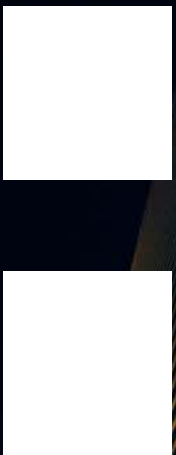


Annual Report 2017

# Where more happens

Hammerson





## Strategic Report

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Visit our website [www.hammerson.com](http://www.hammerson.com)  
for more information about us and our business

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Cover image: Festival of Light at Westquay, Southampton  
Inside front cover image: Concorde Street at Cabot Circus, Bristol





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

## **2017 highlights**

**Leasing volume<sup>1</sup>**

**+34%**

(2017 new leasing:  
£33 million)

**Adjusted earnings per share<sup>3</sup>**

**31.1p**

(2016: 29.2p)

**IFRS profit<sup>2</sup>**

**£388m**

(2016: £317m)

**Basic earnings per share<sup>2</sup>**

**49.0p**

(2016: 40.2p)

**Equity shareholders' funds**

**£6,024m**

(2016: £5,776m)

**EPRA NAV per share<sup>3</sup>**

**£7.76**

(2016: £7.39)

**Dividend per share**

**25.5p**

(2016: 24.0p)

**Total portfolio value<sup>4</sup>**

**£10,560m**

(2016: £9,971m)

1. Proportionally consolidated portfolio, excluding premium outlets. See page 53 of the Financial Review for a description of the presentation of financial information.

2. Attributable to equity shareholders.

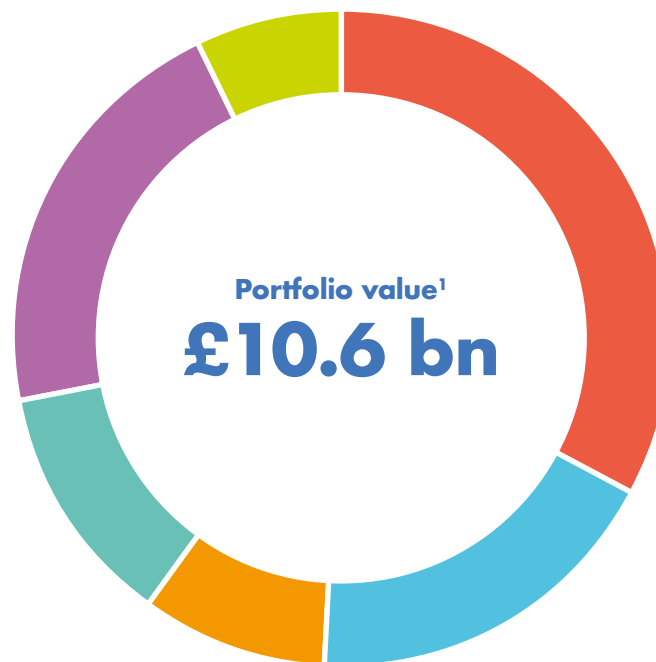
3. Calculations for adjusted and EPRA figures are shown in note 10 to the accounts on pages 146 and 147.

4. Proportionally consolidated, including premium outlets.

## OUR PORTFOLIO

# Destinations where more happens

**Our properties are located in significant, growing cities in selected European countries. We focus on retail property aligned to consumer requirements in a multichannel world. The portfolio includes high-quality shopping centres in the UK, France and Ireland, convenient retail parks in the UK and premium outlets across Europe.**



● Shopping centres: UK	33%
● Shopping centres: France	18%
● Shopping centres: Ireland	9%
■ Retail parks: UK	12%
▲ Premium outlets: pan European	21%
■ Developments and other	7%

**14 countries**

**22 shopping centres**

**15 retail parks**

**20 premium outlets**

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

**4,900 tenants**

**440 million shopper visits per annum**

1. As at 31 December 2017. Proportionally consolidated, including premium outlets. See page 53 of the Financial Review for a description of the presentation of financial information. A full list of our properties is shown on pages 188 and 189.



## PORTFOLIO LOCATIONS AND 2017 HIGHLIGHTS

**Elliott's Field Phase 2 completed: a carbon neutral BREEAM Outstanding scheme**



**UK shopping centres: record leasing volumes +49%**



**Norwegian Outlet Oslo acquired: VIA Outlets platform now 11 outlets**



**Dundrum Town Centre, Dublin: strong ERV growth +3%**



**Bicester Village extension: opened with 33 new stores**



**Westquay, Southampton: dining and leisure extension drove footfall +6%**



**Les 3 Fontaines, Cergy: adjoining centre acquired and development started**



For information on all our properties see pages 188 and 189 and our website [www.hammerson.com/property](http://www.hammerson.com/property).

- Shopping centres: UK
- Shopping centres: France
- Shopping centres: Ireland
- Retail parks: UK
- ▲ Premium outlets: pan European



# Responding to market dynamics



## Strong financial performance

Our focus as a Board is to maximise shareholder value over the medium to long term. Despite the market backdrop, which was tougher than the previous year, I am pleased to report that Hammerson's financial performance in 2017 was strong and this should help to underpin future returns for shareholders.

IFRS profit was £388 million, £71 million higher, principally due to higher revaluation gains from our Premium outlets. Adjusted earnings for the year grew by £16 million to £246 million and adjusted earnings per share grew by 6.5% to 31.1p. The improvement arose largely from a rise in rental income across the Group, in particular our Irish portfolio and Premium outlets earnings. As a share of gross rental income, costs fell by a full percentage point from 22.6% to 21.6%.

During the year, equity shareholders' funds increased by 4.3% to £6,024 million and on an EPRA basis net asset value rose by 5.1%. This resulted in an EPRA net asset value per share of 776p at the end of December, up 5.0%. At the same time, our net debt position remained conservative, with a loan to value ratio of 36%, unchanged from the previous year.

The Board has proposed a final dividend of 14.8p per share, bringing the total dividend to 25.5p, up 6.3% on last year and in line with our focus on consistent income growth for shareholders.

## Major transaction announced

2017 will also be marked as the year we reached agreement to acquire intu properties plc (see page 12).

The proposed acquisition of intu will enable us to achieve our strategic goals more successfully. Its portfolio contains many large, high-footfall shopping centres that match retailers' needs in today's multichannel world. The portfolio also increases our exposure to another higher-growth market in Spain.

The enlarged business will bring together the talent of both companies and will create an enhanced operating team for the combined portfolio.

Following the acquisition, we believe that the Company will have a stronger income profile and superior growth prospects.

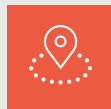
**"The proposed acquisition of intu will enable us to achieve our strategic goals more successfully."**

David Tyler – Chairman

## Our strategy



Focus on growing consumer markets



Create differentiated destinations



Promote financial efficiency and partnerships



**For information on our strategy, see pages 16 and 17.**



## Clear strategy

Ahead of the proposed acquisition, we made good progress this year in delivering our strategy: to focus on growing consumer markets; create differentiated destinations; and promote financial efficiency and partnerships.

We increased our investment in faster-growth markets by putting more investment into Premium outlets, completing our acquisition of Pavilions, Swords in north Dublin, and opening new retail and leisure space at our Shopping centres, including Westquay, Southampton.

However, it is our strategy to create differentiated destinations which increasingly sets us apart. Thanks to our size we are able to dedicate specialist teams to support this. Our Product Experience Framework has brought together innovative retailers, stylish design, consistent customer services and exciting events (see pages 20-27). We are recognised as a leader in creating destinations which are attractive to shoppers, draw high footfall and hence provide the most productive space for our retail partners.

We continue to be a chosen operator for global investors, further extending our joint venture partnerships this year. We have also continued to take advantage of the low interest rate environment to strengthen our balance sheet and lower our cost of debt. Our ambitious Net Positive strategy demonstrates our commitment to deliver meaningful change in the areas of carbon and resource use.

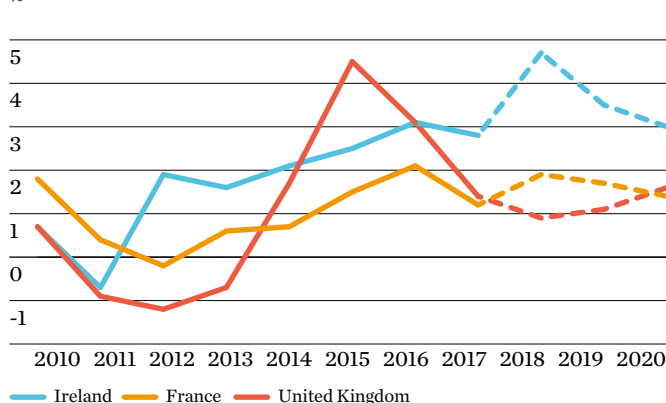
## Economic and consumer backdrop

In the UK, consumer spending has been softer as inflation reached a 10-year high, putting pressure on household income (see chart 1). Uncertainty about the UK's exit from the EU has impacted business investment and the UK economy is expected to deliver subdued economic growth over the next two to three years.

In Europe, economic growth was higher in 2017 and this has supported our businesses in France and Ireland and in Premium outlets. There is good momentum in the Eurozone economy with encouraging GDP growth set to continue over the short to medium term. With reduced political uncertainty and falling unemployment this should support a more confident consumer outlook in Europe.

Chart 1

### Real household consumption growth %



Source: Oxford Economics

We are alert to the effects of increasing interest rates which could have a dampening effect on economic growth or increase volatility in capital markets.

Thanks to our high-quality portfolio and strong balance sheet position we are confident we can steer the business through expected economic conditions in our markets.

## Structural consumer trends

Technology is changing all aspects of our lives including retail and consumer habits. Our share price has been weaker this year in part because the market is cautious about how structural changes will affect our business, in particular how retailers adapt to a multichannel marketplace.

We spend a good deal of time as a Board determining how to respond to structural trends. For example, you can read about our Board Strategy Day on page 78. Our capital allocation strategy has focused on investing in Shopping centres, Retail parks and Premium outlets with a combination of retail, dining and leisure experiences that inspire shoppers to visit again and again. These venues will draw high footfall and therefore benefit from strong leasing demand even as retail evolves to become increasingly multichannel. We have also focused on locations in growing cities in selected European countries.

We frequently assess our properties and sell those that do not match these characteristics; this year we have sold £400 million of properties. The proceeds from disposals are reinvested into higher-growth opportunities, which lifts the overall quality of our portfolio. As a result, we believe we will be a beneficiary of the market changes.



## Outlook

As a result of the adjustments retailers are making to respond to structural changes in their market and the consumer conditions in the UK, the backdrop is becoming more demanding. However, our portfolio contains high-quality retail property which is in demand by retailers; our teams are some of the most skilled in the sector at creating positive customer experiences; and we have a strong balance sheet. As a result, we are in a strong position to manage the consumer conditions in the UK and stand to benefit from improving consumer confidence in France and Ireland and fast-growing Premium outlets. This will support future returns for shareholders.

Following the completion of the acquisition of intu we believe that the Company will be further strengthened and will provide enhanced opportunities for all our stakeholders alike.

David Tyler

Chairman



## OUR BUSINESS MODEL

# Creating long-term stakeholder value

Our vision is to create desirability for consumers, brands, commercial partners and communities.

### We utilise key resources...

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



**High-quality property**



**Talented people**



**Retail insight**



**Financial capital**

### Through clear operational activities...

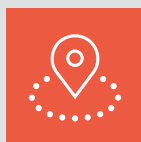
These are the operational activities that we undertake to deliver our strategy.



#### Focus on growing consumer markets

##### Investment management

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



#### Create differentiated destinations

##### Developing venues

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

##### Asset management

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



#### Promote financial efficiency and partnerships

##### Financing and capital providers

We manage and control our costs, both operational and financial, and optimise our capital base to support the delivery of our strategy. Our relationships enable us to source capital, to access growth markets, to create a larger operational platform, and generate income growth.



**For information on our talented people, see page 46.**

**For information on our financial capital, see page 53.**

**For information on our high-quality property portfolio, see page 49 and visit our website: [hammerson.com/portfolio](http://hammerson.com/portfolio).**

**For information on our retail insight, see pages 13 to 15.**



**For information on our strategy, see pages 14 and 15.**

## Uniquely differentiated by our Product Experience Framework...

Our Product Experience Framework is embedded across everything we do providing a unique point of differentiation and sustainability.



**Iconic destinations**



**Retail specialism**



**Experience led**



**Customer first**

## To deliver value for our stakeholders

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



**Shareholders**



**Retailers**



**Shoppers**



**People**



**Communities**



**Partners**



**For information on our Product Experience Framework, see pages 20 to 27.**



**Overleaf David Atkins describes how we have delivered for our stakeholders.**



**Positive Places: For information on the Group's sustainability strategy see pages 41 to 45.**



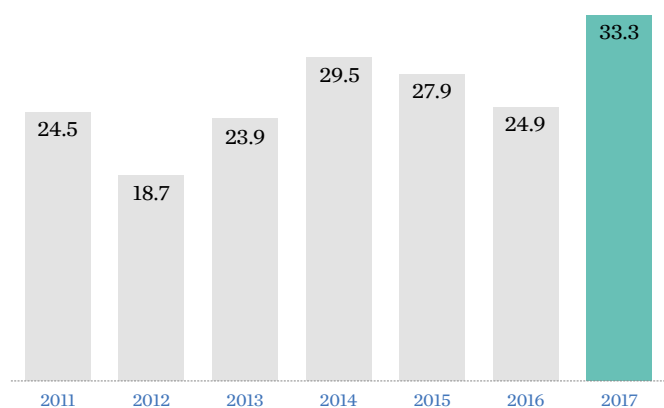
# Where more happens for our stakeholders

**"Our product is in high demand by retailers and shoppers. In 2017, we let more space by value than in any other year in Hammerson's 75-year history. This gives me confidence that we are a beneficiary of the structural changes occurring in retail. Our retail partners tell us that they want more space in high-footfall locations alongside other exciting brands to deliver stores that support a multichannel strategy."**

David Atkins, Chief Executive

Chart 2

Annual leasing volume across our portfolio (£m)<sup>1</sup>



1. Proportionally consolidated portfolio, excluding premium outlets. Excludes development leasing.

It is clear our retail portfolio is delivering wide-reaching value for all our different stakeholders. Our retail partners confirm to us that their stores in our centres also contribute to growing their sales outside the store, via online platforms or as a result of increased brand awareness. This year we conducted research into the 'True Value of Retail'. The findings highlight that the value of our retail venues is not just commercial, and quantified the wider value our shopping centres have to the local economy, employment and connected communities. As we enjoyed the celebrations of our 75th anniversary I was also reminded how Hammerson's values draw together a wide network of employees, alumni and operating partners.

**"Even as retailers face increased cost pressures and softer instore sales, they are prioritising space in our Shopping centres, Retail parks and Premium outlets."**

David Atkins, Chief Executive





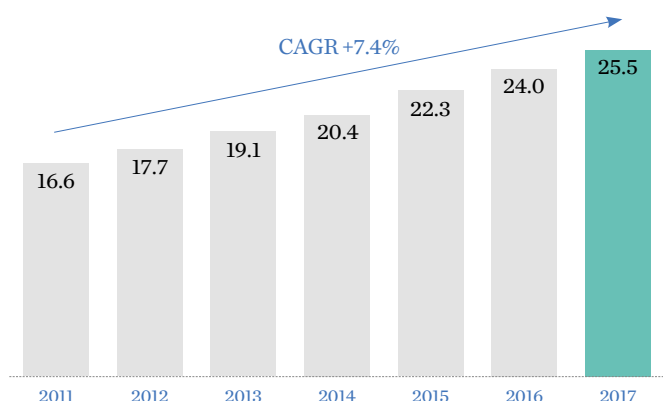
## Shareholders

We have delivered another year of attractive earnings and dividend per share growth for shareholders. We have achieved this by having not just the right properties, but also the right people and retail innovation.

The underlying operational performance of the business was good this year. The volume of new leasing was up and vacancy down across all segments. We missed our target of 2% LFL NRI growth (1.7%, inc Ireland) as a result of weaker performance in UK Retail Parks which we expect to improve this year. We continue to increase our income efficiency, reducing our cost:income ratio and also our cost of debt. Therefore, I expect to continue our track record level of dividend growth going forward.

Chart 3

### Total dividend per share growth (pence)



The EPRA net asset value per share grew by 5.0% and the Group's total property return was 6.8%. We continue to recycle capital from lower performing assets to enhance our growth. The total volume of retail property transactions in the wider market was lower this year and the demand for secondary assets is becoming tougher. However, there are still buyers for high-quality retail properties across Europe. We delivered our £400m disposal target this year and are advancing planned disposals for 2018.



## Retailers

Our business strategy is aligned with that of our retailers. We know from our regular discussions with them that they want space in high-footfall locations alongside other exciting brands and leisure space, in growing catchments across Europe. Therefore, retailers are prioritising space in our Shopping centres, Retail parks and Premium outlets because they are more productive than other locations.



For information on our Financial Performance, see pages 53 to 60.

In 2017 we let more space by value than in any other year in Hammerson's history, a clear sign that we are benefiting from the structural changes occurring in retail.

This year has undoubtedly been a tougher one for retailers and restaurants, particularly in the UK where consumer incomes have been squeezed, and currency effects and inflation have increased cost pressures. Whilst we have seen some mid-market restaurants announce closures and poor performance in the women's high-street fashion sector, other categories such as grab 'n' go food, sport and aspirational fashion have performed well. The table below highlights the categories and brands which have been most active in taking space this year.

Retailers acknowledge the greater productivity of our locations and also that online sales are serviced through their stores. As a result, instore sales is becoming a less appropriate metric to track leasing demand.

We maintain a constant dialogue with our retail and catering tenants to ensure we understand their needs. An important aspect of this is the ability to relocate and 'right-size' tenants in our properties. By taking back space from underperforming retailers or restaurants and relocating or upsizing successful ones we support our tenants, deliver the most popular categories and brands for customers and also drive rental growth.

Chart 4

### Current demand in leasing

#### 'Ath-leisure' (sports fashion) and well-being



#### Exceptional dining experiences



#### Personal luxuries



#### Differentiated branded apparel



#### Homeware brands



#### Consumer brands communicating direct to consumers







## Shoppers

We ensure that our retail venues continue to attract and delight shoppers by combining exciting events with outstanding services, accessible locations and seamless digital capabilities.

Footfall at our centres in the UK increased by 0.4% and by 1.6% in France, outperforming the national benchmarks, demonstrating shoppers are drawn to our destinations over other retail venues. Our spectrum of events this year was even more diverse and imaginative including a new iconic theatre at Italie Deux, Paris, communal screens showing the Wimbledon tennis tournament, a spectacular ice rink, a visually stunning garden at Dundrum Town Centre, Dublin, and summer beaches at Brent Cross, London and The Oracle, Reading.



We understand that technology is evolving quickly, so we benefit from partnering with third parties holding specialised digital skillsets. A highlight for us this year was the launch of our app, Style Seeker (see case study box opposite).

It is important that shoppers experience a consistent level of service at our centres. We have started to hallmark this experience and introduce our brand in a customer-facing environment.



**For information on our  
Product Experience Framework  
see pages 20 to 27.**

## Retail Specialism: Style Seeker

Another industry first during 2017 was the launch of Style Seeker. Using leading edge artificial intelligence, Style Seeker delivers an online product search tool within our retail environments. This allows customers to snap clothing they have seen on friends, on-screen, or in magazines. The search feature then suggests matches within Hammerson's retail destinations based on shape, colour and pattern.

Encouraging shoppers to experiment with new brands and retailers, we have seen Style Seeker inspire product purchases and simplify shopping journeys.

A significant number of brands have signed up, including Harvey Nichols, Selfridges, John Lewis, Reiss and Anthropologie. Consumer engagement has been equally impressive, with over 360,000 products listed and more than 150,000 product images delivered to customers since launch.

Style Seeker is fully integrated into the Plus app in all our UK centres and we intend to expand its presence to France and Ireland during 2018 as well as explore additional product categories.





## People

Success as a retail property specialist is about people and insight, not just our assets. We are building teams to support our delivery of the best retail space. We have enhanced our talent pool this year with new skills, particularly in the areas of speciality leasing, digital and commercialisation.

As the business grows, I believe it is important to maintain a culture of openness and close collaboration. We relaunched our internal communications platform to facilitate better interaction between our offices in London, Dublin, Reading and Paris and our shopping centres. Colleagues can more easily share insights, stimulate conversations and discuss news flow relevant to the business.

In our employee survey we again achieved a supportive result with over 75% of participants stating Hammerson is a 'great place to work'. We will review the feedback from the survey to inform our priorities for the coming year.

2017 marked Hammerson's 75th anniversary, and for me it was a personal highlight of the year to be able to bring together the wider Hammerson 'family' to celebrate. I was reminded how the values of ambition, collaboration, respect and responsibility continue to connect our current employees, alumni and partners.

**"Over 80% of staff participated in our employee survey and over 75% stated that Hammerson is a 'great place to work'."**



## Communities

Our retail destinations sit at the heart of the communities they serve, as we demonstrated in our 'True Value of Retail' report this year. They create jobs, trigger further investment, establish new destinations, increase visitor numbers and grow local spending. Our regional destinations across Europe support approximately 40,000 jobs, the vast majority of which are awarded to local people, and have generated c.£2.5 billion of inward investment.

A focus on sustainability continues to underpin everything we do as a business. This year I was proud to set out our commitment to become Net Positive for carbon, resource-use, water and social-economic impacts by 2030, becoming the first real estate company globally to commit to this ambitious target.



**For information on our people and communities see pages 41 to 47.**



**For information on our True Value of Retail report and Net Positive see our website.**



## Partners

Our partnerships and relationships make us a stronger business and give us a competitive edge.

As the retail property backdrop evolves rapidly, skilled operators become more valuable. Through our international joint ventures we already operate around £8 billion of assets on behalf of our JV partners and will continue to strengthen these partnerships further.



Our relationship with luxury outlet operator Value Retail has again enabled us to increase our shareholding in the group and also acquire more outlets in VIA Outlets and hence increase our exposure to this fast-growth European market.

Our network of partnerships allows us to source global investors and provides us with access to a depth of capital markets supporting our refinancing of over £1.2 billion this year.

## Outlook

2018 will be a transformational year for the business with the completion of our proposed acquisition of intu as well as moving forward with key developments at Les 3 Fontaines, Cergy; Italie Deux, Paris; and Brent Cross and Croydon, London, which represent the latest era of retail and leisure destinations.

We are focused on adapting our business to match consumer trends and will continue to deliver the best retail space in the strongest consumer markets. The combination of our high-quality portfolio and skilled team ensures we can manage any consumer weakness in the UK and benefit from long-term retail market trends.

## David Atkins

Chief Executive



# David Atkins reflects on the intu acquisition

## What is the rationale for the acquisition?

The acquisition will create a £21 billion pan-European portfolio of high-quality retail and leisure destinations, with enhanced exposure to higher-growth markets which will benefit from evolving consumer trends. It will unlock growth opportunities by bringing together Hammerson's and intu's leading assets, which have strong fundamentals, under a superior combined operating platform.

In line with our strategy to focus on growing consumer markets, the acquisition will increase ownership of high-quality destination shopping centres including: intu Trafford Centre, Manchester; intu Lakeside, Essex; and intu Metrocentre, Gateshead and Puerto Venecia, Zaragoza, Spain.

With the rapidly evolving role of retail destinations, this is the right time to pursue this acquisition. Together, we will be better positioned to invest meaningful resources into enhancing and differentiating our retail and leisure destinations through events, customer services and improved digital capabilities.

## How will the combined business be stronger?

Following the acquisition, our portfolio growth prospects will be enhanced with exposure to two of Europe's higher-growth economies of Ireland and Spain and additional sources of capital to forge ahead with ambitions to expand the Premium outlets portfolio. It will provide the opportunity for significant rationalisation of the combined property portfolio through a proposed disposal programme of at least £2 billion over the short to medium term. This will both strengthen our combined balance sheet and provide liquidity to reinvest in higher return opportunities.

We will have more retail space in large high-quality centres which are desirable to retailers. Access to shared data and customer insights will further improve our consumer knowledge and help provide insights to retailers. We will draw on our complementary digital strategies, including intu's affiliate website and Hammerson's bespoke apps, to deliver highly productive space that enables retailers to succeed in its centres in a multichannel landscape.

The acquisition will provide employees from both Hammerson and intu additional opportunities and exciting personal development and growth prospects.

## What are the financial benefits?

The transaction is expected to be earnings accretive in the first full financial year after completion. It is anticipated that dividend growth will be at least in line with Hammerson's track-record. The enlarged group will achieve approximately £25 million of run-rate cost synergies per annum, with a one-off integration cost of approximately £40 million.

In addition, there will be opportunities for further cost savings from operational efficiencies and refinancing. As a result of the enhanced operating platform, we have greater confidence in delivering positive like-for-like net rental income growth.

## Does this dilute your exposure to higher-growth markets?

Hammerson remains the only European REIT with meaningful strategic investment in European Premium outlets and the proposed disposal programme will provide increased capital to grow this faster. The addition of a portfolio in Spain is aligned with Hammerson's strategy of focusing on growing consumer markets and adds three significant Spanish shopping centres which allows us to expand our offer to our retail partners. The combined expertise will better position us to build the attractive enlarged development pipeline in the UK, France and Ireland and the significant Spanish development pipeline.

## What are the next steps?

An Extraordinary General Meeting of Hammerson shareholders to vote on the transaction is scheduled for April 2018. Shareholder documents will be distributed around four weeks ahead of that date. If shareholder approval is obtained, the only remaining condition will be competition regulatory approval and following receipt of that approval, the transaction is anticipated to complete in Q4 2018.

## OVERVIEW OF OUR MARKET

# Retail is evolving

## An intimate knowledge of market trends

With decades of experience as an operator and developer of European retail property, we have an intimate knowledge of our property markets. The financial performance of our properties is also determined by its relevance and attractiveness to retailers and shoppers. Therefore, the property and consumer trends described here 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 our markets. They analyse the data collected from across our own portfolio and digital apps; gather insights from close relationships with international retailers; commission research reports and surveys; and visit best-in-class retail destinations around the world. Thanks to our scale and positive reputation, we are able to attract and employ specialists outside the property arena to enhance our capabilities; for example, specialists in customer service delivery, dining experiences, commercialisation and events.

### Today's retail journeys combine stores and online

The purchase of every item involves a number of steps – a retail 'journey' – beginning with product discovery and leading to trial and test, purchase, delivery and collection and, in some cases, return. Each of these steps can take place either in a store or online, making it a 'multichannel' retail journey. Consumers select their retail journey, and the combination of instore and online steps, based on a range of criteria, from physical convenience to a desire to be entertained or surprised. For nearly all purchases the store remains the cornerstone of the retail journey and plays a critical role. Only a small share (c.10%) of purchases do not interact with a store.

Table 5

#### Store, digital and multichannel shopping journey preferences

Journey	Discovery	Trial & Test	Purchase	Delivery or Collection	Return	% of all shopping journeys
Store only	●	●	●	●	●	35%
Multichannel	●	●	●	●	●	15%
Online only	●	●	●	●	●	10%
Multichannel	●	●	●	●	●	7%
Multichannel	●	●	●	●	●	6%
Multichannel	●	●	●	●	●	5%
Multichannel	●	●	●	●	●	4%
Multichannel	25 other multichannel combinations					18%

● Store ● Digital

Source: AT Kearney, 'On Solid Ground: Brick-and-Mortar is the Foundation of Omnichannel'

Many retailers have invested in their websites to allow them to interact with customers at multiple steps on their shopping journey. As these websites become easier to use, payment software becomes safer and mobile devices grow more sophisticated, consumers make more purchases online. The market share of online transactions differs by country; the UK has one of the highest levels of online sales, 18%, with France at 10% and it is lower in Ireland (Source: Centre for Retail Research).

Our survey of retailers confirms that they measure the productivity of stores based on 'total sales' combining instore and online. 60% allocate the sales from their website to a store in the same catchment as the consumer. 49% of retailers view the store as important or very important to drive online transactions.

**"We no longer think of our shops and our online business as separate channels; we think about them as one"**

#### Clothing retailer

The role of the store is therefore evolving. Increasingly we see retailers putting much more emphasis on showcasing products, providing service and fulfilling click & collect. 50% of retailers told us they anticipate some sort of design change to match the evolving role of their stores. Bulky goods retailers anticipate increased area for online order collection and increased area for staff to support customer service. Fashion retailers told us they anticipate increased selling space to better display merchandise.



## Retailer preferences

The trend for more multichannel shopping journeys influences retailers' plans for the amount, the type and the location of their stores.

There is growing demand for stores in large, high footfall locations and alongside complementary retailers. 82% of shoppers responded that the main reason for choosing a shopping destination was the breadth of retail selection. Therefore, retailers prefer to be clustered together in the same locations to optimise their interaction with customers.

This drives a convergence by retailers and shoppers towards the same leading locations. Data collected by MasterCard in the catchments of Hammerson's UK shopping centres shows our centres growing in popularity at the same time as online sales grow.

With the evolving role of the store, many retailers are also looking to enhance their space with stand-out fixtures and fittings, hands-on customer service and an online order pick-up and returns desk.

### 88% of retailers confirmed that their investment priority was improving customer service through in-store technology.

Generally we expect fashion retailers to require fewer stores to cover the same market catchment. The process of store rationalisation by some high-street women's fashion brands has begun and will favour leading locations. The winning fashion categories taking more space are sports fashion and differentiated branded apparel.

Consumer-goods brands are also taking advantage of the opportunity to enhance their brand visibility in these preferred retailer locations. For example, car manufacturers, make-up brands and luxury coffee and chocolate brands are taking space, sometimes for a shorter duration to enhance customer awareness.

As occupier demand is clustering towards fewer, more productive locations, these retail venues are expected to outperform with higher rental growth.

## How we are responding

- Predominantly own retail venues which are large, high-quality and leading in their catchment.
- Foster close relationships with retailers to understand their store requirements (eg size, additional storage, frontage).
- Create vibrant, differentiated retail and leisure destinations which attract high footfall.
- Accelerate rotation rates to introduce new categories and brands.

How this is aligned to our strategy



## Consumers expect an enhanced experience

Successful retail destinations provide customers with a mix of shopping, dining and leisure; retail may not be the primary driver for a visit. These destinations create an experience which attracts more customers and encourages them to stay longer and therefore also supports strong leasing demand from retailers.

### 39% of shopping centre visitors agree that they visit because of the range of leisure facilities including restaurants and cinemas.

There has been a rapid increase in the amount of dining space at retail destinations; this growth is now stabilising. Now the range of attractions at retail venues is broadening and could include pop-up markets, catwalk shows, virtual reality or ice-rinks. Recent European consumer spending data show a trend for more fulfilment through 'experiences' over possessions.



## How we are responding

- Dedicated teams to design and deliver an enhanced customer experience, including a greater emphasis on events.
- Increase the share of space of leisure and add more dining space with a considered approach.
- Translate the best-practice customer service expertise of Value Retail across the rest of the portfolio.

How this is aligned to our strategy



## These structural trends influence our strategy, drive our priorities and guide our performance.



Focus on growing consumer markets



Create differentiated destinations



Promote financial efficiency and partnerships

## Frictionless retail

Time-short lifestyles and multichannel retail are raising consumers' expectations for a retail journey which is 'frictionless', delivering convenient, faster access to goods and services. Therefore retail locations which are well-connected to transport links, make it easy to identify and locate items, and offer convenient shopping with a mix of services, are also performing well.

This convenience trend supports the retail park format where parks are close to major road junctions and with an abundance of free parking. It also underpins the value in retail destinations which are embedded in the centre of major cities.

Thanks to the combination of online purchase and certainty of fulfilment, click & collect now accounts for around one quarter of retailers' online orders in the UK and is expected to be the fastest growing channel, faster than the growth of online only sales. Click & collect is also attractive to retailers as 32% of clothing and footwear shoppers using click & collect indicated they made an additional purchase when collecting their most recent online order.



As a result of this trend we are seeing an increase in demand for storage space and also logistics providers such as Doddle and Collect+. Retail landlords are also starting to develop websites and apps (see Style Seeker page 10) to support a frictionless multichannel experience for their visitors.

### How we are responding

- Own a diversity of retail formats which includes convenient retail parks.
- Support click & collect journeys with dedicated facilities (eg Collect+ desks, Amazon lockers, click & collect parking bays).
- Advance our bespoke Style Seeker app as well as others.

How this is aligned  
to our strategy

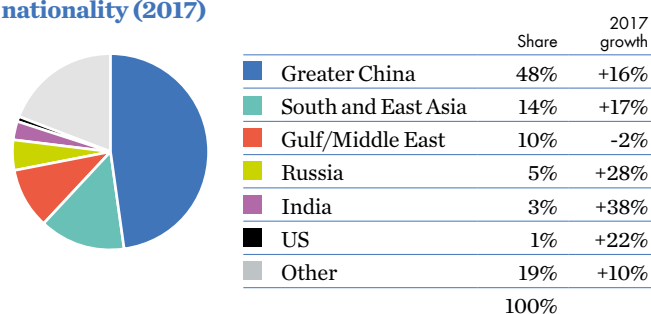


## Global shopping tourism

The level of global tourism is increasing, driven by the growth of the middle income demographic bracket in emerging economies and also falling travel costs. Shopping is increasingly being enjoyed by these international tourists as part of a travel experience. Discounted premium brands at attractive retail outlets make the experience even more memorable.

Chart 6

### Split and growth of European tourism spend, by source nationality (2017)



Source: Global Blue

Chinese and East Asian tourists contribute the largest share of European shopping tourism spend while emerging markets such as India are growing very rapidly.



### How we are responding

- Increase our investment in leading European premium outlets.
- Use the Value Retail and VIA operating and marketing platforms to promote the destinations internationally.
- Focus our investment portfolio on top European cities which are major tourism destinations.

How this is aligned  
to our strategy



Future trends  
we are  
monitoring

Digital  
payments

Chat-bots  
and AI

Virtual and  
augmented reality

Internet of things  
and smart cities

Loyalty  
and big data

Driverless  
cars



## OUR STRATEGY

# Designed to make more happen

Our strategy is designed in response to the evolving trends in the retail property landscape. We seek to realise our vision by putting our three strategic priorities to work through the skill and expertise of our people.

### Strategic priority

### Why it's important

### What we did in 2017

### Our near-term priorities



#### Read more about our strategy

**Our market: trends influencing our strategy pages 13 to 15.**

**Our progress: KPIs on pages 18 and 19.**

**Our performance: Business Review on pages 28 to 40.**



Westquay, Southampton

### Focus on growing consumer markets

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

We specialise in retail property because it offers attractive and sustainable long-term returns, with lower volatility than other commercial property due to a granular and diverse tenant mix. The value of retail property is further underpinned by its contribution to the surrounding community.

- Extended and enhanced leading shopping centres, including full opening of 17,000 m<sup>2</sup> dining and leisure extension at Westquay, Southampton
- Increased investment in Premium outlets by £130 million, now 21% of portfolio
- Focused on largest assets in France – sold £295 million to reinvest into Les 3 Fontaines, Cergy, and Italie Deux extensions
- Delivered project milestones of Brent Cross development
- Delivered high-yield retail park extensions and reconfigurations

- Complete acquisition and integration of intu portfolio
- Continue with capital recycling at similar run-rate to 2017, targeting £500 million in 2018, as part of £2 billion disposals from enlarged group over the short to medium term
- Invest to extend our leading shopping centres in UK, France and Ireland
- Advance major London developments, start on-site at Brent Cross
- Support Premium outlets extensions and assess opportunities to increase exposure



The Riverside, The Oracle

## Create differentiated destinations

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

Our strategy is to proactively manage the portfolio to drive consistent rental growth. Attractive income returns are a key part of our investment case. Skilful retail property operators are increasingly valuable to global investment partners.

- Leased to popular consumer categories including auto brands, sports fashion and leisure; introduced innovative new retailers and restaurants
- Enlarged and broadened the range of our events programme
- Developed digital customer tools with our partners: Style Seeker, Chat-bot, Plus app
- Enhanced our customer services and facilities for children and families
- Added more catering, focusing on innovative brands or those with a proven track-record
- Launched our Net Positive sustainability initiative

- Introduce popular retail and leisure categories and brands responding to consumer preferences
- Enhance our events programme, further exploring inventive opportunities for all our public spaces
- Partner with technology providers or provide seed-investment to develop new digital innovations
- Introduce more flexibility into our retail and leisure spaces to respond and adapt to dynamic retailer demands
- Leverage our brand relationships and tourism insights across Premium outlets portfolio



Batavia Stad, Amsterdam

## Promote financial efficiency and partnerships

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

Prudent capital management ensures our risk profile remains conservative. We set conservative internal guidelines which provide headroom to comfortably grow the portfolio. We diversify our sources of capital. Our preferred source of debt is Group-level, unsecured funding and we have a platform of successful JV partners.

- Extended our partnership in Value Retail and VIA Outlets with APG. Expanded VIA Outlets platform to over €1 billion
- Reduced our cost:income ratio by 100 basis points
- Continued active approach to refinancing with early redemption of 2020 bond and new financing secured on Dundrum
- Extended JSE register, now 14% of shares in issue
- Introduced Responsible Procurement Policy committing that our suppliers comply with applicable laws

- Maintain financial leverage in line with 40% loan to value guidance and strong investment-grade credit ratings
- Support our joint venture partners; monitor our total joint venture exposure
- Enhance the operating structure of VIA Outlets to match its enlarged size
- Evaluate refinancing opportunities in combined balance sheet with intu

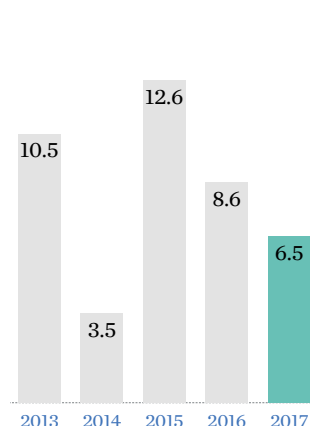
# Monitoring our performance

We monitor Key Performance Indicators, or KPIs, to ensure we are achieving our strategic priorities and delivering value for our stakeholders. The KPIs comprise financial and operational measures and each links to the three elements of our strategy.

## Financial KPIs

Chart 7

**Growth in adjusted EPS**  
**6.5%**



### Description

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 177.

### Performance

In 2017, adjusted EPS increased by 1.9 pence, or 6.5%, to 31.1p. This was driven by increased net rental income, particularly from our Irish shopping centres, higher earnings from our premium outlets and favourable foreign exchange movements. This was partly offset by income foregone from property disposals during 2016 and 2017.

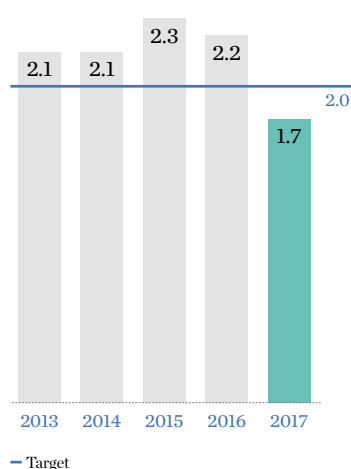
### Link to strategy



More in the Financial Review on page 54

Chart 8

**Growth in like-for-like NRI\***  
**1.7%**



### Description

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 grew by 1.7% in 2017, slightly below our target of 2.0%. Income at our UK and French shopping centres grew by 1.8% and 2.6% respectively, whilst NRI at our UK retail parks fell by 2.5%.

The Group performance of 1.7% includes growth of 7.4% from our Irish centres. Prior to the conversion of our secured loans the underlying property income was classified as finance income.

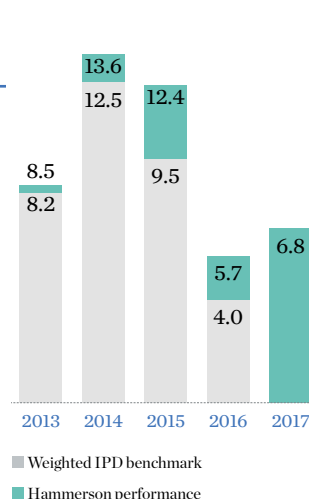
### Link to strategy



More in Table 96 on page 179

Chart 9

**Total property return**  
**6.8%**



### Description

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

### Performance

During 2017, the Group's properties produced a total return of 6.8%. The Group's investment and development portfolios produced total returns of 4.3% and 6.9% respectively. Premium outlets produced the highest return of 16.8%.

At the date of this report, our IPD benchmark is unavailable.

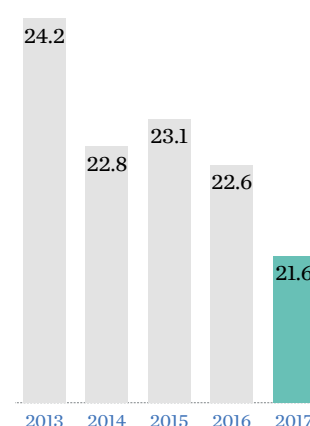
### Link to strategy



More in the Property Portfolio Review on page 52

Chart 10

**Cost ratio\***  
**21.6%**



### Description

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

### Performance

During 2017, the ratio has reduced by 100bp to 21.6%. The reduction is principally due to lower property costs, which, as a percentage of the gross rental income denominator, have fallen from 10.7% to 9.7%. The administration costs proportion of the ratio is unchanged at 11.9%.

### Link to strategy



More in the Financial Review on page 55

\* Proportionally consolidated excluding premium outlets. See the Financial Review on page 53 for further explanation.



## LINK TO REMUNERATION

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

For 2017, the AIP contains the first three financial KPIs: growth in adjusted EPS, growth in like-for-like NRL; 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.

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

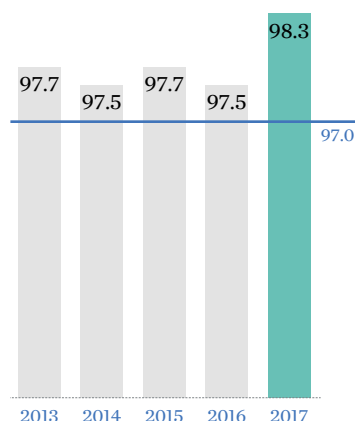


**Remuneration report on pages 88 to 113.**

## Operational KPIs

Chart 11

### Occupancy\* 98.3%



— Target

#### Description

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 the portfolio 98.3% occupied at the end of 2017. This was higher than the prior year due to the strong leasing performance during 2017. The most significant increase was in France, where the level of occupancy increased from 96.5% to 97.9%.

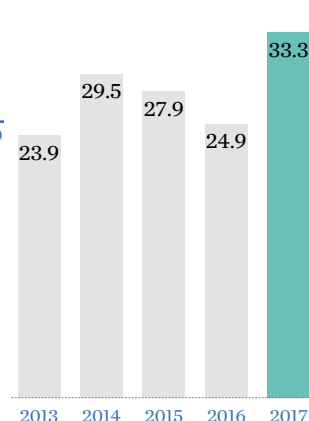
#### Link to strategy



More in Table 93 on page 178

Chart 12

### Leasing activity\* £33.3 million



#### Description

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

#### Performance

2017 was a record year for leasing, with increased volumes at each of our sectors. During the year we secured £33.3 million of income, which is £8.4 million, or 34%, higher than 2016.

In total we signed 460 leases representing 167,400m<sup>2</sup> of space. For principal leases, the rent was 8% higher than December 2016 ERVs and 7% higher than the previous passing rent.

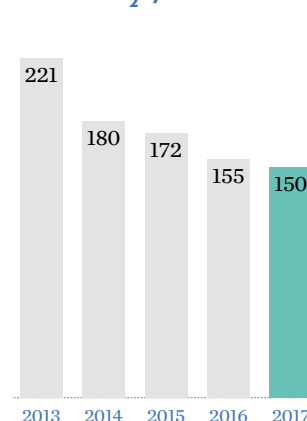
#### Link to strategy



More in the Business Review on pages 28 to 35

Chart 13

### Global emissions intensity ratio 150mtCO<sub>2</sub>e/£m



#### Description

Reducing carbon emissions is a key sustainability target. This ratio measures the amount of CO<sub>2</sub>e emissions from our properties and facilities, including corporate offices, and is calculated over the 12 months ended 30 September with the denominator being adjusted profit before tax for the same period.

#### Performance

The ratio has reduced by 3% to 150mtCO<sub>2</sub>e/£m during 2017 due to an increase in the Group's adjusted profit before tax and lower emissions in the UK. These factors were partly offset by increased emissions from gas for heating our French assets and newly acquired Irish properties where property ownership was secured during 2016 and 2017.

#### Link to strategy



More in the Sustainability Review on page 41 and Mandatory GHG report on page 191

Chart 14

### Voluntary staff turnover 12.0%



#### Description

Our talented people are a key resource and we strive to retain, engage and develop them. Since 2014 we have monitored voluntary staff turnover to highlight any potential signs of demotivation or other people-related issues and include both corporate and shopping centre-based employees in this measure.

#### Performance

In 2017, voluntary staff turnover remained low at 12.0%. The slight increase compared with 2016 was due to nine additional leavers from our London and Reading offices when compared to the prior year. However, the turnover remains low compared to wider industry averages.

#### Link to strategy



More in the People section on page 46





## Iconic destinations

We create outstanding, architecturally significant destinations where brands want flagship stores and shoppers want to spend time – all connected by seamless, experience-enhancing technology and convenient transport links. With the continued structural change in retail, our venues and retail space are being designed to maximise flexibility to more easily respond to the changing needs of both our tenants and customers.

## What we've done

Fully opened in early 2017, Westquay South created an exceptional regional leisure destination for the South Coast, set against the exquisite backdrop of Southampton's historic city walls. This major extension to Westquay attracted over 20 restaurants, many of which opened outside London for the first time, alongside a ten screen cinema and bowling alley. The distinctive location has enabled us to create an esplanade within the development, delivering a dedicated programme of events which has increased the number of early evening shoppers and overall footfall to Westquay. The success of Westquay South has provided further inspiration to the development teams at Brent Cross and Croydon and clearly demonstrates how valuable well curated event space is to the shopper experience.

Image: Festival of Light at Westquay, Southampton



# Iconic destinations







## Retail specialism

Retail is at the heart of what we do. We build strong relationships with our retailers and support them in their multichannel journey. For example, by providing flexible space for retailers' changing needs and considering future retail challenges such as logistics. As developers of new space, we work together with our retailers on these opportunities. We focus on inspiring customers to shop and enjoy unique experiences in our centres, together with ensuring that we have the right offer – across numerous categories and price points, from established retailers to exciting brand showcases and new concepts.

## What we've done

Our destinations continue to be a gateway for both new and expanding brands, as consumer brands continue to market direct to shoppers, our space is increasingly relevant. At Victoria, Leeds brands such as Dyson, Nespresso and John Lewis Smart Home have all utilised our space to maximum effect during 2017. Bullring was selected as the destination for the first ever UK VW brand showcase. A new experiential format, it aimed to engage a wider customer base providing VW with brand exposure to customers that might not be actively looking to buy a new car. The VW store has seen strong engagement, with more than 25,000 customer visits in December 2017 alone.

Image: Victoria Gate, Leeds





# Retail specialism







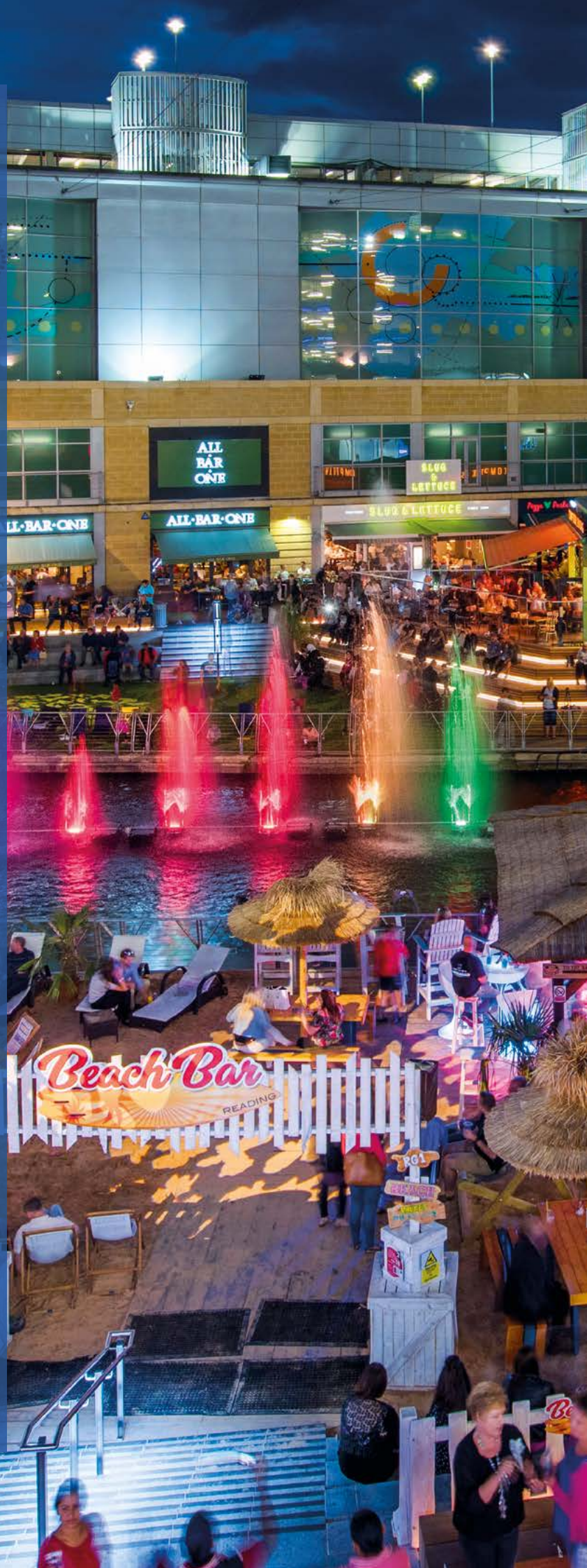
## Experience led

Shopping remains an experience-led activity and its popularity in our physical destinations continues, demonstrated by our annual footfall growth. Customers are looking for exciting ways to spend their ever precious free time. Shared experiences in our centres – through leisure, events and dining – offer original and engaging ways to socialise with friends and family.

## What we've done

Our impressive and diverse programme of events saw a 50% increase in the number of event days delivered in our centres during 2017. Engaging with customers and creating a sense of theatre was fundamental to their success. Highlights included the Festival of Light and SKATE at Westquay, the Garden of Pure Imagination at Dundrum, as well as our ongoing programme of fashion, food, student and family related events. During the Riverside relaunch at The Oracle, a Las Vegas style light and fountain show spectacular delivered a footfall increase of 14% compared to the previous week. Targeting our key customer profiles, these events attract hundreds of thousands of customers and offer compelling reasons to keep visiting our venues.

Image: River of Light at The Oracle, Reading





# Experiences led







## Customer first

The success of our retail destinations relies on first class customer service and providing reasons for shoppers to visit. A refreshing line-up of brands and world-class entertainment encourages shoppers to spend time at our venues and make the most of our varied offer. From the moment our shoppers check stores and centre opening times on our App, to their arrival in the car park to enjoy our varied retailer offer, every step of the journey aims to deliver a seamless, supported and enjoyable experience.

## What we've done

In 2017, we launched a range of exciting new initiatives to improve the service we provide to our customers. A sector leading chatbot at Bullring, the latest in AI technology, updated shoppers on Black Friday offers and provided transport updates during the snow. Over 120,000 parcels were handled through our customer service desks and click & collect services during the year. Comfortable and engaging family rooms are now common place in our centres, and our handsfree shopping service, which allows shoppers to drop their bags while they carry on enjoying everything our malls have to offer, delivered a significant increase in average dwell time. We continue to transform our customers' experience and deliver these initiatives across the UK, Ireland and France.

Image: Customer services at Les Terrasses du Port, Marseille





# Customer first



# UK shopping centres



**“Our high-quality centres have had a strong year in 2017 with record leasing volumes.”**

**Mark Bourgeois, Managing Director UK and Ireland**

## Sector overview

Our high-quality centres are differentiated by their scale, catchment size and superior brand mix. The latter includes large anchor tenants and flagship stores for international brands.

Not all retail is equal and not all locations are well placed to support the future needs of brands. The role of expert operators is more significant than ever before to successfully differentiate venues with a mix of retail formats, events, dining and leisure. Therefore, occupiers are increasingly choosing our type of well-invested, high-footfall locations to support their growth and multichannel strategies.

Information on our strategy, the economic and consumer backdrops and consumer trends as they impact the UK shopping centre portfolio is set out in the Letter from the Chairman, Our Business Model, the Chief Executive's Review, the Overview of Our Market and Our Strategy on pages 4 to 11 and 13 to 17.

## Our portfolio

Our UK shopping centres are within, or close to, highly populated city centres in England and Scotland and together the portfolio accommodates more than 1,000 tenants in 820,000m<sup>2</sup> of space. Catering and leisure brands occupy around 13% of the space at our centres, an increase of a third over the last five years.



Cabot Circus, Bristol

### Like-for-like NRI growth

**1.8%**

(2016: 2.4%)

### Occupancy

**98.1%**

(2016: 97.8%)

### Leasing activity

**£13.4m**

(2016: £9.0m)

### Leasing vs ERV

**+8%**

(2016: +6%)

### Retail sales growth

**-2.7%**

(2016: -1.1%)

### Footfall growth

**0.4%**

(2016: -0.5%)

## Net rental income

In 2017, like-for-like net rental income increased by 1.8%. All UK centres generated growth with the exception of Bullring, Cabot Circus and Union Square, for which 2016 income was boosted principally by turnover rent, surrender premiums and backdated rent reviews respectively. Net income from car parks fell on a like-for-like basis due to a combination of the partial closure at some centres to facilitate refurbishment works, a more general fall in transaction volumes and increased business rates.

## Occupancy and leasing

Occupancy levels continued to be high at 98.1% with the majority of centres showing a reduction in vacancy over the year. At 31 December 2017, tenants in administration accounted for only 16 units in the portfolio, representing 0.3% of the Group's passing rents, and 12 of those units continued to trade. Administrations provide the opportunity to improve the tenant mix at our centres through the introduction of new brands.

Strong demand from tenants underpinned significant leasing progress in 2017, with 181 leases contracted, representing £13.4 million of annual rental income and 52,400m<sup>2</sup>. In respect of principal leases, rents were secured at 8% above December 2016 ERVs and 6% above previous passing rents.

Leases signed in 2017 with international brands, premium operators and new food and beverage providers have broadened the offer at our centres. Key leasing deals concluded during the year included:

- New brands secured at Bullring, including Russell & Bromley, Coach and Volkswagen's first UK shopping centre store;
- Flannels and Tim Hortons opened their first Scottish stores at Silverburn;
- At Cabot Circus, an upsized Oliver Bonas and the first Department of Coffee and Social Affairs outside London;
- The trend at Brent Cross for retailers to seek additional space has continued, with major operators, including Zara and JD Sports, upsizing their stores; and
- Lettings to restaurant operators Mowgli, Tasty Plaiice and Comptoir Libanais at Grand Central include some portfolio firsts.



Our creative approach to asset management is illustrated by the reconfiguration of the former department store at Highcross, Leicester, further details of which are set out in the case study opposite. Since the year end we also announced that Next and River Island have chosen to relocate from Broad Street, Reading and significantly increase their physical presence at The Oracle as part of a major enhancement of the centre.

### Product Experience initiatives

The customer experience at our centres has been significantly enhanced through a range of initiatives formulated through our Product Experience Framework.

Further details on Style Seeker, handsfree shopping, exciting events and other Product Experience activities are provided in Our Business Model, the Chief Executive's Review, Overview of Our Market, Our Strategy and the case studies on pages 6 to 11, 13 to 17 and 20 to 27.

### Sales and footfall and occupancy cost

Despite the market backdrop and its impact on consumer spending, Hammerson centres have proved to be relatively resilient retail destinations. On a same-centre basis, retail sales at the UK shopping centre portfolio as a whole fell by 2.7%, but increased by 3.0% when the new extensions at Westquay, Southampton and Victoria Gate, Leeds are taken into account. Benchmark UK retail market sales fell by 3.0% over the year. Performance by centre and retail category has been mixed. Stronger performances from men's fashion, sound, picture & technology, sports & outdoors and leisure were offset by weaker results posted by some of the larger mid-range fashion retailers. It should be noted that our till-based sales analysis does not reflect the significant additional online sales generated through the halo effect of our flagship destinations. This aspect of the multichannel experience continues to grow strongly.

The Tyco (ShopperTrak) footfall benchmark for 2017 was -2.8%, but our centres continued to outperform the index, with the addition of new space driving positive growth of 0.4% for the portfolio overall. Reflecting lower sales and increased business rates, the occupational cost ratio for the portfolio increased from 20.1% at the end of 2016 to 21.7% at 31 December 2017. Again, it should be noted that this ratio is calculated from till-based sales and takes no account of the online transactions supported by the stores including click & collect and instore online ordering.

**In 2017 we installed two additional photovoltaic arrays at Westquay which is expected to produce approximately 6% of the on-site landlord electricity demand.**



Grand Central, Birmingham

## Creative asset management in action

Work to reconfigure the former House of Fraser store at Highcross, Leicester is underway. Over 10,000m<sup>2</sup> of upgraded space is being created over three floors and three units have already been let. International fashion brand Zara will anchor the refurbished space and JD Sports will upsize its unit. The project will also accommodate a new leisure offer, Treetop Adventure Golf. The project is expected to complete in the second half of 2018, with the first unit expected to be handed over in June, and will deliver an enhanced customer experience at the centre.





# UK retail parks



**“Our record low vacancy, strong retailer demand and positive visitor feedback demonstrate the attractiveness of our modern parks portfolio.”**

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

## Sector overview

Retail parks tend to be situated in out-of-town locations and offer efficient and flexible space formats with units generally larger and rents per square metre lower than those in shopping centres. Better-located parks are adjacent to major trunk roads, making them easily accessible by car, and offer free parking. We have chosen to operate shopping parks, hybrid parks and key homeware parks where occupational demand is strongest.

Retailer demand for space remains high, particularly in respect of the DIY, homeware and furnishing sectors. Retailers with expansion plans include Fabb Sofas, Oak Furniture Land, Sofology, ScS, Tapi Carpets and Wren Kitchens. Discounters including B&M, Iceland Food Warehouse, Aldi and Lidl are rapidly increasing their presence at retail parks.

Fashion retailers are also keen to establish new stores at retail parks to benefit from a cost-effective way of filling gaps in their store footprint between city centres and large regional shopping centres. This trend is leading to improved tenant fit-outs, greater interaction with retailers' multichannel strategies to support click & collect sales and also helps to drive a wider food and beverage offer. Similar to other formats, some clothing brands which suffered profit declines in 2017 have moderated their expansion plans.

### Like-for-like NRI growth

**-2.5%**

(2016: 2.4%)

### Occupancy

**99.4%**

(2016: 98.6%)

### Leasing activity

**£6.3m**

(2016: £4.9m)

### Leasing vs ERV

**+11%**

(2016: +4%)

### Footfall growth

**-0.4%**

(2016: 2.2%)



Elliott's Field Shopping Park, Rugby

**The new retail park at Elliott's Field, Rugby has achieved the significant milestone of being the first BREEAM Outstanding carbon neutral retail park in the world. We collaborated with the design team to ensure that the building was operationally efficient and worked with the tenants to deliver highly energy efficient store fit-outs. The scheme is designed so that the solar photovoltaic arrays on the roofs generate sufficient clean electricity to meet the regulated energy needs of the site, including the tenanted areas.**

## Our portfolio

Hammerson is one of the largest direct owners of retail parks in the UK and our portfolio comprises 15 convenient retail parks providing 360,000m<sup>2</sup> and accommodating nearly 300 tenants. Our parks are intentionally located on the edge of town centres with ample free car parking and are let to a wide spectrum of retailers including homewares, fashion and bulky goods.

### Net rental income

Like-for-like net rental income decreased by 2.5% in 2017, the reduction principally reflecting surrender premiums received in the prior year totalling £3.2 million. The surrenders resulted from proactive tenant rotation which has improved the brand mix at a number of parks including Ravenhead Retail Park in St. Helens and Imperial Retail Park in Bristol. No such premiums have been received in 2017. If the 2016 premiums were excluded from the calculation, the underlying like-for-like net rental income would have grown by 2.4%.

### Occupancy and leasing

Strong retailer demand has continued to support high occupancy which stood at 99.4% at the end of 2017. ERVs were largely unchanged over the year, with a marginal fall of 0.1%. At 31 December 2017 three units were in administration in the portfolio, and one of those continued to trade.

Annual rental income of £6.3 million has been secured from 34 contracted leases across the portfolio which represented 33,500m<sup>2</sup> of space. For principal leases, rents were contracted at 11% above December 2016 ERV and 9% above their previous passing rent. Key leasing deals in 2017 include Fabb Sofas at Abbotsinch Retail Park in Paisley, Oak Furniture Land at Cyfarthfa Retail Park in Merthyr Tydfil and Mothercare at Parc Tawe.

In June we completed the final letting of the £10 million, 8,000m<sup>2</sup> extension of Fife Central Retail Park, Kirkcaldy to Oak Furniture Land. The project involved the creation of four new units by reconfiguring the former Homebase unit. All of the new units were pre-let at rental levels more than double those of the previous tenant, and 100 new jobs have been created as a result of the extension.

At Rugby, we completed the second phase of the development of the successful Elliott's Field Shopping Park. Further details are provided in the Developments review on page 36.



Cyfarthfa Retail Park, Merthyr Tydfil

## Product Experience initiatives

Most of our parks now have dedicated customer-facing websites, the content of which has been enhanced to include, for example, retailer offers. For the next phase of innovation we are reviewing the potential to further heighten the customer experience through the provision of uniformed customer service representatives and rest room facilities, along with improved seating areas.

### Footfall

In 2017, there were an estimated 70 million customer visits to our retail parks, representing a marginal 0.4% reduction on the prior year, but an outperformance of the Springboard Retail Parks index of -0.8%. Our shopping parks performed particularly strongly with footfall up 1.4%.

