8)	(275.0)	(166.8)	(441.8)
-	-	-	(2.5)	-	(2.5)	-	(1.2)	(1.2)
-	-	-	-	-	(20.9)	(10.4)	-	(10.4)
-	(104.9)	(0.8)	(5.7)	(196.3)	(1,010.1)	(6.1)	(2.6)	(8.7)
-	-	-	(127.2)	-	(127.4)	-	(59.7)	(59.7)
-	(104.9)	(550.8)	(491.2)	(196.3)	(2,066.7)	(291.5)	(230.3)	(521.8)
345.0	262.7	1,030.2	761.3	462.8	6,860.3			
172.5	131.3	515.1	361.3	125.1	3,208.8			
-	52.4	-	-	64.3	464.9			
172.5	183.7	515.1	361.3	189.4	3,673.7	3,312.4	361.3	3,673.7

13: Investment in joint ventures continued**B. Reconciliation to adjusted earnings**

	Property joint ventures £m	VIA Outlets £m	Total 2018 £m	Property joint ventures £m	VIA Outlets £m	Total 2017 £m
(Loss)/Profit for the year	(131.0)	24.6	(106.4)	166.9	13.6	180.5
Revaluation losses/(gains) on properties	271.7	(11.2)	260.5	(19.4)	(26.9)	(46.3)
Deferred tax acquired	–	–	–	–	12.9	12.9
Revaluation losses/(gains)	271.7	(11.2)	260.5	(19.4)	(14.0)	(33.4)
Change in fair value of derivatives	1.4	2.2	3.6	–	(1.6)	(1.6)
Translation movements on intragroup funding loan ¹	–	0.1	0.1	–	(1.0)	(1.0)
Deferred tax (credit)/charge	–	(0.6)	(0.6)	–	16.2	16.2
Total adjustments	273.1	(9.5)	263.6	(19.4)	(0.4)	(19.8)
Adjusted earnings of joint ventures	142.1	15.1	157.2	147.5	13.2	160.7

1. Foreign exchange differences on intragroup loan balances which are either commercially hedged or arise upon retranslation of euro-denominated loans between entities with different functional currencies from the euro-denominated VIA Outlets group. These exchange differences do not give rise to any cash flow exposures in the VIA Outlets group.

C. Reconciliation to adjusted investment in joint ventures

	Property joint ventures £m	VIA Outlets £m	Total 2018 £m	Property joint ventures £m	VIA Outlets £m	Total 2017 £m
Investment in joint ventures	3,278.2	326.3	3,604.5	3,312.4	361.3	3,673.7
Fair value of derivatives	1.4	3.1	4.5	–	1.2	1.2
Deferred tax	–	59.8	59.8	–	59.7	59.7
Goodwill as a result of deferred tax	–	(3.6)	(3.6)	–	(3.6)	(3.6)
Total adjustments	1.4	59.3	60.7	–	57.3	57.3
Adjusted investment in joint ventures	3,279.6	385.6	3,665.2	3,312.4	418.6	3,731.0

D. Reconciliation of movements in investment in joint ventures

	Property joint ventures £m	VIA Outlets £m	Total 2018 £m	Property joint ventures £m	VIA Outlets £m	Total 2017 £m
Balance at 1 January	3,312.4	361.3	3,673.7	3,514.7	222.0	3,736.7
Share of results of joint ventures	(131.0)	24.6	(106.4)	166.9	13.6	180.5
Advances	30.0	–	30.0	35.7	129.9	165.6
Distributions and other receivables	(98.6)	(62.2)	(160.8)	(111.9)	(14.5)	(126.4)
Transfer of investment property from Reported Group ¹	235.7	–	235.7	–	–	–
Funds from financing transferred to Reported Group ²	(81.9)	–	(81.9)	–	–	–
Return of equity ³	–	–	–	(275.0)	–	(275.0)
Acquisition of additional interest in Irish loan portfolio ⁴	–	–	–	56.2	–	56.2
Irish loan portfolio transferred to Reported Group ⁵	–	–	–	(112.5)	–	(112.5)
Other movements	4.1	–	4.1	1.0	–	1.0
Foreign exchange translation differences	7.5	2.6	10.1	37.3	10.3	47.6
Balance at 31 December	3,278.2	326.3	3,604.5	3,312.4	361.3	3,673.7

1. In 2018, the Group sold a 50% investment in Highcross for £236 million. The total is shown separately in note 12 on page 146 as a transfer to investment in joint ventures.

2. Finance raised in 2018, and secured on Highcross, was used to repay intragroup debt due to the Reported Group. This finance is classified as 'loans - secured' and included in non-current liabilities within the 100% results for Highcross in note 13A on page 149.

3. Finance raised in 2017, and secured on Dundrum Town Centre, was used to return £275 million of equity to each of the 50% joint venture partners. This finance is classified as 'loans - secured' and included in non-current liabilities within the 100% results for the Irish portfolio in note 13A on pages 149 and 151.

4. In 2017, the Reported Group acquired a further interest in the interest-bearing loan secured on the Pavilions, Swords property held within the Irish portfolio. This loan was converted into property assets in September 2017. (See footnote 5 below).

5. In 2017, the element of the loan portfolio relating to Pavilions, Swords was transferred to the Reported Group prior to conversion to property assets and is included within asset acquisitions for 2017 in note 12 on page 146.

14: Investment in associates

At 31 December 2018, the Group had two associates: Value Retail PLC and its group entities ('VR') and a 10% interest in Nicetoile where Hammerson is the asset manager. Both investments are equity accounted under IFRS, although the share of results in Nicetoile is included with the Group's Share of Property interests when presenting figures on a proportionally consolidated basis. Further details are provided in the Financial review on page 48.

Summaries of aggregated income and investment for the interest in premium outlets, which includes VR and the Group's investment in VIA Outlets, which is accounted for as a joint venture (see note 13), are provided in Tables 98 and 99 of the Additional disclosures on page 182.

A: Share of results of associates

	VR		Nicetoile		2018 Total	
	100% £m	Hammerson share £m	100% £m	Hammerson share £m	100% £m	Hammerson share £m
Gross rental income	369.6	117.7	16.3	1.6	385.9	119.3
Net rental income	250.7	81.2	14.0	1.4	264.7	82.6
Administration expenses	(128.2)	(37.8)	–	–	(128.2)	(37.8)
Operating profit before other net gains	122.5	43.4	14.0	1.4	136.5	44.8
Revaluation gains/(losses) on properties	174.5	45.0	(4.7)	(0.5)	169.8	44.5
Operating profit	297.0	88.4	9.3	0.9	306.3	89.3
Net finance costs	(63.2)	(19.5)	–	–	(63.2)	(19.5)
Change in fair value of derivatives	(13.4)	(1.3)	–	–	(13.4)	(1.3)
Change in fair value of participative loans – revaluation movement	–	2.2	–	–	–	2.2
Change in fair value of participative loans – other movement	–	3.7	–	–	–	3.7
Profit before tax	220.4	73.5	9.3	0.9	229.7	74.4
Current tax charge	(11.6)	(2.3)	–	–	(11.6)	(2.3)
Deferred tax charge	(58.8)	(14.4)	–	–	(58.8)	(14.4)
Profit for the year	150.0	56.8	9.3	0.9	159.3	57.7

	VR		Nicetoile		2017 Total	
	100% £m	Hammerson share £m	100% £m	Hammerson share £m	100% £m	Hammerson share £m
Gross rental income	341.5	103.1	15.9	1.6	357.4	104.7
Net rental income	236.0	72.0	14.1	1.4	250.1	73.4
Administration expenses	(115.8)	(33.8)	–	–	(115.8)	(33.8)
Operating profit before other net gains	120.2	38.2	14.1	1.4	134.3	39.6
Revaluation gains on properties	490.2	198.3	0.6	–	490.8	198.3
Operating profit	610.4	236.5	14.7	1.4	625.1	237.9
Net finance costs	(56.0)	(15.8)	–	–	(56.0)	(15.8)
Change in fair value of derivatives	(25.5)	(5.2)	–	–	(25.5)	(5.2)
Change in fair value of participative loans – revaluation movement	–	11.8	–	–	–	11.8
Change in fair value of participative loans – other movement	–	2.9	–	–	–	2.9
Profit before tax	528.9	230.2	14.7	1.4	543.6	231.6
Current tax charge	(15.0)	(2.7)	–	–	(15.0)	(2.7)
Deferred tax charge	(26.9)	(5.9)	–	–	(26.9)	(5.9)
Profit for the year	487.0	221.6	14.7	1.4	501.7	223.0

14: Investment in associates continued**B: Reconciliation to adjusted earnings**

	VR £m	Nicetoile £m	Total 2018 £m	VR £m	Nicetoile £m	Total 2017 £m
Profit for the year	56.8	0.9	57.7	221.6	1.4	223.0
Revaluation (gains)/losses on properties	(45.0)	0.5	(44.5)	(198.3)	–	(198.3)
Change in fair value of derivatives	1.3	–	1.3	5.2	–	5.2
Change in fair value of participative loans – revaluation movement	(2.2)	–	(2.2)	(11.8)	–	(11.8)
Loan facility costs written off	0.7	–	0.7	2.0	–	2.0
Deferred tax charge	14.4	–	14.4	5.9	–	5.9
Total adjustments	(30.8)	0.5	(30.3)	(197.0)	–	(197.0)
Adjusted earnings of associates	26.0	1.4	27.4	24.6	1.4	26.0

When aggregated, the Group's share of VR's adjusted earnings for the year ended 31 December 2018 amounted to 50.1% (2017: 45.7%).

C: Share of assets and liabilities of associates

	VR		Nicetoile		2018 Total	
	100% £m	Hammerson share £m	100% £m	Hammerson share £m	100% £m	Hammerson share £m
Goodwill on acquisition	–	93.1	–	–	–	93.1
Investment properties	5,054.0	1,823.0	293.5	29.3	5,347.5	1,852.3
Other non-current assets	247.0	67.8	–	–	247.0	67.8
Non-current assets	5,301.0	1,983.9	293.5	29.3	5,594.5	2,013.2
Other current assets	97.5	36.3	3.0	0.3	100.5	36.6
Cash and deposits	269.5	77.8	12.0	1.2	281.5	79.0
Current assets	367.0	114.1	15.0	1.5	382.0	115.6
Total assets	5,668.0	2,098.0	308.5	30.8	5,976.5	2,128.8
Other payables	(96.9)	(48.6)	(2.2)	(0.2)	(99.1)	(48.8)
Current liabilities	(96.9)	(48.6)	(2.2)	(0.2)	(99.1)	(48.8)
Loans	(2,032.8)	(735.4)	–	–	(2,032.8)	(735.4)
Derivative financial instruments	(19.3)	(5.7)	–	–	(19.3)	(5.7)
Other payables	(333.0)	(87.6)	(2.3)	(0.2)	(335.3)	(87.8)
Deferred tax	(660.0)	(179.0)	–	–	(660.0)	(179.0)
Non-current liabilities	(3,045.1)	(1,007.7)	(2.3)	(0.2)	(3,047.4)	(1,007.9)
Total liabilities	(3,142.0)	(1,056.3)	(4.5)	(0.4)	(3,146.5)	(1,056.7)
Net assets	2,526.0	1,041.7	304.0	30.4	2,830.0	1,072.1
Participative loans¹	–	169.4	–	–	–	169.4
Investment in associates	2,526.0	1,211.1	304.0	30.4	2,830.0	1,241.5

C: Share of assets and liabilities of associates continued

	VR		Nicetoile		2017 Total	
	100% £m	Hammerson share £m	100% £m	Hammerson share £m	100% £m	Hammerson share £m
Goodwill on acquisition	–	80.4	–	–	–	80.4
Investment properties	4,760.4	1,633.8	291.0	29.1	5,051.4	1,662.9
Other non-current assets	213.9	52.0	–	–	213.9	52.0
Non-current assets	4,974.3	1,766.2	291.0	29.1	5,265.3	1,795.3
Other current assets	71.8	22.5	8.0	0.8	79.8	23.3
Cash and deposits	294.2	113.4	14.1	1.4	308.3	114.8
Current assets	366.0	135.9	22.1	2.2	388.1	138.1
Total assets	5,340.3	1,902.1	313.1	31.3	5,653.4	1,933.4
Other payables	(188.1)	(94.3)	(2.1)	(0.2)	(190.2)	(94.5)
Loans	(4.4)	(1.1)	–	–	(4.4)	(1.1)
Current liabilities	(192.5)	(95.4)	(2.1)	(0.2)	(194.6)	(95.6)
Loans	(1,765.4)	(624.2)	–	–	(1,765.4)	(624.2)
Derivative financial instruments	(22.0)	(7.9)	–	–	(22.0)	(7.9)
Other payables	(314.0)	(82.5)	(2.5)	(0.2)	(316.5)	(82.7)
Deferred tax	(594.1)	(152.3)	–	–	(594.1)	(152.3)
Non-current liabilities	(2,695.5)	(866.9)	(2.5)	(0.2)	(2,698.0)	(867.1)
Total liabilities	(2,888.0)	(962.3)	(4.6)	(0.4)	(2,892.6)	(962.7)
Net assets	2,452.3	939.8	308.5	30.9	2,760.8	970.7
Participative loans¹	–	128.8	–	–	–	128.8
Investment in associates	2,452.3	1,068.6	308.5	30.9	2,760.8	1,099.5

1. The Group's total investment in associates includes long-term debt which in substance forms part of the Group's investment. These 'participative loans' are not repayable in the foreseeable future and represent the Group's investor share of La Roca Village and Las Rozas Village. Following the adoption of IFRS 9 Financial Instruments, as referred to in note 1 on page 129, the loans are classified as a 'fair value through profit and loss' financial asset. For the year ended 31 December 2018, the entire change in the fair value of the asset of £5.9 million is included within the Group's share of profit from associates within the consolidated income statement. For the year ended 31 December 2017, under the previous accounting standard, the participative loan was split into two elements and each treated separately: (1) the underlying host participative loan of £6.9 million was classified as 'available for sale' financial asset with the change in fair value of £0.5 million included within other comprehensive income; and (2) the embedded derivative element of the loan of £121.9 million was classified as a 'fair value through profit and loss' financial asset and the change in fair value of £14.7 million included in the consolidated income statement within the Group's share of profit from associates. The comparative financial information has not been restated with this change applied prospectively from 1 January 2018.
2. The analysis in the tables above excludes liabilities in respect of distributions received in advance from VR amounting to £26.4 million (2017: £16.6 million) which are included within non-current liabilities in note 22.
3. In addition to the above investments, non-current receivables of the Group include loans to Value Retail European Holdings BV totalling €2.0 million (£1.8 million) (2017: €2.0 million, £1.8 million) secured against a number of VR assets and maturing on 30 November 2043.
4. At 31 December 2018, Hammerson's economic interest in VR is calculated as 38.6% (2017: 35.5%) adjusting for the Participative Loans, which at 100% are included within other payables in non-current liabilities.

D: Reconciliation to adjusted investment in associates

	VR £m	Nicetoile £m	Total 2018 £m	VR £m	Nicetoile £m	Total 2017 £m
Investment in associates	1,211.1	30.4	1,241.5	1,068.6	30.9	1,099.5
Fair value of derivatives	5.7	–	5.7	7.9	–	7.9
Fair value of derivatives within participative loans	–	–	–	(18.8)	–	(18.8)
Deferred tax	179.0	–	179.0	152.3	–	152.3
Deferred tax within participative loans	35.6	–	35.6	–	–	–
Goodwill as a result of deferred tax	(63.1)	–	(63.1)	(53.5)	–	(53.5)
Total adjustments	157.2	–	157.2	87.9	–	87.9
Adjusted investment in associates	1,368.3	30.4	1,398.7	1,156.5	30.9	1,187.4

14: Investment in associates continued**E: Reconciliation of movements in investment in associates**

	VR £m	Nicetoile £m	Total 2018 £m	VR £m	Nicetoile £m	Total 2017 £m
Balance at 1 January	1,068.6	30.9	1,099.5	959.1	29.0	988.1
Acquisitions ¹	113.8	–	113.8	0.9	–	0.9
Share of results of associates	56.8	0.9	57.7	221.6	1.4	223.0
Distributions ²	(31.8)	(1.2)	(33.0)	(129.8)	(1.1)	(130.9)
Change in fair value of participative loans (note 14C)	–	–	–	(0.5)	–	(0.5)
Share of other comprehensive loss of associate ³	(3.3)	–	(3.3)	–	–	–
Exchange and other movements	7.0	(0.2)	6.8	17.3	1.6	18.9
Balance at 31 December	1,211.1	30.4	1,241.5	1,068.6	30.9	1,099.5

1. During 2018 the Group acquired additional investor stakes in Value Retail for £113.8 million. This included advances of £5.2 million, resulting in cash consideration of £108.6 million.

2. Included within distributions of £33.0 million (2017: £130.9 million) are distributions totalling £24.7 million (2017: £101.3 million) in relation to Value Retail refinancing.

3. Relates to the change in fair value of derivative financial instruments in an effective hedge relationship within Value Retail.

