Hammerson plc
(Incorporated in England and Wales)
(Company number 360632)
LSE share code: HMSO JSE share code: HMN
ISIN: GB0004065016
("Hammerson" or "the Company")

HAMMERSON plc - RESULTS FOR THE YEAR ENDED 31 DECEMBER 2018

This announcement contains inside information

2018 Headlines

- GBP570m of disposals realised at an average disposal price of 7% below December 2017 book value
- Further progress on reducing net debt, down GBP179m from 30 June 2018 to GBP3.4bn. Net debt target of GBP3.0bn for 2019 to maintain balance sheet strength
- 2018 Group leasing volumes in line with 2017 performance with UK flagship destinations achieving record levels (+7.5%). Group leasing secured at 5% ahead of previous passing rent
- Impacted by a weaker investment market, UK property values fell during the second half of 2018 by -9.3%, the overall portfolio produced a 12 month capital return of -4.3%
- Group LfL NRI growth of 0.3%, with declines at UK flagship destinations (-1.3%) and retail parks (-4.3%) following CVAs and tenant failure. France flagship destinations -0.9%
- Strong performance from premium outlets and Ireland with LfL NRI up 5.2% and 1.6% respectively, with exceptional brand sales growth of 8% across premium outlets
- Final 2018 dividend maintained at 14.8p per share. Total dividend for the year up 1.6%
- City Quarters platform to create vibrant mixed-use neighbourhoods in thriving locations in the UK and Ireland surrounding our flagship destinations. 97 acres of land holdings capable of delivering up to 6,600 residential units, 1,200 hotel rooms and 200,000m² of workspace

2019 Strategic Disposal Programme

- A portfolio-wide review to accelerate transactions has identified additional disposal opportunities
- 2019 disposal target in excess of GBP500m
- We are open-minded about the upper limit of the disposal programme and are in active discussions on transactions with a total value of over GBP900m
- These potential transactions are in the form of portfolio sales, joint ventures and individual asset disposals from multiple sectors and territories. This includes a limited number of retail parks, which we remain committed to exiting over the medium term. Disposals are subject to market conditions and achieving attractive terms
- Assuming the disposal programme is successful, Hammerson's net debt would be below GBP3bn by the end of the year
- Given the importance of the Company's disposal programme, the Board has decided to establish an Investment and Disposal Committee to provide additional oversight and focus in this area
- The Committee will be chaired by Andrew Formica. It will have three other members: Pierre Bouchut and two other Non-Executive Directors that the Board plans to appoint in 2019. These new appointments reflect the Board's wish to ensure a broad balance of skills and experience to enable it to fulfil its role and to ensure orderly succession planning for Directors

David Atkins, Chief Executive of Hammerson, said:

"2018 was a tough year particularly in the UK. Tenant failures, the structural shift in retail and a more considered consumer created a difficult operating environment, putting pressure on property values. Outside of the UK our destinations performed better with a strong contribution from premium outlets.

"We believe that a successful deleveraging programme will best position Hammerson for the current environment and beyond. Disposals will also enable us to prove the inherent value of this business - which we believe is not recognised in the current equity market.

"Having successfully achieved GBP570m of disposals in 2018, we are aiming to dispose of at least GBP500m in 2019. We remain committed to exiting retail parks over the medium term and are in active portfolio-wide discussions on transactions of over GBP900m, which would add further strength to our balance sheet.

"Over the longer term we will generate opportunities to create additional value through City Quarters, which will see us transform many of our city venues beyond pure retail into successful, thriving neighbourhoods. The job of creating flagship spaces is never done, but through expert management, innovation and investment we are confident in the future of Hammerson and in maximising value creation for shareholders."

Full Year 2018 results at a glance

12 months ended:	31 Dec 2018	31 Dec 2017	Change
Net rental income (1)	GBP347.5m	GBP370.4m	- 6.2%
Adjusted profit (2)	GBP240.3m	GBP246.3m	- 2.4%
Adjusted earnings per share (2)	30.6p	31.1p	-1.6%
IFRS (loss)/profit (3)	GBP(268.1)m	GBP388.4m	
Basic (loss)/earnings per share (3)	(34.1)p	49.0p	
Final dividend per share	14.8p	14.8p	

As at:	31 Dec 2018	31 Dec 2017	
Portfolio value (4)	GBP9,938m	GBP10,560m	- 5.9%
Equity shareholders' funds	GBP5,433m	GBP6,024m	- 9.8%
EPRA net asset value per share (2)	GBP7.38	GBP7.76	-4.9%
Gearing (5)	63%	58%	+5p.p.
Loan to value - headline (5)	38%	36%	+2p.p.

(1) Proportionally consolidated, excluding premium outlets. See page 20 of the Financial Review for a description of the presentation of financial information.
(2) Calculations for adjusted and EPRA figures are shown in note 8 to the financial statements on pages 44 and 45.
(3) Attributable to equity shareholders, includes portfolio non-cash revaluation losses of GBP392m (2017: GBP247m gain).
(4) Proportionally consolidated, including premium outlets. See page 20 of the Financial Review for a description of the presentation of financial information.
(5) See Table 18 on page 68 for supporting calculations for gearing and loan to value.

Results presentation today

The results presentation is being held today at 9.00a.m GMT at JP Morgan Cazenove, Great Hall, 60 Victoria Embankment, EC4Y 0JP. The results presentation will also be broadcast via a webcast and a conference call. Please see the webcast link and dial-in details below:

Title:	Hammerson 2018 Full-year results presentation	Webcast link: https://edge.media-server.com/m6/p/kqrp7b3r
Dial-in details:		
London	+44 (0) 2071 928000	
Paris	+33 (0) 176700794	
New York	+16315107495	
Amsterdam	+31 (0) 207143545	
Johannesburg	+27 105007996	
Dublin	+353 (0) 14319615	
Confirmation Code:	7363469	

A playback of the webcast will be available at www.hammerson.com

Financial calendar	
Ex-dividend date (SA)	19 March 2019
Ex-dividend date (UK)	21 March 2019
Record date (UK and SA)	22 March 2019
Final dividend payable (UK and SA)	2 May 2019

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The person responsible for making this Announcement is Sarah Booth, General Counsel and Company Secretary.

Contents

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Unless otherwise stated, figures have been prepared on a proportionally consolidated basis, excluding premium outlets

Income and operational - Year ended:	31 December 2018	31 December 2017	Page
Occupancy	97.2%	98.3%	6
Like-for-like NRI growth	-1.3%	1.7%	5
Adjusted earnings per share	30.6p	31.1p	5
Leasing activity	GBP27.7m	GBP33.3m	6
Leasing v ERV	+6%	+8%	6
Like-for-like ERV growth	-0.9%	+0.9%	19
Retail sales growth - UK flagship destinations	-2.9%	-2.7%	7
Footfall growth - UK flagship destinations	-1.8%	+0.4%	7
Retail sales growth - France flagship destinations	+2.2%	+0.1%	9
Footfall growth - France flagship destinations	+2.5%	+1.6%	9
Cost ratio	21.9%	21.6%	22
Final dividend per share	14.8p	14.8p	23

Capital and financing - As at:	31 December 2018	31 December 2017	
Property portfolio value (including premium outlets)	GBP9.9bn	GBP10.6bn	17
Total property return (including premium outlets)	0.0%	6.8%	5
Capital return (including premium outlets)	-4.3%	2.2%	19
Net debt	GBP3.4bn	GBP3.5bn	25
Gearing	63%	58%	25
Loan to value - headline	38%	36%	25
Liquidity	GBP729m	GBP958m	25
Weighted average interest rate	2.7%	2.9%	25
Interest cover	3.4 times	3.4 times	25
Net debt/EBITDA	9.5 times	9.3 times	25
Fixed rate debt	74%	78%	25

Portfolio currency hedge	79%	78%	25
Equity shareholders' funds	GBP5.4bn	GBP6.0bn	24
EPRA net asset value per share	GBP7.38	GBP7.76	24

Who we are

At Hammerson, we create vibrant, continually evolving spaces, in and around thriving cities, where people and brands want to be. We seek to deliver value for all our stakeholders and to create a positive and sustainable impact for generations to come. We own and operate high-quality flagship destinations and premium outlets in selected European countries.

Market themes

The retail property market is affected by a number of structural trends which influence and guide our strategy.

Structural shift to online: There has been a steady progression of online penetration in the UK, which is now 18%, and this trend is expected to continue, although it will vary across different retail categories. This is also the case in Ireland and France, although it is starting from a lower base. As a direct consequence, we have seen increasing store closures over the same timeframe, and retailers are working to update their business models to meet this challenge. With the growth in online shopping and the increasing scale of the largest players in the market, it is more important than ever for brands to stand out from the crowded and expensive first page of Google's shop window. The very best physical stores in prime locations are proving more and more important for consumer brands seeking to stand out and deliver a true omnichannel offer.

Elevating experience: The role of experience is now a crucial factor in consumer behaviour. It might be a large-scale event that everyone is talking about or a beautifully instagrammable meal with friends and family. The most popular reason for consumers to visit a flagship destination is for a 'big day out'. It needs to be genuinely new and exciting; when people are offered the chance to experience something fantastic, they will leap at the opportunity.

Luxury sales outperform: Sales of personal luxury goods are outperforming, and the luxury, off-price sector in particular has strong growth rates, with off-price stores sales forecast to grow by over 6% a year on average between now and 2025 (Source: 2018 Bain luxury goods study). Off-price channels are particularly popular with premium brands as they offer high profitability and access to new customers.

Thriving cities: While household finances are under pressure, a number of cities in the UK, Ireland, and across continental Europe are thriving like never before, and many are also significant tourist destinations. By 2030, 78% of the European population is expected to live in cities. Often driven by a well-educated workforce and strong transport links, these cities are growing fast and setting themselves up for sustained success.

Our strategy

Our strategy has been led and informed by these themes, as well as the broader market conditions and our near term priorities. There are three elements to our strategy, which together will enable the business to drive returns for shareholders and deliver for customers and brands.

- Capital efficiency: Reducing debt
- Optimised portfolio: Exiting retail parks; pursuing portfolio-wide disposals
- Operational excellence: Managing structural shift in retail

Differentiated by our product experience framework and Positive Places strategy

We create desirable spaces where people and brands want to be, by developing iconic destinations which at their core have the very best brands and experiences. Our product experience framework is embedded across the entire business, and ensures we put the customer at the heart of everything we do; delivering a journey that is truly frictionless and supported. The four principles of our framework are:

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

The Group's Positive Places strategy ensures we create destinations that deliver net positive impacts economically, socially and environmentally. In 2017, Hammerson launched its most ambitious target to date and a global first for the property sector: to be Net Positive for carbon, resource use, water, waste and socio-economic impacts by 2030 and we have made strong progress towards these targets in 2018.

Governance

As previously disclosed, the Company has appointed Carol Welch as a Non-Executive Director, effective 1 March 2019. The Company also intends to appoint two further independent Non-Executive Directors during the course of 2019. This recruitment reflects the Board's wish to ensure a broad balance of skills and experience to enable it to fulfil its role and to ensure orderly succession planning for Directors.

Given the importance of the Company's disposal programme, the Board has decided to establish an Investment and Disposal Committee to provide additional oversight and focus in this area. The Committee will be chaired by Andrew Formica. It will have three other members: Pierre Bouchut and the two other Non-Executive Directors that the Board plans to appoint in 2019.

The Company has appointed Morgan Stanley & Co. International plc as Joint Corporate Broker. J.P. Morgan Cazenove will continue to act as Joint Corporate Broker to the Company.

Agreement with Elliott Advisors

The Board has been in discussions with key shareholders about the execution of its strategy and governance changes. As part of those discussions, the Company has entered into a relationship agreement with Elliott Advisors. Elliott has confirmed its support for the Company's accelerated disposal programme and the Company's decision to expand the Board and establish a Board Investment and Disposals Committee.

This agreement contains certain other voting and governance terms, including a commitment that Elliott will vote in favour of the ordinary course resolutions recommended by the Board at the upcoming general meeting of the Company. Elliott has also agreed not to increase its voting interests and economic interests in the Company above 10% and 15% respectively. This agreement will remain in force for a maximum of 12 months, subject to certain conditions.

Hammerson has its primary listing on the London Stock Exchange and a secondary inward listing on the Johannesburg Stock Exchange.

Sponsor:
Investec Bank Limited

Key performance indicators

Monitoring our performance

We monitor Key Performance Indicators, or KPIs, to measure our achievements against our strategic priorities. The KPIs comprise financial and operational measures and each links to the three pillars of our strategy as shown on page 4.

Financial KPIs

Adjusted EPS growth
-1.6%

2014	2015	2016	2017	2018
3.5	12.6	8.6	6.5	-1.6

Adjusted earnings per share (EPS) is the Group's primary profit measure and reflects underlying profit divided by the average number of shares in issue and is calculated in line with EPRA guidelines as explained on page 20.

Performance

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

Net debt*(1)
GBP3,406m

2014	2015	2016	2017	2018
2,265	2,968	3,413	3,501	3,406

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

Performance

During 2018, the Group's net debt has reduced by GBP95 million to GBP3,406 million. The reduction is principally due to net disposal proceeds received of GBP553 million and net cash inflow from operations of GBP203 million, partially offset by capital expenditure of GBP218 million and share buybacks of GBP127 million.

We plan to dispose of in excess of GBP500 million of properties from across our portfolio in 2019 to strengthen the Group's financial position.

Total property return
0.0%

	2014	2015	2016	2017	2018
Weighted MSCI benchmark	12.5	9.5	4.0	6.9	0.0
Hammerson Comparative performance	13.6	12.4	5.7	6.8	0.0

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

Performance

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

Like-for-like NRI growth*
-1.3%

2014	2015	2016	2017	2018
2.1	2.3	2.2	1.7	-1.3

Target = 2.0

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

Performance

Like-for-like NRI declined by 1.3% in 2018. Income at our UK and French flagships declined by

1.3% and 0.9% respectively, whilst NRI at our UK retail parks fell by 4.3%. Irish properties produced growth of 1.6%.

Tenant failure reduced NRI by GBP7.1 million in 2018. Excluding this impact, like-for-like NRI would have grown by 0.4%. Proportionally consolidating the premium outlets growth of 5.2% would result in Group like-for-like NRI growth of 0.3%.

* Proportionally consolidated, excluding premium outlets. See the Financial Review on page 20 for further explanation.

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

Operational KPIs

Occupancy*
97.2%

2014	2015	2016	2017	2018
97.5	97.7	97.5	98.3	97.2

Target = 97.0

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

Performance

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

Leasing activity*
GBP27.7m

2014	2015	2016	2017	2018
29.5	27.9	24.9	33.3	27.7

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

Performance

2018 leasing levels were 17% or GBP5.6 million below those experienced in 2017, but nonetheless demonstrated a strong performance in a challenging market.

GBP3.9 million of the reduction was due to lower leasing at UK retail parks.

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

Global emissions intensity ratio
122mtCO2e/GBPm

2014	2015	2016	2017	2018
180	172	155	150	122

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

Performance

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

Voluntary staff turnover
13.4%

2014	2015	2016	2017	2018
10.3	9.8	10.9	12.0	13.4

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

Performance

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

Operating review

This Operating Review provides an overview of the performance of our portfolio sectors. Consistent with internal reporting as described on page 20 of the Financial Review, the operational metrics in this section are presented on a proportionally consolidated basis. Further portfolio analysis is provided in the Additional Disclosures section on pages 61 to 64.

Flagship destinations

UK

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

Operational summary

Key metrics	Like-for-like NRI growth %	Occupancy %	Leasing activity GBPm	Leasing vs ERV %	Retail sales growth %	Footfall growth %
31 December 2018	(1.3)	97.6	14.4	+5	(2.9)	(1.8)
31 December 2017	1.8	98.1	13.4	+8	(2.7)	0.4

Sector overview

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

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

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

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

Our portfolio

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

Net rental income

On a like-for-like basis, net rental income decreased by 1.3% in 2018. A key factor in this decline has been the significant increase in tenant failures which have resulted in an adverse income impact of GBP3.0 million. Excluding the impact of tenant failure, like-for-like NRI would have increased by 0.8%.

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

Occupancy and leasing

Whilst the wider retail market has suffered a turbulent period during 2018, our leasing performance has been strong with GBP14.4 million of annual rental income secured during the year, some GBP1.0 million (7.5%) higher than the prior year. This demand demonstrates the polarisation in the retail market, with brands increasingly seeking space in flagship destinations rather than less successful locations where a large number of brands are closing stores.

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

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

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

At 31 December 2018, 49 units were let to tenants in administration or to tenants subject to a CVA and represent 1.8% of the Group's passing rents. As explained above, we estimate that tenant failure has adversely impacted 2018 net rental income by GBP3.0 million, with a further GBP1.6 million adverse impact, based on our current reletting assumptions, expected in 2019. There will be a further reduction in net rental income if there are additional tenant failures in 2019. The precise impact will depend on the lease terms, any unamortised incentive, the timing of the failure and whether the tenant continues to trade. Whilst administrations and CVAs reduce short-term income they provide opportunities to introduce new tenants and improve the tenant mix at our destinations.

We also settled 66 rent reviews, securing an uplift of GBP0.7 million, or 7%.

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

- At Bullring, Morphe, the US beauty retailer, opened its second UK store and Hugo Boss opened its first HUGO standalone store outside London. Other key brand lettings included Arket, Barbour, Calvin Klein, Kurt Geiger, NYX Professional Make Up and Tommy Hilfiger
- At Grand Central, we continue to improve the catering line-up with openings for Comptoir Libanais, Holy Moly Macaroni and Tasty Plaice
- At Highcross, Jo Malone London opened and the sports and leisure offer was enhanced by introducing Cotswold Outdoor, Runners Need and Social Climbing, an exciting indoor bouldering operator
- At Silverburn, Khaadi, the international Pakistani clothing brand, opened its first store in Scotland and Fun Street opened a 1,100m2 children's play concept
- At Union Square in November, Brewdog, the locally founded, fast growing brewer opened its first bar and restaurant in a flagship destination
- At Victoria, the aspirational brand offer was improved through lettings to Penhaligons, Ralph Lauren and the Cornish lifestyle brand, Seasalt. The Ivy also opened its first restaurant in Leeds at Victoria Quarter which complements the existing high-quality dining offer

At Highcross, we completed the reconfiguration of the former House of Fraser anchor store in September. The project involved creating eight units including upsized stores for Zara and JD Sports and a new leisure offer, Treetop Adventure Golf. Debenhams has also invested GBP5 million in store improvements and introduced new brands to Leicester through concessions including Maisons du Monde, Murad and Kat Von D.

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

Footfall, sales and occupancy cost

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

Consistent with the turbulent retail backdrop, consumer confidence has been subdued during 2018. Retail sales at our centres fell by 2.9%, calculated on a same centre basis, broadly in line with the BRC Non-food in-store sales index, which fell by 2.5%. Sales performance by centre and retail category has been mixed with stronger performances from sports & leisure and health & beauty offset by weak high-street fashion. Department store performance has also been mixed, with a clear differentiation between the various operators. The occupational cost ratio, calculated as total occupancy cost as a percentage of sales, increased from 21.7% at the end of 2017 to 22.6% at 31 December 2018, while the rent to sales ratio remained constant at 13.3%.

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

Ireland

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

Operational summary

Key metrics	Like-for-like NRI growth %	Occupancy %	Leasing activity(1) GBPm	Leasing vs ERV %	Footfall growth(2) %
31 December 2018	1.6	99.0	2.6	+8	(2.4)
31 December 2017	7.4	99.7	1.9	+10	n/a

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

Sector overview

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

Dublin's growing urban population of 1.4 million and significant tourism industry (9.9 million visitors in 2017) underpin demand for retail space in the city which accounts for over 70% of Ireland's total retail expenditure and 50% of national GDP. Grafton Street and Henry Street in the heart of Dublin are the focus of the city centre's retail offer and there are also a number of large shopping centres around the city's perimeter.

Our portfolio

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

The portfolio also includes 27 acres of mixed-use development land in Dublin, including Dublin Central, which will allow us to demonstrate our City Quarters concept and the potential to expand and diversify the portfolio.

Net rental income

The portfolio generated net rental income of GBP40.4 million during 2018 and produced like-for-like net rental income growth of 1.6%. All three centres recorded higher income. Growth at Pavilions, Swords, which was the final asset to have been acquired from the loan portfolio in September 2017, was due to rent reviews, tenant rotation initiatives and new restaurants which have enhanced the appeal of the venue.

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

Occupancy and leasing

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

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

We signed 51 leases representing GBP2.6 million of annual rental income. For principal leases, rents secured were 28% above previous passing rents and 8% higher than December 2017 ERVs. At Dundrum, leases were signed with wellness brands, Rituals and Therapie and at Pavilions, Swords with River Island and Smiggle. There is strong demand from restaurants and leisure operators including at Dundrum where Leon and PFChangs both opened their first stores in Ireland. In the vicinity of these restaurants we are investing in the new Pembroke Square district. We have signed key lettings with Fallon & Byrne and J2Sushi to anchor this 600m2 new, enlivened public space.

Footfall and sales

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

France

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

Operational summary

Key metrics	Like-for-like NRI growth %	Occupancy %	Leasing activity GBPm	Leasing vs ERV %	Retail sales growth %	Footfall growth %
31 December 2018	(0.9)	97.1	7.3	+5	2.2	2.5
31 December 2017	2.6	97.9	9.8	+5	0.1	1.6

Sector overview

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

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

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

Our portfolio

We own and manage seven high-quality flagship destinations in France which accommodate over 800 tenants and attract nearly 80 million visitors each year. The centres are in urban locations in Paris, Marseille and Nice and at 31 December 2018, the three largest centres, Les Terrasses du Port in Marseille and Italie Deux and Les 3 Fontaines in Paris, accounted for almost 90% of the value of the French portfolio and generate EUR75 million of annual passing rent. Our French team works closely with our UK and Irish teams to ensure operational excellence is maintained across all our destinations and a number of functions, including marketing and product innovations, have a Group-wide remit.

We are on site with extension projects at Italie Deux and Les 3 Fontaines to enhance the quality of these destinations and further details of these schemes are provided on page 13.

Net rental income

On a like-for-like basis, net rental income decreased by 0.9% in 2018. This was largely due to lower occupancy during the year associated with tenant rotation and a GBP0.8 million reduction of turnover rent at Les Terrasses du Port, as in the first half of 2017 we received confirmation of sales for prior periods which were significantly higher than anticipated.