We optimise the tenant mix and prioritise investment in our retail parks with the aid of in-depth customer surveys, which also confirm the relative success of these strategies. Our investment in the portfolio is providing a more rounded shopping experience for customers as demonstrated by the change in the Net Promoter Score from 15% in 2015 to 28% this year. Our consumer research shows that when overall experience is rated as 4+, a customer will spend 81% more and dwell at the park for 11% longer than customers awarding a lower experience score. The current average rating for our portfolio is 4.3.

## Cyfarthfa Retail Park, Merthyr Tydfil

We relocated B&Q from the shopping park to an adjacent site where we developed its flagship Eco Learning Store, designed and constructed to meet the retailer's "Net Positive" objectives. The site vacated was then redeveloped into new units accommodating a full-line M&S, River Island, H&M, Next and Outfit (Arcadia). As a result of this and other improvements, over the period since 2015 dwell time at the park has risen by 78% and the drive-time catchment increased by 27%. The overall improvement to the customer experience is demonstrated by shoppers awarding the park a Net Promoter Score of 43%.





# Ireland



**“I am delighted with the progress we have made in 2017 with implementing our acquisition strategy, including the completion of the final loan conversion at Pavilions, Swords.”**

**Simon Betty, Director of Retail (Ireland)**

## Sector overview

The Irish economy continues to prosper, with GDP growth in Q3 2017 of 4.2% on the previous quarter and 10.5% compared with Q3 2016. Growing employment, driven by inward foreign investment, remains a key driver of economic productivity. Consumer sentiment continued its upward trajectory in 2017 reflecting the dissolution of fears that emerged following the UK's EU referendum in 2016. Confidence levels, as measured by ESRI, were 7.3% higher in December 2017 than at the beginning of the year.

Dublin's urban population of 1.3 million and significant tourism industry (9.6 million visitors in 2016) underpin demand for retail space in the city which accounts for over 70% of Ireland's total retail expenditure and 50% of national GDP. Grafton Street and Henry Street in the centre of Dublin are the focus for Ireland's prime retail offer and there are also a number of high-quality shopping centres along the M50 motorway which borders the city. The wider economy and the property market continue to grow strongly, although prime retail rents remain comfortably below their peak in 2006/7. A number of new retailers have recently entered the Irish market, including COS, Victoria's Secret, & Other Stories, Hotel Chocolat and Smiggle while numerous other international retailers and catering operators have space requirements in Dublin.

## Our portfolio

The portfolio was secured through the joint acquisition of a loan portfolio from the National Asset Management Agency (NAMA) in October 2015, and the subsequent consensual agreement to acquire the secured property assets from the borrowers during 2016. The assets have been acquired over the following timeframe:

<b>Like-for-like NRI growth<sup>1</sup></b> <b>7.4%</b> (2016: n/a)	<b>Leasing activity</b> <b>£1.9m</b> (2016 <sup>2</sup> : £0.8m)
<b>Occupancy</b> <b>99.7%</b> (2016: 99.5%)	<b>Leasing vs ERV</b> <b>+10%</b> (2016: n/a)

1. Proforma figure assuming properties owned throughout 2016 and 2017.
2. Since acquisition of properties.
3. Footfall and sales data not available for Ireland portfolio.

### – July 2016

- Dundrum Town Centre ('Dundrum'), Ireland's pre-eminent shopping and leisure destination, was acquired in a 50:50 joint venture with Allianz;
- The Dublin Central development site, which is wholly owned by Hammerson; and
- Land adjoining the Pavilions shopping centre in Swords, north Dublin, also wholly owned by Hammerson.

### – December 2016

- A 50% co-ownership with Irish Life of the Ilac Centre, located on Henry Street, one of Dublin's busiest retail thoroughfares.

### – September 2017

- A 50% co-ownership with IPUT and Irish Life of Pavilions shopping centre in Swords, north Dublin.

The portfolio provides 220,000m<sup>2</sup> of high-quality shopping centre space, with over 300 tenants and annual footfall of nearly 50 million. It also includes 27 acres of development land. Our share of the total passing rent for the portfolio is €46.9 million (£41.6 million).

In addition to the centre-based staff who transferred to the Group when we secured ownership of Dundrum, we now have a new office at the shopping centre itself which accommodates a team of 12, including three colleagues who joined from the previous Dundrum asset manager, Chartered Land. We are integrating the Dundrum assets into our existing UK operating structure to maximise efficiencies and implement our asset management strategy.

As part of the integration process we have upgraded the IT infrastructure at Dundrum to improve the footfall and sales data collection processes which has paved the way for the introduction in 2018 of the Group's Plus app. This will align the centre with the Hammerson standard and provide new insight into the behaviour of our Dublin shoppers.

### Net rental income

In 2017, the Ireland portfolio generated net rental income of £34.8 million. Income from the portfolio in the prior year comprised a combination of finance income, derived from the property assets secured against the debt, and net rental income for the period for which the relevant assets were owned directly. On a pro-forma basis, the like-for-like net rental income growth from 2016 to 2017 would be 7.4%. This strong performance was primarily driven by Dundrum, where additional income arose from the settlement of rent reviews and new lettings as well as active asset management and increased car park and commercialisation revenue.



Pippa O'Connor opens the POCO Jeans pop-up at Dundrum

### Occupancy and leasing

Tenant demand for space continues to be strong, and the portfolio is virtually fully occupied at 99.7%.

The high occupancy rate can act to limit fulfilment of demand; nevertheless we have a clear leasing strategy to deliver rental growth and enhance the tenant mix and overall experience at each of the centres. During 2017 we signed leases representing £1.9 million of annual rental income and 7,100m<sup>2</sup> of space, with principal leases at 4% above previous passing rents and 10% above ERV at 31 December 2016.

At Dundrum, key leasing transactions included first Irish stores for Smiggle and Hotel Chocolat and Moss Bros's second store in Ireland. Since the year end, a lease has been signed with Fallon & Byrne as part of the repositioning of the catering and leisure offer at the Pembroke district at Dundrum. Further details are shown in the case study opposite.

At Pavilions, despite taking ownership only in September, we signed Superdrug and Butlers Chocolate Cafe. Since the year end, River Island has committed to a store upsize and we have also contracted with Smiggle.

The Moor Mall South redevelopment at the Ilac Centre was completed, revitalising that part of the scheme. Five new brands have been introduced to the centre including Regatta, The Works and BBs Coffee. The project was fully let on opening and generated a rental uplift of £146,000 per annum for Hammerson, more than doubling the previous passing rent. Since the year end, Smiggle has also signed at the Ilac Centre for its first store in central Dublin.



Garden of Pure Imagination, Dundrum

### Product Experience initiatives

Applying our Group-wide commercialisation and Product Experience Framework strategies to Ireland will generate additional income, enliven the customer experience and drive footfall. In 2017, initiatives at Dundrum included Volvo's Irish launch of its new XC60, pop-up stores for Pippa O'Connor's POCO Jeans and Nespresso, the 'Garden of Pure Imagination' designed by celebrity gardener Diarmuid Gavin and the Grotto and German Market during the Christmas period.

The food and beverage market in Ireland lags that in the UK and presents opportunities to increase the provision and introduce fresh catering brands to Dublin.

## Dundrum Town Centre, Dublin

Fallon & Byrne is set to open a new flagship food hall, delicatessen and restaurant at Dundrum Town Centre, significantly enhancing the centre's food and beverage offer.

Fallon & Byrne's new 900m<sup>2</sup> speciality food hall will be split over two floors, enabling customers to choose from a wide range of the best Irish and international artisan products and brands. Shoppers will also enjoy an 'al fresco' dining option with a new outdoor terrace that will surround the front of the store.

To be located in Ashgrove Terrace, Fallon & Byrne will anchor Hammerson's Pembroke Square development project. Plans for this project are set to reinvigorate a currently underutilised part of the centre, creating a vibrant new hub for aspirational dining and leisure concepts at Dundrum with a modern interpretation of the historic buildings providing a unique backdrop.





# France



**“In addition to our active tenant engineering strategy, the return of indexation will help drive future income growth at our French centres.”**

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

## Sector overview

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

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.

The retail environment has strengthened during 2017, particularly in the second half of the year, as the outlook for GDP and employment has improved.

## Our portfolio

We own and manage eight high-quality shopping centres in France which accommodate over 900 tenants and attract over 80 million visitors each year. At 31 December 2017, the three largest centres, Les Terrasses du Port in Marseille, Italie Deux and Les 3 Fontaines in Paris, accounted for over 85% of the value of the portfolio.

Stronger French economic confidence, political stability and indexation forecasts will all help to enhance future income growth.

## Net rental income

Net rental income totalled £95.3 million in 2017 and on a like-for-like basis increased by 2.6%. Les 3 Fontaines and Les Terrasses du Port were the two strongest performing centres with higher gross rental income associated with recent leasing activity.

Following four years of being flat or negative, indexation has improved in 2017. In the first quarter of 2018, 70% of leases, by rental income, will benefit from an indexation increase of 1.6%.

<b>Like-for-like NRI growth</b> <b>2.6%</b> (2016: 2.2%)	<b>Leasing vs ERV</b> <b>+5%</b> (2016: +5%)
<b>Occupancy</b> <b>97.9%</b> (2016: 96.5%)	<b>Retail sales growth</b> <b>0.1%</b> (2016: 3.1%)
<b>Leasing activity</b> <b>£9.8m</b> (2016: £9.0m)	<b>Footfall growth</b> <b>1.6%</b> (2016: 2.8%)

## Occupancy and leasing

At 97.9%, occupancy levels were 140 basis points higher than in December 2016. Occupancy improved at six of our eight centres, with occupancy above 99% at Les Terrasses du Port, Italie Deux and Nicetoile.

Our retenancing strategy continued during 2017 as we signed 155 leases, representing £9.8 million of annual rental income and 49,400m<sup>2</sup> of space. The strategy is designed to improve tenant mix, increase the number of flagship stores, reduce vacancy and deliver rental growth.

For principal leases, the new rents were 5% above December 2016 ERVs and 8% above the previous passing rents. Key leasing transactions included:

- strong letting activity at Les Terrasses du Port with 23 new leases signed representing £1.5 million of rent. This included first lettings in the French portfolio for Coach, Nespresso, Dim and Benetton and a combined Micromania/Zing store, the latter being their second store in France
- two new Pandora stores at Italie Deux and Les 3 Fontaines
- an upsized 2,355m<sup>2</sup> flagship H&M unit at O'Parinor
- the renewal of the UGC cinema lease and the opening of Furet du Nord at SQY Ouest to anchor the refurbishment of the centre
- Kusmi Tea at Nicetoile

Administrations have reduced and at 31 December 2017 a total of 27 units were in administration. All of these units continue to trade and represent only 0.5% of the Group's passing rent.

## Sales, footfall and occupancy cost

Retail sales, calculated on a same-centre basis, have increased by 0.1%, which is 110 basis points higher than the CNCC Index which fell by 1.0%. Footfall in our centres increased by 1.6% in 2017, compared with a 1.8% decline in the CNCC Index.

Les Terrasses du Port has again traded strongly, whilst the Paris centres continue to experience a more subdued performance as security, political and macro-economic concerns have hindered growth, although their performance improved in the second half of the year.

The occupational cost ratio decreased from 15.2% at the beginning of the year to 13.8% at 31 December 2017. The reduction is due to the increase in sales and also the disposals of Saint Sébastien, Nancy and Place des Halles, Strasbourg (see page 50).



Les Terrasses du Port, Marseille

### Product Experience initiatives

As part of our Product Experience Framework we continue to develop a group-wide approach to enhancing our digital and customer innovation offer, whilst ensuring initiatives are optimised for individual centres. In 2017, we have:

- introduced a digital children's play area in Les Terrasses du Port
- deployed the 'Short Edition' short story machines in a further five centres
- worked with the University of Paris Dauphine on a handsfree shopping initiative
- worked with L'Ecole Bleue, an architecture and design school, to model initiatives for the 'shopping centre of the future'

We are also due to launch our 'Style Seeker' visual search app (see page 10) at Italie Deux in the spring. With further expansion across our portfolio planned during 2018.

**At Les Terrasses du Port in Marseille, we have agreed a two-year energy performance contract with two of our supply chain partners, designed to reduce electricity demand within the managed areas of the centre. The contract incentivises electricity reductions with financial benefits over and above the cost of implementation shared between Hammerson and our tenants. So far the contract is performing ahead of expectations and landlord electricity demand has been reduced by over 8% at the site.**

## Le 13ème Art, Italie Deux

In September 2017, a theatre Le 13ème Art opened at Italie Deux to replace a former cinema closed for more than 10 years. In the heart of Paris, this original cultural venue hosts two performance halls (900 seats and 130 seats) and contains a recording studio.

Le 13ème Art is the first iconic theatre to open in Paris for over 100 years and offers an eclectic programme with shows, events and TV recordings for both a family and international audience. It is expected to host about 1,000 events per year.

Located at the main entrance of Italie Deux, the new venue improves the visibility of the centre and provides a cultural offer to drive more footfall, especially during weekends. Since September, the shopping centre has also opened on Sundays.

The former cinema unit was bought in 2016 and completely transformed for a total cost, including acquisition, of €14 million.

After Italie Deux was renovated in 2013, Le 13ème Art is a new step in a wider regeneration project for the site. The Italik project, an extension of the existing scheme, will be launched in 2018 (see page 37).





# Developments



**“In 2017 we have progressed our major schemes, whilst completing a number of smaller-scale retail park projects. 2018 will be an exciting year with Les 3 Fontaines, Cergy extension now on-site and Brent Cross due to start in H2.”**

**Peter Cole, Chief Investment Officer**

## Our pipeline

Our development opportunities include retail park schemes, major developments in London and Paris and a number of other potential projects across the portfolio. This pipeline provides the opportunity to significantly grow the business, enhance our assets and create new destinations to meet the future demands of retailers and customers.

Expenditure is carefully controlled and we will commit to projects only when the level of risk is acceptable. This will vary for each project and is dependent on a variety of factors including general market conditions, pre-letting, construction cost and programme certainty, funding and financial viability.

At £89 million, calculated on a proportionally consolidated basis, committed capital expenditure was relatively low at the end of 2017, and represented the cost to complete the on-site retail park schemes, land acquisitions relating to our major developments and smaller capital projects within our investment portfolio. Together with our ongoing capital recycling strategy, this position allows the Group to retain flexibility over the commitment to development and provides liquidity to fund future schemes.

## Completed developments

In November the 7,900m<sup>2</sup> second phase of development at Elliott's Field, Rugby, was completed. Built on land adjacent to the 17,000m<sup>2</sup> shopping park which we opened in 2015, the new phase fills a gap in the catchment for homewares and is now fully let to retailers including DFS, Dwell, Furniture Village, Oak Furniture Land and Sofology. Contributing to the Group's Net Positive commitment explained on page 43, this new development has demonstrated its best-in-class sustainability credentials.

Table 15

## On-site developments

Scheme <sup>1</sup>	Lettable area m <sup>2</sup>	Expected completion	Value 31 December 2017 <sup>2</sup> £m	Estimated cost to complete <sup>3</sup> £m	Estimated annual income <sup>4</sup> £m	Let <sup>5</sup> %
Parc Tawe, Swansea	21,400	Q1 2018	n/a	3	2	91
Orchard Centre, Didcot	8,700	Q1 2018	29	12	3	62
Les 3 Fontaines extension, Cergy, Paris	33,000	Q2 2021	n/a	201	16	22
<b>Total</b>	<b>63,100</b>			<b>216</b>	<b>21</b>	

1. Group ownership 100% for on-site schemes.

2. Values are not included for extension projects which are incorporated into the value of the existing property.

3. Incremental capital cost including capitalised interest.

4. Incremental income net of head rents and after expiry of rent-free periods.

5. Let or in solicitors' hands by income at 22 February 2018.

## Future developments

In each of the Group's portfolio sectors, there are several opportunities, including major developments, with the potential to significantly grow the business and create modern, iconic retail destinations. We have continued to progress a number of these schemes over the course of 2017, although we must achieve further milestones before we are in a position to start on-site.

### Brent Cross extension

Substantive progress has been made on the proposed extension and refurbishment of Brent Cross shopping centre in north-west London, in conjunction with our joint venture partner, Aberdeen Standard Investments. Doubling the size of the existing centre, the project will deliver an extended 175,000m<sup>2</sup> shopping destination for north London with a modern and vibrant retail, catering and leisure offer, a key component of the regeneration of the Brent Cross Cricklewood district.

The detailed reserved matters planning application was approved in October and in December the compulsory purchase order was confirmed. Agreements have been reached with John Lewis and Marks & Spencer to anchor the expanded centre, and further pre-lettings are under negotiation. The extension will also include up to 150 new retail stores, 50 new restaurants, state-of-the-art cinema and leisure offers, hotel accommodation and improved public spaces. Following a competitive tender process, Laing O'Rourke has been selected as the preferred contractor for the retail extension and, under a pre-construction services agreement, will work with the partners to finalise the design and procurement for the project. Tender returns from potential main contractors for the highway works have been received and it is anticipated that an appointment will be made in April 2018. Assuming Development Agreement staging conditions are satisfied, construction could commence in 2018 with completion in 2022. The London Borough of Barnet and Network Rail are bringing forward the new Brent Cross railway station on the Thameslink line which is expected to open at the same time and provide a new rail connection for the regeneration scheme. The Group's estimated development cost to complete the project is in the region of £475-550 million.

### Croydon town centre

In November, the Croydon Partnership, a 50:50 joint venture with Westfield, secured a resolution to grant outline planning consent for the revised plans for the redevelopment of the Whitgift Centre. The Greater London Authority (GLA) has also approved the scheme which now includes a new Marks & Spencer anchor store incorporated

within three levels of retail with over 300 shops, restaurants and cafes, a multiplex cinema and up to 1,000 homes. The scheme is part of the wider large-scale regeneration already underway in the town and will establish Croydon as the major retail and leisure destination for south London. The partnership already holds 75% of the Whitgift Centre and the whole of Centrale, the other covered shopping centre in Croydon, which is anchored by Debenhams and House of Fraser. It is intended that the remaining land interests required to implement the scheme will be secured later in 2018, utilising the local council's compulsory purchase powers as necessary. The earliest start on-site could be during 2019, subject to finalising detailed design and completing agreements with anchor tenants. Hammerson's total future costs for the development will be around £650-700 million.

### Italie Deux extension

Having obtained planning consent and agreement with our co-owners, we anticipate starting work on the Italik project, a 6,400m<sup>2</sup> extension to Italie Deux in the spring. The £38 million project will generate additional annual rental income of £2 million, is 56% pre-let to tenants including Pret A Manger and M&S Simply Food and is expected to open at the end of 2019.

### The Goodsyard

The Goodsyard in Bishopsgate, on the edge of the City of London, is a 4.2ha site owned 50:50 with our partner, Ballymore Properties. The planning application for a large mixed-use development was called in by the Mayor of London in September 2015 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. This work is progressing and we are now targeting a submission to the GLA of the amendments necessary by the end of 2018 to allow the Mayor to determine the scheme.

### Other schemes

The Group has a number of pipeline schemes which will enhance the overall quality of our portfolio. These include potential projects in the UK adjacent to existing assets in Aberdeen, Bristol, Glasgow and Leeds. Our Irish portfolio provides exciting opportunities at the Dundrum estate, Dublin Central and Pavilions in Swords.

The nature and design of these schemes are fluid and they are at different stages of development. Progress to delivery is dependent on a variety of factors including: planning permission; retailer demand; anchor tenant negotiations; scheme design; funding; and financial viability. Further details of these schemes are included in the Development Pipeline table on page 187.



Brent Cross Extension



# Premium outlets



**“During 2017 both of our premium outlets portfolios have achieved strong sales growth and completed a number of significant improvement projects to enhance the visitor experience.”**

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

Table 16

## Operational summary

	Value Retail <sup>1</sup>		VIA Outlets <sup>1</sup>	
	Year ended 31 December 2017	Year ended 31 December 2016	Year ended 31 December 2017	Year ended 31 December 2016
Brand sales (€m) <sup>2</sup>	<b>2,701</b>	2,504	<b>948</b>	436
Brand sales growth (%) <sup>3</sup>	<b>8</b>	8	<b>13</b>	7
Footfall (millions) <sup>2</sup>	<b>35.4</b>	34.6	<b>29.4</b>	12.7
Average spend per visit (€) <sup>2</sup>	<b>76</b>	72	<b>32</b>	34
Average sales density growth (%) <sup>4</sup>	<b>5</b>	6	<b>9</b>	18
Like-for-like net rental income growth (%) <sup>5</sup>	<b>16</b>	8	<b>14</b>	4
Occupancy (%)	<b>95</b>	96	<b>90</b>	92

- Figures reflect overall portfolio performance, not Hammerson's ownership share and 2016 figures have been restated at 31 December 2017 exchange rates.
- Figures include acquired assets from the date of acquisition.
- Sales growth at VIA Outlets in 2017 includes sales at Mallorca Fashion Outlet for the second half of the year and excludes all other assets acquired in 2016 and 2017.

- Average sales density growth excludes assets acquired in 2017 and 2016.
- Like-for-like NRI growth includes extensions due to multiple tenant relocations from the existing schemes into the new phases. We estimate that the extensions have contributed approximately 1-2% to like-for-like NRI growth.

## 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, providing 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 China, Russia, South East Asia and the USA. Spending patterns of wealthy tourists can be influenced by security concerns and currency movements. The latter factor particularly has encouraged visitors to the UK in 2016 and 2017.

There are a limited number of specialist outlet operators in Europe, and planning consents for new schemes are often difficult to achieve. Growth of new space therefore 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.

## Our portfolio

Our exposure to the sector, which has increased over recent years to be over 20% of the Group's property portfolio, is gained through our investments in Value Retail (VR) and VIA Outlets (VIA). 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 interests in the VR holding companies as well as direct investments in the Villages. Details of our investment are shown in note 13 of the financial statements.

Since the year end, we increased our investment in Value Retail through the acquisition of a number of direct investor interests in Villages including Bicester Village and La Vallée Village, Paris for a total cost of £76 million. Following this acquisition we have an economic interest in Bicester Village, the largest asset within VR, of 50%.

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

Both investments are externally managed, although we have a strong relationship with both management teams. Timon Drakesmith is a Board member of Value Retail and is Chairman of the VIA Outlets Advisory Committee.

## Value Retail (VR)

### Portfolio overview

Value Retail operates nine high-end Villages in the UK and Western Europe which provide over 189,000m<sup>2</sup> of floor space and more than 1,000 stores. VR focuses on international fashion and luxury brands and attracts long-haul tourists and wealthy domestic customers. The Villages, which include Bicester Village outside London, La Vallée Village, Paris and La Roca Village, Barcelona, are ranked among the best outlet centres in Europe.

In 2017, the Villages had an average sales density of €15,700/m<sup>2</sup> and generated total sales of €2.7 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 in excess of 13% over the last 10 years.

### Income

Brand sales growth at 8% has again been strong in 2017. Bicester Village achieved the highest growth rate as it benefited from increased overseas visitors, attracted by the weak sterling exchange rate, as well as new domestic marketing initiatives. Performance was further enhanced with the opening of a 5,800m<sup>2</sup> extension in October (see case study opposite).

Average sales densities increased by 5%, the strongest performances being at Bicester Village and the two Spanish Villages: La Roca Village, Barcelona and Las Rozas Village, Madrid. Kildare Village, Dublin suffered the weakest sales density growth as the extension which opened in late 2016 has marginally diluted densities in 2017.

The strong sales performance resulted in like-for-like net rental income growth of 16%, with the strongest contributions from Bicester Village and Las Rozas Village.

### Occupancy and leasing

VR's success is driven by a forensic leasing and asset management strategy which acts to enhance and refresh the Villages and fulfil the customer experience. This strategy drives sales and recurring footfall. During 2017, 254 leases were signed, with a total of 125 new brands introduced to the Villages. Key new stores included five Prada stores including the first store in Ireland at Kildare Village; Polo Ralph Lauren at Inglostadt Village; Chloé at La Vallée Village and the only Clarins outlet store in Europe at Kildare Village.

Occupancy across the Villages remained high at 95%. Occupancy at premium outlets tends to be slightly lower than the Group's other sectors to support proactive retenancing and remerchandising.

VR management continue to develop successful marketing campaigns across the portfolio, including partnerships with brands such as the Paul Smith Stripe pop-ups and the Disney X Coach promotion. At Fidenza in September, VR co-organised the inaugural Green Carpet Fashion Awards during Milan Fashion week which included the identification and mentoring of new designers. Also in 2017, the 'Privilege' guest reward programme was further expanded across the Villages.

### Developments and extensions

The 3,300m<sup>2</sup> extension at Fidenza Village, Milan, which opened in October 2016, has performed strongly and helped to generate double-digit sales growth across the whole Village during 2017. The extension introduced a number of new luxury shops including Armani, Michael Kors and Prada. A new Jimmy Choo store also opened in the existing Village in May, its first outlet store in Italy.

### Bicester extension

In October 2017, the 5,800m<sup>2</sup> extension opened at Bicester Village. The extension is on land adjacent to the existing Village, and a key element of the project involved the relocation of a Tesco store in early 2016 ahead of construction works starting in the summer.

The scheme has increased the existing Village by over 25% and added 500 additional car parking spaces. The project also involved a new enlarged VIP suite, an enhanced food and beverage offer, improved road access and new landscaping across the entire Village.

33 new units have been created, of which 30 were let and trading on the opening day. New brands which opened at the Village included Christopher Kane, Cowshed and Under Armour. The extension enabled 11 existing brands to relocate within the scheme with a number upsizing including a new Polo Ralph Lauren flagship store.

250,000 guests were welcomed in the weekend after the opening of the extension and this strong trading continued over the Christmas period.

The total development cost was £100 million and the project has achieved a yield on cost in excess of 15%.





## VIA Outlets (VIA)

### Portfolio overview

At 31 December 2017, VIA operated 11 outlets in nine European countries, providing over 260,000m<sup>2</sup> of floor space and 1,100 stores. The centres include Batavia Stad Amsterdam Fashion Outlet, Fashion Arena Prague Outlet and Zweibrücken Fashion Outlet on the Germany/France border.

VIA's strategy is to create 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. Utilising VR's expertise and brand relationship, the VIA management team have implemented initiatives to enhance each centre's 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 since formation and the transition from an acquisition vehicle to a leading premium outlet operator has been successful.

During 2017, VIA acquired three outlets: Zweibrücken in Germany; Vila do Conde in Porto and Norwegian Outlet in Oslo (see page 49 for details). These new centres enabled VIA to achieve its original €1 billion portfolio milestone. At 31 December 2017 the total portfolio was valued at €1.4 billion, of which the Group's 47% share was £600 million.

### Income

Like-for-like brand sales growth was 13% in 2017. Double-digit growth was achieved at Batavia Stad Amsterdam Fashion Outlet, Fashion Arena Prague Outlet, Freeport Lisbon Fashion Outlet and Mallorca Fashion Outlet.

The enhancements made to the marketing strategies to increase tourist marketing have been very successful with tax-free sales increasing by over 34% in 2017 and a wider range of tourists now visiting the centres.

Like-for-like net rental income growth was 14%, with strong contributions from Landquart Fashion Outlet and Fashion Arena Prague Outlet.

### Occupancy and leasing

Occupancy levels remained high at 90% during 2017.

The strong sales growth explained above reflects the benefits of VIA's management initiatives introduced across the portfolio and 309 leases were signed during 2017, including 115 new brands.

Key leasing transactions included Lacoste at Landquart Fashion Outlet, Coach at Zweibrücken Fashion Outlet, Hackett at Freeport Lisbon Fashion Outlet and Polo Ralph Lauren opened a 1,100m<sup>2</sup> flagship store at Mallorca Fashion Outlet in August.

### Developments and extensions

As well as enhancing the existing centres, VIA has been actively looking to extend a number of the centres to improve the tenant mix and increase footfall. In May, a 5,500m<sup>2</sup> extension opened at Batavia Stad Amsterdam Fashion Outlet with 45 new units and increased the area of the centre by more than 25%. Key brands included Farinella, G-Star, Samsonite, Skechers and Tommy Hilfiger and footfall at the centre has increased by 15% since opening.

In November, the major reconfiguration and enhancement of Freeport Lisbon Fashion Outlet completed (see case study below).

At Mallorca Fashion Outlet a Nike flagship store and two other units opened in 2017 from space created from the reconfigured cinema. The former Nike store is now being reconfigured to create five new units and the works are due to complete in summer 2018.

### Freeport Lisbon Fashion Outlet

VIA Outlets acquired Freeport Lisbon Fashion Outlet in November 2014. At this date the centre was the largest outlet in Europe by gross area, although due to its size a proportion of the centre was closed.

At acquisition, the VIA team had identified a reconfiguration opportunity by creating a new mall through to a previously closed plaza. The plaza was redeveloped to provide an authentic food experience with outdoor seating areas and the north mall area of the scheme was mothballed. These works reduced the lettable area of the centre by 8%.

A full refurbishment of the centre with enhanced finishes to improve the overall aesthetics of the scheme was completed in November 2017. The works also included a new information centre, VIP lounge, children's play area, redesigned entrances and improved car park access. The total cost of all the works at the centre was €26 million and the yield on cost was 11%.

The project has increased the centre's appeal to premium brands and tourists and transformed the visitor experience. Sales and footfall have increased by 21% and 7% respectively since the opening. New brands to the centre include Coach, Furla, Hackett and Tumi which trade alongside existing premium brands such as Armani and Hugo Boss.



# Positive Places



**“Our BREEAM Outstanding, carbon neutral retail park opened this year at Elliott’s Field, illustrates what can be achieved through innovation, collaboration and ambition”**

**Louise Ellison, Group Head of Sustainability**

## Our 2017 Sustainability Highlights

- Delivered the world’s first BREEAM Outstanding, carbon neutral retail park at Elliott’s Field, Rugby
- Developed the second zero energy Costa Coffee EcoPod at Parc Tawe, Swansea
- Managed exposure to Minimum Energy Efficiency Standards (MEES) risk out of the UK portfolio
- Installed additional 910kWp clean electricity capacity
- Achieved 3% improvement in the carbon intensity of the business, one of our corporate KPIs
- Recycled 73% of waste across our UK, France and Ireland portfolios
- Supported over 100 people with skills training and into employment at our shopping centres
- Supported over 70 business start-ups in France and 400+ entrepreneurs in the UK through Initiative France and Pop-Up Business.

## Our sustainability vision is to create retail destinations that deliver net positive impacts economically, socially and environmentally.

In 2017 we continued to implement our sustainability vision with further reductions in carbon emissions across the portfolios and improvements in carbon intensity, one of our corporate KPIs. This year we set a new target for the business to become net positive for carbon emissions, resource use, water and socio-economic impacts by 2030 (see page 43). This is a significant increase in ambition and will require us to expand on our achievements to date. However, the challenge has already inspired impressive results from the teams, including our BREEAM Outstanding Retail Park at Elliott’s Field.

More details on our Net Positive targets and how we will achieve them and on our sustainability strategy and performance are available in our 2017 Sustainability Report and on our website.



**For more information view our website**  
[www.hammerson.com](http://www.hammerson.com)

## Our Positive Places strategy

Five core commitments underpin our work to create more positive places, each with their own set of targets, actions and key programmes.

### Challenge and innovate

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

### Protect and enhance

Minimising resource consumption and delivering restorative projects to protect our environment.

### Upskill and inspire

Investing in and rewarding our people to encourage change in line with sustainability related objectives.

### Partner and collaborate

A stakeholder-led approach to create collaborative projects and evolve from client to partner.

### Serve and invest

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



## Responding to our material issues

Positive Places, our sustainability strategy, is designed to ensure our sustainability work focuses on our material issues - those areas that have the most significant impact on our operations and where we can bring about the most effective change. Materiality studies carried out in 2010 and 2014 identified energy security and demand; waste management and resource use; and community engagement as three of the most important areas of focus for us. An overview of our progress in these areas is set out below. Full details of our annual and five-year sustainability targets and progress against them is set out in our Sustainability Report. Targets, data and performance reported here and within our Sustainability Report are independently assured by JLL Upstream and Deloitte. Our mandatory GHG reporting is set out on page 191 of this report.

Strategic Priority	Energy security and demand	Waste management and resource use	Community engagement
What this means	Rising demand for electricity is placing unprecedented pressure on the UK electricity supply infrastructure. This presents risks of short and medium term price rises, secure supply or 'brown outs', and potential for further energy efficiency regulation.	Waste management and resource use generate significant costs for the business and for our retailers and are key contributors to climate change, depletion of scarce resources and loss of biodiversity.	Nurturing strong links with our communities directly supports the long term success of our assets, while the investment that accompanies our centres leads to significant local employment and business opportunities.
What we did in 2017	Continued to focus on reducing our energy demand through management and targeted investment in technology such as LED lighting and solar PV.  Managed our exposure to MEES risk out of the UK portfolio in a timely and cost effective way, supporting tenant cost savings and minimising disruption to transactions.	Increased focus on recycling and re-use and trialled two new technologies for organic waste – BioWhale and BioHiTech Waste digester.  Continued to monitor regulatory risk including changes to the international market for recycled plastics to ensure business risks are minimised.	Published a socio-economic footprint study for the business illustrating the positive socio-economic impact our assets have within the local economy and the cumulative impact they have nationally.  Maintained portfolio-wide programme of community engagement activities focused on employment and skill, young people, health and well-being and regeneration.
Outcomes	7% reduction in electricity demand generating savings of over £400k for retailers and JV partners.  Generating approximately 150mWh on site clean electricity producing 9% yield on cost at Westquay, Southampton.  Managed all short term EPC risk out of the portfolios ahead of implementation of MEES regulations.	73% recycling achieved.  5,720 tonnes organic waste to anaerobic digestion.  23 of 29 directly managed centres achieved 100% diversion of waste from landfill.	Invested £2 million in work with 476 local community groups and organisations.  Supported 100+ people with training and into work through employment and skills brokerages.  Gave over 900 young people exposure to business skills training through local projects such as Education Business Partnership Barnet and Braveheart in Glasgow.

Chart 17

### Electricity demand for landlord services (mWh)<sup>1</sup>



Chart 18

### Savings and income from waste management (£000)

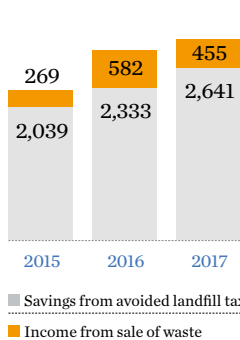


Table 19

### Community contributions

	2017	2016
Direct contributions (£000)	2,223	2,197
Indirect contributions (£000)	260	629
Total beneficiaries (number)	476	434

1. Includes directly managed assets owned continuously for the three years from January 2015. See our 2017 Sustainability Report for more details on our basis of reporting for our environmental targets.

## Our Net Positive objective

To be Net Positive we must put more back into our environment and our society than we take out. We aim to achieve this by 2030, with clear five year targets to ensure we remain on track.



### Carbon

Net Positive means carbon emissions avoided exceed emissions generated. Our target for 2020 is to avoid or offset 31,000mt CO<sub>2</sub>e.

#### In 2017 we:

- Reduced our Net Positive carbon emissions by 9% against the 2015 baseline
- Offset 52 tonnes of carbon emissions through on-site clean electricity generation
- Installed renewable capacity sufficient to offset a further 192 tonnes of carbon emissions each year

#### In 2018 we plan to:

- Install additional renewable electricity capacity
- Continue to reduce emissions from energy demand
- Explore potential significant offset programmes



### Resource use

Net Positive means waste avoided, recycled or re-used exceeds materials used that are neither recycled, renewable or sent to landfill.

#### In 2017 we:

- Diverted 8,000 tonnes of demolition waste from landfill
- Replaced 38 tonnes of steel with Forest Stewardship Council (FSC) Certified timber at our Elliott's Field Phase 2 development at Rugby
- Diverted 5.5 tonnes of clothes hangers from waste into re-use or recycling

#### In 2018 we plan to:

- Review the use of materials in the Brent Cross, London design to reduce resource impacts
- Expand our clothes hanger re-use partnership across our centres
- Continue to improve recycling rates



### Water

Net Positive means water replenished by external projects exceeds water consumed from mains supply. Our target for 2020 is to avoid 395,000m<sup>3</sup> of potable water demand. We have achieved 41,500m<sup>3</sup> to date.

#### In 2017 we:

- Installed rainwater harvesting at Elliott's Field, Rugby
- Worked with the Brent Cross design team to reduce operational water demand within the future Brent Cross, London development
- Trialled extremely low-water flush toilets at The Oracle, Reading

#### In 2018 we plan to:

- Roll out a utilities metering that will significantly improve our ability to manage water demand
- Explore opportunities for expanding rainwater harvesting across the portfolio



### Socio-economic

Net Positive means making a measurable positive impact on socio-economic issues relevant to our local communities beyond a measured baseline.

#### In 2017 we:

- Calculated our socio-economic impact revealing that our assets support over 40,000 full-time jobs, 82% of them local to the asset
- Created asset-specific dashboards of key local issues

#### In 2018 we plan to:

- Continue our programme of portfolio-wide community engagement initiatives

## ESG Benchmarking scores

Table 20

	2017	2016
FTSE4Good/Sustainalytics	<b>91</b>	82
GRESB	<b>Green Star 4 Score 77</b>	Green Star 4 Score 68
DJSI	<b>63</b>	69
Oekom	<b>Prime</b>	Prime
CDP	<b>B-</b>	B
Carbon Clear FTSE 100	<b>12/99</b>	14/99
EPRA sBPR Reporting	<b>Gold Award</b>	Gold Award



## A portfolio with positive social impacts

Our True Value of Retail research, published in June 2017, reveals the scale of impact that well managed retail assets make on local economies.



**For more information on our employee engagement work see the sustainability pages of our website.**

**Jobs created**

**40,000**

**Jobs to local people**

**82%**

**Jobs to under 25s**

**48%**

**Annual wages**

**£800m**

**Taxes from employment**

**£300m**

**Business rates generated**

**£250m**

**Estimated attributable inward investment**

**£2.4bn**

## Supporting young people and enterprise

We continue our cross-portfolio relationship with Initiative France and Pop-Up Business in the UK and Ireland. Initiative France supported over 70 entrepreneurs to set up enterprises at Italie Deux and Les 3 Fontaine, Cergy in Paris, in 2017.

Pop-Up Business runs two-week business skills workshops and seminars for anyone with a business idea to help them get started. In 2017 Pop-Up Business supported over 400 individuals with workshops and seminars and provided an opportunity to trade in our shopping centres. This led to over 100 small business being started.

We extended our relationship with The Teenage Market in 2017 with seven events organised at three of our UK centres. 117 market stalls were run by young people often getting their first taste of trading.

## Developments with positive impacts on individuals

- Westquay South – pre-employment training provided to 140 long-term unemployed people.
- Cyfarthfa Retail Park – 600 full-time equivalent retail jobs, 95% of employees are local residents, 57% under 25 and 35% previously unemployed.
- Six Community groups funded through the Elliott's Field Retail Park Community Grants Fund.

The Teenage Market offers a free platform for young people to showcase their creative talents by providing an opportunity to sell products such as arts and crafts, jewellery, clothing etc. in a market style environment at one of our centres. In 2017, we expanded the delivery of our Teenage Market events to new locations including Croydon and Southampton, providing a total of 117 stalls.



**"I joined The Teenage Market a year ago. Being one of the younger traders I was quite anxious as to how my small range of crafts would be received, but I was instantly made to feel welcome and have always achieved steady sales. I really appreciate the opportunity to participate in The Teenage Market, and I love to see people's reactions to what I have made. My confidence, organisational and social skills have increased, all of which will help me in the future."**

**Ella Whitworth**  
Leeds Teenage Market trader

## Community Day 2017

Our ever popular Community Days ran throughout the business in 2017 with 297 staff in the UK and Ireland and 117 staff in France participating. 27 different activities were arranged, all designed to make a positive impact. Whether it was erecting fences, painting walls, inspiring children to participate in sport or collecting food for a food bank, there was plenty for people to get involved with. Just one event with Sports Inspired kept 200 Barnet school children, and 29 Hammerson people, busy for a day playing a range of different sports – many for the first time.

Volunteers from our new office and centre teams in Dublin spent their first Community Day experiencing various tasks from sorting out Lego pieces and painting in Barretstown to going out on to the streets in Dublin to provide aid for the homeless.

The centre teams also organised a range of events, with some centres running activities over a week. Community Day remains a popular annual fixture with our people. Our many new starters each year are often surprised by the enthusiasm the business shows for this event, but the results in terms of team and relationship building, well-being and reaffirming the importance of our culture and values are validated each year.



Hammerson volunteers give a womens' refuge in Barnet a home and garden makeover (June 2017)

## Employee Engagement

The Butterfly Bank platform continues to work as a very effective means of engaging staff across the business in sustainability and in volunteering activities. It raises awareness, in a fun but practical way, of what each of us can do to support a more sustainable way of living. This seems to be engaging people very effectively with the idea that they can do things that make a difference. For example over 500 meat free Mondays have been inspired since April. This equates to over a year of meat free days, saving almost two tonnes of carbon.

We have also continued to use the Butterfly Bank platform to encourage our people to participate in a wide range of volunteering opportunities. We have successfully extended the platform to our suppliers with 16 contractor teams from seven of our centres now actively involved in volunteering and personal sustainability initiatives. In addition to Community Day, 2,227 hours of volunteering were contributed by Hammerson UK and Ireland people in 2017.



**For more information on our employee engagement work see the sustainability pages of our website.**



Our Brent Cross team clean up the river Brent (June 2017)

### Key numbers:

# 414

of Hammerson people participated

# 27

different events

### Key numbers:

# 3,913

hours of volunteering

# 571

meat free Mondays achieved



# Our people

## Culture aligned with business strategy

At Hammerson we believe our culture is vital in supporting the delivery of our strategic priorities.

Our values; ambition, respect, collaboration and responsibility, continue to guide our day-to-day behaviours and define how we work with colleagues and external stakeholders. But our culture is more than just our values. We are committed to developing a truly inclusive environment where colleagues can bring their 'whole self' to work and maximise their contribution.

In support of this objective, in 2017 we developed the next phase of our Diversity and Inclusion strategy and this will inform our activities through to the end of 2019. Our commitment to drive meaningful and sustainable change in this area was also evidenced by our actions during the course of the year with particular highlights being our recognition of National Inclusion Week and World Day for Cultural Diversity and the launch of our UK Shopping Centre Apprentice Programme. This initiative, which has so far seen us employ three apprentices across our UK portfolio, allows us to attract young people into the property industry and for them to undertake a Level 2 accreditation in Facilities Management or Business Administration.

The Company's culture and values are reinforced by our Code of Conduct which includes matters associated with anti-bribery and sets the ethical tone at Hammerson. All colleagues are expected to follow its guidance on personal behaviour, dealing with stakeholders, anti-fraud measures, share dealing, and security of information. In addition we have a suite of policies in place including a Whistleblowing policy.

The Company runs an induction programme for new starters specifically covering internal controls at which the Code of Conduct and whistleblowing procedures are explained. In 2018 we will introduce an online training module to augment the existing training on anti-bribery and corruption. Colleagues will be required to undertake the training module including a short test of their understanding of a bribery risk and the policies and procedures in place at Hammerson. Colleagues are also required to keep a gifts and entertainments register in which they record gifts and entertainments offered to or received from third parties.



## Headcount

Group	UK and Ireland	France
<b>587</b>	<b>449</b>	<b>138</b>

## Voluntary staff turnover

Group	UK and Ireland	France
<b>12.0%</b>	<b>13.2%</b>	<b>8.7%</b>

These are reviewed from time to time by the General Counsel and Company Secretary to ensure that gifts and entertainments are of an acceptable level.

The Company subscribes to the independent charity Public Concern at Work so that colleagues may have free access to its confidential helpline and counselling service.



**See the Risks section on page 61, the Audit Committee report on page 85 and the section on compliance with the UK Corporate Governance Code on page 117.**

## A positively engaged team

Growth in recent years has seen our headcount increase and by the end of 2017 Hammerson directly employed 587 people across the UK, France and Ireland.

We go to great lengths to attract the best people available and retaining and developing talent remains a key objective. To this end we continue to monitor voluntary employee turnover and, in the 12 months to December 2017, this figure stood at 10% for our UK and Ireland property and corporate teams. In France, the corresponding figure was 8.7% and within our UK shopping centre operations business we experienced 18.2% churn; a figure that continues to track below our 20% objective for this area of the organisation.

Such high levels of retention continue to provide the solid foundation from which our employees grow, develop and fulfil their potential. But we recognise that employee engagement is more than simply retaining people; it is about ensuring they remain highly motivated and positively engaged with the business as a whole.

We continue to measure this through our annual employee survey where we have set ourselves the target to achieve a positive engagement score – as measured by the Great Place to Work Trust Index – of at least 70%. In 2017 we achieved a score of 71% for our UK and Ireland business and 72% in France. Furthermore, just over 75% of our employees responded positively to the key engagement statement "taking everything into account I would say this is a great place to work".

Enhanced management information now allows us to consider the results of the survey in more detail and we were delighted to see that many functions across the Group achieved engagement scores greater than 80%. This proves to us what can be achieved and ensures we remain focused on improving engagement still further throughout the organisation.

### Employee survey highlights

- **Over 80% employee participation**
- **71% Trust Index Score in UK and Ireland**
- **72% Trust Index Score in France**
- **75% of employees state Hammerson is “a great place to work”**
- **Lowest ever gender differential in engagement scores; down to 1%**



During the course of 2017 we continued to develop our internal communications strategy. In November we launched our new Group Intranet as well as OnDemand, our new internal communications brand. In addition, employees were kept well informed on a wide range of business matters via regular presentations, management briefings and intranet announcements

### Developing talent and planning for the future

The competition for talent within the European real estate market is tougher than ever and the need for us to develop our own talent pipeline has never been greater. For some years our response to this challenge has been to invest heavily in our people; from the junior surveyors on our UK Graduate Programme to senior managers looking to develop their skills and further their careers.

In support of this, 2017 was a year in which we significantly improved our training and development offering to the business whilst continuing to focus heavily on senior management succession.

In the summer we launched the Hammerson Learning Management System (LMS) to our UK and Ireland business. This platform enables us to host a broad suite of e-learning materials which colleagues are encouraged to use for professional and personal development. Furthermore, the LMS provides a direct link to QA Training's extensive menu of personal development and management programmes; the utilisation of which increased significantly during the year. In the future, we will use the LMS across the entire Group and use it to improve our induction and on-boarding programmes as well as offering a one-stop-shop for all statutory and compliance training.

Throughout 2017 we maintained the Group's senior management succession plan and this was reviewed with the Board as part of our established governance. Our meaningful investment of time and energy in this area once again yielded positive results and all of our senior management vacancies were filled with internal candidates. This was particularly satisfying within our Paris office where, following the departure of two senior managers, we were able to restructure the management team by promoting talent from within.

### Ever more inclusive

Our objective to develop a more inclusive business is well established. It is also supported by pragmatic activities; all designed to deliver sustainable change for the benefit of our customers, partners, employees and shareholders.

During 2017 we continued to implement our Diversity and Inclusion strategy whilst developing our plans for the next two years. As part of our objective to improve female representation in senior management roles we increased our target slightly from 30% to 33%; aligned with the voluntary objective set by the Hampton-Alexander review. By the end of the year female colleagues occupied 33.3% of such roles across our UK and Ireland management team. The position in France continues to be more challenging where only one of our 11 senior managers is female.

In looking to the future, we have previously stated an objective that at least 30% of the senior management roles on the Group's senior management succession plan have female colleagues identified as potential successors within the medium term (ie. 1-3 years). This target has also been increased to 33% and, as at the end of 2017, 35.1% of these roles had female successors identified.

Whilst the attention given to gender representation in senior management roles is understandable, we remain focused on ensuring 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 and also ensures we are well placed to achieve the objectives stated above. As at the end of 2017, 47% of the Group's professional positions were filled by female colleagues; something we are immensely proud of.



We are mindful that healthy gender representation in itself does not make an organisation truly inclusive and, in looking to support both male and female parents, we significantly improved our maternity and shared parental leave policies and terms in 2017. Furthermore, we continue to promote the benefits of flexible working for all of our colleagues and, as at December 2017, over 6% of our workforce have an agreed flexible working arrangement in place.

As a matter of course, we welcome and fully consider all suitable applications for employment, irrespective of gender, race, ethnicity, religion, age, sexual orientation or disability. All employees are eligible to participate in career development and promotion opportunities. Support also exists for employees who become disabled to continue in their employment or to be retrained for other suitable roles.

Chart 21

### All employee numbers and gender split

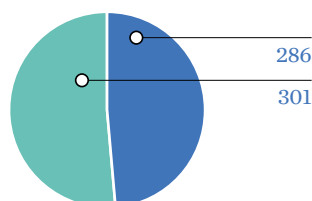


Chart 22

### Board

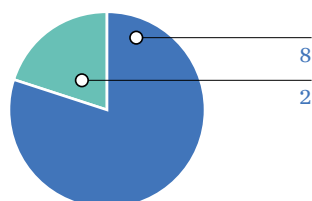


Chart 23

### Senior management (excluding Board)

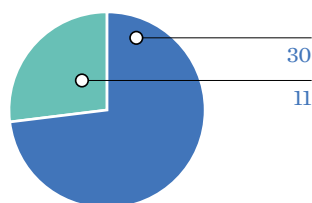
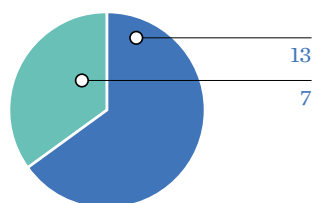


Chart 24

### Shopping Centre General Managers



■ Male  
■ Female

## Gender pay gap reporting

Following legislation introduced by the UK government, companies with more than 250 UK employees are now required to publish their gender pay gap. This is an important step as the requirement for organisations to be more transparent about pay should highlight unfair practices and speed up the process of putting them right.

We are not required to report our gender pay gap as neither of our UK employment entities employs more than 250 people. However, with a combined UK headcount of almost 400, we are committed to striving for gender equality across the business and our decision to publish is a clear demonstration of this commitment. The tables below show the gender pay picture for Hammerson in accordance with the government requirements.

Table 25

Pay element	% difference
Difference in mean hourly rate of pay	47.1%
Difference in median hourly rate of pay	35.6%
Proportion of male employees who received bonus pay	91.1%
Proportion of female employees who received bonus pay	89.6%
Difference in mean bonus pay	66.6%
Difference in median bonus pay	48.6%

We are mindful that these figures suggest that a significant pay gap exists between male and female employees at Hammerson. However, this is a consequence of male employees occupying the majority of UK senior management roles. This is illustrated by the quartile distribution below:

Table 26

Quartile split	% Male	% Female
Lower	21.7	78.3
Lower middle	38.5	61.5
Upper middle	58.7	41.3
Upper	63.7	36.3

For some years we have undertaken our own internal pay audit, albeit based on a slightly different formula to that required by the UK government for gender pay gap reporting purposes. At the heart of this analysis has been consideration of the salaries paid to male and female colleagues carrying out like-for-like work and we have always been satisfied that this demonstrates the fair pay and reward practices that exist within the Company.

We are committed to reducing our gender pay gap over time and our on-going efforts to foster an inclusive culture will help us to achieve this. In addition, we will continue to leverage our competency based selection processes to ensure that we recruit and promote female talent within the business. We strongly believe that this approach will result in increased female representation in more of our more highly paid senior management positions in the future.

# Stable investment markets

## Investment markets

Investment markets for the Group's property sectors have remained broadly stable during the year, with yields largely unchanged.

For UK shopping centres, transaction volumes totalled £1.6 billion in 2017, approximately 40% lower than 2016. The key transactions were a 7.5% stake in Bluewater, Kent and a 50% stake in intu Chapelfield, Norwich. Whilst the year was less active, there was still demand for high-quality centres from sovereign wealth funds, REITs and institutional investors and yields were unchanged for this type of asset during 2017. Demand for more secondary centres has been subdued and these properties have suffered outward yield movements of 25-75 basis points.

Investment transactions for the UK retail parks market totalled £2.7 billion in 2017, approximately 10% higher than in 2016. Investors have remained selective, favouring lot sizes of less than £50 million where yields have remained stable, with some inward yield shift for the best parks. UK funds have been the most active buyers in the market, although few large schemes have transacted during the year and a number of these have suffered outward yield shift of 25-50 basis points.

In France, as with 2016, there were relatively few shopping centre transactions with total volumes of €1.0 billion (2016: €0.8 billion). This was largely due to a lack of sellers in the market and demand for high-quality centres remained strong with yields at record low levels of 3.5%-4.5%.

In Ireland, investment markets remained active and although volumes were approximately 50% lower than in 2016, they remained higher than recent average levels. Foreign investors accounted for approximately 35% of acquisitions and yields for high-quality Dublin shopping centres remained unchanged in 2017 at approximately 4.0%-5.0%.

The European outlets sector has again witnessed strong investor demand, with volumes of €1.1 billion in 2017 (2016: €1.6 billion). As with the Group's other property sectors, investment yields have remained stable, with those for the best European outlet centres ranging from 4.5%-5.5%.

## Portfolio valuation

The Group's total portfolio, including premium outlets, was valued at £10,560 million at 31 December 2017, an increase of £589 million or 5.9% during 2017. Movements in the portfolio valuation are shown in Table 27.

Table 27

### Movement in portfolio value

Proportionally consolidated, including premium outlets	Investment £m	Development £m	Total (excl. Outlets) £m	Premium outlets £m	Total Group £m
Value at 1 January 2017	7,885	397	8,282	1,689	9,971
Revaluation (losses)/gains on properties	(3)	24	21	225	246
Additions					
Acquisitions	149	110	259	238	497
Capital expenditure	109	41	150	41	191
	258	151	409	279	688
Disposals	(507)	(1)	(508)	–	(508)
Capitalised interest	–	1	1	–	1
Exchange	117	4	121	41	162
<b>Value at 31 December 2017</b>	<b>7,750</b>	<b>576</b>	<b>8,326</b>	<b>2,234</b>	<b>10,560</b>

## Acquisitions

During 2017, acquisition expenditure totalled £497 million and the principal transactions were:

- the acquisition of a 50% co-ownership in Pavilions shopping centre, Swords in north Dublin for £123 million in September. This was the final conversion to property ownership of the Irish loan portfolio acquired in October 2015 and required an additional cash payment of £56 million in 2017 (see page 154 of the Financial Statements for further details). The 45,400m<sup>2</sup> centre generates passing rent of £7 million (50% share) and is anchored by Dunnes Stores with more than 90 stores and restaurants, an 11-screen cinema and 2,000 car parking spaces.
- in October we acquired Cergy 3 shopping centre which is adjacent to our existing Les 3 Fontaines centre in Cergy Pontoise in north west Paris for a cost of €81 million (£72 million). The 11,000m<sup>2</sup> centre is anchored by Fnac and has 46 units. A major extension project has recently started on the existing scheme (see page 36) and we are able to manage the leasing and customer services across both centres to enhance the overall customer experience.
- three premium outlet centres acquired by VIA Outlets: Zweibrücken Fashion Outlet on the Germany/France border in February; Vila do Conde, Porto in March and Norwegian Outlet, Oslo in September. The Group's share of the acquisition costs was £238 million, which required a cash payment of £130 million with the remainder being funded from secured bank finance. The former two centres were part of a portfolio of four properties acquired from the IRUS fund, where the acquisition of the other two centres completed in December 2016. Norwegian Outlet in Oslo is a fully-let 13,300m<sup>2</sup> centre with 77 units occupied by international brands including Diesel, Gant, Guess, Hugo Boss and Superdry. Since acquisition, work has been undertaken to improve the marketing strategy, tenant mix and the centre's aesthetics to enhance the customer experience.



## Capital expenditure

In 2017, capital expenditure totalled £191 million. Table 28 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 28

### Capital expenditure analysis

Proportionally consolidated, including premium outlets	UK shopping centres £m	UK retail parks £m	France £m	Ireland £m	Developments and UK other £m	Premium outlets £m	Group £m
Capital expenditure – creating area	7	29	10	1	20	26	<b>93</b>
Capital expenditure – no additional area	23	19	22	1	22	10	<b>97</b>
Tenant incentives	(2)	(2)	–	–	–	5	<b>1</b>
	<b>28</b>	<b>46</b>	<b>32</b>	<b>2</b>	<b>42</b>	<b>41</b>	<b>191</b>

Capital expenditure on UK shopping centres totalled £28 million, with the most significant improvement projects including works to reconfigure the former House of Fraser store at Highcross (see page 29 for further details) and a new 2,750m<sup>2</sup> Next store at The Oracle.

£46 million was incurred on UK retail parks, with the main projects creating area being the second phase of development at Elliott's Field, Rugby and an extension project at Kirkcaldy (see page 31). Expenditure classified as not creating additional area principally related to the redevelopment of Parc Tawe, Swansea and further details are provided on page 36.

In France, the most significant projects included the creation of the theatre at Italie Deux, Paris (see page 35) and reconfiguration works at Place des Halles, Strasbourg which were completed prior to the disposal of the centre in December.

Capital expenditure on Developments and the UK other portfolios totalled £42 million of which £41 million was on the Group's development properties. In the table above, expenditure on the Orchard Centre, Didcot is classified as creating area and costs incurred working up the future major development projects at Brent Cross and Croydon are classified as creating no additional area until works start on-site. Further details of these projects are included in the Business Review on pages 36 and 37.

For Premium outlets, capital expenditure totalled £41 million, of which £20 million was incurred by Value Retail and £21 million by VIA Outlets. The schemes classified as creating area were the extensions at Bicester Village, Freeport Lisbon Fashion Outlet and Batavia Stad Amsterdam Fashion Outlet. Other capital expenditure includes tenant incentives of £5 million with the remaining expenditure incurred across both outlet portfolios to enhance the existing and recently acquired properties.

## Disposals

Disposals totalled £508 million during 2017, or £416 million after deducting the 35.5% non-controlling interest in Place des Halles, Strasbourg. We therefore achieved our disposal target of £400 million announced at the beginning of 2017 and the three principal disposals during the year were:

- in July, we sold Westwood and Westwood Gateway Retail Parks in Thanet for total proceeds of £80 million reflecting a net initial yield of 6.5%. The Group acquired the Westwood Retail Park in 2002 and repositioned the asset through extensions and tenant engineering. In 2005, the adjacent Westwood Gateway was constructed and since the original acquisition, we created a total of 15,000m<sup>2</sup> of lettable space and increased rental income by over 200%.
- in November, we announced the disposal of Place des Halles, Strasbourg for total proceeds of €291 million (£258 million), of which the Group's 64.5% share was €188 million (£166 million). The disposal of the 41,600m<sup>2</sup> centre completed in late December.
- also in December, we announced the sale of Saint Sébastien, Nancy for €162 million (£143 million) of which £129 million of the disposal was completed and funds were received by the year end. The Group acquired the 24,000m<sup>2</sup> shopping centre in 2014 for €130 million (£109 million) and repositioned the centre through a renovation project and an enhanced tenant mix.

These latter two disposals are consistent with our strategy of focusing our French portfolio on our three wholly-owned major shopping centres being Les 3 Fontaines and Italie Deux, both in Paris, and Les Terrasses du Port in Marseille.

To support the recently announced intu acquisition we will continue with our capital recycling strategy and are targeting disposals of £500 million in 2018. We have already sold two UK retail parks: Battery Retail Park in Birmingham for £57 million and Wrekin Retail Park in Telford for £35 million. These disposals were in line with December 2017 valuations.

## Valuation change

Table 29 below analyses the sources of the valuation change for the Group's property portfolio, including premium outlets, during 2017.

Table 29

### Components of valuation change

Proportionally consolidated, including premium outlets	UK shopping centres £m	UK retail parks £m	France £m	Ireland £m	Developments and UK other £m	Premium outlets £m	Group £m
Yield	7	(32)	2	3	4	24	8
Income	37	(1)	6	36	6	198	282
Development and other	(20)	6	(19)	(41)	27	3	(44)
	24	(27)	(11)	(2)	37	225	246

During 2017, the Group's portfolio achieved a revaluation gain of £246 million of which income growth generated an uplift of £282 million.

In the UK, shopping centres produced a gain of £24 million with increases at Bullring, Westquay and Union Square. UK retail parks incurred a deficit of £27 million, principally due to outward yield shift at a number of parks.

The underlying value of the French portfolio decreased by £11 million, principally due to the recognition of additional purchasers' costs at Les Terrasses du Port.

The Irish assets recorded a valuation deficit of £2 million. This reflected a £46 million adverse movement associated with an increase in Irish stamp duty, announced in October, from 2% to 6%. This adverse valuation change was largely offset by the impact of income growth from leasing activity at Dundrum Town Centre and Ilac shopping centre totalling £36 million.

Developments and UK other properties produced a surplus of £37 million, of which £24 million was from the Development portfolio and was principally associated with the progress made on the 33,000m<sup>2</sup> Les 3 Fontaines extension. UK other properties generated a surplus of £13 million with the most significant change at our Bristol High Street properties following a re-gear of the head lease.

Premium outlets performed strongly, achieving a surplus of £225 million, including significant income growth of £198 million. The Value Retail Villages produced a surplus of £198 million, predominately from Bicester Village. VIA Outlets generated a revaluation surplus of £27 million with the largest increases at Batavia Stad Amsterdam Fashion Outlet and Fashion Arena Prague Outlet. The surplus was suppressed due to the recognition of acquisition related costs on the three acquisitions completed in the year.

Further valuation, returns and yield analysis is included in Tables 99 and 100 in the Additional Disclosures on page 181.

## ERV growth

Table 30

### Like-for-like ERV growth

Proportionally consolidated, excluding premium outlets	UK shopping centres %	UK retail parks %	France %	Ireland %	Group investment portfolio %
<b>2017</b>	<b>0.9</b>	<b>(0.1)</b>	<b>0.9</b>	<b>2.7</b>	<b>0.9</b>
2016	1.6	0.2	(2.2)	9.0	–

The UK other portfolio is not shown above and produced like-for-like ERV growth of 1.6% (2016: -1.2%).

Like-for-like ERV at the Group's investment properties grew by 0.9% in 2017 compared to no growth in 2016.