15: Receivables: current assets

	2018 £m	2017 £m
Trade receivables	43.7	52.3
Other receivables	66.4	54.2
Corporation tax	0.2	–
Prepayments	3.5	4.0
	113.8	110.5

Trade receivables are shown after deducting a loss allowance provision of £9.8 million (2017: £14.2 million), as set out in the table below. To measure the loss allowance provision, trade receivables have been grouped based on shared credit risk characteristics and the days overdue. The level of provision required is determined after taking account of rent deposits and personal or corporate guarantees held. Management have performed an assessment of the effectiveness of this approach by comparing actual losses to provisions estimated in prior periods. Based on the minimal differences identified within this assessment, management has concluded that there is no material difference between the expected credit loss model prescribed by IFRS 9 and the current provisioning method being applied. Consequently, no allowance has been made for losses on receivables not yet falling due. Management will continue to review this assertion at each reporting period.

Credit risk is discussed further in note 20E.

	Gross receivable £m	Loss allowance £m	2018 Net receivable £m	Gross receivable £m	Loss allowance £m	2017 Net receivable £m
Not yet due	25.9	–	25.9	30.0	–	30.0
1-30 days overdue	5.3	–	5.3	4.1	–	4.1
31-60 days overdue	0.5	–	0.5	0.4	–	0.4
61-90 days overdue	0.5	(0.1)	0.4	–	–	–
91-120 days overdue	0.4	(0.1)	0.3	2.5	(1.4)	1.1
More than 120 days overdue	20.9	(9.6)	11.3	29.5	(12.8)	16.7
	53.5	(9.8)	43.7	66.5	(14.2)	52.3

16: Restricted monetary assets

	2018 £m	2017 £m
Cash held on behalf of third parties	24.0	37.3

The Group and its managing agents hold cash on behalf of its tenants and co-owners to meet future service charge costs and related expenditure. The cash has restricted use and, as such, does not meet the definition of cash and cash equivalents as defined in IAS 7 Statement of Cash Flows.

17: Cash and deposits

	2018 £m	2017 £m
Cash at bank	31.2	205.9
Currency profile		
Sterling	8.4	133.5
Euro	22.8	72.4
	31.2	205.9

18: Payables: current liabilities

	2018 £m	2017 £m
Trade payables	17.4	26.5
Net pension liability (note 7C)	0.9	0.8
Withholding tax on interim dividends (note 10)	12.7	13.4
Capital expenditure payables	28.5	34.2
Other payables	64.5	75.4
Accruals	91.6	85.5
Deferred income	18.1	25.3
	233.7	261.1

19: Loans

	2018 £m	2017 £m
Unsecured		
£200 million 7.25% sterling bonds due 2028	198.4	198.3
£300 million 6% sterling bonds due 2026	298.1	297.9
£350 million 3.5% sterling bonds due 2025	346.3	345.8
€500 million 1.75% euro bonds due 2023	446.4	441.3
€500 million 2% euro bonds due 2022	445.9	440.4
€500 million 2.75% euro bonds due 2019 ¹	–	442.4
Bank loans and overdrafts ²	562.8	496.6
Senior notes due 2031 ²	21.5	21.3
Senior notes due 2028 ²	90.4	89.9
Senior notes due 2026 ²	88.5	87.3
Senior notes due 2024 ²	366.6	350.0
Senior notes due 2021 ²	149.0	141.2
	3,013.9	3,352.4

1. The €500 million 2.75% euro bonds due 2019 were redeemed during the year. See note 8 for further details.

2. The bank loans and overdrafts and senior notes are analysed in note 20F.

At 31 December 2018 and 2017 no loans were repayable by instalments.

20: Financial instruments and risk management

A: Financing strategy

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. Long-term debt mainly comprises the Group's fixed rate unsecured bonds. Short-term funding is raised principally through syndicated revolving credit facilities from a range of banks and financial institutions with which the Group maintains strong working relationships. An analysis of the maturity of the undrawn element of these revolving credit facilities is shown in note 20D.

The Group's borrowing position at 31 December 2018 is summarised below:

	Derivative financial instruments*				Loans > 1 year £m	2018 Total £m
	Current assets £m	Non-current assets £m	Current liabilities £m	Non-current liabilities £m		
Note					19	
Bonds	–	–	–	–	1,735.1	1,735.1
Bank loans and overdrafts	–	–	–	–	562.8	562.8
Senior notes	–	–	–	–	716.0	716.0
Fair value of currency swaps	(4.1)	(21.8)	9.8	101.0	–	84.9
Borrowings	(4.1)	(21.8)	9.8	101.0	3,013.9	3,098.8
Interest rate swaps	–	(2.7)	–	–	–	(2.7)
Loans and derivative financial instruments	(4.1)	(24.5)	9.8	101.0	3,013.9	3,096.1

Comparative information for 31 December 2017 is detailed below:

	Derivative financial instruments*				Loans > 1 year £m	2017 Total £m
	Current assets £m	Non-current assets £m	Current liabilities £m	Non-current liabilities £m		
Note					19	
Bonds	–	–	–	–	2,166.1	2,166.1
Bank loans and overdrafts	–	–	–	–	496.6	496.6
Senior notes	–	–	–	–	689.7	689.7
Fair value of currency swaps	–	(10.3)	1.7	98.9	–	90.3
Borrowings	–	(10.3)	1.7	98.9	3,352.4	3,442.7
Interest rate swaps	–	(6.3)	–	–	–	(6.3)
Loans and derivative financial instruments	–	(16.6)	1.7	98.9	3,352.4	3,436.4

* In 2018 the Group changed its balance sheet presentation of derivative financial instruments (comprising interest rate swaps and currency swaps). Previously interest rate swaps were included in receivables or payables and currency swaps were included in other borrowings. From 2018, for the purposes of greater clarity, they are now combined into 'derivative financial instruments' as shown in the tables above and disclosed in the Consolidated balance sheet.

B: Interest rate and foreign currency management

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

At 31 December 2018, the Group had interest rate swaps of £250.0 million (2017: £250.0 million), maturing in 2020 under which the Group pays interest at a rate linked to LIBOR and receives interest at 6.875%. At 31 December 2018, the fair value of interest rate swaps was an asset of £2.7 million (2017: £6.3 million). The fair value of interest rate swaps is excluded from the Group's borrowings as the fair value will crystallise over the life of the instruments rather than at maturity. 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.

Interest rate and currency profile	Fixed rate borrowings		Floating rate borrowings		2018 Total
	%	Years	£m	£m	£m
Sterling	5.4	12	365.6	(97.9)	267.7
Euro	2.2	5	1,916.5	921.7	2,838.2
US dollar	–	–	–	(7.1)	(7.1)
	2.7	6	2,282.1	816.7	3,098.8

	Fixed rate borrowings		Floating rate borrowings		2017 Total
	%	Years	£m	£m	£m
Sterling	5.4	13	359.2	336.5	695.7
Euro	2.3	5	2,335.2	417.9	2,753.1
US dollar	–	–	–	(6.1)	(6.1)
	2.7	6	2,694.4	748.3	3,442.7

Net investment hedge

To manage the foreign currency exposure on its net investments in euro-denominated entities, the Group has designated all euro borrowings or synthetic euro borrowings, including euro-denominated bonds, senior notes, bank loans and currency swaps, as net investment hedges. This designation allows exchange differences on hedging instruments to be recognised directly in equity and offset against the exchange differences on net investments in euro-denominated entities also recognised in equity. The notional and carrying amount of these euro-denominated liabilities designated in a net investment hedge, and the average hedged exchange rate is shown below.

2018	Bonds ³	Senior notes	Cross currency swaps	Foreign exchange swaps	Total
Euro notional ¹ (£m)	1,000.0	237.0	905.0	1,027.7	3,169.7
Carrying amount ² (£m)	892.3	212.6	80.7	5.9	1,191.5
Average hedged exchange rate	£1=£1.264	£1=£1.176	£1=£1.282	£1=£1.124	

2017	Bonds ³	Senior notes	Cross currency swaps	Foreign exchange swaps	Total
Euro notional ¹ (£m)	1,500.0	237.0	905.0	471.0	3,113.0
Carrying amount ² (£m)	1,324.1	208.1	73.4	1.6	1,607.2
Average hedged exchange rate	£1=£1.261	£1=£1.176	£1=£1.282	£1=£1.132	

1. The euro notional is the amount due at maturity without netting any receivable of different currency under the same instrument.

2. The carrying amount is the book value at which euro-denominated financial instruments are recognised within borrowings.

3. The fair value of euro-denominated bonds at 31 December 2018 was £903.5 million (2017: £1,396.1 million).

Cash flow hedge

To manage the impact of foreign exchange movements on the Group's \$523 million US dollar borrowings, the Group has used derivatives at an average hedged exchange rate of £1 = \$1.408, to swap the cash flows to either euro or sterling, the sterling element of which is designated as a cash flow hedge. At 31 December 2018 the carrying value of derivatives designated in a cash flow hedge was a liability of £30.6 million (2017: £2.8 million). Currency basis is not included in this designation and a cost of hedging reserve is not presented separately as it is considered to be immaterial. This designation allows exchange differences on hedging instruments to be recognised in the cash flow hedge reserve and then recycled to net finance costs in the income statement, to offset against the exchange differences on US dollar borrowings also recognised in net finance costs.

20: Financial instruments and risk management continued

C: Profit and loss account and balance sheet management

The Group maintains internal guidelines for interest cover, gearing and other ratios. Management monitors the Group's current and projected financial position against these guidelines. Further details of these ratios are provided in the Financial review on page 54.

D: 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 cash resources to maximise the rate of return, giving due consideration to risk. Liquidity requirements are met with an appropriate mix of short and longer-term debt as explained in note 20A.

The maturity analysis of the undrawn element of the revolving credit facilities at 31 December 2018 is summarised below:

	2018 £m	2017 £m
Expiry		
Within two to five years	627.0	692.6

E: Credit risk

The Group's principal financial assets are trade receivables, restricted monetary assets, cash and deposits, balances due from joint ventures, other investments, loans receivable, participative loans to associates and derivative financial instruments. The Group's credit risk is attributable to its trade receivables, restricted monetary assets, cash and deposits and derivative financial instruments. The credit risk on balances due from joint ventures, other investments, loans receivable and participative loans is limited as they are supported by investment properties held within the joint ventures and associates.

Trade receivables consist principally of rents due from tenants. The balance is low relative to the scale of the balance sheet and the Group's tenant base is diversified, with tenants generally of good financial standing. The majority of tenant leases are long-term contracts with rents payable quarterly in advance. Rent deposits and personal or corporate guarantees are held in respect of some leases. Taking these factors into account, the risk to the Group of individual tenant default and the credit risk of trade receivables are considered low. Trade receivables are presented after deducting a loss allowance provision, as set out in note 15. The Group's most significant tenants are set out in Table 92 of the Additional disclosures on page 179.

The credit risk on cash and deposits and derivative financial instruments is limited because the counterparties are banks, who are committed lenders to the Group, with high credit ratings assigned by international credit-rating agencies. At 31 December 2018 the fair value of interest rate and currency swap assets was £28.6 million (2017: £16.6 million), and the fair value of currency swap liabilities was £110.8 million (2017: £100.6 million), as shown in note 20A. These financial instruments have interest accruals of £10.6 million (2017: £11.0 million) which are recognised within other receivables in note 15. After taking into account the netting impact included within our International Swap and Derivatives Association (ISDA) agreements with each counterparty (which are enforceable on the occurrence of future credit events such as a default), the net positions, including accrued interest would be derivative financial assets of £7.4 million (2017: £4.0 million) and derivative financial liabilities of £79.0 million (£77.0 million). The combined value of derivative financial instruments at 31 December 2018 was therefore a liability of £71.6 million (2017: £73.0 million).

The credit risk on restricted monetary assets, being cash held by the Group and its managing agents on behalf of third parties, is similarly considered low. At 31 December 2018, the Group's maximum exposure to credit risk was £338.3 million (2017: £488.6 million) which excludes derivative financial instruments and balances supported by investment properties.

F: Financial maturity analysis

The following table is a maturity analysis for the Group's borrowings, cash and deposits and loans receivable. Borrowings are stated net of unamortised fees of £18.7 million (2017: £22.8 million), the maturity of which is analysed in note 20J.

	2018 Maturity				
	Less than one year £m	One to two years £m	Two to five years £m	More than five years £m	Total £m
Unsecured sterling fixed rate bonds	–	–	–	842.8	842.8
Unsecured euro fixed rate bonds	–	–	892.3	–	892.3
Senior notes					
– £95 million Sterling	–	–	–	95.0	95.0
– €237 million Euro	–	–	20.2	192.4	212.6
– \$523 million US dollar	–	–	128.8	279.6	408.4
Unsecured sterling bank loans and overdrafts	–	–	562.8	–	562.8
Fair value of currency swaps ¹	5.7	–	(13.9)	93.1	84.9
Borrowings	5.7	–	1,590.2	1,502.9	3,098.8
Cash and deposits (note 17)	(31.2)	–	–	–	(31.2)
Loans receivable	–	–	–	(1.8)	(1.8)
	(25.5)	–	1,590.2	1,501.1	3,065.8

	2017 Maturity				
	Less than one year £m	One to two years £m	Two to five years £m	More than five years £m	Total £m
Unsecured sterling fixed rate bonds	–	–	–	842.0	842.0
Unsecured euro fixed rate bonds	–	442.4	440.4	441.3	1,324.1
Senior notes					
– £95 million Sterling	–	–	–	95.0	95.0
– €237 million Euro	–	–	19.2	188.9	208.1
– \$523 million US dollar	–	–	122.0	264.6	386.6
Unsecured sterling bank loans and overdrafts	–	–	496.6	–	496.6
Fair value of currency swaps ¹	1.7	–	(7.0)	95.6	90.3
Borrowings	1.7	442.4	1,071.2	1,927.4	3,442.7
Cash and deposits (note 17)	(205.9)	–	–	–	(205.9)
Loans receivable	–	–	–	(1.8)	(1.8)
	(204.2)	442.4	1,071.2	1,925.6	3,235.0

1. The fair value of currency swaps of £84.9 million (2017: £90.3 million) is included within derivative financial instruments as shown in note 20A.

G: Sensitivity analysis

In managing interest rate and currency risks the Group aims to reduce the impact of short-term fluctuations on the Group's earnings. Changes in foreign exchange and interest rates may have an impact on consolidated earnings over the longer term. The tables below provide indicative sensitivity data.

Effect on profit before tax:	2018		2017	
	Increase in interest rates by 1% £m	Decrease in interest rates by 1% £m	Increase in interest rates by 1% £m	Decrease in interest rates by 1% £m
(Decrease)/Increase	(11.1)	11.2	(12.7)	12.8

There would have been no effect on amounts recognised directly in equity. The sensitivity has been calculated by applying the interest rate change to the floating rate borrowings, net of interest rate swaps, at the year end.

Effect on financial instruments:	2018		2017	
	Strengthening of sterling against euro by 10% £m	Weakening of sterling against euro by 10% £m	Strengthening of sterling against euro by 10% £m	Weakening of sterling against euro by 10% £m
Increase/(Decrease) in net gain taken to equity	258.4	(315.9)	251.1	(306.9)
Increase/(Decrease) in profit before tax	10.0	(12.2)	11.2	(14.3)

The effect on the net gain taken to equity would be more than offset by the effect of exchange rate changes on the euro-denominated assets included in the Group's financial statements. This has been calculated by retranslating the year-end euro-denominated financial instruments at the year-end foreign exchange rate changed by 10%. Forward foreign exchange contracts have been included in this estimate.

20: Financial instruments and risk management continued

H: Fair values of financial instruments

The fair values of the Reported Group's borrowings, interest rate swaps and participative loans, together with their book value included in the balance sheet, are as follows:

	Hierarchy level	2018			2017		
		Book value £m	Fair value £m	Variance £m	Book value £m	Fair value £m	Variance £m
Unsecured bonds	1	1,735.1	1,842.0	106.9	2,166.1	2,420.4	254.3
Senior notes	2	716.0	713.9	(2.1)	689.7	691.6	1.9
Unsecured bank loans and overdrafts	2	562.8	568.0	5.2	496.6	502.4	5.8
Fair value of currency swaps	2	84.9	84.9	–	90.3	90.3	–
Borrowings		3,098.8	3,208.8	110.0	3,442.7	3,704.7	262.0
Fair value of interest rate swaps*	2	(2.7)	(2.7)	–	(6.3)	(6.3)	–
Participative loans to associates	3	169.4	169.4	–	128.8	128.8	–

* Interest rate swaps are included within non-current derivative financial instruments on the Consolidated balance sheet (see note 20A).