Occupancy and leasing

We continue to target new tenants to enhance the brand mix at our centres. During 2018, we signed 109 leases representing GBP7.3 million of annual rental income and 28,000m2 of space. Leasing volumes were GBP2.5 million, or 25%, lower than in 2017, as the prior year included leasing at Place des Halles, Strasbourg and Saint Sébastien, Nancy which were sold in late 2017. On a like-for-like basis, 2018 leasing was 9% higher than the prior year. For principal leases, the new rents were 5% above both December 2017 ERVs and the previous passing rents. Key leasing transactions included:

- At Les Terrasses du Port, new lettings to Polo Ralph Lauren, Timberland and Boggi Milano-its first store to launch in a French shopping centre and Nespresso, the first to open in our French portfolio
- At Les 3 Fontaines, Cergy, 19 lettings including Foot Korner, Timberland and major renewals with Armand Thierry, Go Sport and Sephora
- At Italie Deux, lettings included Les Armoires de Paris, Sostrene and renewals with Carrefour and Celio
- At O'Parinor, 23 lettings including Decimas, Le Kolam and a new larger unit for JD Sports

At 97.1%, occupancy levels were 80 basis points lower than at the beginning of the year, but in line with our five-year average. Tenant failure has been significantly lower in France compared with the UK and only 18 stores suffered tenant failure during 2018, 30% lower than the level of default suffered in 2017. These reduced NRI in 2018 by GBP1.0 million. At 31 December 2018 a total of 23 units were in administration, four fewer than at the beginning of the year. All of these units continue to trade and represent only 0.7% of the Group's passing rent.

Footfall, sales and occupancy cost

Footfall in our centres increased by 2.5% in 2018, 420 basis points ahead of the national CNCC Index which reported a 1.7% decline. Italie Deux and Les Terrasses du Port recorded the highest footfall increases of 5.4% and 4.6% respectively, the former benefiting from the decision in late 2017 to permit Sunday opening. Footfall was 3.1% higher until November when shopper visits were adversely impacted by the "Yellow Jacket" demonstrations. These were focused on major cities, such as Paris, Marseille and Nice, and our footfall in November and December fell by 0.5% and 0.2% respectively.

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

Premium outlets

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

Operational summary

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

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

Sector overview

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

Over recent years, the European outlets sector has seen both strong sales growth and increasing retailer demand. The market for discounted luxury and fashion items is attractive for international tourists, in particular from Greater China, Russia, South East Asia and the Middle East. Following very strong growth in 2017, 2018 saw further tax-free sales growth in our portfolio.

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

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.

Our portfolio

We hold our VR interests in the holding companies as well as direct investments in the Villages and have grown our economic interest in the net assets of VR from 20% to approximately 40% over the last five years. Details of our investments are shown in note 11 to the financial statements.

During 2018, we acquired a number of investor stakes in Villages including Bicester Village, La Roca Village, Las Rozas Village and La Vallée Village for a net purchase price of GBP109 million. This acquisition increased our economic interest in Bicester Village, the largest asset within the portfolio, to 50%.

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

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

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

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

Value Retail (VR)

Portfolio overview

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

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

In 2018, the Villages had an average sales density of EUR16,300/m2 and generated total sales of EUR2.9 billion, placing them in the top echelons of the premium outlets sector. The Villages actively target the growing shopping-tourism market as well as attracting footfall from affluent domestic catchments. This strategy has been very successful and VR has delivered annual compound brand sales growth of 13% over the last 10 years.

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

Income

Brand sales growth of 8% has again been strong in 2018, driven by domestic, regional and international guests. Tax-free sales at VR have increased by 12% during the second half of 2018 and by 7% over the full year. This significantly outperformed overall European tax-free sales which were down 4% after a strong 2017 (Source: Global Blue - December 2018). Value Retail continues to invest in broadening long-haul tourist markets, with Korea, Taiwan and India being strong growth drivers in 2018. La Vallée Village achieved the highest sales growth as it continued to benefit from active remerchandising activity during 2017 and 2018 and from high tax-free sales growth. Fidenza Village and Bicester Village were the other top performers with sales boosted by their recent extensions. Wertheim Village was the weakest performer in 2018, with a small decline in year-on-year brand sales, partly due to nearby major motorway works. Sales in the second half were marginally positive following the opening of new brands.

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

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

Occupancy and leasing

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

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

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

Developments and extensions

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

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

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

VIA Outlets (VIA)

Portfolio overview

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

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

At 31 December 2018 the total portfolio was valued at GBP1.4 billion of which the Group's 47% share was GBP636 million. VIA Outlets has become a leading premium outlet operator, and has further evolved in 2018, with the appointment of its COO and CFO. The team have developed a clear sustainability strategy and have completed BREEAM In-Use certification across the portfolio. This is being used to drive environmental improvements which will deliver cost savings and mitigate climate risk.

Income

Like-for-like brand sales growth was 9% in 2018. The highest growth was achieved at Freeport Lisboa Fashion Outlet which benefited from the remodelling completed in November 2017 and at Mallorca Fashion Outlet which saw the results of recent remerchandising and asset management initiatives. Double-digit sales growth was also achieved at Batavia Stad Amsterdam Fashion Outlet where an extension opened in May 2017 and at Landquart Zürich Fashion Outlet where both occupancy and footfall have increased.

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

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

Occupancy and leasing

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

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

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

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

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

Developments and extensions

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

VIA recently started works on the extension of Hede Fashion Outlet. The programme will add an additional 2,700m2 to the centre. In early 2019, a new train station adjacent to the outlet will open, which will allow visitors to travel from Gothenburg's city centre to the outlet in just 20 minutes. The total investment for this centre amounts to EUR11 million and the extension is set to open in October 2019.

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

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

Developments and City Quarters

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

Overview

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

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

At 31 December 2018, developments represented only 7% of the Group's total property portfolio. 80% of the development value is related to five key schemes: Les 3 Fontaines extension, Croydon, Dublin Central, Leeds (Phase 2) and The Goodsyard.

Committed capital expenditure remains low at GBP163 million at 31 December 2018. The majority of this expenditure related to the two on-site extension projects in Paris with the remainder relating to land acquisitions for the major London development schemes.

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

Completed developments

In February 2018, we completed the 21,400m2, GBP16 million redevelopment of Parc Tawe, Swansea. The scheme has created a modern, mixed retail and leisure park with new public realm and improved pedestrian links to the city centre. Tenants include B&M, Office Outlet, the UK's first Denny's restaurant and our second carbon neutral Costa Eco Pod. The scheme was impacted by the Toys R Us administration, and there are currently four retail units and two restaurants to be let. When fully let, the project is forecast to achieve a yield on cost of 9%.

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

On-site developments

Les 3 Fontaines extension

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

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

At 31 December 2018, the costs to complete were GBP145 million and the project was valued at GBP194 million. The scheme is currently 23% pre-let to tenants including Adidas, JD Sports, and Vapiano. We have recognised a total revaluation gain of GBP41 million to date.

Italik extension

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

At 31 December 2018, the total development cost of the scheme is estimated to be GBP40 million, with GBP22 million of costs remaining. We have recognised GBP4 million of revaluation gains to date.

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

When launched the project is expected to generate GBP2 million of rental income representing an estimated yield on cost above 5% and is currently 34% pre-let. The pre-letting level has recently fallen following the decision of a major retailer to withdraw from the scheme, and we are currently in discussions with a number of alternative brands.

Future major developments

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

Brent Cross extension

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

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

This includes plans that will allow Brent Cross Thameslink to commence the new Brent Cross West Thameslink station and Brent Cross South to commence the mixed-use regeneration to the south, ahead of the retail and leisure extension to Brent Cross. This amended timeframe will allow the wider regeneration to proceed whilst the joint venture continue to review the optimal mix of uses for the Brent Cross extension in light of evolving market conditions.

Croydon town centre

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

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

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

The Goodsyard

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

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

Dublin Central

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

City Quarters

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

This concept will leverage our existing land interests surrounding our flagship destinations, located in and around major European cities and near to key transport links. This provides the Group with opportunities to develop a mix of uses including residential, workspace, hotel and leisure. These schemes will deliver financial returns for the Group and complement our existing flagship destinations. Success will be further enhanced by our existing relationships with local authorities and landowners, building on our track record of great place-making to create truly integrated sustainable communities.

The opportunities have different timescales and include near-term schemes, such as a residential development adjacent to Dundrum and Ladywood House above Grand Central. Longer-term projects include fully mixed-use sites such as Martineau Galleries in Birmingham and Dublin Central. Together with our major developments this concept has significant scale, with the possibility to deliver a total of 6,600 residential units, 1,200 hotel rooms, 200,000m2 of workspace and nine parks and public spaces. An overview of a number of the projects is set out in the table below.

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

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

Major developments and City Quarters overview

	Area	Next planning submission	Start on-site	Retail/ F&B	Residential	Workspace	Leisure	Education/ Culture	Hotel	Public spaces
Near term										
Les 3 Fontaines, Cergy	8,500m2	n/a	On-site	Y		Y	Y			
Citywall House, Southampton	2,800m2	2019	Q2 2020			Y				
Dundrum Building 5, Dublin	10,000m2	2019	Q2 2020		Y					
Victoria Hotel, Leeds	8,400m2	2019	Q2 2020						Y	
Ladywood House, Birmingham	9,400m2	2019	Q2 2020			Y				
Strategic										
Martineau Galleries, Birmingham	7 acres	2019		Y	Y	Y	Y	Y	Y	Y
Dundrum Phase 2	5 acres	2020		Y	Y				Y	Y
Broadmead, Bristol	9 acres	2020		Y	Y	Y	Y	Y	Y	Y
Dundrum Central	6 acres	2021		Y	Y	Y			Y	Y
Pavilions Phase 3, Swords	13 acres	2021		Y	Y		Y			Y
Victoria Phase 2, Leeds	10 acres	2021		Y	Y	Y	Y	Y	Y	Y
Major										
Brent Cross	15 acres			Y	Y	Y	Y	Y	Y	Y
Croydon	22 acres	n/a		Y	Y		Y			Y
Bishopsgate Goodsyard, London	10 acres	2019		Y	Y	Y	Y	Y	Y	Y

UK retail parks

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

Operational summary

Key metrics	Like-for-like NRI growth %	Occupancy %	Leasing activity GBPm	Leasing vs ERV %	Footfall growth %
31 December 2018	(4.3)	96.9	2.4	+11	(1.3)
31 December 2017	(2.5)	99.4	6.3	+11	(0.4)

Sector overview

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

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

Our portfolio

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

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

Net rental income

On a like-for-like basis net rental income fell by 4.3% in 2018. Consistent with our UK flagship destinations, the most significant impact was from CVAs and administrations, which reduced income by GBP2.8 million. If this impact was excluded like-for-like income would have grown by 0.4%. The most significant administrations at our retail parks portfolio were Toys R Us, Poundworld, Fabb Sofas and Maplin.

Occupancy and leasing

Due to the challenging UK retail market, leasing activity was significantly lower in 2018. We signed 26 leases across the portfolio representing GBP2.4 million of annual rental income and 17,400m2 of space. This was GBP3.9 million lower than the prior year. For principal leases, rents were contracted at 11% above December 2017 ERVs and 19% above previous passing rent.

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

Reflecting the turbulent UK retail market and impact of tenant failures, occupancy levels fell during 2018 to 96.9% at 31 December 2018. During 2018, 23 units were subject to administration or CVAs and at 31 December 2018, GBP1.9 million of passing rent relates to units in administration or subject to CVAs and remain trading in our parks. This represents 0.5% of the Group's passing rent.

Footfall and sales

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

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

Property portfolio review

Challenging investment markets drive mixed valuation performance

Investment markets

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

In the UK shopping centres, transaction volumes totalled GBP1.3 billion in 2018, approximately a third lower than 2017 (Source: Property Data). In addition to the Group's sale of a 50% interest in Highcross, key transactions included British Land's acquisition of Royal Victoria Place, Tunbridge Wells and the sale of Shop Stop, Clapham Junction to DTZ Investors. UK retail yields moved out by 50 - 75 basis points during the year and now range from 4.85% to 6.25% for prime and super prime centres. (Source: C&W)

In France, shopping centre transactions were also limited with a total volume of EUR0.4 billion in 2018 (2017: EUR1.0 billion) (Source: C&W). Prime assets remain in demand but are in relatively short supply, whilst there is a widening gap between prime and secondary assets. Yields have stabilised at a record low level of 3.5% for prime shopping centres.

The transaction volume in Ireland for 2018 is estimated at EUR0.1 billion, lower than recent years which have seen a number of large transactions. Yields remained stable throughout the year and this is expected to continue into 2019. Overseas investors accounted for approximately 65% of acquisitions across all sectors. (Source: C&W)

UK retail parks transactions in 2018 totalled GBP1.9 billion (2017: GBP2.7 billion) (Source: C&W). Institutional investors remain the most active buyers, favouring smaller lot sizes of less than GBP30 million. Yields moved out by 25 - 75 basis points during the year, with peripheral locations the worst affected.

The European outlets sector saw fewer transactions in 2018, with total investment volumes of EUR0.5 billion in 2018 (2017: EUR1.1 billion) (Source: C&W). Whilst there have been no sales at the top end of the market, strong demand remains for these premium outlets. Overall, investment yields have remained stable, with those for the best European outlets ranging from 4.5%-5.5%.

Portfolio valuation

At 31 December 2018, the Group's total portfolio, including premium outlets, was valued at GBP9,938 million, a reduction of GBP622 million or 5.9% during 2018. Movements in the portfolio valuation are shown in the table below.

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

Acquisitions

During 2018, acquisition expenditure totalled GBP127 million and the principal transactions were:

- Land acquired in France to enable the commencement of the Italik extension project at Italie Deux, Paris for GBP12 million
- An increase in the Group's share of the premium outlets property portfolio via a number of direct investor interests including Bicester, La Vallée,

La Roca and Las Rozas Villages totalling GBP115 million at an ungeared level

Capital expenditure

In 2018, capital expenditure totalled GBP210 million. The table below 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.

Capital expenditure analysis

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

Capital expenditure on UK flagships totalled GBP30 million, with the most significant improvement projects including works to reconfigure the former House of Fraser store at Highcross and a new 2,750m2 Next store at The Oracle.

The investment portfolio in France included capital expenditure on projects at SQY Ouest, Les Terrasses du Port, Italie Deux and Les 3 Fontaines.

GBP4 million of costs in relation to the Italik project at Italie Deux, Paris were classified as space accretive.

UK retail parks incurred GBP13 million, with the remaining expenditure at the Elliott's Field Shopping Park development which completed in 2017 classified as creating additional space. Expenditure recorded as not creating additional area principally related to the completion of reconfiguration works at Ravenhead Retail Park in St. Helens following the relocation of M&S from the town centre.

Within the Developments and UK other portfolios, capital expenditure of GBP99 million was incurred of which GBP84 million was on the Group's development properties, principally on the extensions at Les 3 Fontaines and the Orchard Centre in Didcot. In the analysis above, costs incurred working up future development projects at Brent Cross and Croydon are classified as creating no additional area as work has not started on site. Further details of these projects are included in the Operating Review on pages 13 and 14.

Capital expenditure within the premium outlets portfolio totalled GBP39 million, of which GBP25 million was incurred by Value Retail and GBP14 million by VIA Outlets, principally on reconfigurations and extensions.

Disposals

Disposals reduced the portfolio by GBP616 million during 2018. The key transactions were:

- The sale of the residual stake of Saint Sébastian, Nancy completed in January 2018 for GBP10 million, the majority of the property having previously been sold in December 2017 for GBP129 million
- In February, we sold Battery Retail Park in Birmingham for proceeds of GBP57 million and Wrekin Retail, Park in Telford for GBP35 million
- In July, we sold Jeu de Paume, a small shopping centre in Beauvais developed by the Group for GBP19 million. Following opening in November 2015, it traded poorly with weak tenant sales and leasing demand, and the disposal is in line with our strategy of focusing only on flagship retail destinations
- In October, we completed the sale of Fife Central Retail Park, Kirkcaldy and Imperial Retail Park, Bristol for total proceeds of GBP164 million
- In November, we completed the sale of a 50% interest in Highcross Shopping Centre to an Asian investor introduced by M&G Real Estate for GBP236 million. The sale price represented a 5.5% net initial yield and a 5% discount to the December 2017 value

In addition to exiting the UK retail parks sector, we will continue with our capital recycling strategy and are targeting disposal proceeds in excess of GBP500 million from across the portfolio in 2019 to support the Group's debt reduction priority.

Valuation change

The following table analyses the sources of the valuation change for the Group's property portfolio, including premium outlets.

Components of valuation change

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

In 2018, the Group's portfolio recognised a total net revaluation deficit of GBP392 million.

In the UK, flagships suffered a deficit of GBP347 million principally due to outward yield shift averaging 37 basis points across the portfolio. Whilst the lack of shopping centre transactions provides limited evidence of this movement, it reflects the change in wider market sentiment during the year.

The underlying value of the French portfolio decreased by GBP14 million. Revaluation deficits at O'Parinor and Espace Saint Quentin were partially offset by uplifts on Les 3 Fontaines, Italie Deux and Les Terrasses du Port.

The Irish assets achieved a revaluation gain of GBP9 million, principally due to income growth at Pavilions, Swords and Dundrum Town Centre.

UK retail parks suffered a revaluation deficit of GBP126 million, also derived predominantly from outward yield shift. The impact of CVAs and administrations reduced the portfolio occupancy rate by 250 basis points to 96.9%.

Developments and UK other properties recognised a revaluation gain of GBP30 million, of which GBP23 million was from the development portfolio and was principally associated with the progress made on the 44,300m2 Les 3 Fontaines extension where works commenced at the beginning of the year. UK other properties generated a gain of GBP7 million largely due to progress made with City Quarters development opportunities including mixed-use schemes in Bristol and Birmingham.

Once again, premium outlets delivered the strongest performance in the year, achieving a valuation gain of GBP56 million, of which GBP40 million was attributable to income growth and a further GBP16 million due to yield improvements. The most significant of these were at La Vallée Village, Paris, Las Rozas Village, Madrid and Freeport Lisboa Fashion Outlet.

Further analysis is included in Tables 9 and 10 in the Additional Disclosures on page 64.

ERV growth

Like-for-like ERV growth

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

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

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

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

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

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

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

Returns

Property returns

Property returns analysis

2018

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

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

The Group's property portfolio generated a nil total return in 2018, comprising a capital return of -4.3% and an income return of 4.4%. The strongest performer was again the premium outlets sector which generated a total return of 7.4%, primarily due to the revaluation gain of GBP56 million across the combined outlet portfolios.

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

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

In 2018, the Reported Group portfolio (see Financial Review on page 20 for explanation) produced a total return of -1.1%, whilst properties held by our joint ventures and associates generated a total return of +0.8%. The performance of the latter portfolio was boosted by the strong return from premium outlets. An analysis of the capital and total returns by business segment is included in Table 9 on page 64.

Shareholder returns

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

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

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

Financial review

Delivering consistent financial performance

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

Highlights

IFRS loss for the year(1)	Adjusted EPS(2)	Shareholders' funds(1)
GBP(268.1) million	30.6p	GBP5,433 million
(2017: GBP388.4 million profit)	(2017: 31.1p)	(2017: GBP6,024 million)
EPRA NAV per share(3)	Dividend per share	Net debt
GBP7.38	25.9p	GBP3,406 million
(2017: GBP7.76)	(2017: 25.5p)	(2017: GBP3,501 million)

(1) Attributable to equity shareholders.
(2) See note 8B to the financial statements for calculation.
(3) See note 8D to the financial statements for calculation.

Presentation of financial information

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

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

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

Within the Financial Review, the Group Financial Statements and the Additional Disclosures, properties which are wholly owned or where the Group's share is in a joint operation, are defined as being held by the 'Reported Group', whilst those in joint ventures and associates are defined as 'Share of Property interests'.

Further explanation of the accounting treatments of the Group's different types of ownership is provided in the Glossary on pages 70 and 71.

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 5 and 6. 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 2 within the Additional Disclosures section on page 60.

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.

Loss for the year

The Group's IFRS loss for the year, attributable to equity shareholders, was GBP268.1 million, GBP656.5 million lower than the profit made in 2017. This was principally due to net revaluation losses on the Group's property portfolio totalling GBP448.6 million, net losses on property disposals of GBP64.9 million and lower revaluation gains on the premium outlets portfolio, from gains of GBP225.2 million in 2017 to GBP56.2 million in 2018.

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

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

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

Adjusted profit for the year (note 8B)	240.3	246.3
Adjusted EPS, pence	30.6	31.1

* Proportionally consolidated, excluding premium outlets

Analysis of the Group's IFRS income statement split between underlying 'Adjusted' profit and 'Capital and other' profit is shown in note 2 of the financial statements on pages 38 and 39 and further details of the EPRA adjustments are provided in note 8B of the financial statements on page 44.

Adjusted profit

The Group's adjusted profit for 2018 was GBP240.3 million, GBP6.0 million, or 2.4% lower than in 2017. The table below 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.

Reconciliation of adjusted profit for the year

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

Net rental income

Analysis of net rental income

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

* Share of Property interests includes GBP1.4 million of like-for-like net rental income from Nicetoile which is accounted for as an associate (see note 11 of the financial statements).

In 2018, net rental income (NRI) decreased by GBP22.9 million to GBP347.5 million. The like-for-like portfolio saw a decline in income of GBP4.1 million compared with 2017. This was driven by the impact of tenant failures, which totalled GBP7.1 million across the Group, and a reduction in surrender premiums received compared with 2017. GBP2.2 million of the total like-for-like decline related to the UK retail parks portfolio, with a further GBP1.9 million from the Group's flagship destinations.

Acquisitions generated GBP4.1 million of additional income predominantly arising from Pavilions, Swords, which was the final Irish loan to convert to property ownership in September 2017. In 2018 the Group's change in like-for-like NRI of -1.3%, as shown in KPIs on page 5, includes the performance of all our Irish flagship assets where the underlying net rental income received in 2017 prior to the conversion to property ownership of the final secured loan was treated as finance income. Like-for-like NRI performance by sector is further explained in the Operating Review on pages 7 to 16.