ERV growth at UK shopping centres was 0.9%, lower than the 1.6% growth achieved in 2016. The strongest performing centres were Bullring, The Oracle and Westquay where ERVs grew by more than 2%. ERVs at Silverburn fell by 3% associated with a number of lease expiries at the centre.

ERV at UK retail parks reduced by 0.1%. The recognition of growth continues to be hindered by the high occupancy levels across the portfolio which act to minimise the opportunity to prove new rental levels to the valuers.

ERVs in France increased by 0.9%, with Les Terrasses du Port achieving growth of 3.1% associated with the strong leasing performance and enhanced tenant mix at the centre in 2017.

Ireland produced the highest level of growth at 2.7%, having generated 9.0% in 2016 following the initial loan conversions in the second half of 2016. All three shopping centres achieved like-for-like ERV increases with Dundrum Town Centre generating growth of 2.9%.



## Returns

### Property returns

Table 31

#### Property returns analysis

Proportionally consolidated, including premium outlets	UK shopping centres %	UK retail parks %	France %	Ireland %	Developments %	Premium outlets %	Group %
Income return	4.5	5.4	4.4	4.0	2.1	4.8	<b>4.5</b>
Capital return	0.7	(2.5)	(1.3)	0.2	4.7	11.5	<b>2.2</b>
Total return	5.2	2.8	3.1	4.2	6.9	16.8	<b>6.8</b>

The UK other portfolio is not shown above and produced an income return of 5.2%, a capital return of 8.8% and a total return of 14.5%.

The Group's property portfolio generated a total return of 6.8% in 2017, reflecting a capital return of 2.2% and an income return of 4.5%. The best performing sector was Premium outlets which generated a total return of 16.8%, principally due to the revaluation surplus of £225 million across the two outlet portfolios.

We compare the individual portfolio returns against their respective IPD 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 neither annual IPD benchmarks are available until after this Annual Report has been published, it is not yet possible to accurately estimate the Group's comparative performance. The UK IPD Quarterly All Retail Universe to December 2017 is available and reported a total return of 6.9%, 200 basis points higher than the Group's UK portfolio return of 4.9%. The Quarterly IPD index included a total return of 2.9% for Shopping centres, 8.4% for Standard shops and 7.5% for Retail warehouses. Compared to the quarterly index, the Group's shopping centres outperformed their comparative IPD index by 230 basis points, whilst UK retail parks underperformed due to a number of the Group's larger parks suffering outward yield shift as investors favoured smaller lot size parks in 2017.

In 2017, the Reported Group portfolio (see Financial Review on page 53 for explanation) produced a total return of 4.2%, whilst properties held by our joint ventures and associates generated a total return of 8.8%. 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 99 on page 181.

### Shareholder returns

Table 32

Return	%	Benchmark	%
Total shareholder return over one year	(0.4)	FTSE EPRA/NAREIT UK index over one year	12.7
Total shareholder return over three years p.a.	0.4	FTSE EPRA/NAREIT UK index over three years p.a.	4.9
Total shareholder return over five years p.a.	6.2	FTSE EPRA/NAREIT UK index over five years p.a.	11.7

For the year ended 31 December 2017, the Group's return on shareholders' equity was 8.3%, which compares to the Group's estimated cost of equity of 8.2%. 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 valuation performance during the year.

Hammerson's total shareholder return for 2017 was -0.4%, which represents an underperformance of the FTSE EPRA/NAREIT UK index by 13.1 percentage points as the wider index has risen relative to the Company's subdued share price performance during 2017. Over the last five years, the Group's average annual total shareholder return has been 6.2%, compared to 11.7% for the FTSE EPRA/NAREIT UK index.

## FINANCIAL REVIEW

# Delivering consistent financial performance



**“The Group has again produced strong earnings and net asset growth. We have also completed significant refinancing activity to boost liquidity and reduce the average cost of debt.”**

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

## 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 is held in conjunction with third parties in joint ventures and associates. Under IFRS, the results and net investment in these holdings are equity accounted and presented 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 shopping centres, 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 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 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'.

### IFRS profit for the year\*

**£388.4 million**

(+22.4%)

### Adjusted EPS<sup>1</sup>

**31.1p**

(+6.5%)

### Shareholders' funds\*

**£6,024 million**

(+4.3%)

### EPRA NAV per share<sup>2</sup>

**£7.76**

(+5.0%)

### Dividend per share

**25.5p**

(+6.3%)

### Cost ratio<sup>3</sup>

**21.6%**

(2016: 22.6%)

\* Attributable to equity shareholders.

1. See note 10B to the financial statements for calculation.

2. See note 10D to the financial statements for calculation.

3. See Table 98 on page 180 for further analysis.

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 136 and in the Glossary on pages 194 and 195.

## 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 18 and 19. 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 92 within the Additional Disclosures section on page 177.

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.



## Profit for the year

The Group's IFRS profit for the year, attributable to equity shareholders, was £388.4 million, £71.1 million higher than for the prior year. This was principally due to higher revaluation gains on the Group's premium outlets portfolio which generated a net revaluation gain of £225.2 million in 2017 compared with £138.4 million in 2016.

Management principally reviews the Group's profit on an adjusted basis to monitor the Group's underlying earnings as it excludes capital and non-recurring items such as valuation movements, 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 IFRS profit to adjusted profit for the year is shown in Table 33.

Table 33

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

	Year ended 31 December 2017 £m	Year ended 31 December 2016 £m
Proportionally consolidated, including premium outlets		
<b>IFRS profit for the year attributable to equity shareholders</b>	<b>388.4</b>	317.3
Adjustments:		
Loss on sale of properties*	15.5	24.0
Recycling of net exchange gain on disposal of foreign operations, net of non-controlling interests	(8.2)	–
Net revaluation (gains)/losses on property portfolio*	(21.3)	13.4
Net revaluation gains on premium outlet properties	(225.2)	(138.4)
Debt and loan facility cancellation costs*	41.5	0.4
Change in fair value of derivatives*	21.3	2.7
Deferred tax on premium outlets	35.0	14.3
Other adjustments	(0.7)	(3.0)
<b>Adjusted profit for the year (note 10B)</b>	<b>246.3</b>	230.7
Adjusted EPS, pence	<b>31.1</b>	29.2

\* Proportionally consolidated.

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 139 and further details of the EPRA adjustments are provided in note 10B of the financial statements on page 146.

## Adjusted profit

The Group's adjusted profit for 2017 was £246.3 million, £15.6 million or 6.8%, higher than in 2016. Table 34 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 34

### 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 2016	62.6	143.2	24.9	<b>230.7</b>	29.2
Net rental income:					
Acquisitions	2.8	19.8	–	<b>22.6</b>	2.9
Disposals	(15.3)	–	–	<b>(15.3)</b>	(1.9)
Development and other	5.3	1.1	–	<b>6.4</b>	0.8
Like-for-like portfolio	1.7	1.0	–	<b>2.7</b>	0.3
	(5.5)	21.9	–	<b>16.4</b>	2.1
Increase in net administration expenses	(1.9)	(0.1)	–	<b>(2.0)</b>	(0.2)
Decrease/(Increase) in net finance costs	4.1	(15.0)	–	<b>(10.9)</b>	(1.4)
Increase in premium outlets earnings	–	6.7	0.9	<b>7.6</b>	1.0
Tax and non-controlling interests	0.2	0.8	–	<b>1.0</b>	0.1
Foreign exchange and other	0.1	3.2	0.2	<b>3.5</b>	0.3
<b>Adjusted profit – Year ended 31 December 2017</b>	<b>59.6</b>	<b>160.7</b>	<b>26.0</b>	<b>246.3</b>	<b>31.1</b>

## Net rental income

Table 35

### Analysis of net rental income

Proportionally consolidated, excluding premium outlets	Reported Group £m	Share of Property interests* £m	Year ended 31 December 2017 £m	Year ended 31 December 2016 £m	Change £m
Like-for-like investment properties	179.4	101.8	<b>281.2</b>	278.5	<b>2.7</b>
Acquisitions	9.0	33.4	<b>42.4</b>	19.8	<b>22.6</b>
Disposals	21.9	0.1	<b>22.0</b>	37.3	<b>(15.3)</b>
Developments and other	12.3	12.5	<b>24.8</b>	18.4	<b>6.4</b>
Foreign exchange	–	–	–	(7.5)	<b>7.5</b>
<b>Net rental income</b>	<b>222.6</b>	<b>147.8</b>	<b>370.4</b>	<b>346.5</b>	<b>23.9</b>

\* 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 13 of the financial statements).

In 2017, net rental income (NRI) increased by £23.9 million to £370.4 million, or by £16.4 million at constant exchange rates. The like-for-like portfolio produced additional income of £2.7 million, with the most significant contributions from The Oracle, Silverburn, Les Terrasses du Port and Les 3 Fontaines. UK retail parks suffered a £1.6 million, or 2.5%, like-for-like NRI reduction associated with £3.2 million of surrender premiums received in 2016. Like-for-like growth on the Reported Group properties was 0.9%, whilst for properties held by the Group's proportionally consolidated joint ventures and associates, growth was 1.1%.

In 2017 the Group's growth in like-for-like NRI KPI on page 18 of 1.7% includes the performance of our Irish shopping centres where the underlying net rental income received in 2016 prior to the conversion to property ownership of the secured loans was treated as finance income. The like-for-like NRI performance by sector is further explained in the Business Review on pages 28 to 40.

Acquisitions generated £22.6 million of additional income which relates to the conversion of the Irish loan portfolio to real estate in 2016 and 2017. Disposals reduced income in 2017 by £15.3 million, reflecting the sales in 2016 of 50% of Grand Central, Birmingham; Villebon 2, Paris and a number of UK retail parks (Manor Walks and Westmorland, Cramlington; Thurrock Shopping Park, Essex) and Westwood and Westwood Gateway Retail Parks in July 2017. Developments increased net rental income by £6.4 million following the completion of Victoria Gate, Leeds and the leisure extension at Westquay South, Southampton towards the end of 2016. Further analysis of net rental income is provided in Tables 93 and 96 of the Additional Disclosures on pages 178 and 179 respectively.

## Administration expenses

Table 36

### Administration expenses analysis

Proportionally consolidated, excluding premium outlets	Year ended 31 December 2017 £m	Year ended 31 December 2016 £m
Employee and corporate costs	<b>61.0</b>	54.6
Management fees receivable	<b>(12.1)</b>	(8.5)
<b>Net administration expenses*</b>	<b>48.9</b>	46.1

\* In 2017, £0.5 million (2016: £0.4 million) of the Group's proportionally consolidated administration expenses related to the Group's Share of Property interests.

At £48.9 million, net administration expenses increased by £2.8 million, or £2.0 million at constant exchange rates. This resulted from higher staff costs to support our new Irish operations and the delivery of the major developments in London and Paris. Whilst headcount numbers were broadly unchanged during 2017, average staff costs increased as head office recruitment was offset by the transfer, to a third party operator, of a team of operational staff at Dundrum Town Centre in the first half of 2017. The increase in employee and corporate costs of £6.4 million was partly offset by £3.6 million higher management fee income, principally from our Irish and UK shopping centre joint ventures.

Our accounting policy is to capitalise the cost of staff working directly on on-site development projects. In 2017 only £0.1 million of staff costs were capitalised on the Group's on-site retail park development schemes, compared with £1.6 million in 2016 when both Victoria Gate, Leeds and Westquay South, Southampton were completed.

## Cost ratio

The EPRA cost ratio for the year ended 31 December 2017 was 21.6%, 100 basis points lower than 2016. Compared with the prior year ratio, the administration expenses element of the ratio remained unchanged at 11.9%, whilst the property costs element has fallen from 10.7% to 9.7%. The reduction in the property costs ratio is associated with lower vacancy and bad debt costs in 2017. The downward trend in the ratio reflects management's continued focus on delivering operating efficiencies across the Group. The calculation of the cost ratio is included as Table 98 of the Additional Disclosures on page 180.



## Loss on sale of properties and recycling of net exchange gains

During 2017, we sold five properties raising proceeds, after deducting selling costs, of £399 million, and 74% of the proceeds related to the sales of Place des Halles, Strasbourg and Saint Sébastien, Nancy. Compared to their valuations at 31 December 2016, these five disposals resulted in a loss of £15.5 million, or 3.7%. The losses principally related to Westwood and Westwood Gateway Retail Parks, Thanet and Saint Sébastien, Nancy.

Following the sale of Place des Halles, Strasbourg and Saint Sébastien, Nancy in late 2017, £27.8 million of net exchange gains previously recognised in equity have been recycled in the income statement. The majority of this figure related to the sale of Place des Halles, Strasbourg where there was a 35.5% non-controlling interest. After taking account of the non-controlling interest, the recycled net exchange gains attributable to equity shareholders was £8.2 million and this has been excluded from the Group's adjusted earnings.

## Potential business acquisition costs

The Group recognised £6.5 million of costs in relation to professional advisor fees to support the acquisition of intu properties plc which was announced on 6 December 2017. These costs have been excluded from the Group's adjusted earnings and further details of this major acquisition are provided in the Chief Executive's Review on page 12.

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

The Group has interests in 15 joint ventures and the share of the results of joint ventures under IFRS for the year ended 31 December 2017 was £180.5 million (2016: £169.2 million). Further details are provided in note 12 to the financial statements.

As explained at the beginning of the Financial Review on page 53, 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 37 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 37

### Contribution to adjusted profit

	Joint ventures (incl. VIA) £m	Associates (incl. VR) £m	Year ended 31 December 2017 Total £m	Joint ventures (incl. VIA) £m	Associates (incl. VR) £m	Year ended 31 December 2016 Total £m
Share of results – IFRS	180.5	223.0	<b>403.5</b>	169.2	137.1	306.3
Revaluation gains on properties	(46.3)	(198.3)	<b>(244.6)</b>	(29.1)	(120.6)	(149.7)
Other adjustments	26.5	1.3	<b>27.8</b>	3.1	8.4	11.5
Total adjustments	(19.8)	(197.0)	<b>(216.8)</b>	(26.0)	(112.2)	(138.2)
<b>Adjusted earnings contribution</b>	<b>160.7</b>	<b>26.0</b>	<b>186.7</b>	<b>143.2</b>	<b>24.9</b>	<b>168.1</b>
Analysed as:						
Share of Property interests	147.5	1.4	<b>148.9</b>	137.0	1.3	138.3
Premium outlets	13.2	24.6	<b>37.8</b>	6.2	23.6	29.8

Adjusted earnings from the Share of Property interests increased by £10.6 million primarily due to increased income from Dundrum Town Centre and Grand Central, in which the Group sold a 50% interest in December 2016.

Adjusted earnings from premium outlets of £37.8 million were £8.0 million higher than in 2016, or £7.6 million at constant exchange rates. The Group's share of VIA earnings increased by £7.0 million due principally to acquisitions including Zweibrücken Fashion Outlet and Vila do Conde Porto Fashion Outlet in the first half of 2017 and the Wrocław, Seville and Mallorca Fashion Outlets in the second half of 2016. VR's earnings increased by £1.0 million as strong net rental income growth was partly offset by higher finance and administration costs, the latter associated with the enhanced management structure implemented in 2016.

Further details of the Group's joint ventures and associates are shown in notes 12 and 13 to the financial statements respectively. The operating performance of our premium outlets is described in the Business Review on pages 38 to 40 and the combined profit contribution is in Table 103 of the Additional Disclosures on page 183.

## Finance costs

Net finance costs, calculated on a proportionally consolidated basis, as shown in note 2 to the financial statements, totalled £170.4 million in 2017, compared with £96.6 million in 2016. The increase is principally due to the exceptional cost of £41.1 million to redeem the £250 million 2020 6.875% bonds in October 2017 which is included in the Debt and loan facility cancellation costs of £41.5 million (2016: £0.4 million).

Adjusted finance costs, which excludes items such as the change in fair value of derivatives and debt cancellation costs, totalled £107.6 million in 2017, an increase of £14.1 million, or £10.9 million at constant exchange rates. The increase principally arose from reduced finance income following the conversion of the Irish loans to property in 2016 and 2017 and the reduction in loans to Value Retail in the second half of 2016.

Interest capitalised on a number of retail park development schemes totalled £0.8 million in 2017, which was £4.3 million lower than in 2016 when both Victoria Gate, Leeds and Westquay South, Southampton were completed.

The supporting calculation for adjusted finance costs is shown in Table 106 of the Additional Disclosures on page 185.

## 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 in 2017 was £1.8 million, £0.9 million lower than 2016, as the prior year included a number of one-off charges.

We publish guidance explaining the Group's tax strategy and have updated this for 2018 and 'Hammerson's Approach to Tax for the year ending 31 December 2018' is on the Group's website [www.hammerson.com](http://www.hammerson.com).

## Dividends

The Directors have proposed a final dividend of 14.8 pence per share. Together with the interim dividend of 10.7 pence, the total for 2017 is 25.5 pence, representing an increase of 6.25% compared with the prior year. The final dividend is payable on 26 April 2018 to shareholders on the register at the close of business on 16 March 2018. 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.

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

## Net assets

During 2017, equity shareholders' funds increased by £248 million, or 4.3%, to £6,024 million at 31 December 2017. Net assets, calculated on an EPRA basis, were £6,164 million and on a per share basis increased by 37 pence to £7.76. The movement during the year is shown in Table 38.

Table 38

### Movement in net assets

Proportionally consolidated, including premium outlets	Equity shareholders' funds £m	Adjustments <sup>1</sup> £m	EPRA net assets £m	EPRA NAV pence per share
31 December 2016	5,776	89	5,865	739
Property revaluation				
Proportionally consolidated property portfolio	21	–	21	2
Premium outlet properties	225	–	225	28
	246	–	246	30
Adjusted profit for the year	246	–	246	31
Loss on sale of properties	(16)	–	(16)	(2)
Debt and loan facility cancellation costs	(42)	–	(42)	(5)
Change in deferred tax	(35)	35	–	–
Dividends	(194)	–	(194)	(24)
Foreign exchange and other movements	43	16	59	7
<b>31 December 2017</b>	<b>6,024</b>	<b>140</b>	<b>6,164</b>	<b>776</b>

1. Adjustments in accordance with EPRA best practice shown in note 10D to the financial statements on page 147.

The increase in EPRA net assets was principally due to property revaluation gains of £246 million, mainly in the UK shopping centres, Developments and Premium outlets portfolios as explained in the Property Portfolio Review on page 51. Adjusted profit also increased net assets by £246 million, although this was offset by dividends of £194 million. Foreign exchange and other movements totalled £59 million, mainly reflecting the weakening of sterling against the euro over the course of 2017.



## Investment and development properties

The valuation of investment and development properties in the Reported Group at 31 December 2017 was £4,686 million, £78 million lower than the prior year. The movement in investment and development properties is shown in note 11 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 49.

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

Details of the Group's joint ventures and associates are shown in notes 12 and 13 to the financial statements respectively. Table 39 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 39

### Adjusted investment

	31 December 2017			31 December 2016		
	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	3,674	1,099	<b>4,773</b>	3,737	988	4,725
Adjustments (see notes 12C/13D)	57	88	<b>145</b>	19	87	106
<b>Adjusted investment in joint ventures/associates</b>	<b>3,731</b>	<b>1,187</b>	<b>4,918</b>	<b>3,756</b>	<b>1,075</b>	<b>4,831</b>
Analysed as:						
Share of Property interests	3,312	31	<b>3,343</b>	3,514	29	3,543
Premium outlets	419	1,156	<b>1,575</b>	242	1,046	1,288

During 2017, the total adjusted investment in the Group's Share of Property interests decreased by £200 million to £3,343 million due primarily to a £275 million capital repayment following the secured financing of Dundrum Town Centre in September 2017. This was partly offset by property revaluation gains of £19 million and profits retained by the joint ventures.

The Group's total adjusted investment in premium outlets increased by £287 million in 2017 to £1,575 million. Property revaluation gains contributed £225 million to the uplift with further capital advances of £130 million to VIA Outlets to fund the three outlet acquisitions completed during 2017. These were partly offset by £130 million of cash distributions received from VR associated with earnings and surplus cash generated from the refinancing of Bicester Village in December 2017.

An analysis of the Group's combined investment in premium outlets is shown in Table 104 in the Additional Disclosures on page 183.

## Financing and cash flow

Our financing strategy is to generally borrow on an unsecured basis on the strength of the Group's covenant to maintain operational flexibility. Borrowings are arranged to maintain short term liquidity and to ensure an appropriate maturity profile. Acquisitions may 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, private placements and secured bank borrowing within certain 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 plans and approves financing guidelines against which it monitors the Group's financial structure. These guidelines, together with the relevant metrics, are summarised in Table 40 which illustrates the Group's robust financial position.

Table 40

**Key financing metrics**

Proportionally consolidated, excluding premium outlets	Guideline <sup>1</sup>	31 December 2017	31 December 2016
Net debt (£m)		<b>3,501</b>	3,413
Gearing (%) <sup>2</sup>	Maximum 85%	<b>58</b>	59
Loan to value (%) <sup>2</sup>	No more than 40%	<b>36</b>	36
Liquidity (£m)		<b>958</b>	592
Weighted average interest rate (%)		<b>2.9</b>	3.1
Weighted average maturity of debt (years)		<b>5.6</b>	5.5
Interest cover (times)	At least 2.0	<b>3.4</b>	3.5
Net debt/EBITDA (times) <sup>3</sup>	Less than 10.0	<b>9.3</b>	9.5
FX hedging (%)	70-90%	<b>78</b>	79
Debt fixed (%)	At least 50%	<b>78</b>	70

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

2. See Table 108 on page 185 for supporting calculation.

3. EBITDA includes the interest received from the Irish loan assets. See Table 109 on page 186 for supporting calculation.

**Net debt position**

On a proportionally consolidated basis, net debt at 31 December 2017 was £3,501 million, an increase of £88 million during the year. This comprises loans and other borrowings of £3,676 million, the fair value of currency swaps of £90 million less cash and deposits of £266 million. Cash and deposits were £135 million higher than at 31 December 2016 due to the receipt of the sale proceeds from Place des Halles, Strasbourg at the end of the year which were used to repay floating rate debt facilities in January 2018. The movement in proportionally consolidated net debt is analysed in Table 41.

Table 41

**Movement in proportionally consolidated net debt**

	Total £m
Net debt at 1 January 2017	<b>3,413</b>
Net cash inflow from operations	<b>(166)</b>
Acquisitions	<b>179</b>
Disposals (net of Place des Halles dividend and non-controlling interests' share of retained cash)	<b>(399)</b>
Development and other capital expenditure	<b>158</b>
Equity dividends paid	<b>192</b>
VIA Outlets acquisition funding and distributions	<b>115</b>
Value Retail acquisitions, loan repayments and distributions	<b>(110)</b>
Exchange and other cash flows	<b>119</b>
<b>Net debt at 31 December 2017</b>	<b>3,501</b>

The Group's weighted average interest rate was 2.9% for 2017, 20 basis points lower than the 3.1% average rate in 2016.

2017 has been another active year from a financing perspective and the following activities were completed:

- in January, funds were received from our £400 million private placement signed in November 2016. The fixed rate notes were denominated, post swaps, in sterling (£50 million) and euro (€387 million), had maturities of seven, nine, 11 and 14 years and a weighted average coupon of 1.7%.
- in April, a new £360 million unsecured revolving credit facility was signed with a syndicate of 14 banks at an initial margin of 90 basis points. The facility has a maturity of five years and may be extended by a further two years. This refinanced an existing £175 million facility which was due to mature in April 2018 and had an initial margin of 150 basis points.
- the two other revolving credit facilities of £415 million and £420 million were extended by one year and now mature in April 2022 and we repaid and cancelled the €1.5 billion short term facility used to fund acquisitions in Ireland and Birmingham.
- in September, together with our 50% joint venture partner, Allianz, we arranged a €625 million seven-year loan secured on Dundrum Town Centre, Dublin. At the date of the borrowing, the loan to value was below 40% and the all-in interest cost was fixed at 1.9%.
- in October, we redeemed the Group's £250 million 6.875% unsecured 20-year bonds which were due to mature in 2020. We incurred a one-off redemption premium of £41 million which has been treated as an exceptional financing cost. The redemption was funded using liquidity from recent refinancing activity and contributed to the reduced weighted average cost of debt.



Following this refinancing activity the Group's liquidity at 31 December 2017, comprising cash and undrawn committed facilities, was £958 million, £366 million higher than at the beginning of the year. Also, the Group's weighted average maturity of debt was maintained at 5.6 years (2016: 5.5 years).

We manage exposure to foreign exchange translation differences on euro-denominated assets through a combination of euro borrowings and derivatives. At 31 December 2017, the value of euro-denominated liabilities as a proportion of the value of euro-denominated assets was 78%, compared with 79% at the beginning of the year. Interest on euro debt also acts as a hedge against exchange differences arising on net income from our overseas businesses. The 4% strengthening of the euro against sterling during 2017 has resulted in modest gains to net asset value and earnings.

The Group's unsecured bank facilities and the private placement senior notes contain financial covenants that the Group's gearing 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.

Fitch and Moody's rate Hammerson's unsecured credit as A- and Baa1 respectively. In May, Moody's changed its outlook from negative to stable, citing the Group's financial discipline and stable operating performance since the UK's EU referendum decision in June 2016 and also reaffirmed the Group's rating in December following the announcement of the all-share offer to acquire intu properties plc. Fitch reaffirmed the Group's long-term rating in November, and following the intu acquisition announcement in December placed the rating on 'rating watch negative' (RWN). This indicates that the rating could stay at its present level or potentially be downgraded as a result of the transaction. Fitch expect to resolve the RWN once the transaction has closed or upon confirmation of the new capital structure.

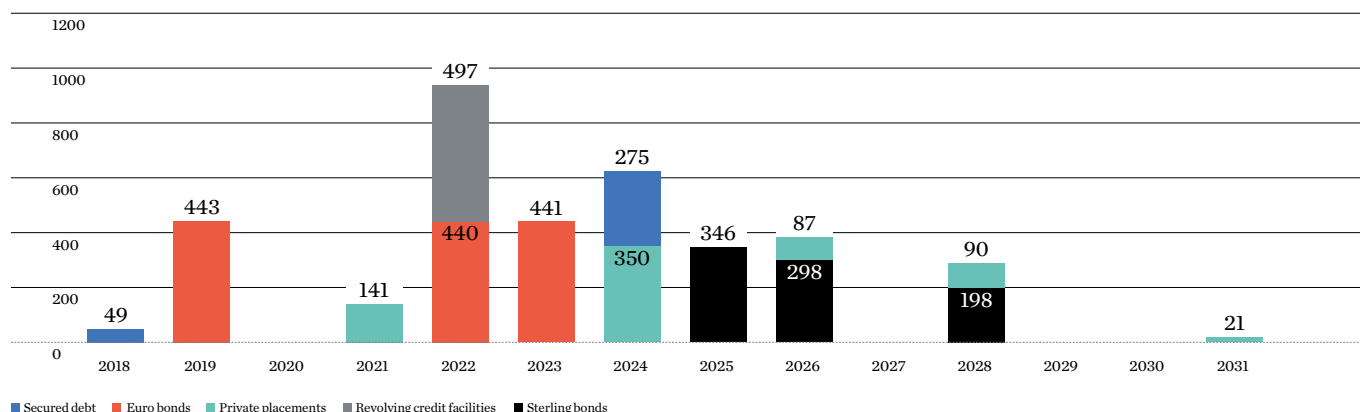
At 31 December 2017, the Group's loan to value was 36% and gearing was 58%, compared with 36% and 59% respectively at the beginning of the year. Supporting calculations are in Table 108 in the Additional Disclosures on page 185.

At 31 December 2017, the Group's share of net debt in VR and VIA totalled £686 million (2016: £468 million). On a proforma basis, proportionally consolidating this net debt with the Group's share of property values held by VR and VIA, the Group's gearing would be 69% and loan to value would be 40%.

Table 42

### Debt maturity profile at 31 December 2017 (£m)

Proportionally consolidated, excluding premium outlets



The above analysis excludes cash and deposits and the fair value of currency swaps.

## RISKS AND UNCERTAINTIES

# An integrated approach to risk management

The effective integration of risk management underpins our operating, financial and governance activities. Our approach to risk management will support the acquisition of intu properties plc and its effective integration.

## Risk overview

Effective risk management supports the successful delivery of our strategy as outlined on pages 16 and 17 and underpins our business model (see pages 6 and 7). Our risk management policies and procedures are designed to reduce the chances of financial loss, protect our reputation and improve efficiency across our business.

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

Given the work undertaken the Board is able to confirm that it has carried out a robust assessment of the Group's principal risks during 2017, which are presented in this section of the Annual Report.

## Risk management responsibilities

The responsibility for risk management ultimately rests with the Board. However, it is imperative that the approach to risk is integrated across the business and is instilled in the Group's culture and values

(see People on page 46). This approach is supported by the relatively low headcount across the Group which enables effective communication and collaboration. Also, our management structure means that the senior team is actively involved in designing, monitoring and ensuring adherence to the Group's risk management policies and procedures, including the identification of new and emerging risks.

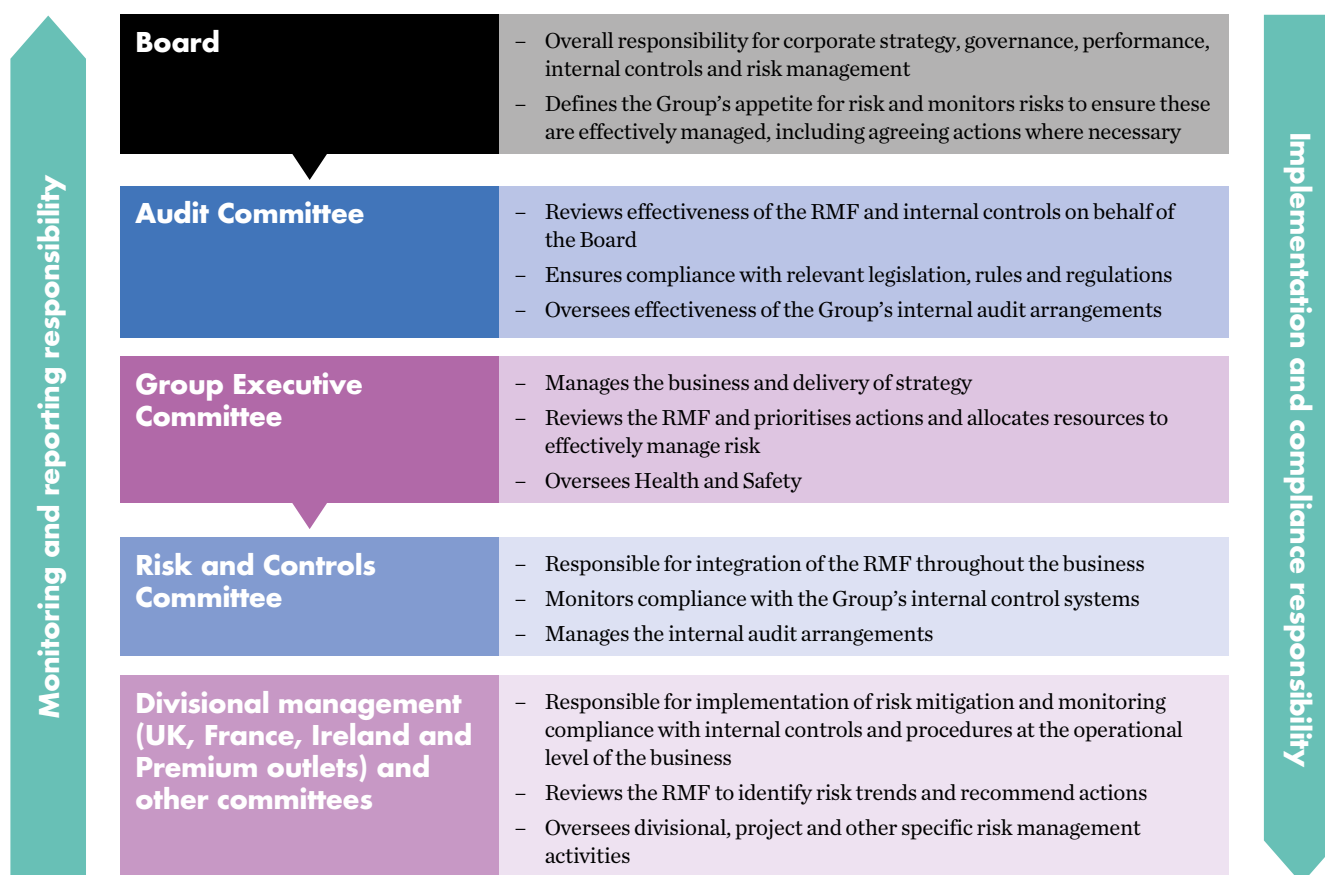
Chart 43 illustrates the key roles and responsibilities in relation to risk management and demonstrates the interaction between the Board and the various management teams and sub-committees in ensuring effective risk management is applied across the Group's activities.

## Risk review process

The RMF is structured around our principal risks, although it also contains a number of other less material operational risks. For each risk area, the RMF details mitigating factors and actions, management responsibility and recent internal and external audit reviews and is summarised on pages 63 to 68.

Chart 43

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





As well as being regularly reviewed by management, the RMF is available to all staff via the Group's intranet. We also produce a quarterly Risk Dashboard which contains both current and forward-looking risk metrics for each of the principal risks.

To further integrate risk management across the Group, we undertake a formal six-monthly management review of the RMF, with feedback from each management committee being collated and reported to the Audit Committee. A key change to our risk reporting during 2017 was to increase the number of principal risks from nine to 11, with the inclusion of new risks for 'Environmental' following the Group's Net Positive commitment announced in March and 'Acquisition completion' in relation to the intu acquisition announced in December (see below for further details).

The RMF is also used to determine the annual internal audit plan (see page 86), which is structured to ensure an appropriate coverage of the Group's principal risks, as well as review areas of change within the wider business and risks which have not been subjected to recent audit review.

### Risk appetite and assessment

As part of its risk management activities, the Board assesses the residual risk for each of the Group's 11 principal risks. This is done by assessing the overall level of risk and impact of specified mitigating factors and actions. The level of residual risk is then considered within the context of the Board's risk appetite, which reflects its combined attitude to financial, operational and reputational risks.

The residual risk levels at 31 December 2017 are shown on the Risk Heat Map on Chart 44, with the red-coloured area in the top right-hand corner of the diagram being an assessment which would exceed the Board's risk appetite. The heat map also shows the movement in the residual risk level during 2017. The heat map shows that the general risk environment in which the Group operates has increased over the course of 2017, with a number of the Group's principal risks moving towards the top right of the map. These movements reflect the continued level of uncertainty associated with the future impact of the UK's exit from the EU, the dynamic nature of the retail market, and the inclusion of risks associated with the intu acquisition explained below.

As adverse risk events rarely occur in isolation, this increased general level of risk was discussed at the 2017 Board Strategy Day in October and factored into the Group's 2018 five-year Business Plan. Key actions agreed at the Strategy Day and incorporated into the Business Plan include further medium term disposals consistent with the Group's recycling strategy and additional investment in our Product Experience Framework to enhance the customer experience across our portfolio, particularly from a digital perspective.

### Acquisition of intu properties plc

On 6 December 2017, we announced an all-share offer for intu properties plc. The benefits and strategic rationale for this acquisition are explained in the Chief Executive's Review on page 12.

The significant scale and effort required to integrate and complete the acquisition impacts a number of the Group's principal risks and these factors were assessed by the Board prior to approving the transaction. The key risks impacted are: Macro-economic; Property investment; Treasury; and People. The Board was satisfied that these risks remain within the Group's risk appetite.

In addition to the integration impact of the acquisition on the Group's existing risks, we have created a new principal risk 'Acquisition completion' solely associated with the completion of the transaction, expected in Q4 2018, which reflects the following risks:

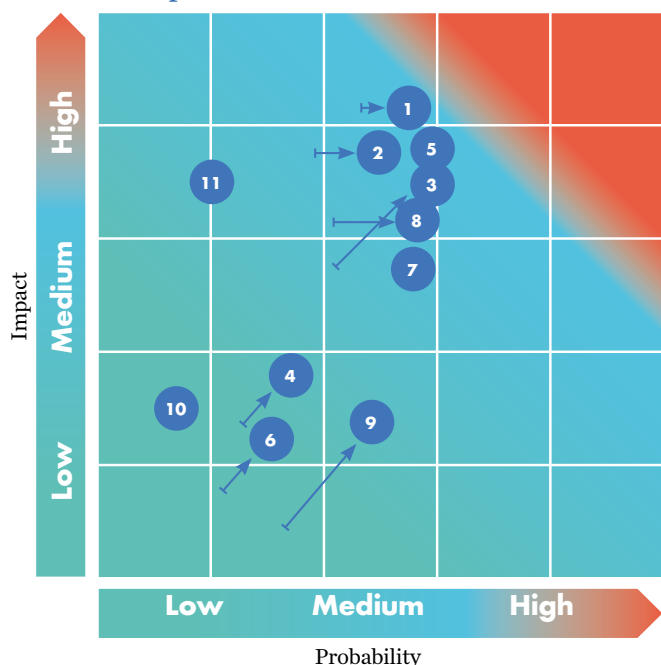
- the failure to obtain shareholder or regulatory approval
- the adverse financial and reputational impact if the enlarged group fails to deliver the forecast performance or identified synergies
- the organisational stress associated with completing the transaction and integrating the two businesses
- the risk of retaining and motivating key employees and teams during and after the acquisition process

These risks are mitigated by the due diligence work undertaken prior to announcing the acquisition, the immediate and on-going investor relations programme and the continued efforts of experienced internal teams and specialist external advisors to support the acquisition, approval process and prepare the future integration plans.

An Integration Committee has been formed, chaired by David Atkins, and supported by external advisors. We have also appointed an Integration Director, who is an existing employee, to lead the integration project. The committee will plan and prioritise tasks and allocate resources to manage the organisational stress, particularly from employee and systems perspectives.

Chart 44

### Risk Heat Map



1	Macro-economic	5	Treasury	9	People
2	Retail market	6	Partnerships	10	Environmental (NEW)
3	Property investment	7	Tax and regulatory	11	Acquisition completion (NEW)
4	Property development	8	Catastrophic event		

### Risk appetite

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

## Risk Management Framework

Further details of the Group's 11 principal risks as extracted from the Group's Risk Management Framework and their alignment to the Group's strategy (see pages 16 to 17) are shown below.

Risk		Mitigation factors/actions	Change during 2017 and outlook	
1. Macro-economic			Impact	Probability
Executive responsibility: David Atkins			↔	↑
			Residual risk assessment: <b>Medium/High</b>	
<ul style="list-style-type: none"><li>- We own and operate retail property in a number of property sectors and European countries.</li><li>- Our financial performance is directly impacted by the macro-economic environment in these countries. Key factors impacting our retailers and shoppers are GDP and disposable income growth, employment levels, inflation, business and consumer confidence, interest rates and foreign exchange movements.</li></ul>		<ul style="list-style-type: none"><li>- Diversified portfolio (sectors, geography and tenants)</li><li>- Monitoring of macro-economic research</li><li>- Economic review at annual Board Strategy Day</li><li>- Business Plan projections stress tested</li><li>- Resilient business model and financial position</li><li>- Low level of capital commitments</li><li>- Application of our Product Experience Framework to ensure our portfolio attracts retailers and shoppers</li></ul>	<p>Economic growth prospects have generally improved across Europe during 2017. The exception to this trend is in the UK which continues to suffer from the uncertainty associated with the UK's exit from the EU and growth forecasts remain subdued.</p> <p>Inflationary pressures have increased and interest rates may rise in 2018 which could have a dampening effect on economic growth. Foreign exchange markets have been less volatile during 2017, although remain sensitive to external shocks.</p> <p>The intu acquisition will increase the Group's exposure to the UK but we believe that the combination of the high-quality property portfolio and our management expertise will act to deliver value for stakeholders. We are also committed to retaining operational and financial flexibility in case of macro-economic weakness.</p>	
<a href="#">Link to strategy</a>				



**See Letter from the Chairman on pages 4 to 5.**

2. Retail market		Impact	↔	Probability	↑
Executive responsibility: David Atkins		Residual risk assessment: <b>Medium/High</b>			
<ul style="list-style-type: none"><li>- We own and operate retail property in a dynamic marketplace. Failure to anticipate and address developments in consumer and occupational markets, such as multichannel retailing and digital technology, will result in financial underperformance and future obsolescence.</li><li>- Retailer profitability is under pressure due to increased costs and weak retail sales.</li></ul>	<ul style="list-style-type: none"><li>- High-quality retail portfolio which appeals to both retailers and consumers</li><li>- The application of our Product Experience Framework to ensure the relevance of our portfolio</li><li>- Bespoke leasing strategies to enhance tenant mix</li><li>- Increasing catering, leisure and events offer</li><li>- Favourable tourist trends to Europe support further premium outlet sales growth</li><li>- Our people have a wealth of retail experience</li><li>- Digital strategy to allow us to gain detailed consumer insight and communicate with our shoppers</li></ul>	<p>2017 has been a record year for leasing across the business. This demand demonstrates that our portfolios are able to support retailers' evolving multichannel strategies, for example through accommodating flagship stores in our shopping centres and click &amp; collect at our retail parks.</p> <p>We continue to enhance our properties to ensure they meet customer requirements and offer both a shopping and leisure experience with an increased focus on catering and events.</p> <p>This strategy, delivered through our Product Experience Framework, is key to continuing to attract both retailers and shoppers in an evolving retail market.</p>			
<a href="#">Link to strategy</a>					



**See Overview of our Market on pages 13 to 15.**



Risk	Mitigation factors/actions	Change during 2017 and outlook
<b>3. Property investment</b>		Impact ↑ Probability ↑
Executive responsibility: David Atkins/Peter Cole		Residual risk assessment: <b>Medium/High</b>
<ul style="list-style-type: none"> <li>– Poor investment decisions involving acquisitions and disposals result in suboptimal returns.</li> <li>– Property valuations fall, adversely impacting the Group's financial position and delivery of future plans.</li> <li>– Opportunities to divest of properties are missed, or are limited by market conditions, which reduce financial returns and adversely impact the Group's funding strategy.</li> </ul>	<ul style="list-style-type: none"> <li>– Board approval for all significant investment decisions</li> <li>– Thorough due diligence, research and risk assessment to support investment decisions</li> <li>– Properties held 'ready for sale'</li> <li>– Diversification of portfolio by sector and geography limits impact of downturn in single market</li> <li>– Twice yearly independent valuations</li> <li>– Stress tests included in annual Business Plan</li> </ul>	<p>Property investment markets have remained broadly stable in 2017 and whilst investors remain selective we have successfully completed our planned £400 million disposal programme.</p> <p>All our recent Irish loan acquisitions have also been converted to direct property ownership and are performing well.</p> <p>Property valuations are forecast to be broadly stable in 2018. Valuations should be supported by the continuing low interest rate environment and investor demand for the secure income yield provided by high-quality retail property.</p> <p>As announced at the time of the intu acquisition we plan to dispose of at least £2 billion of property in the short to medium term to strengthen the enlarged group's balance sheet and provide liquidity for reinvestment opportunities.</p>

[Link to strategy](#)



**See Property Portfolio Review on pages 49 to 52.**

<b>4. Property development</b>		Impact ↑ Probability ↑
Executive responsibility: Peter Cole		Residual risk assessment: <b>Low</b>
<ul style="list-style-type: none"> <li>– Property development is complex and inherently risky. Major projects have long delivery times with multiple milestones and are management intensive. Unsuccessful projects result in adverse financial and reputational outcomes.</li> <li>– Over-exposure to developments increases the potential financial impact of an economic downturn and construction price inflation which could overstretch the Group's financial capacity.</li> </ul>	<ul style="list-style-type: none"> <li>– Proven track record of developing iconic destinations</li> <li>– Development plans and exposure included in business planning process</li> <li>– Board approves all major commitments</li> <li>– Regular management project reviews including project risk reporting</li> <li>– Clear project ownership and resourcing plans</li> <li>– We regularly use fixed price contracts and projects have appropriate contingencies</li> <li>– Post-completion reviews undertaken to identify future improvements</li> </ul>	<p>The completion of our two shopping centre schemes in Leeds and Southampton in late 2016 has reduced our short term development exposure.</p> <p>At 31 December 2017 committed capital expenditure was £89 million (2016: £68 million) and our development portfolio represented only 5% (2016: 4%) of our total property portfolio.</p> <p>During 2017 we continued to progress with our major development schemes and have recently started on-site with the extension to Les 3 Fontaines in Paris. There are still a number of further milestones to achieve in terms of planning and leasing before we can commence our other schemes. We also need to ensure the financial viability of the schemes is appropriate to reflect the risks associated with the macro-economic and retail market conditions at the time of commitment.</p>

[Link to strategy](#)



**See Business Review on pages 36 and 37.**

## Risk

## Mitigation factors/actions

## Change during 2017 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, particularly major developments.
- Deterioration in our financial position due to property valuation declines could result in a breach of borrowing covenants.
- Significant fluctuations in sterling or euro or a significant increase in interest rates could result in financial losses.

[Link to strategy](#)

- Treasury planning to ensure appropriate liquidity levels are maintained
- Board approves and monitors key financing 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
- At 31 December 2017 we estimate that property values (including premium outlets) could fall by 35% and net rental income by 49% before our most stringent borrowing covenants would be exceeded
- Interest rate and currency hedging programme used to mitigate market volatility

Impact



Probability

Residual risk assessment: **Medium/High**

At 31 December 2017 our balance sheet and key financing metrics remained robust, with liquidity of £958 million, loan to value of 36% and gearing of 58%.

During 2017 we have completed significant refinancing which has increased the average debt maturity to 5.6 years, reduced the weighted average cost of debt to 2.9% and there are no significant debt maturities in the next two years.

Interest rates are forecast to increase slightly over the short to medium term but remain low by historic standards. The financial markets remain supportive for companies in a strong financial position.

Whilst the intu acquisition will initially act to increase leverage, the £2 billion disposal programme in the short to medium term will support our commitment to maintaining a strong financial position.



**See Financial Review on pages 58 to 60.**

## 6. Partnerships

Executive responsibility: Peter Cole/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 may 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.

[Link to strategy](#)

- 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
- VIA Outlets, whilst externally managed, is a joint venture which enables effective governance
- Board representation for both Value Retail and VIA Outlets
- Value Retail and VIA Outlets are both subject to external audit and the properties are valued by Cushman & Wakefield

Impact



Probability

Residual risk assessment: **Low**

Our partners provide capital to support our strategy of owning high-quality retail property, particularly major shopping centres. At 31 December 2017 58% (2016: 53%) of the Group's portfolio is held with third parties.

The increase in 2017 was due to the strong valuation growth from our premium outlets and £400 million of disposals which were all wholly-owned.

We remain comfortable that our third-party ownership structures do not adversely impact performance or liquidity with a number of joint venture stakes successfully traded in the investment market over recent years.

The intu acquisition will act to reduce the proportion of the portfolio held with third parties to approximately 40%.



**See notes 12 and 13 to the financial statements on pages 149 to 157.**

Risk	Mitigation factors/actions	Change during 2017 and outlook
<b>7. Tax and regulatory</b> Executive responsibility: Timon Drakesmith		
<ul style="list-style-type: none"> <li>There is an increasing burden from compliance and regulatory requirements which can act to impede operational and financial performance.</li> <li>The real estate sector has suffered a rising tax burden through recent increases in stamp duty and business rates. These adversely impact financial performance.</li> <li>The UK's future exit from the EU creates uncertainty over the future UK tax and regulatory environment.</li> </ul>	<ul style="list-style-type: none"> <li>Maintenance of our low-risk tax status in the UK</li> <li>Regular meetings with key officials including from HMRC and government</li> <li>Participation in policy consultations and in industry-led dialogue with policy makers through bodies such as REVO, BPF, EPRA etc.</li> <li>Regular tax compliance reviews</li> <li>Advance planning for future regulatory and tax changes</li> </ul>	Impact ↔ Probability ↔ Residual risk assessment: <b>Medium</b> <p>There continues to be uncertainty over future regulatory and tax matters associated with the UK's exit from the EU.</p> <p>In addition, the recent 4% increase in Irish stamp duty reduced the valuation of our portfolio by £46 million.</p> <p>We believe the Group is appropriately structured to mitigate the impact of future tax changes and continue to review all new legislation.</p> <p>Also, the implementation in the UK of the living wage, the apprenticeship levy and increases in business rates, whilst not having a significant direct impact on the Group, have an adverse financial impact on the wider retail sector.</p>

[Link to strategy](#)


**See Note 8 to the financial statements on pages 144 to 145.**

Risk	Mitigation factors/actions	Change during 2017 and outlook
<b>8. Catastrophic event</b> Executive responsibility: David Atkins		
<ul style="list-style-type: none"> <li>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.</li> </ul>	<ul style="list-style-type: none"> <li>Continuity plans at both corporate and individual property levels</li> <li>Core crisis group for dealing with major incidents</li> <li>Enhanced physical security measures implemented</li> <li>Regular dialogue with security agencies to assess threat levels and best practice</li> <li>Mock terrorist incident staged in Bullring in late 2017</li> <li>Recent internal audits for business continuity and cyber security</li> <li>Insurance cover for terrorism and property damage</li> <li>Third-party support and testing for IT security</li> <li>Internal communications to enhance cyber security awareness</li> </ul>	Impact ↔ Probability ↑ Residual risk assessment: <b>Medium/High</b> <p>There have been a number of terrorist incidents at public venues during 2017 and the current threat level across Europe remains very high.</p> <p>The wider use of digital technology across the Group increases the risks associated with cyber security.</p> <p>We regularly review and continue to implement improvements to our processes and procedures to counter the threat of a major incident. However, it is not possible to fully mitigate these risks and the related impacts.</p>

[Link to strategy](#)




Risk	Mitigation factors/actions	Change during 2017 and outlook
<b>9. People</b>		
Executive responsibility: David Atkins		Impact ↑ Probability ↑
		Residual risk assessment: <b>Low</b>
<ul style="list-style-type: none"> <li>The Group has a relatively small headcount which can act to curtail the achievement of business objectives, particularly in times of significant activity.</li> <li>A failure to recruit and retain key executives and staff with appropriate skills would also adversely impact corporate performance.</li> </ul>	<ul style="list-style-type: none"> <li>Annual Business Plan contains a human resources plan, covering team structures, training and talent management initiatives</li> <li>Succession planning undertaken across the senior management team</li> <li>Board approval required for significant management changes</li> <li>Annual employee appraisal process undertaken</li> <li>Staff training and development supported and encouraged</li> <li>Staff turnover and employee engagement monitored</li> </ul>	<p>People are a key factor in the Group's performance. We continue to encourage and support their training and development and launched a new e-learning platform in 2017.</p> <p>During the year, staff turnover has remained low at 12.0% and we have again undertaken an all-staff 'Great Place to Work' survey. The results show high levels of employee engagement and satisfaction.</p> <p>We are acutely aware that the intu acquisition may adversely impact staff motivation and heighten job security concerns. We are planning revised team structures which will provide new opportunities and will ensure all staff are treated fairly throughout the integration process.</p>


[Link to strategy](#)


**See People section on pages 46 to 48.**

<b>10. Environmental (NEW)</b>		Impact	n/a	Probability	n/a
Executive responsibility: David Atkins		Residual risk assessment: <b>Low</b>			
<ul style="list-style-type: none"> <li>The Group's operations could be adversely impacted by an environmental incident such as extreme weather, flooding or energy supply issues.</li> <li>The Group's reputation and financial performance are adversely impacted by the failure to achieve our Net Positive targets or other environmental objectives.</li> <li>Emerging environmental regulations and legislation may act to increase costs or make properties obsolete.</li> </ul>	<ul style="list-style-type: none"> <li>Experienced sustainability team is empowered to design and implement the Group's environmental and corporate responsibility strategy in conjunction with the wider business</li> <li>Detailed environmental risk framework maintained</li> <li>Green energy contracts in place across portfolio</li> <li>Core crisis group for dealing with major incidents</li> <li>Annual Board review of sustainability performance and future strategy</li> <li>External assurance of environmental reporting</li> </ul>	<p>In March 2017 we launched our Net Positive targets within our existing Positive Places sustainability framework.</p> <p>To achieve these ambitious targets we need to collaborate with our retailers to reduce the environmental impact of our existing portfolio. We also need to ensure our new developments are designed to deliver environmental excellence and reduce the Group's carbon footprint.</p> <p>We made further progress to reduce our environmental impact during 2017. Key achievements were a 9% like-for-like emissions reduction and the installation of new clean energy generation.</p>			

[Link to strategy](#)


**See Sustainability Review on pages 41 to 45 and [www.sustainability.hammerson.com](http://www.sustainability.hammerson.com).**

Risk	Mitigation factors/actions	Change during 2017 and outlook
<b>11. Acquisition completion (NEW)</b>		Impact n/a Probability n/a
Executive responsibility: David Atkins		Residual risk assessment: <b>Medium</b>
<ul style="list-style-type: none"> <li>- The acquisition fails to obtain shareholder or regulatory approval.</li> <li>- The enlarged group's reputation and financial position are adversely impacted by the failure to achieve the forecast financial performance or deliver the identified synergies.</li> <li>- There is significant organisational stress associated with completing the transaction and integrating the two businesses.</li> <li>- The acquisition may result in staff retention and motivational issues for key employees and teams.</li> </ul>	<ul style="list-style-type: none"> <li>- Significant Board involvement and oversight throughout the acquisition process</li> <li>- Due diligence exercise completed with support from experienced advisory team</li> <li>- Financial modelling of the combined group included sensitivity analysis</li> <li>- Comprehensive investor roadshow post announcement with over 60 individual meetings</li> <li>- Competition clearance work commenced with experienced internal and advisory teams</li> <li>- Detailed synergies assessment supported by PwC opinion</li> <li>- Proactive staff communications</li> </ul>	<p>The all-share intitu acquisition was announced in December 2017. Work to support the approval process and integration has commenced.</p> <p>Management are committed to maximising the opportunities from the acquisition whilst effectively managing the risks associated with the transaction. 2018 will involve significant work to complete the transaction, and to plan and implement the effective integration of the two businesses.</p> <div data-bbox="968 824 1055 898">  </div> <p><b>See Chief Executive's Review on page 12.</b></p>

[Link to strategy](#)



## 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 16 to 17 and 6 to 7 respectively. These are designed in response to the evolving trends in retail property markets, as explained on pages 13 to 15, to create long term value for our stakeholders.

### Assessment of prospects

As explained on page 78, the Board held its annual Strategy Day in October 2017 at which it reviewed the Group's strategy and future performance, taking into account macro-economic and retail market projections from a number of external commentators including Oxford Economics, Cushman & Wakefield, PMA, Bank of England and the Company's banking advisors. The proposed intu acquisition was also reviewed.

The output from this event was incorporated into the Group's 2018 Business Plan which was initially prepared on a 'stand-alone' basis, excluding the intu acquisition. This plan was updated to incorporate the financial projections of the intu acquisition sourced from the due diligence exercise to produce a 'Combined Plan'. Both of these five-year plans were reviewed and approved by the Board in late 2017.

The plans were both structured around the Group's strategy and include income and balance sheet projections, funding plans and portfolio strategies, including acquisitions, disposals and developments. There were compiled on a property-by-property basis and the key base case assumptions included:

- Forecast economic conditions, including broadly stable GDP growth and future interest and foreign exchange rates
- Stable property market conditions, including modest yield and ERV movements
- Financial markets remaining available to the Group to refinance maturing facilities and bonds
- The ability to complete disposal plans broadly in line with forecast values

In addition to the business planning process, the Board also considers the long term prospects of the Group when approving capital expenditure requests for major development schemes. The Board receives twice yearly updates on the Group's development schemes, including the future pipeline projects many of which 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 six years at 31 December 2017
- The time-scale for the delivery of the Group's major development schemes is approximately five years and currently extends beyond 2022
- The Group has diverse sources of funding with an average maturity of 5.6 years

### Assessment of viability

The Combined Plan was assessed against a number of scenarios, including 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. These scenarios, when combined with mitigation actions available to management associated with flexibility over future capital expenditure and disposals plans, supported the Group's predicted ability to overcome these adverse economic and property market conditions over the forecast period. The Board were also comfortable that the viability assessment was valid on a stand-alone basis.

In addition, stress tests were undertaken on the Combined 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 calculations for the 2017 year-end position are disclosed in the explanation of the Group's Treasury principal risk on page 65.

### 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 2022.

This five-year period is unchanged from the period adopted for the 2016 Viability Statement.

### Going Concern Statement

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

Based on this review the Directors are able to conclude that they have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for at least the next 12 months and continue to adopt the going concern basis in preparing the financial statements for the year ended 31 December 2017.

### 2017 Strategic Report

Pages 1 to 69 of this Annual Report constitute the Strategic Report. It has been approved and signed on behalf of the Board on 23 February 2018.

#### David Atkins

Director

#### Timon Drakesmith

Director



# Promoting long-term success

## Dear Shareholders

**I am pleased to present the Corporate Governance report for 2017. 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 114 to 118. I confirm that the Company has complied in full with the UK Corporate Governance Code during 2017.**

During the year Hammerson has continued to deliver its strategy: focusing on growing consumer markets, creating differentiated destinations and promoting financial efficiency and partnerships. You can read my commentary on our progress on pages 4 to 5. One of the major areas of focus for the Board in 2017 was the proposal to acquire intu properties plc and we believe the acquisition will result in stronger income and superior growth prospects for the Company. You can read more about the process the Board followed when considering the proposed acquisition on page 79.

## Culture and diversity

The Company's success depends on our continued commitment to high standards of corporate governance and the Board recognises that a strong culture within the business brings benefits to the Company and its employees, as well as to all our stakeholders. I believe that the Board plays a key role in shaping Hammerson's culture across the organisation. During the year the Board had a number of opportunities to engage with colleagues from many areas of the business both formally and informally. This enables the Directors to monitor how far our core values: ambition, respect, collaboration and responsibility, have been embedded in the business. You can read more about the Board's activities on pages 77 to 80.

**"The Board recognises that a strong culture within the business brings benefits to the Company and its employees, as well as to all our stakeholders."**

**David Tyler – Chairman**



The Board believes in the benefits of diversity and in 2017 the Nomination Committee has spent time reviewing succession planning and talent development in our business. The Nomination Committee has noted with interest a number of external reports which have been published during the course of 2017 on the broad subject of diversity in the workplace. I was co-chair of the Parker Review Committee which published a report into the ethnic diversity of UK boards. I and my fellow Directors on the Nomination Committee strongly support the initiatives within our business to promote diversity. The Board monitors the development of the Company's diversity and inclusion strategy and the Nomination Committee continues to keep diversity on the Board itself under close review. You can read more about this in the Nomination Committee report on pages 82 to 83 and the People section of the Strategic Report on pages 46 to 48.

## Stakeholders

We have a comprehensive investor relations programme and during the year I met personally with representatives of major shareholders in the UK and the Netherlands to discuss the implementation of our strategy and the progress of our business. I found these meetings very informative which allowed me to provide useful feedback to the Board. The Board is very conscious that there are a number of stakeholders in our business model and it is our job to consider the interests of each stakeholder group when making decisions which may affect them. The Board naturally spent a good deal of time discussing the potential effects on our stakeholders as part of its evaluation of the proposed acquisition of intu properties plc.

2017 was a significant milestone for the business as we marked our 75th birthday. During the year there were a number of opportunities for Directors to meet with colleagues from many areas of the business, former colleagues and other stakeholders. I was delighted to take part in some of these events and to meet many of the people who have helped to make this business the success it is today. I took the opportunity to reflect on our progress which is a tribute to the talented people who work and have worked in the business.

At Hammerson we realise that our business has an impact on the communities in which we operate and therefore our vision is to create sustainable, high-quality destinations which deliver a positive result for all of our stakeholders both now and in the future. For example in March 2017, we launched our objective to become Net Positive by 2030. More information about this initiative can be found on page 43 and on our website [www.hammerson.com](http://www.hammerson.com).

The General Counsel and Company Secretary also discussed corporate governance and compliance matters in a number of conference calls held with shareholders and other interested parties during 2017.

## Board changes and effectiveness

The Nomination Committee annually reviews the composition of the Board to ensure it has the appropriate skills, knowledge and experience for the business. In 2017 there were no Board changes. Clearly, the Nomination Committee will continue to be thoughtful about the composition of the Board.

One of my responsibilities is to ensure that the Board is performing effectively and as part of this process we carry out an annual review facilitated internally, and externally every three years. The review in 2017 was conducted internally and I am pleased to report that we believe that the Board continues to operate effectively. I am satisfied that each Director makes a valuable contribution to the work of the Board. You can read more about the process followed and the outcomes of the review on page 81.

I am satisfied that our governance structures remain effective and support the business. When the new UK Corporate Governance Code is published in 2018 we will review our governance structures to ensure we remain fully compliant.

## Looking ahead

The Board and I look forward to an exciting year in the evolution of Hammerson's business. One of our main responsibilities will be to oversee preparations in the business for the completion of the acquisition of intu properties plc. We will be assisted in this by a highly committed and experienced senior management team supported by enthusiastic, engaged and hardworking colleagues, as well as experienced external advisory teams.

I continue to admire both the skills and the enthusiasm for the business of the many colleagues I have met this year. I would like to thank all of our colleagues very much for their contribution during 2017.

**David Tyler**

Chairman

**The Company has complied in full during 2017 and to the date of this report with the provisions of the UK Corporate Governance Code published in April 2016. The Code is publicly available at the website of the Financial Reporting Council at [www.frc.org.uk](http://www.frc.org.uk).**

## BOARD OF DIRECTORS

# Leading the business



**David Tyler**



Chairman

**Appointed to the Board**  
12 January 2013 and  
appointed Chairman  
on 9 May 2013

### Committee membership



### Skills and experience

David Tyler is an experienced chairman and is currently chairman at J Sainsbury plc and Domestic & General. He has over 40 years' experience in both executive and non-executive roles in a variety of businesses spanning the consumer, retail, business services and financial services sectors. He is the co-chair of the Parker Review Committee.

### Previous roles

Chairman of Logica plc and 3i Quoted Private Equity plc, finance director of GUS plc and of Christie's International plc, and senior financial and general management roles with County NatWest Limited and Unilever PLC. Non-executive director of Burberry Group plc, Experian plc and Reckitt Benckiser Group plc.