The following valuation techniques have been applied to determine the fair values of borrowings and interest rate swaps:

Valuation technique	Financial instrument
Quoted market prices	Unsecured bonds
Calculating present value of cash flows using appropriate market discount rates	Senior notes, unsecured bank loans and overdrafts, fair value of currency swaps and fair value of interest rate swaps
Calculation based on the underlying net asset values of the Villages in which the Reported Group holds interests; the assets of the Villages mainly comprise properties held at professional valuation (see note 14C)	Participative loans to associates

Level 3 financial instruments - Participative loans within investments in associates (note 14C)		2018 £m	2017 £m
Balance at 1 January		128.8	113.7
Total gains	– in share of results of associates	5.9	14.7
	– in other comprehensive income ¹	1.6	4.1
Other movements	– acquisitions	32.1	–
	– movement in advances	1.0	(3.7)
Balance at 31 December		169.4	128.8

1. For the year ended 31 December 2017 the total of £4.1million comprised foreign exchange differences of £4.6 million included in the translation reserve, partly offset by changes in the fair value of the participative loans of £0.5 million included in retained earnings. For the year ended 31 December 2018, £1.6 million of these foreign exchange differences have been included in the translation reserve. Following the adoption of IFRS 9 on 1 January 2018, fair value changes in the participative loans are included in share of results of associates (see note 1 on page 129).

The valuation technique applied for Level 3 financial instruments is described in the above table. All other factors remaining constant, an increase of 5% in the net asset values of the Villages would increase the carrying amount of the Level 3 financial instruments by £10.8 million. Similarly, a decrease of 5% would decrease the carrying amount by £10.8 million. The fair values of all other financial assets and liabilities equate to their book values.

I: Carrying amounts, gains and losses on financial instruments

The tables below show the classification of financial instruments under accounting standards IFRS 9 for 2018 and IAS 39 for 2017.

			2018	
	Notes	Carrying amount £m	Gain/(Loss) to income £m	Gain/(Loss) to equity £m
Balances due from joint ventures	13A	437.9	–	–
Loans receivable: non-current assets		1.8	0.1	–
Other receivables: non-current assets		1.8	–	–
Trade and other receivables: current assets	15	110.1	(1.0)	–
Restricted monetary assets	16	24.0	–	–
Cash and deposits	17	31.2	–	–
Financial assets at amortised cost		606.8	(0.9)	–
Participative loans to associates*	14C	169.4	5.9	1.6
Assets at fair value through profit and loss		169.4	5.9	1.6
Derivative financial instruments	20A	(82.2)	18.2	1.2
Net liabilities at fair value through profit and loss		(82.2)	18.2	1.2
Payables	20J	(242.1)	–	–
Loans	19	(3,013.9)	(150.6)	(17.8)
Obligations under head leases	21	(42.3)	(2.4)	–
Financial liabilities at amortised cost		(3,298.3)	(153.0)	(17.8)
Total for financial instruments		(2,604.3)	(129.8)	(15.0)

			2017	
	Notes	Carrying amount £m	Gain/(Loss) to income £m	Gain/(Loss) to equity £m
Other receivables: non-current assets		2.0	–	–
Trade and other receivables: current assets	15	106.5	(0.5)	–
Restricted monetary assets	16	37.3	–	–
Cash and deposits	17	205.9	–	–
Cash and receivables at amortised cost		351.7	(0.5)	–
Loans receivable		1.8	0.4	–
Participative loans to associates *	14C	6.9	–	(0.3)
Available for sale investments and loans		8.7	0.4	(0.3)
Participative loans to associates *	14C	121.9	14.7	4.4
Interest rate swaps	20A	6.3	(0.1)	–
Assets at fair value through profit and loss		128.2	14.6	4.4
Currency swaps	20A	(90.3)	(87.2)	2.0
Derivatives in effective hedging relationships		(90.3)	(87.2)	2.0
Balances due from joint ventures	13A	464.9	–	–
Other loans and receivables at amortised cost		464.9	–	–
Payables	20J	(255.2)	–	–
Loans	19	(3,352.4)	(131.2)	(55.4)
Obligations under head leases	21	(38.9)	(2.2)	–
Liabilities at amortised cost		(3,646.5)	(133.4)	(55.4)
Total for financial instruments		(2,783.3)	(206.1)	(49.3)

* In 2017, participative loans were split into the host contract, classified as 'available for sale investments and loans', and the embedded derivative was classified as an 'asset at fair value through profit and loss'. From 1 January 2018, the loan is classified entirely as an 'asset at fair value through profit and loss'. The presence of the embedded derivative has resulted in the decision to designate the participative loan balances as 'assets at fair value through profit and loss'.

20: Financial instruments and risk management continued

I: Carrying amounts, gains and losses on financial instruments (continued)

The equity losses of £16.6 million, on hedging instruments, shown as the total movement in the net investment and cash flow hedge reserves in the Consolidated statement of changes in equity on page 126 comprise gains in relation to currency swaps of £1.2 million and losses in relation to loans of £17.8 million as shown in the table on page 163. This includes cumulative losses of £8.3 million recycled from the net investment hedge reserve to the income statement on disposal of foreign operations. In 2017, the equity losses on hedging instruments of £53.4 million shown as the total movement in the hedging reserves on page 127 comprise a gain of £2.0 million in relation to currency swaps and a loss of £55.4 million for loans. The Group risk management strategies and hedge documentation comply with the requirements of IFRS 9 and are thus treated as continuing hedges. As at 31 December 2018, amounts relating to continuing hedges in the net investment hedge reserve were £230.1 million (2017: £249.5 million). These hedges are due to mature between 2019 and 2031.

The movements in the net investment hedge reserve are offset by foreign exchange translation gains during the year of £41.5 million (2017: £157.9 million) which arise from the retranslation of the net investment in foreign operations and £10.3 million (2017: £54.4 million) of cumulative gains recycled on disposal of foreign operations. These are shown in the Consolidated statement of changes in equity as movements in the translation reserve on pages 126 and 127.

The Group designated as a cash flow hedge the cross currency swaps used to manage its foreign currency risk on US dollar loans. In 2018 a gain of £27.7 million (2017: £36.9 million loss) was recognised in the cash flow hedge reserve in respect of these derivatives of which £23.6 million (2017: £36.6 million loss) was recycled to net finance costs. At 31 December 2018 the cash flow hedge reserve includes a loss of £8.2 million (2017: £12.3 million), all of which relates to continuing cash flow hedges. The cash flows are expected to occur between 2019 and 2024.

The ratio for hedging instruments designated in both net investment and cash flow hedge relationships was 1:1. Ineffectiveness could be recognised on either hedging relationship due to significant changes in counterparty credit risk or a reduction in the notional amount of the hedged item during the designated hedging period.

J: Maturity analysis of financial liabilities

The remaining contractual non-discounted cash flows for financial liabilities are as follows:

		2018 Maturity					
	Note	Less than one year £m	One to two years £m	Two to five years £m	Five to 25 years £m	More than 25 years £m	Total £m
Payables ¹		202.0	1.7	2.2	36.2	–	242.1
Derivative financial liability cash flows		5.2	(4.6)	(13.7)	96.5	–	83.4
Non-derivative borrowings		–	–	1,604.1	1,409.8	–	3,013.9
Non-derivative unamortised borrowing costs		–	–	10.3	8.4	–	18.7
Non-derivative interest		94.2	95.3	262.3	184.4	–	636.2
Head leases	21	2.4	2.4	7.3	48.9	105.7	166.7
		303.8	94.8	1,872.5	1,784.2	105.7	4,161.0

		2017 Maturity					
	Note	Less than one year £m	One to two years £m	Two to five years £m	Five to 25 years £m	More than 25 years £m	Total £m
Payables ¹		221.6	3.1	2.0	28.5	–	255.2
Derivative financial liability cash flows		(2.6)	(4.4)	(13.1)	81.5	–	61.4
Non-derivative borrowings		–	442.5	1,078.2	1,831.7	–	3,352.4
Non-derivative unamortised borrowing costs		–	1.1	9.8	11.9	–	22.8
Non-derivative interest		103.1	104.4	269.1	253.3	–	729.9
Head leases	21	2.2	2.2	6.6	43.8	75.9	130.7
		324.3	548.9	1,352.6	2,250.7	75.9	4,552.4

1. Comprises current and non-current payables excluding withholding tax on interim dividends of £12.7 million (2017: £13.4 million), deferred income of £18.1 million (2017: £25.3 million) and net pension liabilities of £47.8 million (£51.4 million) as these do not meet the definition of financial liabilities.

K: Capital structure

The Group's financing policy is to optimise the weighted average cost of capital by using an appropriate mix of debt and equity, the latter in the form of share capital. Further information on debt is provided in the Financial review on pages 54 and 55 and information on share capital and changes therein is set out in note 23 on page 165 and in the Consolidated statement of changes in equity on pages 126 and 127.

21: Obligations under head leases

Head lease obligations in respect of rents payable on leasehold properties are payable as follows:

	2018			2017		
	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	105.7	(68.2)	37.5	75.9	(41.5)	34.4
From five to 25 years	48.9	(44.6)	4.3	43.8	(39.8)	4.0
From two to five years	7.3	(7.0)	0.3	6.6	(6.3)	0.3
From one to two years	2.4	(2.3)	0.1	2.2	(2.1)	0.1
Within one year	2.4	(2.3)	0.1	2.2	(2.1)	0.1
	166.7	(124.4)	42.3	130.7	(91.8)	38.9

22: Payables: non-current liabilities

	2018 £m	2017 £m
Net pension liability (note 7C)	46.9	50.6
Other payables	40.1	33.6
	87.0	84.2

23: Share capital

Called-up, allotted and fully paid	2018 £m	2017 £m
Ordinary shares of 25p each	191.6	198.6

The authorised share capital was removed from the Company's Articles of Association in 2010.

	Number
Movements in number of shares in issue	
Number of shares in issue at 1 January 2018	794,226,418
Share buyback*	(27,898,923)
Share options exercised – Savings-Related Share Option Scheme	24,677
Number of shares in issue at 31 December 2018	766,352,172

* During the year, the Company purchased its own shares at a total cost of £128.9 million.

Share schemes

At 31 December 2018, the Company had three share schemes in operation. The number and weighted average exercise price of share options which remain outstanding in respect of the Savings-Related Share Option Scheme are shown in the tables below, together with details of expiry periods and range of exercise price. The number of ordinary shares which remain outstanding in respect of the Restricted Share Plan and Long-Term Incentive Plan are shown, together with their year of grant.

	2018				2017	
	Share options		Ordinary shares of 25p each			
	Number	Year of expiry	Weighted average exercise price	Exercise price (pence)	Number	Year of grant
Savings-Related Share Option Scheme	551,321	2019-2024	£4.25	356.64-540.4	–	–
Restricted Share Plan	–	–	–	–	997,776	2016-2018
Long-Term Incentive Plan	–	–	–	–	2,753,291	2015-2018

	2017				2016	
	Share options		Ordinary shares of 25p each			
	Number	Year of expiry	Weighted average exercise price	Exercise price (pence)	Number	Year of grant
Savings-Related Share Option Scheme	302,744	2018-2023	£4.28	329.04-540.4	–	–
Restricted Share Plan	–	–	–	–	796,556	2015-2017
Long-Term Incentive Plan	–	–	–	–	2,243,298	2013-2017

24: Analysis of movement in net debt

	2018			2017		
	Cash and deposits £m	Borrowings £m	Net debt £m	Cash and deposits £m	Borrowings £m	Net debt £m
Notes	17	20F		17	20F	
At 1 January	205.9	(3,442.7)	(3,236.8)	74.3	(3,496.3)	(3,422.0)
Cash flow	(175.4)	376.0	200.6	130.6	160.8	291.4
Change in fair value of currency swaps	–	(5.6)	(5.6)	–	9.0	9.0
Exchange	0.7	(26.5)	(25.8)	1.0	(116.2)	(115.2)
At 31 December	31.2	(3,098.8)	(3,067.6)	205.9	(3,442.7)	(3,236.8)

25: Adjustment for non-cash items in the cash flow statement

	2018 £m	2017 £m
Amortisation of lease incentives and other costs	7.9	7.7
Increase in loss allowance provision	1.0	0.5
Increase in accrued rents receivable	(1.7)	(4.9)
Depreciation (note 5)	1.5	2.1
Share-based employee remuneration (note 5)	3.4	5.4
Other items	(1.8)	(1.7)
	10.3	9.1

26: Operating leases

A: The Reported Group as lessor

At the balance sheet date, the Reported Group had contracted with tenants for the future minimum lease receipts as shown in the table below. The data is for the period to the first tenant break option. An overview of the Group's leasing arrangements is included in the Additional disclosures section on pages 177 and 178 and credit risk relating to the trade receivables is discussed in note 20E.

	2018 £m	2017 £m
After five years	707.0	629.6
From two to five years	223.7	316.9
From one to two years	80.6	117.2
Within one year	89.7	132.3
	1,101.0	1,196.0

B: The Reported Group as lessee

At the balance sheet date, the Reported Group had contracted future minimum lease payments under non-cancellable operating leases as shown in the table below.

	2018 £m	2017 £m
After five years	0.4	1.6
From two to five years	6.6	8.8
From one to two years	3.5	3.5
Within one year	3.5	3.5
	14.0	17.4

27: Contingent liabilities and capital commitments

There are contingent liabilities of £73.5 million (2017: £65.6 million) relating to guarantees given by the Reported Group and a further £22.0 million (2017: £14.2 million) relating to claims against the Reported Group arising in the normal course of business, which are considered to be unlikely to crystallise. In addition, the Group's share of contingent liabilities arising within joint ventures is £8.7 million (2017: £18.3 million).

The Reported Group also had capital commitments of £141.2 million (2017: £62.4 million) in relation to future capital expenditure on investment and development properties. The Group's share of the capital commitments arising within joint ventures is £21.8 million (2017: £26.6 million).

The risks and uncertainties facing the Group are detailed on pages 56 to 63.

28: Related party transactions and non-controlling interests

A. Joint ventures and associates

Related party transactions with the Group's joint ventures and associates primarily comprise management fees, interest receivable and loan balances. The amounts shown below represent the Group's transactions and balances with its related parties and are shown before any consolidation adjustments.

	2018 £m	2017 £m
Management fees from joint ventures	17.1	21.0
Management fees from associates	1.1	1.1
Interest receivable from joint ventures	10.3	17.4
Interest receivable from associates	0.1	0.3
Balances due from joint ventures (note 13A)	437.9	464.9
Participative loans to associates (note 14C)	169.4	128.8
Loans to associates	1.8	1.8

B. Key management

The remuneration of the Directors and other members of the Group Executive Committee (GEC), who are the key management of the Group, is set out below in aggregate. The members of the GEC, including their biographies, are set out on pages 68 and 69. Further information about the remuneration of the individual Directors is disclosed in the audited sections of the Directors' Remuneration report on pages 82 to 107.

	2018 £m	2017 £m
Salaries and short-term benefits	4.6	5.0
Post-employment benefits	0.7	0.6
Share-based payments	1.3	4.0
Total remuneration	6.6	9.6

C. Non-controlling interests

The Group's non-controlling interest represents a 35.5% interest held by Assurbail in a French entity which owned Place des Halles, Strasbourg. The entity disposed of its interest in this property in December 2017 and incurred post disposal costs in 2018 and the non-controlling interest's share of these costs was £0.4 million as shown in note 2 on page 135.

As a result of the property disposal, exchange gains previously recognised in equity were recycled to the income statement in 2017. The non-controlling interest's share of these exchange gains was £19.6 million and was included in its share of the profit for 2017 of £23.2 million.

At 31 December 2018, the non-controlling interests were £0.3 million (2017: £14.0 million), with distributions of £13.3 million (2017: £74.2 million) paid to Assurbail during the year.

Company balance sheet

as at 31 December 2018

	Notes	2018 £m	2017 £m
Non-current assets			
Investments in subsidiary companies	C	4,551.0	4,897.0
Derivative financial instruments*	F	24.5	16.6
Receivables	D	5,784.4	6,059.6
		10,359.9	10,973.2
Current assets			
Receivables		11.1	24.4
Derivative financial instruments*	F	4.1	–
Cash and short-term deposits		3.8	137.6
		19.0	162.0
Total assets		10,378.9	11,135.2
Current liabilities			
Payables	E	(1,821.3)	(1,644.7)
Derivative financial instruments*	F	(9.8)	(1.7)
		(1,831.1)	(1,646.4)
Non-current liabilities			
Loans	F	(3,013.9)	(3,352.4)
Derivative financial instruments*	F	(101.0)	(98.9)
Total liabilities		(4,946.0)	(5,097.7)
Net assets		5,432.9	6,037.5
Equity			
Called-up share capital	23	191.6	198.6
Share premium		1,266.0	1,265.9
Merger reserve		374.1	374.1
Other reserves		14.3	7.3
Revaluation reserve		2,955.4	3,301.4
Retained earnings		634.5	890.5
Investment in own shares		(3.0)	(0.3)
Equity shareholders' funds		5,432.9	6,037.5

* Derivative financial instruments have been presented separately on the face of the Company balance sheet to improve the clarity of reporting. Comparative figures have been amended accordingly. See note 20A on page 158 for further details.

The profit for the year attributable to equity shareholders and included within retained earnings was £76.3 million (2017: £301.0 million).

These financial statements were approved by the Board of Directors on 25 February 2019.