Disposals reduced income in 2018 by GBP31.8 million. 2017 disposals at Westwood Gateway Retail Parks in Thanet, Place des Halles in Strasbourg and Saint Sébastien, Nancy contributed to a reduction of GBP22.0 million. In 2018, disposals of Battery Retail Park in Birmingham, Wrekin Retail Park Telford, Imperial Retail Park in Bristol, Fife Central Retail Park, Kirkcaldy, Jeu de Paume, Beauvais and the 50% disposal of Highcross resulted in a further income reduction of GBP9.8 million compared with 2017.

Developments and other factors increased net rental income by GBP7.8 million. Key contributors to this uplift included the completion of the second phase of the Elliott's Field development in Rugby in November 2017, development at the Orchard Centre, Didcot which completed in spring 2018, and additional income from UK other properties in Leeds and Croydon.

Administration expenses

Administration expenses analysis

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

* In 2018, GBP0.2 million (2017: GBP0.5 million) of the Group's proportionally consolidated administration expenses related to the Group's Share of Property interests.

At GBP44.7 million, net administration expenses reduced by GBP4.2 million, or GBP4.3 million at constant exchange rates. This decrease was largely due to variable employee costs which were GBP7.4 million lower. This was associated with reduced 2018 bonus payments and the reversal of the accrual for the total property return element of the 2017 annual bonus where the pay-out threshold was not achieved when the outcome was finalised in April 2018. The reduction in administration expenses was partially offset by lower management fees receivable in 2018, as 2017 included a one-off development management fee paid on the full opening of Westquay South.

Our accounting policy is to capitalise the cost of staff working directly on on-site development projects. In 2018, GBP1.3 million of staff costs were capitalised on this basis, compared with GBP0.1 million in 2017.

Cost ratio

The EPRA cost ratio for the year ended 31 December 2018 was 21.9%, 30 basis points higher than 2017. The net administration expenses element of the ratio has reduced by 40 basis points to 11.5% consistent with the reduction in expenses explained above. The property costs element has increased from 9.7% to 10.4% due to costs associated with tenant failure. The sale of four retail parks also increased this ratio, as they have a lower level of property outgoings relative to the Group's other sectors. The calculation of the cost ratio is included as Table 8 of the Additional Disclosures on page 63.

Loss on sale of properties

During 2018, we sold 11 properties raising proceeds of GBP570 million, or GBP553 million after deducting selling costs. Over 40% of these proceeds related to the sale of 50% of Highcross. These disposals resulted in a loss of GBP65 million (Reported Group: GBP80 million) against December 2017 valuations. The losses principally related to Highcross, Leicester and Jeu de Paume, Beauvais.

Acquisition-related costs

The Group recognised GBP6.4 million of acquisition-related costs during 2018, in addition to GBP6.5 million recognised in the second half of 2017. These costs were predominantly in relation to professional advisor and finance facility fees incurred due to the proposed acquisition of intu which was announced in December 2017 and the offers from Klépierre S.A. in March and April 2018. Both transactions were withdrawn in April 2018 and the costs have been excluded from the Group's adjusted earnings.

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

The Group has interests in 16 joint ventures (2017: 15) and the share of the results of joint ventures under IFRS for the year ended 31 December 2018 was a loss of GBP106.4 million (2017: GBP180.5 million profit). Further details are provided in note 10 to the financial statements.

As explained at the beginning of the Financial Review on page 20, 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.

The table 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.

Contribution to adjusted profit

	Joint ventures (incl. VIA) GBPm	Associates (incl. VR) GBPm	Year ended 31December 2018 Total GBPm	Joint ventures (incl. VIA) GBPm	Associates (incl. VR) GBPm	Year ended 31 December 2017 Total GBPm
Share of results - IFRS	(106.4)	57.7	(48.7)	180.5	223.0	403.5
Revaluation losses/(gains) on properties	260.5	(44.5)	216.0	(46.3)	(198.3)	(244.6)
Other adjustments (notes 10B/11B)	3.1	14.2	17.3	26.5	1.3	27.8
Total adjustments	263.6	(30.3)	233.3	(19.8)	(197.0)	(216.8)
Adjusted earnings contribution	157.2	27.4	184.6	160.7	26.0	186.7
Analysed as:						
Share of Property interests	142.1	1.4	143.5	147.5	1.4	148.9
Premium outlets	15.1	26.0	41.1	13.2	24.6	37.8

Adjusted earnings from the Share of Property interests decreased by GBP5.4 million primarily due to the conversion of the final Irish loan on Pavilions, Swords in September 2017. In 2017, the loan, and hence interest income was in a joint venture, but since the property was acquired it has been accounted for as a joint operation, with the Group's share of results proportionally consolidated in the Reported Group.

Adjusted earnings from premium outlets of GBP41.1 million were GBP3.3 million higher than in 2017. The Group's share of VIA earnings increased by GBP1.9 million due principally to acquisitions including Zweibrücken Fashion Outlet and Vila do Conde Porto Fashion Outlet in the first half of 2017. VR's earnings increased by GBP1.4 million as the effect of the acquisition of additional investor stakes in 2018 was partially offset by higher finance and administration costs. Interest costs increased in 2018 as the premium outlets portfolio has taken advantage of low interest rates through a number of refinancings to increase the maturity profile of its borrowings. This has enabled reinvestment through development and other capital expenditure in addition to increased distributions.

Further details of the Group's joint ventures and associates are shown in notes 10 and 11 to the financial statements respectively. The operating performance of our premium outlets is described in the Operating Review on pages 10 to 12 and the combined profit contribution is in Table 13 of the Additional Disclosures on page 66.

Finance costs

Net finance costs, calculated on a proportionally consolidated basis, totalled GBP132.9 million in 2018 compared with GBP170.4 million in 2017. GBP124.5

million related to the Reported Group and GBP8.4 million to the Share of Property interests, as shown in note 2 to the financial statements.

Adjusted finance costs, which excludes the change in fair value of derivatives, debt cancellation costs and other non-recurring items, totalled GBP101.7 million in 2018, a decrease of GBP5.9 million, or GBP6.6 million at constant exchange rates. The decrease is principally due to the redemption of the GBP250 million 2020 6.875% bonds in October 2017 and the redemption of the EUR500 million 2019 2.75% bonds in August 2018. This was offset by lower finance income, largely due to the final Irish loan conversion in September 2017 and the impact of increases in UK base rates in November 2017 and August 2018 on the cost of floating rate debt.

Interest capitalised on development schemes at Orchard Centre, Didcot, Italie Deux and Les 3 Fontaines totalled GBP1.9 million in 2018, compared with GBP0.8 million in 2017.

The supporting calculation for adjusted finance costs is shown in Table 16 of the Additional Disclosures on page 68.

Tax

The Group has tax exempt status in the UK, France and Ireland and is exempt from corporation tax on rental income and gains arising on property sales. The current tax charge, on a proportionally consolidated basis was GBP1.9 million, GBP0.1 million higher than the previous year. The tax charge for the Reported Group was unchanged at GBP1.8 million for both years.

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

Dividends and share buyback

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

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

In July 2018, the Company announced the commencement of a GBP300 million share buyback programme, returning proceeds realised from disposals to shareholders over a twelve month period. At 31 December 2018, we had purchased 28 million shares at a total cost of GBP129 million, inclusive of fees. The accretive effect of the buyback on EPS and NAV per share is shown in the tables on pages 21 and 24 respectively. In January 2019, the suspension of the share buyback programme was announced. The Board has now decided to put the programme on hold, until the Group achieves its enhanced disposal goal and sees greater market certainty.

Net assets

During 2018, equity shareholders' funds decreased by GBP591 million, or 9.8%, to GBP5,433 million at 31 December 2018. Net assets, calculated on an EPRA basis, were GBP5,650 million and on a per share basis reduced by 38 pence to GBP7.38. The movement during the year is shown in the following table.

Movement in net assets

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

(1) Adjustments in accordance with EPRA best practice shown in note 8D to the financial statements on page 45.

The reduction in EPRA net assets was primarily the result of net property revaluation losses totalling GBP392 million, mainly in the UK flagships and retail parks portfolios as explained in the Property Portfolio Review on page 17. This was partially offset by adjusted profit which increased net assets by GBP240 million. Dividends and the share buyback reduced net assets by GBP203 million and GBP129 million respectively.

Investment and development properties

The valuation of investment and development properties in the Reported Group at 31 December 2018 was GBP3,830 million, GBP856 million lower than the prior year. The movement in investment and development properties is shown in note 9 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 17.

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

Details of the Group's joint ventures and associates are shown in notes 10 and 11 to the financial statements respectively. The table below 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.

Adjusted investment in joint ventures and associates

	31 December 2018			31 December 2017		
	Joint ventures (incl. VIA)	Associates (incl. VR)	Total	Joint ventures (incl. VIA)	Associates (incl. VR)	Total
	GBPm	GBPm	GBPm	GBPm	GBPm	GBPm
IFRS investment in joint ventures/associates	3,604	1,242	4,846	3,674	1,099	4,773
Adjustments (see notes 10C/11D)	61	157	218	57	88	145
Adjusted investment in joint ventures/associates	3,665	1,399	5,064	3,731	1,187	4,918
Analysed as:						
Share of Property interests	3,279	31	3,310	3,312	31	3,343
Premium outlets	386	1,368	1,754	419	1,156	1,575

During 2018, the total adjusted investment in the Group's Share of Property interests reduced by GBP33 million to GBP3,310 million. Net revaluation deficits totalling GBP272 million were partially offset by the sale of Highcross into a joint venture and the associated refinancing (net increase of GBP154 million), distributions to the Reported Group of GBP99 million and adjusted earnings of GBP142 million.

The Group's total adjusted investment in premium outlets increased by GBP179 million in 2018 to GBP1,754 million. The increase was primarily due to our additional investment of GBP114 million through the acquisition of direct investor stakes in Bicester, La Vallée, La Roca and Las Rozas Villages. Property revaluation gains contributed a further GBP56 million to the uplift.

An analysis of the Group's combined investment in premium outlets is shown in Table 14 in the Additional Disclosures on page 66.

Financing and cash flow

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

Key financing metrics

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

(1) Guidelines should not be exceeded for an extended period of time.
(2) See Table 18 on page 68 for supporting calculation.
(3) See Table 19 on page 69 for supporting calculation.

Net debt

On a proportionally consolidated basis, net debt at 31 December 2018 was GBP3,406 million, a reduction of GBP95 million during the year. This comprises loans of GBP3,423 million, the fair value of currency swaps of GBP85 million, less cash and deposits of GBP102 million. Cash and deposits were GBP164 million lower than at 31 December 2017 due to the receipt of sale proceeds from Place des Halles, Strasbourg at the end of 2017 which were used to repay floating rate debt facilities in January 2018. The movement in proportionally consolidated net debt is analysed in the table below.

Movement in proportionally consolidated net debt

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

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

2018 has been another active year from a financing perspective:

- In the first half of the year, we exercised extension options within our existing revolving credit facilities and received approval to extend the maturities for commitments totalling GBP770 million by one year from April 2022 to April 2023

- In August, we redeemed the Group's EUR500 million 2.75% bonds due September 2019. We incurred a one-off redemption premium of GBP15.3 million which has been treated as an exceptional financing cost. The redemption was funded using liquidity from disposals and contributed to the reduced weighted average cost of debt
- In November, as part of the 50% sale of Highcross for GBP236 million, the new joint venture signed a GBP165.2 million loan agreement (GBP82.6 million Hammerson share). The new loan was secured on the property on a non-recourse basis and is repayable in full at maturity in February 2024. The interest cost was fixed at less than 3%

The Group's liquidity at 31 December 2018, comprising cash and undrawn committed facilities, was GBP729 million, GBP229 million lower than at the beginning of the year. The Group's weighted average maturity of debt reduced marginally to 5.4 years (2017: 5.6 years).

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

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

Fitch and Moody's rate Hammerson's unsecured credit as A- and Baa1 respectively. Following the termination of the Group's offer to acquire intu, in May 2018 Fitch removed their "rating watch negative" and affirmed Hammerson's long-term credit ratings of Issuer Default Rating BBB+ and senior unsecured rating at A-. These ratings from Fitch have remained unchanged since June 2011. Moody's long-term rating for Hammerson of Baa1 (stable outlook) has not changed since February 2015 when it was upgraded from Baa2.

At 31 December 2018, the Group's loan to value was 38% and gearing was 63%, compared with 36% and 58% respectively at the beginning of the year. Supporting calculations are in Table 18 in the Additional Disclosures on page 68.

At 31 December 2018, the Group's share of net debt in VR and VIA totalled GBP900 million (2017: GBP686 million). On a proforma basis, proportionally consolidating the Group's share of net debt and property values held by VR and VIA, the Group's gearing would be 79% (2017: 69%) and loan to value would be 43% (2017: 40%).

Debt maturity profile at 31 December 2018 (GBPm)

Proportionally consolidated, excluding premium outlets

	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
Secured Debt	-	-	49	-	-	360	-	-	-		-	-	-
Euro Bonds	-	-	-	446	446	-	-	-	-		-	-	-
Private placements	-	-	149	-	-	367	-	89	-	90	-	-	22
Revolving credit facilities	-	-	-	197	366	-	-	-	-		-	-	-
Sterling bonds	-	-	-	-	-	-	346	298	-	198	-	-	-
Total	-	-	198	643	812	727	346	387	-	288	-	-	22

Risks and uncertainties

Our risk management processes are designed to improve decision-making, reduce the chances of financial loss, protect our reputation and improve efficiency. Our Risk Management Framework is structured around ten principal risks, contains mitigating factors and actions and the Board's residual risk assessment for each principal risk is summarised in the table below.

Following the Board's decision to withdraw its offer for intu in April 2018, a number of the Group's risks reduced and the 'Acquisition completion' risk was removed. However, overall, the general risk environment in which the Group operates has heightened over the course of the year, with the 'Retail market' risk increasing most significantly. This is largely due to the continued level of uncertainty associated with the future impact of the UK's exit from the EU, the significant deterioration in the UK retail market and weaker investment markets.

A more comprehensive explanation of the Group's approach to risk management is included in the 2018 Annual Report.

Risk and impact	Key mitigating factors/actions	Change during 2018 and outlook
1. Macro-economic (Residual risk assessment: High)		Impact <> Probability <>
Our financial performance is directly impacted by the macro-economic performance in the countries in which we operate. Key factors impacting our tenants and shoppers are GDP and disposable income growth, employment levels, inflation, business and consumer confidence, interest rates and foreign exchange movements. The lack of clarity over the precise terms and timing of the UK's exit from the EU results in heightened macro-economic and property market uncertainty.	- Diversified portfolio (sectors, geography and tenants) - Flagship destinations located in heart of successful cities - Premium outlets located in affluent catchments with strong tourist appeal - Monitoring of macro-economic research - Economic review at annual Board Strategy Day - Business Plan projections stress tested - Resilient business model and financial position - Brexit assessment undertaken - Application of our Product Experience Framework	The UK economic position has weakened during 2018, largely due to the uncertainty associated with Brexit. Nonetheless, GDP has grown by 1.4%. In France and Ireland growth prospects remain more favourable. Inflation, interest rate pressures and exchange rates remain stable. However, markets remain sensitive to external shocks, particularly associated with Brexit. The Group's diversification enhances our resilience. We are pursuing disposals from across our portfolio to strengthen the Group balance sheet.
2. Retail market (Residual risk assessment: Very high)		Impact up Probability up
We own and operate property in a dynamic retail marketplace. Failure to anticipate and	- High-quality portfolio of flagship destinations and premium outlets	2018 has been a turbulent year with a spike in tenant failures in the UK portfolio reducing income

address developments and trends in consumer and occupational markets, such as omnichannel retailing and digital technology, will result in financial underperformance and future obsolescence. Retailer profitability is challenged due to increased costs, downward pressure on margins from channel shift and weak retail sales, particularly in the UK. This adversely impacts landlords through tenant failure and in the ability to achieve rental growth.	- Significant diversity of retail categories and tenants which limits the impact from failure of individual tenants - Exit from UK retail parks sector over medium term - Application of our Product Experience Framework to ensure the relevance of our portfolio - Bespoke leasing strategies to repurpose space away from challenged retail categories supported by deep retailer relationships - Increased focus on experience with tailored F&B, leisure and events offers - Digital innovation strategy to provide detailed consumer insight and enable communication with our shoppers	by GBP6 million and continued growth in online retailing. We remain nervous about the trading environment in 2019 and are actively repurposing space away from challenged retail categories such as department stores and high-street fashion. Leasing demand has remained solid in 2018, and our occupancy remains broadly stable. The retail market is polarising with tenants seeking space in vibrant locations which are able to support their evolving omnichannel strategies. Our premium outlets have again delivered strong sales growth and we are confident that demand for off-price luxury brands will support future performance.

3. Property investment (Residual risk assessment: Medium/High) — Impact up Probability up

Poor investment decisions involving acquisitions and disposals result in suboptimal returns. Property valuations fall, adversely impacting the Group's financial position and delivery of future plans. Opportunities to divest properties are missed, or are limited by market conditions, which reduce financial returns and adversely impact the Group's funding strategy.	- Board approval for all significant investment decisions - Track record of property recycling which has raised GBP1.6 billion over previous three years. - Announced GBP1.1 billion disposal target over period 2018-19, including exit from UK retail parks sector - Pursuing disposals from across portfolio - Properties held 'ready for sale' - Diversification of portfolio by sector and geography limits impact of downturn in a single market - Twice yearly independent valuations - Stress tests included in annual Business Plan to assess balance sheet strength	We completed GBP570 million of disposals in 2018 and we are aiming to dispose of at least GBP500 million in 2019. Whilst we remain committed to exit from UK retail parks over the medium term, to deliver our 2019 debt reduction priority we are pursuing disposals from across our portfolio. The Group's properties have fallen in value by an average of 4% in 2018, which includes a reduction in UK values of 11%. We expect further moderate weakness in UK values until the outcome of Brexit is determined. Overall we expect future investor demand to focus on high-quality property which is well-positioned for the dynamic retail marketplace.

4. Property development (Residual risk assessment: Low) — Impact <> Probability up

Property development is complex and inherently risky. Major projects have long delivery times with multiple milestones, including planning and leasing. Unsuccessful projects result in adverse financial and reputational outcomes. Over-exposure to developments increases the potential financial impact of adverse valuation, cost inflation or other market factors which could overstretch the Group's financial capacity. Projects require appropriate resource and can be management intensive.	- Proven track record of developing successful iconic destinations - Only two on-site schemes and low capital commitments at 31 December 2018 of GBP163 million (2017: GBP89 million) - Development plans and exposure included in annual Business Plan - Board approves all major commitments - Regular project reviews including twice-yearly Board review and project risk reporting - Clear project ownership and resourcing plans - Projects typically use fixed price contracts and have appropriate contingencies - New City Quarters concept requires initial low levels of capital expenditure to deliver planning approvals	The Group's development exposure is low and at 31 December 2018 developments represented only 7% (2017: 5%) of our total property portfolio. Two retail park schemes completed during the year and we started extension projects at Les 3 Fontaines and Italie Deux, both in Paris. We also launched our City Quarters concept to bring forward development opportunities on land we own adjacent to our existing flagship destinations. Given the heightened level of uncertainty, from both economic and retail market perspectives, we do not believe the risk and reward balance is appropriate for us to commit to any major schemes until markets stabilise.

5. Treasury (Residual risk assessment: Medium) — Impact down Probability down

Poor treasury planning or external factors may lead to the Group having insufficient liquidity and being unable to support the delivery of our strategy. A fall in property values would adversely impact our financial position and could result in a breach of borrowing covenants. Significant fluctuations in sterling or euro exchange rates or a significant increase in interest rates could result in financial losses.	- Treasury planning to ensure appropriate liquidity levels are maintained - Board approves and monitors key financing guidelines and metrics - Annual Business Plan includes a financing plan and associated stress tests - Capital provided by a diverse range of counterparties - At 31 December 2018 we estimate that property values (including premium outlets) could fall by 29% and net rental income by 56% before our most stringent borrowing covenants would be exceeded - Interest rate and currency hedging programme used to mitigate market volatility	At 31 December 2018 our balance sheet and key financing metrics remained robust, with liquidity of GBP729 million, loan to value of 38% and gearing of 63%. We have no debt maturing until mid-2021 and the average debt maturity has remained stable at 5.4 years (2017: 5.6 years). The Group has significant headroom and financial flexibility to cope with further valuation reductions. Both Moody's and Fitch have recently reaffirmed the Group's credit ratings of Baa1 and A- (senior unsecured) respectively. The reduction in the residual risk assessment also reflects the reduced leverage risk which was formerly associated with the proposed intu acquisition.

6. Partnerships (Residual risk assessment: Medium) — Impact up Probability up

A significant proportion of the Group's properties are held in conjunction with third	- Proven track record of working with diverse range of partners	At 31 December 2018, 63% (2017: 58%) of the Group's portfolio, including premium outlets, is

parties. These structures can limit the Group's control and reduce liquidity.

Operational effectiveness may also be adversely impacted if partners are not strategically aligned.

Our premium outlet investments are externally managed and this reduces control and transparency over performance and governance. They also contain pre-emption rights in favour of the Group and other owners in case of transactions in the interests of the two investments.

- Annual joint venture business plans ensure alignment
- Governance rights for both premium outlet investments and, whilst externally managed, joint control over VIA Outlets
- Board representation for both Value Retail and VIA Outlets
- Value Retail and VIA Outlets are both subject to local external audit. The properties are valued by Cushman & Wakefield and are subject to review by the Audit Committee and the Group's external auditor

held with third parties.

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

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

7. Tax and regulatory (Residual risk assessment: Medium/High)

Impact up Probability up

There is an increasing burden from compliance and regulatory requirements which can impede operational and financial performance.

The real estate and physical retail sector has suffered a rising tax burden through recent increases in business rates, living wage, stamp duty etc. These adversely impact our financial performance and the profitability of our tenants. Brexit creates heightened uncertainty over the future UK tax and regulatory environment.

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

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

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

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

8. Catastrophic event (Residual risk assessment: Medium/High)

Impact <> Probability <>

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.

- Continuity plans at both corporate and individual property levels
- Core crisis group for dealing with major incidents
- Enhanced physical security measures implemented
- Regular dialogue with security agencies to assess threat levels and best practice
- Internal audits undertaken for business continuity and cyber security
- Third-party support and regular testing for IT security
- Internal communications and training to enhance cyber security awareness

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

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

The wider use of digital technology across the Group increases the risks associated with cyber security. In 2018, we have enhanced our staff training and communication on potential IT security and data protection issues.

9. People (Residual risk assessment: Low)

Impact up Probability up

The Group has a relatively small headcount which could hinder the achievement of business objectives, particularly in times of significant activity.