**David Atkins**



Chief Executive

**Appointed to the Board**  
1 January 2007 and  
appointed Chief Executive  
on 1 October 2009

### Skills and experience

David Atkins is a Chartered Surveyor who joined the Company in 1998. His career at Hammerson began 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. In 2016 he was appointed as a non-executive director of Whitbread PLC. He is a member of the policy committee of the British Property Federation, a director and trustee of the Reading Real Estate Foundation and a governor and trustee of Berkhamsted Schools Group.

### Previous roles

Member of the executive boards of the European Public Real Estate Association and Revo (previously known as BCSC) and a member of the Revo Educational Trust.



**Peter Cole**



Chief Investment Officer

**Appointed to the Board**  
1 October 1999

### Skills and experience

Peter Cole is a Chartered Surveyor who joined the Company in 1989 as a Senior Development Surveyor. He was appointed to the board of the Company's UK business in 1992. In 1999 he assumed responsibility for Hammerson's development, acquisition and disposal programme. He implemented the disposal of the London offices in 2012 and he has led the Company's major regeneration and investment projects.

### Previous roles

President and general council member of the City Property Association.



**Timon Drakesmith**



Chief Financial Officer and Managing Director, Premium Outlets

**Appointed to the Board**  
30 June 2011

### Skills and experience

Timon Drakesmith is a Chartered Accountant who joined the Company in 2011 as Chief Financial Officer. He has experience of working in commercial property having spent six years as finance director at Great Portland Estates plc. He is currently a non-executive director of Value Retail PLC and The Merchants Trust PLC, and chairman of VIA Outlets' advisory and investment committees.

### Previous roles

Finance director of the MK Electric division and group director of financial operations of Novar plc, and other financial roles at Credit Suisse, Barclays and Deloitte Haskins & Sells.



**Jean-Philippe Mouton**



Executive Director

**Appointed to the Board**  
1 January 2013

### Skills and experience

Jean-Philippe Mouton joined Hammerson in 2003 with responsibility for property leasing, development and asset management in France. In 2006 he assumed responsibility for managing the French portfolio as Director of Operations and in 2009 became the Managing Director of Hammerson's French business. He also has Board responsibility for marketing where he can draw on experience gained while working for Disneyland Paris.

### Previous roles

Director of strategic planning at Disneyland Paris and positions at The Walt Disney Company and Standard Chartered Bank.



## Key to Committee membership

A Audit Committee

N Nomination Committee

R Remuneration Committee

Committee Chairman

**Pierre Bouchut**

Non-Executive Director

**Appointed to the Board**  
13 February 2015

**Committee membership**

**Skills and experience**

Pierre Bouchut has considerable senior management experience in finance, European retail and European property. He is currently an adviser to Koninklijke Ahold Delhaize N.V. having stood down as chief operating officer, Europe and Indonesia on 1 January 2018. He is also a non-executive director and chairman of the audit committee of Firmenich SA.

**Previous roles**

Senior management roles and chief financial officer at Delhaize Group SA, Carrefour SA, Casino, Guichard-Perrachon SA and Schneider Electric SA. Non-executive director of La Rinascente SpA and non-executive member of the advisory boards of Qualium Investissement and Lombard Odier Asset Management (Switzerland) SA.

**Gwyn Burr**

Non-Executive Director

**Appointed to the Board**  
1 May 2012

**Committee membership**

**Skills and experience**

Gwyn Burr has expertise in marketing and leading customer service processes for major retail brands. She is currently a member of the board, remuneration committee and chairman of the nominations committee of Sainsbury's Bank plc. She is also a non-executive director of Just Eat plc, Metro AG, Taylor Wimpey plc and Ingleby Farms and Forests ApS. Gwyn will be stepping down as a non-executive director of DFS Furniture plc in Spring 2018.

**Previous roles**

Senior roles in marketing, customer service and financial services at Asda plc. Customer service and colleague director at J Sainsbury plc. Non-executive director of the Principality Building Society, director of the Incorporated Society of British Advertisers and chair of Business in the Community, community investment board.

**Terry Duddy**

Non-Executive Director and Senior Independent Director

**Appointed to the Board**  
3 December 2009

**Committee membership**

**Skills and experience**

In addition to the capabilities and experience of managing a large public company, Terry Duddy brings specific insight into customer behaviour and retail markets. He is currently the chairman of retailTRUST, senior independent director of Debenhams plc and a non-executive director of Majid Al Futtaim Properties LLC.

**Previous roles**

Chief executive of Home Retail Group plc, director of DSG Retail Limited and trustee of Education and Employers Taskforce.

**Andrew Formica**

Non-Executive Director

**Appointed to the Board**  
26 November 2015

**Committee membership**

**Skills and experience**

Andrew Formica is an actuary, having qualified in Australia and the UK. He has considerable experience in capital markets and fund management, including property management, and has managed portfolios and businesses across Europe and globally. In 1993 he joined the Henderson Group, where he has held various senior positions, and in 2008 became the chief executive of Henderson Group plc. He became the co-chief executive of Janus Henderson Group Plc in May 2017. He is also the deputy chairman of the Investment Association.

**Previous roles**

Non-executive director of TIAA Henderson Real Estate Limited.

**Judy Gibbons**

Non-Executive Director

**Appointed to the Board**  
1 May 2011

**Committee membership**

**Skills and experience**

Judy Gibbons has a background in e-commerce, software, internet technologies, digital media and mobile applications. She also has extensive experience in marketing and international business. She is currently a non-executive director of Michael Kors Holdings Limited and Virgin Money Giving Limited. She is chair of Which? Limited and a trustee of House of Illustration, Nesta and Somerset House Trust.

**Previous roles**

Non-executive director of Guardian Media Group plc and O2 plc, corporate vice-president of Microsoft Corporation and venture partner of Accel Partners. Senior roles in marketing and product development at Apple Inc. and Hewlett-Packard.

## GROUP EXECUTIVE COMMITTEE

# Managing the business

 **See the Directors' biographies on page 72.**



**David Atkins**  
Chief Executive

**Joined Group Executive Committee** 2007 and appointed Chairman in 2009

### Committee membership

CR F I



**Peter Cole**  
Chief Investment Officer

**Joined Group Executive Committee** 1999

### Committee membership

F I



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

**Joined Group Executive Committee** 2011

### Committee membership

IT F HS I RC



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

**Joined Group Executive Committee** 2009

### Committee membership

CR F HS I



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

**Joined Group Executive Committee** 2013

### Committee membership

CR IT HS UI

Andrew 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.



**Sarah Booth**  
General Counsel and Company Secretary

**Joined Group Executive Committee** 2011

### Committee membership

I RC

Sarah was appointed as General Counsel on 29 March 2010 and as Company Secretary on 22 September 2011. Before joining Hammerson she was general counsel at Sodexo UK and prior to that legal and corporate development director at Christian Salvesen PLC. Sarah began her career at Dickson Minto WS where she qualified as a solicitor.



**Mark Bourgeois**  
Managing Director, UK and Ireland

**Joined Group Executive Committee** 2017

### Committee membership

CR IT HS I RC UI

Mark joined Hammerson in 2017 as Managing Director of UK and Ireland. Mark began his career at KPMG; he then qualified as a chartered surveyor with Donaldsons. Most recently he was at Capital & Regional plc where, as an executive director, he led the management and development of their shopping centre portfolio.



**Gérald Férézou**  
Deputy Managing Director, France

**Joined Group Executive Committee** 2013

### Committee membership

F RC

Gérald joined Hammerson as a property analyst in 2006 and took on responsibility for the French investment programme in 2008. In 2013 he became Deputy Managing Director of Hammerson's French business. Gérald began his career in corporate finance roles at Arthur Andersen and Nexity.

### Key to Committee membership

CR Corporate Responsibility Board

IT Group IT Committee

F Hammerson France Management Board

HS Health and Safety Committee

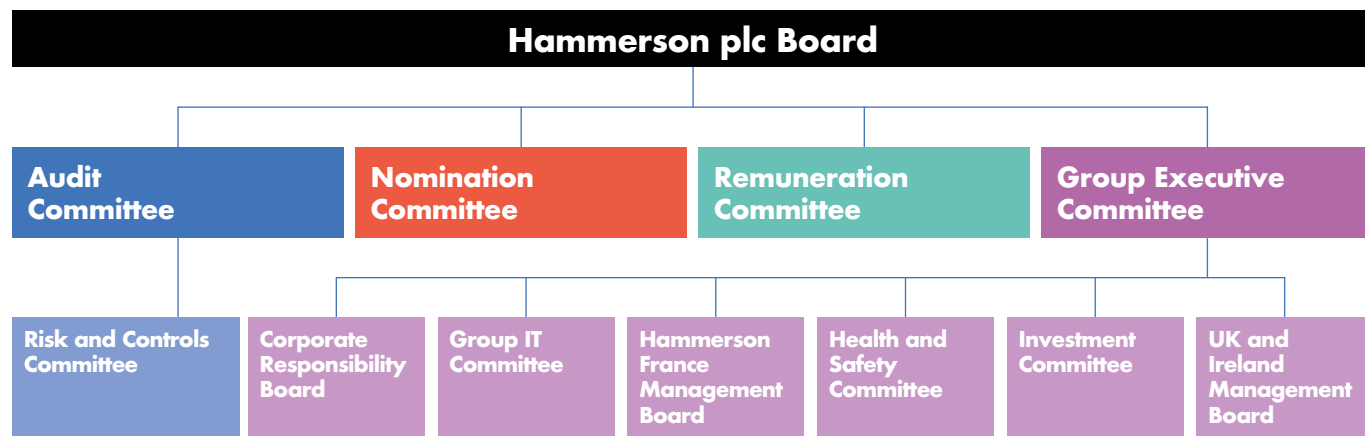
I Investment Committee

RC Risk and Controls Committee

UI UK and Ireland Management Board

Committee Chairman

# Hammerson's governance structure



Hammerson's governance structure is illustrated above. The Board has delegated a number of its responsibilities to its Audit, Nomination and Remuneration Committees. The terms of reference of each of these Committees and the Board's schedule of reserved matters can be found at [www.hammerson.com](http://www.hammerson.com). When the need arises, a standing Disclosure Committee is convened to consider timely and accurate disclosure of any information required to be disclosed to meet legal and regulatory obligations under the Listing Rules.

For further information about the Board and its Committees see the UK Corporate Governance Code compliance section of this report on page 114, the Nomination Committee report on page 82, the Audit Committee report on page 84 and the Directors' remuneration report on page 88.

Responsibility for operational matters, including the implementation of the Group's Business Plan and strategy, is delegated by the Hammerson plc Board to the Chief Executive, David Atkins. The Group Executive Committee which is chaired by David Atkins is responsible for managing the business, delivering the strategy, managing risk, establishing financial and operational targets and monitoring performance against those targets, as set out in its own terms of reference. The Group Executive Committee meets formally once a month. The members also meet most weeks for informal discussions on day-to-day issues.

The Group Executive Committee is supported by the following committees which are each chaired by a Group Executive Committee member:

- Corporate Responsibility Board
- Group IT Committee
- Hammerson France Management Board
- Health and Safety Committee
- Investment Committee
- UK and Ireland Management Board

The Group Executive Committee also receives regular updates on the Value Retail and VIA Outlets businesses, which are externally managed. Timon Drakesmith is a board member of Value Retail PLC and is chairman of VIA Outlets' advisory and investment committees.

The Risk and Controls Committee supports the Audit Committee by promoting the application of the Risk Management Framework around the business and manages the internal audit programme. See page 61 for further information.

At its meetings the Group Executive Committee receives 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 receives regular update reports from each of the committees. The Group Executive Committee monitors the progress of the strategic and operational objectives through the delivery of the Business Plan. It reviews the Group's Risk Management Framework and internal controls in conjunction with the Risk and Controls Committee. It has responsibility for ensuring development and succession plans are in place so that the business has people of the right calibre and skills to deliver the Business Plan.

During the year, in addition to the regular reports described above, the Group Executive Committee:

- Received a report on cyber security arrangements within the Group
- Reviewed an update report on Sustainability targets and outcomes for 2016 and priorities for 2017, including the launch of the Group's Net Positive strategy in March
- Reviewed and approved a proposal for Board approval for the VIA acquisition of Norwegian Outlet, Oslo
- Reviewed and approved the Modern Slavery Act statement for Board approval to publish on the Company's website
- Discussed the rationale for, and approved the formation of, an Investment Committee to focus on capital allocation and investment, which was implemented in July 2017
- Monitored security arrangements at the Group's shopping centres
- Received a presentation on the post-completion review of the Victoria Gate, Leeds development and lessons learnt
- Received an update presentation on the Group's internal communications and launch of a new intranet

Hammerson has established an Integration Committee, formed of members of the Hammerson management team, to plan and manage the integration of the Hammerson and intu businesses, following the acquisition of intu properties plc.






# Board activity

## An insight into the year

### How governance supported the delivery of Hammerson's strategy in 2017

Hammerson's governance framework is designed to support our strategy and is underpinned by the Company's culture and values. These values: ambition, respect, collaboration and responsibility, are central to the way we run the business. The Company's success depends on the Board's continual commitment to high standards of corporate governance and a strong, positive culture across the business while managing effectively the risks and uncertainties of the markets in which we operate. We have set out below how the Board's governance role links to the strategic objectives of the business and the risks identified in the Risk Management Framework and what the Board did during the year to support those objectives.

Strategic priority	Board governance role	Risk Management Framework	Key Board activities in 2017
<b>Focus on growing consumer markets</b> 	<ul style="list-style-type: none"> <li>- Determine risk appetite</li> <li>- Oversight of acquisitions/disposals programme as part of active management of our property portfolio, realising proceeds to recycle into higher growth opportunities</li> <li>- Oversight of major development projects</li> <li>- Review and approve corporate acquisitions</li> </ul>	<ul style="list-style-type: none"> <li>- Macro-economic</li> <li>- Retail market</li> <li>- Property investment</li> <li>- Property development</li> <li>- Tax and regulatory</li> <li>- Acquisition completion</li> </ul>	<ul style="list-style-type: none"> <li>- Strategy Day – reviewed strategic focus and risks</li> <li>- Recommended the potential acquisition of intu properties plc</li> <li>- Approved disposal of Westwood and Westwood Gateway Retail Parks, Thanet, Saint Sébastien, Nancy and Place des Halles, Strasbourg</li> <li>- Approved purchase of Cergy 3 shopping centre and committed to the extension project</li> </ul>
<b>Create differentiated destinations</b> 	<ul style="list-style-type: none"> <li>- Oversight of the portfolio</li> <li>- Review of the development pipeline</li> <li>- Ensure balance of interests between all stakeholders</li> </ul>	<ul style="list-style-type: none"> <li>- Retail market</li> <li>- Property development</li> <li>- Acquisition completion</li> <li>- Catastrophic event</li> <li>- People</li> <li>- Environmental</li> </ul>	<ul style="list-style-type: none"> <li>- Approved launch of Net Positive strategy</li> <li>- Visited Westquay, Southampton</li> <li>- Visited Victoria, Leeds</li> <li>- Considered value-add initiatives and technologies</li> <li>- Oversaw progress in Croydon Partnership's development plans for the Whitgift Centre, Croydon</li> </ul>
<b>Promote financial efficiency and partnerships</b> 	<ul style="list-style-type: none"> <li>- Oversight of Group's financial performance</li> <li>- Review of capital structure</li> <li>- Review of major changes to corporate structure</li> </ul>	<ul style="list-style-type: none"> <li>- Macro-economic</li> <li>- Treasury</li> <li>- Partnerships</li> <li>- Tax and regulatory</li> <li>- People</li> <li>- Environmental</li> <li>- Acquisition completion</li> </ul>	<ul style="list-style-type: none"> <li>- Approved £360 million Revolving Credit Facility</li> <li>- Approved early redemption of £250 million 6.875% bonds due 2020</li> <li>- Together with 50% joint venture partner, Allianz Real Estate, approved €625 million seven-year loan secured against Dundrum Town Centre, Dublin</li> </ul>



See our strategy on page 16 and the Risk Management Framework on page 63.

## Visiting the business

Getting out and about in the business is important for the Board as this enables the Non-Executive Directors to see first-hand how our assets are run and, importantly, meet local teams. This provides an experience of the business which cannot be replicated in the board room and also enables the Directors to engage with teams at all levels in the business. Such activities give a real insight into how the culture and values of the business work in a day-to-day setting. The Board generally undertakes one or two visits to operational locations during the year and holds at least one Board meeting at a Hammerson location other than the head office. All of this gives the Directors an opportunity to review operations, meet local teams and discuss their particular challenges.

### Board visit to Westquay, Southampton

In 2017 the extension to Westquay, Southampton was launched. The June Board meeting at Westquay, Southampton enabled the Board to make a visit of the extension and the existing shopping centre. The visit, scheduled over two days, included a tour of Southampton, a walking tour of the asset and an opportunity for the Board to meet colleagues from the local asset management and development teams. The Board also received a presentation from the Group Product Manager and the General Manager of the shopping centre. During the visit the Board had informal opportunities for discussion and engagement with the local teams and gained an insight into the operational challenges of running this shopping centre.



**For more information see the iconic destinations section on page 20.**



### Board visit to Victoria, Leeds



The Board made a visit to Victoria, Leeds in May which was scheduled outside the normal formal calendar of Board meetings. Allocating a full day to the visit enabled the Directors to undertake a series of meetings including opportunities for discussion and interaction with the local teams responsible for development, leasing and centre management.

Following the completion of Victoria Gate and its opening in October 2016, this was an opportunity for the Board to tour the Company's interests in Leeds, accompanied by the Asset Manager, and view the shopping centre first-hand. Following the tour the local teams involved in the Board's visit provided the Directors with key highlights as well as insights into the risks and challenges of running this centre and how these were being managed. The Asset Manager gave a presentation covering the shopping centre business plan and an overview of the asset. The Development Manager gave a review of the development to opening in October 2016 and discussed the challenges and successes and how the risks were managed during the development. He also gave an update on future development opportunities in Leeds. The Group Head of Insight provided an analysis of tenant and shopper data and the leasing team provided insight into the leasing strategy and the retail tenant mix. The presentations concluded with a talk from the General Manager of the shopping centre on the approach to management of the centre and initiatives underway to deliver the business plan and results achieved. Lunch provided a further informal opportunity for the Directors to engage with colleagues working in the shopping centre.

Feedback from the Directors indicated that they had found the visit very informative and that a full day to concentrate on meeting the teams and visiting the asset had worked well. Future visits like this will continue to be scheduled for the Board where possible.

## Board Strategy Day

The annual Board Strategy Day took place in the autumn. The strategy of the business is at the core of the Board's activities during the year. The Strategy Day allows the Board to focus on debating ideas and reflecting on the future direction of the business in an environment outside the board room. It is also an opportunity to reflect on progress to date against the strategy. 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 Group Financial Controller in London and Amsterdam during July 2017
- A background review of the economy and markets in which the business operates
- Key demographic, shopper, retail and technology trends
- Hammerson's performance benchmarked against that of its peers
- The economic outlook in the UK, France and Ireland

The morning was focused on customer, retail and technology trends and Hammerson's response to these. Interesting insights were provided by two external guest speakers which stimulated discussion on ways in which Hammerson should respond to the trends. The Non-Executive Directors also contributed personal perspectives and views, based on their own business experience. The scope of the agenda included a set of questions to help frame the discussions including:

- How has Hammerson delivered against its strategy?
- What has changed in economic and market trends?
- Why will customers visit Hammerson's destinations in the future?
- Are Hammerson's assets fit for purpose as customer behaviour and retail demand evolve?
- How does Hammerson maximise shareholder value?

The second half of the day was spent evaluating Hammerson's portfolio in the light of its vision and strategic priorities. The discussion ranged over ideas not just for the next year's Business Plan but over a three to five-year period and enabled the exploration of some less conventional ideas. The Board discussed considerations in connection with acquisition opportunities. In addition the Board spent some time considering a potential acquisition of intu properties plc and more details are provided in the case study on the opposite page. Following the Strategy Day certain insights and ideas generated were further discussed and refined for incorporation into the Business Plan and future strategy.

The importance of the Strategy Day lies in the opportunity for the Board to be ambitious in setting its strategic goals and to explore and evaluate new themes and ideas, which is particularly important for the Non-Executive Directors who are not involved in the day-to-day business. You can read Judy Gibbons' reaction to the day on the right.

### Judy Gibbons' perspective on the Board Strategy Day

"This year's Strategy Day provided an excellent forum for the Board and management to step back and look at the wider context in which the Company is operating. The extensive and well-planned materials in the pre-reading helped the attendees to prepare well and consider the issues they felt were important to focus on.

On the day itself we had the benefit of some excellent external speakers who presented their views on trends in technology and how these are influencing consumer behaviour. This led to a productive discussion as to how these changes are affecting the retailers and what more we can do to add value to their businesses. We also benefitted from the contribution to discussions made by all the Group Executive Committee and other senior colleagues who attended.

The second part of the day was focused on reviewing the business in the light of these changes and discussing our strategic goals and approach going forward.

I find the Board Strategy Day one of the most stimulating events in the Board's calendar as it provides an opportunity for an in-depth review of the business and an evaluation of multiple scenarios that we need to be prepared for."





# Governance supporting the strategy: proposed acquisition of intu properties plc

During 2017, in the context of considering acquisition opportunities aligned with the Company's strategy, the Board considered a potential transaction involving intu properties plc. Early discussions included a consideration of, among other matters:

- Rationale for the transaction
- intu properties plc's portfolio
- Potential cost synergies
- Brand and digital considerations
- Key risks
- Key financial considerations

Further preliminary work took place over the next few months so that by the time of the Board Strategy Day in early October, the Board was able to consider the opportunities and risks of such a transaction in greater detail. At the Board Strategy Day the Directors debated a range of merger and acquisition options and considered the relative merits of a transaction involving intu properties plc in comparison with other options. At subsequent meetings, the Board reviewed a number of key considerations including:

- The quality of the retail assets that would be acquired
- The benefits of greater scale, reduced costs and synergies
- Financial considerations and analysis
- The mechanics to effect the acquisition



The Board concluded that the acquisition of intu properties plc presented the most compelling and feasible opportunity which would support the Company's longer-term strategic ambitions and deliver financial returns for shareholders and positive benefits for other stakeholders. Following this the Board authorised further discussions with intu properties plc.

Management and the Board's advisors produced a number of detailed papers to help the Board consider various aspects of the acquisition opportunity. In particular the Board considered:

- A risk analysis
- Financial projections
- The effect on the Group's key stakeholders including colleagues, major shareholders, customers and partners
- Its responsibilities under the terms of the UK Takeover Code and other legal requirements
- The terms of the transaction

Day-to-day consideration of the transaction was delegated to a committee of the Board, monitored by the Board as a whole to ensure that all duties were fulfilled. Procedures were put in place to deal with any potential leak of market-sensitive information and monitored by the Board's Disclosure Committee.

A number of Board meetings were held to discuss the merits and risks of the proposed transaction, review the progress of negotiations and approve next steps. In between formal Board meetings, the Chairman and the Chief Executive and other members of senior management kept the Board informed of significant developments.

During the period prior to the announcement of the potential transaction, the Board received advice from internal Hammerson teams including legal, treasury and finance functions. Hammerson's external legal team, corporate brokers, corporate sponsor and investment advisory banks also provided advice and guidance.

In early December the Board approved the formal terms of the transaction and the contents of the announcement.

On 6 December 2017, the Company announced its recommended all-share offer for intu properties plc.



**See Chief Executive's Review on page 12.**

## Engagement with stakeholders

The Board is committed to engaging closely with its stakeholders and taking their views into account.

### Institutional shareholders

Hammerson has a comprehensive investor relations programme through which the Chief Executive, Chief Financial Officer and Head of Investor Relations meet regularly with the Company's institutional shareholders to discuss strategic issues as well as present the Company's results. For the presentation of the half-year results, the Group Financial Controller stood in for the Chief Financial Officer during his leave of absence. In 2017 the investor relations programme included attendance at a number of industry conferences, and institutional shareholders, including those based in South Africa, were invited to join site visits to a number of centres in the UK and France. As part of this programme meetings were held to discuss our sustainability strategy and performance. The Chairman held nine shareholder meetings in 2017 and the opportunity to meet the Senior Independent Director was offered. Meetings were also held by the General Counsel and Company Secretary to discuss institutional shareholders' governance priorities and feedback from these meetings was reported to the Board.

Table 45

### Analysis of shares held as at 31 December 2017

Number of shares held	Number of shareholders	% of total shareholders	Holding	% of total capital
0-500	781	29.1854	139,595	0.0176
501-1,000	320	11.9581	249,404	0.0314
1,001-2,000	319	11.9207	474,287	0.0597
2,001-5,000	334	12.4813	1,044,925	0.1316
5,001-10,000	180	6.7265	1,288,758	0.1623
10,001-50,000	289	10.7997	6,923,281	0.8717
50,001-100,000	116	4.3348	8,621,018	1.0855
100,001-500,000	179	6.6891	40,217,587	5.0637
500,001-1,000,000	60	2.2422	41,890,214	5.2743
1,000,001 +	98	3.6622	693,377,349	87.3022
<b>Total</b>	<b>2,676</b>	<b>100</b>	<b>794,226,418</b>	<b>100</b>

As at 31 December 2017 the following interests in the voting rights over the issued share capital of the Company had been notified in accordance with DTR 5.

Table 46

### Share capital and substantial shareholders

	Ordinary shares of 25p each	At 31 December 2017 percentage of total voting rights
Blackrock, Inc.	72,969,764	9.190
APG Asset Management N.V.	62,111,208	7.830
Coronation Asset Management (Pty) Ltd <sup>1</sup>	55,529,051	7.000
Peel Holdings (IOM) Limited	36,230,050	4.567
Legal & General Investment Management Ltd	25,717,084	3.610
Rockcastle Global Securities Limited	23,701,816	2.988

1. On 9 February 2018 Coronation Asset Management (Pty) Ltd notified the Company that it had increased its shareholding to 8.03% of the Company's issued share capital. No other changes to table 46 have been disclosed to the Company between 31 December 2017 and 23 February 2018.

## Annual General Meeting

The Annual General Meeting (AGM) provides an opportunity for all shareholders to hear a presentation on the Company's activities and performance and ask questions in addition to voting on the resolutions proposed. The Board and members of the operational management team attend the AGM and are available to meet shareholders informally after the meeting. The 2018 AGM will be held on 24 April 2018.

## Employees and other stakeholders

The Board's visits to Victoria, Leeds and Westquay, Southampton gave the Directors the opportunity to meet colleagues in the business and to gain a first-hand view of the experience of our shoppers and hear about our relationship with retailers. They also met and held discussions with colleagues below Board level at the Board Strategy Day where consideration of the Company's stakeholders was central to the debate. Hammerson's 75th birthday celebrations during the year have provided further opportunities to engage informally with colleagues across the business and other stakeholders, including retailers and partners. In early 2018 the Board will receive a report on the employee engagement survey which was conducted in late 2017 and will review and discuss the results.

## Board effectiveness

### Review process

Every three years the Board carries out an external Board effectiveness review. In the intervening years the review is conducted internally. The Board's evaluation of its own performance provides an opportunity to consider ways of identifying greater efficiencies, maximising strengths and highlighting areas for further development.

### Board effectiveness review 2017


Following an external review in 2016, the Board conducted an internal review led by the Chairman with the support of the General Counsel and Company Secretary during the year. The 2017 review was conducted by means of an online questionnaire. It was carefully structured and designed to enable the Board to comment on progress against matters identified in the previous review as well as assist in identifying any potential for improvement in the process of the Board and its Committees. The questionnaire also focused on, amongst other matters, the purpose and impact of Board effectiveness reviews and questions on leadership and effectiveness.

The results of the review were considered by the General Counsel and Company Secretary and the Chairman following which they were discussed at the December Board meeting. A number of key themes emerged from the review including continuing the Board's focus on the culture of the business and increasing opportunities for the Non-Executive Directors to gain first-hand experience of the Group's assets. Having considered the findings of the review, the Directors were satisfied that the Board operated effectively in 2017 and there were no particular areas of concern. Areas of focus arising from the review to be addressed in the year ahead are set out below.

Table 47

Recommendations arising from the 2017 review	Agreed actions for 2018
Continued focus at Board level on the culture of the business.	In addition to informal opportunities to gauge the culture of the business, the Board will receive a formal presentation on the outcome of the 2017 employee engagement survey and an update report on the internal communications project which aims to standardise and improve employee communications, including through the use of a new intranet.
Provide further opportunities for Non-Executive Directors to visit the business on an informal basis.	The Non-Executive Directors intend to arrange their own individual programme of ad hoc visits of Hammerson's assets.
Review the Board's work plan.	The General Counsel and Company Secretary will work with the Chairman and the Board to identify other topics to be added to the Board's work plan. Consideration will be given to extending the Board's Strategy Day over a two-day period to allow more time for discussion.

### Progress during the year on the main recommendations arising from the external evaluation in 2016 are set out below:

Recommendations – 2016	Completion of 2016 recommendations
Review the annual Board and Committee meetings calendar and schedule of Board calls.	Following discussion with the Directors and the General Counsel and Company Secretary to canvass views, the Chairman proposed a number of changes to the schedule of meetings.
Keep monitoring the culture of the business.	Continued focus on annual visits to assets. Visits to Victoria, Leeds and Westquay, Southampton enabled the Board to meet colleagues in the wider business and see the culture of the business first-hand.
<div style="display: flex; align-items: center; justify-content: center;">  <span style="margin-left: 10px;"><b>You can read more about the visits on page 77.</b></span> </div>	
Review the Board papers to ensure greater consistency and improved design and that they continue to be forward-looking and avoid duplication between papers.	The General Counsel and Company Secretary has worked with colleagues on guidance to ensure greater consistency in the Board papers. The Board's feedback on improvements has been positive.
Non-Executive Directors' visibility around the business.	Non-Executive Directors who were able to schedule visits to Hammerson's assets during the year found these very informative.



# The right skills, experience, independence and knowledge



## Nomination Committee members

**David Tyler (Chairman)**  
**Pierre Bouchut**  
**Gwyn Burr**  
**Terry Duddy**  
**Andrew Formica**  
**Judy Gibbons**

## Dear Shareholders

**I am pleased to present the Nomination Committee report covering the Committee's key activities in 2017. This report should be read in conjunction with the separate report on compliance with the UK Corporate Governance Code which provides other details about the Committee. It can be found on pages 114 to 118 of this report.**

## Changes to the Board

During 2017 there were no changes to the membership of the Board. Looking forward to 2018, the Committee will continue to oversee the membership and composition of the Board particularly in the light of the proposed acquisition of intu properties plc which was announced in December 2017.

## Board experience and balance

During the year we again reviewed the composition of the Board and its Committees. As part of this review the Committee considered:

- The number and balance of Executive and Non-Executive Directors
- Committee membership
- Length of tenure
- Background, professional skills and experience
- Independence
- Diversity including age, gender and ethnicity

We also gave thought to how well the skills, knowledge and experience of the Board continue to ensure that we can support the business to deliver effectively against our strategic objectives both now and in the future. The Committee discussed emerging requirements for skills and experience on the Board as noted in the 2017 Board effectiveness review and areas which could be included in future selection criteria such as digital and commercial experience and experience in fashion retail.

Following this review the Committee is satisfied that the Board currently has an appropriate mix of skills, knowledge and experience to operate effectively. The individual Directors bring a range of skills gained in diverse business environments and have excellent track records gained from working in a number of sectors. In addition to a wide range of skills, experience of serving on other external boards

Chart 48

### Gender

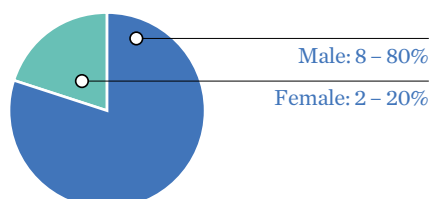


Chart 49

### Years of service

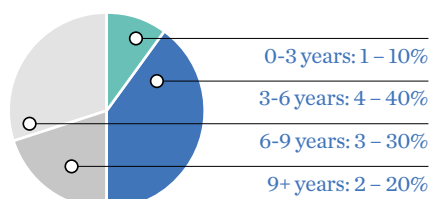


Chart 50

### Age

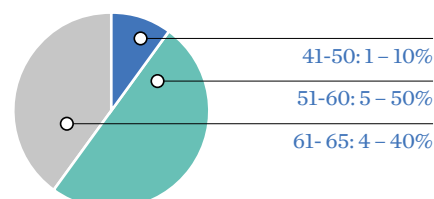


Table 51

**Skills and experience on the Board**

Audit; risk management	●	●	●		
Customer service; customer behaviours	●	●	●		
Digital technology; marketing	●	●	●		
Finance; banking; fund management	●	●	●	●	●
French market; international business	●	●	●	●	●
Mergers and acquisitions	●	●	●		
Property; regeneration projects	●	●	●	●	●
Retail	●	●	●	●	
Shareholder relations	●	●	●	●	●

● Non-Executive Director    ● Executive Director

enables the Directors to bring the benefit of a different perspective to debate in Board meetings. During the year two Non-Executive Directors served as executives on other boards. Two Executive Directors currently serve in non-executive roles on external boards. The skills and experience on the Board are summarised in Table 51 above and the Directors' biographies on pages 72 to 73 provide further information about the particular skills, knowledge and experience each Director brings to the Board.

**Diversity**

The Board recognises the benefits of diversity in its broadest sense at all levels of the business. In February 2018 the Board adopted a new diversity policy which sets out the Board's ambitions and objectives regarding diversity at Board and senior management level. This policy affirms the Board's belief in the benefits of diversity in its widest sense in the board room as well as throughout the business. Diversity on the Board and in senior teams brings wider perspectives and enables more effective discussions and better decision-making. The Board's policy aims to achieve at least one third women on the Board and Group Executive Committee by 2020. Currently there are two female directors on the Board, representing 20% of its composition, and one female member of the Group Executive Committee. Gender diversity and other measures of diversity on the Board are illustrated in the charts on the opposite page and further measures of diversity are in the People section of the Strategic Report on page 48.

When drawing up selection criteria for a Board recruitment process the Committee will have regard to diversity in its widest sense but will remain focused on recruiting on merit the best candidate for any role.

The Committee also supports and receives updates about initiatives within the business to create and promote a diverse organisation. For further information about the work taking place to promote and support diversity and inclusion at Hammerson, see page 47.

**Succession planning**

The Committee has spent time considering this important area during the year. The Committee received an update paper on succession planning for the Executive Directors and the Chief Executive reported to the Committee on discussions he had held with individual Directors. As Chairman of the Committee I also ensure that I keep 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 Executive Directors, members of the Group Executive Committee and all senior management roles in the business. The Committee reviewed the succession plans in place for each senior management role which take into account the immediate, emerging and longer-term succession plan for such roles. We were satisfied that the plan was sufficiently robust to enable vacancies to be filled on a short to medium term interim basis as well as taking into account individuals of sufficient calibre to fill future vacancies on a longer-term basis. 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 takes a keen interest in the talent pipeline for the future and is regularly updated by the Group HR Director on the steps taken to provide learning and career development opportunities for high potential colleagues in the business. In addition, the Directors have opportunities to meet talented individuals both when visiting the business and more formally in the board room when they are invited to present on particular subjects.

**Gender pay gap reporting**

During the year the Committee received a report on progress on the Company's approach to reporting on the gender pay gap and the steps being taken to prepare the data for publication on the Group's website, which is required by April 2018. The Committee approved the approach being taken and the Company's continued commitment to fair pay practices. You can read more about this on page 48.

The Committee will continue to support the Board in 2018 by ensuring the Board has the appropriate skills, knowledge and experience to operate effectively and deliver the Company's strategy. We will also continue to support the work that is being undertaken on succession planning and diversity and inclusion at all levels throughout the business.

**David Tyler**

Chairman of the Nomination Committee

# Independent scrutiny and oversight



## Audit Committee members

**Pierre Bouchut (Chairman)**  
**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 the section on how we have complied with the UK Corporate Governance Code which is on pages 114 to 118.**

During 2017, the Committee has continued to provide independent scrutiny of the processes in place to monitor the Company's financial and non-financial reporting. This included oversight of the viability statement process and ensuring that this Annual Report meets the criteria for fair, balanced and understandable reporting. We have also overseen the Group's systems of internal control and risk management. At every meeting the Committee considers the Risk Management Framework. This forms a basis for discussion to confirm that risks are appropriately identified and categorised, that their potential impact on the Group is understood and appropriate resources are in place to mitigate them to ensure they remain within the Group's risk appetite. I confirm on behalf of the Committee that no significant failing or weaknesses in the Group's control structures were identified in 2017.

## Valuation of the portfolio

A key responsibility of the Committee is to consider the valuation process in relation to the Group's property portfolio and satisfy ourselves that it has been carried out appropriately. This is the Committee's most significant financial judgement. The Committee has scrutinised the valuations and, in addition, I met Cushman & Wakefield (the Valuer) independently and I am satisfied with the conclusions reached by the Valuer. Further details of the Committee's assessment of significant financial judgements are set out in greater detail on page 87.

## New External Auditor

Following the process to appoint a new external auditor which culminated in the appointment of PricewaterhouseCoopers LLP (PwC) and approval of this appointment by shareholders at the 2017 Annual General Meeting, I am pleased to welcome PwC as the Company's new External Auditor. A key focus this year has been ensuring the effective transition of the external audit process from Deloitte LLP to PwC and we describe the induction process in more detail on page 85. Both the Committee and I welcome the fresh perspective that the new audit team brings and the significant transition work undertaken during the year. We look forward to working with PwC in the future.

## Committee members

Each of my fellow Committee members brings a wide knowledge and significant experience in business at a senior level in financial reporting, risk management, internal controls and strategic management which enables us to discharge our duties properly. I also fulfil the requirement of bringing recent and relevant financial experience to the Committee.



**More information can be found on Committee members on page 73.**



## Financial Reporting Council review

During the year the Company received a letter from the Financial Reporting Council (FRC) concerning its review of the Company's 2016 Annual Report. It should be noted that the object of the FRC's review is not to verify that the information in the Annual Report is correct but rather to consider compliance with reporting requirements. I am very pleased to report that the FRC raised no significant findings and had no questions that they wished to raise. The letter highlighted a number of matters which, while not requiring a formal response, the FRC believed would improve existing disclosures and these have been addressed in this Annual Report.

## 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 respond to questions on the content, management, and quality and focus of discussion during meetings. Views were also sought on some of the specific activities the Committee undertakes, for example, overseeing property valuations and considering significant financial judgements. I am pleased that responses indicated that the Committee is performing well with no particular concerns.

## Anti-bribery and corruption

The Committee considered the policies and procedures in place in the Group to prevent bribery and corruption and were satisfied that these were appropriate. These include the Code of Conduct, Anti-Fraud Policy and Response Plan, Whistleblowing Policy and Gifts and Entertainments Policy. The Code of Conduct sets the ethical and cultural tone at Hammerson and all employees are expected to follow it. You can read more about the management of these risks in the Risk section on page 61 and the People section on page 46 of the Annual Report.

## Whistleblowing arrangements

During the year the Committee monitored the Group's whistleblowing arrangements and received an annual Whistleblowing and Fraud report. Two incidents were raised during the year, which were treated as whistleblowing and were reported to the Committee. The first related to allegations of operational shortcomings and the second to allegations of specific control weaknesses. One is concluded and the other is ongoing. I view the reporting of such incidents as a positive reflection of our culture in which colleagues feel able to raise their concerns which can then be properly investigated. You can read more about Hammerson's Whistleblowing Policy on page 117.

I am satisfied that the regular discussion and challenge which the Committee has had with senior management, PwC, the Risk and Controls Manager and the Valuer, together with the continuing high quality of reports and information, has enabled us to discharge our duties and responsibilities effectively.

### Pierre Bouchut

Chairman of the Audit Committee

## Transition to PwC, the Company's new External Auditor

Following the decision to undertake an audit tender during 2016, a recommendation to appoint PricewaterhouseCoopers LLP (PwC) as the Group's new External Auditor for the 2017 financial year was approved by the Board in October 2016, and was subsequently approved by shareholders at the 2017 AGM.

In order to achieve as smooth a transition as possible, a plan was drawn up early on with the aim of familiarising the new lead audit partner, Paul Cragg, and his team with the Hammerson business. PwC shadowed the work of Deloitte LLP (Deloitte), the outgoing External Auditor, during the year end process for 2016 and attended the January and February 2017 Audit Committee meetings.

Meetings were held with PwC to discuss and agree the transition process, following which PwC prepared a detailed plan covering, amongst others, the following key steps:

- Meetings and regular communication with Deloitte to agree handover protocol and arrange necessary correspondence
- Introductory meetings with senior management across the business to enhance PwC's understanding of the Group and key business processes
- Review of Deloitte's papers following the 2017 AGM to enable PwC to gain assurance over the December 2016 closing balances
- Regular meetings with the Hammerson finance team
- Visits to shopping centres in the UK and France to see first-hand how these assets are run
- Visit to Bicester Village to gain insight into how a premium outlet is run
- Visit to Elliott's Field, Rugby to gain insight into the retail parks business
- Early engagement with EY LLP, the auditor for Value Retail
- Appointment of PwC to complete the Group's first year Irish statutory entity audits for the 2016 year end
- Appointment of PwC as External Auditor for the Group's French subsidiary audits
- Meetings with the local finance teams in France and Ireland and at VIA Outlets
- Meetings with the Group's Valuer to understand the valuation process, and
- Understanding the Group's processes and controls prior to the 2017 half-year review

PwC and the Group's finance teams keep in regular, frequent contact. The transition period has gone smoothly and we look forward to working with PwC over the coming years.

## **Effectiveness of the External Auditor**

Following this first year that PwC has been the External Auditor, the Committee considered the effectiveness of the External Auditor as part of the 2017 year end process. The Committee sought the views of key members of the finance team and their feedback confirmed that PwC had carried out a smooth handover process from Deloitte, the outgoing External Auditor, and 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 2017 effectively and efficiently.

## **Non-audit services**

The Committee recognises the need for objective and independent auditors and how such objectivity might be, or appear to be, compromised through the provision of non-audit services by the External Auditor. During the year the Committee considered the extent of the non-audit services provided by PwC. Details of the provision of non-audit services and associated fees are included in the Annual Report on page 117 and the full policy is available at [www.hammerson.com](http://www.hammerson.com). Details of the fees paid to PwC during the year are shown in Note 4 to the financial statements on page 142.

## **Fair, balanced, understandable**

The Committee adopted the same approach as in previous years to ensuring that the 2017 Annual Report is fair, balanced and understandable. The process was led by an internal editorial team consisting of members drawn from Group Finance, the Company Secretariat, Corporate Communications, Investor Relations and Marketing. The editorial team met regularly to review progress and ensure balanced reporting with appropriate links between key themes and sections of the Annual Report. A paper was presented to the Committee to help them challenge and test the assessment that the report was fair, balanced and understandable. The Committee together, with senior management, reviewed the report during its production period and the Committee and then the Board were able to confirm that the Annual Report, taken as a whole, is fair, balanced and understandable and provides the necessary information for shareholders to assess the Company's position, performance, business model and strategy.

## **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 has conducted a robust assessment and recommended to the Board that it could approve and make the Viability statement on page 69.

## **Internal audit**

As reported in last year's Audit Committee report, new internal audit arrangements were implemented in 2016 which use a combination of internal and external resources to monitor the Group's internal audit procedures. These arrangements enable the Risk and Controls Manager, who leads internal audit activities, to draw on expertise in specific areas from outside the Company where a high degree of specialist technical knowledge is required.

In order to determine the internal audit programme for 2017, the Group's Risk Management Framework was reviewed and key risks which had not been subject to recent internal audit or key areas of change were identified. The proposed programme was discussed and agreed with the Risk and Controls Committee ahead of a review by the Audit Committee. Having satisfied itself that the programme was based on a thorough review of the Group's key business activities and related risk areas, the Committee approved the proposed programme. During 2017 audits were carried out on the following activities:

- Starters, leavers and change processes
- Shopping centre operations
- Treasury
- VIA Outlets (lease management and credit control)
- Completion of 2016 internal audit recommendations

The Committee received an internal audit update report at each meeting to review progress on the programme. Each of the audits confirmed that these areas were appropriately controlled. Some recommendations for improvement were identified and agreed with management and responsibility for implementation was assigned. The Committee also received reports on progress on any outstanding actions from earlier audits and the expected timetables for their completion.

In addition, the Committee also received updates on preparation for the implementation of policies and procedures in compliance with the General Data Protection Regulation which will apply from May 2018.

In 2018 the Committee expects to continue to follow a risk-based approach to internal audit. Risk areas scheduled for audits in 2018 include sustainability reporting, the integration of the Irish assets, joint venture asset management services, VIA Outlets management information, turnover rents in France and the supplier payment process.

## **Effectiveness of internal audit**

As reported last year, it was agreed that a review of the Group's new internal audit arrangements would be undertaken in 2017.

The review of the effectiveness of the internal audit was carried out using a specifically created online survey tool and was completed by Committee members, certain members of senior management who had received and reviewed audit reports, and also participants who had been directly involved in an internal audit. The responses to the survey were analysed and collated into a report which was reviewed and discussed with the Chairman of the Committee. The survey responses indicate that the Group's internal audit function is performing well with no significant concerns raised. The responses also confirmed that the change to the new internal audit arrangements has resulted in an improved approach for the Group which provides effective assurance over the Group's risk and controls environment.

## Significant financial judgements

In preparing the Group's and Company's accounts there are a number of areas requiring the exercise by management of particular judgement or a high degree of estimation. The Committee's role is to assess whether the judgements and estimates made by management are reasonable and appropriate. Set out below are the key financial reporting and significant financial judgements which were addressed by the Committee during the year.

Table 52

Key financial reporting and significant financial judgements considered in relation to the financial statements	How addressed by the Committee
<p><b>Valuation of the Group's property portfolio</b></p> <p>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).</p> <p>Valuations are undertaken by the Group's independent valuer, Cushman &amp; Wakefield (the Valuer), and are thoroughly reviewed by management and the Group's External Auditor.</p> <p>There is a higher degree of subjectivity in the valuation of the Group's premium outlets as these require judgement about future trading and operating performance and discount rates.</p>	<p>The Committee ensured that there was a robust procedure in place to satisfy itself that the Valuer's valuations and assumptions were appropriate. 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.</p> <p>The Valuer presented the valuations for all the Group's properties to the Committee in July 2017 and January 2018. 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 Chairman 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 Chairman of the Committee also held a private meeting with PwC to discuss their review of the valuation process and their conclusions.</p> <p>The Committee concluded that the valuation of the Group's property portfolio has been carried out in an appropriate manner and was therefore suitable for inclusion in the Group's financial statements.</p> <p> <b>For further details see the Auditor's report on page 122 and note 1 to the financial statements on pages 135 to 138.</b></p>
<p><b>Accounting for significant transactions</b></p> <p>During the year the Group undertook a number of acquisitions and disposals. 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. For property acquisitions involving corporate entities, an assessment is also required to decide whether the purchase should be accounted for as an asset acquisition or business combination.</p>	<p>The Committee reviewed management's report explaining the proposed accounting treatment for transactions completed during the year. These included the sale of Place des Halles, Strasbourg and the impact on the associated non-controlling interest and the final Irish loan conversion to acquire the property ownership of Pavilions shopping centre in Dublin.</p> <p>The Committee reviewed and challenged the proposed accounting treatments and was satisfied that the approach adopted was appropriate.</p> <p> <b>For further details of the accounting treatment applied to such significant transactions see note 1 to the financial statements on pages 135 to 138.</b></p>
<p><b>Presentation of information</b></p> <p>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.</p> <p>Judgement is required to ensure disclosures and associated commentary clearly explain the performance of the business and to provide reconciliations to the IFRS financial statements.</p>	<p>The Committee reviewed the disclosure and commentary within the Annual Report including the relative prominence of APMs and IFRS financial measures. The Committee was satisfied with the disclosures and reconciliations provided.</p> <p> <b>For further details on management's presentation of financial information see page 53.</b></p>



# Balancing reward and performance



## Remuneration Committee members

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

## Dear Shareholders

**As Chairman of the Remuneration Committee (Committee) I am pleased to present our Directors' Remuneration Report for the year ended 31 December 2017.**

Our Remuneration Policy was approved during the year by shareholders at our 2017 AGM with 98.7% of the shares voted in favour. We consulted with a number of major shareholders on the Policy and, after consideration of several options, the Policy remained largely unchanged from the previous version apart from updating for best practice and clarification.

### Context

You will see set out in Table 53 below the major items and decisions made by the Committee during the year. The deliberations of the Committee are made against a backdrop of both the wider economy and market within which the Company operates and specific Company performance.

The past year has seen the continuation of themes which emerged during 2016. Political and economic uncertainty, the UK's exit from the EU and the focus of shareholders and government on remuneration have all been the setting against which the Committee has performed its duties.

Hammerson has seen strong financial performance against a demanding market background. We have let more space by value than in any other year and met our disposals target. The year has seen strong earnings growth and significant refinancing activity to keep us in a sound financial position for the future.

In determining the overall annual bonus (AIP) outturn, the Committee has also taken into account individual Executive Director performance against their personal objectives set at the beginning of the year. As you will see later in this report, the Executive Directors have each performed well in the year in delivering against these personal objectives, some of which relate to the long-term positioning

of the Company to balance the short-term financial and operational performance measures, and this is reflected in the outturn for the personal objective element.



**Further information on outturn against performance targets for the AIP and LTIP is on pages 93 and 95 respectively.**

## Remuneration alignment to strategy

The Committee considers in great depth the performance measures and targets for the AIP and long-term incentive plan (LTIP) to ensure that they are appropriate and support our strategy in order to create long-term value for all our stakeholder groups. Specifically, total property return, growth in adjusted earnings per share and growth in like-for-like net rental income are key performance indicators which support progress against the three pillars of our strategy. Total shareholder return reflects the delivery of value to shareholders in the longer-term.

As explained in last year's report, in relation to this year's incentives, two decisions were made relating to performance measures. Firstly, it was decided to drop the use of cost-ratio as one of the AIP's financial performance measures. This ratio had been appropriate when the focus was heavily upon reducing costs. However, at this stage of the Company's development, when we are investing in resources in order to support the next phase of growth, a cost-ratio measure was deemed to be inappropriate particularly as it is also reflected in earnings per share (EPS). Secondly, in relation to the total shareholder return (TSR) measure used for the LTIP, the Committee considered the composition of the comparator group and whether a common or local currency approach should be adopted for the measurement methodology. As a result, it was decided to reduce the comparator group to five major REITs in order to achieve a more objective measure of the success of Hammerson and adopt a local currency approach as each of these companies manage their portfolios primarily in the currency of their listing.

In addition to specific performance targets, the Committee always considers Company performance as a whole when deciding on levels of payout for the AIP and LTIP, and any salary increases, to ensure that overall remuneration packages reflect Company performance.

## Remuneration of the wider workforce

As well as being responsible for determining the remuneration of the Executive Directors, the Committee is responsible for the remuneration of members of the Group Executive Committee and reviews and approves the remuneration for other senior executives. Also within its remit is to oversee major changes in employee benefit structures throughout the Group. The Committee receives regular updates on pay and benefits for the wider workforce and takes these developments into account when reviewing executive pay and benefits. The Committee reviewed pension arrangements across the Group during the year and approved a Group retirement policy. The new requirements of gender pay reporting have also been reviewed by the Committee during the year.



**For further information on gender pay reporting see page 48.**

## Shareholder engagement

We reported last year on the consultation process that took place with major shareholders in relation to Remuneration Policy. As we are not amending the Policy there has been no similar consultation process this year. Meetings were held during the year between the General Counsel and Company Secretary and major shareholders to discuss shareholders' governance priorities including remuneration matters. The Committee is made aware of any areas of concern raised by such meetings. I always welcome the views and input of any shareholders on remuneration.

## 2018 and beyond

### Corporate governance reforms

The Committee has kept abreast of developments in the political arena concerning remuneration and notes the government's proposals including those to ensure the employee voice on remuneration is heard, to require companies to take action where significant shareholder opposition has been received to remuneration proposals and to extend the remit of remuneration committees to include oversight of Group-wide pay. The Committee believes that it is well positioned to comply with these reforms. In respect of the proposal to require companies to annually report the pay ratio between the CEO and average of the UK workforce, the Committee notes that, as yet, no methodology has been put forward to calculate this ratio. Therefore, rather than publish a figure this year with a methodology which is highly likely not to be in line with an agreed method for future years, it has taken the decision not to adopt the proposal before clarity on the calculation is established. We will of course report on this ratio in future years as required.

### UK exit from the EU

There is continuing uncertainty around the outcome of the negotiations surrounding the UK's exit from the EU and any final trade settlement that will be agreed. The Committee will continue to monitor the situation and any potential impact on Company performance and implications for executive remuneration.

## Proposed acquisition of intu

Shareholders will be aware that, in December 2017, the Company announced the proposed acquisition of intu properties plc. As yet there is no firm timescale for when the acquisition will complete. As you would expect, currently our respective companies have different remuneration policies and practices in place. The Committee will be working to ensure that best practice arrangements for executive remuneration and employees generally will continue in the enlarged Group. This may include reviewing the performance measures in respect of existing incentive awards to ensure they remain relevant or to determine whether adjustments are appropriate. The Committee will consult with major shareholders if any material changes are proposed.

### 2018 pay approach

The Committee has approved base salary increases for each of the Executive Directors of approximately 2.5% with effect from 1 April 2018. Similar increases have been made for other senior executives, with slightly higher increases for other colleagues generally.

The Committee spent some time reviewing the performance measures, in particular the TSR comparator group, to apply to the LTIP awards that will be made in 2018. We agreed that intu would continue to form part of the comparator group for the 2018 award, but that, subject to completion of the intu acquisition, the TSR performance condition would be reviewed with the anticipation that intu would be removed and replaced as explained in this report. Details of any changes will be highlighted in next year's Directors' Remuneration Report.

As noted in our Remuneration Policy, 2018 LTIP awards will be made under the new LTIP Rules approved at our 2017 AGM and will therefore be subject to a four-year vesting period plus a one-year post-vesting holding period.

### Remuneration Policy

In light of the ongoing developments highlighted above the Committee intends to review the Remuneration Policy approved at the 2017 AGM in 2018 to ensure it remains appropriate for the Company's future direction.

### Conclusion

Regardless of the changing landscape within which the Company operates, the objectives and philosophy of the Committee remain the same: that is to ensure we continue to attract and retain the highest quality leaders who are incentivised to deliver the Group's strategic aims whilst balancing reward, performance and stakeholder interests.

The Directors' Remuneration Report 2017 will be put to shareholders for an advisory vote at the 2018 AGM and I look forward to receiving your continued support at this meeting.

### Gwyn Burr

Chairman of the Remuneration Committee

Table 53

### The Remuneration Committee's Year 2017

January	<ul style="list-style-type: none"> <li>– Review of 2016 AIP provisional outturn against performance targets</li> <li>– Market practice update – review of proposed BEIS governance reforms</li> <li>– Consideration of long-term incentive award structures and shareholder feedback. Review of LTIP and restricted stock award proposals with final decision to remain with existing LTIP structure</li> </ul>	July	<ul style="list-style-type: none"> <li>– Review and approval of Group retirement policy</li> </ul>
February	<ul style="list-style-type: none"> <li>– Confirmation of 2016 AIP outturn, and estimates for reporting</li> <li>– Confirmation of 2017 AIP targets and that cost ratio would be dropped for the 2017 AIP</li> <li>– Review and confirmation of 2017 AIP personal objectives</li> <li>– Consideration and approval of performance measures and conditions for 2017 LTIP award</li> <li>– Review and approval of Executive Directors' pay awards</li> <li>– Approval of new LTIP rules to be put to shareholders</li> <li>– Finalisation and approval of Remuneration Policy</li> <li>– Approval of share plan awards to Executive Directors and other senior employees</li> </ul>	September	<ul style="list-style-type: none"> <li>– Update on share plan awards and vestings during 2017</li> <li>– Market practice update – review of AGM season and shareholder views, remuneration themes for 2018</li> <li>– Review of initial gender pay gap data for Hammerson</li> </ul>
April	<ul style="list-style-type: none"> <li>– Review of voting on the Remuneration Policy and Remuneration Report at Hammerson's AGM</li> <li>– Market practice update – investor guidance developments</li> <li>– Confirmation of final 2016 AIP outturn and approval of final element of bonus payments to the Executive Directors</li> <li>– Review of outturn of performance conditions and vesting of 2013 LTIP</li> <li>– Review of 2017 share plan awards and vestings</li> <li>– Review of pension scheme arrangements across the Group</li> <li>– Review and approval of 2% increase for Chairman's fee</li> </ul>	December	<ul style="list-style-type: none"> <li>– Review impact of corporate activity on AIP performance measures</li> <li>– Review of the first draft and content of the Directors' Remuneration Report</li> </ul>

## 2017 Directors' remuneration report

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# 2017 Remuneration at a glance

Table 54

## 2017 Remuneration year in summary

<b>Salary</b>	Salary increases for the Executive Directors, apart from the Chief Financial Officer, of 2.5% were slightly less than for other Group employees. Exceptional salary increase of 9.3% for the Chief Financial Officer for additional responsibilities.	
<b>Bonus total</b>	David Atkins	62.5%
<b>vesting percentage</b>	Peter Cole	59.5%
	Timon Drakesmith	62.5%
	Jean-Philippe Mouton	62.5%
<b>LTIP</b>	200% of salary awarded with EPS, TPR and TSR performance targets measured over four years.	
<b>Shareholding</b>	Shareholding guidelines increased to 250% from 150%.	
<b>Chairman and NED fees</b>	Chairman's fee increased by 2%. Non-Executive Director fees increased by 3.4% following market review. Remuneration Committee Chairman fee brought in line with fee for Audit Committee Chairman.	

Table 55

## AIP Performance

AIP Financial/Operational Measure	Target	Actual	Outcome
<b>EPS</b>	<b>31.0p</b>	<b>31.1p</b>	<b>53.3%</b>
<b>TPR<sup>1</sup></b>	<b>IPD+1.0%</b>	<b>IPD+1.0%</b>	<b>50.0%</b>
<b>NRI</b>	<b>1.8%</b>	<b>1.7%</b>	<b>45.0%</b>

1. Estimate.

Table 56

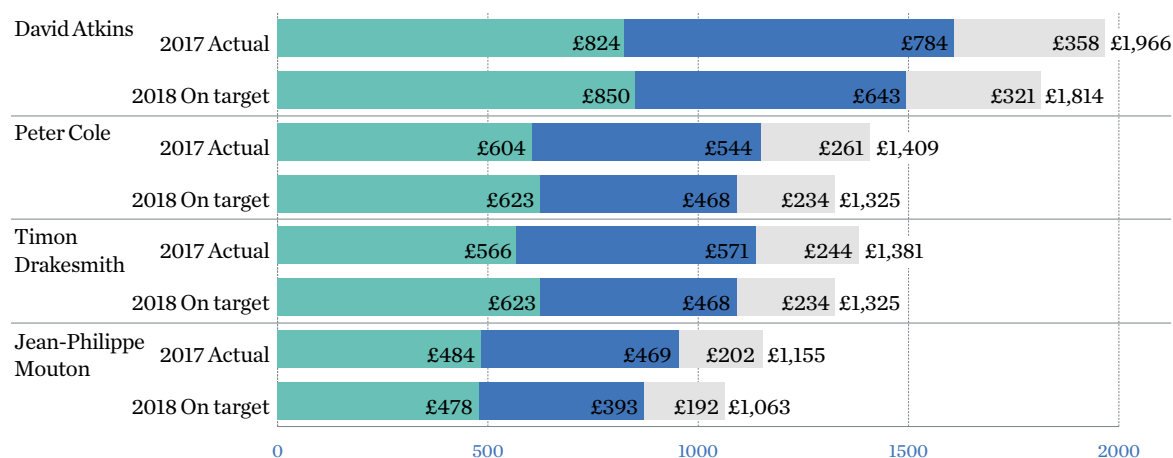
## LTIP Performance<sup>1</sup>

LTIP Measure	Target	Actual	Outcome
<b>EPS</b>	<b>RPI+3.00%</b>	<b>RPI+5.37%</b>	<b>69.35%</b>
<b>TPR<sup>2</sup></b>	<b>IPD+0.00%</b>	<b>IPD+2.00%</b>	<b>100%</b>
<b>TSR</b>	<b>Median</b>	<b>Below median</b>	<b>0%</b>

1. LTIP performance disclosed on the same basis as the Single Figure Table, Table 58.  
2. Estimate.

Chart 57

## Executive Directors' Remuneration scenarios – 2017 actual remuneration v 2018 on-target potential



■ Fixed (salary, benefits, pension) – For 2018 on-target salary is 2018 base salary (from 1 April 2018), benefits are as shown in Single Figure Table for 2017, pension contributions are based on base salary from 1 April 2018  
■ AIP – 2018 on-target consists of 50% of bonus maximum  
■ LTIP – 2018 on-target consists of the threshold level of vesting (25% of the face value of the award)

# DIRECTORS' REMUNERATION REPORT

The Directors' Remuneration Report sets out how the Directors' Remuneration Policy was put into practice in 2017 and how it will be implemented in 2018. It is divided into three sections:

## Section 1: Single Figure Tables

## Section 2: Further information on 2017 remuneration

## Section 3: Implementation of Remuneration Policy in 2018

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](http://www.hammerson.com). A summary of the key provisions for each element of the Remuneration Policy is set out on pages 108 to 113.

## Section 1: Single Figure Tables

This section contains the single figure tables showing 2017 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 58.

### Executive Directors' remuneration: Single Figure Table \*

Table 58 below shows the remuneration of the Executive Directors for the year ended 31 December 2017, and the comparative figures for the year ended 31 December 2016.