Signed on behalf of the Board

David Atkins

Director

Timon Drakesmith

Director

Registered in England No. 360632

Company statement of changes in equity

for the year ended 31 December 2018

	Share capital £m	Share premium £m	Merger reserve £m	Other reserves ¹ £m	Revaluation reserve £m	Retained earnings £m	Investment in own shares ² £m	Equity shareholders' funds £m
Balance at 1 January 2018	198.6	1,265.9	374.1	7.3	3,301.4	890.5	(0.3)	6,037.5
Issue of shares	–	0.1	–	–	–	–	–	0.1
Share buyback	(7.0)	–	–	7.0	–	(128.9)	–	(128.9)
Cost of shares awarded to employees	–	–	–	–	–	–	3.6	3.6
Purchase of own shares	–	–	–	–	–	–	(6.3)	(6.3)
Dividends (note 10)	–	–	–	–	–	(203.4)	–	(203.4)
Revaluation losses on investments in subsidiary companies (note C)	–	–	–	–	(346.0)	–	–	(346.0)
Profit for the year attributable to equity shareholders	–	–	–	–	–	76.3	–	76.3
Total comprehensive (loss)/income for the year	–	–	–	–	(346.0)	76.3	–	(269.7)
Balance at 31 December 2018	191.6	1,266.0	374.1	14.3	2,955.4	634.5	(3.0)	5,432.9

1. Other reserves comprise a capital redemption reserve relating to share buybacks.
2. Investment in own shares is stated at cost.

For the year ended 31 December 2017

	Share capital £m	Share premium £m	Merger reserve £m	Other reserves ¹ £m	Revaluation reserve £m	Retained earnings £m	Investment in own shares ² £m	Equity shareholders' funds £m
Balance at 1 January 2017	198.3	1,265.7	374.1	7.3	3,228.7	783.1	(0.2)	5,857.0
Issue of shares	0.3	0.2	–	–	–	–	(0.3)	0.2
Cost of shares awarded to employees	–	–	–	–	–	–	2.2	2.2
Purchase of own shares	–	–	–	–	–	–	(2.0)	(2.0)
Dividends (note 10)	–	–	–	–	–	(193.6)	–	(193.6)
Revaluation gains on investments in subsidiary companies (note C)	–	–	–	–	72.7	–	–	72.7
Profit for the year attributable to equity shareholders	–	–	–	–	–	301.0	–	301.0
Total comprehensive income for the year	–	–	–	–	72.7	301.0	–	373.7
Balance at 31 December 2017	198.6	1,265.9	374.1	7.3	3,301.4	890.5	(0.3)	6,037.5

1. Other reserves comprise a capital redemption reserve relating to share buybacks.
2. Investment in own shares is stated at cost.

The capacity of the Company to make dividend payments is primarily determined by the availability of retained distributable reserves and cash resources. As at 31 December 2018 the Company had distributable reserves of £634.5 million (2017: £890.5 million) and the total external dividends declared in 2018 amounted to £203.4 million. The Company's distributable reserves support over three times this annual dividend. When required the Company can receive dividends from its subsidiaries to further increase distributable reserves.

The merger reserve comprises the premium on the share placing in September 2014. With regard to this transaction, no share premium is recorded in the Company's financial statements, through the operation of the merger relief provisions of the Companies Act 2006.

Notes to the company financial statements

for the year ended 31 December 2018

A: Accounting policies

Basis of accounting

Although the consolidated Group financial statements are prepared under IFRS, the Hammerson plc Company financial statements presented in this section are prepared in accordance with Financial Reporting Standard 101 (FRS 101) 'Reduced Disclosure Framework' as issued by the Financial Reporting Council.

The financial statements are presented in sterling. They are prepared on the historical cost basis, except that the investments in subsidiary companies are included at fair value. Historical cost is generally based on the fair value of the consideration given in exchange for the goods and services.

Disclosure exemptions adopted

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

- certain comparative information as otherwise required by EU endorsed IFRS
- certain disclosures regarding the Company's capital
- a statement of cash flows
- certain disclosures in respect of financial instruments
- the effect of future accounting standards not yet adopted
- disclosure of related party transactions with wholly-owned members of the Group

The above disclosure exemptions have been adopted because equivalent disclosures are included in the consolidated Group financial statements into which Hammerson plc is consolidated.

Accounting policies

The significant accounting policies relevant to the Company are the same as those set out in the accounting policies for the Group in note 1, except for significant judgements and key estimates and investments in subsidiary companies, which are included at fair value. Revaluation movements are included within equity in the revaluation reserve.

The Company's area of estimation uncertainty is in respect of the valuation of investments in subsidiary companies. The Directors determine the valuations with reference to the net assets of the entities in which the Company invests. The principal assets of the entities are the investment and development properties either held by the subsidiary or its fellow group undertakings which are valued independently by professional external valuers. The Directors must ensure they are satisfied that the Company's investment in subsidiary companies is appropriate for the financial statements. The basis of valuation of the Group's investment and development properties is set out in the notes to the financial statements. See note 1 on page 133 and note 12 on page 146. Consistent with the Group's deferred tax recognition treatment, as explained in note 9C, in calculating the net asset values of the subsidiaries, no deduction is made for deferred tax. There are no significant areas of judgement.

B: Result for the year and dividend

As permitted by section 408 of the Companies Act 2006, the income statement of the Company is not presented as part of these financial statements. The profit for the year attributable to equity shareholders dealt with in the financial statements of the Company was £76.3 million (2017: £301.0 million) and includes a net loss of £26.5 million (2017: £88.2 million gain) in respect of foreign exchange translation movements on the Company's euro and US dollar denominated receivables and borrowings.

Dividend information is provided in note 10 to the financial statements.

C: Investments in subsidiary companies

	2018		2017	
	Cost less provision for permanent diminution in value £m	Valuation £m	Cost less provision for permanent diminution in value £m	Valuation £m
Balance at 1 January	1,561.7	4,897.0	1,561.7	4,824.3
Revaluation adjustment	–	(346.0)	–	72.7
Balance at 31 December	1,561.7	4,551.0	1,561.7	4,897.0

Investments are stated at Directors' valuation.

A list of the subsidiary companies and other related undertakings at 31 December 2018 is included in note G.

D: Receivables: non-current assets

	2018 £m	2017 £m
Amounts owed by subsidiaries and other related undertakings	5,782.6	6,057.8
Loans receivable from associate	1.8	1.8
	5,784.4	6,059.6

Amounts owed by subsidiaries and other related undertakings are unsecured and interest-bearing at floating rates based on LIBOR. This includes amounts which are repayable on demand; however, it is the Company's current intention not to seek repayment of these amounts before 31 December 2019.

E: Payables: current liabilities

	2018 £m	2017 £m
Amounts owed to subsidiaries and other related undertakings	1,762.1	1,577.6
Withholding tax on interim dividends (note 10)	12.7	13.4
Other payables	0.9	1.3
Accruals	45.6	52.4
	1,821.3	1,644.7

The amounts owed to subsidiaries and other related undertakings are unsecured, repayable on demand and interest bearing at floating rates based on LIBOR.

F: Loans and derivative financial instruments

	Derivative financial instruments					
	Current assets £m	Non-current assets £m	Current liabilities £m	Non-current liabilities £m	Loans > 1 year £m	2018 Total £m
Bonds	–	–	–	–	1,735.1	1,735.1
Bank loans and overdrafts	–	–	–	–	562.8	562.8
Senior notes	–	–	–	–	716.0	716.0
Fair value of currency swaps	(4.1)	(21.8)	9.8	101.0	–	84.9
Borrowings	(4.1)	(21.8)	9.8	101.0	3,013.9	3,098.8
Interest rate swaps	–	(2.7)	–	–	–	(2.7)
Loans and derivative financial instruments	(4.1)	(24.5)	9.8	101.0	3,013.9	3,096.1

Details of the Group's loans and derivative financial instruments are given in notes 19 and 20 to the financial statements. The fair value of the Company's loans and derivative financial instruments is equal to that of the Reported Group as shown in note 20H.

G: Subsidiaries and other related undertakings

The Company's subsidiaries and other related undertakings at 31 December 2018 are listed below. No Group entities have been excluded from the consolidated financial results.

Direct subsidiaries

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

England and Wales

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

Grantchester Holdings Limited	Hammerson Pension Scheme Trustees Limited
Hammerson Company Secretarial Limited	Hammerson Share Option Scheme Trustees Limited
Hammerson Employee Share Plan Trustees Limited	Hammerson Group Management Limited
Hammerson Group Limited	Hammerson Group Management Limited – Irish branch ¹
Hammerson International Holdings Limited	

1. Registered office: Pavilion House, 31 Fitzwilliam Square, Dublin 2, Ireland.

France

Registered office: 40/48 rue Cambon – 23 rue des Capucines 75001 Paris

Hammerson Holding France SAS	Hammerson plc – French branch
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G: Subsidiaries and other related undertakings continued

Indirect subsidiaries and other wholly-owned entities

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

England and Wales

Registered office: Kings Place, 90 York Way, London N1 9GE (See page 173 for footnotes)

280 Bishopsgate Investments Limited	Hammerson (Newcastle) Limited
Abbey Retail Park Limited (Northern Ireland) ¹	Hammerson (Newtownabbey) Limited
Christchurch UK Limited	Hammerson (Oldbury) Limited
Crocusford Limited	Hammerson (Paddington) Limited
Governeffect Limited	Hammerson (Parc Tawe I) Limited
Grantchester Developments (Birmingham) Limited	Hammerson (Renfrew) Limited
Grantchester Developments (Falkirk) Limited	Hammerson (Rugby) Limited
Grantchester Group Limited	Hammerson (Silverburn) Limited (Isle of Man) ²
Grantchester Investments Limited	Hammerson (Staines) Limited
Grantchester Limited	Hammerson (Telford) Limited
Grantchester Properties (Gloucester) Limited	Hammerson (Value Retail Investments) Limited
Grantchester Properties (Luton) Limited	Hammerson (Victoria Gate) Limited
Grantchester Properties (Middlesbrough) Limited	Hammerson (Victoria Investments) Limited
Grantchester Properties (Nottingham) Limited	Hammerson (Victoria Quarter) Limited
Grantchester Properties (Port Talbot) Limited	Hammerson (Watermark) Limited
Grantchester Properties (Sunderland) Limited	Hammerson (Whitgift) Limited
Grantchester Property Management Limited	Hammerson Birmingham Properties Limited
Hammerson (60 Threadneedle Street) Limited	Hammerson Bull Ring Limited
Hammerson (9-13 Grosvenor Street) Limited	Hammerson Croydon (GP1) Limited
Hammerson (Abbey) Limited	Hammerson Croydon (GP2) Limited
Hammerson (Bicester No. 2) Limited	Hammerson Investments (No. 12) Limited
Hammerson (Brent Cross) Limited	Hammerson Investments (No. 13) Limited
Hammerson (Brent South) Limited	Hammerson Investments (No. 16) Limited
Hammerson (Bristol Investments) Limited	Hammerson Investments (No. 23) Limited
Hammerson (Bristol) Limited	Hammerson Investments (No. 26) Limited
Hammerson (Cardiff) Limited	Hammerson Investments (No. 35) Limited
Hammerson (Centurion) Limited	Hammerson Investments (No. 36) Limited
Hammerson (Coventry) Limited	Hammerson Investments (No. 37) Limited
Hammerson (Cramlington I) Limited	Hammerson Investments Limited
Hammerson (Cricklewood) Limited	Hammerson Junction (No 3) Limited
Hammerson (Croydon) Limited	Hammerson Junction (No 4) Limited
Hammerson (Didcot) Limited	Hammerson LLC (United States) ³
Hammerson (Didcot II) Limited	Hammerson Martineau Galleries Limited
Hammerson (Euston Square) Limited	Hammerson MGLP Limited
Hammerson (Exeter II) Limited	Hammerson MGLP 2 Limited
Hammerson (Folkestone) Limited	Hammerson MLP Limited
Hammerson (Grosvenor Street) Limited	Hammerson Moor House (LP) Limited
Hammerson (Kingston) Limited	Hammerson Operations Limited
Hammerson (Leeds Developments) Limited	Hammerson Oracle Investments Limited
Hammerson (Leeds GP) Limited	Hammerson Oracle Properties Limited
Hammerson (Leeds Investments) Limited	Hammerson Peterborough (GP) Limited
Hammerson (Leeds) Limited	Hammerson Peterborough (No 1) Limited
Hammerson (Leicester GP) Limited	Hammerson Peterborough (No 2) Limited
Hammerson (Lichfield) Limited	Hammerson Project Management Limited
Hammerson (Merthyr) Limited	Hammerson Ravenhead Limited
Hammerson (Milton Keynes) Limited	Hammerson Retail Parks Holdings Limited
Hammerson (Moor House) Properties Limited	Hammerson Sheffield (NRQ) Limited

Indirect subsidiaries and other wholly-owned entities continued

England and Wales continued

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

Hammerson Shelf Co 7 Limited	RT Group Property Investments Limited
Hammerson Shelf Co 9 Limited	SEVCO 5025 Limited ⁴
Hammerson Shelf Co 10 Limited	Spitalfields Developments Limited
Hammerson UK Properties plc	Spitalfields Holdings Limited (Ordinary and Preference)
Hammerson Wrekin LLP ⁶	The Junction (General Partner) Limited
Junction Nominee 1 Limited	The Junction (Thurrock Shareholder GP) Limited
Junction Nominee 2 Limited	The Junction Limited Partnership ⁶
Leeds (GP1) Limited	The Junction Thurrock (General Partner) Limited
Leeds (GP2) Limited	The Junction Thurrock Limited Partnership ⁶
London & Metropolitan Northern	The Martineau Galleries Limited Partnership ⁶
LWP Limited Partnership ⁶	Thurrock Shares 1 Limited
Martineau Galleries (GP) Limited	Thurrock Shares 2 Limited
Martineau Galleries No. 1 Limited	Union Square Developments Limited (Scotland) ⁵
Martineau Galleries No. 2 Limited	West Quay (No.1) Limited
Mentboost Limited	West Quay (No.2) Limited
Monesan Limited (Northern Ireland) ¹	West Quay Shopping Centre Limited
New Southgate Limited	Westchester Holdings Limited
Precis (1474) Limited (Ordinary and Deferred)	Westchester Property Holdings Limited
RT Group Developments Limited	

Registered offices: (1) 50 Bedford Street, Belfast, BT2 7FW (2) First Names House, Victoria Road, Douglas, Isle of Man IM2 4DF (3) 2711 Centerville Road, Suite 400, Wilmington, Delaware 19808, United States; country of operation is the United Kingdom (4) SG House, 6 St. Cross Road, Winchester, Hampshire, SO23 9HX (5) 1 George Square, Glasgow, G2 1AL (6) No shares in issue for Limited Partnerships.

France

Registered office: 40/48 rue Cambon - 23 rue des Capucines, 75001 Paris

BFN10 GmbH (Germany) ¹	SCI Cergy Capucine SCI
Cergy Expansion 1 SAS	SCI Cergy Expansion 2 SCI
Espace Plus SCI	SCI Cergy Honoré SCI
Hammerson SAS	SCI Cergy Lynx SCI
Hammerson Asset Management SAS	SCI Cergy Madeleine SCI
Hammerson Centre Commercial Italie SAS	SCI Cergy Office 1 SCI
Hammerson Cergy 1 SCI	SCI Cergy Office 2 SCI
Hammerson Cergy 2 SCI	SCI Cergy Office 3 SCI
Hammerson Cergy 4 SCI	SCI Cergy Office 4 SCI
Hammerson Cergy 5 SCI	SCI Cergy Office 5 SCI
Hammerson Développement SCI	SCI Cergy Office 6 SCI
Hammerson Europe BV (Netherlands) ²	SCI Cergy Opéra SCI
Hammerson Fontaine SCI	SCI Cergy Paix SCI
Hammerson France SAS	SCI Cergy Royale SCI
Hammerson Marketing et Communication SAS	SCI Cergy Trois SCI
Hammerson Marseille SC	SCI Cergy Tuileries SCI
Hammerson Property Management SAS	SCI Cergy Vendôme SCI
Hammerson Troyes SCI	SCI Nevis SCI
Les Pressing Réunis SARL	SCI Paris Italik SCI
Retail Park Nice Lingostière SAS	Société de gestion des parkings Hammerson (SOGEPH) SARL
RC Aulnay 3 SCI	Teycpac-H-Italie SAS
SCI Cergy Cambon SCI	

Registered offices: (1) Schlossstraße 1, 12163 Berlin, Germany (2) Spoorsinge, 2871 TT, Schoonhoven, Netherlands.

G: Subsidiaries and other related undertakings continued

Indirect subsidiaries and other wholly-owned entities continued

Ireland

Registered office: 6th floor, 2 Grand Canal Square, Dublin 2

Dublin Central GP Limited	Dundrum Village Management Company Limited
Dublin Central Limited Partnership ¹	Hammerson Ireland Investments Limited
Dundrum R&O Park Management Limited	Hammerson Operations (Ireland) Limited
Dundrum Town Centre Management Limited	The Hammerson ICAV

1. No shares in issue for Limited Partnerships.

Jersey

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

Hammerson 60 TNS Unit Trust ¹	Hammerson Victoria Gate Unit Trust ¹
Hammerson Birmingham Investments Limited ²	Hammerson Victoria Quarter Unit Trust ¹
Hammerson Bull Ring (Jersey) Limited ²	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	The Junction Thurrock Unit Trust ¹
Hammerson Junction (No 2) Limited	The Junction Unit Trust ¹
Hammerson Leeds Unit Trust ¹	The Telford Forge Retail Park Unit Trust ¹

1. No shares in issue for Unit Trusts. The registered office address is that of the appropriate trustee (2) Registered office: 44 Esplanade, St. Helier, Jersey JE4 9WG.