A failure to recruit and retain key executives and staff with appropriate skills would also adversely impact corporate performance.

Heightened market uncertainty acts to adversely impact staff morale and external recruitment.

- Annual Business Plan with human resources plan, covering team structures, training and talent management initiatives
- Succession planning undertaken across the senior management team
- Annual employee appraisal process undertaken
- Staff training and development supported and encouraged
- Internal diversity and inclusion programme increases awareness and fosters engagement

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

The heightened uncertainty associated with the proposed intu acquisition and Klépierre approach increased job security concerns. Staff morale has also been adversely impacted by the turbulence in the UK retail market.

10. Environmental (Residual risk assessment: Low)

Impact <> Probability <>

The Group's operations could be adversely impacted by an environmental incident such as extreme weather, flooding or energy supply issues.

The Group's reputation and financial performance could be adversely impacted by the failure to achieve our Net Positive targets or other environmental objectives.

Emerging environmental regulations and legislation, including amended legislation following Brexit, may act to increase costs or make properties obsolete.

- Experienced sustainability team to design and implement our environmental and corporate responsibility strategy in conjunction with the wider business
- Green energy contracts in place across portfolio
- Core crisis group for dealing with major incidents
- Annual Board review of sustainability performance and future strategy
- External assurance of environmental reporting

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

To achieve the more ambitious post 2020 Net Positive targets we need to collaborate with our tenants to reduce the environmental impact of our existing portfolio.

Statement of Directors' responsibilities

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

The Group's Annual Report for the year ended 31 December 2018 contains the following Statement of Directors' Responsibilities. Certain parts of the Annual Report are not included within this announcement.

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the Group financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and Company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 'Reduced Disclosure Framework', and applicable law). Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Company and of the profit or loss of the Group and Company for that period. In preparing the financial statements, the Directors are required to:

- Select suitable accounting policies and then apply them consistently
- State whether applicable IFRS as adopted by the European Union have been followed for the Group financial statements and United Kingdom Accounting Standards, comprising FRS 101, have been followed for the Company financial statements, subject to any material departures disclosed and explained in the financial statements
- Make judgements and accounting estimates that are reasonable and prudent
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and Company will continue in business

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group and Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and Company and enable them to ensure that the financial statements and the Directors' Remuneration Report comply with the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

The Directors are also responsible for safeguarding the assets of the Group and Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

The Directors consider that the Annual Report and financial statements, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group and Company's position and performance, business model and strategy.

Each of the Directors, whose names and functions are listed in the Corporate Governance Report, confirms that to the best of their knowledge:

- The Company financial statements, which have been prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 'Reduced Disclosure Framework', and applicable law), give a true and fair view of the assets, liabilities, financial position and profit of the Company
- The Group financial statements, which have been prepared in accordance with IFRSs as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and loss of the Group
- The Strategic Report includes a fair review of the development and performance of the business and the position of the Group and Company, together with a description of the principal risks and uncertainties that they face

In the case of each Director in office at the date the Directors' Report is approved:

- So far as the Director is aware, there is no relevant audit information of which the Group and Company's auditors are unaware
- They have taken all the steps that they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the Group and Company's auditors are aware of that information

By order of the Board

David Atkins
Chief Executive

Timon Drakesmith
Chief Financial Officer
25 February 2019

Consolidated income statement
for the year ended 31 December 2018

	Notes	2018 GBPm	2017 GBPm
Revenue*	4	292.4	320.6
Operating profit before other net (losses)/gains and share of results of joint ventures and associates	2	152.2	174.2
Loss on sale of properties		(79.9)	(15.5)
Net exchange gain previously recognised in equity, recycled on disposal of foreign operations		2.0	27.8
Acquisition-related costs		(6.4)	(6.5)
Revaluation (losses)/gains on properties		(161.4)	1.9
Other net (losses)/gains	2	(245.7)	7.7
Share of results of joint ventures	10A	(106.4)	180.5
Share of results of associates	11A	57.7	223.0
Operating (loss)/profit	2	(142.2)	585.4
Finance costs		(109.2)	(125.3)
Debt and loan facility cancellation costs		(15.3)	(41.5)
Change in fair value of derivatives		(14.5)	(21.3)
Finance income		14.5	16.1
Net finance costs	5	(124.5)	(172.0)

(Loss)/Profit before tax		(266.7)	413.4
Tax charge	6A	(1.8)	(1.8)
(Loss)/Profit for the year		(268.5)	411.6
Attributable to:			
Equity shareholders		(268.1)	388.4
Non-controlling interests	23	(0.4)	23.2
(Loss)/Profit for the year		(268.5)	411.6
Basic (loss)/earnings per share	8B	(34.1)p	49.0p
Diluted (loss)/earnings per share	8B	(34.1)p	48.9p

* Following the adoption of IFRS 15 Revenue from Contracts with Customers, a new financial statement line "Revenue" replaces the previously reported "Gross rental income". Comparative figures have been amended accordingly

Consolidated statement of comprehensive income
for the year ended 31 December 2018

	2018 GBPm	2017 GBPm
Items recycled through the consolidated income statement on disposal of foreign operations		
Exchange gain previously recognised in the translation reserve	(10.3)	(54.4)
Exchange loss previously recognised in the net investment hedge reserve	8.3	46.2
Net exchange gain relating to equity shareholders	(2.0)	(8.2)
Exchange gain relating to non-controlling interests	-	(19.6)
	(2.0)	(27.8)
Items that may subsequently be recycled through the consolidated income statement		
Foreign exchange translation differences	41.5	161.1
Loss on net investment hedge	(29.0)	(99.3)
Net gain/(loss) on cash flow hedge	4.1	(0.3)
Share of other comprehensive loss of associates	(3.3)	-
	13.3	61.5
Items that may not subsequently be recycled through the consolidated income statement		
Change in fair value of participative loans within investment in associates	-	(0.5)
Net actuarial gains/(losses) on pension schemes	0.8	(0.3)
	0.8	(0.8)
Total other comprehensive income	12.1	32.9
(Loss)/Profit for the year	(268.5)	411.6
Total comprehensive (loss)/income for the year	(256.4)	444.5
Attributable to:		
Equity shareholders	(256.0)	437.7
Non-controlling interests	(0.4)	6.8
Total comprehensive (loss)/income for the year	(256.4)	444.5

Consolidated balance sheet
as at 31 December 2018

	Notes	2018 GBPm	2017 GBPm
Non-current assets			
Investment and development properties	9	3,830.4	4,686.1
Interests in leasehold properties		39.9	37.2
Plant and equipment		4.5	5.1
Investment in joint ventures	10A	3,604.5	3,673.7
Investment in associates	11C	1,241.5	1,099.5
Derivative financial instruments*	17A	24.5	16.6
Receivables		3.6	3.8
		8,748.9	9,522.0
Current assets			
Receivables	12	113.8	110.5
Derivative financial instruments*	17A	4.1	-
Restricted monetary assets	13	24.0	37.3
Cash and deposits	14	31.2	205.9
		173.1	353.7
Total assets		8,922.0	9,875.7
Current liabilities			
Payables	15	(233.7)	(261.1)
Tax		(0.9)	(0.5)
Derivative financial instruments*	17A	(9.8)	(1.7)
		(244.4)	(263.3)
Non-current liabilities			
Loans	16	(3,013.9)	(3,352.4)
Deferred tax		(0.5)	(0.5)
Derivative financial instruments*	17A	(101.0)	(98.9)
Obligations under head leases		(42.3)	(38.9)
Payables	18	(87.0)	(84.2)
		(3,244.7)	(3,574.9)
Total liabilities		(3,489.1)	(3,838.2)
Net assets		5,432.9	6,037.5
Equity			
Share capital	19	191.6	198.6
Share premium		1,266.0	1,265.9
Translation reserve		794.3	763.1
Net investment hedge reserve		(624.7)	(604.0)
Cash flow hedge reserve		(8.2)	(12.3)

Merger reserve		374.1	374.1
Other reserves		27.2	22.0
Retained earnings		3,415.3	4,016.4
Investment in own shares		(3.0)	(0.3)
Equity shareholders' funds		5,432.6	6,023.5
Non-controlling interests	23	0.3	14.0
Total equity		5,432.9	6,037.5
EPRA net asset value per share	8D	GBP7.38	GBP7.76

* Derivative financial instruments have been presented separately on the face of the consolidated balance sheet to improve the clarity of reporting. Comparative figures have been amended accordingly. See note 17A on page 57 for details.

Consolidated statement of changes in equity
for the year ended 31 December 2018

	Share capital GBPm	Share premium GBPm	Translation reserve GBPm	Net investment hedge reserve GBPm	Cash flow hedge reserve GBPm	Merger reserve GBPm	Other reserves(1) GBPm	Retained earnings GBPm	Investment in own shares(2) GBPm	Equity shareholders' funds GBPm	Non-controlling interests GBPm	Total equity GBPm
Balance at 1 January 2018	198.6	1,265.9	763.1	(604.0)	(12.3)	374.1	22.0	4,016.4	(0.3)	6,023.5	14.0	6,037.5
Issue of shares	-	0.1	-	-	-	-	-	-	-	0.1	-	0.1
Share buyback	(7.0)	-	-	-	-	-	7.0	(128.9)	-	(128.9)	-	(128.9)
Share-based employee remuneration	-	-	-	-	-	-	3.4	-	-	3.4	-	3.4
Cost of shares awarded to employees	-	-	-	-	-	-	(3.6)	-	3.6	-	-	-
Transfer on award of own shares to employees	-	-	-	-	-	-	(1.6)	1.6	-	-	-	-
Proceeds on award of own shares to employees	-	-	-	-	-	-	-	0.2	-	0.2	-	0.2
Purchase of own shares	-	-	-	-	-	-	-	-	(6.3)	(6.3)	-	(6.3)
Dividends (note 7)	-	-	-	-	-	-	-	(203.4)	-	(203.4)	(13.3)	(216.7)
Exchange (gain)/loss previously recognised in equity recycled on disposal of foreign operations	-	-	(10.3)	8.3	-	-	-	-	-	(2.0)	-	(2.0)
Foreign exchange translation differences	-	-	41.5	-	-	-	-	-	-	41.5	-	41.5
Loss on net investment hedge	-	-	-	(29.0)	-	-	-	-	-	(29.0)	-	(29.0)
Gain on cash flow hedge	-	-	-	-	27.7	-	-	-	-	27.7	-	27.7
Gain on cash flow hedge recycled to net finance costs	-	-	-	-	(23.6)	-	-	-	-	(23.6)	-	(23.6)
Share of other comprehensive loss of associates (note 11E)	-	-	-	-	-	-	-	(3.3)	-	(3.3)	-	(3.3)
Net actuarial gains on pension schemes	-	-	-	-	-	-	-	0.8	-	0.8	-	0.8
Loss for the year	-	-	-	-	-	-	-	(268.1)	-	(268.1)	(0.4)	(268.5)
Total comprehensive income/(loss) for the year	-	-	31.2	(20.7)	4.1	-	-	(270.6)	-	(256.0)	(0.4)	(256.4)
Balance at 31 December 2018	191.6	1,266.0	794.3	(624.7)	(8.2)	374.1	27.2	3,415.3	(3.0)	5,432.6	0.3	5,432.9

(1) Other reserves comprise a capital redemption reserve of GBP14.3 million (2017: GBP7.3 million) relating to share buy backs and GBP12.9 million (2017: GBP14.7 million) relating to share-based employee remuneration.
(2) Investment in own shares is stated at cost.

Consolidated statement of changes in equity
for the year ended 31 December 2017

	Share capital GBPm	Share premium GBPm	Translation reserve GBPm	Net investment hedge reserve(1) GBPm	Cash flow hedge reserve(1) GBPm	Merger reserve GBPm	Other reserves(2) GBPm	Retained earnings GBPm	Investment in own shares(3) GBPm	Equity shareholders' funds GBPm	Non-controlling interests GBPm	Total equity GBPm
Balance at 1 January 2017	198.3	1,265.7	659.6	(550.9)	(12.0)	374.1	23.7	3,817.3	(0.2)	5,775.6	81.4	5,857.0
Issue of shares	0.3	0.2	-	-	-	-	-	-	(0.3)	0.2	-	0.2
Share-based employee remuneration	-	-	-	-	-	-	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 7)	–	–	–	–	–	–	–	(193.6)	–	(193.6)	(74.2)	(267.8)
Exchange (gain)/loss previously recognised in equity recycled on disposal of foreign operations	–	–	(54.4)	46.2	–	–	–	–	–	(8.2)	(19.6)	(27.8)
Foreign exchange translation differences	–	–	157.9	–	–	–	–	–	–	157.9	3.2	161.1
Loss on net investment hedge	–	–	–	(99.3)	–	–	–	–	–	(99.3)	–	(99.3)
Loss on cash flow hedge	–	–	–	–	(36.9)	–	–	–	–	(36.9)	–	(36.9)
Loss on cash flow hedge recycled to net finance costs	–	–	–	–	36.6	–	–	–	–	36.6	–	36.6
Change in fair value of participative loans within investment in associates (note 11E)	–	–	–	–	–	–	–	(0.5)	–	(0.5)	–	(0.5)
Net actuarial losses on pension schemes	–	–	–	–	–	–	–	(0.3)	–	(0.3)	–	(0.3)
Profit for the year	–	–	–	–	–	–	–	388.4	–	388.4	23.2	411.6
Total comprehensive income/(loss) for the year	–	–	103.5	(53.1)	(0.3)	–	–	387.6	–	437.7	6.8	444.5
Balance at 31 December 2017	198.6	1,265.9	763.1	(604.0)	(12.3)	374.1	22.0	4,016.4	(0.3)	6,023.5	14.0	6,037.5

(1) Disclosed in 2017 as 'hedging reserve'.
(2) Other reserves comprise a capital redemption reserve of GBP7.3 million (2016: GBP7.3 million) relating to share buybacks and GBP14.7 million (2016: GBP16.4 million) relating to share-based employee remuneration.
(3) Investment in own shares is stated at cost.

Consolidated cash flow statement
for the year ended 31 December 2018

	Notes	2018 GBPm	2017 GBPm
Operating activities			
Operating profit before other net (losses)/gains and share of results of joint ventures and associates	2	152.2	174.2
Decrease in receivables		1.4	6.6
Decrease/(Increase) in restricted monetary assets		13.6	(1.5)
Decrease in payables		(32.7)	(14.5)
Adjustment for non-cash items	21	10.3	9.1
Cash generated from operations		144.8	173.9
Interest received		14.5	12.9
Interest paid		(110.0)	(129.9)
Acquisition-related costs paid		(12.9)	-
Debt and loan facility cancellation costs	5	(15.3)	(41.5)
Tax paid		(1.6)	(1.1)
Distributions and other receivables from joint ventures		95.0	125.0
Cash flows from operating activities		114.5	139.3
Investing activities			
Property acquisitions		(12.0)	(122.5)
Developments and major refurbishments		(89.3)	(46.7)
Other capital expenditure		(60.3)	(66.7)
Sale of properties		553.2	490.8
Advances to joint ventures	10D	(30.0)	(165.6)
Return of equity from joint ventures	10D	-	275.0
Funds from financing transferred from joint ventures		144.2	-
Acquisition of additional interest in Irish loan portfolio	10D	-	(56.2)
Acquisition of interest in associates		(108.6)	(39.3)
Distributions received from associates		37.6	130.9
Repayment of loans receivable		-	19.9
Cash flows from investing activities		434.8	419.6
Financing activities			
Issue of shares		0.1	0.2
Proceeds from award of own shares		0.2	0.2
Purchase of own shares		(5.1)	(2.0)
Share buyback		(126.5)	-
Proceeds from new borrowings		240.3	526.9
Repayment of borrowings		(616.3)	(687.7)
Net decrease in borrowings	20	(376.0)	(160.8)
Dividends paid to non-controlling interests	23	(13.3)	(74.2)
Equity dividends paid	7	(204.1)	(191.7)
Cash flows from financing activities		(724.7)	(428.3)
Net (decrease)/increase in cash and deposits		(175.4)	130.6
Opening cash and deposits		205.9	74.3
Exchange translation movement		0.7	1.0
Closing cash and deposits	14	31.2	205.9

An analysis of the movement in net debt is provided in note 20.

Notes to the financial statements
for the year ended 31 December 2018

1: Financial information

Statement of compliance

The financial information contained in this announcement has been prepared on the basis of the accounting policies set out in the financial statements for the year ended 31 December 2018. Whilst the financial information included in this announcement has been computed in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union, this announcement does not itself contain sufficient information to comply with IFRS. The financial information does not constitute the Company's financial statements for the years ended 31 December 2018 or 2017, but is derived from those financial statements. Those financial statements give a true and fair view of the assets, liabilities, financial position and profit and loss of the Company and the undertakings included in the consolidation taken as a whole. Financial statements for 2017 have been delivered to the Registrar of Companies and those for 2018 will be delivered following the Company's Annual General Meeting. The auditors' reports on both the 2018 and 2017 financial statements were unqualified; did not draw attention to any matters by way of emphasis; and did not contain statements under s498(2) or (3) of the Companies Act 2006 or preceding legislation.

Transactions with joint ventures including distributions, interest and management fees are eliminated on a proportionate basis.

During 2018, 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:

- IFRS 9 Financial Instruments
- IFRS 15 Revenue from Contracts with Customers
- Amendments to IAS 40 Investment Property
- Amendments to IFRS 2 Share Based Payments

The principal exchange rate used to translate foreign currency denominated amounts in the balance sheet is the rate at the end of the year, GBP1 = EUR1.115 (2017: GBP1 = EUR1.127). The principal exchange rate used for the income statement is the average rate, GBP1 = EUR1.131 (2017: GBP1 = EUR1.141).

Going concern

The Group's business activities, together with factors likely to affect its future development, performance, and position are set out in the Operating Review, the Property Portfolio Review, the Financial Review and Risks and Uncertainties. The financial position of the Group, its liquidity position and borrowing facilities are described in the Operating Review, the Financial Review and in the Notes to the Financial Statements.

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

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

2: (Loss)/Profit for the year

As stated in the Financial Review on page 20 and in note 3, management reviews the performance of the Group's property portfolio on a proportionally consolidated basis. Management does not proportionally consolidate the Group's premium outlet investments in Value Retail and VIA Outlets, and reviews the performance of these investments separately from the rest of the proportionally consolidated portfolio.

The following tables have been prepared on a basis consistent with how management reviews the performance of the business and show the Group's (loss)/profit for the year on a proportionally consolidated basis in column C, by aggregating the Reported Group results (shown in column A) with those from its Share of Property interests (shown in column B), the latter being reallocated to the relevant financial statement lines.

The Group's share of results arising from its interests in premium outlets has not been proportionally consolidated and hence these have not been reallocated to the relevant financial statement lines, but is shown within 'Share of results of joint ventures' and 'Share of results of associates' in column C.

The Group's proportionally consolidated (loss)/profit for the year in column C is then allocated between 'Adjusted' and 'Capital and other' for the purposes of calculating figures in accordance with EPRA best practice.

						2018
					Proportionally consolidated	
	Notes	Reported Group GBPm	Share of Property interests GBPm	Proportionally consolidated GBPm	Adjusted GBPm	Capital and other GBPm
Notes (see page 39)		A	B	C	D	D
Gross rental incomeE	3A	223.3	175.5	398.8	398.8	-
Ground and equity rents payable		(1.4)	(2.1)	(3.5)	(3.5)	-
Gross rental income, after rents payable		221.9	173.4	395.3	395.3	-
Service charge income		44.0	38.5	82.5	82.5	-
Service charge expenses		(47.1)	(42.0)	(89.1)	(89.1)	-
Net service charge expenses		(3.1)	(3.5)	(6.6)	(6.6)	-
Inclusive lease costs recovered through rent		(5.3)	(2.4)	(7.7)	(7.7)	-
Other property outgoings		(16.8)	(16.7)	(33.5)	(33.5)	-
Property outgoings		(25.2)	(22.6)	(47.8)	(47.8)	-
Net rental income	3A	196.7	150.8	347.5	347.5	-
Administration costs		(69.6)	(0.2)	(69.8)	(69.8)	-
Property fee income		14.8	-	14.8	14.8	-
Employee and corporate costs		(54.8)	(0.2)	(55.0)	(55.0)	-
Joint venture and associate management fees		10.3	-	10.3	10.3	-
Net administration expenses		(44.5)	(0.2)	(44.7)	(44.7)	-

Operating profit before other net losses and share of results of joint ventures and associates		152.2	150.6	302.8	302.8	-
(Loss)/Profit on sale of propertiesF		(79.9)	15.0	(64.9)	-	(64.9)
Net exchange gain previously recognised in equity, recycled on disposal of foreign operations		2.0	-	2.0	-	2.0
Acquisition-related costsG		(6.4)	-	(6.4)	-	(6.4)
Revaluation losses on propertiesF		(161.4)	(287.2)	(448.6)	-	(448.6)
Other net losses		(245.7)	(272.2)	(517.9)	-	(517.9)
Share of results of joint ventures	10A, 10B	(106.4)	131.0	24.6	15.1	9.5
Share of results of associates	11A, 11B	57.7	(0.9)	56.8	26.0	30.8
Operating (loss)/profit		(142.2)	8.5	(133.7)	343.9	(477.6)
Net finance costsH	5	(124.5)	(8.4)	(132.9)	(101.7)	(31.2)
(Loss)/Profit before tax		(266.7)	0.1	(266.6)	242.2	(508.8)
Tax charge	6	(1.8)	(0.1)	(1.9)	(1.9)	-
(Loss)/Profit for the year		(268.5)	-	(268.5)	240.3	(508.8)
Non-controlling interestsI		0.4	-	0.4	-	0.4
(Loss)/Profit for the year attributable to equity shareholders	8B	(268.1)	-	(268.1)	240.3	(508.4)

						2017
					Proportionally consolidated	
	Notes	Reported Group GBPm	Share of Property interests GBPm	Proportionally consolidated GBPm	Adjusted GBPm	Capital and other GBPm
Notes (see below)		A	B	C	D	D
Gross rental income(E)	3A	248.9	173.0	421.9	421.9	-
Ground and equity rents payable		(1.4)	(2.7)	(4.1)	(4.1)	-
Gross rental income, after rents payable		247.5	170.3	417.8	417.8	-
Service charge income		45.9	31.9	77.8	77.8	-
Service charge expenses		(50.1)	(35.3)	(85.4)	(85.4)	-
Net service charge expenses		(4.2)	(3.4)	(7.6)	(7.6)	-
Inclusive lease costs recovered through rent		(4.9)	(2.8)	(7.7)	(7.7)	-
Other property outgoings		(15.8)	(16.3)	(32.1)	(32.1)	-
Property outgoings		(24.9)	(22.5)	(47.4)	(47.4)	-
Net rental income	3A	222.6	147.8	370.4	370.4	-
Administration costs		(74.2)	(0.5)	(74.7)	(74.7)	-
Property fee income		13.7	-	13.7	13.7	-
Employee and corporate costs		(60.5)	(0.5)	(61.0)	(61.0)	-
Joint venture and associate management fees		12.1	-	12.1	12.1	-
Net administration expenses		(48.4)	(0.5)	(48.9)	(48.9)	-
Operating profit before other net gains and share of results of joint ventures and associates		174.2	147.3	321.5	321.5	-
Loss on sale of properties		(15.5)	-	(15.5)	-	(15.5)
Net exchange gain previously recognised in equity, recycled on disposal of foreign operations		27.8	-	27.8	-	27.8
Acquisition-related costs(G)		(6.5)	-	(6.5)	-	(6.5)
Revaluation gains on properties		1.9	19.4	21.3	-	21.3
Other net gains		7.7	19.4	27.1	-	27.1
Share of results of joint ventures	10A, 10B	180.5	(166.9)	13.6	13.2	0.4
Share of results of associates	11A, 11B	223.0	(1.4)	221.6	24.6	197.0
Operating profit/(loss)		585.4	(1.6)	583.8	359.3	224.5
Net finance (costs)/income(H)	5	(172.0)	1.6	(170.4)	(107.6)	(62.8)
Profit before tax		413.4	-	413.4	251.7	161.7
Tax charge	6A	(1.8)	-	(1.8)	(1.8)	-
Profit for the year		411.6	-	411.6	249.9	161.7
Non-controlling interests(I)		(23.2)	-	(23.2)	(3.6)	(19.6)
Profit for the year attributable to equity shareholders	8B	388.4	-	388.4	246.3	142.1

Notes

A. Reported Group results as shown in the consolidated income statement on page 31.
B. Property interests reflect the Group's share of results of Property joint ventures as shown in note 10A and Nicetoile included within note 11A.
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 8A.
E. Included in gross rental income on a proportionally consolidated basis in Column C is GBP8.5 million (2017: GBP7.9 million) of contingent rents calculated by reference to tenants' turnover.
F. Reclassification of GBP15.0 million between '(Loss)/Profit on sale of properties' and 'Revaluation losses on properties' in column B, to present the sale of the 50% interest in Highcross on a proportionally consolidated basis.
G. Acquisition-related costs of GBP6.4 million (2017: GBP6.5 million) recognised in respect of the proposed acquisition of intu and the offers from Klépierre S.A.
H. Adjusted finance costs presented on a proportionally consolidated basis are shown in Table 16 on page 68.
I. The Group's non-controlling interests represented a 35.5% interest in an entity which disposed of its property in December 2017. See note 23.