Table 58

#### Executive Directors' remuneration for the year ended 31 December 2017

	Salary		Benefits		Annual bonus (AIP)		Long-Term Incentive Plan (LTIP)		Pension		Total	
	2017 £000	2016 £000	2017 £000	2016 £000	2017 £000	2016 £000	2017 £000	2016 £000	2017 £000	2016 £000	2017 £000	2016 £000
David Atkins	623	608	14	21	784	799	358	1,071	187	182	1,966	2,681
Peter Cole	454	443	14	22	544	582	261	769	136	133	1,409	1,949
Timon Drakesmith	447	416	30	19	571	571	244	732	89	83	1,381	1,821
Jean-Philippe Mouton	373	338	30	27	469	446	202	535	81	76	1,155	1,422
Total	1,897	1,805	88	89	2,368	2,398	1,065	3,107	493	474	5,911	7,873



For further information see

Page 93

Page 95

Page 96

### Commentary on the Single Figure Table \*

#### Salary

With effect from 1 April 2017 David Atkins, Peter Cole and Jean-Philippe Mouton received a salary increase of approximately 2.5% which was slightly below that of Hammerson employees generally. Timon Drakesmith received an increase of approximately 9.3%. As reported last year, this exceptional award was approved by the Committee in recognition of the additional responsibilities taken on by Timon Drakesmith including responsibility for the Premium Outlets business and the investments in Value Retail and VIA Outlets.

#### Benefits

Taxable benefits include a car allowance, private health insurance and permanent health insurance. Jean-Philippe Mouton receives a seniority allowance, welfare and subsistence contributions. UK Executive Directors participated in the Company's all-employee share plan arrangements (SIP and Sharesave). There was no award of SIP free shares to participants during 2017 which is reflected in the decreased benefits figure this year. Jean-Philippe Mouton participated in a profit-sharing scheme in France and receives an employer's contribution to a French employee saving scheme. The Remuneration Committee used its discretion to approve a payment of £16,181 in relation to Timon Drakesmith's 2012 Sharesave Plan, the options for which lapsed on 1 November 2017, as he was unable to exercise them due to his being included on an insider list in relation to the intu transaction at the end of the exercise window.

## Annual bonus for 2017

The Annual Incentive Plan (AIP) is the Company's annual bonus scheme. The bonus awards are based on the performance conditions that were set at the start of the financial year. This is split 70% for performance against financial measures and 30% for performance against personal objectives. The Committee also considers every year the overall vesting AIP outcome as determined by achievement against the financial and personal targets to check that the bonus level is appropriate given the Company's performance during the year.

The 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 109.**

The following tables (Tables 59, 60 and 61) show the AIP outcomes and achievement against AIP performance targets for 2017.

Table 59

### Total AIP outcomes for 2017

	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	35.5	27.0	62.5	125.0	784
Peter Cole	35.5	24.0	59.5	119.0	544
Timon Drakesmith	35.5	27.0	62.5	125.0	571
Jean-Philippe Mouton	35.5	27.0	62.5	125.0	469

Table 60

### Achievement against financial measures (70% weighting)

AIP Outcome	Performance against targets <sup>1</sup>					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 <sup>2</sup>	29.5p (0%)	31.0p	32.5p	31.1p	53.3%	30%	16.0%
TPR (estimated outcome) <sup>3</sup>	IPD +0.5% (25%)	IPD +1.0%	IPD +2.0%	IPD +1.0%	50.0%	30%	15.0%
NRI <sup>4</sup>	0.8% (0%)	1.8%	2.8%	1.7%	45.0%	10%	4.5%
							35.5% 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 2017 is based on management's best estimate using available data (see page 52 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 2018 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 2017 (refer to 'Our Strategy' on page 16), an assessment of behaviours based on the Company's values and the Executive Director's capability in managing colleagues to maximise their contribution. Personal objectives also incorporate environmental, social and governance parameters where appropriate and the assessment in 2017 considered progress to expand on diversity and inclusion plans and the commitment to progress sustainability measures.

Table 61 sets out the key 2017 personal objectives for the Executive Directors and how these support the Company's three strategic priorities.

Table 61

### 2017 Key personal objectives

Personal objectives	Link to Strategic Priorities				Sustainability, culture and values	Performance	% of max bonus achieved (max 30%)
							
David Atkins							
– Develop inorganic merger or acquisition opportunities and maintain a strong communication of investment proposition	✓	✓	✓		Outstanding leadership skills to achieve intu acquisition, JSE listing shows growing register, promotion of strong team dynamics, achievement of disposals target.	27%	
– Deliver top level performance against Business Plan with particular focus on monitoring portfolio performance, cost control and income growth	✓		✓				
– Expand on diversity/inclusion plans; continue net positive sustainability strategy		✓		✓			
– Pursue opportunities to maximise performance of UK Retail, France, Value Retail and VIA outlets, and integration of Ireland portfolio	✓	✓					
Peter Cole							
– Progress key developments at Croydon, Westquay, Brent Cross, Leeds and The Goodsyard and embed Ireland business		✓		✓	Good progress at Leeds, Westquay and Brent Cross. Completion of a number of disposals. Delivery of high-value retail park extensions and reconfigurations.	24%	
– Promote acquisition and disposal strategy and dispose of assets that do not meet performance criteria	✓		✓				
– Implement Net Positive sustainability strategy with particular emphasis on future developments		✓		✓			
Timon Drakesmith							
– Implement refinancing opportunities; action bond buyback plans			✓		Successful bond redemption, new refinancing opportunities secured, continued strong growth from premium outlets with extensions added.	27%	
– Maintain focus on costs whilst delivering Business Plan	✓		✓				
– Increase performance levels for premium outlets, refine French portfolio through disposals programme		✓		✓			
– Oversee audit transfer to PwC			✓				
Jean-Philippe Mouton							
– Pursue acquisitions and disposals strategy in France	✓		✓		Good operational performance, standout contribution on disposals. Innovative marketing channels and use of apps introduced.	27%	
– Maximise French operational performance opportunities, progress major refurbishments with sustainable development		✓		✓			
– Execution of Group marketing plan; introduce latest retail and leisure brands and new store concepts	✓	✓					

### Bonus deferral under the AIP

The AIP amounts earned for 2017 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 2018 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 2017 is required to report the value of the LTIP element for which the performance period ends during 2017. Consequently, the LTIP values shown in the Single Figure Table comprise the value of the TSR element of the 2013 award (where the performance period ended 1 April 2017) and the TPR and EPS elements of the 2014 award (where the performance period ended 31 December 2017).

## Achievement against targets

The following table shows the level of performance achieved against the targets set for the three performance components that drive the 2017 LTIP vesting value as shown in the Single Figure Table.

Table 62

LTIP Outcome	Performance against targets		Result achieved	Vesting percentage against target	
	Entry threshold target (25% vesting at threshold)	Full vesting target			
Performance measure and period TSR (2/4/13 – 2/4/17)   	Median	Upper Quartile	Below median rank	0%	TSR element of the LTIP award granted in 2013 which vested in 2017.
TPR (estimated outcome) (1/1/14 – 31/12/17)  	IPD+0%	IPD+1.5%	IPD + 2.0%	100%	TPR element of the LTIP award granted in 2014. Award is scheduled to vest in April 2018.
EPS (1/1/14 – 31/12/17)   	RPI+3%	RPI+7%	RPI + 5.37%	69.35%	EPS element of the LTIP award granted in 2014. Award is scheduled to vest in April 2018.



For further information on the 2013 and 2014 LTIP award performance measures see pages 102 and 103.

## Vesting value achieved

Table 63 shows the level of vesting outcome for the three components that drive the 2017 LTIP vesting as shown in the Single Figure Table.

Table 63

	TSR Performance period: 2/4/13-2/4/17 (TSR component of the 2013 LTIP)				TPR <sup>1</sup> Performance period: 1/1/14-31/12/17 (TPR component of the 2014 LTIP)				EPS Performance period: 1/1/14-31/12/17 (EPS component of the 2014 LTIP)				Total value (shown in Single Figure Table) <sup>3</sup>
	Shares available	Vesting % against target	Number of shares that vested	Value £000	Shares available	Vesting % against target	Number of shares due to vest <sup>2</sup>	Value £000	Shares available	Vesting % against target	Number of shares due to vest <sup>2</sup>	Value £000	
David Atkins	92,629	0	0	0	40,048	100	40,048	211	40,048	69.35	27,773	147	358
Peter Cole	66,502	0	0	0	29,180	100	29,180	154	29,180	69.35	20,236	107	261
Timon Drakesmith	63,336	0	0	0	27,369	100	27,369	144	27,369	69.35	18,980	100	244
Jean-Philippe Mouton	46,239	0	0	0	22,619	100	22,619	119	22,619	69.35	15,686	83	202

### Notes

1. The element dependent on TPR is estimated as the IPD data regarding TPR performance is not available at the date of the Annual Report.
2. The number of shares includes any notional dividend shares awarded to date. The actual number of shares that vest may increase by the amount of any notional dividend shares awarded up to the date of vesting of the award.
3. The value shown is based on the average of the mid-market closing price of a share for each dealing day in the three-month period to 31 December 2017 (527.4p). The actual value that vests, based on the closing share price on the vesting date, will be disclosed in next year's Annual Report.

## Pension\*

Executive Directors receive a salary supplement in lieu of pension benefits. David Atkins and Peter Cole each receive a salary supplement of 30% of base salary. Timon Drakesmith receives a salary supplement of 20% of base salary. Jean-Philippe Mouton receives a salary supplement of €80,000 (2016: €80,000) and a legacy collective supplementary defined benefit scheme contribution of €12,648 (2016: €12,449) 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 106.**

Table 64

### Salary supplements in lieu of pension benefits

	2017 £000 (shown in Single Figure Table)	2016 £000
David Atkins	187	182
Peter Cole	136	133
Timon Drakesmith	89	83
Jean-Philippe Mouton	81	76

### Truing up of 2016 Single Figure Table numbers\*

Each year the outcome of AIP and LTIP elements dependent on Total Property Return (TPR) is estimated because the data regarding TPR performance of the relevant index is not available at the date of the Annual Report. In the 2016 Annual Report, the TPR element of AIP was estimated at IPD +2.3%, resulting in an estimated payout level at 100% for that measure. The final closing measurement for TPR during 2016 was IPD +1.7%, resulting in a final payout level of 88.8%. The final payout levels disclosed for 2016 are therefore less than the estimated levels reported last year.

The estimated TPR outcome for the 2016 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%. The actual TPR outcome was IPD +1.8% and therefore the final payout levels were the same as the estimated level reported last year. In addition the 2016 LTIP figure contained a value for the TPR and EPS portions of the 2013 LTIP where the performance period ended on 31 December 2016 and was calculated based on the average share price over the three months to 31 December 2016. The 2016 LTIP figure in the Single Figure Table on page 92 has therefore been adjusted to reflect the actual share price of 593.50p on the vesting date (9 May 2017).

### Sterling:Euro exchange rates\*

Jean-Philippe Mouton's salary, benefits, annual bonus and pension contributions are paid in euro. When converted, the sterling equivalent will vary with currency movements. The amounts paid are shown in the Single Figure Table converted into sterling using the average exchange rate for 2017 (£1:€1.141). The LTIP is calculated in sterling and converted to euro at the same conversion rate. Equivalent data for 2016 has been converted at the average exchange rate for that year (£1:€1.224). The euro amounts are shown below in Table 65.

Table 65

	Salary		Benefits		Annual bonus (AIP)		Long Term Incentive Plan (LTIP)		Pension		Total	
	2017 £000	2016 €000	2017 £000	2016 €000	2017 £000	2016 €000	2017 £000	2016 €000	2017 £000	2016 €000	2017 £000	2016 €000
Jean-Philippe Mouton	426	414	34	33	535	546	231	654	93	92	1,319	1,739



## Non-Executive Directors: Single Figure Table \*

Table 66 below shows the remuneration of Non-Executive Directors for the year ended 31 December 2017 and the comparative figures for the year ended 31 December 2016.

Table 66

### Non-Executive Directors' remuneration for the year ended 31 December 2017

	Committee membership and other responsibilities				Fees		Benefits		Total	
	Audit Committee	Nomination Committee	Remuneration Committee	Other	2017 £000	2016 £000	2017 £000	2016 £000	2017 £000	2016 £000
David Tyler		Chairman	Member	Chairman	334	325	-	-	334	325
Pierre Bouchut <sup>1</sup>	Chairman	Member			74	68	21	11	95	79
Gwyn Burr	Member	Member	Chairman		77	72	1	-	78	72
Terry Duddy		Member	Member	Senior Independent Director	74	72	-	-	74	72
Jacques Espinasse <sup>2</sup>	Chairman	Member			-	22	-	6	-	28
Andrew Formica	Member	Member			64	62	-	-	64	62
Judy Gibbons	Member	Member	Member		69	67	-	2	69	69
<b>Total</b>					<b>692</b>	<b>688</b>	<b>22</b>	<b>19</b>	<b>714</b>	<b>707</b>

#### Notes

1. Replaced Jacques Espinasse as Audit Committee Chairman from 25 April 2016.
2. Jacques Espinasse retired from the Board on 25 April 2016 and received a departing gift which cost £895 within the limits of the Remuneration Policy. The value included above is the gross value.

### Fees payable to Non-Executive Directors

The Chairman's fee was reviewed by the Committee and the Non-Executive Directors' fees were reviewed by the Board in 2017. 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 Chairman's fee was increased by 2%, in line with the general increase for the Executive Directors. The Non-Executive Directors' fees were increased by 3.4% from £58,000 to £60,000 and the fee for the Remuneration Committee Chair was brought in line with that for the Audit Committee Chair to £15,000. All changes took effect from 1 July 2017. The annual fees payable to Non-Executive Directors from that date are set out in Table 67 below.

Table 67

Chairman and Non-Executive Directors' 2017 annual fees		£000
Chairman		337
Non-Executive Director		60
Senior Independent Director		10
Audit Committee Chair		15
Remuneration Committee Chair		15
Audit/Remuneration Committee Member		5

### Benefits

The benefits disclosed in Table 66 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 will be settled by the Company.

## Section 2: Further information on 2017 remuneration

### Directors' shareholdings and share plan interests \*

Table 68

#### Summary of all Directors' shareholdings and share plan interests as at 31 December 2017\*

	Outstanding scheme interests 31/12/17				Actual shares held		Total of all share scheme interests and shareholdings at 31/12/17 <sup>4</sup>
	Unvested scheme interests (subject to performance measures) <sup>1</sup>	Unvested scheme interests (not subject to performance measures) <sup>2</sup>	Vested but unexercised scheme interests <sup>3</sup>	Total shares subject to outstanding scheme interests	As at 1 January 2017	As at 31 December 2017	
<b>Executive Directors</b>							
David Atkins	706,646	129,260	0	835,906	450,085	613,599	<b>1,449,505</b>
Peter Cole	514,941	96,370	220,365	831,676	324,185	324,778	<b>1,156,454</b>
Timon Drakesmith	493,158	88,162	0	581,320	302,125	415,861	<b>997,181</b>
Jean-Philippe Mouton	389,528	69,969	0	459,497	265,702	308,758	<b>768,255</b>
<b>Non-Executive Directors</b>							
David Tyler	–	–	–	–	60,000	62,370	<b>62,370</b>
Pierre Bouchut	–	–	–	–	20,000	20,279	<b>20,279</b>
Gwyn Burr	–	–	–	–	5,182	5,182	<b>5,182</b>
Terry Duddy	–	–	–	–	50,000	50,000	<b>50,000</b>
Andrew Formica	–	–	–	–	22,000	22,000	<b>22,000</b>
Judy Gibbons	–	–	–	–	4,115	4,115	<b>4,115</b>

#### 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 2018 and 23 February 2018, the Executive and Non-Executive Directors' beneficial interests in Table 68 above remained unchanged.

### Directors' share ownership guidelines \*

Table 69 shows for the Executive Directors actual share ownership compared with the current share ownership guidelines. Non-Executive Directors are encouraged to acquire a shareholding in the Company.

Table 69

#### Executive Directors' shareholdings as a percentage of salary

	Shares held as at 31 December 2017	Vested but unexercised share scheme interests <sup>1</sup>	Guideline on share ownership as % of salary	Actual beneficial share ownership as % of salary <sup>2</sup>	Guideline met
David Atkins	613,599	0	250%	535%	Yes
Peter Cole	324,778	116,793	250%	529%	Yes
Timon Drakesmith	415,861	0	250%	498%	Yes
Jean-Philippe Mouton	308,758	0	250%	450%	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 547 pence on 31 December 2017.

## Executive Directors' share plan interests (including share options) \*

Tables 70 to 73 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 74 and 75.

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 are in the form of conditional awards of free shares. Awards to Jean-Philippe Mouton under the DBSS are 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 accrue to the date of vesting in respect of 2014 LTIP awards and subsequent awards. For the DBSS, notional dividend shares accrue to the date of transfer in respect of 2013 awards and to the date of vesting for subsequent awards.

### Face values

Face values for the DBSS and LTIP awards are calculated by multiplying the number of shares granted during 2017 by the average share price for the five business days preceding the awards. Notional dividend shares are not included in the face value calculations. Face value for the Sharesave scheme is calculated by reference to the exercise price of options granted in 2017.

## Executive Directors' share plan interest movements during 2017\*

Table 70

	Date of award	Vesting or exercise date	Number of awards held as at 1 January 2017	Awarded	Notional dividend shares accrued	Exercised/ vested	Lapsed	Number of awards held as at 31 December 2017	Grant price in pence (exercise price for Sharesave)	Face value of awards granted during 2017 £000
<b>David Atkins</b>										
DBSS (A)	03/03/2015	Mar-17	<b>39,740</b>	–	886	40,626	–	–	–	–
DBSS (B)	28/04/2015	Apr-17	<b>8,828</b>	–	197	9,025	–	–	–	–
DBSS (A)	01/03/2016	Mar-18	<b>47,162</b>	–	1,788	–	–	<b>48,950</b>	–	–
DBSS (B)	27/04/2016	Apr-18	<b>20,908</b>	–	792	–	–	<b>21,700</b>	–	–
DBSS (A)	01/03/2017	Mar-19	–	35,854	1,359	–	–	<b>37,213</b>	588.20	211
DBSS (B)	02/05/2017	May-19	–	18,252	278	–	–	<b>18,530</b>	595.50	109
								<b>126,393</b>		<b>320</b>
<b>LTIP</b>										
	02/04/2012	Apr-16	<b>76,254</b>	–	1,702	77,956	–	–	–	–
	02/04/2013	Apr-17	<b>271,821</b>	–	6,065	180,440	97,446	–	–	–
	01/04/2014	Apr-18	<b>115,756</b>	–	4,389	–	–	<b>120,145</b>	–	–
	26/03/2015	Mar-19	<b>136,975</b>	–	5,193	–	–	<b>142,168</b>	–	–
	24/03/2016	Mar-20	<b>211,346</b>	–	8,013	–	–	<b>219,359</b>	–	–
	03/04/2017	Apr-21	–	221,593	3,381	–	–	<b>224,974</b>	565.90	1,254
								<b>706,646</b>		<b>1,254</b>
<b>Sharesave</b>										
	24/03/2016	May-19	<b>2,102</b>	–	–	–	–	<b>2,102</b>	–	–
	23/03/2017	May-20	–	765	–	–	–	<b>765</b>	470.00	3
								<b>2,867</b>		<b>3</b>



Table 71

	Date of award	Vesting or exercise date	Number of awards held as at 1 January 2017	Awarded	Notional dividend shares accrued	Exercised/ vested	Lapsed	Number of awards held as at 31 December 2017	Grant price in pence (exercise price for Sharesave)	Face value of awards granted during 2017 £000
<b>Peter Cole</b>										
DBSS	12/03/2012	Mar-14	51,280	–	1,944	–	–	53,224	–	–
DBSS	11/03/2013	Mar-15	67,575	–	2,562	–	–	70,137	–	–
DBSS (A)	03/03/2015	Mar-17	26,497	–	591	27,088	–	–	–	–
DBSS (B)	28/04/2015	Apr-17	6,433	–	143	6,576	–	–	–	–
DBSS (A)	01/03/2016	Mar-18	34,364	–	1,303	–	–	35,667	–	–
DBSS (B)	27/04/2016	Apr-18	15,234	–	578	–	–	15,812	–	–
DBSS (A)	01/03/2017	Mar-19	–	26,129	990	–	–	27,119	588.20	154
DBSS (B)	02/05/2017	May-19	–	13,301	202	–	–	13,503	595.50	79
								215,462		233
LTIP	02/04/2012	Apr-16	54,746	–	1,221	55,967	–	–	–	–
	02/04/2013	Apr-17	195,152	–	5,813	34,000	69,961	97,004	–	–
	01/04/2014	Apr-18	84,344	–	3,198	–	–	87,542	–	–
	26/03/2015	Mar-19	99,806	–	3,783	–	–	103,589	–	–
	24/03/2016	Mar-20	153,995	–	5,839	–	–	159,834	–	–
	03/04/2017	Apr-21	–	161,512	2,464	–	–	163,976	565.90	914
								611,945		914
Sharesave	24/03/2016	May-21	3,504	–	–	–	–	3,504	–	–
	23/03/2017	May-20	–	765	–	–	–	765	470.00	3
								4,269		3

Table 72

	Date of award	Vesting or exercise date	Number of awards held as at 1 January 2017	Awarded	Notional dividend shares accrued	Exercised/ vested	Lapsed	Number of awards held as at 31 December 2017	Grant price in pence (exercise price for Sharesave)	Face value of awards granted during 2017 £000
<b>Timon Drakesmith</b>										
DBSS (A)	03/03/2015	Mar-17	30,233	–	675	30,908	–	–	–	–
DBSS (B)	28/04/2015	Apr-17	6,033	–	135	6,168	–	–	–	–
DBSS (A)	01/03/2016 <sup>1</sup>	Mar-18	32,231	–	1,211	–	719	32,723	–	–
DBSS (B)	27/04/2016	Apr-18	14,289	–	542	–	–	14,831	–	–
DBSS (A)	01/03/2017	Mar-19	–	26,194	993	–	–	27,187	588.20	154
DBSS (B)	02/05/2017	May-19	–	12,466	190	–	–	12,656	595.50	74
								87,397		228
LTIP	02/04/2012	Apr-16	52,138	–	1,164	53,302	–	–	–	–
	02/04/2013 <sup>1</sup>	Apr-17	185,859	–	4,148	123,377	66,630	–	–	–
	01/04/2014	Apr-18	79,109	–	2,999	–	–	82,108	–	–
	26/03/2015	Mar-19	93,611	–	3,549	–	–	97,160	–	–
	24/03/2016	Mar-20	144,437	–	5,477	–	–	149,914	–	–
	03/04/2017	Apr-21	–	161,512	2,464	–	–	163,976	565.90	914
								493,158		914
Sharesave	05/04/2012	May-17	4,558	–	–	–	4,558	–	–	–
	23/03/2017	May-20	–	765	–	–	–	765	470.00	3
								765		3

1. Due to an administrative error at the time of the 2013 LTIP vesting, Timon Drakesmith received an additional 719 shares on the exercise of his award. In order to rectify this error, Timon has agreed to reduce his 2016 DBSS (A) award due to vest in March 2018 by 719 shares. The number of shares shown as exercised and lapsed for the 2013 LTIP is the correct number as approved by the Remuneration Committee.

Table 73

	Date of award	Vesting or exercise date	Number of awards held as at 1 January 2017	Awarded	Notional dividend shares accrued	Exercised/ vested	Lapsed	Number of awards held as at 31 December 2017	Grant price in pence (exercise price for Sharesave)	Face value of awards granted during 2017 £000
<b>Jean-Philippe Mouton<sup>1</sup></b>										
DBSS (A)	03/03/2015	Mar-17	<b>13,069</b>	–	291	13,360	–	–	–	–
DBSS (A) <sup>2</sup>	12/03/2015	Mar-17	<b>6,745</b>	–	151	6,896	–	–	–	–
DBSS (B)	28/04/2015	Apr-17	<b>4,316</b>	–	96	4,412	–	–	–	–
DBSS (A)	01/03/2016	Mar-18	<b>25,129</b>	–	953	–	–	<b>26,082</b>	–	–
DBSS (B)	27/04/2016	Apr-18	<b>11,078</b>	–	420	–	–	<b>11,498</b>	–	–
DBSS (A)	01/03/2017	Mar-19	–	20,910	792	–	–	<b>21,702</b>	588.20	123
DBSS (B)	02/05/2017	May-19	–	10,527	160	–	–	<b>10,687</b>	595.50	63
								<b>69,969</b>		<b>186</b>
LTIP	02/04/2013	Apr-17	<b>138,717</b>	–	–	90,073	48,644	–	–	–
	01/04/2014	Apr-18	<b>65,380</b>	–	2,478	–	–	<b>67,858</b>	–	–
	26/03/2015	Mar-19	<b>68,963</b>	–	2,615	–	–	<b>71,578</b>	–	–
	24/03/2016	Mar-20	<b>114,396</b>	–	4,338	–	–	<b>118,734</b>	–	–
	03/04/2017	Apr-21	–	129,384	1,974	–	–	<b>131,358</b>	565.90	732
								<b>389,528</b>		<b>732</b>

#### 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. On 12 March 2015, Jean-Philippe Mouton was granted an additional award under the 2015 DBSS (A) award to correct an administrative error made in the original award.

## 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 110.**

Tables 74 and 75 set out a summary of the LTIP structure and details of the LTIP performance measures and conditions.

Table 74

### LTIP structure summary

	All years	2013	2014	2015	2016	2017
Level of award		200% of salary	100% of salary	150% of salary	200% of salary	200% of salary
Performance measures	TSR, TPR, EPS					
Performance period	Four years					
Weighting of performance measures	33.33%					
TPR: Measured over four financial years commencing with year of grant in comparison with composite index		IPD UK Annual Retail Property Index and France Annual Retail Index	IPD UK Annual Retail Property Index and France Annual Retail Index	IPD UK Annual Retail Property Index and France Annual Retail Index	IPD UK Annual Retail Property Index and France Annual Retail Index	IPD Annual Retail Property indices for UK and a bespoke Europe index
EPS: Measured over four financial years commencing with year of grant. Calculated with reference to EPRA Best Practice recommendations		Benchmark: RPI	Benchmark: RPI	Benchmark: Blend of UK/French CPI	Benchmark: Blend of UK/French CPI	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 properties, Eurocommercial, Klépierre, Land Securities, London Metric, SEGRO, Shaftesbury, Unibail-Rodamco, FTSE 100 Index				British Land, intu properties, Klépierre, Unibail-Rodamco, Land Securities only
		Plus: Corio <sup>1</sup> , IVG, Wereldhave	Plus: Corio <sup>1</sup> , Wereldhave	Plus: New River Retail	Plus: Wereldhave, New River Retail	

#### Note

- 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 75

**LTIP performance conditions 2013 to 2017**

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.					
EPS	Vesting threshold	0%	25%	100%		
	2015, 2016 and 2017 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		
	2013 and 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 2013 LTIP (which vested during 2017)**

The following table shows the number of shares delivered on vesting of the 2013 LTIP (which vested on 9 May 2017):

Table 76

	TSR Performance period: 2/4/13-2/4/17				TPR Performance period: 1/1/13-31/12/16				EPS Performance period: 1/1/13-31/12/16				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	92,629	0%	0	0	92,629	100%	92,629	550	92,629	94.8%	87,811	521	180,440	<b>1,071</b>
Peter Cole	66,502	0%	0	0	66,502	100%	66,502	395	66,502	94.8%	63,044	374	129,546	<b>769</b>
Timon														
Drakesmith	63,336	0%	0	0	63,336	100%	63,336	376	63,336	94.8%	60,041	356	123,377	<b>732</b>
Jean-Philippe														
Mouton	46,239	0%	0	0	46,239	100%	46,239	274	46,239	94.8%	43,834	260	90,073	<b>535</b>

**Notes:**

1. The value shown is based on the share price on the date on which the awards vested of 593.50p.
2. Details of the TPR and EPS performance conditions were shown as estimates in the 2016 Annual Report. The value of those components was reflected in the Single Figure Table for 2016 as the performance period for those components ended during 2016. The table above shows the final outcome.
3. Details of the assessment of the TSR performance condition are shown on page 95, Table 62.
4. The number of shares vested includes any notional dividend shares awarded up to the date of transfer.

## Executive Directors' SIP interests\*

The Executive Directors' interests in ordinary shares of the Company under the Share Incentive Plan (SIP) at 31 December 2017 are shown in Table 77 below. The shares are held in a SIP trust. Jean-Philippe Mouton is not eligible to participate in the SIP.

Table 77

### Executive Directors' SIP interests

	Total SIP shares 1 January 2017	Partnership shares purchased	Matching shares awarded	Free shares awarded	Dividend shares purchased	Total SIP shares 31 December 2017
David Atkins	14,072	0	0	0	540	<b>14,612</b>
Peter Cole	15,465	0	0	0	593	<b>16,058</b>
Timon Drakesmith	6,949	0	0	0	267	<b>7,216</b>

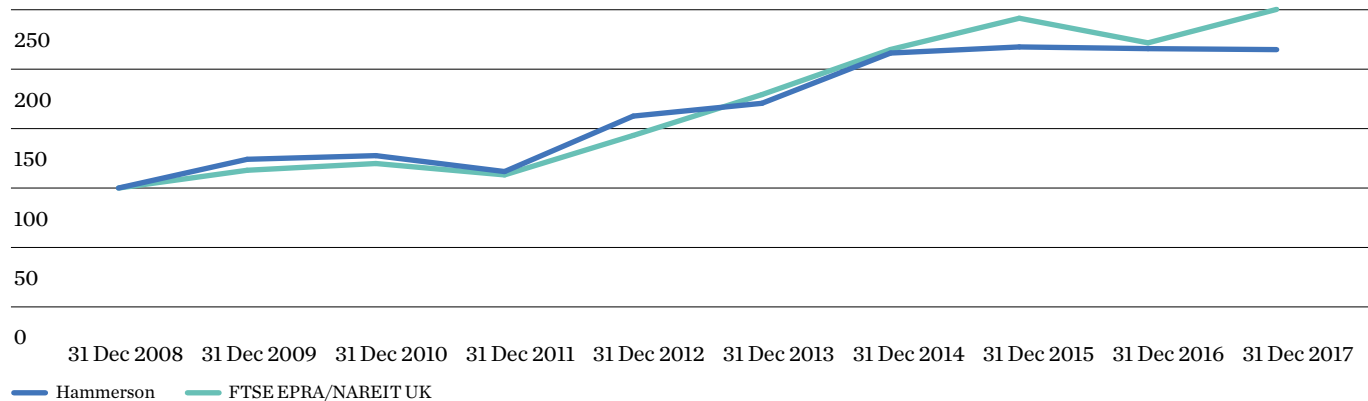
## Total Shareholder Return

Table 78 below shows the total shareholder return in respect of the Company's ordinary shares of 25 pence each for the nine years ended 31 December 2017 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.

Table 78

### Total Shareholder Return Index

(31 December 2008 = 100)



## Remuneration of the Chief Executive over the last nine years \*

Table 79 shows the remuneration of the holder of the office of Chief Executive for the period from 1 January 2009 to 31 December 2017.

Table 79

### Chief Executive's remuneration history

Year	Notes	Total remuneration £000	Annual bonus <sup>5</sup>	LTIP vesting <sup>5</sup>
<b>2017</b>	<b>1</b>	<b>1,966</b>	<b>62.5%</b>	<b>56.4%</b>
2016	2	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 2017 include certain estimated values for the LTIP and AIP vesting. See the Single Figure Table (Table 58) on page 92 for details.
2. The total remuneration reported in the 2016 Annual Report contained estimates; the numbers given here are the actual values. See the Single Figure Table (Table 58) on page 92.
3. David Atkins became Chief Executive on 1 October 2009, having been an Executive Director since 2007. The figure for 2009 has been pro-rated accordingly.
4. John Richards retired as Chief Executive on 30 September 2009.
5. All numbers are expressed as a percentage of the maximum that could have vested in that year.

## Remuneration for the Chief Executive compared with all other employees of the Hammerson Group

Table 80 shows the percentage change from 31 December 2016 to 31 December 2017 in base salary, taxable benefits and bonus for the Chief Executive compared with all other employees of the Hammerson Group. The difference in change between the Chief Executive's annual bonus and that of Group employees is due to the outturn relating to his personal performance grading being higher this year than in 2016.

Table 80

### 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%	2.2%	-1.9%	0.3%
Total Group employees	1,2	1.5%	13.7%	-6.6%	1.1%

#### Notes

1. The percentage movement in annual bonus is based on calculations that incorporate an estimated value for the TPR performance measure within the AIP. The calculation of the percentage change in total remuneration excludes pensions and LTIP.
2. David Atkins has been excluded from the Group calculation. Data for the Group calculation includes all employee bonuses. Payments in euro have been converted at a constant exchange rate of £1:€1.141. The Group calculation uses a weighted average headcount for the year. Employees received an average salary increase of 3% during 2017.



## Relative importance of spend on pay

Table 81 below shows the Company's total employee costs compared with dividends paid. The Company did not buy back any of its own shares during 2017.

Table 81

### Total employee costs compared with dividends paid

	Employee costs <sup>1</sup>	Dividends <sup>2</sup>
<b>2017</b>	<b>£56.4m</b>	<b>£193.6m</b>
2016	£53.6m	£180.1m
Percentage change	5.0%	7.0%

#### Notes

1. These figures have been extracted from note 4 (Administration expenses) to the financial statements on page 142.
2. These figures have been extracted from note 9 (Dividends) to the financial statements on page 145.

## Detail of Executive Directors' accrued pension benefits \*

Following the closure of the Company's defined benefit pension scheme (Scheme) in 2014, David Atkins and Peter Cole remain eligible for a deferred pension based on their pensionable salary and service at the point they ceased to accrue further benefits in the Scheme. The normal retirement age under the Scheme is 60. Members may draw their pension from the age of 55, subject to actuarial reduction and the Trustees' consent. Further information concerning the Scheme is in note 6 to the financial statements on page 143.

Table 82 below shows the total accrued benefit at 31 December 2017 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 82

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

	Total accrued benefit at 31 December		Transfer value at 31 December of total accrued benefit	
	2017 £000	2016 £000	2017 £000	2016 £000
David Atkins	84	83	1,857	1,734
Peter Cole	250	248	6,395	6,088

## 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](http://www.hammerson.com).

Table 83

	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	28 February 2002		
Timon Drakesmith	18 January 2011	12 months' notice on either side	
Jean-Philippe Mouton			
French employment	25 March 2013	3 months' notice in case of dismissal or resignation on either side. No notice where there is an agreed termination	
UK directorship	25 March 2013	3 months' notice period on either side	

## Non-Executive Directors – Letters of Appointment

The dates of the appointments of the Non-Executive Directors in office as at 31 December 2017 are set out below.

Table 84

	Date of original appointment to Board	Commencement date of current term	Unexpired term as at April 2018
Pierre Bouchut	13 February 2015	13 February 2018	2 years, 10 months
Gwyn Burr	21 May 2012	21 May 2015	1 month
Terry Duddy	3 December 2009	3 December 2015	8 months
Andrew Formica	26 November 2015	26 November 2015	7 months
Judy Gibbons	1 May 2011	1 May 2017	2 years
David Tyler	12 January 2013	12 January 2016	9 months

## 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 £62,000.

## Advisors

The Committee has appointed FIT Remuneration Consultants to assist with its responsibilities. Details of the fees and services provided are set out below. The Committee remains satisfied that all advice was objective and independent. FIT is a member of the Remuneration Consultants Group and subscribes to its Code of Conduct.

Table 85

Advisor	Appointed by	Services provided to the Committee	Fees paid for services to the committee in 2017 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	£47,955 (excluding VAT) (2016: £64,712, 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 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 86 below shows votes cast by proxy at the AGM held on 25 April 2017 in respect of the Directors' Remuneration Report and Directors' Remuneration Policy. Shareholders raised no issues concerning remuneration during the AGM.

Table 86

### Statement of voting on remuneration: 2017 AGM

	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 2016 Directors' Remuneration Report	564,636,283 99.41%	3,379,250 0.59%	4,343,976
To receive and approve the Remuneration Policy	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 2017.

### Payments for loss of office \*

There were no payments for loss of office to past Directors in 2017.

## Section 3: Implementation of Remuneration Policy in 2018

This section sets out information on how the Remuneration Policy which was approved by shareholders at the 2017 Annual General Meeting will be implemented in 2018. A copy of the full Remuneration Policy is available on the Company's website [www.hammerson.com](http://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 87

### Summary of planned implementation of the Remuneration Policy during 2018

#### Salary

##### Policy

Purpose and link to strategy	Performance measures	Operation
To continue to retain and attract quality leaders	Not applicable	Reviewed but not necessarily increased annually by the Committee
To recognise accountabilities, skills, experience and value		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 2018, the Committee determined that an increase in base salaries of approximately 2.5% was appropriate for all of the Executive Directors. This is in line with other senior executives but less than increases in salaries awarded across the Group which 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 2018.

2018 Executive Directors salaries	£000
David Atkins	£643
Peter Cole	£468
Timon Drakesmith	£468
Jean-Philippe Mouton	€439

#### Benefits

##### Policy

Purpose and link to strategy	Performance measures	Operation
To provide a range of benefits in line with market practice	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
To continue to retain and attract quality leaders		

#### Implementation

For 2018 these benefits will continue to include a car allowance, enhanced sick pay, private medical insurance, permanent health insurance and life assurance.



Table 87 continued

**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**

All current Executive Directors will continue to receive a salary supplement by way of pension provision. No changes in the rates are envisaged.

**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 2018 will remain at 200% of base salary.

Performance measures for the AIP in 2018 remain weighted 70% towards Group financial targets and 30% towards personal objectives.

Group financial targets remain unchanged and comprise:

- 30% Adjusted earnings per share
- 30% Total Property Return relative to IPD
- 10% Growth in like-for-like Net Rental Income

As is demonstrated in this report in respect of previous years, the Committee designs the financial targets and personal objectives to align closely to the Company's strategy as well as to the Business Plan and the priorities for the coming year. It is therefore felt that the specific financial targets and important personal objectives are commercially sensitive such that, having considered this carefully, the Board is of the view that it is in the Company's interests not to disclose this information in advance. Full details of the specific targets and key personal objectives set will be disclosed in the 2018 Annual Report.

40% of the 2018 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 2018.

Table 87 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 60:40 basis).

Performance compared to the Index	Percentage of Award vesting
Less than index	0%
Equal to index	25%
Index + 0.5% (average) p.a.	55%
Index + 1.0% (average) p.a.	85%
Index +1.5% (average) p.a.	100%

Vesting for EPS and TPR targets for intermediate performance between levels is pro-rated on a straight-line basis between the specified award levels.

Total Shareholder Return: measured against a comparator group comprising British Land, intu properties, Klépierre, Unibail-Rodamco and Land Securities.

Performance compared to the comparator group	Percentage of award vesting
Less than TSR of median-ranked entity	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.

2018 awards will be made under the new LTIP rules approved by shareholders at the 2017 AGM. If the acquisition of intu properties plc completes, the Committee's intention is that intu properties will be removed from the TSR comparator group and replaced by an additional comparator company, likely to be a composite of New River Retail and Capital & Regional, with effect from the date of the grant.

Table 87 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 and in France a profit share plan. The opportunity to participate in all-employee arrangements continues on the same basis as for all staff in the UK or France as appropriate.

No change to current arrangements is proposed for 2018.

## 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.

The Share Ownership Guidelines were increased in 2017 from 150% of base salary for the Chief Executive and 100% of base salary for all other Executive Directors to 250% of base salary.



Table 87 continued

## Chairman's 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 Chairman and Non-Executive Directors by offering market competitive fees	Not applicable	The Chairman's fee is determined by the Committee. Other Non-Executive Directors' fees are determined by the Board on the recommendation of the Executive Directors. 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 review of the Chairman's and Non-Executive Directors' fees now takes place in January/February each year, to bring the process in line with other remuneration reviews in the Company. In February 2018, the Chairman's fee and Non-Executive Director fees were increased by 2.5%, in line with the increase for Executive Directors' base salaries, from 1 April 2018.

#### Chairman and Non-Executive Directors' 2018 annual fees

	£
Chairman	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 2018

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 2018 remuneration structure for employees below Board level

Table 88

Element	Approach/Policy
Base salary	<p>An assessment is made each year on pay increases across the Group. The assessment may include bench marking exercises for different roles. Other factors taken into consideration are Company performance, competition in the market place 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.</p> <p>For 2018, base salary budgets have been set on average at 3% for all employees below Board and senior management team level.</p>
Annual bonus	<p>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. For more senior employees a certain proportion of the award may be deferred into shares.</p>
Pension	<p>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.</p>
Share schemes	<p>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 with the potential for an annual SIP Free Share Award based on Company stretch performance. No Free Share Award was made in 2017. Employees of Hammerson France are eligible to participate in a profit share plan which rewards performance against certain performance measures.</p>
Employee benefits	<p>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.</p>

By order of the Board

**Sarah Booth**

General Counsel and Company Secretary

23 February 2018

# COMPLIANCE WITH THE UK CORPORATE GOVERNANCE CODE

This section of the Corporate Governance Report details the Company's compliance with the Principles set out in the UK Corporate Governance Code (the Code) published on 27 April 2016 which is available at [www.frc.org.uk](http://www.frc.org.uk). This section should be read in conjunction with the Corporate Governance Report as a whole, which is set out on pages 70 to 113.

The Company has complied in full with the requirements of the Code during 2017.

## A. Leadership

### A.1 The role of the Board

The Board is collectively responsible to the Company's shareholders for the Company's long-term success and the delivery of its long-term strategic and operational objectives.

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



**The Board operates through a sound risk management and internal controls system, details of which are on pages 61 to 68 and 116.**

The Board has a formal schedule of matters specifically reserved for its decision which can be accessed at [www.hammerson.com](http://www.hammerson.com).

The Board has regular meetings throughout the year. It held six of these in 2017. Additional Board conference calls are held between the formal Board meetings as required. During 2017 a number of additional meetings were scheduled to consider the proposed acquisition of intu properties plc. The table below includes details of attendance at Board meetings and conference calls in 2017. Non-Executive Directors are encouraged to communicate directly with Executive Directors and senior management between Board meetings.

Table 89

### Board and Committee meetings attendance

	Board	Audit <sup>1</sup>	Remuneration	Nomination
David Tyler	15/15	–	6/6	2/2
David Atkins	15/15	–	–	–
Peter Cole <sup>1</sup>	14/15	–	–	–
Timon Drakesmith <sup>2</sup>	14/15	–	–	–
Jean-Philippe Mouton	15/15	–	–	–
Pierre Bouchut	15/15	3/3	–	2/2
Gwyn Burr	15/15	3/3	6/6	2/2
Terry Duddy	15/15	–	6/6	2/2
Andrew Formica <sup>3</sup>	14/15	3/3	–	2/2
Judy Gibbons	15/15	3/3	6/6	2/2

1. Peter Cole was unable to attend one Board meeting due to illness.
2. Timon Drakesmith was unable to attend one Board meeting due to an extended leave of absence in order to undergo medical treatment.
3. Andrew Formica was unable to attend one Board meeting due to a prior commitment.
4. The Audit Committee normally holds four meetings per year. In 2017 three meetings were held due to the December meeting being rescheduled to January 2018.

All Directors are expected to:

- Attend all meetings of the Board, and of those Committees on which they serve
- Attend the Annual General Meeting (AGM)
- Devote sufficient time to the Company's affairs to enable them to fulfil their duties as Directors

### A.2 Division of responsibilities

The Chairman and Chief Executive have separate roles and responsibilities which are clearly defined, documented and approved by the Board. The Chairman, David Tyler, is responsible for the operation of the Board. The Chief Executive, David Atkins, is responsible for leading and managing the business within the authorities delegated by the Board.

### A.3 The Chairman

The Chairman sets the Board's agenda and ensures that important matters, in particular strategic issues, receive adequate time and attention at meetings. The Chairman encourages a collegiate environment on the Board which facilitates open discussion.

When he became Chairman in 2013, David Tyler was considered independent. In accordance with the Code, the continuing test of independence for the Chairman is not necessary.

The Chairman ensures that he engages regularly with institutional shareholders.



**Further details of shareholder engagement are on page 80.**

### A.4 Non-Executive Directors

The Non-Executive Directors challenge and help develop proposals on strategy. The annual Board Strategy Day is dedicated to considering the future direction of the Company at the start of the business planning process.



**Further details of the 2017 Board Strategy Day are on page 78.**

#### A.4.1 Senior Independent Director

The Senior Independent Director, Terry Duddy, is available to address shareholders' concerns on governance. When and if necessary, he can also address concerns on other issues that have not been resolved through the normal channels of communication with the Chairman, Chief Executive or Chief Financial Officer, or in cases when such communications would be inappropriate. He can also deputise for the Chairman in his absence, act as a sounding board for the Chairman and advise and counsel all Board colleagues.

The Senior Independent Director also chairs an annual meeting of Executive and Non-Executive Directors without the Chairman to appraise the Chairman's performance and address any other matters which the Directors might wish to raise. The Senior Independent Director conveys the outcome of these discussions to the Chairman. The Chairman meets with the Non-Executive Directors as necessary, but at least twice a year without the Executive Directors present.

If any Director has concerns about the running of the Company or a proposed action which cannot be resolved, these will be recorded in the Board minutes. No such concerns arose in 2017.



## B. Effectiveness

### B.1 The composition of the Board

During the year the Board reviewed the overall balance of skills, experience, independence and knowledge of the Board and Committee members. It was satisfied that the Board was of an appropriate size and that the requirements of the business can be met.

The Board is satisfied that the Non-Executive Directors, each of whom is independent from management and has no material or other connection with the Company, are able to exercise independent judgement.

The Board reviews the independence of its Non-Executive Directors each year in accordance with the criteria set out in the Code.

There are currently six Non-Executive Directors (including the Chairman) and four Executive Directors on the Board.

### B.2 Appointments to the Board

The Nomination Committee, which is chaired by the Chairman and comprises all Non-Executive Directors, leads the process for Board appointments, which are made on merit, against objective criteria, and makes recommendations to the Board.



**The Committee's terms of reference can be found at [www.hammerson.com](http://www.hammerson.com).**

Non-Executive Directors are appointed for three-year terms and stand for re-election at each AGM. Any term beyond six years is subject to a rigorous review, taking into account the need for progressive refreshment of the Board.



**Further details of the work of the Nomination Committee are on pages 82 to 83.**

**Disclosures on diversity are on pages 47 to 48 and 83.**

No new appointments were made to the Board in 2017. When new appointments are made, an external search consultancy would normally be used and identified in the Annual Report in accordance with the Code.

### 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 72 and 73.**

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 72.**

### 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 Chairman 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 2017 a formal performance evaluation of the Board was conducted internally by the General Counsel and Company Secretary by means of an online questionnaire. 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 Chairman 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 Chairman's performance.

Following the internal Board effectiveness review in 2017, 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 81.**

## 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. All Directors are therefore submitting themselves for re-election at the 2018 AGM.



**Directors' biographies are on pages 72 to 73 and also in the Notice of Meeting for the 2018 AGM.**

**Further discussion of the balance of skills, knowledge and experience on the Board is on pages 82 to 83.**

## 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 121.**

**An explanation of the Group's business model and strategy is on pages 6 to 7 and pages 16 to 17 respectively.**

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 86.**

### 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 63 to 68 and Key Performance Indicators are on pages 18 to 19.**

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 69.**

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 in 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 executives from across the business and is chaired by the Chief Financial Officer. The Committee reports its activities to the Group Executive Committee. The Committee's role is to:

- Promote the application of the Risk Management Framework throughout the business
- Encourage proactive discussion of risk around the business
- Manage the annual internal audit programme
- Consider the results and recommendations of reviews
- 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:

- The External Auditor's management letters
- Internal audit reports including monitoring the implementation of recommendations arising from them
- Reports on the system of internal controls and the Risk Management Framework
- The Company's approach to compliance with legislation and the prevention of fraud
- Business continuity and cyber risk
- Gifts and entertainment and expenses registers



**Further explanation of the Company's approach to risk management is on pages 61 to 68.**

### 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 2017 three Audit Committee meetings were held due to the December meeting being rescheduled to January 2018.

The Audit Committee Chairman regularly reports details of the work carried out by the Audit Committee to the Board in accordance with its terms of reference.



**The terms of reference for the Audit Committee are available at [www.hammerson.com](http://www.hammerson.com).**

Pierre Bouchut, the Chairman of the Audit Committee, has been determined by the Board to have recent and relevant financial experience as required by the Code. The Audit Committee as a whole has competence relevant to the sector in which the Company operates.



**Details of the composition of the Audit Committee are on page 84. The biographies of members of the Audit Committee are on page 73.**

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

The Audit Committee meets at least once a year with PwC and with the head of the internal audit function which undertakes the majority of the Company's internal audit reviews, with no Company management present.

Cushman & Wakefield LLP (the Valuer) and PwC have full access to one another and the Chairman of the 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 the Group's External Auditor 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 Chairman of the Audit Committee



**Further details are in the terms of reference for the Audit Committee and the full policy on non-audit services is available at [www.hammerson.com](http://www.hammerson.com).**

As reported in last year's Annual Report, Deloitte LLP (Deloitte) resigned as External Auditor at the 2017 AGM and was replaced by PwC following a tender process which took place in 2016. 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 2018 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 2017 was £0.6 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 2017 non-audit services provided by PwC to the Company included work on the Qualified Financial Benefits Statement to assess the future synergies in respect of the potential acquisition of intu properties plc, the provision of training materials and other assurance and advisory services. Fees for non-audit services provided to the Company by PwC for the year ended 31 December 2017 were £0.3 million.



**Further information on the remuneration of PwC and Deloitte is in note 4 to the financial statements on page 142.**

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 and Whistleblowing Policy. 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](http://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. Two such reports were received during the year. The Company subscribes to the independent charity Public Concern at Work 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 84 to 87.**



## D. Remuneration

### D.1 The level and components of remuneration

The principal responsibility of the Remuneration Committee is to determine and agree with the Board the overall remuneration principles and the framework for remuneration of the Executive Directors, the General Counsel and Company Secretary and the other members of the Group Executive Committee. The terms of reference for the Committee are reviewed annually.

The Chairman of the Committee reports regularly on the Committee's activities at Board meetings.



**The Directors' remuneration report is on pages 88 to 113.**

### 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](http://www.hammerson.com).**

**Details of the composition of the Remuneration Committee are on page 88.**

**Details of advisors who provided services to the Remuneration Committee during the year are on page 107.**

During 2017 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 2017 the Company attended a wide variety of meetings, presentations and road shows. The Chairman and the Executives meet regularly with institutional shareholders. Views are communicated to the Board as a whole. 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 80.**

### E.2 Constructive use of general meetings

At general meetings, the proxy appointment form gives 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 the Board is of the opinion that a significant proportion of the votes at any general meeting is cast against a resolution, the Company will explain, when announcing the results of the vote, the actions it intends to take to gain an understanding of the reasons behind the result.

## DIRECTORS' REPORT

This report (Directors' Report) forms part of the management report as required under the Disclosure Guidance and Transparency Rules. The Strategic Report on pages 1 to 69 includes an indication of likely future developments in the Company, details of important events since the year ended 31 December 2017 and the Company's business model and strategy. The Corporate Governance Report on pages 70 to 118 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](http://www.hammerson.com).

### Branches

Details of the Company's French and Irish branches are provided on page 172.

### Directors

Details of the Directors who served during the year are set out on pages 72 to 73. 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 98.

### 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 pages 57 and 145.

### Employees

Details of the Company's policies regarding the employment of disabled persons are provided on page 48. The Company places considerable importance on good internal communications with its employees and invests time in consulting on matters which affect them including: reward practices, work/life balance initiatives, corporate responsibility activities and approaches to internal communications. Consultation predominantly takes the form of facilitated discussion groups and employee involvement on relevant committees. The Company provides regular updates on its performance through presentations and announcements.

### Financial instruments

Details of the Group's financial risk management in relation to its financial instruments are available on pages 160 to 165.

### Going Concern and Viability statements

The Company's Going Concern statement and Viability statement can be found on page 69.

### Greenhouse gas emissions reporting

Information regarding the Company's greenhouse gas emissions can be found on page 191.

### Indemnification of and insurance for Directors and officers

The Company maintains directors' and officers' liability insurance, which is reviewed annually. The Company's Directors and officers are adequately insured in accordance with best practice. Directors are indemnified under the Articles.

### Listing Rule 9.8.4R disclosures

Table 90 sets out where disclosures required in compliance with Listing Rule 9.8.4R are located.

Table 90

	Page
Interest capitalised and tax relief	144
Publication of unaudited financial information	n/a
Details of long-term incentive schemes	88 – 113
Waiver of emoluments by a director	n/a
Waiver of future emoluments by a director	n/a
Non pre-emptive issues of equity for cash	n/a
Non pre-emptive issues of equity for cash by major subsidiary undertakings	n/a
Parent company participation in a placing by a listed subsidiary	n/a
Contracts of significance	n/a
Provision of services by a controlling shareholder	n/a
Shareholder waivers of dividends	120
Shareholder waivers of future dividends	120
Agreements with controlling shareholders	n/a

### Post balance sheet events

Details of post balance sheet events can be found in note 11 on page 148.

### Provisions on change of control

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

In addition, under the Company's credit facilities and private placement notes, the lending banks or holders may request repayment of outstanding amounts within 30 and 52 days respectively of any change of control.

### **Purchase of own shares**

At the 2017 Annual General Meeting (AGM), the Company was granted authority by shareholders to purchase up to 79,318,845 ordinary shares (10% of the Company's issued ordinary share capital as at 24 February 2017). This authority will expire at the conclusion of the 2018 AGM, at which a resolution will be proposed for its renewal, or, if earlier, 25 July 2018.

### **Re-appointment of External Auditor**

Details of the re-appointment of the External Auditor are provided on page 117.

### **Responsibility statement**

The Directors' responsibility statement is set out on page 121.

### **Share capital and substantial shareholders**

Details of the Company's capital structure are set out on page 166. The rights and obligations attached to the Company's shares are set out in the Articles. There are no restrictions on the transfer of shares except the UK Real Estate Investment Trust restrictions.

Interests in voting rights over the issued share capital of the Company disclosed in accordance with DTR 5 can be found on page 80.

### **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 2017, 1,004,746 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.

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### **Sarah Booth**

General Counsel and Company Secretary

23 February 2018

# STATEMENT OF DIRECTORS' RESPONSIBILITIES

## 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 (IFRSs) 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 IFRSs 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; and
- 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 performance, business model and strategy.

Each of the Directors, whose names and functions are listed in the Corporate Governance Report confirm 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 profit of the Group; and
- 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 of 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; and
- 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

23 February 2018



# INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF HAMMERSON PLC

## 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 2017 and of the Group's profit and cash flows for the year then ended;
- the Group financial statements have been properly prepared in accordance with 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 2017, the consolidated income statement and consolidated statement of comprehensive income, the consolidated cash flow statement, and the consolidated and company statement 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

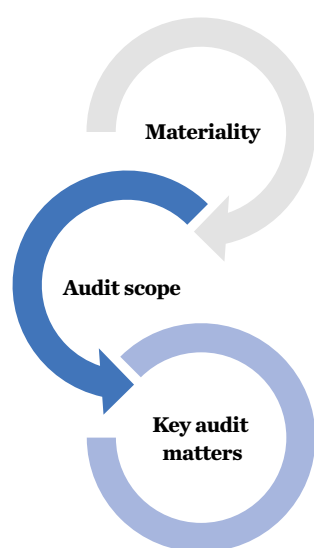
We remained independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, as applicable to listed public interest entities, and we have fulfilled our other ethical responsibilities 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 4 to the financial statements, we have provided no non-audit services to the Group or the Company in the period from 1 January 2017 to 31 December 2017.

### Our audit approach

#### Overview



- Overall Group materiality: £74.0 million, based on 0.75% of the Group's total assets.
- Specific Group materiality: £12.3 million, based on 5% of EPRA earnings.
- Overall Company materiality: £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 77% 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. In particular, we looked at where the Directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain.

We gained an understanding of the legal and regulatory framework applicable to the Group and the industry in which it operates, and considered the risk of acts by the Group which were contrary to applicable laws and regulations, including fraud. We designed audit procedures to respond to the risk, recognising that 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. We designed audit procedures that focused on the risk of non-compliance related to relevant laws and regulations including compliance with Real Estate Investment Trust requirements. Our tests included testing of the Group's compliance with Real Estate Investment Trust requirements, discussions with internal legal counsel, inquiries with management, and the testing of particular classes of transactions and estimates including legal expenses incurred in the year. We did not identify any key audit matters relating to irregularities, including fraud. As in all of our audits we also addressed the risk of management override of internal controls, including testing journals and evaluating whether there was evidence of bias by the Directors that represented a risk of material misstatement due to fraud.

### *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**

##### *Valuation of investment property, either held directly or within joint ventures.*

#### **Group**

Refer to page 87 (Audit Committee Report), pages 148 to 154 (Notes to the financial statements – notes 11 and 12), page 136 (Significant judgements and key estimates), and page 137 (Significant accounting policies).

The Group directly owns, or owns via joint ventures or associates, a portfolio of property which includes shopping centres, retail parks and premium outlets. The total value of this portfolio as at 31 December 2017 was £10,560 million (2016: £9,971 million). Of this portfolio £4,686 million is held by subsidiaries (2016: £4,764 million) and £4,211 million by joint ventures (2016: £3,792 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 £1,634 million (2016: £1,387 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 valuation is carried out by external valuers, Cushman & Wakefield (as defined in note 11), in accordance with the RICS Valuation – Professional Standards and the Group accounting policies which incorporate the requirements of International Accounting Standard 40, 'Investment Property'.

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.

#### **How our audit addressed the key audit matter**

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.

##### *Assessing the valuers' expertise and objectivity*

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.

##### *Data provided to the valuers*

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.

##### *Assumptions and estimates used by the valuers*

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	How our audit addressed the key audit matter
<p><i>Valuation of investment property, either held directly or within joint ventures (continued)</i></p> <p><b>Shopping centres and retail parks</b></p> <p>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 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.</p> <p><b>Premium outlets</b></p> <p>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 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.</p>	<p>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.</p> <ul style="list-style-type: none"> <li>– Shopping centres and retail parks</li> </ul> <p>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.</p> <ul style="list-style-type: none"> <li>– Premium outlets</li> </ul> <p>For premium outlets we obtained details of each property, including those acquired in the year. We 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.</p> <p><b>Overall findings</b></p> <p>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 applied appropriately 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, increased average rents or capital improvements to the assets. We concluded that the assumptions used in the valuations by the external valuers were supportable in light of available and comparable market evidence.</p>
<p><i>Accounting for the investment in Value Retail and valuation of investment property held by Value Retail</i></p> <p><b>Group</b></p> <p>Refer to pages 155 to 157 (Notes to the financial statements – note 13) and page 136 (Significant accounting policies).</p> <p>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 2017 was £1,069 million (2016: £959 million).</p> <p><b>Investment property valuation</b></p> <p>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 £4,760 million as at 31 December 2017 (2016: £4,096 million). The Group's share of the Value Retail property, which is included within the wider Group portfolio of £10,560 million (2016: £9,971 million), was £1,634 million (2016: £1,387 million).</p>	<p><b>Investment property valuation</b></p> <p>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.</p> <p>In addition the Group audit team attended the meeting held between Cushman &amp; Wakefield and the component auditors and reviewed the component auditors' working papers.</p> <p>We have no issues to report and have obtained sufficient audit comfort over the investment property balances within the Value Retail financial information.</p>

## Key audit matter

### *Accounting for the investment in Value Retail and valuation of investment property held by Value Retail (continued)*

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 11) 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 171 (Notes to the Company financial statements – note C) and page 171 (Accounting policies)

The Company has investments in subsidiary companies of £4,897 million (2016: £4,824 million) as at 31 December 2017.

The Company's accounting policy is to hold these investments at fair value. Given the inherent judgement and complexity in assessing their fair value, this was identified as a key audit matter for our audit of the Company.

The primary determinant of the fair value of each subsidiary company is the value of its net assets. The net assets of each subsidiary is principally made up of the underlying investment property held by each subsidiary and their group undertakings, the valuation of which represents the key judgement within the fair value assessment. As such it was over the valuation of investment property where we applied the most focus and audit effort.

For further discussion around the valuation of investment property, please refer to the valuation of investment property key audit matter within this report.

## How our audit addressed the key audit matter

### *Accounting for the investment in Value Retail*

In respect of the complexity within the calculation of the Group's investment in Value Retail, we 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, ensuring that equity accounting was based on the appropriate percentage of the Group's interest in each Value Retail entity.

We have no issues to report in respect of this work.

We obtained the Directors' valuation for the value of investments in subsidiary companies as at 31 December 2017.

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 in subsidiary companies to be the valuation of investment property held by each subsidiary and their group undertakings. For details of our procedures over investment property valuations please refer to the investment property key audit matter within this report.

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 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 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.



## Independent Auditors' report to the members of Hammerson plc continued

These procedures, together with additional procedures performed at the Group level (including audit procedures over 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
<b>Overall materiality</b>	£74.0 million.	£84.0 million.
<b>How we determined it</b>	0.75% of the Group's total assets.	0.75% of the Company's total assets.
<b>Rationale for benchmark applied</b>	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.
<b>Specific materiality</b>	£12.3 million.	Not applicable.
<b>How we determined it</b>	5% of EPRA earnings.	Not applicable.
<b>Rationale for benchmark applied</b>	In arriving at this judgement we had regard to the fact that EPRA earnings is a secondary financial indicator of the Group (Refer to note 10 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 between £15 million and £70 million.

We audited the Company to £84.0 million (being the statutory materiality) with the exception of external debt, external interest, cash and equity related items which were audited to a lower component materiality for the purposes of the Group audit.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £3.7 million (Group audit) and £4.2 million (Company audit) 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 £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 12 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.
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 2017 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 61 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 69 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 121, 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 84 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, 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](http://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.

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## **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.

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## **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. This is therefore our first year of uninterrupted engagement.