Indirectly held joint venture entities

See page 175 for footnotes

	Country of registration or operation	Class of share held	Ownership %
Bishopsgate Goodsyard Regeneration Limited	England and Wales ¹	Ordinary	50
Brent Cross Partnership	England and Wales ¹	N/A	41
Bristol Alliance (GP) Limited	England and Wales ¹	Ordinary	50
Bristol Alliance Limited Partnership	England and Wales ¹	N/A	50
Bristol Alliance Nominee No. 1 Limited	England and Wales ¹	Ordinary	50
Bristol Alliance Nominee No. 2 Limited	England and Wales ¹	Ordinary	50
BRLP Rotunda Limited	England and Wales ¹	Ordinary	50
Bull Ring (GP) Limited	England and Wales ¹	Ordinary	50
Bull Ring (GP2) Limited	England and Wales ¹	Ordinary	50
Bull Ring Joint Venture Trust	Jersey ²	N/A	50
Bull Ring No. 1 Limited	England and Wales ¹	Ordinary	50
Bull Ring No. 2 Limited	England and Wales ¹	Ordinary	50
Croydon (GP1) Limited	England and Wales ¹	Ordinary	50
Croydon (GP2) Limited	England and Wales ¹	Ordinary	50
Croydon Car Park Limited	England and Wales ¹	Ordinary	50
Croydon Jersey Unit Trust	Jersey ³	N/A	50
Croydon Limited Partnership	England and Wales ¹	N/A	50
Croydon Management Services Limited	England and Wales ¹	Ordinary	50
Croydon Property Investments Limited	England and Wales ¹	Ordinary	50
Dundrum Car Park GP Limited	Ireland ⁴	Ordinary	50
Dundrum Car Park Limited Partnership	Ireland ⁴	N/A	50
Dundrum Retail GP Designated Activity Company	Ireland ⁴	Ordinary	50
Dundrum Retail Limited Partnership	Ireland ⁴	N/A	50
Grand Central (GP) Limited	England and Wales ¹	Ordinary	50
Grand Central Limited Partnership	England and Wales ¹	N/A	50
Grand Central No 1 Limited	England and Wales ¹	Ordinary	50
Grand Central No 2 Limited	England and Wales ¹	Ordinary	50
Grand Central Unit Trust	Jersey ²	N/A	50
Hammerson (Leicester) Limited	England and Wales ¹	Ordinary	50

Indirectly held joint venture entities continued

	Country of registration or operation	Class of share held	Ownership %
Highcross (GP) Limited	England and Wales ¹	Ordinary	50
Highcross Leicester (GP) Limited	England and Wales ¹	Ordinary	50
Highcross Leicester Limited	Jersey ²	N/A	50
Highcross Leicester Limited Partnership	England and Wales ¹	N/A	50
Highcross (No.1) Limited	Jersey ²	N/A	50
Highcross (No.2) Limited	Jersey ²	N/A	50
Highcross Residential (Nominees 1) Limited	England and Wales ¹	Ordinary	50
Highcross Residential (Nominees 2) Limited	England and Wales ¹	Ordinary	50
Highcross Residential Properties Limited	England and Wales ¹	Ordinary	50
Highcross Shopping Centre Limited	England and Wales ¹	Ordinary	50
Moor House General Partner Limited	England and Wales ¹	Ordinary	67
Oracle Nominees (No. 1) Limited	England and Wales ¹	Ordinary	50
Oracle Nominees (No. 2) Limited	England and Wales ¹	Ordinary	50
Oracle Nominees Limited	England and Wales ¹	Ordinary	50
Oracle Shopping Centre Limited	England and Wales ¹	Ordinary	50
RC Aulnay 1 SCI	France ⁵	Ordinary	25
RC Aulnay 2 SCI	France ⁵	Ordinary	25
Reading Residential Properties Limited	England and Wales ¹	Ordinary	50
Retail Property Holdings Limited	Isle of Man ⁶	Ordinary	50
Retail Property Holdings (SE) Limited	Guernsey ⁷	Ordinary	50
SAS Angel Shopping Centre SAS	France ⁸	Ordinary	10
SCI ESQ SCI	France ⁸	Ordinary	25
Société Civile de Développement du Centre Commercial de la Place des Halles SDPH SC	France ⁹	Ordinary	65
Silverburn Investment Advisor Limited	England and Wales ¹	Ordinary	50
Silverburn Unit Trust	Jersey ³	N/A	50
The Bull Ring Limited Partnership	England and Wales ¹	N/A	50
The Highcross Limited Partnership	England and Wales ¹	N/A	50
The Moor House Limited Partnership	England and Wales ¹	N/A	67
The Oracle Limited Partnership	England and Wales ¹	N/A	50
The West Quay Limited Partnership	England and Wales ¹	N/A	50
Triskelion Property Holding Designated Activity Company	Ireland ⁴	Ordinary	50
VIA Limited Partnership	Jersey ¹⁰	N/A	47
Whitgift Limited Partnership	England and Wales ¹	N/A	50

Registered offices: (1) Kings Place, 90 York Way, London N1 9GE (2) 44 Esplanade, St Helier, Jersey JE4 9WG (3) 47 Esplanade, St Helier, Jersey JE1 0BD (4) 6th Floor, 2 Grand Canal Square, Dublin 2, Ireland (5) 129 rue Turenne, 75003 Paris (6) First Names House, Victoria Road, Douglas, Isle of Man IM2 4DF (7) Fiman House, St. George's Place, St. Peter Port, Guernsey GY1 2BH (8) 1 cours Michelet - CS 30051, 92076 Paris La Defense (9) 40/48 rue Cambon - 23 rue des Capucines, 75001 Paris, (10) 11 - 15 Seaton Place, St Helier, Jersey JE4 0QH.

Indirectly held associate entities

	Country of registration or operation	Class of share held	Ownership % ¹
Bicester Investors Limited Partnership	Bermuda ²	N/A	25
Bicester Investors II Limited Partnership	Bermuda ²	N/A	25
Master Holding BV	Netherlands ³	Ordinary	41
US Paris LLC	USA ⁴	Ordinary	42
Value Retail Investors Limited Partnership	Bermuda ²	N/A	71
Value Retail Investors II Limited Partnership	Bermuda ²	N/A	80
Value Retail PLC	UK ⁵	Ordinary	24
VR Franconia GmbH	Germany ⁶	Ordinary	63
VR Ireland BV	Netherlands ³	Ordinary	54
VR Maasmechelen Tourist Outlets Comm. VA	Belgium ⁷	B-shares	26

(1) Ownership % represents Hammerson's effective ownership which is held directly and indirectly in the entities listed above. Registered offices: (2) Victoria Place, 31 Victoria Street, Hamilton, HM10, Bermuda (3) TMF, Luna Arena, Herikerbergweg 238, 1101 CM Amsterdam, Netherlands (4) 35 Mason Street, Greenwich CT 06830 USA (5) 19 Berkeley Street, London W1J 8ED (6) Almosenberg, 97877, Wertheim, Germany (7) Zetellaan 100, 3630 Maasmechelen, Belgium.

Additional disclosures

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Table 86

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EPRA measures

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

As with other real estate companies, we have adopted the EPRA Best Practice Recommendations (BPR) and were again awarded an EPRA Gold Award for compliance with the EPRA BPR and sustainability BPR for our 2018 Annual Report. Further information on EPRA and the EPRA BPR can be found on their website www.epra.com. Details of our key EPRA metrics are shown in Table 87.

Table 87

EPRA performance measures

Performance	2018	2017	Definition and commentary	Page
Earnings	£240.2m	£247.3m	Recurring earnings from core operational activities. In 2018, EPRA earnings were £0.1 million lower (2017: £1.0 million higher) than the Group's adjusted earnings due to the inclusion of a 'Company specific adjustment' in relation to foreign exchange translation movements on an intragroup funding loan in VIA Outlets which has no cash flow impact (see note 11B of the financial statements) and which management believes distorts the underlying earnings of the Group.	143
Earnings per share (EPS)	30.5p	31.2p	EPRA earnings divided by the weighted average number of shares in issue during the period. As stated in 'Earnings' above, due to the VIA Outlets intragroup funding loan adjustment, for 2018 the EPRA EPS is 0.1p lower than the Group's adjusted EPS of 30.6p and for 2017 the EPRA EPS is 0.1p higher than the Group's adjusted EPS of 31.1p.	143
Net asset value (NAV) per share	£7.38	£7.76	Equity shareholders' funds excluding the fair values of certain financial derivatives, deferred tax balances and any associated goodwill divided by the diluted number of shares in issue.	145
Triple net asset value (NNNAV) per share	£6.95	£7.25	Equity shareholders' funds adjusted to include the fair values of borrowings.	145
Net Initial Yield (NIY)	4.6%	4.4%	Annual cash rents receivable, less head and equity rents and any non-recoverable property operating expenses, as a percentage of the gross market value of the property, including estimated purchasers' costs, as provided by the Group's external valuers.	180
Topped-up NIY	4.7%	4.6%	EPRA NIY adjusted for the expiry of rent-free periods.	180
Vacancy rate	2.8%	1.7%	The estimated market rental value (ERV) of vacant space divided by the ERV of the whole portfolio. Occupancy is the inverse of vacancy.	177
Cost ratio	21.9%	21.6%	Total operating costs as a percentage of gross rental income, after rents payable. Both operating costs and gross rental income are adjusted for costs associated with inclusive leases.	179
Sustainability (LFL)*				
Electricity	79,923mWh	88,722mWh	Electricity consumption of the EPRA like-for-like portfolio for a full reporting year.	
Fuels	17,198mWh	20,943mWh	Gas consumption of the EPRA like-for-like portfolio for a full reporting year.	
GHG Direct	4,755mtCO₂e	5,317mtCO ₂ e	Greenhouse gas emissions emitted from on-site combustion of energy.	
GHG Indirect	18,807mtCO₂e	23,246mtCO ₂ e	Greenhouse gas emissions emitted from off-site combustion (purchased electricity and heat) over a full reporting year.	

* Further details of the Group's Positive Places sustainability strategy can be found on our website www.hammerson.com

Portfolio analysis

Rental information

Table 88

Rental data for the year ended 31 December 2018

Proportionally consolidated excluding premium outlets	Gross rental income £m	Net rental income £m	Vacancy rate %	Average rents passing ¹ £/m ²	Rents passing £m	Estimated rental value ² £m	Reversion/ (over-rented) %
UK	178.2	151.9	2.4	540	155.5	169.3	4.5
France	83.4	74.8	2.9	470	79.9	89.3	7.8
Ireland	44.2	40.4	1.0	555	43.2	45.3	3.9
Flagship destinations	305.8	267.1	2.4	505	278.6	303.9	6.6
UK retail parks	63.5	59.1	3.1	215	58.4	59.7	(3.4)
UK other	12.4	8.9	10.8	155	11.4	13.3	0.2
Investment portfolio	381.7	335.1	2.8	395	348.4	376.9	5.2
Developments ³	17.1	12.4					
Property portfolio (note 2)	398.8	347.5					

Data for the year ended 31 December 2017

UK	180.2	152.9	1.9	540	175.7	186.7	4.5
France	104.6	95.3	2.1	470	83.1	91.7	7.8
Ireland	37.9	34.8	0.3	500	41.6	43.3	3.9
Flagship destinations	322.7	283.0	1.7	510	300.4	321.7	5.3
UK retail parks	72.4	69.3	0.6	215	77.5	75.4	(3.4)
UK other	12.3	8.8	8.1	155	12.9	14.1	0.2
Investment portfolio	407.4	361.1	1.7	395	390.8	411.2	3.5
Developments	14.5	9.3					
Property portfolio (note 2)	421.9	370.4					

Notes

1. Average rents passing at the year end before deducting head and equity rents and excluding rents passing from anchor units and car parks.
2. The estimated market rental value at the year end calculated by the Group's valuers. ERVs in the above table are included within the unobservable inputs to the portfolio valuations as defined by IFRS 13. This information has been subject to audit. The total ERV for the Reported Group at 31 December 2018 was £190.2 million (2017: £239.8 million).
3. Rental income for developments is principally in relation to the Whitgift Centre, Croydon, Dublin Central and ancillary properties associated with future City Quarter projects in Dublin and Leeds.

Rent reviews

Table 89

Rent reviews as at 31 December 2018

Proportionally consolidated excluding premium outlets	Rents passing subject to review in ¹					Current ERV of leases subject to review in ²				
	Outstanding £m	2019 £m	2020 £m	2021 £m	Total £m	Outstanding £m	2019 £m	2020 £m	2021 £m	Total £m
UK	21.0	22.2	16.2	16.0	75.4	22.3	23.6	17.3	16.8	80.0
Ireland	10.5	3.7	15.5	5.0	34.7	11.6	3.9	17.4	5.3	38.2
Flagship destinations	31.5	25.9	31.7	21.0	110.1	33.9	27.5	34.7	22.1	118.2
UK retail parks	6.7	5.5	17.0	10.9	40.1	6.9	5.9	17.2	11.0	41.0
UK other	2.3	1.4	0.7	0.6	5.0	2.4	1.4	0.7	0.6	5.1
Total³	40.5	32.8	49.4	32.5	155.2	43.2	34.8	52.6	33.7	164.3

Notes

1. The amount of rental income, based on rents passing at 31 December 2018, for leases which are subject to review in each year.
2. Projected rental income for leases that are subject to review in each year, based on the higher of the current rental income and the ERV at 31 December 2018. For outstanding reviews the ERV is as at the review date.
3. Leases in France are not subject to rent reviews but are adjusted annually based on French indexation indices.

Additional disclosures continued

Unaudited

Lease expiries and breaks

Table 90

Lease expiries and breaks as at 31 December 2018

	Rents passing that expire/break in ¹					ERV of leases that expire/break in ²					Weighted average unexpired lease term	
	Outstanding £m	2019 £m	2020 £m	2021 £m	Total £m	Outstanding £m	2019 £m	2020 £m	2021 £m	Total £m	to break years	to expiry years
Proportionally consolidated excluding premium outlets												
UK	12.9	13.5	9.7	12.2	48.3	14.0	17.7	10.3	12.0	53.9	6.0	10.7
France	6.4	3.6	4.2	2.6	16.8	7.9	4.5	4.6	3.0	20.1	2.2	4.9
Ireland	1.8	3.0	4.0	2.6	11.3	1.7	3.5	5.5	2.9	13.6	6.9	10.0
Flagship destinations	21.1	20.1	17.9	17.4	76.4	23.6	25.7	20.4	17.9	87.6	4.9	8.7
UK retail parks	1.4	3.2	5.8	4.6	15.0	2.0	3.3	5.6	4.5	15.4	7.5	8.6
UK other	1.6	1.0	1.5	1.3	5.4	1.6	1.7	1.7	1.2	6.1	8.1	9.1
Investment portfolio	24.0	24.3	25.2	23.3	96.8	27.2	30.7	27.7	23.6	109.1	5.5	8.7

Notes

1. The amount of rental income, based on rents passing at 31 December 2018, for leases which expire or, for the UK and Ireland only, are subject to tenant break options, which fall due in each year.
2. The ERV at 31 December 2018 for leases that expire or, for the UK and Ireland only, are subject to tenant break options which fall due in each year and ignoring the impact of rental growth and any rent-free periods.

Net rental income

Table 91

Net rental income for the year ended 31 December 2018

	Properties owned throughout 2017/18 £m	Inc/(Dec) for properties owned throughout 2017/18 %	Acquisitions £m	Disposals £m	Developments and other £m	Total £m
Proportionally consolidated excluding premium outlets						
UK	136.7	(1.3%)	–	12.3	3.3	152.3
France	58.9	(0.9%)	(0.2)	0.0	18.1	76.8
Ireland	33.3	1.2%	6.8	0.1	3.6	43.8
Flagship destinations	228.9	(0.8%)	6.6	12.4	25.0	272.9
UK retail parks	47.5	(4.3%)	(0.5)	9.1	2.9	59.0
UK other	–	–	–	0.1	15.5	15.6
Property portfolio	276.4	(1.5%)	6.1	21.6	43.4	347.5

Net rental income for the year ended 31 December 2017

	Properties owned throughout 2017/18 £m	Exchange £m	Acquisitions £m	Disposals £m	Developments and other £m	Total £m
Proportionally consolidated excluding premium outlets						
UK	138.5	–	–	13.9	0.7	153.1
France	59.4	(0.8)	0.1	20.0	17.2	95.9
Ireland	32.9	(0.3)	1.9	0.2	3.1	37.8
Flagship destinations	230.8	(1.1)	2.0	34.1	21.0	286.8
UK retail parks	49.7	–	–	19.3	0.4	69.4
UK other	–	–	–	0.0	14.2	14.2
Property portfolio	280.5	(1.1)	2.0	53.4	35.6	370.4

Following the acquisition of the Irish loan portfolio in October 2015, the underlying net rental income derived from Pavilions, Swords in 2017 was in the form of finance income prior to the final loan conversion in September 2017. Had this been treated as net rental income, the like-for-like net rental income growth for the Irish properties in 2018 would have been 1.6%, which would have reduced the Group's like-for-like net rental income decline to 1.3% and this is the figure used in the Group's KPIs on page 16.