3: Segmental analysis

The factors used to determine the Group's reportable segments are the sectors in which it operates and geographic locations (UK, France and Ireland). These are generally managed by separate teams and are the basis on which performance is assessed and resources allocated. As stated in the Financial Review on page 20, the Group has property interests in a number of sectors and management reviews the performance of the Group's property interests in Flagship destinations, Retail parks, Other UK properties and Developments on a proportionally consolidated basis to reflect the Group's different ownership shares. Management does not proportionally consolidate the Group's premium outlet investments in Value Retail and VIA Outlets, which are externally managed by experienced outlet operators, independently financed and have operating metrics which differ from the Group's other sectors. Except for property valuation and returns, we review the performance of our premium outlet investments separately from the proportionally consolidated portfolio.

The segmental analysis has been prepared on the same basis that management uses to review the business, rather than on a statutory basis. In 2018, management has revised the presentation of segmental information to reflect the Group's strategy, to focus on flagship destinations and premium outlets. The revised presentation is consistent with management reporting and analysis, and prior-year comparatives have been restated accordingly. Property interests represent the Group's non wholly-owned properties which management proportionally consolidates when reviewing the performance of the business. For reconciliation purposes the Reported Group figures, being properties either wholly-owned or held within joint operations, are shown in the following tables.

Gross rental income represents the Group's revenue from its tenants and customers. As stated in the Key Performance Indicators section on page 5, net rental income is the Group's primary revenue measure and is used to determine the performance of each sector, except premium outlets. Total assets are not monitored by segment and resource allocation is based on the distribution of property assets between segments.

A: Revenue and profit by segment

		2018		2017
	Gross rental income GBPm	Net rental income GBPm	Gross rental income GBPm	Net rental income GBPm
Flagship destinations				
UK	178.2	151.9	180.2	152.9
France	83.4	74.8	104.6	95.3
Ireland	44.2	40.4	37.9	34.8
	305.8	267.1	322.7	283.0
UK retail parks	63.5	59.1	72.4	69.3
UK other	12.4	8.9	12.3	8.8
Investment portfolio	381.7	335.1	407.4	361.1
Developments	17.1	12.4	14.5	9.3
Property portfolio	398.8	347.5	421.9	370.4
Less share of Property interests	(175.5)	(150.8)	(173.0)	(147.8)
Reported Group	223.3	196.7	248.9	222.6

B: Investment and development property assets by segment

			2018			2017
	Property valuation GBPm	Property additions GBPm	Revaluation (losses)/gains GBPm	Property valuation GBPm	Property additions GBPm	Revaluation gains/(losses) GBPm
Flagship destinations						
UK	2,920.9	29.7	(346.6)	3,488.9	28.4	23.9
France	1,885.2	37.9	(14.3)	1,887.0	55.4	(11.4)
Ireland	978.5	2.9	9.0	959.6	124.5	(1.5)
	5,784.6	70.5	(351.9)	6,335.5	208.3	11.0
UK retail parks	873.1	13.3	(126.3)	1,234.1	46.7	(27.2)
UK other	173.3	15.0	6.9	180.1	3.4	13.4
Investment portfolio	6,831.0	98.8	(471.3)	7,749.7	258.4	(2.8)
Developments	648.5	84.2	22.7	576.6	150.8	24.1
Property portfolio - excluding premium outlets	7,479.5	183.0	(448.6)	8,326.3	409.2	21.3
Premium outlets	2,458.8	153.9	56.2	2,234.1	278.9	225.2
Total Group	9,938.3	336.9	(392.4)	10,560.4	688.1	246.5
Less premium outlets	(2,458.8)	(153.9)	(56.2)	(2,234.1)	(278.9)	(225.2)
Less share of Property interests	(3,649.1)	(35.0)	287.2	(3,640.2)	(65.7)	(19.4)
Reported Group	3,830.4	148.0	(161.4)	4,686.1	343.5	1.9

3: Segmental analysis

C: Analysis of non-current assets employed

	Non-current assets employed	
	2018 GBPm	2017 GBPm
UK	4,305.8	5,255.5
Continental Europe	3,581.7	3,433.6
Ireland	861.4	832.9
	8,748.9	9,522.0

Included in the above table are investments in joint ventures of GBP3,604.5 million (2017: GBP3,673.7 million), which are further analysed in note 10 on pages 47 to 52. The Group's share of the property valuations held within Property interests of GBP3,649.1 million (2017: GBP3,640.2 million) has been included in note 3B above, of which GBP2,664.4 million (2017: GBP2,650.2 million) relates to the UK, GBP194.4 million (2017: GBP211.5 million) relates to Continental Europe and GBP790.3 million (2017: GBP778.5 million) relates to Ireland.

4: Revenue

	2018 GBPm	2017 GBPm
Base rent	198.5	217.0
Turnover rent	3.6	4.1
Car park income*	19.1	18.8
Lease incentive recognition	(6.7)	(2.3)
Other rental income	8.8	11.3
Gross rental income	223.3	248.9
Service charge income*	44.0	45.9
Property fee income*	14.8	13.7
Joint venture and associate management fees*	10.3	12.1
Revenue	292.4	320.6

* The above income streams reflect revenue recognised under IFRS 15 Revenue from Contracts with Customers and total GBP88.2 million (2017: GBP90.5 million). All other revenue streams relate to income recognised under IAS17 Leases.

5: Net finance costs

	2018 GBPm	2017 GBPm
Interest on bank loans and overdrafts	13.2	12.3
Interest on other borrowings	92.7	109.8
Interest on obligations under head leases	2.4	2.2
Other interest payable	2.8	1.8
Gross interest costs	111.1	126.1
Less: Interest capitalised	(1.9)	(0.8)
Finance costs	109.2	125.3
Debt and loan facility cancellation costs(1)	15.3	41.5
Change in fair value of derivatives	14.5	21.3
Finance income	(14.5)	(16.1)
	124.5	172.0

(1) 2018 costs relate to the cancellation of the EUR500 million 2.75% euro bonds due 2019. Costs for 2017 included GBP41.1 million to cancel the GBP250 million 6.875% sterling bonds due 2020 and other loan facility cancellation costs of GBP0.4 million.

6: Tax

A: Tax charge

	2018 GBPm	2017 GBPm
UK current tax	0.1	0.2
Foreign current tax	1.7	1.6
Tax charge	1.8	1.8

The Group's tax charge remains low because it has tax exempt status in its principal operating countries. In the UK, the Group has been a REIT since 2007 and a SIIC in France since 2004. These tax regimes exempt the Group's property income and gains from corporate taxes provided a number of conditions in relation to the Group's activities are met including, but not limited to, distributing at least 90% of the Group's UK tax exempt profit as property income distributions (PID). The residual business in both the UK and France are subject to corporation tax as normal.

The Irish properties are held in a QIAIF which provides similar tax benefits to those of a UK REIT but which subject distributions from Ireland to the UK to a 20% withholding tax.

B: Tax charge reconciliation

	Notes	2018 GBPm	2017 GBPm
(Loss)/Profit before tax	2	(266.7)	413.4
Less: Loss/(Profit) after tax of joint ventures	10A	106.4	(180.5)
Less: Profit after tax of associates	11A	(57.7)	(223.0)
(Loss)/Profit on ordinary activities before tax		(218.0)	9.9
(Loss)/Profit multiplied by the UK corporation tax rate of 19% (2017: 19.25%)		(41.4)	1.9
UK REIT tax exemption		43.4	(4.5)
French SIIC tax exemption		(8.9)	(14.3)
Irish QIAIF tax exemption		(0.2)	6.6
Losses for the year not utilised		4.5	9.5
Non-deductible and other items		4.4	2.6
Tax charge		1.8	1.8

C: Unrecognised deferred tax

A deferred tax asset is not recognised for UK revenue losses and UK capital losses where their future utilisation is uncertain. At 31 December 2018, the total of such losses was GBP475 million (2017: GBP440 million) and GBP440 million (2017: GBP460 million) respectively, and the potential tax effect of these was GBP81 million (2017: GBP75 million) and GBP75 million (2017: GBP78 million) respectively.

Deferred tax is not provided on potential gains on investments in subsidiaries when the Group can control whether gains crystallise and it is probable that gains will not arise in the foreseeable future. At 31 December 2018, the total of such gains was GBP535 million (2017: GBP690 million) and the potential tax effect before the offset of losses was GBP91 million (2017: GBP117 million).

If a UK REIT sells a property within three years of completion of development, the REIT exemption will not apply. At 31 December 2018 the value of such completed properties was GBP464 million (2017: GBP269 million). If these properties were to be sold without the benefit of the tax exemption the tax arising would be GBPnil (2017: GBPnil) due to the availability of capital losses.

7: Dividends

The proposed final dividend of 14.8 pence per share was recommended by the Board on 25 February 2019 and, subject to approval by shareholders, is payable on 2 May 2019 to shareholders on the register at the close of business on 22 March 2019. 7.4 pence per share will be paid as a PID, net of withholding tax at the basic rate (currently 20%) if applicable, and 7.4 pence per share will be paid as a normal dividend. There will be no scrip alternative although the dividend reinvestment plan (DRIP) remains available to shareholders. The aggregate amount of the 2018 final dividend is GBP113.4 million. This has been calculated using the total number of eligible shares outstanding at 31 December 2018.

The interim dividend of 11.1 pence per share was paid on 8 October 2018 as a PID, net of withholding tax where appropriate. The total dividend for the year ended 31 December 2018 would be 25.9 pence per share (2017: 25.5 pence per share).

	Equity	Equity

	PID pence per share	Non-PID pence per share	Total pence per share	dividends 2018 GBPm	dividends 2017 GBPm
Current year					
2018 final dividend	7.4	7.4	14.8	-	-
2018 interim dividend	11.1	-	11.1	86.8	-
	18.5	7.4	25.9		
Prior years					
2017 final dividend	7.4	7.4	14.8	116.6	-
2017 interim dividend	10.7	-	10.7	-	84.2
	18.1	7.4	25.5		
2016 final dividend				-	109.4
Dividends as reported in the consolidated statement of changes in equity				203.4	193.6
2016 interim dividend withholding tax (paid 2017)				-	11.5
2017 interim dividend withholding tax (paid 2018)				13.4	(13.4)
2018 interim dividend withholding tax (paid 2019)				(12.7)	-
Dividends paid as reported in the consolidated cash flow statement				204.1	191.7

8: (Loss)/Earnings per share and net asset value per share

The European Public Real Estate Association (EPRA) has issued recommended bases for the calculation of certain per share information and these are included in the following tables B and D. Commentary on (loss)/earnings and net asset value per share is provided in the Financial Review on pages 20 to 24. Headline earnings per share has been calculated and presented in note 8C as required by the Johannesburg Stock Exchange listing requirements.

A: Number of shares for per share calculations

	2018 Basic, EPRA and adjusted	2018 Diluted*	2017 Basic, EPRA and adjusted	2017 Diluted
Shares (million)	786.3	786.3	792.9	794.0

* In 2018, there was no difference in the weighted average number of shares used for the calculation of basic and diluted loss per share as the effect of all potentially dilutive shares outstanding was antidilutive.

The calculations for (loss)/earnings per share use the weighted average number of shares, which excludes those shares held in the Hammerson Employee Share Ownership Plan, which are treated as cancelled. The calculations for net asset value per share use the number of shares in issue at 31 December as shown in note 19.

B: (Loss)/Earnings per share

		Notes	2018 (Loss)/ Earnings GBPm	2018 Pence per share	2017 (Loss)/ Earnings GBPm	2017 Pence per share
Basic			(268.1)	(34.1)	388.4	49.0
Dilutive share schemes			-	-	-	(0.1)
Diluted			(268.1)	(34.1)	388.4	48.9
Basic			(268.1)	(34.1)	388.4	49.0
Adjustments:						
Revaluation losses/(gains) on	Reported Group	2	161.4	20.5	(1.9)	(0.2)
properties:	Share of Property interests(1)	2	287.2	36.5	(19.4)	(2.5)
			448.6	57.0	(21.3)	(2.7)
Loss/(Profit) on sale of properties:	Reported Group	2	79.9	10.2	15.5	2.0
	Share of Property interests(1)	2	(15.0)	(1.9)	-	-
			64.9	8.3	15.5	2.0
Net exchange gain previously recognised in equity, recycled on disposal of foreign operations:	Reported Group	2	(2.0)	(0.3)	(27.8)	(3.5)
Debt and loan facility cancellation costs:	Reported Group	5	15.3	1.9	41.5	5.2
Change in fair value	Reported Group	5	14.5	1.8	21.3	2.7
of derivatives:	Share of Property interests	10B	1.4	0.2	-	-
			15.9	2.0	21.3	2.7
Other adjustments:	Reported Group					
	Acquisition-related costs	2	6.4	0.8	6.5	0.8
	Non-controlling interests	2, 23	(0.4)	-	19.6	2.5
			6.0	0.8	26.1	3.3
Premium outlets:	Revaluation gains on properties	10B, 11B	(56.2)	(7.1)	(225.2)	(28.4)
	Deferred tax (including on acquisition)	10B, 11B	13.8	1.7	35.0	4.4
	Other adjustments	10B, 11B	2.0	0.3	(6.2)	(0.8)
			(40.4)	(5.1)	(196.4)	(24.8)
Total adjustments			508.3	64.6	(141.1)	(17.8)
EPRA			240.2	30.5	247.3	31.2
Other adjustments:	Translation movement on intragroup funding loan: Premium outlets	10B	0.1	0.1	(1.0)	(0.1)
Adjusted			240.3	30.6	246.3	31.1

(1) For 2018, the revaluation losses on properties relating to the Share of Property interests includes: GBP271.7 million in respect of Property joint ventures (note 10B); GBP0.5 million in respect of associates (note 11B); and the reclassification of GBP15.0 million from '(loss)/profit on sale of properties' referred to in footnote F of note 2, to reflect the sale of a 50% interest in Highcross.

C: Headline earnings per share

	Notes	2018 Earnings GBPm	2017 Earnings GBPm
(Loss)/Profit for the year attributable to equity shareholders		(268.1)	388.4
Revaluation losses/(gains) on properties: Reported Group and Share of Property interests	8B	448.6	(21.3)
Loss on sale of properties: Reported Group and Share of Property interests	8B	64.9	15.5
Net exchange gain previously recognised in equity, recycled on disposal of foreign operations: Reported Group	8B	(2.0)	(27.8)
Non-controlling interests	8B	(0.4)	19.6
Revaluation gains on properties: Premium outlets	8B	(56.2)	(225.2)
Deferred tax (including on acquisition): Premium outlets	8B	13.8	35.0
Translation movements on intragroup funding loan: Premium outlets	10B	0.1	(1.0)
Headline earnings		200.7	183.2
Basic headline earnings per share (pence)		25.5p	23.1p
Diluted headline earnings per share (pence)		25.5p	23.1p

Reconciliation of headline earnings to adjusted earnings		2018 Earnings GBPm	2017 Earnings GBPm
Headline earnings as above		200.7	183.2
Debt and loan facility cancellation costs: Reported Group	8B	15.3	41.5
Change in fair value of derivatives: Reported Group and Share of Property interests	8B	15.9	21.3
Acquisition-related costs: Reported Group	8B	6.4	6.5
Change in fair value of derivatives: Premium outlets	10B, 11B	3.5	3.6
Change in fair value of participative loans - revaluation movement: Premium outlets	11B	(2.2)	(11.8)
Loan facility costs written off: Premium outlets	11B	0.7	2.0
Adjusted earnings		240.3	246.3

D: Net asset value per share

	Notes	2018 Equity shareholders' funds GBPm	2018 Shares million	2018 Net asset value per share GBP	2017 Equity shareholders' funds GBPm	2017 Shares million	2017 Net asset value per share GBP
Basic		5,432.6	766.4	7.09	6,023.5	794.2	7.58
Company's own shares held in Employee Share Ownership Plan		-	(1.5)	n/a	-	(1.0)	n/a
Dilutive share schemes		2.0	1.2	n/a	1.4	1.2	n/a
Diluted		5,434.6	766.1	7.09	6,024.9	794.4	7.58
Fair value adjustment to borrowings							
- Reported Group	17B	(110.0)		(0.14)	(262.0)		(0.33)
- Share of Property interests		(3.2)		-	(2.3)		-
		(113.2)		(0.14)	(264.3)		(0.33)
EPRA NNNAV		5,321.4		6.95	5,760.6		7.25
Fair value adjustment to borrowings		113.2		0.14	264.3		0.33
Deferred tax: Reported Group		0.5		-	0.5		-
Fair value of interest rate swaps							
- Reported Group	17B	(2.7)		-	(6.3)		(0.01)
- Share of Property interests	10C	1.4		-	-		-
		(1.3)		-	(6.3)		(0.01)
Premium outlets							
- Fair value of derivatives	10C, 11D	8.8		0.01	(9.7)		(0.01)
- Deferred tax	10C, 11D	274.4		0.36	212.0		0.27
- Goodwill as a result of deferred tax	10C, 11D	(66.7)		(0.08)	(57.1)		(0.07)
		216.5		0.29	145.2		0.19
EPRA NAV		5,650.3	766.1	7.38	6,164.3	794.4	7.76

9: Investment and development properties

	2018 Investment properties Valuation GBPm	2018 Development properties Valuation GBPm	2018 Total Valuation GBPm	2017 Investment properties Valuation GBPm	2017 Development properties Valuation GBPm	2017 Total Valuation GBPm
Balance at 1 January	4,348.9	337.2	4,686.1	4,561.8	202.1	4,763.9
Exchange adjustment	20.3	2.5	22.8	79.3	4.5	83.8
Additions - Asset acquisitions	11.5	0.4	11.9	162.9	72.0	234.9
- Capital expenditure	70.7	65.4	136.1	73.1	35.5	108.6
	82.2	65.8	148.0	236.0	107.5	343.5
Transfer to investment in joint ventures (note 10D)	(235.7)	-	(235.7)	-	-	-
Disposals	(631.3)	-	(631.3)	(506.6)	(1.2)	(507.8)
Capitalised interest	0.2	1.7	1.9	0.3	0.5	0.8
Reclassification on completion of developments	39.5	(39.5)	-	-	-	-
Revaluation (losses)/gains	(183.4)	22.0	(161.4)	(21.9)	23.8	1.9
Balance at 31 December	3,440.7	389.7	3,830.4	4,348.9	337.2	4,686.1

Analysis of properties by tenure	Freehold GBPm	Long leasehold GBPm	Total GBPm
Balance at 31 December 2018	2,563.6	1,266.8	3,830.4
Balance at 31 December 2017	3,345.7	1,340.4	4,686.1

Properties are stated at fair value as at 31 December 2018, valued by professionally qualified external valuers. Cushman & Wakefield Debenham Tie Leung Limited, Chartered Surveyors have valued the Group's properties, excluding those held by the Group's premium outlet investments which have been valued by Cushman & Wakefield LLP, Chartered Surveyors. Valuations have been prepared in accordance with the RICS Valuation - Global Standards 2017. Valuation fees are based on a fixed amount agreed between the Group and the valuers and are independent of the portfolio value.

During the year, the extension at The Orchard Centre, Didcot was completed and GBP39.5 million was reclassified from development to investment properties, which included GBP0.2 million of interest capitalised during the year. The total amount of interest included in development properties at 31 December 2018 was GBP1.5 million (2017: GBP0.5 million). Capitalised interest is calculated using the cost of secured debt or the Group's weighted average cost of borrowings, as appropriate, and the effective rate applied in 2018 was 2.7% (2017: 2.9%). At 31 December 2018 the historical cost of investment and development properties was GBP3,145.9 million (2017: GBP3,912.8 million).