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### **Paul Cragg (Senior Statutory Auditor)**

for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
London

23 February 2018

# CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2017

	Notes	2017 £m	2016 £m
<b>Gross rental income</b>	2	<b>248.9</b>	251.3
<b>Operating profit before other net gains/(losses) and share of results of joint ventures and associates</b>	2	<b>174.2</b>	176.6
Loss on sale of properties		(15.5)	(24.0)
Net exchange gain previously recognised in equity, recycled on disposal of foreign operations		27.8	–
Gain on sale of other investments		–	1.3
Potential business acquisition costs		(6.5)	–
Revaluation gains/(losses) on properties		1.9	(24.7)
Other net gains/(losses)	2	7.7	(47.4)
Share of results of joint ventures	12A	180.5	169.2
Share of results of associates	13A	223.0	137.1
<b>Operating profit</b>	2	<b>585.4</b>	435.5
Finance costs		(125.3)	(121.2)
Debt and loan facility cancellation costs		(41.5)	(0.4)
Change in fair value of derivatives		(21.3)	(3.5)
Finance income		16.1	12.4
Net finance costs	7	(172.0)	(112.7)
<b>Profit before tax</b>		<b>413.4</b>	322.8
Tax charge	8A	(1.8)	(1.9)
<b>Profit for the year</b>		<b>411.6</b>	320.9
<b>Attributable to:</b>			
Equity shareholders		388.4	317.3
Non-controlling interests	28C	23.2	3.6
<b>Profit for the year</b>		<b>411.6</b>	320.9
<b>Basic earnings per share</b>	10B	<b>49.0p</b>	40.2p
<b>Diluted earnings per share</b>	10B	<b>48.9p</b>	40.1p



# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2017

	2017 £m	2016 £m
<b>Items recycled through the income statement on disposal of foreign operations</b>		
Exchange gain previously recognised in the translation reserve	(54.4)	–
Exchange loss previously recognised in the hedging reserve	46.2	–
Net exchange gain relating to equity shareholders	(8.2)	–
Exchange gain relating to non-controlling interests	(19.6)	–
	(27.8)	–
<b>Items that may subsequently be recycled through the income statement</b>		
Foreign exchange translation differences	161.1	535.6
Net loss on hedging activities	(99.6)	(437.3)
	61.5	98.3
<b>Items that may not subsequently be recycled through the income statement</b>		
Change in fair value of participative loans within investment in associates	(0.5)	(0.3)
Net actuarial losses on pension schemes	(0.3)	(15.9)
	(0.8)	(16.2)
Total other comprehensive income	32.9	82.1
Profit for the year	411.6	320.9
<b>Total comprehensive income for the year</b>	<b>444.5</b>	<b>403.0</b>
<b>Attributable to:</b>		
Equity shareholders	437.7	388.3
Non-controlling interests	6.8	14.7
<b>Total comprehensive income for the year</b>	<b>444.5</b>	<b>403.0</b>

# CONSOLIDATED BALANCE SHEET

AS AT 31 DECEMBER 2017

	Notes	2017 £m	2016 £m
<b>Non-current assets</b>			
Investment and development properties	11	4,686.1	4,763.9
Interests in leasehold properties		37.2	36.4
Plant and equipment		5.1	6.2
Investment in joint ventures	12A	3,673.7	3,736.7
Investment in associates	13C	1,099.5	988.1
Receivables	14	20.4	44.9
		<b>9,522.0</b>	9,576.2
<b>Current assets</b>			
Receivables	15	110.5	105.9
Restricted monetary assets	16	37.3	35.1
Cash and deposits	17	205.9	74.3
		<b>353.7</b>	215.3
<b>Total assets</b>		<b>9,875.7</b>	9,791.5
<b>Current liabilities</b>			
Payables	18	(261.1)	(303.8)
Tax		(0.5)	(0.4)
Loans and other borrowings	19	(1.7)	(211.1)
		<b>(263.3)</b>	(515.3)
<b>Non-current liabilities</b>			
Loans and other borrowings	19	(3,451.3)	(3,285.2)
Deferred tax		(0.5)	(0.5)
Obligations under head leases	21	(38.9)	(37.5)
Payables	22	(84.2)	(96.0)
		<b>(3,574.9)</b>	(3,419.2)
<b>Total liabilities</b>		<b>(3,838.2)</b>	(3,934.5)
<b>Net assets</b>		<b>6,037.5</b>	5,857.0
<b>Equity</b>			
Share capital	23	198.6	198.3
Share premium		1,265.9	1,265.7
Translation reserve		763.1	659.6
Hedging reserve		(616.3)	(562.9)
Merger reserve		374.1	374.1
Other reserves		22.0	23.7
Retained earnings		4,016.4	3,817.3
Investment in own shares		(0.3)	(0.2)
<b>Equity shareholders' funds</b>		<b>6,023.5</b>	5,775.6
Non-controlling interests	28C	14.0	81.4
<b>Total equity</b>		<b>6,037.5</b>	5,857.0
<b>EPRA net asset value per share</b>	10D	<b>£7.76</b>	£7.39

These financial statements were approved by the Board of Directors on 23 February 2018.

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 2017

	Share capital £m	Share premium £m	Translation reserve £m	Hedging reserve £m	Merger reserve £m	Other reserves £m	Retained earnings £m	Investment in own shares* £m	Equity shareholders' funds £m	Non-controlling interests £m	Total equity £m
Balance at 1 January 2017	198.3	1,265.7	659.6	(562.9)	374.1	23.7	3,817.3	(0.2)	5,775.6	81.4	5,857.0
Issue of shares	0.3	0.2	–	–	–	–	–	(0.3)	0.2	–	0.2
Share-based employee remuneration (note 4)	–	–	–	–	–	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 9)	–	–	–	–	–	–	(193.6)	–	(193.6)	(74.2)	(267.8)
Exchange gain previously recognised in equity recycled on disposal of foreign operations	–	–	(54.4)	–	–	–	–	–	(54.4)	(19.6)	(74.0)
Exchange loss previously recognised in the hedging reserve recycled on disposal of foreign operations	–	–	–	46.2	–	–	–	–	46.2	–	46.2
Foreign exchange translation differences	–	–	157.9	–	–	–	–	–	157.9	3.2	161.1
Net loss on hedging activities	–	–	–	(99.6)	–	–	–	–	(99.6)	–	(99.6)
Change in fair value of participative loans within investment in associates (note 13E)	–	–	–	–	–	–	(0.5)	–	(0.5)	–	(0.5)
Net actuarial losses on pension schemes (note 6C)	–	–	–	–	–	–	(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	(53.4)	–	–	387.6	–	437.7	6.8	444.5
<b>Balance at 31 December 2017</b>	<b>198.6</b>	<b>1,265.9</b>	<b>763.1</b>	<b>(616.3)</b>	<b>374.1</b>	<b>22.0</b>	<b>4,016.4</b>	<b>(0.3)</b>	<b>6,023.5</b>	<b>14.0</b>	<b>6,037.5</b>

\* Investment in own shares is stated at cost.

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2016

	Share capital £m	Share premium £m	Translation reserve £m	Hedging reserve £m	Merger reserve £m	Other reserves £m	Retained earnings £m	Investment in own shares* £m	Equity shareholders' funds £m	Non-controlling interests £m	Total equity £m
Balance at 1 January 2016	196.1	1,223.3	135.1	(125.6)	374.1	21.7	3,696.5	(3.9)	5,517.3	69.0	5,586.3
Issue of shares	0.3	0.2	–	–	–	–	–	(0.3)	0.2	–	0.2
Share-based employee remuneration (note 4)	–	–	–	–	–	5.6	–	–	5.6	–	5.6
Cost of shares awarded to employees	–	–	–	–	–	(4.0)	–	4.0	–	–	–
Transfer on award of own shares to employees	–	–	–	–	–	0.4	(0.4)	–	–	–	–
Proceeds on award of own shares to employees	–	–	–	–	–	–	0.2	–	0.2	–	0.2
Dividends (note 9)	1.9	42.2	–	–	–	–	(180.1)	–	(136.0)	(2.3)	(138.3)
Foreign exchange translation differences	–	–	524.5	–	–	–	–	–	524.5	11.1	535.6
Net loss on hedging activities	–	–	–	(437.3)	–	–	–	–	(437.3)	–	(437.3)
Change in fair value of participative loans within investment in associates (note 13E)	–	–	–	–	–	–	(0.3)	–	(0.3)	–	(0.3)
Net actuarial losses on pension schemes (note 6C)	–	–	–	–	–	–	(15.9)	–	(15.9)	–	(15.9)
Profit for the year	–	–	–	–	–	–	317.3	–	317.3	3.6	320.9
Total comprehensive income/(loss) for the year	–	–	524.5	(437.3)	–	–	301.1	–	388.3	14.7	403.0
Balance at 31 December 2016	198.3	1,265.7	659.6	(562.9)	374.1	23.7	3,817.3	(0.2)	5,775.6	81.4	5,857.0

\* Investment in own shares is stated at cost.



# CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2017

	Notes	2017 £m	2016 £m
<b>Operating activities</b>			
Operating profit before other net gains/(losses) and share of results of joint ventures and associates	2	174.2	176.6
Decrease in receivables		6.6	2.0
(Increase)/Decrease in restricted monetary assets		(1.5)	2.2
(Decrease)/Increase in payables		(14.5)	11.9
Adjustment for non-cash items	25	9.1	11.6
<b>Cash generated from operations</b>		173.9	204.3
Interest received		12.9	20.0
Interest paid		(129.9)	(125.1)
Debt and loan facility cancellation costs	7	(41.5)	(0.4)
Tax paid		(1.1)	(2.9)
Distributions and other receivables from joint ventures		125.0	84.0
<b>Cash flows from operating activities</b>		139.3	179.9
<b>Investing activities</b>			
Property acquisitions		(122.5)	(499.7)
Developments and major refurbishments		(46.7)	(127.2)
Other capital expenditure		(66.7)	(55.2)
Sale of properties		490.8	639.0
Advances to joint ventures	12D	(165.6)	(63.1)
Return of equity from joint ventures	12D	275.0	–
Acquisition of additional interest in Irish loan portfolio	12D	(56.2)	–
Advances to joint ventures on conversion of Irish loan portfolio to property assets	12D	–	(91.9)
Acquisition of interest in associates		(39.3)	(2.4)
Distributions from associates		130.9	18.0
Acquisition of other investments		–	(1.9)
Sale of other investments		–	8.0
Repayment of loans receivable		19.9	65.8
<b>Cash flows from investing activities</b>		419.6	(110.6)
<b>Financing activities</b>			
Issue of shares		0.2	0.2
Proceeds from award of own shares		0.2	0.2
Purchase of own shares		(2.0)	–
Proceeds from new borrowings		526.9	949.8
Repayment of borrowings		(687.7)	(847.5)
Net (decrease)/increase in borrowings	24	(160.8)	102.3
Dividends paid to non-controlling interests		(74.2)	(2.3)
Equity dividends paid	9	(191.7)	(135.7)
<b>Cash flows from financing activities</b>		(428.3)	(35.3)
<b>Net increase in cash and deposits</b>		130.6	34.0
Opening cash and deposits		74.3	37.0
Exchange translation movement		1.0	3.3
<b>Closing cash and deposits</b>	17	205.9	74.3

An analysis of the movement in net debt is provided in note 24.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

## 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. During 2017, the following new and revised Standards and Interpretations have been adopted but these have not had a material impact on the amounts reported in these financial statements:

- Amendments to IAS 7 Statement of Cash Flows
- Amendments to IAS 12 Income Taxes
- IFRS 12 Disclosure of interests in other entities.

### Issued and endorsed by the European Union

- IFRS 9 Financial Instruments; effective for accounting periods beginning on or after 1 January 2018
- IFRS 15 Revenue from Contracts with Customers; effective for accounting periods beginning on or after 1 January 2018
- IFRS 16 Leases; effective for accounting periods beginning on or after 1 January 2019.

### Issued, not yet effective and not yet endorsed for use in the European Union

At the date of approval of these financial statements the following Standards and Interpretations relevant to the Group were in issue but not yet effective and in some cases had not been adopted for use in the European Union:

- Amendments to IFRS 2 Share Based Payments – amendments to clarify the classification and measurement of share-based payment transactions; effective for accounting periods beginning on or after 1 January 2018
- Amendments to IAS 40 Investment Property – transfer of property; effective for accounting periods beginning on or after 1 January 2018.

### 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. Having carried out an assessment of the standard the impact is immaterial from an earnings and net asset value perspective. However, it will require some presentational changes to the financial statements and the Group's treasury and hedging documentation has been amended to reflect the requirements of the new standard.

The standard will remove the need to treat separately the change in the fair value of the Group's underlying host participative loan included within its investment in Value Retail (see note 13C). In 2017, the change in fair value of £0.5 million in relation to the host participative loan was included within other comprehensive income. Under the new standard, the change in the fair value of both the embedded derivative and the underlying host participative loan will be included in the income statement within the Group's share of profit from associates.

The introduction of the new expected credit losses model, that replaces the incurred loss impairment model, will not have a material financial impact for the provisioning for the Group's trade receivables, although some presentational changes will be required.

#### 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.

Having undertaken a review of the implications of the new standard the financial impact will be immaterial. The Group will amend the presentation of the relevant income and costs within operating profit such that these are aggregated into new 'Revenue' and 'Costs' lines in the income statement, with further presentational amendments in the notes to the financial statements.

#### 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. Interest expense on the lease liability and depreciation on the right-of-use asset will be recognised in the 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 £15 million and the net impact on the income statement will not be material.

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 69.

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

The accounting policies have been applied consistently to the results, other gains and losses, assets, liabilities and cash flows of entities included in the consolidated financial statements. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period. If the revision affects both current and future periods, the change is recognised over those periods.

## 1: Significant accounting policies (continued)

### 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 87, and are set out below:

#### Property valuations

The property portfolio, which is carried in the balance sheet at fair value, is valued six-monthly by professionally qualified external valuers and the Directors must ensure that they are satisfied that the valuation of the Group's properties is appropriate for the 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 future rental income streams with appropriate adjustments for income voids arising from vacancies or rent-free periods. These capitalisation yields and future income streams are derived from comparable property and leasing transactions and are considered to be the key inputs to the valuations. Other factors that are taken into account include the tenure of the property, tenancy details and ground and structural conditions.

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

#### Accounting for acquisitions and disposals

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

Management must assess when the risks and rewards associated with an acquisition or disposal have transferred. 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.

### Basis of consolidation

#### Subsidiaries

Subsidiaries are all 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 any control. The Group's interests in its joint ventures are commonly driven by the terms of partnership agreements, which ensure that control is shared between the partners.

Associates are those entities over which the Group is in a position to exercise significant influence, but not control or joint control.

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 = €1.127 (2016: £1 = €1.171). The principal exchange rate used for the income statement is the average rate, £1 = €1.141 (2016: £1 = €1.224).

### 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.

#### 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 classified within receivables or loans and other borrowings depending on the fair value of each derivative instrument.

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 hedging 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 hedging 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 hedging 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 hedging 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 11.

#### 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.



## 1: Significant accounting policies (continued)

### 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 the 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.

### Management fees

Management fees are recognised in the period to which they relate. Performance fee related elements are recognised at the end of the performance period when the fee can be reliably estimated and is due for payment.

## 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 8A 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 taxation

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

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

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

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

## 2: Profit for the year

As stated in the Financial Review on page 53 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 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 are shown within 'Share of results of joint ventures' and 'Share of results of associates' in column C.

The Group's proportionally consolidated profit for the year in column C is then allocated between 'Adjusted' and 'Capital and other' for the purposes of calculating figures in accordance with EPRA best practice.

					2017	
					Proportionally consolidated	
	Notes	Reported Group £m	Share of Property interests £m	Proportionally consolidated £m	Adjusted £m	Capital and other £m
Notes (see page 140)		A	B	C	D	D
<b>Gross rental income<sup>E</sup></b>	3A	<b>248.9</b>	173.0	421.9	<b>421.9</b>	–
Ground and equity rents payable		<b>(1.4)</b>	(2.7)	(4.1)	<b>(4.1)</b>	–
Gross rental income, after rents payable		<b>247.5</b>	170.3	417.8	<b>417.8</b>	–
Service charge income		<b>45.9</b>	31.9	77.8	<b>77.8</b>	–
Service charge expenses		<b>(55.0)</b>	(38.1)	(93.1)	<b>(93.1)</b>	–
Net service charge expenses		<b>(9.1)</b>	(6.2)	(15.3)	<b>(15.3)</b>	–
Other property outgoings		<b>(15.8)</b>	(16.3)	(32.1)	<b>(32.1)</b>	–
Property outgoings		<b>(24.9)</b>	(22.5)	(47.4)	<b>(47.4)</b>	–
<b>Net rental income</b>	3A	<b>222.6</b>	147.8	370.4	<b>370.4</b>	–
Employee and corporate costs		<b>(60.5)</b>	(0.5)	(61.0)	<b>(61.0)</b>	–
Management fees receivable		<b>12.1</b>	–	12.1	<b>12.1</b>	–
Administration expenses		<b>(48.4)</b>	(0.5)	(48.9)	<b>(48.9)</b>	–
<b>Operating profit before other net gains/(losses) and share of results of joint ventures and associates</b>		<b>174.2</b>	147.3	321.5	<b>321.5</b>	–
Loss on sale of properties		<b>(15.5)</b>	–	(15.5)	–	<b>(15.5)</b>
Net exchange gain previously recognised in equity, recycled on disposal of foreign operations		<b>27.8</b>	–	27.8	–	<b>27.8</b>
Potential business acquisition costs <sup>F</sup>		<b>(6.5)</b>	–	(6.5)	–	<b>(6.5)</b>
Revaluation gains on properties		<b>1.9</b>	19.4	21.3	–	<b>21.3</b>
<b>Other net gains/(losses)</b>		<b>7.7</b>	19.4	27.1	–	<b>27.1</b>
<b>Share of results of joint ventures</b>	12A, 12B	<b>180.5</b>	(166.9)	13.6	<b>13.2</b>	<b>0.4</b>
<b>Share of results of associates</b>	13A, 13B	<b>223.0</b>	(1.4)	221.6	<b>24.6</b>	<b>197.0</b>
<b>Operating profit</b>		<b>585.4</b>	(1.6)	583.8	<b>359.3</b>	<b>224.5</b>
Net finance (costs)/income <sup>G</sup>	7	<b>(172.0)</b>	1.6	(170.4)	<b>(107.6)</b>	<b>(62.8)</b>
<b>Profit before tax</b>		<b>413.4</b>	–	413.4	<b>251.7</b>	<b>161.7</b>
Current tax charge	8A	<b>(1.8)</b>	–	(1.8)	<b>(1.8)</b>	–
<b>Profit for the year</b>		<b>411.6</b>	–	411.6	<b>249.9</b>	<b>161.7</b>
Non-controlling interests		<b>(23.2)</b>	–	(23.2)	<b>(3.6)</b>	<b>(19.6)</b>
<b>Profit for the year attributable to equity shareholders</b>	10B	<b>388.4</b>	–	388.4	<b>246.3</b>	<b>142.1</b>

**2: Profit for the year (continued)**

						2016
	Notes	Reported Group £m	Share of Property interests £m	Proportionally consolidated £m	Proportionally consolidated	
					Adjusted £m	Capital and other £m
Notes (see below)		A	B	C	D	D
<b>Gross rental income<sup>E</sup></b>	3A	251.3	147.4	398.7	398.7	–
Ground and equity rents payable		(1.3)	(2.8)	(4.1)	(4.1)	–
Gross rental income, after rents payable		250.0	144.6	394.6	394.6	–
Service charge income		43.8	24.8	68.6	68.6	–
Service charge expenses		(52.1)	(31.0)	(83.1)	(83.1)	–
Net service charge expenses		(8.3)	(6.2)	(14.5)	(14.5)	–
Other property outgoings		(19.4)	(14.2)	(33.6)	(33.6)	–
Property outgoings		(27.7)	(20.4)	(48.1)	(48.1)	–
<b>Net rental income</b>	3A	222.3	124.2	346.5	346.5	–
Employee and corporate costs		(54.3)	(0.3)	(54.6)	(54.6)	–
Management fees receivable/(payable)		8.6	(0.1)	8.5	8.5	–
Administration expenses		(45.7)	(0.4)	(46.1)	(46.1)	–
<b>Operating profit before other net (losses)/gains and share of results of joint ventures and associates</b>		176.6	123.8	300.4	300.4	–
Loss on sale of properties		(24.0)	–	(24.0)	–	(24.0)
Gain on sale of other investments		1.3	–	1.3	–	1.3
Revaluation (losses)/gains on properties		(24.7)	11.3	(13.4)	–	(13.4)
<b>Other net (losses)/gains</b>		(47.4)	11.3	(36.1)	–	(36.1)
<b>Share of results of joint ventures</b>	12A, 12B	169.2	(148.5)	20.7	6.2	14.5
<b>Share of results of associates</b>	13A	137.1	(1.9)	135.2	23.6	111.6
<b>Operating profit</b>		435.5	(15.3)	420.2	330.2	90.0
Net finance (costs)/income <sup>G</sup>	7	(112.7)	16.1	(96.6)	(93.5)	(3.1)
<b>Profit before tax</b>		322.8	0.8	323.6	236.7	86.9
Current tax charge	8A	(1.9)	(0.8)	(2.7)	(2.7)	–
<b>Profit for the year</b>		320.9	–	320.9	234.0	86.9
Non-controlling interests		(3.6)	–	(3.6)	(3.3)	(0.3)
<b>Profit for the year attributable to equity shareholders</b>	10B	317.3	–	317.3	230.7	86.6

## Notes

A. Reported Group results as shown in the consolidated income statement on page 129.

B. Property interests reflect the Group's share of results of Property joint ventures as shown in note 12A and Nicetoile included within note 13A.

C. Aggregated results on a proportionally consolidated basis showing Reported Group together with Share of Property interests.

D. Aggregated results on a proportionally consolidated basis allocated between 'Adjusted' and 'Capital and other' for the purposes of calculating adjusted earnings per share as shown in note 10A.

E. Included in gross rental income on a proportionally consolidated basis in Column C is £7.9 million (2016: £7.2 million) of contingent rents calculated by reference to tenants' turnover.

F. Costs of £6.5 million have been recognised in respect of the potential acquisition of intu properties plc, as announced on 6 December 2017.

G. Adjusted finance costs presented on a proportionally consolidated basis are shown in Table 106 on page 185.

### 3: Segmental analysis

The factors used to determine the Group's reportable segments are the geographic locations (UK, France and Ireland) and sectors in which it operates, which are generally managed by separate teams and are the basis on which performance is assessed and resources allocated. As stated in the Financial Review on page 53, the Group has property interests in a number of sectors and management reviews the performance of the Group's property interests in Shopping centres, 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. Property interests represent the Group's non wholly-owned properties which management proportionally consolidate when reviewing the performance of the business. For reconciliation purposes the Reported Group figures, being 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 18, 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

	2017		2016	
	Gross rental income £m	Net rental income £m	Gross rental income £m	Net rental income £m
<b>United Kingdom</b>				
Shopping centres	180.2	152.9	174.2	148.4
Retail parks	72.4	69.3	84.0	79.6
Other	12.3	8.8	13.8	9.3
	264.9	231.0	272.0	237.3
<b>France</b>	104.6	95.3	101.1	89.3
<b>Ireland</b>	37.9	34.8	13.7	12.5
<b>Investment portfolio</b>	407.4	361.1	386.8	339.1
Developments	14.5	9.3	11.9	7.4
<b>Property portfolio</b>	421.9	370.4	398.7	346.5
Less share of Property interests	(173.0)	(147.8)	(147.4)	(124.2)
<b>Reported Group</b>	248.9	222.6	251.3	222.3

#### B: Investment and development property assets by segment

	2017			2016		
	Property valuation £m	Property additions £m	Revaluation gains/(losses) £m	Property valuation £m	Property additions £m	Revaluation gains/(losses) £m
<b>United Kingdom</b>						
Shopping centres	3,488.9	28.4	23.9	3,436.5	369.8	(5.8)
Retail parks	1,234.1	46.7	(27.2)	1,320.0	19.8	(118.3)
Other	180.1	3.4	13.4	163.5	0.8	2.2
	4,903.1	78.5	10.1	4,920.0	390.4	(121.9)
<b>France</b>	1,887.0	55.4	(11.4)	2,159.6	65.6	73.3
<b>Ireland</b>	959.6	124.5	(1.5)	805.1	801.9	3.2
<b>Investment portfolio</b>	7,749.7	258.4	(2.8)	7,884.7	1,257.9	(45.4)
Developments	576.6	150.8	24.1	397.0	274.9	32.0
<b>Property portfolio – excluding premium outlets</b>	8,326.3	409.2	21.3	8,281.7	1,532.8	(13.4)
Premium outlets	2,234.1	278.9	225.2	1,689.4	200.5	138.4
<b>Total Group</b>	10,560.4	688.1	246.5	9,971.1	1,733.3	125.0
Less premium outlets	(2,234.1)	(278.9)	(225.2)	(1,689.4)	(200.5)	(138.4)
Less share of Property interests	(3,640.2)	(65.7)	(19.4)	(3,517.8)	(778.9)	(11.3)
<b>Reported Group</b>	4,686.1	343.5	1.9	4,763.9	753.9	(24.7)



**3: Segmental analysis (continued)****C: Analysis of non-current assets employed**

	Non-current assets employed	
	2017 £m	2016 £m
United Kingdom	<b>5,255.5</b>	5,210.7
Continental Europe	<b>3,433.6</b>	3,357.8
Ireland	<b>832.9</b>	1,007.7
	<b>9,522.0</b>	9,576.2

Included in the above table are investments in joint ventures of £3,673.7 million (2016: £3,736.7 million), which are further analysed in note 12 on pages 149 to 154. The Group's share of the property valuations held within Property interests of £3,640.2 million (2016: £3,517.8 million) has been included in note 3B above, of which £2,650.2 million (2016: £2,562.6 million) relates to the United Kingdom, £211.5 million (2016: £205.1 million) relates to Continental Europe and £778.5 million (2016: £750.1 million) relates to Ireland.

**4: Administration expenses**

Administration expenses include the following items:

**Staff costs**

	Note	2017 £m	2016 £m
Salaries and wages		<b>32.8</b>	30.8
Performance-related bonuses – payable in cash		<b>7.2</b>	7.0
– payable in shares		<b>1.1</b>	1.2
		<b>8.3</b>	8.2
Other share-based employee remuneration		<b>4.3</b>	4.4
Social security		<b>8.1</b>	7.5
Net pension expense – defined contribution scheme	6A	<b>2.9</b>	2.7
<b>Total</b>		<b>56.4</b>	53.6

Of the above amount, £0.1 million (2016: £1.6 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 88 to 113.

**Staff numbers**

	2017 Number	2016 Number
Average number of staff	<b>558</b>	565
Staff recharged to tenants, included above	<b>231</b>	219

The Reported Group's employee and corporate costs of £60.5 million (2016: £54.3 million), as shown in note 2, includes £23.4 million (2016: £22.6 million) recharged to tenants and co-owners.

**Other information**

	2017 £m	2016 £m
Auditor's remuneration <sup>1</sup> :		
Audit of the Company's annual financial statements	<b>0.2</b>	0.3
Audit of subsidiaries, pursuant to legislation	<b>0.3</b>	0.3
Audit-related assurance services	<b>0.1</b>	0.1
Audit and audit-related assurance services	<b>0.6</b>	0.7
Other fees <sup>2</sup>	<b>0.3</b>	0.1
Total auditor's remuneration	<b>0.9</b>	0.8
Depreciation of plant and equipment	<b>2.1</b>	2.0
Operating lease expenses	<b>3.5</b>	3.4

Note

- As explained in the Audit Committee Report on page 85, the Company changed its auditor during the year. The figures for 2017 and 2016 relate to PwC and Deloitte respectively.
- In 2017, other fees were payable to PwC for work on the Qualified Financial Benefits Statement to assess the future synergies in respect of the potential acquisition of intu properties plc, for the provision of training materials, and for other assurance and advisory services. In 2016, other fees payable to Deloitte were principally for tax related work and a review of the Group's sustainability reporting.

## 5: 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 88 to 113. The Company did not grant any credits, advances or guarantees of any kind to its Directors during the current and preceding years.

## 6: Pensions

### A: Defined contribution pension scheme

The Company operates 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 (2016: £2.7 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.

### C: Changes in present value of defined benefit pension schemes

	Obligations £m	Assets £m	2017 Net £m	Obligations £m	Assets £m	2016 Net £m
At 1 January	(120.0)	65.3	(54.7)	(100.7)	62.7	(38.0)
Amounts recognised in the income statement						
– interest (cost)/income <sup>1</sup>	(3.4)	1.9	(1.5)	(3.7)	2.4	(1.3)
Amounts recognised in equity						
– actuarial experience (losses)/gains	(1.0)	3.2	2.2	2.6	0.9	3.5
– actuarial losses from changes in financial assumptions	(4.8)	–	(4.8)	(19.9)	–	(19.9)
– actuarial gains from changes in demographic assumptions	2.3	–	2.3	0.5	–	0.5
	(3.5)	3.2	(0.3)	(16.8)	0.9	(15.9)
Contributions by employer <sup>2</sup>	–	3.5	3.5	–	1.5	1.5
Benefits	3.3	(2.2)	1.1	3.2	(2.2)	1.0
Exchange gains/(losses)	0.5	–	0.5	(2.0)	–	(2.0)
<b>At 31 December</b>	<b>(123.1)</b>	<b>71.7</b>	<b>(51.4)</b>	<b>(120.0)</b>	<b>65.3</b>	<b>(54.7)</b>
Analysed as:						
Present value of the Scheme	(110.0)	71.7	(38.3)	(106.2)	65.3	(40.9)
Present value of Unfunded Retirement Schemes	(13.1)	–	(13.1)	(13.8)	–	(13.8)
	(123.1)	71.7	(51.4)	(120.0)	65.3	(54.7)
Analysed as:						
Current liabilities (note 18)			(0.8)			(0.9)
Non-current liabilities (note 22)			(50.6)			(53.8)
			(51.4)			(54.7)

Notes

1. Included in Other interest payable (note 7).

2. The Group expects to make contributions totalling £3.5 million to the Scheme in 2018.

### D: Summary of Scheme assets

	2017 £m	2016 £m
Diversified Growth Funds	49.4	21.4
Equities	21.4	22.0
Global Absolute Return Strategies Fund	–	21.8
Total invested assets	70.8	65.2
Cash	0.9	0.1
<b>Total Scheme assets</b>	<b>71.7</b>	<b>65.3</b>

**6: Pensions (continued)****E: Principal actuarial assumptions used for defined benefit pension schemes**

		2017 %	2016 %
Discount rate for Scheme liabilities		2.6	2.9
Increase in retail price index		3.2	3.3
Increase in pensions in payment		3.2	3.3
		<b>Age</b>	Age
Life expectancy from age 60 for Scheme members:	Male aged 60 at 31 December	27.8	28.1
	Male aged 40 at 31 December	29.4	29.9
Weighted average maturity		<b>Years</b>	Years
The Scheme		18.2	18.7
UK Unfunded Retirement Scheme		13.2	13.3
French Unfunded Retirement Scheme		13.0	13.4
US Unfunded Retirement Scheme		6.6	7.1

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

**F: Sensitivities to changes in assumptions and conditions**

(Decrease)/Increase in net present value of the Scheme at 31 December	2017 £m	2016 £m
Discount rate + 0.1%	(2.0)	(2.1)
Price inflation + 0.1%	2.0	2.0
Long-term improvements in longevity + 0.25% per annum	1.0	1.5
Asset value falls 5%	3.6	3.3

**7: Net finance costs**

	2017 £m	2016 £m
Interest on bank loans and overdrafts	12.3	19.7
Interest on other borrowings	109.8	102.0
Interest on obligations under head leases	2.2	2.1
Other interest payable	1.8	2.5
Gross interest costs	126.1	126.3
Less: Interest capitalised	(0.8)	(5.1)
Finance costs	125.3	121.2
Debt and loan facility cancellation costs <sup>1</sup>	41.5	0.4
Change in fair value of derivatives	21.3	3.5
Finance income	(16.1)	(12.4)
	172.0	112.7

1. Includes costs of £41.1 million (2016: £nil) to cancel the £250 million 6.875% sterling bonds due 2020 and other loan facility cancellation costs of £0.4 million (2016: £0.4 million).

**8: Tax****A: Tax charge**

	2017 £m	2016 £m
UK current tax	0.2	0.2
Foreign current tax	1.6	1.7
<b>Tax charge</b>	<b>1.8</b>	<b>1.9</b>

The Group's tax charge remains low because it has tax exempt status in its principal operating countries. In the UK, the Group has been a REIT since 2007 and a SIIC in France since 2004. These tax regimes exempt the Group's property income and gains from corporate taxes provided a number of conditions in relation to the Group's activities are met including, but not limited to, distributing at least 90% of the Group's UK tax exempt profit as property income distributions (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.

## B: Tax charge reconciliation

	Notes	2017 £m	2016 £m
Profit before tax	2	413.4	322.8
Less: Profit after tax of joint ventures	12A	(180.5)	(169.2)
Less: Profit after tax of associates	13A	(223.0)	(137.1)
Profit on ordinary activities before tax		9.9	16.5
Profit multiplied by the UK corporation tax rate of 19.25% (2016: 20%)		1.9	3.3
UK REIT tax exemption		(4.5)	17.6
French SIIC tax exemption		(14.3)	(23.6)
Irish QIAIF tax exemption		6.6	2.0
Losses for the year not utilised		9.5	1.8
Non-deductible and other items		2.6	0.8
<b>Tax charge</b>		<b>1.8</b>	<b>1.9</b>

## 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 2017, the total of such losses was £440 million (2016: £330 million) and £460 million (2016: £465 million) respectively, and the potential tax effect of these was £75 million (2016: £53 million) and £78 million (2016: £79 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 2017, the total of such gains was £690 million (2016: £640 million) and the potential tax effect before the offset of losses was £117 million (2016: £109 million).

If a UK REIT sells a property within three years of completion of development, the REIT exemption will not apply. At 31 December 2017 the value of such completed properties was £269 million (2016: £258 million). If these properties were to be sold without the benefit of the tax exemption the tax arising would be £nil (2016: £nil) due to the availability of capital losses.

## 9: Dividends

The proposed final dividend of 14.8 pence per share was recommended by the Board on 23 February 2018 and, subject to approval by shareholders, is payable on 26 April 2018 to shareholders on the register at the close of business on 16 March 2018. 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 2017 final dividend is £117.5 million. This has been calculated using the total number of eligible shares outstanding at 31 December 2017.

The interim dividend of 10.7 pence per share was paid on 9 October 2017 as a PID, net of withholding tax where appropriate. The total dividend for the year ended 31 December 2017 would be 25.5 pence per share (2016: 24.0 pence per share).

	PID pence per share	Non-PID pence per share	Total pence per share	Equity dividends 2017 £m	Equity dividends 2016 £m
<b>Current year</b>					
2017 final dividend	7.4	7.4	14.8	–	–
2017 interim dividend	10.7	–	10.7	84.2	–
	<b>18.1</b>	<b>7.4</b>	<b>25.5</b>		
<b>Prior years</b>					
2016 final dividend	4.9	9.0	13.9	109.4	–
2016 interim dividend	10.1 <sup>1</sup>	–	10.1	–	79.8
	15.0	9.0	24.0		
2015 final dividend				–	100.3
<b>Dividends as reported in the consolidated statement of changes in equity</b>				<b>193.6</b>	180.1
2015 interim dividend withholding tax (paid 2016)				–	11.2
2015 final dividend non-PID scrip alternative				–	(36.7)
2016 interim dividend withholding tax (paid 2017)				11.5	(11.5)
2016 interim dividend PID scrip alternative				–	(7.4)
2017 interim dividend withholding tax (paid 2018)				(13.4)	–
<b>Dividends paid as reported in the consolidated cash flow statement</b>				<b>191.7</b>	135.7

1. A PID scrip alternative was offered to shareholders.



## 10: Earnings and headline earnings per share and net asset value per share

The European Public Real Estate Association (EPRA) has issued recommended bases for the calculation of certain per share information and these are included in the following tables B and D. Commentary on earnings and net asset value per share is provided in the Financial Review on pages 53 to 60. Headline earnings per share has been calculated and presented in note 10C as required by the Johannesburg Stock Exchange listing requirements.

### A: Number of shares for earnings and headline earnings per share calculations

	2017 Shares million	2016 Shares million
Basic, EPRA and Adjusted	<b>792.9</b>	789.0
Diluted	<b>794.0</b>	790.7

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

### B: Earnings per share

			2017		2016		
			Earnings £m	Pence per share	Earnings £m	Pence per share	
			Notes				
<b>Basic</b>			2	<b>388.4</b>	<b>49.0</b>	317.3	40.2
Dilutive share schemes				–	<b>(0.1)</b>	–	(0.1)
<b>Diluted</b>				<b>388.4</b>	<b>48.9</b>	317.3	40.1
<b>Basic</b>				<b>388.4</b>	<b>49.0</b>	317.3	40.2
Adjustments:							
Revaluation (gains)/losses on properties:	Reported Group	2	<b>(1.9)</b>	<b>(0.2)</b>	24.7	3.1	
	Share of Property interests	2	<b>(19.4)</b>	<b>(2.5)</b>	(11.3)	(1.4)	
			<b>(21.3)</b>	<b>(2.7)</b>	13.4	1.7	
Loss on sale of properties:	Reported Group	2	<b>15.5</b>	<b>2.0</b>	24.0	3.0	
Net exchange gain previously recognised in equity, recycled on disposal of foreign operations:	Reported Group	2	<b>(27.8)</b>	<b>(3.5)</b>	–	–	
Debt and loan facility cancellation costs:	Reported Group	7	<b>41.5</b>	<b>5.2</b>	0.4	0.1	
Change in fair value of derivatives:	Reported Group	7	<b>21.3</b>	<b>2.7</b>	3.5	0.4	
	Share of Property interests	12B	–	–	(0.8)	(0.1)	
			<b>21.3</b>	<b>2.7</b>	2.7	0.3	
Other adjustments:	Reported Group						
	Gain on sale of other investments	2	–	–	(1.3)	(0.1)	
	Potential business acquisition costs	2	<b>6.5</b>	<b>0.8</b>	–	–	
	Non-controlling interests	2	<b>19.6</b>	<b>2.5</b>	0.3	–	
			<b>26.1</b>	<b>3.3</b>	(1.0)	(0.1)	
Premium outlets:	Revaluation gains on properties	12B, 13B	<b>(225.2)</b>	<b>(28.4)</b>	(138.4)	(17.5)	
	Deferred tax (including on acquisition)	12B, 13B	<b>35.0</b>	<b>4.4</b>	14.3	1.8	
	Other adjustments	12B, 13B	<b>(6.2)</b>	<b>(0.8)</b>	(1.8)	(0.3)	
			<b>(196.4)</b>	<b>(24.8)</b>	(125.9)	(16.0)	
Total adjustments				<b>(141.1)</b>	<b>(17.8)</b>	(86.4)	(11.0)
<b>EPRA</b>				<b>247.3</b>	<b>31.2</b>	230.9	29.2
Other adjustments:	Translation movement on intragroup funding loan: Premium outlets	12B	<b>(1.0)</b>	<b>(0.1)</b>	(0.2)	–	
<b>Adjusted</b>				<b>246.3</b>	<b>31.1</b>	230.7	29.2

**C: Headline earnings per share**

	Notes	2017 Earnings £m	2016 Earnings £m
Profit for the year attributable to equity shareholders	2	<b>388.4</b>	317.3
Revaluation (gains)/losses on properties: Reported Group and Share of Property interests	10B	<b>(21.3)</b>	13.4
Loss on sale of properties: Reported Group	10B	<b>15.5</b>	24.0
Net exchange gain previously recognised in equity, recycled on disposal of foreign operations: Reported Group	10B	<b>(27.8)</b>	–
Gain on sale of other investments: Reported Group	10B	–	(1.3)
Non-controlling interests	10B	<b>19.6</b>	0.3
Revaluation gains on properties: Premium outlets	10B	<b>(225.2)</b>	(138.4)
Deferred tax (including on acquisition): Premium outlets	10B	<b>35.0</b>	14.3
Loss on sale of properties: Premium outlets	12B	–	0.1
Translation movements on intragroup funding loan: Premium outlets	12B	<b>(1.0)</b>	(0.2)
<b>Headline earnings</b>		<b>183.2</b>	229.5
<b>Basic headline earnings per share (pence)</b>		<b>23.1p</b>	29.1p
<b>Diluted headline earnings per share (pence)</b>		<b>23.1p</b>	29.0p

**Reconciliation of headline earnings to adjusted earnings**

		2017 Earnings £m	2016 Earnings £m
Headline earnings as above		<b>183.2</b>	229.5
Debt and loan facility cancellation costs: Reported Group	10B	<b>41.5</b>	0.4
Change in fair value of derivatives: Reported Group and Share of Property interests	10B	<b>21.3</b>	2.7
Potential business acquisition costs: Reported Group	10B	<b>6.5</b>	–
Change in fair value of derivatives: Premium outlets	12B, 13B	<b>3.6</b>	14.5
Change in fair value of participative loans – revaluation movement: Premium outlets	13B	<b>(11.8)</b>	(16.6)
Loan facility costs written off: Premium outlets	13B	<b>2.0</b>	0.2
<b>Adjusted earnings</b>		<b>246.3</b>	230.7

**D: Net asset value per share**

	Notes	Equity shareholders' funds £m	Shares million	2017 Net asset value per share £	Equity shareholders' funds £m	Shares million	2016 Net asset value per share £
<b>Basic</b>		<b>6,023.5</b>	<b>794.2</b>	<b>7.58</b>	5,775.6	793.2	7.28
Company's own shares held in Employee Share Ownership Plan		–	<b>(1.0)</b>	<b>n/a</b>	–	(0.9)	n/a
Dilutive share schemes		<b>1.4</b>	<b>1.2</b>	<b>n/a</b>	1.1	1.7	n/a
<b>Diluted</b>		<b>6,024.9</b>	<b>794.4</b>	<b>7.58</b>	5,776.7	794.0	7.28
Fair value adjustment to borrowings							
– Reported Group	20H	<b>(262.0)</b>		<b>(0.33)</b>	(316.1)		(0.40)
– Share of Property interests		<b>(2.3)</b>		–	–		–
		<b>(264.3)</b>		<b>(0.33)</b>	(316.1)		(0.40)
<b>EPRA NNNNAV</b>		<b>5,760.6</b>		<b>7.25</b>	5,460.6		6.88
Fair value adjustment to borrowings		<b>264.3</b>		<b>0.33</b>	316.1		0.40
Deferred tax: Reported Group		<b>0.5</b>		–	0.5		–
Fair value of interest rate swaps – Reported Group	20H	<b>(6.3)</b>		<b>(0.01)</b>	(19.3)		(0.02)
Premium outlets							
– Fair value of derivatives	12C, 13D	<b>(9.7)</b>		<b>(0.01)</b>	3.2		–
– Deferred tax	12C, 13D	<b>212.0</b>		<b>0.27</b>	160.4		0.20
– Goodwill as a result of deferred tax	12C, 13D	<b>(57.1)</b>		<b>(0.07)</b>	(57.0)		(0.07)
		<b>145.2</b>		<b>0.19</b>	106.6		0.13
<b>EPRA NAV</b>		<b>6,164.3</b>	<b>794.4</b>	<b>7.76</b>	5,864.5	794.0	7.39

## 11: Investment and development properties

	2017			2016		
	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	4,561.8	202.1	4,763.9	4,418.9	233.2	4,652.1
Exchange adjustment	79.3	4.5	83.8	268.0	0.3	268.3
Additions – Asset acquisitions	162.9	72.0	234.9	465.2	108.8	574.0
– Capital expenditure	73.1	35.5	108.6	57.9	122.0	179.9
	236.0	107.5	343.5	523.1	230.8	753.9
Transfer to investment in joint ventures	–	–	–	(221.7)	–	(221.7)
Disposals	(506.6)	(1.2)	(507.8)	(669.1)	–	(669.1)
Reclassification on completion of developments	–	–	–	303.9	(303.9)	–
Capitalised interest	0.3	0.5	0.8	–	5.1	5.1
Revaluation (losses)/gains	(21.9)	23.8	1.9	(61.3)	36.6	(24.7)
<b>Balance at 31 December</b>	<b>4,348.9</b>	<b>337.2</b>	<b>4,686.1</b>	<b>4,561.8</b>	<b>202.1</b>	<b>4,763.9</b>

	Freehold £m	Long leasehold £m	Total £m
<b>Analysis of properties by tenure</b>			
<b>Balance at 31 December 2017</b>	<b>3,345.7</b>	<b>1,340.4</b>	<b>4,686.1</b>
Balance at 31 December 2016	3,499.2	1,264.7	4,763.9

Properties are stated at fair value as at 31 December 2017, 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 – Professional Standards 2014 based on certain assumptions as set out in note 1. Valuation fees are based on a fixed amount agreed between the Group and the valuers and are independent of the portfolio value. Summaries of the valuers' reports are available on the Company's website: [www.hammerson.com](http://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 138.

As noted in 'Significant judgements and key estimates' on page 136, real estate valuations are complex, derived from data which is not widely publicly available and involve a degree of judgement. For these reasons, and consistent with EPRA's guidance, we have classified the valuations of our property portfolio as Level 3 as defined by IFRS 13. Inputs to the valuations, some of which are 'unobservable' as defined by IFRS 13, include capitalisation yields (nominal equivalent yield) and market rental income (ERV). These inputs to the valuations are analysed by segment in the rental and valuation data tables on pages 178 and 181 and the valuation change analysis in the Property Portfolio Review on page 51. All other factors remaining constant, an increase in rental income would increase valuations, whilst increases in capitalisation yields and discount rates would result in a fall in values and vice versa. However, there are interrelationships between unobservable inputs as they are determined by market conditions. The existence of an increase of more than one unobservable input would augment the impact on valuation. The impact on the valuation would be mitigated by the interrelationship between unobservable inputs moving in opposite directions. For example, an increase in rents may be offset by an increase in yield, resulting in no net impact on the valuation. A sensitivity analysis showing the impact on valuations of changes in yields and rental income is shown below.

	Investment properties valuation £m	Impact on valuation of 25bp change in nominal equivalent yield		Impact on valuation of 5% change in estimated rental value (ERV)	
		Decrease £m	Increase £m	Increase £m	Decrease £m
<b>Key unobservable inputs sensitivity analysis</b>					
Reported Group	4,348.9	224.7	(203.7)	217.4	(217.4)

The total amount of interest included in development properties at 31 December 2017 was £0.5 million (2016: £nil). 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 2017 was 2.9% (2016: 3.1%). At 31 December 2017 the historic cost of investment and development properties was £3,912.8 million (2016: £3,852.6 million).

At 31 December 2017, investment properties included two properties with a total value of £92.5 million. A sale contract was exchanged in January 2018 and completed on 9 February 2018 for one property, and exchanged in February 2018 for the other property, with completion expected in March 2018.

### Joint operations

At 31 December 2017, investment properties included properties with a value of £202.4 million (2016: £75.6 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 a Co-Ownership agreement is in place with Irish Life Assurance plc, the holders of the remaining 50% interest. The Hammerson ICAV also holds a 50% interest in Pavilions Swords, Dublin, acquired in September 2017 and a Co-Ownership agreement is in place with Irish Life Assurance plc and IPUT plc, both of which hold a 25% interest in the property. See note 12D on page 154 for further details.

## 12: Investment in joint ventures

The Group has investments in a number of jointly controlled property and corporate interests, which have been equity accounted.

As explained the Financial Review on page 53, 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 H on pages 175 and 176.

	Partner	Principal property <sup>1</sup>	Group share %
<b>United Kingdom</b>			
Bishopsgate Goodsynd Regeneration Limited	Ballymore Properties	The Goodsynd	50
Brent Cross Shopping Centre	Aberdeen Standard Investments	Brent Cross	41.2
Brent South Shopping Park	Aberdeen Standard Investments	Brent South	40.6
Bristol Alliance Limited Partnership	AXA Real Estate	Cabot Circus	50
Croydon Limited Partnership/Whitgift Limited Partnership	Westfield	Centrale/Whitgift	50
Grand Central Limited Partnership	CPPIB	Grand Central	50
Silverburn Unit Trust <sup>2</sup>	CPPIB	Silverburn	50
The Bull Ring Limited Partnership	TH Real Estate, CPPIB	Bullring	50
The Oracle Limited Partnership	ADIA	The Oracle	50
The West Quay Limited Partnership	GIC	Westquay	50
VIA Limited Partnership <sup>2</sup>	APG, Meyer Bergman, Value Retail	VIA Outlets	47
<b>Ireland</b>			
Dundrum Retail Limited Partnership /Dundrum Car Park Limited Partnership	Allianz	Dundrum	50
Triskelion Property Holding Designated Activity Company ('Triskelion')	Allianz	n/a	50
<b>France</b>			
SCI ESQ	Allianz	Espace Saint-Quentin	25
SCI RC Aulnay 1 and SCI RC Aulnay 2	Client of Rockspring Property Investment Managers	O'Parinor	25

1. The names of the principal properties operated by each partnership have been used in the summary income statements and balance sheets in note 12A. Brent Cross and Brent South are presented together as Brent Cross. The two Dundrum partnerships and Triskelion are presented together as the 'Irish portfolio'. The Goodsynd, Espace Saint-Quentin and O'Parinor are presented together as 'Other'.

2. Registered in Jersey (see note H on page 176).

The Reported Group's investment in joint ventures at 31 December 2017 was £3,673.7 million (2016: £3,736.7 million). An analysis of the movements in the year is provided in note 12D on page 154.

The summarised income statements and balance sheets in note 12A 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.



## 12: Investment in joint ventures (continued)

### A. Summary financial statements of joint ventures

#### Share of results of joint ventures for the year ended 31 December 2017

See pages 152 and 153 for footnotes.

	Brent Cross £m	Cabot Circus £m	Bullring £m	Grand Central £m	The Oracle £m	Westquay £m
Ownership (%)	41.2/40.6	50	50	50	50	50
<b>Gross rental income</b>	<b>47.7</b>	<b>37.5</b>	<b>57.4</b>	<b>10.3</b>	<b>34.9</b>	<b>35.4</b>
<b>Net rental income</b>	<b>43.1</b>	<b>31.5</b>	<b>50.8</b>	<b>7.8</b>	<b>29.5</b>	<b>28.0</b>
Administration expenses	–	–	–	–	–	–
<b>Operating profit before other net gains/(losses)</b>	<b>43.1</b>	<b>31.5</b>	<b>50.8</b>	<b>7.8</b>	<b>29.5</b>	<b>28.0</b>
Revaluation (losses)/gains on properties <sup>1</sup>	<b>(3.3)</b>	<b>9.2</b>	<b>33.5</b>	<b>(3.0)</b>	<b>1.6</b>	<b>38.2</b>
<b>Operating profit/(loss)</b>	<b>39.8</b>	<b>40.7</b>	<b>84.3</b>	<b>4.8</b>	<b>31.1</b>	<b>66.2</b>
Change in fair value of derivatives	–	–	–	–	–	–
Translation movement on intragroup funding loan	–	–	–	–	–	–
Other finance (costs)/income	–	<b>(0.8)</b>	–	<b>(0.2)</b>	–	<b>(0.4)</b>
Net finance (costs)/income	–	<b>(0.8)</b>	–	<b>(0.2)</b>	–	<b>(0.4)</b>
<b>Profit/(Loss) before tax</b>	<b>39.8</b>	<b>39.9</b>	<b>84.3</b>	<b>4.6</b>	<b>31.1</b>	<b>65.8</b>
Current tax charge	–	–	–	–	–	–
Deferred tax credit/(charge)	–	–	–	–	<b>0.1</b>	–
<b>Profit/(Loss) for the year</b>	<b>39.8</b>	<b>39.9</b>	<b>84.3</b>	<b>4.6</b>	<b>31.2</b>	<b>65.8</b>
<b>Hammerson share of profit/(loss) for the year</b>	<b>16.4</b>	<b>19.9</b>	<b>42.2</b>	<b>2.3</b>	<b>15.6</b>	<b>32.9</b>
<b>Hammerson share of distributions payable<sup>2</sup></b>	<b>–</b>	<b>8.3</b>	<b>22.3</b>	<b>1.2</b>	<b>7.8</b>	<b>–</b>

#### 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
<b>Non-current assets</b>						
Investment and development properties	<b>1,040.6</b>	<b>646.3</b>	<b>1,267.9</b>	<b>344.7</b>	<b>678.0</b>	<b>702.5</b>
Goodwill	–	–	–	–	–	–
Other non-current assets	–	<b>13.9</b>	–	<b>2.8</b>	<b>0.1</b>	<b>4.2</b>
	<b>1,040.6</b>	<b>660.2</b>	<b>1,267.9</b>	<b>347.5</b>	<b>678.1</b>	<b>706.7</b>
<b>Current assets</b>						
Other current assets <sup>3</sup>	<b>11.8</b>	<b>7.1</b>	<b>10.6</b>	<b>8.6</b>	<b>7.0</b>	<b>8.8</b>
Cash and deposits	<b>0.7</b>	<b>10.9</b>	<b>20.4</b>	<b>4.0</b>	<b>10.4</b>	<b>9.9</b>
	<b>12.5</b>	<b>18.0</b>	<b>31.0</b>	<b>12.6</b>	<b>17.4</b>	<b>18.7</b>
<b>Current liabilities</b>						
Other payables	<b>(18.3)</b>	<b>(14.8)</b>	<b>(20.8)</b>	<b>(10.2)</b>	<b>(11.4)</b>	<b>(13.9)</b>
Tax	–	–	–	–	–	–
Loans and other borrowings – secured	–	–	–	–	–	–
	<b>(18.3)</b>	<b>(14.8)</b>	<b>(20.8)</b>	<b>(10.2)</b>	<b>(11.4)</b>	<b>(13.9)</b>
<b>Non-current liabilities</b>						
Loans and other borrowings – secured	–	–	–	–	–	–
Obligations under head leases	–	<b>(13.9)</b>	–	<b>(2.8)</b>	–	<b>(4.2)</b>
Other payables	<b>(1.2)</b>	<b>(0.6)</b>	<b>(1.4)</b>	<b>(0.3)</b>	<b>(1.0)</b>	<b>(697.9)</b>
Deferred tax	–	–	–	–	<b>(0.2)</b>	–
	<b>(1.2)</b>	<b>(14.5)</b>	<b>(1.4)</b>	<b>(3.1)</b>	<b>(1.2)</b>	<b>(702.1)</b>
<b>Net assets</b>	<b>1,033.6</b>	<b>648.9</b>	<b>1,276.7</b>	<b>346.8</b>	<b>682.9</b>	<b>9.4</b>
<b>Hammerson share of net assets</b>	<b>421.1</b>	<b>324.5</b>	<b>638.4</b>	<b>173.4</b>	<b>341.4</b>	<b>4.7</b>
Balance due to Hammerson <sup>4</sup>	–	–	–	–	–	<b>348.2</b>
<b>Total investment in joint ventures<sup>4</sup></b>	<b>421.1</b>	<b>324.5</b>	<b>638.4</b>	<b>173.4</b>	<b>341.4</b>	<b>352.9</b>

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)
-	-	-	-	-	(20.9)	(10.4)	-	(10.4)
-	(104.9)	(0.8)	(8.2)	(196.3)	(1,012.6)	(6.1)	(3.8)	(9.9)
-	-	-	(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

**12: Investment in joint ventures (continued)****A. Summary financial statements of joint ventures (continued)****Share of results of joint ventures for the year ended 31 December 2016**

	Brent Cross £m	Cabot Circus £m	Bullring £m	Grand Central £m	The Oracle £m	Westquay £m
Ownership (%)	41.2/40.6	50	50	50	50	50
<b>Gross rental income</b>	46.5	38.7	59.4	0.6	32.8	29.7
<b>Net rental income</b>	42.2	32.7	52.7	0.2	27.5	23.3
Administration expenses	–	–	(0.1)	–	–	–
<b>Operating profit before other net gains/(losses)</b>	42.2	32.7	52.6	0.2	27.5	23.3
Loss on sale of properties	–	–	–	–	–	–
Revaluation (losses)/gains on properties <sup>1</sup>	(4.2)	7.9	24.6	(3.1)	2.3	(0.3)
<b>Operating profit/(loss)</b>	38.0	40.6	77.2	(2.9)	29.8	23.0
Change in fair value of derivatives	–	–	–	–	–	–
Translation movement on intragroup funding loan	–	–	–	–	–	–
Other finance (costs)/income	–	(0.8)	–	–	–	(0.3)
Net finance (costs)/income	–	(0.8)	–	–	–	(0.3)
<b>Profit before tax</b>	38.0	39.8	77.2	(2.9)	29.8	22.7
Current tax charge	–	–	–	–	–	–
Deferred tax charge	–	–	–	–	–	–
<b>Profit for the year</b>	38.0	39.8	77.2	(2.9)	29.8	22.7
<b>Hammerson share of profit for the year</b>	15.6	19.9	38.6	(1.4)	14.9	11.4
<b>Hammerson share of distributions payable<sup>2</sup></b>	–	11.8	23.2	–	3.5	0.5

**Share of assets and liabilities of joint ventures as at 31 December 2016**

	Brent Cross £m	Cabot Circus £m	Bullring £m	Grand Central £m	The Oracle £m	Westquay £m
<b>Non-current assets</b>						
Investment and development properties	1,002.4	629.7	1,229.8	346.2	667.4	660.6
Goodwill	–	–	–	–	–	–
Other non-current assets	–	14.5	–	2.8	–	4.2
	1,002.4	644.2	1,229.8	349.0	667.4	664.8
<b>Current assets</b>						
Other current assets <sup>3</sup>	16.4	5.4	7.9	8.4	5.6	6.2
Cash and deposits	0.7	5.9	20.9	3.2	13.0	9.9
	17.1	11.3	28.8	11.6	18.6	16.1
<b>Current liabilities</b>						
Other payables	(19.3)	(13.8)	(20.4)	(9.8)	(242.1)	(14.1)
Loans and other borrowings – secured	–	–	–	–	–	–
	(19.3)	(13.8)	(20.4)	(9.8)	(242.1)	(14.1)
<b>Non-current liabilities</b>						
Loans and other borrowings – secured	–	–	–	–	–	–
Obligations under head leases	–	(14.5)	–	(2.8)	–	(4.2)
Other payables	(1.2)	(0.6)	(1.4)	–	(1.0)	(680.2)
Deferred tax	–	–	–	–	(0.1)	–
	(1.2)	(15.1)	(1.4)	(2.8)	(1.1)	(684.4)
<b>Net assets/(liabilities)</b>	999.0	626.6	1,236.8	348.0	442.8	(17.6)
<b>Hammerson share of net assets/(liabilities)</b>	409.1	313.3	618.4	174.0	221.4	(8.8)
Balance due to Hammerson <sup>4</sup>	–	–	–	–	115.6	339.7
<b>Total investment in joint ventures<sup>4</sup></b>	409.1	313.3	618.4	174.0	337.0	330.9

1. The Hammerson share of revaluation gains within VIA Outlets of £14.0 million (2016: £18.4 million) includes revaluation gains on properties of £26.9 million (2016: £18.4 million) and deferred tax acquired of £12.9 million (2016: £nil).

2. In addition to the distributions payable, the Group received interest from its joint ventures of £17.4 million (2016: £38.6 million). See note 28A.

100%						Hammerson share		
Silverburn £m	Centrale/Whitgift £m	Irish portfolio £m	VIA Outlets £m	Other £m	Total 2016 £m	Property joint ventures £m	VIA Outlets £m	Total 2016 £m
50	50	50	47	various				
21.3	26.0	27.9	34.4	34.1	351.4	145.9	16.1	162.0
18.8	15.6	25.4	23.7	29.4	291.5	122.9	11.2	134.1
(0.1)	(0.1)	(0.3)	(4.5)	(0.4)	(5.5)	(0.4)	(2.3)	(2.7)
18.7	15.5	25.1	19.2	29.0	286.0	122.5	8.9	131.4
–	–	–	–	–	–	–	(0.1)	(0.1)
(17.1)	(0.2)	5.1	39.4	11.0	65.4	10.7	18.4	29.1
1.6	15.3	30.2	58.6	40.0	351.4	133.2	27.2	160.4
–	–	–	1.5	3.1	4.6	0.8	0.7	1.5
–	–	–	0.4	–	0.4	–	0.2	0.2
–	–	34.6	(5.3)	(6.0)	22.2	15.3	(2.2)	13.1
–	–	34.6	(3.4)	(2.9)	27.2	16.1	(1.3)	14.8
1.6	15.3	64.8	55.2	37.1	378.6	149.3	25.9	175.2
(1.4)	–	–	(0.9)	(0.3)	(2.6)	(0.8)	(0.5)	(1.3)
–	–	–	(10.0)	–	(10.0)	–	(4.7)	(4.7)
0.2	15.3	64.8	44.3	36.8	366.0			
0.1	7.6	32.4	20.7	9.4	169.2	148.5	20.7	169.2
–	–	8.2	–	0.6	47.8			
100%						Hammerson share		
Silverburn £m	Centrale/Whitgift £m	Irish portfolio £m	VIA Outlets £m	Other £m	Total 2016 £m	Property joint ventures £m	VIA Outlets £m	Total 2016 £m
356.2	304.2	1,500.2	644.5	815.6	8,156.8	3,490.1	302.1	3,792.2
–	–	–	–	–	–	–	3.5	3.5
–	–	–	–	–	21.5	10.8	–	10.8
356.2	304.2	1,500.2	644.5	815.6	8,178.3	3,500.9	305.6	3,806.5
5.1	4.2	119.6	18.1	14.3	211.2	100.2	8.5	108.7
9.9	13.0	25.0	39.9	11.0	152.4	54.8	18.7	73.5
15.0	17.2	144.6	58.0	25.3	363.6	155.0	27.2	182.2
(9.4)	(22.2)	(120.9)	(27.4)	(9.7)	(509.1)	(78.4)	(12.9)	(91.3)
–	–	–	(4.5)	(187.0)	(191.5)	(46.7)	(2.1)	(48.8)
(9.4)	(22.2)	(120.9)	(31.9)	(196.7)	(700.6)	(125.1)	(15.0)	(140.1)
–	–	–	(151.2)	–	(151.2)	–	(70.9)	(70.9)
–	–	–	–	–	(21.5)	(10.8)	–	(10.8)
–	(229.0)	(0.5)	(11.5)	(197.5)	(1,122.9)	(5.3)	(5.4)	(10.7)
–	–	–	(41.7)	–	(41.8)	–	(19.5)	(19.5)
–	(229.0)	(0.5)	(204.4)	(197.5)	(1,337.4)	(16.1)	(95.8)	(111.9)
361.8	70.2	1,523.4	466.2	446.7	6,503.9			
180.9	35.1	761.7	222.0	121.3	3,048.4			
–	114.5	54.1	–	64.4	688.3			
180.9	149.6	815.8	222.0	185.7	3,736.7	3,514.7	222.0	3,736.7

3. At 31 December 2016, the Hammerson share of other current assets of the Property joint ventures included loans of £54.1 million which were secured on retail properties located in Dublin. These loans were converted into property assets in 2017.