Top ten tenants

Table 92

Ranked by passing rent at 31 December 2018

Proportionally consolidated excluding premium outlets	Passing rent £m	% of total passing rent
B&Q	10.1	2.9
H&M	9.6	2.8
Inditex	9.4	2.7
Next	8.0	2.3
Marks & Spencer	6.2	1.7
Boots	5.6	1.6
River Island	5.2	1.5
TK Maxx	4.9	1.4
Arcadia	4.9	1.4
Dixons Carphone	4.8	1.4
Total	68.7	19.7

Cost ratio

Table 93

EPRA cost ratio

Proportionally consolidated excluding premium outlets	Year ended 31 December 2018 £m	Year ended 31 December 2017 £m
Net service charge expenses – non-vacancy	8.4	7.8
Net service charge expenses – vacancy	5.9	7.5
Net service charge expenses – total	14.3	15.3
Other property outgoings	33.5	32.1
Less inclusive lease costs recovered through rent	(7.7)	(7.7)
Total property costs (for cost ratio)	40.1	39.7
Employee and corporate costs	55.0	61.0
Management fees receivable	(10.3)	(12.1)
Total operating costs (for cost ratio)	84.8	88.6
Gross rental income	398.8	421.9
Ground and equity rents payable	(3.5)	(4.1)
Less inclusive lease costs recovered through rent	(7.7)	(7.7)
Gross rental income (for cost ratio)	387.6	410.1
EPRA cost ratio including net service charge expenses – vacancy (%)	21.9	21.6
EPRA cost ratio excluding net service charge expenses – vacancy (%)	20.4	19.8

Our business model for developments is to use a combination of in-house staff and external advisors. The cost of external advisors is capitalised to the cost of developments. The cost of staff working on developments is generally expensed, but capitalised subject to meeting certain criteria related to the degree of time spent on and the stage of progress of specific projects. During the year ended 31 December 2018, staff costs amounting to £1.3 million (2017: £0.1 million) were capitalised as development costs and are not included within 'Employee and corporate costs'.

Additional disclosures continued

Unaudited

Valuation analysis

Table 94

Valuation analysis at 31 December 2018

	Properties at valuation £m	Revaluation in the year £m	Capital return %	Total return %	Initial yield %	True equivalent yield %	Nominal equivalent yield ¹ %
Proportionally consolidated including premium outlets							
UK	2,920.9	(346.6)	(10.6)	(6.5)	4.8	5.5	5.3
France	1,885.2	(14.3)	(1.7)	2.2	3.7	4.3	4.2
Ireland	978.5	9.0	0.9	5.2	3.9	4.5	4.4
Flagship destinations	5,784.6	(351.9)	(6.2)	(2.1)	4.3	4.9	4.8
UK retail parks	873.1	(126.3)	(13.2)	(8.5)	6.0	6.8	6.5
UK other	173.3	6.9	4.5	9.2	5.7	8.0	7.6
Investment portfolio	6,831.0	(471.3)	(7.0)	(2.8)	4.6	5.3	5.1
Developments	648.5	22.7	4.1	6.2			
Property portfolio – excluding premium outlets	7,479.5	(448.6)	(6.2)	(2.1)			
Premium outlets ²	2,458.8	56.2	2.4	7.4			
Total Group	9,938.3	(392.4)	(4.3)	0.0			

Data for the year ended 31 December 2017

UK	3,488.9	23.9	0.7	5.2	4.4	5.1	4.9
France	1,887.0	(11.4)	(1.3)	3.1	3.9	4.4	4.3
Ireland	959.6	(1.5)	0.2	4.2	4.0	4.4	4.3
Flagship destinations	6,335.5	11.0	(0.1)	4.3	4.1	4.8	4.6
UK retail parks	1,234.1	(27.2)	(2.5)	2.8	5.5	6.2	6.0
UK other	180.1	13.4	8.8	14.5	5.2	7.2	6.9
Investment portfolio	7,749.7	(2.8)	(0.3)	4.3	4.4	5.0	4.9
Developments	576.6	24.1	4.7	6.9			
Property portfolio – excluding premium outlets	8,326.3	21.3	0.0	4.5			
Premium outlets ²	2,234.1	225.2	11.5	16.8			
Total Group	10,560.4	246.5	2.2	6.8			

Notes

- Nominal equivalent yields are included within the unobservable inputs to the portfolio valuations as defined by IFRS 13. This information has been subject to audit. The nominal equivalent yield for the Reported Group at 31 December 2018 was 5.1% (2017: 5.1%).
- Represents the Group's share of premium outlets through its investments in Value Retail and VIA Outlets, and the revaluation in the year excludes acquired deferred tax.

Yield analysis

Table 95

Investment portfolio as at 31 December 2018

	Income £m	Gross value £m	Net book value £m
Proportionally consolidated excluding premium outlets			
Portfolio value (net of cost to complete)		7,251	7,251
Purchasers' costs ¹			(420)
Net investment portfolio valuation on a proportionally consolidated basis			6,831
Income and yields			
Rent for valuers' initial yield (equivalent to EPRA Net Initial Yield)	328.9	4.6%	4.8%
Rent-free periods (including pre-lets) ²	8.5	0.1%	0.1%
Rent for 'topped-up' initial yield ³	337.4	4.7%	4.9%
Non-recoverable costs (net of outstanding rent reviews)	11.0	0.1%	0.2%
Passing rents	348.4	4.8%	5.1%
ERV of vacant space	9.8	0.1%	0.1%
Reversions	18.7	0.3%	0.3%
Total ERV/Reversionary yield	376.9	5.2%	5.5%
True equivalent yield		5.3%	
Nominal equivalent yield		5.1%	

Notes

- Purchasers' costs equate to 6.1% of the net portfolio value.
- The weighted average remaining rent-free period is 0.6 years.
- The yield of 4.7% based on passing rents and gross portfolio value is equivalent to EPRA's 'topped-up' Net Initial Yield.

Share of Property interests

The Group's Share of Property interests reflects the Group's Property joint ventures as shown in note 13 to the financial statements on pages 147 to 152 and the Group's interest in Nicetoile, which is accounted for as an associate, as shown in note 14 to the financial statements on pages 153 to 156.

Income statement

Table 96

	2018			2017		
	Property joint ventures £m	Nicetoile £m	Share of Property interests £m	Property joint ventures £m	Nicetoile £m	Share of Property interests £m
Gross rental income	174.0	1.6	175.6	171.4	1.6	173.0
Net rental income	149.4	1.4	150.8	146.4	1.4	147.8
Administration expenses	(0.2)	–	(0.2)	(0.5)	–	(0.5)
Operating profit before other net (losses)/gains	149.2	1.4	150.6	145.9	1.4	147.3
Revaluation (losses)/gains on properties	(271.7)	(0.5)	(272.2)	19.4	–	19.4
Operating (loss)/profit	(122.5)	0.9	(121.6)	165.3	1.4	166.7
Change in fair value of derivatives	(1.4)	–	(1.4)	–	–	–
Other finance (costs)/income	(7.0)	–	(7.0)	1.6	–	1.6
Net finance (costs)/income	(8.4)	–	(8.4)	1.6	–	1.6
(Loss)/Profit before tax	(130.9)	0.9	(130.0)	166.9	1.4	168.3
Current tax charge	(0.1)	–	(0.1)	–	–	–
(Loss)/Profit for the year	(131.0)	0.9	(130.1)	166.9	1.4	168.3

Balance sheet

Table 97

	2018			2017		
	Property joint ventures £m	Nicetoile £m	Share of Property interests £m	Property joint ventures £m	Nicetoile £m	Share of Property interests £m
Non-current assets						
Investment and development properties	3,619.8	29.3	3,649.1	3,611.1	29.1	3,640.2
Interests in leasehold properties	15.6	–	15.6	10.4	–	10.4
Other non-current assets	0.6	–	0.6	0.1	–	0.1
	3,636.0	29.3	3,665.3	3,621.6	29.1	3,650.7
Current assets						
Other current assets	75.4	0.3	75.7	52.7	0.8	53.5
Cash and deposits	70.0	1.2	71.2	58.5	1.4	59.9
	145.4	1.5	146.9	111.2	2.2	113.4
Total assets	3,781.4	30.8	3,812.2	3,732.8	31.3	3,764.1
Current liabilities						
Other payables	(71.0)	(0.2)	(71.2)	(79.6)	(0.2)	(79.8)
Tax	–	–	–	(0.7)	–	(0.7)
Loans	–	–	–	(48.6)	–	(48.6)
	(71.0)	(0.2)	(71.2)	(128.9)	(0.2)	(129.1)
Non-current liabilities						
Loans	(409.3)	–	(409.3)	(275.0)	–	(275.0)
Derivative financial instruments	(1.4)	–	(1.4)	–	–	–
Obligations under head leases	(15.6)	–	(15.6)	(10.4)	–	(10.4)
Other payables	(5.9)	(0.2)	(6.1)	(6.1)	(0.2)	(6.3)
	(432.2)	(0.2)	(432.4)	(291.5)	(0.2)	(291.7)
Total liabilities	(503.2)	(0.4)	(503.6)	(420.4)	(0.4)	(420.8)
Net assets	3,278.2	30.4	3,308.6	3,312.4	30.9	3,343.3

Additional disclosures continued

Unaudited

Premium outlets

The Group's investment in premium outlets is through interests in Value Retail and VIA Outlets. Due to the nature of the Group's control over these externally managed investments, Value Retail is accounted for as an associate and VIA Outlets is accounted for as a joint venture. Tables 98 and 99 provide analysis of the impact of the two premium outlet investments on the Group's financial statements. Further information on Value Retail is provided in note 14 to the financial statements on pages 153 to 156 and for VIA Outlets in note 13 to the financial statements on pages 147 to 152.

Income statement

Table 98

Aggregated premium outlets income summary

	2018			2017		
	Value Retail £m	VIA Outlets £m	Total £m	Value Retail £m	VIA Outlets £m	Total £m
Gross rental income	117.7	42.6	160.3	103.1	36.2	139.3
Net rental income	81.2	31.9	113.1	72.0	25.6	97.6
Administration expenses	(37.8)	(7.2)	(45.0)	(33.8)	(4.4)	(38.2)
Operating profit before other net gains/(losses)	43.4	24.7	68.1	38.2	21.2	59.4
Revaluation (losses)/gains on properties	45.0	11.2	56.2	198.3	14.0	212.3
Operating profit/(loss)	88.4	35.9	124.3	236.5	35.2	271.7
Net finance costs	(20.8)	(9.7)	(30.5)	(21.0)	(3.8)	(24.8)
Change in fair value of participative loans	5.9	–	5.9	14.7	–	14.7
Profit/(Loss) before tax	73.5	26.2	99.7	230.2	31.4	261.6
Current tax charge	(2.3)	(2.2)	(4.5)	(2.7)	(1.6)	(4.3)
Deferred tax charge	(14.4)	0.6	(13.8)	(5.9)	(16.2)	(22.1)
Share of results (IFRS)	56.8	24.6	81.4	221.6	13.6	235.2
Less adjustments:						
Revaluation gains on properties	(45.0)	(11.2)	(56.2)	(198.3)	(26.9)	(225.2)
Deferred tax acquired	–	–	–	–	12.9	12.9
Revaluation gains	(45.0)	(11.2)	(56.2)	(198.3)	(14.0)	(212.3)
Change in fair value of derivatives	1.3	2.2	3.5	5.2	(1.6)	3.6
Deferred tax charge/(credit)	14.4	(0.6)	13.8	5.9	16.2	22.1
Other adjustments	(1.5)	0.1	(1.4)	(9.8)	(1.0)	(10.8)
	(30.8)	(9.5)	(40.3)	(197.0)	(0.4)	(197.4)
Adjusted earnings of premium outlets	26.0	15.1	41.1	24.6	13.2	37.8

Balance sheet

Table 99

Aggregated premium outlets investment summary

	2018			2017		
	Value Retail £m	VIA Outlets £m	Total £m	Value Retail £m	VIA Outlets £m	Total £m
Investment properties	1,823.0	635.8	2,458.8	1,633.8	600.3	2,234.1
Net debt	(657.6)	(242.4)	(900.0)	(511.9)	(173.6)	(685.5)
Other net assets/(liabilities)	45.7	(67.1)	(21.4)	(53.3)	(65.4)	(118.7)
Share of net assets (IFRS)	1,211.1	326.3	1,537.4	1,068.6	361.3	1,429.9
Less adjustments:						
Fair value of derivatives	5.7	3.1	8.8	(10.9)	1.2	(9.7)
Deferred tax	214.6	59.8	274.4	152.3	59.7	212.0
Goodwill as a result of deferred tax	(63.1)	(3.6)	(66.7)	(53.5)	(3.6)	(57.1)
	157.2	59.3	216.5	87.9	57.3	145.2
Adjusted investment	1,368.3	385.6	1,753.9	1,156.5	418.6	1,575.1

In addition to the above figures, at 31 December 2018 the Group had provided loans of £1.8 million (2017: £1.8 million) to Value Retail for which the Group received interest of £0.1 million in 2018 (2017: £0.3 million) which is included within finance income in note 8 to the financial statements on page 141.

Proportionally consolidated information

Note 2 to the financial statements on pages 135 and 136 shows the proportionally consolidated income statement. The proportionally consolidated balance sheet, adjusted finance costs and net debt are shown in Tables 100, 101 and 102 respectively.

In each of the tables, column A represents the Reported Group figures as shown in the financial statements; column B shows the Group's Share of Property interests being the Group's Property joint ventures as shown in note 13 to the financial statements on pages 147 to 152 and Nicetoile as shown in note 14 to the financial statements on pages 153 to 156. Column C shows the Group's proportionally consolidated figures by aggregating the Reported Group and Share of Property interests figures. As explained on page 48 of the Financial review, the Group's interests in premium outlets are not proportionally consolidated as management does not review these interests on this basis.

Balance sheet

Table 100

Balance sheet as at 31 December 2018

	2018			2017		
	Reported Group £m	Share of Property interests £m	Proportionally consolidated £m	Reported Group £m	Share of Property interests £m	Proportionally consolidated £m
	A	B	C	A	B	C
Non-current assets						
Investment and development properties	3,830.4	3,649.1	7,479.5	4,686.1	3,640.2	8,326.3
Interests in leasehold properties	39.9	15.6	55.5	37.2	10.4	47.6
Plant and equipment	4.5	–	4.5	5.1	–	5.1
Investment in joint ventures	3,604.5	(3,278.2)	326.3	3,673.7	(3,312.4)	361.3
Investment in associate	1,241.5	(30.4)	1,211.1	1,099.5	(30.9)	1,068.6
Derivative financial instruments	24.5	–	24.5	16.6	–	16.6
Receivables	3.6	0.6	4.2	3.8	0.1	3.9
	8,748.9	356.7	9,105.6	9,522.0	307.4	9,829.4
Current assets						
Receivables	113.8	26.6	140.4	110.5	32.2	142.7
Derivative financial instruments	4.1	–	4.1	–	–	–
Restricted monetary assets	24.0	49.1	73.1	37.3	21.3	58.6
Cash and deposits	31.2	71.2	102.4	205.9	59.9	265.8
	173.1	146.9	320.0	353.7	113.4	467.1
Total assets	8,922.0	503.6	9,425.6	9,875.7	420.8	10,296.5
Current liabilities						
Payables	(233.7)	(71.2)	(304.9)	(261.1)	(79.8)	(340.9)
Tax	(0.9)	–	(0.9)	(0.5)	(0.7)	(1.2)
Derivative financial instruments	(9.8)	–	(9.8)	(1.7)	–	(1.7)
Loans	–	–	–	–	(48.6)	(48.6)
	(244.4)	(71.2)	(315.6)	(263.3)	(129.1)	(392.4)
Non-current liabilities						
Loans	(3,013.9)	(409.3)	(3,423.2)	(3,352.4)	(275.0)	(3,627.4)
Deferred tax	(0.5)	–	(0.5)	(0.5)	–	(0.5)
Derivative financial instruments	(101.0)	(1.4)	(102.4)	(98.9)	–	(98.9)
Obligations under finance leases	(42.3)	(15.6)	(57.9)	(38.9)	(10.4)	(49.3)
Payables	(87.0)	(6.1)	(93.1)	(84.2)	(6.3)	(90.5)
	(3,244.7)	(432.4)	(3,677.1)	(3,574.9)	(291.7)	(3,866.6)
Total liabilities	(3,489.1)	(503.6)	(3,992.7)	(3,838.2)	(420.8)	(4,259.0)
Net assets	5,432.9	–	5,432.9	6,037.5	–	6,037.5