Joint operations

At 31 December 2018, investment properties included properties with a value of GBP215.1 million (2017: GBP202.4 million) held within joint operations which are jointly controlled and proportionally consolidated. The Hammerson ICAV acquired a 50% interest in the Ilac Centre, Dublin in December 2016 and at 31 December 2018 a co-ownership agreement was in place with Irish Life Assurance plc, the holder of the remaining 50% interest. The Hammerson ICAV also holds a 50% interest in Pavilions, Swords, acquired in September 2017 and at 31 December 2018 a co-ownership agreement was in place with Irish Life Assurance plc and IPUT plc, both of which held a 25% interest in the property. See footnotes 4 and 5 of note 10D on page 52 for further details.

10: Investment in joint ventures

The Group has investments in a number of jointly controlled property and corporate interests, which have been equity accounted under IFRS in the consolidated financial statements.

As explained the Financial Review on page 20, 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.

	Partner	Principal property(A)	Group share %
United Kingdom			
Bishopsgate Goodsyard Regeneration Limited	Ballymore Properties	The Goodsyard	50
Brent Cross	Aberdeen Standard Investments	Brent Cross	41
Brent South Shopping Park	Aberdeen Standard Investments	Brent South	41
Bristol Alliance Limited Partnership	AXA Real Estate	Cabot Circus	50
Croydon Limited Partnership/Whitgift Limited Partnership	Unibail-Rodamco-Westfield	Centrale/Whitgift	50
Grand Central Limited Partnership	CPPIB	Grand Central	50
Highcross Leicester Limited Partnership(B)	Asian investor introduced by M&G Real Estate	Highcross	50
Silverburn Unit Trust(C)	CPPIB	Silverburn	50
The Bull Ring Limited Partnership	Nuveen Real Estate, CPPIB	Bullring	50
The Oracle Limited Partnership	ADIA	The Oracle	50
The West Quay Limited Partnership	GIC	Westquay	50
VIA Limited PartnershipC	APG, Meyer Bergman, Value Retail	VIA Outlets	47
Ireland			
Dundrum Retail Limited Partnership / Dundrum Car Park Limited Partnership	Allianz	Dundrum	50
France			
SCI ESQ	Allianz	Espace Saint-Quentin	25
SCI RC Aulnay 1 and SCI RC Aulnay 2	Client of Rockspring Property Investment Managers	O'Parinor	25

(A) The names of the principal properties operated by each partnership have been used in the summary income statements and balance sheets in note 10A. Brent Cross and Brent South are presented together as Brent Cross. The two Dundrum partnerships are presented together as the 'Irish portfolio'. The Goodsyard, Espace Saint-Quentin and O'Parinor are presented together as 'Other'.
(B) On 28 November 2018, the Group sold a 50% interest in Highcross Leicester Limited Partnership to an Asian investor introduced by M&G Real Estate.
(C) Registered in Jersey.

The Reported Group's investment in joint ventures at 31 December 2018 was GBP3,604.5 million (2017: GBP3,673.7 million). An analysis of the movements in the year is provided in note 10D on page 52.

The following footnotes apply to the summarised income statements and balance sheets in note 10A which show 100% of the results, assets and liabilities of joint ventures, and where appropriate have been restated to the Group's accounting policies and exclude all balances which are eliminated on consolidation.

1. The Group's share of revaluation gains within VIA Outlets of GBP11.2 million (2017: GBP14.0 million) includes revaluation gains on properties of GBP11.2 million (2017: GBP26.9 million) and deferred tax acquired of GBPnil (2017: GBP12.9 million).
2. In addition to the distributions payable, the Group received interest from its joint ventures of GBP10.3 million (2017: GBP17.4 million).
3. Included within the 100% cash and deposits figures are balances of GBP4.1 million (2017: GBPnil) and GBP4.5 million (2017: GBP6.4 million) in respect of Highcross and the Irish Portfolio respectively, which are classed as 'restricted' under the terms of the loan agreements.
4. The Group and its partners invest in joint ventures principally by way of equity investment. To provide further clarity of this investment, those balances which are not equity have been included within other payables as a liability of the joint venture, and the Group's interest has been shown separately.

A. Summary financial statements of joint ventures

Share of results of joint ventures for the year ended 31 December 2018

See page 47 for footnotes.

	Brent Cross GBPm	Cabot Circus GBPm	Bullring GBPm	Grand Central GBPm	The Oracle GBPm	Westquay GBPm
Ownership (%)	41	50	50	50	50	50
Gross rental income	45.8	38.1	58.8	12.0	32.8	36.2
Net rental income	42.0	32.6	51.2	11.0	28.1	28.6
Administration expenses	-	-	-	-	-	-
Operating profit before other net (losses)/gains	42.0	32.6	51.2	11.0	28.1	28.6
Revaluation (losses)/gains on properties(1)	(59.1)	(77.0)	(118.7)	(62.8)	(121.3)	(50.2)
Operating (loss)/profit	(17.1)	(44.4)	(67.5)	(51.8)	(93.2)	(21.6)
Change in fair value of derivatives	-	-	-	-	-	-
Translation movement on intragroup funding loan	-	-	-	-	-	-
Other finance (costs)/income	(0.1)	(0.7)	-	(0.2)	-	(0.4)
Net finance (costs)/income	(0.1)	(0.7)	-	(0.2)	-	(0.4)
(Loss)/Profit before tax	(17.2)	(45.1)	(67.5)	(52.0)	(93.2)	(22.0)
Current tax charge	-	-	-	-	-	-
Deferred tax credit	-	-	-	-	-	-
(Loss)/Profit for the year	(17.2)	(45.1)	(67.5)	(52.0)	(93.2)	(22.0)
Hammerson share of (loss)/profit for the year	(6.9)	(22.6)	(33.7)	(26.0)	(46.6)	(11.0)
Hammerson share of distributions payable(2)	0.2	9.8	27.2	-	6.2	-

	Silverburn GBPm	Centrale/ Whitgift GBPm	Highcross GBPm	Irish portfolio GBPm	VIA Outlets GBPm	Other GBPm	100% Total 2018 GBPm	Property joint ventures GBPm	VIA Outlets GBPm	Hammerson share Total 2018 GBPm
Ownership (%)	50	50	50	50	47	various				
Gross rental income	21.2	24.6	3.3	66.5	90.7	33.2	463.2	174.0	42.6	216.6
Net rental income	19.4	16.0	2.8	60.2	68.0	28.6	388.5	149.4	31.9	181.3
Administration expenses	(0.1)	(0.1)	-	(0.2)	(15.4)	(0.1)	(15.9)	(0.2)	(7.2)	(7.4)
Operating profit before other net (losses)/gains	19.3	15.9	2.8	60.0	52.6	28.5	372.6	149.2	24.7	173.9
Revaluation (losses)/gains on properties(1)	(25.8)	(2.1)	(1.4)	4.5	23.9	(81.1)	(571.1)	(271.7)	11.2	(260.5)
Operating (loss)/profit	(6.5)	13.8	1.4	64.5	76.5	(52.6)	(198.5)	(122.5)	35.9	(86.6)
Change in fair value of derivatives	-	-	(1.4)	(1.5)	(4.6)	-	(7.5)	(1.4)	(2.2)	(3.6)
Translation movement on intragroup funding loan	-	-	-	-	(0.2)	-	(0.2)	-	(0.1)	(0.1)
Other finance (costs)/income	-	0.1	(0.4)	(10.8)	(15.7)	(2.9)	(31.1)	(7.0)	(7.4)	(14.4)
Net finance (costs)/income	-	0.1	(1.8)	(12.3)	(20.5)	(2.9)	(38.8)	(8.4)	(9.7)	(18.1)
(Loss)/Profit before tax	(6.5)	13.9	(0.4)	52.2	56.0	(55.5)	(237.3)	(130.9)	26.2	(104.7)
Current tax charge	-	(0.1)	-	-	(4.8)	(0.1)	(5.0)	(0.1)	(2.2)	(2.3)
Deferred tax credit	-	-	-	-	1.1	-	1.1	-	0.6	0.6
(Loss)/Profit for the year	(6.5)	13.8	(0.4)	52.2	52.3	(55.6)	(241.2)			
Hammerson share of (loss)/profit for the year	(3.2)	6.9	(0.2)	26.1	24.6	(13.8)	(106.4)	(131.0)	24.6	(106.4)
Hammerson share of distributions payable(2)	10.6	-	-	16.8	62.2	0.6	133.6			

Share of assets and liabilities of joint ventures as at 31 December 2018

	Brent Cross GBPm	Cabot Circus GBPm	Bullring GBPm	Grand Central GBPm	The Oracle GBPm	Westquay GBPm
Non-current assets						
Investment and development properties	1,026.3	574.1	1,145.9	283.2	573.5	654.5
Goodwill	-	-	-	-	-	-
Other non-current assets	12.8	13.9	-	2.7	-	4.2
	1,039.1	588.0	1,145.9	285.9	573.5	658.7
Current assets						
Other current assets	9.6	6.3	12.8	4.7	6.5	8.8
Cash and deposits(3)	18.0	15.9	19.2	13.7	9.6	8.8
	27.6	22.2	32.0	18.4	16.1	17.6
Current liabilities						
Other payables	(17.4)	(12.7)	(21.7)	(6.2)	(11.7)	(12.4)
Loans - secured	-	-	-	-	-	-
	(17.4)	(12.7)	(21.7)	(6.2)	(11.7)	(12.4)
Non-current liabilities						
Loans - secured	-	-	-	-	-	-
Derivative financial instruments	-	-	-	-	-	-
Obligations under head leases	(12.8)	(13.9)	-	(2.7)	-	(4.2)
Other payables	(1.3)	(0.6)	(1.4)	(0.6)	(1.1)	(697.7)
Deferred tax	-	-	-	-	(0.2)	-
	(14.1)	(14.5)	(1.4)	(3.3)	(1.3)	(701.9)
Net assets/(liabilities)	1,035.2	583.0	1,154.8	294.8	576.6	(38.0)
Hammerson share of net assets/(liabilities)	420.3	291.5	577.4	147.4	288.3	(19.0)
Balance due to Hammerson(4)	-	-	-	-	-	348.2
Total investment in joint ventures	420.3	291.5	577.4	147.4	288.3	329.2

	Silverburn GBPm	Centrale/ Whitgift GBPm	Highcross GBPm	Irish portfolio GBPm	VIA Outlets GBPm	Other GBPm	100% Total 2018 GBPm	Property joint ventures GBPm	VIA Outlets GBPm	Hammerson share Total 2018 GBPm
Investment and development properties	312.1	373.7	470.7	1,580.7	1,354.6	767.9	9,117.2	3,619.8	635.8	4,255.6
Goodwill	-	-	-	-	-	-	-	-	3.6	3.6
Other non-current assets	0.2	-	-	0.7	7.0	-	41.5	16.2	3.4	19.6
	312.3	373.7	470.7	1,581.4	1,361.6	767.9	9,158.7	3,636.0	642.8	4,278.8

5.7	67.8	5.8	16.6	23.9	12.7	181.2	75.4	7.7	83.1
7.4	17.8	5.5	19.5	70.7	15.8	221.9	70.0	33.2	103.2
13.1	85.6	11.3	36.1	94.6	28.5	403.1	145.4	40.9	186.3
(7.2)	(22.2)	(12.3)	(14.7)	(33.5)	(11.0)	(183.0)	(71.0)	(15.8)	(86.8)
–	–	–	–	(68.4)	–	(68.4)	–	(32.0)	(32.0)
(7.2)	(22.2)	(12.3)	(14.7)	(101.9)	(11.0)	(251.4)	(71.0)	(47.8)	(118.8)
–	–	(163.6)	(556.6)	(518.7)	(196.9)	(1,435.8)	(409.3)	(243.6)	(652.9)
–	–	(1.3)	(1.5)	(6.6)	–	(9.4)	(1.4)	(3.1)	(4.5)
–	–	–	–	–	–	(33.6)	(15.6)	–	(15.6)
–	(53.5)	–	(0.9)	(6.6)	(189.1)	(952.8)	(5.9)	(3.1)	(9.0)
–	–	–	–	(127.4)	–	(127.6)	–	(59.8)	(59.8)
–	(53.5)	(164.9)	(559.0)	(659.3)	(386.0)	(2,559.2)	(432.2)	(309.6)	(741.8)
318.2	383.6	304.8	1,043.8	695.0	399.4	6,751.2			
159.1	191.8	152.4	521.9	326.3	109.2	3,166.6			
–	26.7	–	–	–	63.0	437.9			
159.1	218.5	152.4	521.9	326.3	172.2	3,604.5	3,278.2	326.3	3,604.5

A. Summary financial statements of joint ventures

Share of results of joint ventures for the year ended 31 December 2017

See page 47 for footnotes.

	Brent Cross GBPm	Cabot Circus GBPm	Bullring GBPm	Grand Central GBPm	The Oracle GBPm	Westquay GBPm
Ownership (%)	41	50	50	50	50	50
Gross rental income	47.7	37.5	57.4	10.3	34.9	35.4
Net rental income	43.1	31.5	50.8	7.8	29.5	28.0
Administration expenses	–	–	–	–	–	–
Operating profit before other net (losses)/gains	43.1	31.5	50.8	7.8	29.5	28.0
Revaluation (losses)/gains on properties(1)	(3.3)	9.2	33.5	(3.0)	1.6	38.2
Operating profit/(loss)	39.8	40.7	84.3	4.8	31.1	66.2
Change in fair value of derivatives	–	–	–	–	–	–
Translation movement on intragroup funding loan	–	–	–	–	–	–
Other finance (costs)/income	–	(0.8)	–	(0.2)	–	(0.4)
Net finance (costs)/income	–	(0.8)	–	(0.2)	–	(0.4)
Profit/(Loss) before tax	39.8	39.9	84.3	4.6	31.1	65.8
Current tax charge	–	–	–	–	–	–
Deferred tax credit/(charge)	–	–	–	–	0.1	–
Profit/(Loss) for the year	39.8	39.9	84.3	4.6	31.2	65.8
Hammerson share of profit/(loss) for the year	16.4	19.9	42.2	2.3	15.6	32.9
Hammerson share of distributions payable(2)	–	8.3	22.3	1.2	7.8	–

					100%			Hammerson share
Silverburn GBPm	Centrale/ Whitgift GBPm	Irish portfolio GBPm	VIA Outlets GBPm	Other GBPm	Total 2017 GBPm	Property joint ventures GBPm	VIA Outlets GBPm	Total 2017 GBPm
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			

Share of assets and liabilities of joint ventures as at 31 December 2017

	Brent Cross GBPm	Cabot Circus GBPm	Bullring GBPm	Grand Central GBPm	The Oracle GBPm	Westquay GBPm
Non-current assets						
Investment and development properties	1,040.6	646.3	1,267.9	344.7	678.0	702.5
Goodwill	–	–	–	–	–	–
Other non-current assets	–	13.9	–	2.8	0.1	4.2
	1,040.6	660.2	1,267.9	347.5	678.1	706.7
Current assets						
Other current assets	11.8	7.1	10.6	8.6	7.0	8.8
Cash and deposits	0.7	10.9	20.4	4.0	10.4	9.9
	12.5	18.0	31.0	12.6	17.4	18.7
Current liabilities						
Other payables	(18.3)	(14.8)	(20.8)	(10.2)	(11.4)	(13.9)

Tax	–	–	–	–	–	–
Loans - secured	–	–	–	–	–	–
	(18.3)	(14.8)	(20.8)	(10.2)	(11.4)	(13.9)
Non-current liabilities						
Loans - secured	–	–	–	–	–	–
Derivative financial instruments	–	–	–	–	–	–
Obligations under head leases	–	(13.9)	–	(2.8)	–	(4.2)
Other payables	(1.2)	(0.6)	(1.4)	(0.3)	(1.0)	(697.9)
Deferred tax	–	–	–	–	(0.2)	–
	(1.2)	(14.5)	(1.4)	(3.1)	(1.2)	(702.1)
Net assets	1,033.6	648.9	1,276.7	346.8	682.9	9.4
Hammerson share of net assets	421.1	324.5	638.4	173.4	341.4	4.7
Balance due to Hammerson(4)	–	–	–	–	–	348.2
Total investment in joint ventures	421.1	324.5	638.4	173.4	341.4	352.9

					100%			Hammerson share
Silverburn	Centrale/ Whitgift	Irish portfolio	VIA Outlets	Other	Total 2017	Property joint ventures	VIA Outlets	Total 2017
GBPm	GBPm	GBPm	GBPm	GBPm	GBPm	GBPm	GBPm	GBPm
334.5	363.9	1,557.0	1,278.8	835.9	9,050.1	3,611.1	600.3	4,211.4
–	–	–	–	–	–	–	3.6	3.6
–	–	–	0.5	–	21.5	10.5	0.2	10.7
334.5	363.9	1,557.0	1,279.3	835.9	9,071.6	3,621.6	604.1	4,225.7
2.8	5.7	24.0	30.4	14.3	131.1	52.7	14.5	67.2
15.4	22.6	17.9	44.6	7.9	164.7	58.5	20.9	79.4
18.2	28.3	41.9	75.0	22.2	295.8	111.2	35.4	146.6
(6.3)	(24.6)	(17.9)	(43.0)	(4.7)	(185.9)	(79.6)	(20.2)	(99.8)
(1.4)	–	–	–	–	(1.4)	(0.7)	–	(0.7)
–	–	–	(58.8)	(194.3)	(253.1)	(48.6)	(27.7)	(76.3)
(7.7)	(24.6)	(17.9)	(101.8)	(199.0)	(440.4)	(128.9)	(47.9)	(176.8)
–	–	(550.0)	(355.8)	–	(905.8)	(275.0)	(166.8)	(441.8)
–	–	–	(2.5)	–	(2.5)	–	(1.2)	(1.2)
–	–	–	–	–	(20.9)	(10.4)	–	(10.4)
–	(104.9)	(0.8)	(5.7)	(196.3)	(1,010.1)	(6.1)	(2.6)	(8.7)
–	–	–	(127.2)	–	(127.4)	–	(59.7)	(59.7)
–	(104.9)	(550.8)	(491.2)	(196.3)	(2,066.7)	(291.5)	(230.3)	(521.8)
345.0	262.7	1,030.2	761.3	462.8	6,860.3			
172.5	131.3	515.1	361.3	125.1	3,208.8			
–	52.4	–	–	64.3	464.9			
172.5	183.7	515.1	361.3	189.4	3,673.7	3,312.4	361.3	3,673.7

B. Reconciliation to adjusted earnings

	Property joint ventures	VIA Outlets	Total 2018	Property joint ventures	VIA Outlets	Total 2017
	GBPm	GBPm	GBPm	GBPm	GBPm	BPm
(Loss)/Profit for the year	(131.0)	24.6	(106.4)	166.9	13.6	180.5
Revaluation losses/(gains) on properties	271.7	(11.2)	260.5	(19.4)	(26.9)	(46.3)
Deferred tax acquired	–	–	–	–	12.9	12.9
Revaluation losses/(gains)	271.7	(11.2)	260.5	(19.4)	(14.0)	(33.4)
Change in fair value of derivatives	1.4	2.2	3.6	–	(1.6)	(1.6)
Translation movements on intragroup funding loan(1)	–	0.1	0.1	–	(1.0)	(1.0)
Deferred tax (credit)/charge	–	(0.6)	(0.6)	–	16.2	16.2
Total adjustments	273.1	(9.5)	263.6	(19.4)	(0.4)	(19.8)
Adjusted earnings of joint ventures	142.1	15.1	157.2	147.5	13.2	160.7

(1) Foreign exchange differences on intragroup loan balances which are either commercially hedged or arise upon retranslation of euro-denominated loans between entities with different functional currencies from the euro-denominated VIA Outlets group. These exchange differences do not give rise to any cash flow exposures in the VIA Outlets group.

C. Reconciliation to adjusted investment in joint ventures

	Property joint ventures	VIA Outlets	Total 2018	Property joint ventures	VIA Outlets	Total 2017
	GBPm	GBPm	GBPm	GBPm	GBPm	GBPm
Investment in joint ventures	3,278.2	326.3	3,604.5	3,312.4	361.3	3,673.7
Fair value of derivatives	1.4	3.1	4.5	–	1.2	1.2
Deferred tax	–	59.8	59.8	–	59.7	59.7
Goodwill as a result of deferred tax	–	(3.6)	(3.6)	–	(3.6)	(3.6)
Total adjustments	1.4	59.3	60.7	–	57.3	57.3
Adjusted investment in joint ventures	3,279.6	385.6	3,665.2	3,312.4	418.6	3,731.0

D. Reconciliation of movements in investment in joint ventures

	Property joint ventures	VIA Outlets	Total 2018	Property joint ventures	VIA Outlets	Total 2017
	GBPm	GBPm	GBPm	GBPm	GBPm	GBPm
Balance at 1 January	3,312.4	361.3	3,673.7	3,514.7	222.0	3,736.7
Share of results of joint ventures	(131.0)	24.6	(106.4)	166.9	13.6	180.5
Advances	30.0	–	30.0	35.7	129.9	165.6
Distributions and other receivables	(98.6)	(62.2)	(160.8)	(111.9)	(14.5)	(126.4)
Transfer of investment property from Reported Group(1)	235.7	–	235.7	–	–	–
Funds from financing transferred to Reported Group(2)	(81.9)	–	(81.9)	–	–	–
Return of equity(3)	–	–	–	(275.0)	–	(275.0)

Acquisition of additional interest in Irish loan portfolio(4)	-	-	-	56.2	-	56.2
Irish loan portfolio transferred to Reported Group(5)	-	-	-	(112.5)	-	(112.5)
Other movements	4.1	-	4.1	1.0	-	1.0
Foreign exchange translation differences	7.5	2.6	10.1	37.3	10.3	47.6
Balance at 31 December	3,278.2	326.3	3,604.5	3,312.4	361.3	3,673.7

(1) In 2018, the Group sold a 50% investment in Highcross for GBP236 million. The total is shown separately in note 9 on page 46 as a transfer to investment in joint ventures.
(2) Finance raised in 2018, and secured on Highcross, was used to repay intragroup debt due to the Reported Group. This finance is classified as 'loans - secured' and included in non-current liabilities within the 100% results for Highcross in note 10A on page 49.
(3) Finance raised in 2017, and secured on Dundrum Town Centre, was used to return GBP275 million of equity to each of the 50% joint venture partners. This finance is classified as 'loans - secured' and included in non-current liabilities within the 100% results for the Irish portfolio in note 10A on pages 49 and 51.
(4) In 2017, the Reported Group acquired a further interest in the interest-bearing loan secured on the Pavilions, Swords property held within the Irish portfolio. This loan was converted into property assets in September 2017. (See footnote 5 below).
(5) In 2017, the element of the loan portfolio relating to Pavilions, Swords was transferred to the Reported Group prior to conversion to property assets and is included within asset acquisitions for 2017 in note 9 on page 46.