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 Hammerson's interest has been shown separately.



**12: Investment in joint ventures (continued)****B. Reconciliation to adjusted earnings**

	Property joint ventures £m	VIA Outlets £m	Total 2017 £m	Property joint ventures £m	VIA Outlets £m	Total 2016 £m
Profit for the year	166.9	13.6	180.5	148.5	20.7	169.2
Revaluation gains on properties	(19.4)	(26.9)	(46.3)	(10.7)	(18.4)	(29.1)
Deferred tax acquired	–	12.9	12.9	–	–	–
Revaluation gains	(19.4)	(14.0)	(33.4)	(10.7)	(18.4)	(29.1)
Loss on sale of properties	–	–	–	–	0.1	0.1
Change in fair value of derivatives	–	(1.6)	(1.6)	(0.8)	(0.7)	(1.5)
Translation movements on intragroup funding loan <sup>1</sup>	–	(1.0)	(1.0)	–	(0.2)	(0.2)
Deferred tax charge	–	16.2	16.2	–	4.7	4.7
Total adjustments	(19.4)	(0.4)	(19.8)	(11.5)	(14.5)	(26.0)
<b>Adjusted earnings of joint ventures</b>	<b>147.5</b>	<b>13.2</b>	<b>160.7</b>	<b>137.0</b>	<b>6.2</b>	<b>143.2</b>

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 2017 £m	Property joint ventures £m	VIA Outlets £m	Total 2016 £m
Investment in joint ventures	3,312.4	361.3	3,673.7	3,514.7	222.0	3,736.7
Fair value of derivatives	–	1.2	1.2	–	3.5	3.5
Deferred tax	–	59.7	59.7	–	19.5	19.5
Goodwill as a result of deferred tax	–	(3.6)	(3.6)	–	(3.5)	(3.5)
Total adjustments	–	57.3	57.3	–	19.5	19.5
<b>Adjusted investment in joint ventures</b>	<b>3,312.4</b>	<b>418.6</b>	<b>3,731.0</b>	<b>3,514.7</b>	<b>241.5</b>	<b>3,756.2</b>

**D. Reconciliation of movements in investment in joint ventures**

	Property joint ventures £m	VIA Outlets £m	Total 2017 £m	Property joint ventures £m	VIA Outlets £m	Total 2016 £m
Balance at 1 January	3,514.7	222.0	3,736.7	3,102.8	110.8	3,213.6
Share of results of joint ventures	166.9	13.6	180.5	148.5	20.7	169.2
Advances/(Repayments)	35.7	129.9	165.6	(7.5)	70.6	63.1
Distributions and other receivables	(111.9)	(14.5)	(126.4)	(89.6)	–	(89.6)
Return of equity <sup>1</sup>	(275.0)	–	(275.0)	–	–	–
Acquisition of additional interest in Irish loan portfolio <sup>2</sup>	56.2	–	56.2	–	–	–
Irish loan portfolio transferred to Reported Group <sup>3</sup>	(112.5)	–	(112.5)	(82.8)	–	(82.8)
Advances on conversion of Irish loan portfolio to property assets <sup>4</sup>	–	–	–	91.9	–	91.9
Transfer of investment property from Reported Group <sup>5</sup>	–	–	–	221.7	–	221.7
Other movements	1.0	–	1.0	4.6	–	4.6
Foreign exchange translation differences	37.3	10.3	47.6	125.1	19.9	145.0
<b>Balance at 31 December</b>	<b>3,312.4</b>	<b>361.3</b>	<b>3,673.7</b>	<b>3,514.7</b>	<b>222.0</b>	<b>3,736.7</b>

1. 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 and other borrowings - secured' and included in non-current liabilities within the 100% results for the Irish portfolio in note 12A on page 151.

2. 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 3 below).

3. In 2017, the element of the loan portfolio relating to Pavilions Swords was transferred to the Reported Group prior to conversion to property assets. Similarly in 2016, the element of the loan portfolio relating to the Ilac Centre, Dublin Central and the Irish development sites were transferred to the Reported Group prior to conversion to property assets. These properties are included within asset acquisitions for 2017 and 2016 in note 11 on page 148. The Reported Group has a 50% interest in Pavilions Swords and the Ilac Centre which are held within joint operations and proportionally consolidated. Dublin Central and the Irish development sites are wholly owned by the Reported Group.

4. In 2016, further advances were made by the Reported Group to the Irish joint venture to fund the conversion of the loan portfolio relating to Dundrum Town Centre, which is now owned by Dundrum Retail Limited Partnership and Dundrum Car Park Limited Partnership.

5. In 2016, the Group sold 50% stakes in Grand Central, Birmingham and Westquay South, Southampton for £175 million and £47 million respectively. The total is shown separately in the comparative figures in note 11 on page 148 as a transfer to investment in joint ventures.

### 13: Investment in associates

At 31 December 2017, 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 53.

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 12), are provided in Tables 103 and 104 of the Additional Disclosures on page 183.

#### A: Share of results of associates

	VR		Nicetoile		2017 Total	
	100% £m	Hammerson share £m	100% £m	Hammerson share £m	100% £m	Hammerson share £m
<b>Gross rental income</b>	<b>341.5</b>	<b>103.1</b>	<b>15.9</b>	<b>1.6</b>	<b>357.4</b>	<b>104.7</b>
<b>Net rental income</b>	<b>236.0</b>	<b>72.0</b>	<b>14.1</b>	<b>1.4</b>	<b>250.1</b>	<b>73.4</b>
Administration expenses	(115.8)	(33.8)	–	–	(115.8)	(33.8)
<b>Operating profit before other net gains</b>	<b>120.2</b>	<b>38.2</b>	<b>14.1</b>	<b>1.4</b>	<b>134.3</b>	<b>39.6</b>
Revaluation gains on properties	490.2	198.3	0.6	–	490.8	198.3
<b>Operating profit</b>	<b>610.4</b>	<b>236.5</b>	<b>14.7</b>	<b>1.4</b>	<b>625.1</b>	<b>237.9</b>
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
<b>Profit before tax</b>	<b>528.9</b>	<b>230.2</b>	<b>14.7</b>	<b>1.4</b>	<b>543.6</b>	<b>231.6</b>
Current tax charge	(15.0)	(2.7)	–	–	(15.0)	(2.7)
Deferred tax charge	(26.9)	(5.9)	–	–	(26.9)	(5.9)
<b>Profit for the year</b>	<b>487.0</b>	<b>221.6</b>	<b>14.7</b>	<b>1.4</b>	<b>501.7</b>	<b>223.0</b>

	VR		Nicetoile		2016 Total	
	100% £m	Hammerson share £m	100% £m	Hammerson share £m	100% £m	Hammerson share £m
<b>Gross rental income</b>	<b>295.7</b>	<b>84.6</b>	<b>14.8</b>	<b>1.5</b>	<b>310.5</b>	<b>86.1</b>
<b>Net rental income</b>	<b>201.4</b>	<b>56.5</b>	<b>13.2</b>	<b>1.3</b>	<b>214.6</b>	<b>57.8</b>
Administration expenses	(90.1)	(22.4)	–	–	(90.1)	(22.4)
<b>Operating profit before other net gains</b>	<b>111.3</b>	<b>34.1</b>	<b>13.2</b>	<b>1.3</b>	<b>124.5</b>	<b>35.4</b>
Revaluation gains on properties	349.6	120.0	6.4	0.6	356.0	120.6
<b>Operating profit</b>	<b>460.9</b>	<b>154.1</b>	<b>19.6</b>	<b>1.9</b>	<b>480.5</b>	<b>156.0</b>
Net finance costs	(49.5)	(12.3)	–	–	(49.5)	(12.3)
Change in fair value of derivatives	(61.5)	(15.2)	–	–	(61.5)	(15.2)
Change in fair value of participative loans – revaluation movement	–	16.6	–	–	–	16.6
Change in fair value of participative loans – other movement	–	4.7	–	–	–	4.7
<b>Profit before tax</b>	<b>349.9</b>	<b>147.9</b>	<b>19.6</b>	<b>1.9</b>	<b>369.5</b>	<b>149.8</b>
Current tax charge	(13.7)	(3.1)	–	–	(13.7)	(3.1)
Deferred tax charge	(36.7)	(9.6)	–	–	(36.7)	(9.6)
<b>Profit for the year</b>	<b>299.5</b>	<b>135.2</b>	<b>19.6</b>	<b>1.9</b>	<b>319.1</b>	<b>137.1</b>

**13: Investment in associates (continued)****B: Reconciliation to adjusted earnings**

	VR £m	Nicetoile £m	Total 2017 £m	VR £m	Nicetoile £m	Total 2016 £m
Profit for the year	221.6	1.4	223.0	135.2	1.9	137.1
Revaluation gains on properties	(198.3)	–	(198.3)	(120.0)	(0.6)	(120.6)
Change in fair value of derivatives	5.2	–	5.2	15.2	–	15.2
Change in fair value of participative loans – revaluation movement	(11.8)	–	(11.8)	(16.6)	–	(16.6)
Loan facility costs written off	2.0	–	2.0	0.2	–	0.2
Deferred tax charge	5.9	–	5.9	9.6	–	9.6
Total adjustments	(197.0)	–	(197.0)	(111.6)	(0.6)	(112.2)
<b>Adjusted earnings of associates</b>	<b>24.6</b>	<b>1.4</b>	<b>26.0</b>	<b>23.6</b>	<b>1.3</b>	<b>24.9</b>

When aggregated, the Group's share of VR's adjusted earnings for the year ended 31 December 2017 amounted to 45.7% (2016: 47.1%).

**C: Share of assets and liabilities of associates**

	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
<b>Non-current assets</b>	<b>4,974.3</b>	<b>1,766.2</b>	<b>291.0</b>	<b>29.1</b>	<b>5,265.3</b>	<b>1,795.3</b>
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
<b>Current assets</b>	<b>366.0</b>	<b>135.9</b>	<b>22.1</b>	<b>2.2</b>	<b>388.1</b>	<b>138.1</b>
<b>Total assets</b>	<b>5,340.3</b>	<b>1,902.1</b>	<b>313.1</b>	<b>31.3</b>	<b>5,653.4</b>	<b>1,933.4</b>
Other payables	(188.1)	(94.3)	(2.1)	(0.2)	(190.2)	(94.5)
Loans and other borrowings	(4.4)	(1.1)	–	–	(4.4)	(1.1)
<b>Current liabilities</b>	<b>(192.5)</b>	<b>(95.4)</b>	<b>(2.1)</b>	<b>(0.2)</b>	<b>(194.6)</b>	<b>(95.6)</b>
Loans and other borrowings	(1,765.4)	(624.2)	–	–	(1,765.4)	(624.2)
Other payables	(336.0)	(90.4)	(2.5)	(0.2)	(338.5)	(90.6)
Deferred tax	(594.1)	(152.3)	–	–	(594.1)	(152.3)
<b>Non-current liabilities</b>	<b>(2,695.5)</b>	<b>(866.9)</b>	<b>(2.5)</b>	<b>(0.2)</b>	<b>(2,698.0)</b>	<b>(867.1)</b>
<b>Total liabilities</b>	<b>(2,888.0)</b>	<b>(962.3)</b>	<b>(4.6)</b>	<b>(0.4)</b>	<b>(2,892.6)</b>	<b>(962.7)</b>
<b>Net assets</b>	<b>2,452.3</b>	<b>939.8</b>	<b>308.5</b>	<b>30.9</b>	<b>2,760.8</b>	<b>970.7</b>
<b>Participative loans<sup>1</sup></b>		<b>128.8</b>		–		<b>128.8</b>
<b>Investment in associates</b>		<b>1,068.6</b>		<b>30.9</b>		<b>1,099.5</b>

**C: Share of assets and liabilities of associates (continued)**

	VR		Nicetoile		2016 Total	
	100% £m	Hammerson share £m	100% £m	Hammerson share £m	100% £m	Hammerson share £m
Goodwill on acquisition	–	77.0	–	–	–	77.0
Investment properties	4,095.9	1,387.3	277.3	27.7	4,373.2	1,415.0
Other non-current assets	182.0	44.2	–	–	182.0	44.2
<b>Non-current assets</b>	<b>4,277.9</b>	<b>1,508.5</b>	<b>277.3</b>	<b>27.7</b>	<b>4,555.2</b>	<b>1,536.2</b>
Other current assets	52.6	16.7	3.8	0.4	56.4	17.1
Cash and deposits	169.4	53.0	13.6	1.4	183.0	54.4
<b>Current assets</b>	<b>222.0</b>	<b>69.7</b>	<b>17.4</b>	<b>1.8</b>	<b>239.4</b>	<b>71.5</b>
<b>Total assets</b>	<b>4,499.9</b>	<b>1,578.2</b>	<b>294.7</b>	<b>29.5</b>	<b>4,794.6</b>	<b>1,607.7</b>
Other payables	(70.0)	(43.3)	(2.1)	(0.2)	(72.1)	(43.5)
Loans and other borrowings	(4.3)	(1.0)	–	–	(4.3)	(1.0)
<b>Current liabilities</b>	<b>(74.3)</b>	<b>(44.3)</b>	<b>(2.1)</b>	<b>(0.2)</b>	<b>(76.4)</b>	<b>(44.5)</b>
Loans and other borrowings	(1,382.6)	(465.3)	–	–	(1,382.6)	(465.3)
Other payables	(305.5)	(82.3)	(2.4)	(0.3)	(307.9)	(82.6)
Deferred tax	(545.6)	(140.9)	–	–	(545.6)	(140.9)
<b>Non-current liabilities</b>	<b>(2,233.7)</b>	<b>(688.5)</b>	<b>(2.4)</b>	<b>(0.3)</b>	<b>(2,236.1)</b>	<b>(688.8)</b>
<b>Total liabilities</b>	<b>(2,308.0)</b>	<b>(732.8)</b>	<b>(4.5)</b>	<b>(0.5)</b>	<b>(2,312.5)</b>	<b>(733.3)</b>
<b>Net assets</b>	<b>2,191.9</b>	<b>845.4</b>	<b>290.2</b>	<b>29.0</b>	<b>2,482.1</b>	<b>874.4</b>
<b>Participative loans<sup>1</sup></b>		<b>113.7</b>		<b>–</b>		<b>113.7</b>
<b>Investment in associates</b>		<b>959.1</b>		<b>29.0</b>		<b>988.1</b>

- 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. Included within the participative loan of £128.8 million (2016: £113.7 million) is an embedded derivative of £121.9 million (2016: £106.6 million) which is classified as a 'fair value through profit and loss' financial asset. The fair value movement on this embedded derivative of £14.7 million (2016: £21.3 million) is included within the Group's share of the profit from associates within the income statement. The value of the underlying host participative loan is £6.9 million (2016: £7.1 million) which is treated as an 'available for sale' financial asset, with the fair value movement of £0.5 million (2016: £0.3 million) being recognised within other comprehensive income.
- The analysis in the tables above excludes liabilities in respect of distributions received in advance from VR amounting to £16.6 million (2016: £18.9 million) which are included within non-current liabilities in note 22.

At 31 December 2017, Hammerson's investment in VR, excluding goodwill, as a proportion of VR's net assets was 40.3% (2016: 40.2%). Adjusting for the Participative Loans, which at 100% are included within other payables in non-current liabilities, Hammerson's economic share is calculated as 35.5% (2016: 35.5%).

**D: Reconciliation to adjusted investment in associates**

	VR £m	Nicetoile £m	Total 2017 £m	VR £m	Nicetoile £m	Total 2016 £m
Investment in associates	<b>1,068.6</b>	<b>30.9</b>	<b>1,099.5</b>	959.1	29.0	988.1
Fair value of derivatives	<b>(10.9)</b>	–	<b>(10.9)</b>	(0.3)	–	(0.3)
Deferred tax	<b>152.3</b>	–	<b>152.3</b>	140.9	–	140.9
Goodwill as a result of deferred tax	<b>(53.5)</b>	–	<b>(53.5)</b>	(53.5)	–	(53.5)
Total adjustments	<b>87.9</b>	–	<b>87.9</b>	87.1	–	87.1
<b>Adjusted investment in associates</b>	<b>1,156.5</b>	<b>30.9</b>	<b>1,187.4</b>	<b>1,046.2</b>	<b>29.0</b>	<b>1,075.2</b>

**E: Reconciliation of movements in investment in associates**

	VR £m	Nicetoile £m	Total 2017 £m	VR £m	Nicetoile £m	Total 2016 £m
Balance at 1 January	<b>959.1</b>	<b>29.0</b>	<b>988.1</b>	743.8	24.2	768.0
Acquisitions	<b>0.9</b>	–	<b>0.9</b>	40.8	–	40.8
Share of results of associates	<b>221.6</b>	<b>1.4</b>	<b>223.0</b>	135.2	1.9	137.1
Distributions	<b>(129.8)</b>	<b>(1.1)</b>	<b>(130.9)</b>	(17.0)	–	(17.0)
Change in fair value of participative loans (note 13C)	<b>(0.5)</b>	–	<b>(0.5)</b>	(0.3)	–	(0.3)
Exchange and other movements	<b>17.3</b>	<b>1.6</b>	<b>18.9</b>	56.6	2.9	59.5
<b>Balance at 31 December</b>	<b>1,068.6</b>	<b>30.9</b>	<b>1,099.5</b>	<b>959.1</b>	<b>29.0</b>	<b>988.1</b>



**14: Receivables: non-current assets**

	2017 £m	2016 £m
Loans receivable	1.8	21.6
Other receivables	2.0	4.0
Fair value of interest rate swaps	6.3	19.3
Fair value of currency swaps	10.3	–
	<b>20.4</b>	<b>44.9</b>

All loans receivable are classified as available for sale and held at fair value and are analysed below:

	2017 £m	2016 £m
Value Retail European Holdings BV: €2.0 million (2016: €2.0 million) maturing 30 November 2043	1.8	1.7
VR Milan S.R.L.: €nil (2016: €23.3 million) maturing 13 December 2018	–	19.9
	<b>1.8</b>	<b>21.6</b>

**15: Receivables: current assets**

	2017 £m	2016 £m
Trade receivables	52.3	52.4
Other receivables	54.2	50.0
Corporation tax	–	0.6
Prepayments	4.0	2.9
	<b>110.5</b>	<b>105.9</b>

Trade receivables are shown after deducting a provision for bad and doubtful debts of £14.2 million (2016: £17.0 million), as set out in the table below. The level of provision required is determined after taking account of rent deposits and personal or corporate guarantees held. Credit risk is discussed further in note 20E.

	Gross receivable £m	Provision £m	2017 Net receivable £m	Gross receivable £m	Provision £m	2016 Net receivable £m
Not yet due	30.0	–	30.0	28.5	–	28.5
1-30 days overdue	4.1	–	4.1	5.8	(0.4)	5.4
31-60 days overdue	0.4	–	0.4	2.7	(0.1)	2.6
61-90 days overdue	–	–	–	–	–	–
91-120 days overdue	2.5	(1.4)	1.1	3.7	(0.4)	3.3
More than 120 days overdue	29.5	(12.8)	16.7	28.7	(16.1)	12.6
	<b>66.5</b>	<b>(14.2)</b>	<b>52.3</b>	<b>69.4</b>	<b>(17.0)</b>	<b>52.4</b>

**16: Restricted monetary assets**

	2017 £m	2016 £m
Cash held on behalf of third parties	37.3	35.1

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**

	2017 £m	2016 £m
Cash at bank	205.9	74.1
Short-term deposits	–	0.2
	<b>205.9</b>	<b>74.3</b>
<b>Currency profile</b>		
Sterling	133.5	48.0
Euro	72.4	26.3
	<b>205.9</b>	<b>74.3</b>

## 18: Payables: current liabilities

	2017 £m	2016 £m
Trade payables	26.5	33.9
Net pension liability (note 6C)	0.8	0.9
Withholding tax on interim dividends (note 9)	13.4	11.5
Capital expenditure payables	34.2	38.4
Other payables	75.4	72.4
Accruals	85.5	121.9
Deferred income	25.3	24.8
	<b>261.1</b>	<b>303.8</b>

## 19: Loans and other borrowings

	2017 £m	2016 £m
<b>Unsecured</b>		
£200 million 7.25% sterling bonds due 2028	198.3	198.2
£300 million 6% sterling bonds due 2026	297.9	297.8
£350 million 3.5% sterling bonds due 2025	345.8	345.3
€500 million 1.75% euro bonds due 2023	441.3	424.3
€500 million 2% euro bonds due 2022	440.4	423.2
£250 million 6.875% sterling bonds due 2020	–	248.9
€500 million 2.75% euro bonds due 2019	442.4	425.1
Bank loans and overdrafts	496.6	800.0
Senior notes due 2031 <sup>1</sup>	21.3	–
Senior notes due 2028 <sup>1</sup>	89.9	–
Senior notes due 2026 <sup>1</sup>	87.3	25.6
Senior notes due 2024 <sup>1</sup>	350.0	153.4
Senior notes due 2021 <sup>1</sup>	141.2	151.8
	<b>3,352.4</b>	<b>3,493.6</b>
Fair value of currency swaps <sup>2</sup>	100.6	2.7
	<b>3,453.0</b>	<b>3,496.3</b>
Analysed as:		
Current liabilities	1.7	211.1
Non-current liabilities	3,451.3	3,285.2
	<b>3,453.0</b>	<b>3,496.3</b>

At 31 December 2017 and 2016 no loans and other borrowings were repayable by instalments.

1. The currency denomination of senior notes is analysed in note 20F.

2. In addition, currency swap assets of £10.3 million (2016: £nil) are included in non-current receivables in note 14.

## 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 2017 is summarised below:

	Receivables: Non-current assets £m	Loans and other borrowings <1 year £m	Loans and other borrowings >1 year £m	2017 Total £m	2016 Total £m
Notes	14	19	19		
<b>Borrowings</b>					
Bonds	–	–	2,166.1	2,166.1	2,362.8
Bank loans and overdrafts	–	–	496.6	496.6	800.0
Senior notes	–	–	689.7	689.7	330.8
Fair value of currency swaps	(10.3)	1.7	98.9	90.3	2.7
	(10.3)	1.7	3,451.3	3,442.7	3,496.3

### 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 2017, the Group had interest rate swaps of £250.0 million (2016: £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 2017, the fair value of interest rate swaps was an asset of £6.3 million (2016: £19.3 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	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

		Fixed rate borrowings		Floating rate borrowings	2016 Total
	%	Years	£m	£m	£m
Sterling	6.3	10	565.7	109.0	674.7
Euro	2.4	6	1,916.9	913.4	2,830.3
US dollar	–	–	–	(8.7)	(8.7)
	3.3	7	2,482.6	1,013.7	3,496.3

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.

To manage the impact of foreign exchange movements on US dollar borrowings, the Group has used derivatives to swap the cash flows to either euro or sterling, the sterling element of which is designated as a cash flow hedge. This designation allows exchange differences on hedging instruments to be recognised in the hedging 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.

### 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 59.

### 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 2017 is summarised below:

	2017 £m	2016 £m
<b>Expiry</b>		
Within two to five years	<b>692.6</b>	327.0
Within one to two years	–	125.0
Within one year	–	9.2
	<b>692.6</b>	461.2

### 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 net of allowances for doubtful receivables and allowances for impairment are made where appropriate, as set out in note 15. The Group's most significant tenants are set out in Table 97 of the Additional Disclosures on page 180.

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 2017 the fair value of interest rate and currency swap assets was £16.6 million, as shown in note 14, and the fair value of currency swap liabilities was £100.6 million, as shown in note 19. These financial instruments have interest accruals of £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 £4.0 million and derivative financial liabilities of £77.0 million. The combined value of derivative financial instruments at 31 December 2017 was therefore a liability of £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 2017, the Group's maximum exposure to credit risk was £488.6 million (2016: £370.4 million) which excludes those balances supported by investment properties.



**20: Financial instruments and risk management (continued)****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 £22.8 million (2016: £24.0 million), the maturity of which is analysed in note 20J.

	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	–	–	–	<b>842.0</b>	<b>842.0</b>
Unsecured euro fixed rate bonds	–	<b>442.4</b>	<b>440.4</b>	<b>441.3</b>	<b>1,324.1</b>
Senior notes					
– £95 million Sterling	–	–	–	<b>95.0</b>	<b>95.0</b>
– €237 million Euro	–	–	<b>19.2</b>	<b>188.9</b>	<b>208.1</b>
– \$523 million US dollar	–	–	<b>122.0</b>	<b>264.6</b>	<b>386.6</b>
Unsecured bank loans and overdrafts	–	–	<b>496.6</b>	–	<b>496.6</b>
Fair value of currency swaps <sup>1</sup>	<b>1.7</b>	–	<b>(7.0)</b>	<b>95.6</b>	<b>90.3</b>
<b>Borrowings</b>	<b>1.7</b>	<b>442.4</b>	<b>1,071.2</b>	<b>1,927.4</b>	<b>3,442.7</b>
Cash and deposits (note 17)	<b>(205.9)</b>	–	–	–	<b>(205.9)</b>
Loans receivable (note 14)	–	–	–	<b>(1.8)</b>	<b>(1.8)</b>
	<b>(204.2)</b>	<b>442.4</b>	<b>1,071.2</b>	<b>1,925.6</b>	<b>3,235.0</b>

	2016 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	–	–	248.9	841.3	1,090.2
Unsecured euro fixed rate bonds	–	–	425.1	847.5	1,272.6
Senior notes					
– £45 million Sterling	–	–	–	45.0	45.0
– €60 million Euro	–	–	19.2	32.0	51.2
– \$291 million US dollar	–	–	132.6	102.0	234.6
Unsecured bank loans and overdrafts	246.6	49.5	503.9	–	800.0
Fair value of currency swaps <sup>1</sup>	(35.5)	–	(22.1)	60.3	2.7
<b>Borrowings</b>	<b>211.1</b>	<b>49.5</b>	<b>1,307.6</b>	<b>1,928.1</b>	<b>3,496.3</b>
Cash and deposits (note 17)	<b>(74.3)</b>	–	–	–	<b>(74.3)</b>
Loans receivable (note 14)	–	(19.9)	–	(1.7)	(21.6)
	<b>136.8</b>	<b>29.6</b>	<b>1,307.6</b>	<b>1,926.4</b>	<b>3,400.4</b>

1. The fair value of currency swaps of £90.3 million (2016: £2.7 million) consist of currency swap assets of £10.3 million (2016: £nil), which have been included in non-current receivables in note 14, and currency swap liabilities of £100.6 million (2016: £2.7 million) included in loans and other borrowings in note 19.

## 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.

	2017		2016	
	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
<b>Effect on profit before tax:</b>				
(Decrease)/Increase	<b>(12.7)</b>	<b>12.8</b>	(17.6)	17.4

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.

	2017		2016	
	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
<b>Effect on financial instruments:</b>				
Increase/(Decrease) in net gain taken to equity	<b>262.3</b>	<b>(321.2)</b>	273.8	(334.6)

These effects would be more than offset by the effect of exchange rate changes on the euro-denominated assets included in the Group's financial statements. In relation to financial instruments alone, there would have been no impact on the Group's profit before tax. This has been calculated by retranslating the year end euro-denominated financial instruments at the year end foreign exchange rate changed by 10%. Forward foreign exchange contracts have been included in this estimate.

## H: Fair values of financial instruments

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

		2017			2016		
	Fair value hierarchy	Book value £m	Fair value £m	Variance £m	Book value £m	Fair value £m	Variance £m
Unsecured bonds	Level 1	<b>2,166.1</b>	<b>2,420.4</b>	<b>254.3</b>	2,362.8	2,657.7	294.9
Senior notes	Level 2	<b>689.7</b>	<b>691.6</b>	<b>1.9</b>	330.8	347.0	16.2
Unsecured bank loans and overdrafts	Level 2	<b>496.6</b>	<b>502.4</b>	<b>5.8</b>	800.0	805.0	5.0
Fair value of currency swaps	Level 2	<b>90.3</b>	<b>90.3</b>	–	2.7	2.7	–
<b>Borrowings</b>		<b>3,442.7</b>	<b>3,704.7</b>	<b>262.0</b>	3,496.3	3,812.4	316.1
<b>Fair value of interest rate swaps</b>	Level 2	<b>(6.3)</b>	<b>(6.3)</b>	–	(19.3)	(19.3)	–

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

Level 3 financial instruments - Participative loans, loans receivable and other investments		2017 £m	2016 £m
Balance at 1 January		<b>135.3</b>	161.5
Total gains	– in income	<b>15.1</b>	37.2
	– in other comprehensive income	<b>4.1</b>	13.4
Other movements	– acquisition of other investments	–	1.9
	– settlement of interest	<b>(0.3)</b>	(4.2)
	– loan repayment	<b>(19.9)</b>	(65.2)
	– sale of other investments	–	(8.0)
Net movements in participative loans to associates		<b>(3.7)</b>	(1.3)
<b>Balance at 31 December</b>		<b>130.6</b>	135.3

The key input affecting the carrying amount of the Level 3 financial instruments is the underlying net asset values of La Roca Village and La Rozas Village in which the Reported Group holds interests through participative loans, as described in footnote 1 of note 13C. The assets of these Villages mainly comprise of properties held at valuation. The valuation methodology and areas of judgement are consistent with those applied to value the properties of the Reported Group, as described in note 11. 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 £7.5 million. Similarly, a decrease of 5% would decrease the carrying amount by £7.5 million. The fair values of all other financial assets and liabilities equate to their book values.

**20: Financial instruments and risk management (continued)****I: Carrying amounts, gains and losses on financial instruments**

		2017			2016		
	Notes	Carrying amount £m	Gain/ (Loss) to income £m	Gain/ (Loss) to equity £m	Carrying amount £m	Gain/ (Loss) to income £m	Gain/ (Loss) to equity £m
Trade and other receivables	15	108.5	(0.5)	–	106.4	(5.2)	–
Restricted monetary assets	16	37.3	–	–	35.1	–	–
Cash and deposits	17	205.9	–	–	74.3	0.1	–
<b>Cash and receivables</b>		<b>351.7</b>	<b>(0.5)</b>	–	<b>215.8</b>	<b>(5.1)</b>	–
Other investments		–	–	–	–	1.3	–
Loans receivable	14	1.8	0.4	–	21.6	14.6	–
Participative loans to associates – host contract	13C	6.9	–	(0.3)	7.1	–	0.6
<b>Available for sale investments and loans</b>		<b>8.7</b>	<b>0.4</b>	<b>(0.3)</b>	<b>28.7</b>	<b>15.9</b>	<b>0.6</b>
Participative loans to associates – embedded derivative	13C	121.9	14.7	4.4	106.6	21.3	12.8
Interest rate swaps		6.3	(0.1)	–	19.3	8.5	–
<b>Assets at fair value through profit and loss</b>		<b>128.2</b>	<b>14.6</b>	<b>4.4</b>	<b>125.9</b>	<b>29.8</b>	<b>12.8</b>
Currency swaps	20F	(90.3)	(87.2)	2.0	(2.7)	7.8	(132.0)
<b>Derivatives in effective hedging relationships</b>		<b>(90.3)</b>	<b>(87.2)</b>	<b>2.0</b>	<b>(2.7)</b>	<b>7.8</b>	<b>(132.0)</b>
Balances due from joint ventures	12A	464.9	–	–	688.3	–	–
<b>Other loans and receivables</b>		<b>464.9</b>	–	–	<b>688.3</b>	–	–
Payables	20J	(255.2)	–	–	(308.8)	–	–
Borrowings, excluding currency swaps	19	(3,352.4)	(131.2)	(55.4)	(3,493.6)	(146.6)	(305.3)
Obligations under head leases	21	(38.9)	(2.2)	–	(37.5)	(2.2)	–
<b>Liabilities at amortised cost</b>		<b>(3,646.5)</b>	<b>(133.4)</b>	<b>(55.4)</b>	<b>(3,839.9)</b>	<b>(148.8)</b>	<b>(305.3)</b>
<b>Total for financial instruments</b>		<b>(2,783.3)</b>	<b>(206.1)</b>	<b>(49.3)</b>	<b>(2,783.9)</b>	<b>(100.4)</b>	<b>(423.9)</b>

The total equity losses of £53.4 million shown as a movement in the hedging reserve in the Consolidated Statement of Changes in Equity on page 132 comprise of gains in relation to currency swaps of £2.0 million offset by losses in relation to borrowings of £55.4 million as shown in the table above. This includes cumulative losses of £46.2 million recycled from the hedging reserve to the income statement on disposal of foreign operations. In 2016, the total equity losses of £437.3 million shown as a movement in the hedging reserve on page 133 comprise of £132.0 million in relation to currency swaps and £305.3 million for borrowings.

The movements in the hedging reserve are offset by foreign exchange translation gains during the year of £157.9 million (2016: £524.5 million) which arise from the retranslation of the net investment in foreign operations, and in 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 132 and 133.

The Group designated as a cash flow hedge the cross currency swaps used to manage its foreign currency risk on US dollar borrowings. In 2017 a £36.9 million loss was recognised in the hedging reserve in respect of these derivatives of which £36.6 million was recycled to net finance costs. At 31 December 2017 the hedging reserve includes a loss of £12.3 million (2016: £12.0 million) in relation to these cash flow hedges. These cash flows are expected to occur between 2018 and 2024.

## J: Maturity analysis of financial liabilities

The remaining contractual non-discounted cash flows for financial liabilities are as follows:

	Note	2017 Maturity					Total £m
		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	
Payables <sup>1</sup>		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

	Note	2016 Maturity					Total £m
		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	
Payables <sup>1</sup>		266.6	5.2	5.6	31.4	–	308.8
Derivative financial liability cash flows		(5.9)	(5.9)	(45.1)	(25.8)	–	(82.7)
Non-derivative borrowings		246.6	49.5	1,329.7	1,867.8	–	3,493.6
Non-derivative unamortised borrowing costs		0.4	0.4	8.0	15.2	–	24.0
Non-derivative interest		114.6	112.3	294.0	289.9	–	810.8
Head leases	21	2.2	2.2	6.5	43.0	85.1	139.0
		624.5	163.7	1,598.7	2,221.5	85.1	4,693.5

1. Comprises current and non-current payables excluding withholding tax on interim dividends of £13.4 million (2016: £11.5 million), deferred income of £25.3 million (2016: £24.8 million) and net pension liabilities of £51.4 million (£54.7 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 59 and 60 and information on share capital and changes therein is set out in note 23 below and in the Consolidated Statement of Changes in Equity on pages 132 and 133.

## 21: Obligations under head leases

Head lease obligations in respect of rents payable on leasehold properties are payable as follows:

	2017			2016		
	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	75.9	(41.5)	34.4	85.1	(51.7)	33.4
From five to 25 years	43.8	(39.8)	4.0	43.0	(39.4)	3.6
From two to five years	6.6	(6.3)	0.3	6.5	(6.2)	0.3
From one to two years	2.2	(2.1)	0.1	2.2	(2.1)	0.1
Within one year	2.2	(2.1)	0.1	2.2	(2.1)	0.1
	130.7	(91.8)	38.9	139.0	(101.5)	37.5

## 22: Payables: non-current liabilities

	2017 £m	2016 £m
Net pension liability (note 6C)	50.6	53.8
Other payables	33.6	42.2
	84.2	96.0



## 23: Share capital

Called-up, allotted and fully paid	2017 £m	2016 £m
<b>Ordinary shares of 25p each</b>	<b>198.6</b>	198.3

The authorised share capital was removed from the Company's Articles of Association in 2010.

	Number
<b>Movements in number of shares in issue</b>	
Number of shares in issue at 1 January 2017	793,188,451
New share issue – transferred to investment in own shares	1,000,000
Share options exercised – Savings-Related Share Option Scheme	37,967
<b>Number of shares in issue at 31 December 2017</b>	<b>794,226,418</b>

## Share schemes

At 31 December 2017, 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.

	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

	Share options				Ordinary shares of 25p each	
	Number	Year of expiry	Weighted average exercise price	Exercise price (pence)	Number	Year of grant
Savings-Related Share Option Scheme	260,450	2017-2021	£4.39	312.2-540.4	–	–
Restricted Share Plan	–	–	–	–	667,371	2014-2016
Long-Term Incentive Plan	–	–	–	–	2,456,928	2012-2016

## 24: Analysis of movement in net debt

	2017			2016		
	Cash and deposits £m	Borrowings £m	Net debt £m	Cash and deposits £m	Borrowings £m	Net debt £m
Notes	17	20A		17	20A	
At 1 January	74.3	(3,496.3)	(3,422.0)	37.0	(2,998.1)	(2,961.1)
Cash flow	130.6	160.8	291.4	34.0	(102.3)	(68.3)
Change in fair value of currency swaps	–	9.0	9.0	–	(6.7)	(6.7)
Exchange	1.0	(116.2)	(115.2)	3.3	(389.2)	(385.9)
<b>At 31 December</b>	<b>205.9</b>	<b>(3,442.7)</b>	<b>(3,236.8)</b>	74.3	(3,496.3)	(3,422.0)

## 25: Adjustment for non-cash items in the cash flow statement

	2017 £m	2016 £m
Amortisation of lease incentives and other costs	7.7	6.8
Increase in provision for bad and doubtful debts	0.5	5.2
Increase in accrued rents receivable	(4.9)	(6.4)
Depreciation (note 4)	2.1	2.0
Share-based employee remuneration (note 4)	5.4	5.6
Other items	(1.7)	(1.6)
	<b>9.1</b>	11.6

## 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 178 and 179 and credit risk relating to the trade receivables is discussed in note 20E.

	2017 £m	2016 £m
After five years	629.6	743.6
From two to five years	316.9	304.2
From one to two years	117.2	116.0
Within one year	132.3	127.3
	<b>1,196.0</b>	<b>1,291.1</b>

### 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.

	2017 £m	2016 £m
After five years	1.6	3.5
From two to five years	8.8	9.7
From one to two years	3.5	3.4
Within one year	3.5	3.4
	<b>17.4</b>	<b>20.0</b>

## 27: Contingent liabilities and capital commitments

There are contingent liabilities of £65.6 million (2016: £68.6 million) relating to guarantees given by the Reported Group and a further £14.2 million (2016: £15.0 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, Hammerson's share of contingent liabilities arising within joint ventures is £18.3 million (2016: £18.7 million).

The Reported Group also had capital commitments of £62.4 million (2016: £20.7 million) in relation to future capital expenditure on investment and development properties. Hammerson's share of the capital commitments arising within joint ventures is £26.6 million (2016: £174.9 million).

The risks and uncertainties facing the Group are detailed on pages 61 to 69.

## 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.

	2017 £m	2016 £m
Management fees from joint ventures	21.0	12.1
Management fees from associates	1.1	1.0
Interest receivable from joint ventures	17.4	38.6
Interest receivable from associates	0.3	4.2
Balances due from joint ventures (note 12A)	<b>464.9</b>	<b>688.3</b>
Participative loans to associates (note 13C)	<b>128.8</b>	<b>113.7</b>
Loans to associates (note 14)	<b>1.8</b>	<b>21.6</b>

## 28: Related party transactions and non-controlling interests (continued)

### 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 page 74. Further information about the remuneration of the individual Directors is disclosed in the audited sections of the Directors' Remuneration Report on pages 88 to 113.

	2017 £m	2016 £m
Salaries and short-term benefits	5.0	4.9
Post-employment benefits	0.6	0.6
Share-based payments	4.0	4.2
<b>Total remuneration</b>	<b>9.6</b>	<b>9.7</b>

### C. Non-controlling interests

The Group's non-controlling interest represents a 35.5% interest held by Assurbail in Société Civile de Développement du Centre Commercial de la Place des Halles SDPH SC, which owned Place des Halles, Strasbourg. The entity disposed of its interest in this property in December 2017, with the exception of a residual unit which will be sold later this year.

During 2017, the property generated gross rental income of £11.8 million (2016: £12.0 million) and the property valuation at 31 December 2017 was £0.1 million (2016: £239.2 million). The non-controlling interest's share of the gross rental income was £4.2 million (2016: £4.3 million) and of the property valuation was £nil (2016: £84.9 million). As a result of the property disposal, exchange gains previously recognised in equity have been recycled to the income statement in 2017. The non-controlling interest's share of these exchange gains was £19.6 million (2016: £nil) and is included in its share of the profit for the year of £23.2 million (2016: £3.6 million).

A distribution of £74.2 million (2016: £2.3 million) was paid to Assurbail during the year. At 31 December 2017, the non-controlling interests of £14.0 million (2016: £81.4 million) principally represents remaining cash from the sale of the property held within the entity at the balance sheet date, which will be distributed in 2018.

The balances and movements during the year associated with the non-controlling interests are shown on the Consolidated Statement of Changes in Equity on pages 132 and 133.

# COMPANY BALANCE SHEET

AS AT 31 DECEMBER 2017

	Notes	2017 £m	2016 £m
<b>Non-current assets</b>			
Investments in subsidiary companies	C	<b>4,897.0</b>	4,824.3
Receivables	D	<b>6,076.2</b>	6,041.1
		<b>10,973.2</b>	10,865.4
<b>Current assets</b>			
Receivables	E	<b>24.4</b>	10.6
Cash and short-term deposits		<b>137.6</b>	42.1
		<b>162.0</b>	52.7
<b>Total assets</b>		<b>11,135.2</b>	10,918.1
<b>Current liabilities</b>			
Payables	F	<b>(1,644.7)</b>	(1,564.8)
Loans and other borrowings	G	<b>(1.7)</b>	(211.1)
		<b>(1,646.4)</b>	(1,775.9)
<b>Non-current liabilities</b>			
Loans and other borrowings	G	<b>(3,451.3)</b>	(3,285.2)
<b>Total liabilities</b>		<b>(5,097.7)</b>	(5,061.1)
<b>Net assets</b>		<b>6,037.5</b>	5,857.0
<b>Equity</b>			
Called up share capital	23	<b>198.6</b>	198.3
Share premium		<b>1,265.9</b>	1,265.7
Merger reserve		<b>374.1</b>	374.1
Other reserves		<b>7.3</b>	7.3
Revaluation reserve		<b>3,301.4</b>	3,228.7
Retained earnings		<b>890.5</b>	783.1
Investment in own shares		<b>(0.3)</b>	(0.2)
<b>Equity shareholders' funds</b>		<b>6,037.5</b>	5,857.0

These financial statements were approved by the Board of Directors on 23 February 2018.

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 2017

	Share capital £m	Share premium £m	Merger reserve £m	Other reserves £m	Revaluation reserve £m	Retained earnings £m	Investment in own shares* £m	Equity shareholders' funds £m
Balance at 1 January 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 9)	–	–	–	–	–	(193.6)	–	(193.6)
Revaluation gains on investments in subsidiary companies	–	–	–	–	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
<b>Balance at 31 December 2017</b>	<b>198.6</b>	<b>1,265.9</b>	<b>374.1</b>	<b>7.3</b>	<b>3,301.4</b>	<b>890.5</b>	<b>(0.3)</b>	<b>6,037.5</b>

\* Investment in own shares is stated at cost.

## FOR THE YEAR ENDED 31 DECEMBER 2016

	Share capital £m	Share premium £m	Merger reserve £m	Other reserves £m	Revaluation reserve £m	Retained earnings £m	Investment in own shares* £m	Equity shareholders' funds £m
Balance at 1 January 2016	196.1	1,223.3	374.1	7.3	2,545.7	1,243.7	(3.9)	5,586.3
Issue of shares	0.3	0.2	–	–	–	–	(0.3)	0.2
Cost of shares awarded to employees	–	–	–	–	–	–	4.0	4.0
Dividends (note 9)	1.9	42.2	–	–	–	(180.1)	–	(136.0)
Revaluation gains on investments in subsidiary companies	–	–	–	–	683.0	–	–	683.0
Loss for the year attributable to equity shareholders	–	–	–	–	–	(280.5)	–	(280.5)
Total comprehensive income/(loss) for the year	–	–	–	–	683.0	(280.5)	–	402.5
Balance at 31 December 2016	198.3	1,265.7	374.1	7.3	3,228.7	783.1	(0.2)	5,857.0

\* Investment in own shares is stated at cost.

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 2017 the Company had distributable reserves of £890.5 million (2016: £783.1 million) and the total external dividends declared in 2017 amounted to £193.6 million. The Company's distributable reserves support over four times this annual dividend. When required the Company can receive dividends from its subsidiaries to further increase distributable reserves.

The merger reserve comprises the premium on the share placing in September 2014. With regard to this transaction, no share premium is recorded in the Company's financial statements, through the operation of the merger relief provisions of the Companies Act 2006.

# NOTES TO THE COMPANY FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

## 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; and
- disclosure of related party transactions with wholly-owned members of the Group.

The above disclosure exemptions have been adopted because equivalent disclosures are included in the consolidated Group financial statements into which Hammerson plc is consolidated.

### Accounting policies

The significant judgements and key estimates and accounting policies relevant to the Company are the same as those set out in the accounting policies for the Group in note 1, except for investments in subsidiary companies which are classified as available for sale assets and included at fair value. Revaluation movements are included within equity in the revaluation reserve. The Directors determine the valuations with reference to the net assets of the entities, which are principally based on the valuation of investment and development properties either held by the subsidiary or its fellow group undertakings. The Group's investment and development properties are valued independently by professional external valuers and further details are set out in note 11 to the financial statements. Consistent with the Group's deferred tax recognition treatment, as explained in note 6 to the financial statements, in calculating the net asset values of the subsidiaries, no deduction is made for deferred tax.

## 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 £301.0 million (2016: £280.5 million loss) and includes a net gain of £88.2 million (2016: £280.9 million loss) in respect of foreign exchange translation movements on the Company's euro and US dollar denominated receivables and borrowings.

Dividend information is provided in note 9 to the financial statements.

## C: Investments in subsidiary companies

	2017		2016	
	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	4,824.3	1,561.7	4,141.3
Revaluation adjustment	–	72.7	–	683.0
<b>Balance at 31 December</b>	<b>1,561.7</b>	<b>4,897.0</b>	1,561.7	4,824.3

Investments are stated at Directors' valuation. A list of the subsidiary companies and other related undertakings at 31 December 2017 is included in note H.

## D: Receivables: non-current assets

	2017 £m	2016 £m
Amounts owed by subsidiaries and other related undertakings	6,057.8	6,000.2
Loans receivable from associate	1.8	21.6
Fair value of interest rate swaps	6.3	19.3
Fair value of currency swaps	10.3	–
	<b>6,076.2</b>	6,041.1

## D: Receivables: non-current assets (continued)

Amounts owed by subsidiaries and other related undertakings are unsecured and interest-bearing at floating rates based on LIBOR. This includes amounts which are repayable on demand; however, it is the Company's current intention not to seek repayment of these amounts before 31 December 2018.

## E: Receivables: current assets

	2017 £m	2016 £m
Interest receivable	17.8	10.6
Other receivables	6.6	–
	<b>24.4</b>	10.6

## F: Payables

	2017 £m	2016 £m
Amounts owed to subsidiaries and other related undertakings	1,577.6	1,498.0
Withholding tax on interim dividends (note 9)	13.4	11.5
Other payables	1.3	–
Accruals	52.4	55.3
	<b>1,644.7</b>	1,564.8

The amounts owed to subsidiaries and other related undertakings are unsecured, repayable on demand and interest bearing at floating rates based on LIBOR.

## G: Loans and other borrowings

	Bank loans and overdrafts £m	Other borrowings £m	2017 Total £m	2016 Total £m
After five years	–	1,930.7	1,930.7	1,928.1
From two to five years	496.6	581.6	1,078.2	1,307.6
From one to two years	–	442.4	442.4	49.5
Due after more than one year	496.6	2,954.7	3,451.3	3,285.2
Due within a year	–	1.7	1.7	211.1
	<b>496.6</b>	<b>2,956.4</b>	<b>3,453.0</b>	3,496.3

Details of the Group's loans and other borrowings and financial instruments are given in notes 19 and 20 to the financial statements. The fair value of the Company's loans and other borrowings is equal to that of the Reported Group as shown in note 20H.

## H: Subsidiaries and other related undertakings

The Company's subsidiaries and other related undertakings at 31 December 2017 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 <sup>1</sup>
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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### 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 174 for footnotes)

280 Bishopsgate Investments Limited	Hammerson (Milton Keynes) Limited
Abbey Retail Park Limited (Northern Ireland) <sup>1</sup>	Hammerson (Moor House) Properties Limited
Christchurch UK Limited	Hammerson (Newcastle) Limited
Cricklewood Regeneration Limited	Hammerson (Newtownabbey) Limited
Crocusford Limited	Hammerson (Oldbury) Limited
Governeffect Limited	Hammerson (Paddington) Limited
Grantchester Developments (Birmingham) Limited	Hammerson (Parc Tawe I) Limited
Grantchester Developments (Falkirk) Limited	Hammerson (Renfrew) Limited
Grantchester Group Limited	Hammerson (Rugby) Limited
Grantchester Investments Limited	Hammerson (Silverburn) Limited (Isle of Man) <sup>2</sup>
Grantchester Limited	Hammerson (Staines) Limited
Grantchester Properties (Gloucester) Limited	Hammerson (Telford) Limited
Grantchester Properties (Luton) Limited	Hammerson (Value Retail Investments) Limited
Grantchester Properties (Middlesbrough) Limited	Hammerson (Victoria Gate) Limited
Grantchester Properties (Nottingham) Limited	Hammerson (Victoria Investments) Limited
Grantchester Properties (Port Talbot) Limited	Hammerson (Victoria Quarter) Limited
Grantchester Properties (Sunderland) Limited	Hammerson (Watermark) Limited
Grantchester Property Management Limited	Hammerson (Whitgift) Limited
Hammerson (60 Threadneedle Street) Limited	Hammerson Birmingham Properties Limited
Hammerson (9-13 Grosvenor Street) Limited	Hammerson Bull Ring Limited
Hammerson (Abbey) Limited	Hammerson Croydon (GP1) Limited
Hammerson (Bicester No. 2) Limited	Hammerson Croydon (GP2) Limited
Hammerson (Brent Cross) Limited	Hammerson Investments (No. 12) Limited
Hammerson (Brent South) Limited	Hammerson Investments (No. 13) Limited
Hammerson (Bristol Investments) Limited	Hammerson Investments (No. 16) Limited
Hammerson (Bristol) Limited	Hammerson Investments (No. 23) Limited
Hammerson (Cardiff) Limited	Hammerson Investments (No. 26) Limited
Hammerson (Centurion) Limited	Hammerson Investments (No. 35) Limited
Hammerson (Coventry) Limited	Hammerson Investments (No. 36) Limited
Hammerson (Cramlington I) Limited	Hammerson Investments (No. 37) Limited
Hammerson (Cricklewood) Limited	Hammerson Investments Limited
Hammerson (Croydon) Limited	Hammerson Junction (No 3) Limited
Hammerson (Didcot) Limited	Hammerson Junction (No 4) Limited
Hammerson (Didcot II) Limited	Hammerson LLC (United States) <sup>3</sup>
Hammerson (Euston Square) Limited	Hammerson Martineau Galleries Limited
Hammerson (Folkestone) Limited	Hammerson MGLP Limited
Hammerson (Glasgow) Limited	Hammerson MGLP 2 Limited
Hammerson (Grosvenor Street) Limited	Hammerson MLP Limited
Hammerson (Kingston) Limited	Hammerson Moor House (LP) Limited
Hammerson (Kirkcaldy) 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) Limited	Hammerson Peterborough (No 2) Limited
Hammerson (Leicester GP) Limited	Hammerson Project Management Limited
Hammerson (Lichfield) Limited	Hammerson Ravenhead Limited
Hammerson (Merthyr) Limited	Hammerson Retail Parks Holdings Limited



## H: Subsidiaries and other related undertakings (continued)

### Indirect subsidiaries and other wholly-owned entities (continued)

#### England and Wales (continued)

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

Hammerson Sheffield (NRQ) Limited	New Southgate Limited
Hammerson Shelf Co 6 Limited	Precis (1474) Limited (Ordinary and Deferred)
Hammerson Shelf Co 7 Limited	RT Group Developments Limited
Hammerson Shelf Co 8 Limited	RT Group Property Investments Limited
Hammerson Shelf Co 9 Limited	SEVCO 5025 Limited <sup>4</sup>
Hammerson Shelf Co 10 Limited	Spitalfields Developments Limited
Hammerson UK Properties plc	Spitalfields Holdings Limited (Ordinary and Preference)
Hammerson Wrekin LLP <sup>6</sup>	The Highcross Limited Partnership <sup>6</sup>
Highcross (GP) Limited	The Junction (General Partner) Limited
Highcross Residential (Nominees 1) Limited	The Junction (Thurrock Shareholder GP) Limited
Highcross Residential (Nominees 2) Limited	The Junction Limited Partnership <sup>6</sup>
Highcross Residential Properties Limited	The Junction Thurrock (General Partner) Limited
Junction Nominee 1 Limited	The Junction Thurrock Limited Partnership <sup>6</sup>
Junction Nominee 2 Limited	The Martineau Galleries Limited Partnership <sup>6</sup>
Leeds (GP1) Limited	Thurrock Shares 1 Limited
Leeds (GP2) Limited	Thurrock Shares 2 Limited
London & Metropolitan Northern	Union Square Developments Limited (Scotland) <sup>5</sup>
LWP Limited Partnership <sup>6</sup>	West Quay (No.1) Limited
Martineau Galleries (GP) Limited	West Quay (No.2) Limited
Martineau Galleries No. 1 Limited	West Quay Shopping Centre Limited
Martineau Galleries No. 2 Limited	Westchester Holdings Limited
Mentboost Limited	Westchester Property Holdings Limited
Monesan Limited (Northern Ireland) <sup>1</sup>	

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 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 (See page 175 for footnotes)

BFN10 GmbH (Germany) <sup>1</sup>	Hammerson Saint Sébastien SAS
Cergy Expansion 1 SAS	Hammerson Troyes SCI
Espace Plus SCI	Les Pressing Réunis SARL
Hammerson SAS	Retail Park Nice Lingostière SAS
Hammerson Asset Management SAS	RC Aulnay 3 SCI
Hammerson Beauvais SNC	SCI Cergy Cambon SCI
Hammerson Bethune SCI	SCI Cergy Capucine SCI
Hammerson Centre Commercial Italie SAS	SCI Cergy Expansion 2 SCI
Hammerson Cergy 1 SCI	SCI Cergy Honoré SCI
Hammerson Cergy 2 SCI	SCI Cergy Lynx SCI
Hammerson Cergy 4 SCI	SCI Cergy Madeleine SCI
Hammerson Cergy 5 SCI	SCI Cergy Office 1 SCI
Hammerson Développement SCI	SCI Cergy Office 2 SCI
Hammerson Europe BV (Netherlands) <sup>2</sup>	SCI Cergy Office 3 SCI
Hammerson Fontaine SCI	SCI Cergy Office 4 SCI
Hammerson France SAS	SCI Cergy Office 5 SCI
Hammerson Mantes SCI	SCI Cergy Office 6 SCI
Hammerson Marignan SAS	SCI Cergy Opéra SCI
Hammerson Marketing et Communication SAS	SCI Cergy Paix SCI
Hammerson Marseille SC	SCI Cergy Royale SCI
Hammerson Property Management SAS	SCI Cergy Trois SCI

## Indirect subsidiaries and other wholly-owned entities (continued)

### France (continued)

Registered office: 40/48 rue Cambon – 23 rue des Capucines, 75001 Paris

SCI Cergy Tuileries SCI	SNC Sebastien Expansion SNC
SCI Cergy Vendôme SCI	Société de gestion des parkings Hammerson (SOGEPH) SARL
SCI Nevis SCI	Teycpac-H-Italie SAS
SCI Paris Italik SCI	

Registered offices: (1) Schlossstraße 1, 12163 Berlin, Germany (2) Spoorsinge, 2871 TT, Schoonhoven, Netherlands.

### Ireland

Registered office: 6th floor, 2 Grand Canal Square, Dublin 2

Dublin Central GP Limited	Dundrum Village Management Company Limited
Dublin Central Limited Partnership <sup>1</sup>	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 <sup>1</sup>	Hammerson VIA (Jersey) Limited
Hammerson Birmingham Investments Limited <sup>2</sup>	Hammerson VRC (Jersey) Limited
Hammerson Bull Ring (Jersey) Limited <sup>2</sup>	Hammerson Whitgift Investments Limited
Hammerson Croydon Investments Limited	Highcross (No.1) Limited
Hammerson Highcross Investments Limited	Highcross (No.2) Limited
Hammerson Junction (No 1) Limited	Highcross Leicester Limited
Hammerson Junction (No 2) Limited	The Junction Thurrock Unit Trust <sup>1</sup>
Hammerson Leeds Unit Trust <sup>1</sup>	The Junction Unit Trust <sup>1</sup>
Hammerson Victoria Gate Unit Trust <sup>1</sup>	The Telford Forge Retail Park Unit Trust <sup>1</sup>
Hammerson Victoria Quarter Unit Trust <sup>1</sup>	

(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 176 for footnotes

	Country of registration or operation	Class of share held	Ownership %
Bishopsgate Goodsynd Regeneration Limited	England and Wales <sup>1</sup>	Ordinary	50
Bristol Alliance (GP) Limited	England and Wales <sup>1</sup>	Ordinary	50
Bristol Alliance Limited Partnership	England and Wales <sup>1</sup>	N/A	50
Bristol Alliance Nominee No. 1 Limited	England and Wales <sup>1</sup>	Ordinary	50
Bristol Alliance Nominee No. 2 Limited	England and Wales <sup>1</sup>	Ordinary	50
BRLP Rotunda Limited	England and Wales <sup>1</sup>	Ordinary	50
Bull Ring (GP) Limited	England and Wales <sup>1</sup>	Ordinary	50
Bull Ring (GP2) Limited	England and Wales <sup>1</sup>	Ordinary	50
Bull Ring Joint Venture Trust	Jersey <sup>2</sup>	N/A	50
Bull Ring No. 1 Limited	England and Wales <sup>1</sup>	Ordinary	50
Bull Ring No. 2 Limited	England and Wales <sup>1</sup>	Ordinary	50
Croydon (GP1) Limited	England and Wales <sup>1</sup>	Ordinary	50
Croydon (GP2) Limited	England and Wales <sup>1</sup>	Ordinary	50
Croydon Car Park Limited	England and Wales <sup>1</sup>	Ordinary	50
Croydon Jersey Unit Trust	Jersey <sup>3</sup>	N/A	50
Croydon Limited Partnership	England and Wales <sup>1</sup>	N/A	50
Croydon Management Services Limited	England and Wales <sup>1</sup>	Ordinary	50
Croydon Property Investments Limited	England and Wales <sup>1</sup>	Ordinary	50
Dundrum Car Park GP Limited	Ireland <sup>4</sup>	Ordinary	50
Dundrum Car Park Limited Partnership	Ireland <sup>4</sup>	N/A	50

**H: Subsidiaries and other related undertakings (continued)**

## Indirectly held joint venture entities (continued)

	Country of registration or operation	Class of share held	Ownership %
Dundrum Retail GP Designated Activity Company	Ireland <sup>4</sup>	Ordinary	50
Dundrum Retail Limited Partnership	Ireland <sup>4</sup>	N/A	50
Grand Central (GP) Limited	England and Wales <sup>1</sup>	Ordinary	50
Grand Central Limited Partnership	England and Wales <sup>1</sup>	N/A	50
Grand Central No 1 Limited	England and Wales <sup>1</sup>	Ordinary	50
Grand Central No 2 Limited	England and Wales <sup>1</sup>	Ordinary	50
Grand Central Unit Trust	Jersey <sup>2</sup>	N/A	50
Moor House General Partner Limited	England and Wales <sup>1</sup>	Ordinary	67
Oracle Nominees (No. 1) Limited	England and Wales <sup>1</sup>	Ordinary	50
Oracle Nominees (No. 2) Limited	England and Wales <sup>1</sup>	Ordinary	50
Oracle Nominees Limited	England and Wales <sup>1</sup>	Ordinary	50
Oracle Shopping Centre Limited	England and Wales <sup>1</sup>	Ordinary	50
RC Aulnay 1 SCI	France <sup>5</sup>	Ordinary	25
RC Aulnay 2 SCI	France <sup>5</sup>	Ordinary	25
Reading Residential Properties Limited	England and Wales <sup>1</sup>	Ordinary	50
Retail Property Holdings Limited	Isle of Man <sup>6</sup>	Ordinary	50
Retail Property Holdings (SE) Limited	Guernsey <sup>7</sup>	Ordinary	50
SAS Angel Shopping Centre SAS	France <sup>8</sup>	Ordinary	10
SCI ESQ SCI	France <sup>8</sup>	Ordinary	25
Société Civile de Développement du Centre Commercial de la Place des Halles SDPH SC	France <sup>9</sup>	Ordinary	65
Silverburn Investment Advisor Limited	England and Wales <sup>1</sup>	Ordinary	50
Silverburn Unit Trust	Jersey <sup>3</sup>	N/A	50
The Bull Ring Limited Partnership	England and Wales <sup>1</sup>	N/A	50
The Moor House Limited Partnership	England and Wales <sup>1</sup>	N/A	67
The Oracle Limited Partnership	England and Wales <sup>1</sup>	N/A	50
The West Quay Limited Partnership	England and Wales <sup>1</sup>	N/A	50
Triskelion Property Holding Designated Activity Company	Ireland <sup>4</sup>	Ordinary	50
VIA Limited Partnership	Jersey <sup>10</sup>	N/A	47
Whitgift Limited Partnership	England and Wales <sup>1</sup>	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) Firman 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 % <sup>1</sup>
Bicester Investors Limited Partnership	Bermuda <sup>2</sup>	N/A	25
Bicester Investors II Limited Partnership	Bermuda <sup>2</sup>	N/A	25
Master Holding BV	Netherlands <sup>3</sup>	Ordinary	41
US Paris LLC	USA <sup>4</sup>	Ordinary	42
Value Retail Investors Limited Partnership	Bermuda <sup>2</sup>	N/A	71
Value Retail Investors II Limited Partnership	Bermuda <sup>2</sup>	N/A	80
Value Retail PLC	UK <sup>5</sup>	Ordinary	24
VR Franconia GmbH	Germany <sup>6</sup>	Ordinary	63
VR Ireland BV	Netherlands <sup>3</sup>	Ordinary	54
VR Maasmechelen Tourist Outlets Comm. VA	Belgium <sup>7</sup>	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 UNAUDITED

Table 91

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### EPRA measures

Hammerson is a member of European Public Real Estate Association (EPRA) and has representatives who actively participate in a number of EPRA committees and initiatives. This includes working with peer group companies, real estate investors and analysts and the large audit firms, to improve the transparency, comparability and relevance of the published results of listed real estate companies in Europe.