Additional disclosures continued

Unaudited

Adjusted finance costs

Table 101

Adjusted finance costs for the year ended 31 December 2018

	2018			2017		
	Reported Group £m	Share of Property interests £m	Total £m	Reported Group £m	Share of Property interests £m	Total £m
Notes (see page 183)	A	B	C	A	B	C
Gross finance costs	111.1	7.1	118.2	126.1	3.1	129.2
Less: Interest capitalised	(1.9)	–	(1.9)	(0.8)	–	(0.8)
Finance costs	109.2	7.1	116.3	125.3	3.1	128.4
Finance income	(14.5)	(0.1)	(14.6)	(16.1)	(4.7)	(20.8)
Adjusted finance costs/(income) (note 2)	94.7	7.0	101.7	109.2	(1.6)	107.6

Net debt

Table 102

Net debt as at 31 December 2018

	2018			2017		
	Reported Group £m	Share of Property interests £m	Total £m	Reported Group £m	Share of Property interests £m	Total £m
Notes (see page 183)	A	B	C	A	B	C
Cash and deposits	31.2	71.2	102.4	205.9	59.9	265.8
Fair value of currency swaps	(84.9)	–	(84.9)	(90.3)	–	(90.3)
Loans	(3,013.9)	(409.3)	(3,423.2)	(3,352.4)	(323.6)	(3,676.0)
Net debt	(3,067.6)	(338.1)	(3,405.7)	(3,236.8)	(263.7)	(3,500.5)

Loan to value and gearing

Table 103

Loan to value and gearing as at 31 December 2018

		2018 £m	2017 £m
Net debt – ‘Loan’ (A)		3,405.7	3,500.5
Property portfolio – excluding premium outlets (B)	Table 100	7,479.5	8,326.3
Investment in VIA Outlets	Note 13A	326.3	361.3
Investment in Value Retail	Note 14C	1,211.1	1,068.6
Less non-controlling interest	Note 28C	(0.3)	(14.0)
‘Value’ (C)		9,016.6	9,742.2
Equity shareholders’ funds (D)		5,432.6	6,023.5
Loan to value (%) – (A/C)		37.8	35.9
Gearing – (%) (A/D)		62.7	58.1
Net debt – premium outlets (E)	Table 99	900.0	685.5
Property portfolio – premium outlets (F)	Table 99	2,458.8	2,234.1
Loan to value – fully proportionally consolidated (%) – ((A+E)/(B+F))		43.3	39.6
Gearing – fully proportionally consolidated (%) – ((A+E)/D)		79.3	69.5

Net debt:EBITDA

Table 104

Net debt:EBITDA for the year ended 31 December 2018

	2018 £m	2017 £m
Adjusted operating profit (note 2)	343.9	359.3
Interest income from Irish loans	–	4.7
Tenant incentive amortisation	8.6	4.8
Share-based remuneration	3.4	5.4
Depreciation (note 5)	1.5	2.1
EBITDA	357.4	376.3
Net debt (Table 102)	3,405.7	3,500.5
Net debt:EBITDA (times)	9.5	9.3

Property listing

Unaudited

	Ownership	Area, m ²	No. of tenants	Passing rent, £m
Flagship destinations				
UK				
Brent Cross, London	41%	85,200	114	16.3
Bullring, Birmingham	50%	125,700	155	27.8
Cabot Circus, Bristol	50%	110,100	124	14.0
Centrale, Croydon	50%	64,800	51	4.4
Grand Central, Birmingham	50%	37,300	65	5.6
Highcross, Leicester	50%	100,400	135	13.9
Silverburn, Glasgow	50%	100,500	105	10.7
The Oracle, Reading	50%	71,800	109	15.9
Union Square, Aberdeen	100%	51,900	80	19.9
Victoria, Leeds	100%	56,900	94	15.6
Westquay, Southampton	50%	95,300	111	16.0
France				
Espace Saint-Quentin, Saint Quentin-En-Yvelines ¹	25%	33,700	113	3.3
Italie Deux, Paris	100%	61,400	127	22.7
Les 3 Fontaines, Cergy ^{2,3}	100%	43,400	159	18.5
Les Terrasses du Port, Marseille	100%	62,900	172	28.7
Nicetoile, Nice ²	10%	17,300	112	1.5
O'Parinor, Aulnay-Sous-Bois ²	25%	68,600	162	6.1
SQY Ouest, Saint Quentin-En-Yvelines	100%	19,600	16	1.8
Ireland				
Dundrum Town Centre, Dublin	50%	125,900	172	30.1
Ilac Centre, Dublin	50%	27,500	72	4.8
Pavilions, Swords	50%	45,500	93	8.3
UK retail parks				
Abbey Retail Park, Belfast	100%	20,200	4	3.2
Abbotsinch Retail Park, Glasgow	100%	24,600	14	5.0
Brent South Retail Park, London	41%	8,700	10	1.8
Central Retail Park, Falkirk	100%	37,600	30	6.0
Cleveland Retail Park, Middlesbrough	100%	27,800	19	4.4
Cyfarthfa Retail Park, Merthyr Tydfil	100%	29,700	24	7.3
Dallow Road, Luton	100%	10,100	2	2.0
Elliott's Field Shopping Park, Rugby	100%	24,800	27	6.6
Parc Tawe Retail Park, Swansea	100%	20,800	11	1.8
Ravenhead Retail Park, St. Helens	100%	27,700	18	4.7
St. Oswald's Retail Park, Gloucester	100%	20,900	14	4.9
Telford Forge Retail Park, Telford	100%	28,300	20	5.1
The Orchard Centre, Didcot	100%	29,200	67	5.4
Developments				
Whitgift, Croydon	50%	55,700	93	5.3
Dublin Central, Dublin	100%	21,800	26	2.3

1. Key properties only.

2. Held under co-ownership. Figures reflect Hammerson's ownership interests.

3. Includes Cergy 3 which was acquired in 2017 and is classified within the development portfolio.

	Ownership	Area, m ²	No. of tenants	Income ¹ , £m
Premium outlets				
Value Retail				
Bicester Village, UK	50%	28,000	161	62.7
La Roca Village, Barcelona	41%	23,400	135	17.8
Las Rozas Village, Madrid	37%	16,500	98	10.9
La Vallée Village, Paris	26%	21,900	106	19.4
Maasmechelen Village, Brussels	27%	19,800	97	5.2
Fidenza Village, Milan	34%	20,900	120	6.1
Wertheim Village, Frankfurt	45%	21,200	113	9.5
Ingolstadt Village, Munich	15%	21,100	113	3.3
Kildare Village, Dublin	41%	16,700	98	8.2
VIA Outlets				
Batavia Stad Amsterdam Fashion Outlet	47%	30,900	130	6.0
Fashion Arena Prague Outlet	47%	24,100	99	3.4
Landquart Fashion Outlet, Zürich	47%	21,100	79	3.5
Freeport Lisboa Fashion Outlet	47%	36,500	119	4.5
Hede Fashion Outlet, Gothenburg	47%	16,100	52	1.4
Mallorca Fashion Outlet	47%	30,500	78	4.3
Wroclaw Fashion Outlet, Poland	47%	13,700	88	1.8
Sevilla Fashion Outlet	47%	15,800	64	1.9
Zweibrücken Fashion Outlet, Germany	47%	29,100	114	7.3
Vila do Conde Porto Fashion Outlet, Portugal	47%	27,800	117	4.3
Oslo Fashion Outlet	47%	13,300	96	2.1

1. Figures represent annualised base and turnover rent at 31 December 2018 for each premium outlet, at Hammerson's ownership share.

Ten-year financial summary

	2018 £m	2017 £m	2016 £m	2015 £m	2014 £m	2013* £m	2012* £m	2011 £m	2010 £m	2009 £m
Income statement										
Net rental income	347.5	370.4	346.5	318.6	305.6	290.2	282.9	296.0	284.7	293.6
Operating profit before other net (losses)/gains	302.8	321.5	300.4	276.3	259.1	247.9	239.6	249.1	248.8	252.6
Other net (losses)/gains	(517.9)	27.1	(36.1)	381.0	430.3	102.0	(7.3)	209.8	469.9	(590.4)
Share of results of joint ventures	24.6	13.6	20.7	13.1	(1.1)	–	–	–	–	–
Share of results of associates	56.8	221.6	135.2	159.3	109.9	101.5	47.5	–	1.5	(0.8)
Cost of finance (net)	(132.9)	(170.4)	(96.6)	(98.1)	(95.1)	(110.2)	(137.6)	(112.6)	(100.0)	(114.5)
(Loss)/Profit before tax	(266.6)	413.4	323.6	731.6	703.1	341.2	142.2	346.3	620.2	(453.1)
Current tax	(1.9)	(1.8)	(2.7)	(1.6)	(0.9)	(0.8)	(0.4)	(0.7)	(0.6)	(0.9)
Deferred tax	–	–	–	–	(0.1)	0.1	–	–	(0.1)	103.6
Non-controlling interests	0.4	(23.2)	(3.6)	(3.2)	(3.0)	(3.1)	(3.4)	(9.9)	(4.1)	5.9
(Loss)/Profit for the year attributable to equity shareholders	(268.1)	388.4	317.3	726.8	699.1	337.4	138.4	335.7	615.4	(344.5)
Balance sheet										
Investment and development properties	7,479.5	8,326.3	8,281.7	7,130.5	6,706.5	5,931.2	5,458.4	5,719.6	5,331.1	5,141.5
Investment in joint ventures	326.3	361.3	222.0	110.8	104.2	–	–	–	–	–
Investment in associates	1,211.1	1,068.6	959.1	743.8	628.8	545.4	428.4	–	–	10.4
Cash and short-term deposits	102.4	265.8	130.5	70.5	59.4	56.7	57.1	100.7	126.2	182.9
Borrowings**	(3,508.1)	(3,776.3)	(3,543.0)	(3,068.3)	(2,329.3)	(2,309.0)	(2,038.1)	(2,079.9)	(1,920.6)	(2,319.0)
Other assets	306.3	264.2	339.9	1,025.0	268.6	271.2	462.3	435.6	323.1	331.6
Other liabilities	(484.4)	(481.9)	(532.7)	(425.5)	(392.6)	(358.5)	(441.9)	(327.1)	(307.6)	(323.9)
Deferred tax	(0.5)	(0.5)	(0.5)	(0.5)	(0.5)	(0.4)	(0.5)	(0.5)	(0.5)	(0.4)
Non-controlling interests	0.3	(14.0)	(81.4)	(69.0)	(71.4)	(76.7)	(74.5)	(76.5)	(71.7)	(73.4)
Equity shareholders' funds	5,432.9	6,023.5	5,775.6	5,517.3	4,973.7	4,059.9	3,851.2	3,771.9	3,480.0	2,949.7
Cash flow										
Operating cash flow after tax	114.5	139.3	179.9	171.2	128.1	129.4	139.9	147.8	132.7	105.3
Dividends	(204.1)	(191.7)	(135.7)	(163.8)	(139.1)	(129.4)	(118.4)	(86.1)	(95.4)	(64.5)
Property and corporate acquisitions	(12.0)	(122.5)	(499.7)	(43.7)	(302.7)	(191.1)	(397.3)	(374.1)	(218.6)	(39.5)
Developments and major refurbishments	(89.3)	(46.7)	(127.2)	(137.2)	(164.0)	(184.4)	(122.9)	(91.2)	(60.8)	(164.1)
Other capital expenditure	(60.3)	(66.7)	(55.2)	(45.1)	(39.8)	(17.5)	(48.0)	(23.6)	(25.5)	(23.7)
Disposals	553.2	490.8	639.0	185.2	155.4	256.3	585.0	271.8	554.6	394.2
Investments in joint ventures	114.2	53.2	(155.0)	(735.6)	(118.9)	–	–	–	–	–
Other cash flows	(71.0)	111.9	87.9	(14.0)	12.4	(30.8)	(72.4)	(34.9)	(0.8)	–
Net cash flow before financing	345.2	367.6	(66.0)	(783.0)	(468.6)	(167.5)	(34.1)	(190.3)	286.2	207.7
Per share data***										
Basic (loss)/earnings per share	(34.1)p	49.0p	40.2p	92.8p	95.7p	47.4p	19.4p	47.3p	87.2p	(54.1)p
Adjusted earnings per share	30.6p	31.1p	29.2p	26.9p	23.9p	23.1p	20.9p	19.3p	19.9p	19.7p
Dividend per share	25.9p	25.5p	24.0p	22.3p	20.4p	19.1p	17.7p	16.6p	15.95p	15.45p
Diluted net asset value per share	£7.09	£7.58	£7.28	£7.03	£6.35	£5.70	£5.41	£5.30	£4.93	£4.20
EPRA net asset value per share	£7.38	£7.76	£7.39	£7.10	£6.38	£5.73	£5.42	£5.30	£4.95	£4.21
Financial ratios										
Return on shareholders' equity	-3.2%	8.3%	7.8%	14.3%	16.3%	8.8%	5.3%	11.2%	21.1%	-16.9%
Gearing	63%	58%	59%	54%	46%	56%	53%	52%	52%	72%
Interest cover	3.4x	3.4x	3.5x	3.6x	2.8x	2.8x	2.8x	2.6x	2.6x	2.2x
Dividend cover	1.2x	1.2x	1.2x	1.2x	1.2x	1.2x	1.2x	1.2x	1.2x	1.3x

* Comprises continuing and discontinued operations.

** Borrowings comprises loans and currency swaps. In 2017, £10.3 million of currency swaps were included in 'other assets'. For the purposes of this summary, these have been reclassified to 'borrowings'.

***Comparative per share data was restated following the rights issue in March 2009.

The Income statement, Balance sheet and Financial ratios for 2014 to 2018 have been presented on a proportionally consolidated basis, excluding the Group's investment in Premium outlets. Cash flow information has been presented on an IFRS basis throughout.

Reporting period and methodology

In line with requirements set out in the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013, this statement reports the Company's GHG emissions for the reporting period 1 January 2018 to 31 December 2018. For the first year, the GHG emissions reporting period is the same as the financial reporting year, in accordance with the DEFRA Environmental Reporting Guidance, due to improved data availability. The data has been calculated and recorded in accordance with the Greenhouse Gas (GHG) Protocol and ISO 14064. We are

required by the Scope 2 GHG Protocol to report our Scope 2 emissions using both market and location-based methods.

Independent assurance

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

Reporting boundaries

We have adopted operational control as our reporting approach. GHG emissions data is provided for those assets where we have authority to introduce and implement operating policies.

This includes properties held in joint ventures where JV Board approval is required. We have reported 100% of GHG emissions data for these reported assets. A detailed basis of reporting statement and full list of operating entities and assets included within the reporting boundary can be found on the Positive Places pages of our website.

GHG emissions 2018

Table 105

Baseline year	1/1/18 – 31/12/18
Boundary summary	All assets and facilities under Hammerson's direct operational control are included.
Consistency with financial statements	Consistency with the financial statements and reporting period are set out above.
Emissions factor data source	We have sourced our emissions factors from 2018 DEFRA GHG Conversion Factors for Company Reporting, and additional sources including, but not limited, to International Energy Agency and Engie.
Assessment methodology	GHG Protocol and ISO 14064 (2006).
Materiality threshold	Activities generating emissions of <5% relative to total Group emissions have been excluded.
Intensity ratio	Denominator is adjusted profit before tax 1/1/18 – 31/12/18 of £242.2 million.
Target	18% reduction in like-for-like carbon emissions by 2020 against 2015 baseline using location-based approach.

Emissions disaggregated by country

Table 106

Source	Group emissions (mtCO ₂ e)	UK emissions (mtCO ₂ e)	France emissions (mtCO ₂ e)	Ireland emissions (mtCO ₂ e)	Group emissions intensity (mtCO ₂ e/£m)
Total GHG emissions metric tonnes (mt)¹	13,126	7,258	4,939	929	54
Total GHG emissions metric tonnes (mt)	29,439	17,903	5,176	6,360	122
Scope 1: Direct emissions from owned/controlled operations					
a. Direct emissions from stationary operations	5,489	2,986	1,831	672	23
b. Direct emissions from mobile combustion	93	18	75	0	0
c. Direct emissions from fugitive sources	54	44	0	10	0
Totals	5,636	3,048	1,906	682	23
Scope 2: Indirect emissions from the use of purchased electricity, steam, heating and cooling					
a. Indirect emissions from purchased/acquired electricity ¹	4,640	2,816	1,752	72	19
a. Indirect emissions from purchased/acquired electricity	20,953	13,461	1,989	5,503	87
b. Indirect emissions from purchased/acquired steam	0	0	0	0	0
c. Indirect emissions from purchased/acquired heating	1,032	117	915	0	5
d. Indirect emissions from purchased/acquired cooling	31	31	0	0	0
Totals¹	5,703	2,964	2,667	72	24
Totals	22,016	13,609	2,904	5,503	92
Scope 3:					
Business travel	716	550	148	18	3
Waste	687	469	117	101	3
Water	384	227	101	56	1
Totals	1,787	1,246	366	175	7

1. Emissions using Market-Based methodology.

Shareholder information

Registered office and principal UK address

Hammerson plc
Kings Place, 90 York Way, London, N1 9GE
Registered in England No. 360632
+44 (0)20 7887 1000

Principal address in Ireland

Hammerson Group Management Limited
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Dublin 14
+353 (0)1695 0550

Principal address in France

Hammerson France SAS
40 – 48 Rue Cambon, 75001, Paris
+33 (0)156 69 30 00

Advisors

Valuer: Cushman & Wakefield LLP
Auditor: PricewaterhouseCoopers LLP
Solicitor: Herbert Smith Freehills LLP
Joint Brokers and Financial Advisors:
J. P. Morgan Cazenove and Morgan Stanley &
Co. International plc
Financial Advisor: Lazard Ltd
South African Sponsor: Investec Bank Limited

Primary and secondary listing

The Company has its primary listing on the London Stock Exchange and a secondary inward listing on the Johannesburg Stock Exchange.