11: Investment in associates

At 31 December 2018, the Group had two associates: Value Retail PLC and its group entities ('VR') and a 10% interest in Nicetoile where Hammerson is the asset manager. Both investments are equity accounted under IFRS, although the share of results in Nicetoile is included with the Group's Share of Property interests when presenting figures on a proportionally consolidated basis. Further details are provided in the Financial Review on page 20.

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 10), are provided in Tables 13 and 14 of the Additional Disclosures on page 66.

A: Share of results of associates

						2018
		VR		Nicetoile		Total
		Hammerson		Hammerson		Hammerson
	100%	share	100%	share	100%	share
	GBPm	GBPm	GBPm	GBPm	GBPm	GBPm
Gross rental income	369.6	117.7	16.3	1.6	385.9	119.3
Net rental income	250.7	81.2	14.0	1.4	264.7	82.6
Administration expenses	(128.2)	(37.8)	-	-	(128.2)	(37.8)
Operating profit before other net gains	122.5	43.4	14.0	1.4	136.5	44.8
Revaluation gains/(losses) on properties	174.5	45.0	(4.7)	(0.5)	169.8	44.5
Operating profit	297.0	88.4	9.3	0.9	306.3	89.3
Net finance costs	(63.2)	(19.5)	-	-	(63.2)	(19.5)
Change in fair value of derivatives	(13.4)	(1.3)	-	-	(13.4)	(1.3)
Change in fair value of participative loans - revaluation movement	-	2.2	-	-	-	2.2
Change in fair value of participative loans - other movement	-	3.7	-	-	-	3.7
Profit before tax	220.4	73.5	9.3	0.9	229.7	74.4
Current tax charge	(11.6)	(2.3)	-	-	(11.6)	(2.3)
Deferred tax charge	(58.8)	(14.4)	-	-	(58.8)	(14.4)
Profit for the year	150.0	56.8	9.3	0.9	159.3	57.7

						2017
		VR		Nicetoile		Total
		Hammerson		Hammerson		Hammerson
	100%	share	100%	share	100%	share
	GBPm	GBPm	GBPm	GBPm	GBPm	GBPm
Gross rental income	341.5	103.1	15.9	1.6	357.4	104.7
Net rental income	236.0	72.0	14.1	1.4	250.1	73.4
Administration expenses	(115.8)	(33.8)	-	-	(115.8)	(33.8)
Operating profit before other net gains	120.2	38.2	14.1	1.4	134.3	39.6
Revaluation gains on properties	490.2	198.3	0.6	-	490.8	198.3
Operating profit	610.4	236.5	14.7	1.4	625.1	237.9
Net finance costs	(56.0)	(15.8)	-	-	(56.0)	(15.8)
Change in fair value of derivatives	(25.5)	(5.2)	-	-	(25.5)	(5.2)
Change in fair value of participative loans - revaluation movement	-	11.8	-	-	-	11.8
Change in fair value of participative loans - other movement	-	2.9	-	-	-	2.9
Profit before tax	528.9	230.2	14.7	1.4	543.6	231.6
Current tax charge	(15.0)	(2.7)	-	-	(15.0)	(2.7)
Deferred tax charge	(26.9)	(5.9)	-	-	(26.9)	(5.9)
Profit for the year	487.0	221.6	14.7	1.4	501.7	223.0

B: Reconciliation to adjusted earnings

			Total			Total
	VR	Nicetoile	2018	VR	Nicetoile	2017
	GBPm	GBPm	GBPm	GBPm	GBPm	GBPm
Profit for the year	56.8	0.9	57.7	221.6	1.4	223.0
Revaluation (gains)/losses on properties	(45.0)	0.5	(44.5)	(198.3)	-	(198.3)
Change in fair value of derivatives	1.3	-	1.3	5.2	-	5.2
Change in fair value of participative loans - revaluation movement	(2.2)	-	(2.2)	(11.8)	-	(11.8)
Loan facility costs written off	0.7	-	0.7	2.0	-	2.0
Deferred tax charge	14.4	-	14.4	5.9	-	5.9
Total adjustments	(30.8)	0.5	(30.3)	(197.0)	-	(197.0)
Adjusted earnings of associates	26.0	1.4	27.4	24.6	1.4	26.0

When aggregated, the Group's share of VR's adjusted earnings for the year ended 31 December 2018 amounted to 50.1% (2017: 45.7%).

C: Share of assets and liabilities of associates

		VR		Nicetoile		2018
						Total
		Hammerson		Hammerson		Hammerson
	100%	share	100%	share	100%	share
	GBPm	GBPm	GBPm	GBPm	GBPm	GBPm
Goodwill on acquisition	-	93.1	-	-	-	93.1
Investment properties	5,054.0	1,823.0	293.5	29.3	5,347.5	1,852.3
Other non-current assets	247.0	67.8	-	-	247.0	67.8
Non-current assets	5,301.0	1,983.9	293.5	29.3	5,594.5	2,013.2
Other current assets	97.5	36.3	3.0	0.3	100.5	36.6
Cash and deposits	269.5	77.8	12.0	1.2	281.5	79.0
Current assets	367.0	114.1	15.0	1.5	382.0	115.6
Total assets	5,668.0	2,098.0	308.5	30.8	5,976.5	2,128.8
Other payables	(96.9)	(48.6)	(2.2)	(0.2)	(99.1)	(48.8)
Current liabilities	(96.9)	(48.6)	(2.2)	(0.2)	(99.1)	(48.8)
Loans	(2,032.8)	(735.4)	-	-	(2,032.8)	(735.4)
Derivative financial instruments	(19.3)	(5.7)	-	-	(19.3)	(5.7)
Other payables	(333.0)	(87.6)	(2.3)	(0.2)	(335.3)	(87.8)
Deferred tax	(660.0)	(179.0)	-	-	(660.0)	(179.0)
Non-current liabilities	(3,045.1)	(1,007.7)	(2.3)	(0.2)	(3,047.4)	(1,007.9)
Total liabilities	(3,142.0)	(1,056.3)	(4.5)	(0.4)	(3,146.5)	(1,056.7)
Net assets	2,526.0	1,041.7	304.0	30.4	2,830.0	1,072.1
Participative loans(1)	-	169.4	-	-	-	169.4
Investment in associates	2,526.0	1,211.1	304.0	30.4	2,830.0	1,241.5

C: Share of assets and liabilities of associates

		VR		icetoile		2017
						Total
		Hammerson		Hammerson		Hammerson
	100%	share	100%	share	100%	share
	GBPm	GBPm	GBPm	GBPm	GBPm	GBPm
Goodwill on acquisition	-	80.4	-	-	-	80.4
Investment properties	4,760.4	1,633.8	291.0	29.1	5,051.4	1,662.9
Other non-current assets	213.9	52.0	-	-	213.9	52.0
Non-current assets	4,974.3	1,766.2	291.0	29.1	5,265.3	1,795.3
Other current assets	71.8	22.5	8.0	0.8	79.8	23.3
Cash and deposits	294.2	113.4	14.1	1.4	308.3	114.8
Current assets	366.0	135.9	22.1	2.2	388.1	138.1
Total assets	5,340.3	1,902.1	313.1	31.3	5,653.4	1,933.4
Other payables	(188.1)	(94.3)	(2.1)	(0.2)	(190.2)	(94.5)
Loans	(4.4)	(1.1)	-	-	(4.4)	(1.1)
Current liabilities	(192.5)	(95.4)	(2.1)	(0.2)	(194.6)	(95.6)
Loans	(1,765.4)	(624.2)	-	-	(1,765.4)	(624.2)
Derivative financial instruments	(22.0)	(7.9)	-	-	(22.0)	(7.9)
Other payables	(314.0)	(82.5)	(2.5)	(0.2)	(316.5)	(82.7)
Deferred tax	(594.1)	(152.3)	-	-	(594.1)	(152.3)
Non-current liabilities	(2,695.5)	(866.9)	(2.5)	(0.2)	(2,698.0)	(867.1)
Total liabilities	(2,888.0)	(962.3)	(4.6)	(0.4)	(2,892.6)	(962.7)
Net assets	2,452.3	939.8	308.5	30.9	2,760.8	970.7
Participative loans(1)	-	128.8	-	-	-	128.8
Investment in associates	2,452.3	1,068.6	308.5	30.9	2,760.8	1,099.5

(1) The Group's total investment in associates includes long-term debt which in substance forms part of the Group's investment. These 'participative loans' are not repayable in the foreseeable future and represent the Group's investor share of La Roca Village and Las Rozas Village. Following the adoption of IFRS 9 Financial Instruments, as referred to in note 1 on page 37, the loans are classified as a 'fair value through profit and loss' financial asset. For the year ended 31 December 2018, the entire change in the fair value of the asset of GBP5.9 million is included within the Group's share of profit from associates within the consolidated income statement. For the year ended 31 December 2017, under the previous accounting standard, the participative loan was split into two elements and each treated separately: (1) the underlying host participative loan of GBP6.9 million was classified as 'available for sale' financial asset with the change in fair value of GBP0.5 million included within other comprehensive income; and (2) the embedded derivative element of the loan of GBP121.9 million was classified as a 'fair value through profit and loss' financial asset and the change in fair value of GBP14.7 million included in the consolidated income statement within the Group's share of profit from associates. The comparative financial information has not been restated with this change applied prospectively from 1 January 2018.

(2) The analysis in the tables above excludes liabilities in respect of distributions received in advance from VR amounting to GBP26.4 million (2017: GBP16.6 million) which are included within non-current liabilities in note 18.

(3) In addition to the above investments, non-current receivables of the Group include loans to Value Retail European Holdings BV totalling EUR2.0 million (GBP1.8 million) (2017: EUR2.0 million, GBP1.8 million) secured against a number of VR assets and maturing on 30 November 2043.

(4) At 31 December 2018, Hammerson's economic interest in VR is calculated as 38.6% (2017: 35.5%) adjusting for the Participative Loans, which at 100% are included within other payables in non-current liabilities.

D: Reconciliation to adjusted investment in associates

	VR	Nicetoile	Total 2018	VR	Nicetoile	Total 2017
	GBPm	GBPm	GBPm	GBPm	GBPm	GBPm
Investment in associates	1,211.1	30.4	1,241.5	1,068.6	30.9	1,099.5
Fair value of derivatives	5.7	-	5.7	7.9	-	7.9
Fair value of derivatives within participative loans	-	-	-	(18.8)	-	(18.8)
Deferred tax	179.0	-	179.0	152.3	-	152.3

Deferred tax within participative loans	35.6	-	35.6	-	-	-
Goodwill as a result of deferred tax	(63.1)	-	(63.1)	(53.5)	-	(53.5)
Total adjustments	157.2	-	157.2	87.9	-	87.9
Adjusted investment in associates	1,368.3	30.4	1,398.7	1,156.5	30.9	1,187.4

E: Reconciliation of movements in investment in associates

	VR GBPm	Nicetoile GBPm	Total 2018 GBPm	VR GBPm	Nicetoile GBPm	Total 2017 GBPm
Balance at 1 January	1,068.6	30.9	1,099.5	959.1	29.0	988.1
Acquisitions(1)	113.8	-	113.8	0.9	-	0.9
Share of results of associates	56.8	0.9	57.7	221.6	1.4	223.0
Distributions(2)	(31.8)	(1.2)	(33.0)	(129.8)	(1.1)	(130.9)
Change in fair value of participative loans (note 11C)	-	-	-	(0.5)	-	(0.5)
Share of other comprehensive loss of associate(3)	(3.3)	-	(3.3)	-	-	-
Exchange and other movements	7.0	(0.2)	6.8	17.3	1.6	18.9
Balance at 31 December	1,211.1	30.4	1,241.5	1,068.6	30.9	1,099.5

(1) During 2018 the Group acquired additional investor stakes in Value Retail for GBP113.8 million. This included advances of GBP5.2 million, resulting in cash consideration of GBP108.6 million.
(2) Included within distributions of GBP33.0 million (2017: GBP130.9 million) are distributions totalling GBP24.7 million (2017: GBP101.3 million) in relation to Value Retail refinancing.
(3) Relates to the change in fair value of derivative financial instruments in an effective hedge relationship within Value Retail.

12: Receivables: current assets

	2018 GBPm	2017 GBPm
Trade receivables	43.7	52.3
Other receivables	66.4	54.2
Corporation tax	0.2	-
Prepayments	3.5	4.0
	113.8	110.5

Trade receivables are shown after deducting a loss allowance provision of GBP9.8 million (2017: GBP14.2 million). To measure the loss allowance provision, trade receivables have been grouped based on shared credit risk characteristics and the days overdue. The level of provision required is determined after taking account of rent deposits and personal or corporate guarantees held.

13: Restricted monetary assets

	2018 GBPm	2017 GBPm
Cash held on behalf of third parties	24.0	37.3

The Group and its managing agents hold cash on behalf of its tenants and co-owners to meet future service charge costs and related expenditure. The cash has restricted use and, as such, does not meet the definition of cash and cash equivalents as defined in IAS 7 Statement of Cash Flows.

14: Cash and deposits

	2018 GBPm	2017 GBPm
Cash at bank	31.2	205.9
Currency profile		
Sterling	8.4	133.5
Euro	22.8	72.4
	31.2	205.9

15: Payables: current liabilities

	2018 GBPm	2017 GBPm
Trade payables	17.4	26.5
Net pension liability	0.9	0.8
Withholding tax on interim dividends (note 7)	12.7	13.4
Capital expenditure payables	28.5	34.2
Other payables	64.5	75.4
Accruals	91.6	85.5
Deferred income	18.1	25.3
	233.7	261.1

16: Loans

	2018 GBPm	2017 GBPm
Unsecured		
GBP200 million 7.25% sterling bonds due 2028	198.4	198.3
GBP300 million 6% sterling bonds due 2026	298.1	297.9
GBP350 million 3.5% sterling bonds due 2025	346.3	345.8
EUR500 million 1.75% euro bonds due 2023	446.4	441.3
EUR500 million 2% euro bonds due 2022	445.9	440.4
EUR500 million 2.75% euro bonds due 2019(1)	-	442.4
Bank loans and overdrafts(2)	562.8	496.6
Senior notes due 2031(3)	21.5	21.3
Senior notes due 2028(3)	90.4	89.9

Senior notes due 2026(3)	88.5	87.3
Senior notes due 2024(3)	366.6	350.0
Senior notes due 2021(3)	149.0	141.2
	3,013.9	3,352.4

(1) The EUR500 million 2.75% euro bonds due 2019 were redeemed during the year. See note 5 for further details.
(2) The bank loans and overdrafts are denominated in sterling.
(3) The senior notes comprise GBP408.4 million (2017: GBP386.6 million) denominated in US dollar, GBP212.6 million (2017: GBP208.1 million) denominated in euro and GBP95.0 million (2017: GBP95.0 million) denominated in sterling.

At 31 December 2018 and 2017 no loans were repayable by instalments.

17: Financial instruments

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 17C.

The Group's borrowing position at 31 December 2018 is summarised below:

	Derivative financial instruments*						
	Current assets GBPm	Non-current assets GBPm	Current liabilities GBPm	Non-current liabilities GBPm	Loans > 1 year GBPm	2018 Total GBPm	2017 Total GBPm
Note					16		
Bonds	-	-	-	-	1,735.1	1,735.1	2,166.1
Bank loans and overdrafts	-	-	-	-	562.8	562.8	496.6
Senior notes	-	-	-	-	716.0	716.0	689.7
Fair value of currency swaps	(4.1)	(21.8)	9.8	101.0	-	84.9	90.3
Borrowings	(4.1)	(21.8)	9.8	101.0	3,013.9	3,098.8	3,442.7
Interest rate swaps	-	(2.7)	-	-	-	(2.7)	(6.3)
Loans and derivative financial instruments	(4.1)	(24.5)	9.8	101.0	3,013.9	3,096.1	3,436.4

* In 2018 the Group changed its balance sheet presentation of derivative financial instruments (comprising interest rate swaps and currency swaps). Previously interest rate swaps were included in receivables or payables and currency swaps were included in other borrowings. From 2018, for the purposes of greater clarity, they are now combined into 'derivative financial instruments' as shown in the tables above and disclosed in the Consolidated Balance Sheet.

B: Fair values of financial instruments

The fair values of the Reported Group's borrowings, interest rate swaps and participative loans, together with their book value included in the balance sheet, are as follows:

				2018			2017
	Hierarchy level	Book value GBPm	Fair value GBPm	Variance GBPm	Book value GBPm	Fair value GBPm	Variance GBPm
Unsecured bonds	1	1,735.1	1,842.0	106.9	2,166.1	2,420.4	254.3
Senior notes	2	716.0	713.9	(2.1)	689.7	691.6	1.9
Unsecured bank loans and overdrafts	2	562.8	568.0	5.2	496.6	502.4	5.8
Fair value of currency swaps	2	84.9	84.9	-	90.3	90.3	-
Borrowings		3,098.8	3,208.8	110.0	3,442.7	3,704.7	262.0
Fair value of interest rate swaps*	2	(2.7)	(2.7)	-	(6.3)	(6.3)	-
Participative loans to associates	3	169.4	169.4	-	128.8	128.8	-

* Interest rate swaps are included within non-current derivative financial instruments on the consolidated balance sheet (see note 17A).

C: Undrawn committed facilities

The maturity analysis of the undrawn element of the revolving credit facilities at 31 December 2018 is summarised below:

	2018 GBPm	2017 GBPm
Expiry		
Within two to five years	627.0	692.6

18: Payables: non-current liabilities

	2018 GBPm	2017 GBPm
Net pension liability	46.9	50.6
Other payables	40.1	33.6
	87.0	84.2

19: Share capital

	2018	2017
Called-up, allotted and fully paid	GBPm	GBPm
Ordinary shares of 25p each	191.6	198.6

Number

Movements in number of shares in issue

Number of shares in issue at 1 January 2018	794,226,418
Share buyback*	(27,898,923)
Share options exercised - Savings-Related Share Option Scheme	24,677
Number of shares in issue at 31 December 2018	766,352,172

* During the year, the Company purchased of its own shares at a total cost of GBP128.9 million.

20: Analysis of movement in net debt

	2018			2017		
	Cash and deposits GBPm	Borrowings GBPm	Net debt GBPm	Cash and deposits GBPm	Borrowings GBPm	Net debt GBPm
Notes	14	17A		14	17A	
At 1 January	205.9	(3,442.7)	(3,236.8)	74.3	(3,496.3)	(3,422.0)
Cash flow	(175.4)	376.0	200.6	130.6	160.8	291.4
Change in fair value of currency swaps	-	(5.6)	(5.6)	-	9.0	9.0
Exchange	0.7	(26.5)	(25.8)	1.0	(116.2)	(115.2)
At 31 December	31.2	(3,098.8)	(3,067.6)	205.9	(3,442.7)	(3,236.8)

21: Adjustment for non-cash items in the cash flow statement

	2018 GBPm	2017 GBPm
Amortisation of lease incentives and other costs	7.9	7.7
Increase in loss allowance provision	1.0	0.5
Increase in accrued rents receivable	(1.7)	(4.9)
Depreciation	1.5	2.1
Share-based employee remuneration	3.4	5.4
Other items	(1.8)	(1.7)
	10.3	9.1

22: Contingent liabilities and capital commitments

There are contingent liabilities of GBP73.5 million (2017: GBP65.6 million) relating to guarantees given by the Reported Group and a further GBP22.0 million (2017: GBP14.2 million) relating to claims against the Reported Group arising in the normal course of business, which are considered to be unlikely to crystallise. In addition, the Group's share of contingent liabilities arising within joint ventures is GBP8.7 million (2017: GBP18.3 million).

The Reported Group also had capital commitments of GBP141.2 million (2017: GBP62.4 million) in relation to future capital expenditure on investment and development properties. The Group's share of the capital commitments arising within joint ventures is GBP21.8 million (2017: GBP26.6 million). The risks and uncertainties facing the Group are detailed on pages 27 to 29.

23: Non-controlling interests

The Group's non-controlling interest represents a 35.5% interest held by Assurbail in a French entity which owned Place des Halles, Strasbourg. The entity disposed of its interest in this property in December 2017 and incurred post disposal costs in 2018 and the non-controlling interest's share of these costs was GBP0.4 million as shown in note 2 on page 38.

As a result of the property disposal, exchange gains previously recognised in equity were recycled to the income statement in 2017. The non-controlling interest's share of these exchange gains was GBP19.6 million and was included in its share of the profit for 2017 of GBP23.2 million.

At 31 December 2018, the non-controlling interests were GBP0.3 million (2017: GBP14.0 million), with distributions of GBP13.3 million (2017: GBP74.2 million) paid to Assurbail during the year.

Additional disclosures

Table 1

EPRA measures

Hammerson is a member of the European Public Real Estate Association (EPRA) and has representatives who actively participate in a number of EPRA committees and initiatives. This includes working with peer group companies, real estate investors and analysts and the large audit firms, to improve the transparency, comparability and relevance of the published results of listed real estate companies in Europe.

As with other real estate companies, we have adopted the EPRA Best Practice Recommendations (BPR) and were again awarded an EPRA Gold Award for compliance with the EPRA BPR and sustainability BPR for our 2018 Annual Report. Further information on EPRA and the EPRA BPR can be found on their website www.epra.com. Details of our key EPRA metrics are shown in Table 2.