As with other real estate companies, we have adopted the EPRA Best Practice Recommendations (BPR) and were again awarded an EPRA Gold Award for compliance with the EPRA BPR for our 2016 Annual Report. Further information on EPRA and the EPRA BPR can be found on their website [www.epra.com](http://www.epra.com). Our key EPRA metrics are described and shown in Table 92.

Table 92

### EPRA performance measures

Performance measure	2017 performance	2016 performance	Definition	Page
Earnings	<b>£247.3m</b>	£230.9m	Recurring earnings from core operational activities. In 2017, EPRA earnings differed by £1.0 million (2016: £0.2 million) from 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 10B of the financial statements) and which management believe distorts the underlying earnings of the Group.	146
Earnings per share (EPS)	<b>31.2p</b>	29.2p	EPRA earnings divided by the weighted average number of shares in issue during the period. As stated in 'Earnings' above, the EPRA EPS is 0.1p higher than the Group's adjusted EPS of 31.1p due to the VIA Outlets intragroup funding loan adjustment.	146
Net asset value (NAV) per share	<b>£7.76</b>	£7.39	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.	147
Triple net asset value (NNNAV) per share	<b>£7.25</b>	£6.88	Equity shareholders' funds adjusted to include the fair values of borrowings.	147
Net Initial Yield (NIY)	<b>4.4%</b>	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.	181
Topped-up NIY	<b>4.6%</b>	4.6%	EPRA NIY adjusted for the expiry of rent-free periods.	181
Vacancy rate	<b>1.7%</b>	2.5%	The estimated market rental value (ERV) of vacant space divided by the ERV of the whole portfolio. Occupancy is the inverse of vacancy.	178
Cost ratio	<b>21.6%</b>	22.6%	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.	180



## Portfolio analysis

### Rental information

Table 93

#### Rental data for the year ended 31 December 2017

Proportionally consolidated excluding premium outlets	Gross rental income £m	Net rental income £m	Vacancy rate %	Average rents passing <sup>1</sup> £/m <sup>2</sup>	Rents passing £m	Estimated rental value <sup>2</sup> £m	Reversion/ (over-rented) %
<b>United Kingdom</b>							
Shopping centres	180.2	152.9	1.9	540	175.7	186.7	4.5
Retail parks	72.4	69.3	0.6	215	77.5	75.4	(3.4)
Other	12.3	8.8	8.1	155	12.9	14.1	0.2
	<b>264.9</b>	<b>231.0</b>	<b>1.8</b>	<b>365</b>	<b>266.1</b>	<b>276.2</b>	<b>2.1</b>
<b>France</b>	<b>104.6</b>	<b>95.3</b>	<b>2.1</b>	<b>470</b>	<b>83.1</b>	<b>91.7</b>	<b>7.8</b>
<b>Ireland</b>	<b>37.9</b>	<b>34.8</b>	<b>0.3</b>	<b>455</b>	<b>41.6</b>	<b>43.3</b>	<b>3.9</b>
<b>Investment portfolio</b>	<b>407.4</b>	<b>361.1</b>	<b>1.7</b>	<b>395</b>	<b>390.8</b>	<b>411.2</b>	<b>3.5</b>
Developments <sup>3</sup>	14.5	9.3					
<b>Property portfolio (note 2)</b>	<b>421.9</b>	<b>370.4</b>					

Selected data for the year ended 31 December 2016

<b>Group</b>							
UK	272.0	237.3	2.4	365	263.6	277.3	2.9
France	101.1	89.3	3.5	455	97.0	107.9	7.1
Ireland	13.7	12.5	0.5	495	31.9	34.8	8.3
<b>Investment portfolio</b>	<b>386.8</b>	<b>339.1</b>	<b>2.5</b>	<b>390</b>	<b>392.5</b>	<b>420.0</b>	<b>4.4</b>
Developments	11.9	7.4					
<b>Property portfolio (note 2)</b>	<b>398.7</b>	<b>346.5</b>					

#### 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 2017 was £239.8 million (2016: £251.2 million).
3. Rental income for Developments is principally in relation to the Whitgift Centre, Croydon; Dublin Central and ancillary properties associated with our development pipeline in Dublin and Leeds.

### Rent reviews

Table 94

#### Rent reviews as at 31 December 2017

Proportionally consolidated excluding premium outlets	Rents passing subject to review in <sup>1</sup>					Current ERV of leases subject to review in <sup>2</sup>				
	Outstanding £m	2018 £m	2019 £m	2020 £m	Total £m	Outstanding £m	2018 £m	2019 £m	2020 £m	Total £m
<b>United Kingdom</b>										
Shopping centres	17.7	18.5	23.3	16.9	76.4	18.4	20.0	24.8	17.9	81.1
Retail parks	14.7	4.9	10.0	20.1	49.7	15.0	5.0	10.6	20.8	51.4
Other	3.0	0.5	1.2	0.6	5.3	3.1	0.5	1.5	0.7	5.8
	<b>35.4</b>	<b>23.9</b>	<b>34.5</b>	<b>37.6</b>	<b>131.4</b>	<b>36.5</b>	<b>25.5</b>	<b>36.9</b>	<b>39.4</b>	<b>138.3</b>
<b>Ireland</b>	<b>11.1</b>	<b>3.4</b>	<b>3.4</b>	<b>17.0</b>	<b>34.9</b>	<b>11.8</b>	<b>3.6</b>	<b>3.6</b>	<b>18.7</b>	<b>37.7</b>
<b>Total<sup>3</sup></b>	<b>46.5</b>	<b>27.3</b>	<b>37.9</b>	<b>54.6</b>	<b>166.3</b>	<b>48.3</b>	<b>29.1</b>	<b>40.5</b>	<b>58.1</b>	<b>176.0</b>

#### Notes

1. The amount of rental income, based on rents passing at 31 December 2017, 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 2017. For outstanding reviews the ERV is as at the review date.
3. Leases in France are not subject to rent reviews but instead are adjusted annually based on French indexation indices.

## Lease expiries and breaks

Table 95

### Lease expiries and breaks as at 31 December 2017

Proportionally consolidated excluding premium outlets	Rents passing that expire/break in <sup>1</sup>				ERV of leases that expire/break in <sup>2</sup>				Weighted average unexpired lease term	
	2018 £m	2019 £m	2020 £m	Total £m	2018 £m	2019 £m	2020 £m	Total £m	to break years	to expiry years
<b>United Kingdom</b>										
Shopping centres	30.5	14.3	10.3	55.1	36.2	15.2	10.8	62.2	6.0	10.5
Retail parks	2.9	3.7	6.8	13.4	2.8	3.9	6.8	13.5	7.7	8.6
Other	3.4	0.8	1.5	5.7	3.6	1.1	1.7	6.4	7.5	8.4
	<b>36.8</b>	<b>18.8</b>	<b>18.6</b>	<b>74.2</b>	<b>42.6</b>	<b>20.2</b>	<b>19.3</b>	<b>82.1</b>	<b>6.6</b>	<b>9.8</b>
<b>France</b>	<b>11.0</b>	<b>2.2</b>	<b>4.3</b>	<b>17.5</b>	<b>13.3</b>	<b>2.5</b>	<b>4.7</b>	<b>20.5</b>	<b>2.8</b>	<b>5.6</b>
<b>Ireland</b>	<b>2.5</b>	<b>2.4</b>	<b>3.1</b>	<b>8.0</b>	<b>3.1</b>	<b>2.7</b>	<b>3.4</b>	<b>9.2</b>	<b>8.7</b>	<b>11.6</b>
<b>Investment portfolio</b>	<b>50.3</b>	<b>23.4</b>	<b>26.0</b>	<b>99.7</b>	<b>59.0</b>	<b>25.4</b>	<b>27.4</b>	<b>111.8</b>	<b>5.9</b>	<b>9.0</b>

#### Notes

- The amount of rental income, based on rents passing at 31 December 2017, for leases which expire or, for the UK and Ireland only, are subject to tenant break options, which fall due in each year.
- The ERV at 31 December 2017 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 96

### Net rental income for the year ended 31 December 2017

Proportionally consolidated excluding premium outlets	Properties owned throughout 2016/17 £m	Increase for properties owned throughout 2016/17 %	Acquisitions £m	Disposals £m	Developments and other £m	Total £m
<b>United Kingdom</b>						
Shopping centres	140.4	<b>1.8</b>	3.8	0.1	8.6	152.9
Retail parks	66.0	<b>(2.5)</b>	–	3.1	0.2	69.3
Other	–	–	–	–	14.5	14.5
	<b>206.4</b>	<b>0.4</b>	<b>3.8</b>	<b>3.2</b>	<b>23.3</b>	<b>236.7</b>
<b>France</b>	<b>74.8</b>	<b>2.6</b>	<b>0.7</b>	<b>18.8</b>	<b>1.5</b>	<b>95.8</b>
<b>Ireland</b>	–	<b>n/a</b>	<b>37.9</b>	–	–	<b>37.9</b>
<b>Property portfolio</b>	<b>281.2</b>	<b>1.0</b>	<b>42.4</b>	<b>22.0</b>	<b>24.8</b>	<b>370.4</b>

### Net rental income for the year ended 31 December 2016

Proportionally consolidated excluding premium outlets	Properties owned throughout 2016/17 £m	Exchange £m	Acquisitions £m	Disposals £m	Developments and other £m	Total £m
<b>United Kingdom</b>						
Shopping centres	137.9	–	4.3	4.3	1.7	148.2
Retail parks	67.6	–	–	12.0	–	79.6
Other	–	–	–	–	15.4	15.4
	<b>205.5</b>	–	<b>4.3</b>	<b>16.3</b>	<b>17.1</b>	<b>243.2</b>
<b>France</b>	<b>73.0</b>	<b>(6.5)</b>	<b>0.5</b>	<b>21.0</b>	<b>1.3</b>	<b>89.3</b>
<b>Ireland</b>	–	<b>(1.0)</b>	<b>15.0</b>	–	–	<b>14.0</b>
<b>Property portfolio</b>	<b>278.5</b>	<b>(7.5)</b>	<b>19.8</b>	<b>37.3</b>	<b>18.4</b>	<b>346.5</b>

Following the acquisition of the Irish loan portfolio in October 2015, the underlying net rental income derived from the property assets secured against the debt was in the form of finance income. Had this been treated as net rental income, the like-for-like net rental income growth for the Irish properties in 2017 would have been 7.4%, which would have increased the Group's like-for-like net rental income growth to 1.7%.

*Additional disclosures continued*  
*Unaudited*

## Top ten tenants

Table 97

### Ranked by passing rent at 31 December 2017

Proportionally consolidated excluding premium outlets	Passing rent £m	% of total passing rent
B&Q	12.6	3.2
Inditex	9.3	2.4
Next	9.0	2.3
H&M	8.8	2.3
Boots	5.6	1.4
Dixons Carphone	5.2	1.3
Arcadia	5.2	1.3
Marks & Spencer	5.1	1.3
Debenhams	5.1	1.3
River Island	5.1	1.3
<b>Total</b>	<b>71.0</b>	<b>18.1</b>

## Cost ratio

Table 98

### EPRA cost ratio

Proportionally consolidated excluding premium outlets	Year ended 31 December 2017 £m	Year ended 31 December 2016 £m
Net service charge expenses – non-vacancy	7.8	6.5
Net service charge expenses – vacancy	7.5	8.0
Net service charge expenses – total	15.3	14.5
Other property outgoings	32.1	33.6
Less inclusive lease costs recovered through rent	(7.7)	(6.6)
<b>Total property costs (for cost ratio)</b>	<b>39.7</b>	<b>41.5</b>
Employee and corporate costs	61.0	54.6
Management fees receivable	(12.1)	(8.5)
<b>Total operating costs (for cost ratio)</b>	<b>88.6</b>	<b>87.6</b>
Gross rental income	421.9	398.7
Ground and equity rents payable	(4.1)	(4.1)
Less inclusive lease costs recovered through rent	(7.7)	(6.6)
<b>Gross rental income (for cost ratio)</b>	<b>410.1</b>	<b>388.0</b>
<b>EPRA cost ratio including net service charge expenses – vacancy (%)</b>	<b>21.6</b>	<b>22.6</b>
<b>EPRA cost ratio excluding net service charge expenses – vacancy (%)</b>	<b>19.8</b>	<b>20.5</b>

Our business model for developments is to use a combination of in-house staff and external advisers. The cost of external advisers is capitalised to the cost of developments. The cost of staff working on developments is generally expensed, but is capitalised subject to meeting certain criteria related to the degree of time spent on and the stage of progress of specific projects. During the year ended 31 December 2017, staff costs amounting to £0.1 million (2016: £1.6 million) were capitalised as development costs and are not included within 'Employee and corporate costs'.

## Valuation analysis

Table 99

### Valuation analysis at 31 December 2017

Proportionally consolidated including premium outlets	Properties at valuation £m	Revaluation in the year £m	Capital return %	Total return %	Initial yield %	True equivalent yield %	Nominal equivalent yield <sup>1</sup> %
<b>United Kingdom</b>							
Shopping centres	3,488.9	23.9	0.7	5.2	4.4	5.1	4.9
Retail parks	1,234.1	(27.2)	(2.5)	2.8	5.5	6.2	6.0
Other	180.1	13.4	8.8	14.5	5.2	7.2	6.9
	<b>4,903.1</b>	<b>10.1</b>	<b>0.1</b>	<b>4.9</b>	<b>4.7</b>	<b>5.5</b>	<b>5.3</b>
<b>France</b>	<b>1,887.0</b>	<b>(11.4)</b>	<b>(1.3)</b>	<b>3.1</b>	<b>3.9</b>	<b>4.4</b>	<b>4.3</b>
<b>Ireland</b>	<b>959.6</b>	<b>(1.5)</b>	<b>0.2</b>	<b>4.2</b>	<b>4.0</b>	<b>4.4</b>	<b>4.3</b>
<b>Investment portfolio</b>	<b>7,749.7</b>	<b>(2.8)</b>	<b>(0.3)</b>	<b>4.3</b>	<b>4.4</b>	<b>5.0</b>	<b>4.9</b>
Developments	576.6	24.1	4.7	6.9			
<b>Property portfolio – excluding premium outlets</b>	<b>8,326.3</b>	<b>21.3</b>	<b>0.0</b>	<b>4.5</b>			
Premium outlets <sup>2</sup>	2,234.1	225.2	11.5	16.8			
<b>Total Group</b>	<b>10,560.4</b>	<b>246.5</b>	<b>2.2</b>	<b>6.8</b>			

Selected data for the year ended 31 December 2016

<b>Group</b>							
UK	4,920.0	(121.9)	(2.8)	1.9	4.7	5.5	5.3
France	2,159.6	73.3	3.6	8.3	3.9	4.4	4.3
Ireland	805.1	3.2	0.4	2.3	3.9	4.3	4.2
<b>Investment portfolio</b>	<b>7,884.7</b>	<b>(45.4)</b>	<b>(1.0)</b>	<b>3.7</b>	<b>4.4</b>	<b>5.1</b>	<b>4.9</b>
Developments	397.0	32.0	7.2	8.6			
<b>Property portfolio – excluding premium outlets</b>	<b>8,281.7</b>	<b>(13.4)</b>	<b>(0.4)</b>	<b>4.1</b>			
Premium outlets <sup>2</sup>	1,689.4	138.4	9.6	15.1			
<b>Total Group</b>	<b>9,971.1</b>	<b>125.0</b>	<b>1.1</b>	<b>5.7</b>			

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 yields for the Reported Group at 31 December 2017 was 5.1% (2016: 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 100

### Investment portfolio as at 31 December 2017

Proportionally consolidated excluding premium outlets	Income £m	Gross value £m	Net book value £m
Portfolio value (net of cost to complete)		<b>8,226</b>	<b>8,226</b>
Purchasers' costs <sup>1</sup>			<b>(476)</b>
Net investment portfolio valuation on a proportionally consolidated basis			<b>7,750</b>
<b>Income and yields</b>			
Rent for valuers' initial yield (equivalent to EPRA Net Initial Yield)	<b>364.3</b>	<b>4.4%</b>	<b>4.7%</b>
Rent-free periods (including pre-lets) <sup>2</sup>	<b>12.6</b>	<b>0.2%</b>	<b>0.2%</b>
Rent for 'topped-up' initial yield <sup>3</sup>	<b>376.9</b>	<b>4.6%</b>	<b>4.9%</b>
Non-recoverable costs (net of outstanding rent reviews)	<b>13.9</b>	<b>0.2%</b>	<b>0.2%</b>
Passing rents	<b>390.8</b>	<b>4.8%</b>	<b>5.1%</b>
ERV of vacant space	<b>6.7</b>	<b>0.1%</b>	<b>0.1%</b>
Reversions	<b>13.7</b>	<b>0.2%</b>	<b>0.2%</b>
Total ERV/Reversionary yield	<b>411.2</b>	<b>5.1%</b>	<b>5.4%</b>
True equivalent yield		<b>5.0%</b>	
Nominal equivalent yield		<b>4.9%</b>	

Notes

- Purchasers' costs equate to 6.1% of the net portfolio value.
- The weighted average remaining rent-free period is 0.5 years.
- The yield of 4.6% based on passing rents and gross portfolio value is equivalent to EPRA's 'topped-up' Net Initial Yield.



## Share of Property interests

The Group's Share of Property interests reflects the Group's Property joint ventures as shown in note 12 to the financial statements on pages 149 to 154 and the Group's interest in Nicetoile, which is accounted for as an associate, as shown in note 13 to the financial statements on pages 155 to 157.

### Income statement

Table 101

	2017			2016		
	Property joint ventures £m	Nicetoile £m	Share of Property interests £m	Property joint ventures £m	Nicetoile £m	Share of Property interests £m
<b>Gross rental income</b>	<b>171.4</b>	<b>1.6</b>	<b>173.0</b>	145.9	1.5	147.4
<b>Net rental income</b>	<b>146.4</b>	<b>1.4</b>	<b>147.8</b>	122.9	1.3	124.2
Administration expenses	(0.5)	–	(0.5)	(0.4)	–	(0.4)
<b>Operating profit before other net gains</b>	<b>145.9</b>	<b>1.4</b>	<b>147.3</b>	122.5	1.3	123.8
Revaluation gains on properties	19.4	–	19.4	10.7	0.6	11.3
<b>Operating profit</b>	<b>165.3</b>	<b>1.4</b>	<b>166.7</b>	133.2	1.9	135.1
Change in fair value of derivatives	–	–	–	0.8	–	0.8
Other finance income	1.6	–	1.6	15.3	–	15.3
Net finance income	1.6	–	1.6	16.1	–	16.1
<b>Profit before tax</b>	<b>166.9</b>	<b>1.4</b>	<b>168.3</b>	149.3	1.9	151.2
Current tax charge	–	–	–	(0.8)	–	(0.8)
<b>Profit for the year</b>	<b>166.9</b>	<b>1.4</b>	<b>168.3</b>	148.5	1.9	150.4

### Balance sheet

Table 102

	2017			2016		
	Property joint ventures £m	Nicetoile £m	Share of Property interests £m	Property joint ventures £m	Nicetoile £m	Share of Property interests £m
<b>Non-current assets</b>						
Investment and development properties	3,611.1	29.1	3,640.2	3,490.1	27.7	3,517.8
Interests in leasehold properties	10.4	–	10.4	10.8	–	10.8
Other non-current assets	0.1	–	0.1	–	–	–
	<b>3,621.6</b>	<b>29.1</b>	<b>3,650.7</b>	3,500.9	27.7	3,528.6
<b>Current assets</b>						
Other current assets	52.7	0.8	53.5	100.2	0.4	100.6
Cash and deposits	58.5	1.4	59.9	54.8	1.4	56.2
	<b>111.2</b>	<b>2.2</b>	<b>113.4</b>	155.0	1.8	156.8
<b>Total assets</b>	<b>3,732.8</b>	<b>31.3</b>	<b>3,764.1</b>	3,655.9	29.5	3,685.4
<b>Current liabilities</b>						
Other payables	(79.6)	(0.2)	(79.8)	(78.4)	(0.2)	(78.6)
Tax	(0.7)	–	(0.7)	–	–	–
Loans and other borrowings	(48.6)	–	(48.6)	(46.7)	–	(46.7)
	<b>(128.9)</b>	<b>(0.2)</b>	<b>(129.1)</b>	(125.1)	(0.2)	(125.3)
<b>Non-current liabilities</b>						
Loans and other borrowings	(275.0)	–	(275.0)	–	–	–
Obligations under finance leases	(10.4)	–	(10.4)	(10.8)	–	(10.8)
Other payables	(6.1)	(0.2)	(6.3)	(5.3)	(0.3)	(5.6)
	<b>(291.5)</b>	<b>(0.2)</b>	<b>(291.7)</b>	(16.1)	(0.3)	(16.4)
<b>Total liabilities</b>	<b>(420.4)</b>	<b>(0.4)</b>	<b>(420.8)</b>	(141.2)	(0.5)	(141.7)
<b>Net assets</b>	<b>3,312.4</b>	<b>30.9</b>	<b>3,343.3</b>	3,514.7	29.0	3,543.7

## 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 103 and 104 provide analysis of the impact of the two premium outlet investments on the Group's financial statements. Further information on Value Retail is provided in note 13 to the financial statements on pages 155 to 157 and for VIA Outlets in note 12 to the financial statements on pages 149 to 154.

## Income statement

Table 103

### Aggregated premium outlets income summary

	2017			2016		
	Value Retail £m	VIA Outlets £m	Total £m	Value Retail £m	VIA Outlets £m	Total £m
Share of results (IFRS)	221.6	13.6	235.2	135.2	20.7	155.9
Less adjustments:						
Revaluation gains on properties	(198.3)	(26.9)	(225.2)	(120.0)	(18.4)	(138.4)
Deferred tax acquired	–	12.9	12.9	–	–	–
Revaluation gains	(198.3)	(14.0)	(212.3)	(120.0)	(18.4)	(138.4)
Change in fair value of derivatives	5.2	(1.6)	3.6	15.2	(0.7)	14.5
Deferred tax charge	5.9	16.2	22.1	9.6	4.7	14.3
Other adjustments	(9.8)	(1.0)	(10.8)	(16.4)	(0.1)	(16.5)
	(197.0)	(0.4)	(197.4)	(111.6)	(14.5)	(126.1)
<b>Adjusted earnings of premium outlets</b>	<b>24.6</b>	<b>13.2</b>	<b>37.8</b>	<b>23.6</b>	<b>6.2</b>	<b>29.8</b>

## Balance sheet

Table 104

### Aggregated premium outlets investment summary

	2017			2016		
	Value Retail £m	VIA Outlets £m	Total £m	Value Retail £m	VIA Outlets £m	Total £m
Investment properties	1,633.8	600.3	2,234.1	1,387.3	302.1	1,689.4
Net debt	(511.9)	(173.6)	(685.5)	(413.3)	(54.3)	(467.6)
Other net liabilities	(53.3)	(65.4)	(118.7)	(14.9)	(25.8)	(40.7)
Share of net assets (IFRS)	1,068.6	361.3	1,429.9	959.1	222.0	1,181.1
Less adjustments:						
Fair value of derivatives	(10.9)	1.2	(9.7)	(0.3)	3.5	3.2
Deferred tax	152.3	59.7	212.0	140.9	19.5	160.4
Goodwill as a result of deferred tax	(53.5)	(3.6)	(57.1)	(53.5)	(3.5)	(57.0)
	87.9	57.3	145.2	87.1	19.5	106.6
<b>Adjusted investment</b>	<b>1,156.5</b>	<b>418.6</b>	<b>1,575.1</b>	<b>1,046.2</b>	<b>241.5</b>	<b>1,287.7</b>

In addition to the above figures, at 31 December 2017 the Group had provided loans of £1.8 million (2016: £21.6 million) to Value Retail for which the Group received interest of £0.3 million in 2017 (2016: £4.2 million) which is included within finance income in note 7 to the financial statements on page 144.

## Proportionally consolidated information

Note 2 to the financial statements on pages 139 and 140 shows the proportionally consolidated income statement. The proportionally consolidated balance sheet, adjusted finance costs and net debt are shown in Tables 105, 106 and 107 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 12 to the financial statements on pages 149 to 154 and Nicetoile as shown in note 13 to the financial statements on pages 155 to 157. Column C shows the Group's proportionally consolidated figures by aggregating the Reported Group and Share of Property interests figures. As explained on page 53 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 105

### Balance sheet as at 31 December 2017

	2017			2016		
	Reported Group £m	Share of Property interests £m	Proportionally consolidated £m	Reported Group £m	Share of Property interests £m	Proportionally consolidated £m
	A	B	C	A	B	C
<b>Non-current assets</b>						
Investment and development properties	4,686.1	3,640.2	8,326.3	4,763.9	3,517.8	8,281.7
Interests in leasehold properties	37.2	10.4	47.6	36.4	10.8	47.2
Plant and equipment	5.1	–	5.1	6.2	–	6.2
Investment in joint ventures	3,673.7	(3,312.4)	361.3	3,736.7	(3,514.7)	222.0
Investment in associate	1,099.5	(30.9)	1,068.6	988.1	(29.0)	959.1
Receivables	20.4	0.1	20.5	44.9	–	44.9
	9,522.0	307.4	9,829.4	9,576.2	(15.1)	9,561.1
<b>Current assets</b>						
Receivables	110.5	32.2	142.7	105.9	84.8	190.7
Restricted monetary assets	37.3	21.3	58.6	35.1	15.8	50.9
Cash and deposits	205.9	59.9	265.8	74.3	56.2	130.5
	353.7	113.4	467.1	215.3	156.8	372.1
<b>Total assets</b>	9,875.7	420.8	10,296.5	9,791.5	141.7	9,933.2
<b>Current liabilities</b>						
Payables	(261.1)	(79.8)	(340.9)	(303.8)	(78.6)	(382.4)
Tax	(0.5)	(0.7)	(1.2)	(0.4)	–	(0.4)
Loans and other borrowings	(1.7)	(48.6)	(50.3)	(211.1)	(46.7)	(257.8)
	(263.3)	(129.1)	(392.4)	(515.3)	(125.3)	(640.6)
<b>Non-current liabilities</b>						
Loan and other borrowings	(3,451.3)	(275.0)	(3,726.3)	(3,285.2)	–	(3,285.2)
Deferred tax	(0.5)	–	(0.5)	(0.5)	–	(0.5)
Obligations under finance leases	(38.9)	(10.4)	(49.3)	(37.5)	(10.8)	(48.3)
Payables	(84.2)	(6.3)	(90.5)	(96.0)	(5.6)	(101.6)
	(3,574.9)	(291.7)	(3,866.6)	(3,419.2)	(16.4)	(3,435.6)
<b>Total liabilities</b>	(3,838.2)	(420.8)	(4,259.0)	(3,934.5)	(141.7)	(4,076.2)
<b>Net assets</b>	6,037.5	–	6,037.5	5,857.0	–	5,857.0

## Adjusted finance costs

Table 106

### Adjusted finance costs for the year ended 31 December 2017

	2017			2016		
	Reported Group £m	Share of Property interests £m	Total £m	Reported Group £m	Share of Property interests £m	Total £m
Notes (see page 184)	A	B	C	A	B	C
Gross finance costs	126.1	3.1	129.2	126.3	2.1	128.4
Less: Interest capitalised	(0.8)	–	(0.8)	(5.1)	–	(5.1)
Finance costs	125.3	3.1	128.4	121.2	2.1	123.3
Finance income	(16.1)	(4.7)	(20.8)	(12.4)	(17.4)	(29.8)
<b>Adjusted finance costs/(income) (note 2)</b>	<b>109.2</b>	<b>(1.6)</b>	<b>107.6</b>	108.8	(15.3)	93.5

## Net debt

Table 107

### Net debt as at 31 December 2017

	2017			2016		
	Reported Group £m	Share of Property interests £m	Total £m	Reported Group £m	Share of Property interests £m	Total £m
Notes (see page 184)	A	B	C	A	B	C
Cash and deposits	205.9	59.9	265.8	74.3	56.2	130.5
Fair value of currency swaps*	(90.3)	–	(90.3)	(2.7)	–	(2.7)
Other loans and other borrowings	(3,352.4)	(323.6)	(3,676.0)	(3,493.6)	(46.7)	(3,540.3)
<b>Net debt</b>	<b>(3,236.8)</b>	<b>(263.7)</b>	<b>(3,500.5)</b>	(3,422.0)	9.5	(3,412.5)

\* At 31 December 2017 the fair value of currency swaps in the Reported Group included currency swaps of £10.3 million (2016: £nil) within non-current receivables.

## Loan to value and gearing

Table 108

### Loan to value and gearing as at 31 December 2017

	2017 £m	2016 £m
<b>Net debt – 'Loan' (A)</b>	<b>3,500.5</b>	3,412.5
Total property portfolio (Table 99)	8,326.3	8,281.7
Irish loan assets (note 12A)	–	54.1
Investment in VIA Outlets (note 12A)	361.3	222.0
Investment in Value Retail (note 13C)	1,068.6	959.1
Less non-controlling interest (note 28C)	(14.0)	(81.4)
<b>'Value' (B)</b>	<b>9,742.2</b>	9,435.5
<b>Equity shareholders' funds (C)</b>	<b>6,023.5</b>	5,775.6
<b>Loan to value (%) – (A/B)</b>	<b>35.9</b>	36.2
<b>Gearing (%) – (A/C)</b>	<b>58.1</b>	59.1



*Additional disclosures continued*  
*Unaudited*

**Net debt:EBITDA**

Table 109

**Net debt:EBITDA for the year ended 31 December 2017**

	<b>2017</b> <b>£m</b>	2016 £m
Adjusted operating profit (note 2)	<b>359.3</b>	330.2
Interest income from Irish loans	<b>4.7</b>	17.4
Tenant incentive amortisation	<b>4.8</b>	2.6
Share-based remuneration	<b>5.4</b>	5.6
Depreciation (note 4)	<b>2.1</b>	2.0
<b>EBITDA</b>	<b>376.3</b>	357.8
<b>Net debt</b> (Table 107)	<b>3,500.5</b>	3,412.5
<b>Net debt:EBITDA – times</b>	<b>9.3</b>	9.5

## DEVELOPMENT PIPELINE UNAUDITED

Scheme	Scheme Area m <sup>2</sup>	Key facts
<b>UK shopping centres</b>		
Brent Cross extension	90,000	<ul style="list-style-type: none"> <li>Extension and refurbishment of Brent Cross, forming part of wider Brent Cross Cricklewood regeneration plans, totalling 175,000m<sup>2</sup> of retail, catering and leisure.</li> <li>Reserved matters planning application approved October 2017. The compulsory purchase order was confirmed in December 2017.</li> <li>Laing O'Rourke has been selected as the preferred contractor for the retail extension and leasing is progressing.</li> </ul>
Bristol Investment Properties*	74,000	<ul style="list-style-type: none"> <li>Resolution to grant planning permission subject to conclusion of a S106 agreement, confirmed in January 2018 for a 3.5ha area of joint venture-owned properties forming part of the Broadmead estate adjoining Cabot Circus.</li> <li>Masterplan includes up to 74,000m<sup>2</sup> retail and leisure, 380 car parking spaces, and the potential for 150 residential units and a 150 room hotel.</li> </ul>
Croydon Town Centre	200,000	<ul style="list-style-type: none"> <li>Redevelopment of Whitgift Centre and refurbishment of Centrale shopping centre.</li> <li>Resolution to grant outline planning permission confirmed in November 2017 for the redevelopment of the Whitgift Centre subject to conclusion of a S106 agreement.</li> </ul>
Silverburn (Phase 4), Glasgow*	50,000	<ul style="list-style-type: none"> <li>Variation to planning condition consented in 2017 to permit phased delivery of a masterplan for a future extension of existing centre.</li> <li>Masterplan includes 31,250m<sup>2</sup> retail, 8,500m<sup>2</sup> leisure, plus a hotel.</li> </ul>
Union Square, Aberdeen*	27,800	<ul style="list-style-type: none"> <li>Extension of existing shopping centre for up to 11,000m<sup>2</sup> of retail, 12,000m<sup>2</sup> of leisure and catering, plus up to 294 car parking spaces and a hotel.</li> <li>Planning consent subject to conclusion of a section 75 agreement anticipated H1 2018.</li> </ul>
Victoria, Leeds (Phase 2)*	95,000	<ul style="list-style-type: none"> <li>Phase 1 Victoria Gate completed October 2016. Operator being sought for up to 200 bed hotel adjacent to new multi-storey car park.</li> <li>Phase 2 master planning underway to deliver a phased retail/leisure mixed-use scheme to complement Victoria Gate.</li> <li>Freehold control of 4.1ha Phase 2 site obtained.</li> </ul>
<b>UK retail parks</b>		
Imperial Retail Park, Bristol*	7,350	<ul style="list-style-type: none"> <li>Planning consent granted in November 2017 for retail and leisure extension to Imperial Retail Park.</li> <li>Leasing progressing ahead of potential start on site in autumn 2018.</li> </ul>
Oldbury, Dudley*	10,900	<ul style="list-style-type: none"> <li>Planning consent granted in May 2016 for new development of up to 11 retail and catering units. Leasing underway.</li> </ul>
<b>UK Other</b>		
The Goodsyard, London E1	270,000	<ul style="list-style-type: none"> <li>4.2ha site on edge of the City of London.</li> <li>A planning application for a major mixed-use development of up to 270,000m<sup>2</sup> was deferred by the GLA in April 2016 to allow further consultation. This work is progressing and we are now targeting a submission of the necessary amendments to the GLA by the end of 2018 to allow the Mayor to determine the scheme.</li> </ul>
<b>France</b>		
SQY Ouest, Saint Quentin-en-Yvelines*	32,000	<ul style="list-style-type: none"> <li>Opportunity to reposition existing shopping centre, creating a leisure-led destination.</li> <li>Trading consent obtained.</li> <li>Construction works and pre-letting on-going. Phase 1 launched to handover first units in first half of 2018.</li> </ul>
<b>Ireland</b>		
Dundrum Phase II, Dublin*	100,000	<ul style="list-style-type: none"> <li>2.4ha site located adjacent to Dundrum Town Centre.</li> <li>Masterplan in preparation for a residential-led mixed-use scheme including retail.</li> </ul>
Dublin Central, Dublin*	130,000	<ul style="list-style-type: none"> <li>Extension of duration of planning consent granted until May 2022 to create a retail-led city centre scheme including 60,000m<sup>2</sup> of retail.</li> <li>The Court of Appeal in Dublin overturned the earlier ruling relating to buildings on Moore Street and their national monument status. Previously constrained by the court case, Hammerson will now engage with stakeholders on the future of the site.</li> </ul>
Swords Pavilions Phase III, Dublin*	272,000	<ul style="list-style-type: none"> <li>Extension of planning consent granted to August 2021 to create a mixed-use development including 124,000m<sup>2</sup> of retail and commercial uses.</li> <li>Loan-to-own process complete. Masterplan for extension to be reviewed in 2018.</li> </ul>
<b>Total</b>	<b>1,359,050</b>	

\* Schemes are on Group owned land. No additional land acquisitions are required. This excludes occupational and long leaseholds.

## PROPERTY LISTING UNAUDITED

	Ownership	Area, m <sup>2</sup>	No. of tenants	Passing rent, £m
<b>UK shopping centres</b>				
Brent Cross, London	41%	85,300	113	17.7
Bullring, Birmingham	50%	126,900	153	27.2
Cabot Circus, Bristol	50%	109,700	125	15.7
Centrale, Croydon <sup>1</sup>	50%	64,800	48	4.6
Grand Central, Birmingham	50%	38,400	66	6.1
Highcross, Leicester	100%	106,300	136	28.7
Silverburn, Glasgow	50%	100,500	103	10.1
The Oracle, Reading	50%	70,900	104	16.4
Union Square, Aberdeen	100%	51,800	80	20.0
Victoria, Leeds	100%	56,900	92	16.2
Westquay, Southampton	50%	94,300	121	17.5
Whitgift, Croydon <sup>2</sup>	50%	54,600	97	14.4

### UK retail parks

Abbey Retail Park, Belfast	100%	20,200	4	3.4
Abbotsinch Retail Park, Glasgow	100%	24,600	14	5.2
Battery Retail Park, Birmingham <sup>3</sup>	100%	12,500	13	3.8
Brent South Retail Park, London	41%	8,700	10	1.9
Central Retail Park, Falkirk	100%	37,300	30	6.6
Cleveland Retail Park, Middlesbrough	100%	27,800	20	4.6
Cyfarthfa Retail Park, Methyr Tydfil	100%	29,800	23	7.0
Dallow Road, Luton	100%	10,100	2	2.0
Elliott's Field Shopping Park, Rugby	100%	24,900	24	6.8
Fife Central Retail Park, Kirkcaldy	100%	29,800	23	7.1
Imperial Retail Park, Bristol	100%	32,300	19	5.5
Parc Tawe Retail Park, Swansea	100%	24,200	10	2.2
Ravenhead Retail Park, St. Helens	100%	27,600	18	4.3
St. Oswald's Retail Park, Gloucester	100%	20,900	14	4.8
Telford Forge Retail Park, Telford	100%	29,100	19	5.2
The Orchard Centre, Didcot	100%	21,200	51	3.9
Wrekin Retail Park, Telford <sup>3</sup>	100%	13,700	14	2.8

### France

Espace Saint-Quentin, Saint Quentin-En-Yvelines <sup>4</sup>	25%	33,700	117	3.4
Italie Deux, Paris	100%	61,800	133	22.9
Jeu de Paume, Beauvais	100%	24,100	66	3.1
Les 3 Fontaines, Cergy <sup>4,5</sup>	100%	44,800	159	18.5
Les Terrasses du Port, Marseille	100%	62,700	176	27.9
Nicetoile, Nice <sup>4</sup>	10%	17,300	109	1.5
O'Parinor, Aulnay-Sous-Bois <sup>4</sup>	25%	68,600	171	6.1
SQY Ouest, Saint Quentin-En-Yvelines	100%	19,100	21	2.0

### Ireland

Dublin Central, Dublin <sup>2</sup>	100%	23,800	21	2.2
Dundrum Town Centre, Dublin	50%	126,200	161	29.6
Ilac Centre, Dublin	50%	27,200	71	4.7
Pavilions Swords, Dublin	50%	45,400	96	7.1

1. Included within the UK Other properties portfolio.

2. Included within the Development portfolio.

3. Sold in 2018.

4. Held under co-ownership. Figures reflect Hammerson's ownership interests.

5. Includes Cergy 3 which was acquired in 2017 and is classified within the Development portfolio.

	Ownership	Area, m <sup>2</sup>	No. of tenants	Income <sup>1</sup> , £m
<b>Premium outlets</b>				
<b>i. Value Retail</b>				
Bicester Village, Oxford	46%	28,000	157	49.5
La Roca Village, Barcelona	36%	23,500	136	13.9
Las Rozas Village, Madrid	32%	16,500	102	8.5
La Vallée Village, Paris	23%	21,900	107	15.4
Maasmechelen Village, Brussels	26%	19,800	104	4.8
Fidenza Village, Milan	33%	20,900	117	5.2
Wertheim Village, Frankfurt	44%	21,200	117	9.0
Ingolstadt Village, Munich	12%	21,100	112	2.6
Kildare Village, Dublin	40%	16,700	91	7.0
<b>ii. VIA Outlets</b>				
Batavia Stad Amsterdam Fashion Outlet	47%	31,900	119	5.9
Fashion Arena Prague Outlet	47%	24,000	99	3.4
Landquart Fashion Outlet, Zürich	47%	20,900	75	3.2
Freeport Lisbon Fashion Outlet	47%	35,700	142	3.6
Hede Fashion Outlet, Gothenburg	47%	16,300	53	1.6
Mallorca Fashion Outlet	47%	33,200	75	3.7
Wroclaw Fashion Outlet	47%	13,700	89	1.7
Seville Fashion Outlet	47%	16,400	62	1.7
Zweibrücken Fashion Outlet	47%	29,300	112	6.9
Vila do Conde Porto Fashion Outlet	47%	27,800	123	4.2
Norwegian Outlet, Oslo	47%	13,300	77	2.3

1. Figures represent annualised base and turnover rent at 31 December 2017 for each premium outlet, at Hammerson's ownership share.



# TEN-YEAR FINANCIAL SUMMARY UNAUDITED

	2017 £m	2016 £m	2015 £m	2014 £m	2013* £m	2012* £m	2011 £m	2010 £m	2009 £m	2008 £m
<b>Income statement</b>										
Net rental income	<b>370.4</b>	346.5	318.6	305.6	290.2	282.9	296.0	284.7	293.6	299.8
Operating profit before other net gains/(losses)	<b>321.5</b>	300.4	276.3	259.1	247.9	239.6	249.1	248.8	252.6	257.5
Other net gains/(losses)	<b>27.1</b>	(36.1)	381.0	430.3	102.0	(7.3)	209.8	469.9	(590.4)	(1,698.3)
Share of results of joint ventures	<b>13.6</b>	20.7	13.1	(1.1)	–	–	–	–	–	–
Share of results of associates	<b>221.6</b>	135.2	159.3	109.9	101.5	47.5	–	1.5	(0.8)	–
Cost of finance (net)	<b>(170.4)</b>	(96.6)	(98.1)	(95.1)	(110.2)	(137.6)	(112.6)	(100.0)	(114.5)	(170.7)
<b>Profit/(Loss) before tax</b>	<b>413.4</b>	323.6	731.6	703.1	341.2	142.2	346.3	620.2	(453.1)	(1,611.5)
Current tax	<b>(1.8)</b>	(2.7)	(1.6)	(0.9)	(0.8)	(0.4)	(0.7)	(0.6)	(0.9)	(0.6)
Deferred tax	<b>–</b>	–	–	(0.1)	0.1	–	–	(0.1)	103.6	38.3
Non-controlling interests	<b>(23.2)</b>	(3.6)	(3.2)	(3.0)	(3.1)	(3.4)	(9.9)	(4.1)	5.9	1.2
<b>Profit/(Loss) for the year attributable to equity shareholders</b>	<b>388.4</b>	317.3	726.8	699.1	337.4	138.4	335.7	615.4	(344.5)	(1,572.6)
<b>Balance sheet</b>										
Investment and development properties	<b>8,326.3</b>	8,281.7	7,130.5	6,706.5	5,931.2	5,458.4	5,719.6	5,331.1	5,141.5	6,456.8
Investment in joint ventures	<b>361.3</b>	222.0	110.8	104.2	–	–	–	–	–	–
Investment in associates	<b>1,068.6</b>	959.1	743.8	628.8	545.4	428.4	–	–	10.4	–
Cash and short-term deposits	<b>265.8</b>	130.5	70.5	59.4	56.7	57.1	100.7	126.2	182.9	119.9
Loans and other borrowings	<b>(3,776.6)</b>	(3,543.0)	(3,068.3)	(2,329.3)	(2,309.0)	(2,038.1)	(2,079.9)	(1,920.6)	(2,319.0)	(3,452.6)
Other assets	<b>274.5</b>	339.9	1,025.0	268.6	271.2	462.3	435.6	323.1	331.6	319.5
Other liabilities	<b>(481.9)</b>	(532.7)	(425.5)	(392.6)	(358.5)	(441.9)	(327.1)	(307.6)	(323.9)	(425.3)
Net deferred tax provision	<b>(0.5)</b>	(0.5)	(0.5)	(0.5)	(0.4)	(0.5)	(0.5)	(0.5)	(0.4)	(108.4)
Non-controlling interests	<b>(14.0)</b>	(81.4)	(69.0)	(71.4)	(76.7)	(74.5)	(76.5)	(71.7)	(73.4)	(89.3)
<b>Equity shareholders' funds</b>	<b>6,023.5</b>	5,775.6	5,517.3	4,973.7	4,059.9	3,851.2	3,771.9	3,480.0	2,949.7	2,820.6
<b>Cash flow</b>										
Operating cash flow after tax	<b>139.3</b>	179.9	171.2	128.1	129.4	139.9	147.8	132.7	105.3	29.8
Dividends	<b>(191.7)</b>	(135.7)	(163.8)	(139.1)	(129.4)	(118.4)	(86.1)	(95.4)	(64.5)	(86.7)
Property and corporate acquisitions	<b>(122.5)</b>	(499.7)	(43.7)	(302.7)	(191.1)	(397.3)	(374.1)	(218.6)	(39.5)	(123.5)
Developments and major refurbishments	<b>(46.7)</b>	(127.2)	(137.2)	(164.0)	(184.4)	(122.9)	(91.2)	(60.8)	(164.1)	(376.7)
Other capital expenditure	<b>(66.7)</b>	(55.2)	(45.1)	(39.8)	(17.5)	(48.0)	(23.6)	(25.5)	(23.7)	(13.9)
Disposals	<b>490.8</b>	639.0	185.2	155.4	256.3	585.0	271.8	554.6	394.2	245.3
Investments in joint ventures	<b>53.2</b>	(155.0)	(735.6)	(118.9)	–	–	–	–	–	–
Other cash flows	<b>111.9</b>	87.9	(14.0)	12.4	(30.8)	(72.4)	(34.9)	(0.8)	–	–
<b>Net cash flow before financing</b>	<b>367.6</b>	(66.0)	(783.0)	(468.6)	(167.5)	(34.1)	(190.3)	286.2	207.7	(325.7)
<b>Per share data**</b>										
Basic earnings/(loss) per share	<b>49.0p</b>	40.2p	92.8p	95.7p	47.4p	19.4p	47.3p	87.2p	(54.1)p	(368.9)p
Adjusted earnings per share	<b>31.1p</b>	29.2p	26.9p	23.9p	23.1p	20.9p	19.3p	19.9p	19.7p	25.8p
Dividend per share	<b>25.5p</b>	24.0p	22.3p	20.4p	19.1p	17.7p	16.6p	15.95p	15.45p	18.9p
Diluted net asset value per share	<b>£7.58</b>	£7.28	£7.03	£6.35	£5.70	£5.41	£5.30	£4.93	£4.20	£6.61
EPRA net asset value per share	<b>£7.76</b>	£7.39	£7.10	£6.38	£5.73	£5.42	£5.30	£4.95	£4.21	£7.03
<b>Financial ratios</b>										
Return on shareholders' equity	<b>8.3%</b>	7.8%	14.3%	16.3%	8.8%	5.3%	11.2%	21.1%	-16.9%	-32.5%
Gearing	<b>58%</b>	59%	54%	46%	56%	53%	52%	52%	72%	118%
Interest cover	<b>3.4x</b>	3.5x	3.6x	2.8x	2.8x	2.8x	2.6x	2.6x	2.2x	1.7x
Dividend cover	<b>1.2x</b>	1.2x	1.2x	1.2x	1.2x	1.2x	1.2x	1.2x	1.3x	1.4x

\* Comprises continuing and discontinued operations.

\*\* Comparative per share data was restated following the rights issue in March 2009.

The Income statement, Balance sheet and Financial ratios for 2014 to 2017 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.

# GHG EMISSIONS 2017

## Reporting period and methodology

In line with requirements set out in the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013, this statement reports the Company's GHG emissions for the reporting period 1 October 2016 to 30 September 2017. A different reporting period from our financial reporting year has been selected, in accordance with the DEFRA Environmental Reporting Guidance, to avoid the use of estimated utility consumption data. The data has been calculated and recorded in accordance with the Greenhouse Gas (GHG) Protocol and ISO 14064. We are required by the new Scope 2 GHG Protocol to report our Scope 2 emissions using both market and location-based methods.

## Independent assurance

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

## Reporting boundaries

We have adopted operational control as our reporting approach. GHG emissions data is provided for those assets where we have authority to introduce and implement operating policies.

This includes properties held in joint ventures where JV Board approval is required. We have reported 100% of GHG emissions data for these reported assets. A detailed basis of reporting statement and full list of operating entities and assets included within the reporting boundary can be found on the Positive Places pages of our website.

## GHG emissions 2017

Table 110

Baseline year	1/10/12 – 30/09/13
Boundary summary	All assets and facilities under Hammerson direct operational control are included.
Consistency with financial statements	Variations from the financial statements are set out above.
Emissions factor data source	We have sourced our emissions factors from 2017 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 1/10/16 – 30/09/17* of £241.3 million.
Target	18% reduction in like-for-like carbon emissions by 2020 against 2015 baseline using location-based approach.

\* Figure derived from unaudited management accounts as it does not reflect our financial reporting year.

## Emissions disaggregated by country

Table 111

Source	Group emissions (mtCO <sub>2</sub> e)	UK emissions (mtCO <sub>2</sub> e)	France emissions (mtCO <sub>2</sub> e)	Ireland emissions (mtCO <sub>2</sub> e)	Group emissions intensity (mtCO <sub>2</sub> e/£m)
<b>Total GHG emissions metric tonnes (mt)<sup>1</sup></b>	<b>17,964</b>	<b>9,456</b>	<b>7,065</b>	<b>1,443</b>	<b>74</b>
<b>Total GHG emissions metric tonnes (mt)</b>	<b>36,121</b>	<b>23,697</b>	<b>7,065</b>	<b>5,358</b>	<b>150</b>
<b>Scope 1: Direct emissions from owned/controlled operations</b>					
a. Direct emissions from stationary operations	5,897	3,303	2,388	206	24
b. Direct emissions from mobile combustion	99	21	78	0	0
c. Direct emissions from fugitive sources	1,137	275	862	0	5
<b>Totals</b>	<b>7,133</b>	<b>3,599</b>	<b>3,328</b>	<b>206</b>	<b>29</b>
<b>Scope 2: Indirect emissions from the use of purchased electricity, steam, heating and cooling</b>					
a. Indirect emissions from purchased/acquired electricity <sup>1</sup>	6,732	3,712	1,912	1,108	28
a. Indirect emissions from purchased/acquired electricity	24,889	17,954	1,912	5,023	104
b. Indirect emissions from purchased/acquired steam	0	0	0	0	0
c. Indirect emissions from purchased/acquired heating	1,253	28	1,225	0	5
d. Indirect emissions from purchased/acquired cooling	33	33	0	0	0
<b>Totals<sup>1</sup></b>	<b>8,018</b>	<b>3,773</b>	<b>3,137</b>	<b>1,108</b>	<b>33</b>
<b>Totals</b>	<b>26,175</b>	<b>18,015</b>	<b>3,137</b>	<b>5,023</b>	<b>109</b>
<b>Scope 3:</b>					
Business travel	1,509	1,332	174	3	6
Waste	908	525	309	74	4
Water	396	227	117	52	2
<b>Totals</b>	<b>2,813</b>	<b>2,084</b>	<b>600</b>	<b>129</b>	<b>12</b>

1. Emissions using Market-Based Methodology.

# SHAREHOLDER INFORMATION

## Key contact details

### Registered office and principal UK address

Hammerson plc  
Kings Place  
90 York Way  
London  
N1 9GE

Registered in England No. 360632

Tel: +44 (0)20 7887 1000

### Principal address in Ireland

Hammerson Group Management Limited  
Pembroke District  
Dundrum Town Centre  
Dublin 14

Tel: +353 (0)1695 0550

### Principal address in France

Hammerson France SAS  
40 – 48 rue Cambon  
75001 Paris

Tel: +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 Deutsche Bank AG  
Financial Advisor: Lazard Ltd  
Joint South African Sponsors: Deutsche Securities (SA) (Proprietary) Limited and Java Capital Proprietary Limited

### Shareholder administration

For assistance with queries about the administration of shareholdings, such as lost share certificates, change of address, change of ownership or dividend payments, please contact the relevant Registrar or Transfer Secretaries.

### Registrar in the United Kingdom

Link Asset Services  
The Registry  
34 Beckenham Road  
Kent  
BR3 4TU

Tel: 0871 664 0300 (calls cost 12p per minute plus your phone company's access charge) or +44 371 664 0300 from overseas (calls outside the UK will be charged at the applicable international rate). Lines are open 9.00 am to 5.30 pm, Monday to Friday excluding public holidays in England and Wales.

Email: [enquiries@linkgroup.co.uk](mailto:enquiries@linkgroup.co.uk)  
Website: [www.signalshares.com](http://www.signalshares.com)

Please note that Capita Asset Services became part of Link Group and changed its name to Link Asset Services in November 2017.

### Transfer Secretaries in South Africa

Computershare Investor Services Proprietary Limited  
Rosebank Towers  
15 Biermann Avenue  
Rosebank 2196  
South Africa or  
PO Box 61051  
Marshalltown 2107  
South Africa

Tel: 0861 100 950 (local in South Africa)

Email: [web.queries@computershare.co.za](mailto:web.queries@computershare.co.za)

### Annual General Meeting

The Annual General Meeting will be held at 11.00 am (UK time) on 24 April 2018 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](http://www.hammerson.com/investors).

### Payment of dividends to mandated accounts

UK shareholders who do not currently have their dividends paid direct to a bank or building society account and who wish to do so should complete a mandate instruction available from the Registrar or register their mandate at [www.signalshares.com](http://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](http://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](http://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 number: 1052686). Further information about ShareGift is available at: [www.sharegift.org](http://www.sharegift.org), by email at [help@sharegift.org](mailto: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 help line on 0800 202 363 (if calling from South Africa) or +27 11 870 8207 (if calling from outside South Africa).

Email: [charityshares@computershare.co.za](mailto:charityshares@computershare.co.za)

Website: [www.strate.co.za](http://www.strate.co.za)

## 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. South African shareholders will have no further liability to dividends tax in South Africa. Other overseas shareholders may be eligible to apply for similar refunds of UK withholding tax under the terms of the relevant tax treaties.

Normal dividends paid to overseas shareholders are paid gross but may be subject to taxation in the shareholder's country of residence. For South African shareholders, dividends tax at 15% will be withheld and paid over to the South African Revenue Service on the shareholders' behalf. Certain shareholders, including South African tax resident companies, retirement funds and approved public benefit organisations are exempt from dividends tax but it is the responsibility of each shareholder to seek their own advice. Dividends tax does not apply to scrip dividends, whether paid as a PID or a normal dividend.

## Unsolicited mail

Hammerson is obliged by law to make its share register available on request to other organisations. This may result in shareholders receiving unsolicited mail. To limit the receipt of unsolicited mail UK shareholders may register with the Mailing Preference Service, an independent organisation whose services are free, by visiting [www.mpsonline.org.uk](http://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.

## Shareholder security

Share fraud includes scams where fraudsters cold-call investors offering them overpriced, worthless or non-existent shares, or offer to buy shares owned by investors at an inflated price. We advise shareholders to be vigilant of unsolicited mail or telephone calls regarding buying or selling shares. For more information visit: [www.fca.org.uk/scams](http://www.fca.org.uk/scams) or call the FCA Consumer Helpline on 0800 111 6768.

## 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.

Table 112

## Financial Calendar

Recommended final dividend	Last day to effect removal of shares between the United Kingdom (UK) and South African (SA) registers	5 March 2018
	Currency conversion announcement released	6 March 2018
	Last day to trade on the Johannesburg Stock Exchange to qualify for the dividend	13 March 2018
	Ex-dividend on the Johannesburg Stock Exchange from commencement of trading on	14 March 2018
	Ex-dividend on the London Stock Exchange from the commencement of trading on	15 March 2018
	Record date (applicable to both the UK principal register and the SA branch register)	16 March 2018
	Removal of shares between the UK and SA registers permissible from	19 March 2018
	Last day for receipt of Dividend Reinvestment Plan (DRIP) mandates by Central Securities Depository Participants (CSDPs)	23 March 2018
	Last day for receipt of DRIP elections to SA Transfer Secretaries	26 March 2018 by 1.00pm (SA time)
	Last day for receipt of DRIP elections by UK Registrars	5 April 2018
Annual General Meeting		24 April 2018
	Final dividend payable (UK and SA)	26 April 2018
	DRIP purchases settlement date (subject to market conditions and the purchase of shares in the open market)	15 May 2018
Anticipated 2018 interim dividend		October 2018



## 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 shopping centre 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 of debt during the period.
BREEAM	An environmental rating assessed under the Building Research Establishment's Environmental Assessment Method.
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, administration costs less management fees) as a percentage of gross rental income, after rents payable. Both operating costs and gross rental income are adjusted for costs associated with inclusive leases.
CPI	Consumer Price Index. A measure of inflation based on the weighted average of prices of consumer goods and services.
Dividend cover	Adjusted earnings per share divided by dividend per share.
Earnings per share (EPS)	Profit for the period attributable to equity shareholders divided by the average number of shares in issue during the period.
EBITDA	Earnings before interest, tax, depreciation and amortisation.
EPRA	The European Public Real Estate Association, a real estate industry body. This organisation has issued Best Practice Recommendations with the intention of improving the transparency, comparability and relevance of the published results of listed real estate companies in Europe.
Equivalent yield (true and nominal)	The capitalisation rate applied to future cash flows to calculate the gross property value. The cash flows reflect the timing of future rents resulting from lettings, lease renewals and rent reviews based on current ERVs. The true equivalent yield (TEY) assumes rents are received quarterly in advance. The nominal equivalent yield (NEY) assumes rents are received annually in arrears. The property true and nominal equivalent yields are determined by the Group's external valuers.
ERV	The estimated market rental value of the total lettable space in a property calculated by the Group's external valuers. It is calculated after deducting head and equity rents, and car parking and commercialisation running costs.
Gearing	Proportionally consolidated net debt expressed as a percentage of equity shareholders' funds.
Gross property value or Gross asset value (GAV)	Property value before deduction of purchasers' costs, as provided by the Group's external valuers.
Gross rental income (GRI)	Income from rents, car parks and 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 period of time, under which the rent is inclusive of costs such as service charge, rates, utilities etc. Instead, the landlord incurs these costs as part of the overall commercial arrangement.
Income return	The income derived from a property as a percentage of the property value, taking account of capital expenditure and exchange translation movements, calculated on a time-weighted basis.
Initial yield (or Net initial yield (NIY))	Annual cash rents receivable (net of head and equity rents and the cost of vacancy, and, in the case of France, net of an allowance for costs of approximately 5%, primarily for management fees), as a percentage of gross property value, as provided by the Group's external valuers. Rents receivable following the expiry of rent-free periods are not included. Rent reviews are assumed to have been settled at the contractual review date at ERV.
Interest cover	Net rental income divided by net cost of finance before exceptional finance costs, capitalised interest and change in fair value of derivatives.
Interest rate or currency swap (or derivatives)	An agreement with another party to exchange an interest or currency rate obligation for a pre-determined period of time.
IPD	Property market benchmark indices produced by MSCI.
Like-for-like (LFL) NRI	The percentage change in net rental income for completed investment properties owned throughout both current and prior periods, after taking account of exchange translation movements.
LTV (Loan to value)	Net debt expressed as a percentage of the property portfolio value calculated on a proportionally consolidated basis.

Net asset value (NAV) per share	Equity shareholders' funds divided by the number of shares in issue at the balance sheet date.
Net rental income (NRI)	Income from rents, car parks and commercial income, after deducting head and equity rents payable, and other property related costs.
Occupancy rate	The ERV of the area in a property, or portfolio, excluding developments, which is let, expressed as a percentage of the total ERV of that property or portfolio.
Occupational cost ratio (OCR)	The proportion of 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 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 joint ventures	The Group's shopping centre and retail park joint ventures which management proportionally consolidate when reviewing the performance of the business, but exclude the Group's interests in the VIA Outlets joint venture.
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 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.
Share of Property interests	The Group's non-wholly owned properties which management proportionally consolidates when reviewing the performance of the business. These exclude the Group's premium outlets interests in Value Retail and VIA Outlets which are not proportionally consolidated.
SIIC	Sociétés d'Investissements Immobiliers Côtées. A tax regime in France which exempts participants from the French tax on property income and gains subject to certain requirements.
Total development cost (TDC)	All capital expenditure on a development project, including capitalised interest.
Total property return (TPR) (or total return)	Net rental income and capital growth expressed as a percentage of the opening book value of property adjusted for capital expenditure, 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.
Value Retail (VR)	Owner and operator of luxury outlet Villages in Europe in which the Group has an investment and accounts for as an associate.
VIA Outlets (VIA)	A premium outlets joint venture which owns and operates premium outlet centres in Europe, in which the Group has an investment and accounts for as a joint venture.
Yield on cost	Passing rents expressed as a percentage of the total development cost of a property.

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This document contains certain statements that are neither reported financial results nor other historical information. These statements are forward-looking in nature and are subject to risks and uncertainties. Actual future results may differ materially from those expressed in or implied by these statements. Many of these risks and uncertainties relate to factors that are beyond Hammerson's ability to control or estimate precisely, such as future market conditions, currency fluctuations, the behaviour of other market participants, the actions of governmental regulators and other risk factors such as the Company's ability to continue to obtain financing to meet its liquidity needs, changes in the political, social and regulatory framework in which the Company operates or in economic or technological trends or conditions, including inflation and consumer confidence, on a global, regional or national basis. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date of this document. Hammerson does not undertake any obligation to publicly release any revisions to these forward-looking statements to reflect events or circumstances after the date of this document. Information contained in this document relating to the Company should not be relied upon as a guide to future performance.

# Thank You

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