Shareholder administration

For assistance with queries about the administration of shareholdings, such as lost share certificates, change of address, change of ownership or dividend payments, please contact the relevant Registrar or Transfer Secretaries.

UK Registrar

Link Asset Services
The Registry, 34 Beckenham Road,
Beckenham, Kent, BR3 4TU

0871 664 0300 or +44 371 664 0300 from outside the UK. Calls cost 12p per minute plus your phone company's access charge. Calls from outside the UK will be charged at the applicable international rate. Lines are open between 9.00 am and 5.30 pm, Monday to Friday excluding public holidays in England and Wales.

enquiries@linkgroup.co.uk
www.signalshares.com

South African Transfer Secretaries

Computershare Investor Services
Proprietary Limited, Rosebank Towers,
15 Biermann Avenue, Rosebank 2196,
South Africa or PO Box 61051,
Marshalltown 2107, South Africa

0861 100 950 (local in South Africa)
web.queries@computershare.co.za

Annual General Meeting

The Annual General Meeting will be held at 11.00 am (UK time) on 30 April 2019 at Kings Place, 90 York Way, London N1 9GE. Details of the Annual General Meeting and the resolutions to be voted upon can be found in the Notice of Meeting which is available at www.hammerson.com/investors.

Payment of dividends

UK shareholders who do not currently have their dividends paid direct to a bank or building society account and who wish to do so should complete a mandate instruction available from the Registrar or register their mandate at www.signalshares.com.

UK Dividend Reinvestment Plan (DRIP)

Shareholders can reinvest dividend payments in additional shares in the Company under the DRIP operated by the Registrar by completing an application form online at www.signalshares.com.

Elections to participate in the DRIP (or cancellation of previous instructions) in respect of the final dividend must be received by the Company's Registrar no later than 15 business days before the dividend payment date. The DRIP will continue to be available to shareholders who have already completed an application form. Such shareholders should take no action unless they wish to receive their dividend in cash, in which case they should contact the Registrar to cancel their instruction.

South African DRIP

Shareholders registered on the South African branch register who hold their shares through the Strate system and who wish to participate in the DRIP should contact their Central Securities Depository Participants or brokers.

Link share dealing services

An online and telephone share dealing facility is available to shareholders wishing to deal in shares on the UK share register. For more information visit www.linksharedeal.com.

ShareGift

Shareholders with a small number of shares, the value of which makes it uneconomic to sell them, may wish to consider donating them to charity through ShareGift, a registered charity (registered charity no: 1052686). Further information about ShareGift is available at www.sharegift.org, by email at help@sharegift.org or by writing to ShareGift, PO Box 72253, London, SW1P 9LQ. To donate shares please contact ShareGift or Link Asset Services.

Strate Charity Shares

South African shareholders for whom the cost of selling their shares would exceed the market value of such shares may wish to consider donating them to charity. An independent non-profit organisation called Strate Charity Shares has been established to administer this process. For further details or donations contact the Strate Charity Shares' toll-free helpline on 0800 202 363 (if calling from South Africa) or +27 11 870 8207 (if calling from outside South Africa), email charityshares@computershare.co.za, or visit www.strate.co.za.

Shareholder security

Share fraud includes scams where fraudsters cold-call investors offering them overpriced, worthless or non-existent shares, or offer to buy shares owned by investors at an inflated price. We advise shareholders to be vigilant of unsolicited mail or telephone calls regarding buying or selling shares. For more information visit www.fca.org.uk/scams or call the FCA Consumer Helpline on 0800 111 6768.

Unsolicited mail

Hammerson is obliged by law to make its share register available on request to other organisations. This may result in shareholders receiving unsolicited mail. To limit the receipt of unsolicited mail UK shareholders may register with the Mailing Preference Service, an independent organisation whose services are free, by visiting www.mpsonline.org.uk. Once a shareholder's name and address details have been registered, the Mailing Preference Service will advise companies and other bodies that subscribe to the service not to send unsolicited mail to the address registered.

UK Real Estate Investment Trust (REIT) taxation

As a UK REIT, Hammerson plc is exempt from corporation tax on rental income and gains on UK investment properties but is required to pay Property Income Distributions (PIDs). UK shareholders will be taxed on PIDs received at their full marginal tax rates. A REIT may in addition pay normal dividends.

For most shareholders, PIDs will be paid after deducting withholding tax at the basic rate. However, certain categories of UK shareholder are entitled to receive PIDs without withholding tax, principally UK resident companies, UK public bodies, UK pension funds and managers of ISAs,

PEPs and Child Trust Funds. Further information on UK REITs is available on the Company's website, including a form to be used by shareholders to certify if they qualify to receive PIDs without withholding tax.

PIDs paid to overseas shareholders are subject to withholding tax at 20%. South African shareholders may apply to Her Majesty's Revenue and Customs after payment of a PID for a refund of the difference between the 20% withholding tax and the prevailing UK/South African double tax treaty rate. Other overseas shareholders may be eligible to apply for similar refunds of UK withholding tax under the terms of the relevant tax treaties.

Normal dividends paid to overseas shareholders are paid gross but may be subject to taxation in the shareholder's country of residence. For South African shareholders, dividends tax at 20% will be withheld and paid over to the South African Revenue Service on the shareholders' behalf. Certain shareholders, including South African tax resident companies, retirement funds and approved public benefit organisations are exempt from dividends tax but it is the responsibility of each shareholder to seek their own advice. Dividends tax does not apply to scrip dividends, whether paid as a PID or a normal dividend.

Dividend Timetable

Table 107

Recommended final dividend	Last day to effect removal of shares between the United Kingdom (UK) and South African (SA) registers	4 March 2019
	Currency conversion announcement released	5 March 2019
	Last day to trade on the Johannesburg Stock Exchange to qualify for the dividend	18 March 2019
	Ex-dividend on the Johannesburg Stock Exchange from commencement of trading on	19 March 2019
	Ex-dividend on the London Stock Exchange from the commencement of trading on	21 March 2019
	Record date (applicable to both the UK principal register and the SA branch register)	22 March 2019
	Removal of shares between the UK and SA registers permissible from	25 March 2019
	Last day for receipt of Dividend Reinvestment Plan (DRIP) mandates by Central Securities Depository Participants (CSDPs) and DRIP elections by UK Registrar and SA Transfer Secretaries	9 April 2019
Annual General Meeting		30 April 2019
	Final dividend payable (UK and SA)	2 May 2019
Anticipated 2019 interim dividend		October 2019

Analysis of shares held as at 31 December 2018

Table 108

Number of shares held	Number of shareholders	% of total shareholders	Holding	% of total capital
0 - 500	766	29.8403	134,556	0.0176
501 - 1,000	314	12.2322	243,844	0.0318
1,001 - 2,000	305	11.8816	454,000	0.0592
2,001 - 5,000	304	11.8426	966,077	0.1261
5,001 - 10,000	167	6.5056	1,173,142	0.1531
10,001 - 50,000	265	10.3233	6,188,963	0.8076
50,001 - 100,000	120	4.6747	8,435,054	1.1007
100,001 - 500,000	180	7.0121	41,336,116	5.3939
500,001 - 1,000,000	60	2.3374	45,770,118	5.9725
1,000,001 +	86	3.3502	661,650,302	86.3376
Total	2,567	100	766,352,172	100

Glossary

Adjusted figures (per share)	Reported amounts adjusted in accordance with EPRA guidelines to exclude certain items as set out in note 10 to the financial statements.
Anchor store	A major store, usually a department or DIY store, a supermarket or leisure facility, occupying a large unit within a flagship destination or retail park, which serves as a draw to other retailers and consumers.
Average cost of debt or weighted average interest rate	The cost of finance expressed as a percentage of the weighted average debt during the period.
BREEAM	An environmental rating assessed under the Building Research Establishment's Environmental Assessment Method.
CAGR (Compound Annual Growth Rate)	The return on investment over a specified period of time.
Capital return	The change in property value during the period after taking account of capital expenditure, calculated on a monthly time-weighted basis after taking account of exchange translation movements.
Cost ratio (or EPRA cost ratio)	Total operating costs (being property costs and administration costs less management fees) as a percentage of gross rental income, after rents payable. Both operating costs and gross rental income are adjusted for costs associated with inclusive leases.
CPI (Consumer Price Index)	A measure of inflation based on the weighted average of prices of consumer goods and services.
CPO (Compulsory Purchase Order)	A legal function in the UK by which land or property can be obtained to enable a development or infrastructure scheme without the consent of the owner where there is a "compelling case in the public interest."
CVA (Compulsory Voluntary Arrangement)	A legally binding agreement with a company's creditors to restructure its liabilities, including future lease liabilities.
Dividend cover	Adjusted earnings per share divided by dividend per share.
Earnings per share (EPS)	Profit for the period attributable to equity shareholders divided by the average number of shares in issue during the period.
EBITDA	Earnings before interest, tax, depreciation and amortisation.
EPRA	The European Public Real Estate Association, a real estate industry body. This organisation has issued Best Practice Recommendations with the intention of improving the transparency, comparability and relevance of the published results of listed real estate companies in Europe.
Equivalent yield (true and nominal)	The capitalisation rate applied to future cash flows to calculate the gross property value. The cash flows reflect future rents resulting from lettings, lease renewals and rent reviews based on current ERVs. The true equivalent yield (TEY) assumes rents are received quarterly in advance. The nominal equivalent yield (NEY) assumes rents are received annually in arrears. The property true and nominal equivalent yields are determined by the Group's external valuers.
ERV	The estimated market rental value of the total lettable space in a property calculated by the Group's external valuers. It is calculated after deducting head and equity rents, and car parking and commercialisation running costs.
F&B	Food and beverage ranging from "grab and go" to fine dining.
Gearing	Net debt expressed as a percentage of equity shareholders' funds.
Gross property value or Gross asset value (GAV)	Property value before deduction of purchasers' costs, as provided by the Group's external valuers.
Gross rental income (GRI)	Income from rents, car parks and commercialisation income, after accounting for the net effect of the amortisation of lease incentives.
IAS/IFRS	International Accounting Standard/International Financial Reporting Standard.
Inclusive lease	A lease, often for a short duration, under which the rent is inclusive of costs such as service charge, rates, utilities etc. Instead, the landlord incurs these costs as part of the overall commercial arrangement.
Income return	The income derived from a property as a percentage of the opening property value, taking account of capital expenditure and exchange translation movements, calculated on a time-weighted basis.
Initial yield (or Net initial yield (NIY))	Annual cash rents receivable (net of head and equity rents and the cost of vacancy, and, in the case of France, net of an allowance for costs of approximately 5%, primarily for management fees), as a percentage of gross property value, as provided by the Group's external valuers. Rents receivable following the expiry of rent-free periods are not included. Rent reviews are assumed to have been settled at the contractual review date at ERV.
Interest cover	Net rental income divided by net cost of finance before exceptional finance costs, capitalised interest and change in fair value of derivatives.
Interest rate or currency swap (or derivatives)	An agreement with another party to exchange an interest or currency rate obligation for a pre-determined period.
Joint venture and associate management fees	Fees charged to joint ventures and associates for accounting, secretarial, asset and development management services.

Like-for-like (LFL) NRI	The percentage change in net rental income for flagship destinations and retail park investment properties owned throughout both current and prior periods, after taking account of exchange translation movements. Properties undergoing a significant extension are excluded from this calculation during the period of the works. For interim reporting periods properties sold between the balance sheet date and the date of the announcement are also excluded from LFL NRI.
LTV (Loan to value)	Net debt expressed as a percentage of the property portfolio value calculated on a proportionally consolidated basis.
MSCI	Property market benchmark indices produced by MSCI, rebranded from IPD in 2018.
Net asset value (NAV) per share	Equity shareholders' funds divided by the number of shares in issue at the balance sheet date.
Net rental income (NRI)	Gross rental income less head and equity rents payable, and other property related costs.
Occupancy rate	The ERV of the area in a property, or portfolio, excluding developments, which is let, expressed as a percentage of the total ERV of that property or portfolio.
Occupational cost ratio (OCR)	The proportion of retailer's sales compared with the total cost of occupation, being rent, business rates, service charge and insurance. Calculated excluding anchor stores.
Over-rented	The amount, or percentage, by which the ERV falls short of rents passing, together with the estimated rental value of vacant space.
Passing rents or rents passing	The annual rental income receivable from an investment property, after any rent-free periods and after deducting head and equity rents and car parking and commercialisation running costs. This may be more or less than the ERV (see over-rented and reversionary or under-rented).
Pre-let	A lease signed with a tenant prior to the completion of a development.
Principal lease	A lease signed with a tenant with a secure term of greater than three years and where the unit is not reconfigured. This enables letting metrics to be stated on a comparable basis.
Property fee income	Amounts recharged to tenants or co-owners for property management services.
Property Income Distribution (PID)	A dividend, generally subject to withholding tax, that a UK REIT is required to pay from its tax-exempt property rental business and which is taxable for UK-resident shareholders at their marginal tax rate.
Property interests (Share of)	The Group's non-wholly owned properties which management proportionally consolidates when reviewing the performance of the business. These exclude the Group's premium outlets interests in Value Retail and VIA Outlets which are not proportionally consolidated.
Property joint ventures (Share of)	The Group's joint ventures which management proportionally consolidate when reviewing the performance of the business, but exclude the Group's interests in the VIA Outlets joint venture.
Proportional consolidation	The aggregation of the financial results of the Reported Group together with the Group's share of Property interests being the Group's share of Property joint ventures as shown in note 12, and Nicetoile as shown in note 13.
QIAIF	Qualifying Investor Alternative Investment Fund. A regulated tax regime in the Republic of Ireland which exempts participants from Irish tax on property income and chargeable gains subject to certain requirements.
REIT	Real Estate Investment Trust. A tax regime which in the UK exempts participants from corporation tax both on UK rental income and gains arising on UK investment property sales, subject to certain requirements.
Reported Group	The financial results as presented under IFRS which represent the Group's 100% owned properties and share of joint operations, transactions and balances and the equity accounted Group's interests in joint ventures and associates.
Return on shareholders' equity (ROE)	Capital growth and profit for the period expressed as a percentage of equity shareholders' funds at the beginning of the year, all excluding deferred tax and certain non-recurring items.
Reversionary or under-rented	The amount, or percentage, by which the ERV exceeds the rents passing, together with the estimated rental value of vacant space.
SIIC	Sociétés d'Investissements Immobiliers Côtées. A tax regime in France which exempts participants from the French tax on property income and gains subject to certain requirements.
Temporary lettings	Temporary leases of less than five years.
Total development cost (TDC)	All capital expenditure on a development project, including capitalised interest.
Total property return (TPR) (or total return)	Net rental income and capital growth expressed as a percentage of the opening book value of property adjusted for capital expenditure, calculated on a monthly time-weighted basis after taking account of exchange translation movements.
Total shareholder return (TSR)	Dividends and capital growth in a Company's share price, expressed as a percentage of the share price at the beginning of the year.
Turnover rent	Rental income which is related to an occupier's turnover.
Vacancy rate	The ERV of the area in a property, or portfolio, excluding developments, which is currently available for letting, expressed as a percentage of the ERV of that property or portfolio.
Yield on cost	Passing rents expressed as a percentage of the total development cost of a property.

Disclaimer

This document contains certain statements that are neither reported financial results nor other historical information. These statements are forward-looking in nature and are subject to risks and uncertainties. Actual future results may differ materially from those expressed in or implied by these statements. Many of these risks and uncertainties relate to factors that are beyond Hammerson's ability to control or estimate precisely, such as future market conditions, currency fluctuations, the behaviour of other market participants, the actions of governmental regulators and other risk factors such as the Company's ability to continue to obtain financing to meet its liquidity needs, changes in the political, social and regulatory framework in which the Company operates or in economic or technological trends or conditions, including inflation and consumer confidence, on a global, regional or national basis. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date of this document. Hammerson does not undertake any obligation to publicly release any revisions to these forward-looking statements to reflect events or circumstances after the date of this document. Information contained in this document relating to the Company should not be relied upon as a guide to future performance.

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Thank You



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