Table 2

EPRA performance measures

Performance measure	2018	2017	Definition and commentary	Page
Earnings	GBP240.2m	GBP247.3m	Recurring earnings from core operational activities. In 2018, EPRA earnings were GBP0.1 million lower (2017: GBP1.0 million higher) than the Group's adjusted earnings due to the inclusion of a 'Company specific adjustment' in relation to foreign exchange translation movements on an intragroup funding loan in VIA Outlets which has no cash flow impact (see note 8B of the financial statements) and which management believes distorts the underlying earnings of the Group.	44
Earnings per share (EPS)	30.5p	31.2p	EPRA earnings divided by the weighted average number of shares in issue during the period. As stated in 'Earnings' above, due to the VIA Outlets intragroup funding loan adjustment, for 2018 the EPRA EPS is 0.1p lower than the Group's adjusted EPS of 30.6p and for 2017 the EPRA EPS is 0.1p higher than the Group's adjusted EPS of 31.1p.	44
Net asset value (NAV) per share	GBP7.38	GBP7.76	Equity shareholders' funds excluding the fair values of certain financial derivatives, deferred tax balances and any associated goodwill divided by the diluted number of shares in issue.	45
Triple net asset value (NNNAV) per share	GBP6.95	GBP7.25	Equity shareholders' funds adjusted to include the fair values of borrowings.	45
Net Initial Yield (NIY)	4.6%	4.4%	Annual cash rents receivable, less head and equity rents and any non-recoverable property operating expenses, as a percentage of the gross market value of the property, including estimated purchasers' costs, as provided by the Group's external valuers.	64
Topped-up NIY	4.7%	4.6%	EPRA NIY adjusted for the expiry of rent-free periods.	64
Vacancy rate	2.8%	1.7%	The estimated market rental value (ERV) of vacant space divided by the ERV of the whole portfolio. Occupancy is the inverse of vacancy.	61
Cost ratio	21.9%	21.6%	Total operating costs as a percentage of gross rental income, after rents payable. Both operating costs and gross rental income are adjusted for costs associated with inclusive leases.	63
Sustainability (LFL)*				
Electricity	79,923mWh	88,722mWh	Electricity consumption of the EPRA like-for-like portfolio for a full reporting year.	
Fuels	17,198mWh	20,943mWh	Gas consumption of the EPRA like-for-like portfolio for a full reporting year.	
GHG Direct	4,755mtCO2e	5,317mtCO2e	Greenhouse gas emissions emitted from on-site combustion of energy.	
GHG Indirect	18,807mtCO2e	23,246mtCO2e	Greenhouse gas emissions emitted from off-site combustion (purchased electricity and heat) over a full reporting year.	

* Further details of the Group's Positive Places sustainability strategy can be found on our website www.hammerson.com

Portfolio analysis

Rental information

Table 3

Rental data for the year ended 31 December 2018

Proportionally consolidated excluding premium outlets	Gross rental income GBPm	Net rental income GBPm	Vacancy rate %	Average rents passing(1) GBP/m2	Rents passing GBPm	Estimated rental value(2) GBPm	Reversion/ (over-rented) %
UK	178.2	151.9	2.4	515	155.5	169.3	6.4
France	83.4	74.8	2.9	480	79.9	89.3	8.3
Ireland	44.2	40.4	1.0	525	43.2	45.3	3.9
Flagship destinations	305.8	267.1	2.4	505	278.6	303.9	6.6
UK retail parks	63.5	59.1	3.1	210	58.4	59.7	(1.1)
UK other	12.4	8.9	10.8	170	11.4	13.3	4.3
Investment portfolio	381.7	335.1	2.8	415	348.4	376.9	5.2
Developments(3)	17.1	12.4					
Property portfolio (note 2)	398.8	347.5					
Data for the year ended 31 December 2017							
UK	180.2	152.9	1.9	540	175.7	186.7	4.5
France	104.6	95.3	2.1	470	83.1	91.7	7.8
Ireland	37.9	34.8	0.3	500	41.6	43.3	3.9
Flagship destinations	322.7	283.0	1.7	510	300.4	321.7	5.3
UK retail parks	72.4	69.3	0.6	215	77.5	75.4	(3.4)
UK other	12.3	8.8	8.1	155	12.9	14.1	0.2
Investment portfolio	407.4	361.1	1.7	395	390.8	411.2	3.5
Developments(3)	14.5	9.3					
Property portfolio (note 2)	421.9	370.4					

Notes

(1) Average rents passing at the year end before deducting head and equity rents and excluding rents passing from anchor units and car parks.

(2) The estimated market rental value at the year end calculated by the Group's valuers. ERVs in the above table are included within the unobservable inputs to the portfolio valuations as defined by IFRS 13. This information has been subject to audit. The total ERV for the Reported Group at 31 December 2018 was GBP190.2 million (2017: GBP239.8 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 4

Rent reviews as at 31 December 2018

Proportionally consolidated excluding premium outlets	Rents passing subject to review in(1) Outstanding GBPm	2019 GBPm	2020 GBPm	2021 GBPm	Total GBPm	Current ERV of leases subject to review in(2) Outstanding GBPm	2019 GBPm	2020 GBPm	2021 GBPm	Total GBPm
UK	21.0	22.2	16.2	16.0	75.4	22.3	23.6	17.3	16.8	80.0
Ireland	10.5	3.7	15.5	5.0	34.7	11.6	3.9	17.4	5.3	38.2
Flagship destinations	31.5	25.9	31.7	21.0	110.1	33.9	27.5	34.7	22.1	118.2
UK retail parks	6.7	5.5	17.0	10.9	40.1	6.9	5.9	17.2	11.0	41.0
UK other	2.3	1.4	0.7	0.6	5.0	2.4	1.4	0.7	0.6	5.1
Total(3)	40.5	32.8	49.4	32.5	155.2	43.2	34.8	52.6	33.7	164.3

Notes
(1) The amount of rental income, based on rents passing at 31 December 2018, for leases which are subject to review in each year.
(2) Projected rental income for leases that are subject to review in each year, based on the higher of the current rental income and the ERV at 31 December 2018. For outstanding reviews the ERV is as at the review date.
(3) Leases in France are not subject to rent reviews but are adjusted annually based on French indexation indices.

Lease expiries and breaks

Table 5

Lease expiries and breaks as at 31 December 2018

Proportionally consolidated excluding premium outlets	Rents passing that expire/break in(1) Outstanding GBPm	2019 GBPm	2020 GBPm	2021 GBPm	Total GBPm	ERV of leases that expire/break in(2) Outstanding GBPm	2019 GBPm	2020 GBPm	2021 GBPm	Total GBPm	Weighted average unexpired lease term to break years	to expiry years
UK	12.9	13.5	9.7	12.2	48.3	14.0	17.7	10.3	12.0	53.9	6.0	10.7
France	6.4	3.6	4.2	2.6	16.8	7.9	4.5	4.6	3.0	20.1	2.2	4.9
Ireland	1.8	3.0	4.0	2.6	11.3	1.7	3.5	5.5	2.9	13.6	6.9	10.0
Flagship destinations	21.1	20.1	17.9	17.4	76.4	23.6	25.7	20.4	17.9	87.6	4.9	8.7
UK retail parks	1.4	3.2	5.8	4.6	15.0	2.0	3.3	5.6	4.5	15.4	7.5	8.6
UK other	1.6	1.0	1.5	1.3	5.4	1.6	1.7	1.7	1.2	6.1	8.1	9.1
Investment portfolio	24.0	24.3	25.2	23.3	96.8	27.2	30.7	27.7	23.6	109.1	5.5	8.7

Notes
(1) The amount of rental income, based on rents passing at 31 December 2018, for leases which expire or, for the UK and Ireland only, are subject to tenant break options, which fall due in each year.
(2) The ERV at 31 December 2018 for leases that expire or, for the UK and Ireland only, are subject to tenant break options which fall due in each year and ignoring the impact of rental growth and any rent-free periods.

Net rental income

Table 6

Net rental income for the year ended 31 December 2018

Proportionally consolidated excluding premium outlets	Properties owned throughout 2017/18 GBPm	Inc/(Dec) for properties owned throughout 2017/18 %	Acquisitions GBPm	Disposals GBPm	Developments and other GBPm	Total GBPm
UK	136.7	(1.3)	-	12.3	3.3	152.3
France	58.9	(0.9)	(0.2)	-	18.1	76.8
Ireland	33.3	1.2	6.8	0.1	3.6	43.8
Flagship destinations	228.9	(0.8)	6.6	12.4	25.0	272.9
UK retail parks	47.5	(4.3)	(0.5)	9.1	2.9	59.0
UK other	-	-	-	0.1	15.5	15.6
Property portfolio	276.4	(1.5)	6.1	21.6	43.4	347.5

Net rental income for the year ended 31 December 2017

Proportionally consolidated excluding premium outlets	Properties owned throughout 2017/18 GBPm	Exchange GBPm	Acquisitions GBPm	Disposals GBPm	Developments and other GBPm	Total GBPm
UK	138.5	-	-	13.9	0.7	153.1
France	59.4	(0.8)	0.1	20.0	17.2	95.9
Ireland	32.9	(0.3)	1.9	0.2	3.1	37.8
Flagship destinations	230.8	(1.1)	2.0	34.1	21.0	286.8
UK retail parks	49.7	-	-	19.3	0.4	69.4
UK other	-	-	-	-	14.2	14.2
Property portfolio	280.5	(1.1)	2.0	53.4	35.6	370.4

Following the acquisition of the Irish loan portfolio in October 2015, the underlying net rental income derived from Pavilions, Swords in 2017 was in the form of finance income prior to the final loan conversion in September 2017. Had this been treated as net rental income, the like-for-like net rental income growth for the Irish properties in 2018 would have been 1.6%, which would have reduced the Group's like-for-like net rental income decline to 1.3%.

Top ten tenants

Table 7

Ranked by passing rent at 31 December 2018

Proportionally consolidated excluding premium outlets	Passing rent GBPm	% of total passing rent
B&Q	10.1	2.9
H&M	9.6	2.8
Inditex	9.4	2.7
Next	8.0	2.3
Marks & Spencer	6.2	1.7
Boots	5.6	1.6
River Island	5.2	1.5
TK Maxx	4.9	1.4
Arcadia	4.9	1.4
Dixons Carphone	4.8	1.4
Total	68.7	19.7

Cost ratio

Table 8

EPRA cost ratio

Proportionally consolidated excluding premium outlets	Year ended 31 December 2018 GBPm	Year ended 31 December 2017 GBPm
Net service charge expenses - non-vacancy	8.4	7.8
Net service charge expenses - vacancy	5.9	7.5
Net service charge expenses - total	14.3	15.3
Other property outgoings	33.5	32.1
Less inclusive lease costs recovered through rent	(7.7)	(7.7)
Total property costs (for cost ratio)	40.1	39.7
Employee and corporate costs	55.0	61.0
Management fees receivable	(10.3)	(12.1)
Total operating costs (for cost ratio)	84.8	88.6
Gross rental income	398.8	421.9
Ground and equity rents payable	(3.5)	(4.1)
Less inclusive lease costs recovered through rent	(7.7)	(7.7)
Gross rental income (for cost ratio)	387.6	410.1
EPRA cost ratio including net service charge expenses - vacancy (%)	21.9	21.6
EPRA cost ratio excluding net service charge expenses - vacancy (%)	20.4	19.8

Our business model for developments is to use a combination of in-house staff and external advisors. The cost of external advisors is capitalised to the cost of developments. The cost of staff working on developments is generally expensed, but capitalised subject to meeting certain criteria related to the degree of time spent on and the stage of progress of specific projects. During the year ended 31 December 2018, staff costs amounting to GBP1.3 million (2017: GBP0.1 million) were capitalised as development costs and are not included within 'Employee and corporate costs'.

Valuation analysis

Table 9

Valuation analysis at 31 December 2018

Proportionally consolidated including premium outlets	Properties at valuation GBPm	Revaluation in the year GBPm	Capital return %	Total return %	Initial yield %	True equivalent yield %	Nominal equivalent yield(1) %
UK	2,920.9	(346.6)	(10.6)	(6.5)	4.8	5.5	5.3
France	1,885.2	(14.3)	(1.7)	2.2	3.7	4.3	4.2
Ireland	978.5	9.0	0.9	5.2	3.9	4.5	4.4
Flagship destinations	5,784.6	(351.9)	(6.2)	(2.1)	4.3	4.9	4.8
UK retail parks	873.1	(126.3)	(13.2)	(8.5)	6.0	6.8	6.5
UK other	173.3	6.9	4.5	9.2	5.7	8.0	7.6
Investment portfolio	6,831.0	(471.3)	(7.0)	(2.8)	4.6	5.3	5.1
Developments	648.5	22.7	4.1	6.2			
Property portfolio - excluding premium outlets	7,479.5	(448.6)	(6.2)	(2.1)			
Premium outlets(2)	2,458.8	56.2	2.4	7.4			
Total Group	9,938.3	(392.4)	(4.3)	0.0			
Data for the year ended 31 December 2017							
UK	3,488.9	23.9	0.7	5.2	4.4	5.1	4.9
France	1,887.0	(11.4)	(1.3)	3.1	3.9	4.4	4.3
Ireland	959.6	(1.5)	0.2	4.2	4.0	4.4	4.3
Flagship destinations	6,335.5	11.0	(0.1)	4.3	4.1	4.8	4.6
UK retail parks	1,234.1	(27.2)	(2.5)	2.8	5.5	6.2	6.0
UK other	180.1	13.4	8.8	14.5	5.2	7.2	6.9

Investment portfolio	7,749.7	(2.8)	(0.3)	4.3	4.4	5.0	4.9
Developments	576.6	24.1	4.7	6.9			
Property portfolio - excluding premium outlets	8,326.3	21.3	0.0	4.5			
Premium outlets(2)	2,234.1	225.2	11.5	16.8			
Total Group	10,560.4	246.5	2.2	6.8			

Notes
(1) Nominal equivalent yields are included within the unobservable inputs to the portfolio valuations as defined by IFRS 13. This information has been subject to audit. The nominal equivalent yield for the Reported Group at 31 December 2018 was 5.1% (2017: 5.1%).
(2) 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 10

Investment portfolio as at 31 December 2018

Proportionally consolidated excluding premium outlets	Income GBPm	Gross value GBPm	Net book value GBPm
Portfolio value (net of cost to complete)		7,251	7,251
Purchasers' costs(1)			(420)
Net investment portfolio valuation on a proportionally consolidated basis			6,831
Income and yields			
Rent for valuers' initial yield (equivalent to EPRA Net Initial Yield)	328.9	4.6%	4.8%
Rent-free periods (including pre-lets)(2)	8.5	0.1%	0.1%
Rent for 'topped-up' initial yield(3)	337.4	4.7%	4.9%
Non-recoverable costs (net of outstanding rent reviews)	11.0	0.1%	0.2%
Passing rents	348.4	4.8%	5.1%
ERV of vacant space	9.8	0.1%	0.1%
Reversions	18.7	0.3%	0.3%
Total ERV/Reversionary yield	376.9	5.2%	5.5%
True equivalent yield		5.3%	
Nominal equivalent yield			5.1%

Notes
(1) Purchasers' costs equate to 6.1% of the net portfolio value.
(2) The weighted average remaining rent-free period is 0.6 years.
(3) The yield of 4.7% based on passing rents and gross portfolio value is equivalent to EPRA's 'topped-up' Net Initial Yield.

Share of Property interests

The Group's Share of Property interests reflects the Group's Property joi
nt ventures as shown in note 10 to the financial statements on pages 47
to 52 and the Group's interest in Nicetoile, which is accounted for as an associate, as shown in note 11 to the financial statements on pages 53 to
56.

Income statement

Table 11

	2018			2017		
	Property joint ventures GBPm	Nicetoile GBPm	Share of Property interests GBPm	Property joint ventures GBPm	Nicetoile GBPm	Share of Property interests GBPm
Gross rental income	174.0	1.6	175.6	171.4	1.6	173.0
Net rental income	149.4	1.4	150.8	146.4	1.4	147.8
Administration expenses	(0.2)	-	(0.2)	(0.5)	-	(0.5)
Operating profit before other net (losses)/gains	149.2	1.4	150.6	145.9	1.4	147.3
Revaluation (losses)/gains on properties	(271.7)	(0.5)	(272.2)	19.4	-	19.4
Operating (loss)/profit	(122.5)	0.9	(121.6)	165.3	1.4	166.7
Change in fair value of derivatives	(1.4)	-	(1.4)	-	-	-
Other finance (costs)/income	(7.0)	-	(7.0)	1.6	-	1.6
Net finance (costs)/income	(8.4)	-	(8.4)	1.6	-	1.6
(Loss)/Profit before tax	(130.9)	0.9	(130.0)	166.9	1.4	168.3
Current tax charge	(0.1)	-	(0.1)	-	-	-
(Loss)/Profit for the year	(131.0)	0.9	(130.1)	166.9	1.4	168.3

Balance sheet

Table 12

	2018			2017		
	Property joint ventures GBPm	Nicetoile GBPm	Share of Property interests GBPm	Property joint ventures GBPm	Nicetoile GBPm	Share of Property interests GBPm
Non-current assets						
Investment and development properties	3,619.8	29.3	3,649.1	3,611.1	29.1	3,640.2
Interests in leasehold properties	15.6	-	15.6	10.4	-	10.4
Other non-current assets	0.6	-	0.6	0.1	-	0.1
	3,636.0	29.3	3,665.3	3,621.6	29.1	3,650.7
Current assets						

Other current assets	75.4	0.3	75.7	52.7	0.8	53.5
Cash and deposits	70.0	1.2	71.2	58.5	1.4	59.9
	145.4	1.5	146.9	111.2	2.2	113.4
Total assets	3,781.4	30.8	3,812.2	3,732.8	31.3	3,764.1
Current liabilities						
Other payables	(71.0)	(0.2)	(71.2)	(79.6)	(0.2)	(79.8)
Tax	-	-	-	(0.7)	-	(0.7)
Loans	-	-	-	(48.6)	-	(48.6)
	(71.0)	(0.2)	(71.2)	(128.9)	(0.2)	(129.1)
Non-current liabilities						
Loans	(409.3)	-	(409.3)	(275.0)	-	(275.0)
Derivative financial instruments	(1.4)	-	(1.4)	-	-	-
Obligations under head leases	(15.6)	-	(15.6)	(10.4)	-	(10.4)
Other payables	(5.9)	(0.2)	(6.1)	(6.1)	(0.2)	(6.3)
	(432.2)	(0.2)	(432.4)	(291.5)	(0.2)	(291.7)
Total liabilities	(503.2)	(0.4)	(503.6)	(420.4)	(0.4)	(420.8)
Net assets	3,278.2	30.4	3,308.6	3,312.4	30.9	3,343.3

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 13 and 14 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 11 to the financial statements on pages 53 to 56 and for VIA Outlets in note 10 to the financial statements on pages 47 to 52.

Income statement

Table 13

Aggregated premium outlets income summary

	Value Retail GBPm	VIA Outlets GBPm	2018 Total GBPm	Value Retail GBPm	VIA Outlets GBPm	2017 Total GBPm
Gross rental income	117.7	42.6	160.3	103.1	36.2	139.3
Net rental income	81.2	31.9	113.1	72.0	25.6	97.6
Administration expenses	(37.8)	(7.2)	(45.0)	(33.8)	(4.4)	(38.2)
Operating profit before other net gains	43.4	24.7	68.1	38.2	21.2	59.4
Revaluation gains on properties	45.0	11.2	56.2	198.3	14.0	212.3
Operating profit	88.4	35.9	124.3	236.5	35.2	271.7
Net finance costs	(19.5)	(7.5)	(27.0)	(15.8)	(5.4)	(21.2)
Change in fair value of derivatives	(1.3)	(2.2)	(3.5)	(5.2)	1.6	(3.6)
Change in fair value of participative loans	5.9	-	5.9	14.7	-	14.7
Profit before tax	73.5	26.2	99.7	230.2	31.4	261.6
Current tax charge	(2.3)	(2.2)	(4.5)	(2.7)	(1.6)	(4.3)
Deferred tax (charge)/credit	(14.4)	0.6	(13.8)	(5.9)	(16.2)	(22.1)
Share of results (IFRS)	56.8	24.6	81.4	221.6	13.6	235.2
Less adjustments:						
Revaluation gains on properties	(45.0)	(11.2)	(56.2)	(198.3)	(26.9)	(225.2)
Deferred tax acquired	-	-	-	-	12.9	12.9
Revaluation gains	(45.0)	(11.2)	(56.2)	(198.3)	(14.0)	(212.3)
Change in fair value of derivatives	1.3	2.2	3.5	5.2	(1.6)	3.6
Deferred tax charge/(credit)	14.4	(0.6)	13.8	5.9	16.2	22.1
Other adjustments	(1.5)	0.1	(1.4)	(9.8)	(1.0)	(10.8)
	(30.8)	(9.5)	(40.3)	(197.0)	(0.4)	(197.4)
Adjusted earnings of premium outlets	26.0	15.1	41.1	24.6	13.2	37.8

Balance sheet

Table 14

Aggregated premium outlets investment summary

	Value Retail GBPm	VIA Outlets GBPm	2018 Total GBPm	Value Retail GBPm	VIA Outlets GBPm	2017 Total GBPm
Investment properties	1,823.0	635.8	2,458.8	1,633.8	600.3	2,234.1
Net debt	(657.6)	(242.4)	(900.0)	(511.9)	(173.6)	(685.5)
Other net assets/(liabilities)	45.7	(67.1)	(21.4)	(53.3)	(65.4)	(118.7)
Share of net assets (IFRS)	1,211.1	326.3	1,537.4	1,068.6	361.3	1,429.9
Less adjustments:						
Fair value of derivatives	5.7	3.1	8.8	(10.9)	1.2	(9.7)
Deferred tax	214.6	59.8	274.4	152.3	59.7	212.0
Goodwill as a result of deferred tax	(63.1)	(3.6)	(66.7)	(53.5)	(3.6)	(57.1)
	157.2	59.3	216.5	87.9	57.3	145.2
Adjusted investment	1,368.3	385.6	1,753.9	1,156.5	418.6	1,575.1

In addition to the above figures, at 31 December 2018 the Group had provided loans of GBP1.8 million (2017: GBP1.8 million) to Value Retail for which the Group received interest of GBP0.1 million in 2018 (2017: GBP0.3 million) which is included within finance income in note 5 to the financial statements on page 41.

Proportionally consolidated information

Note 2 to the financial statements on pages 38 and 39 shows the proportionally consolidated income statement. The proportionally consolidated balance sheet, adjusted finance costs and net debt are shown in Tables 15, 16 and 17 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 10 to the financial statements on pages 47 to 52 and Nicetoile as shown in note 11 to the financial statements on pages 53 to 56. Column C shows the Group's proportionally consolidated figures by aggregating the Reported Group and Share of Property interests figures. As explained in the Financial Review on page 20, the Group's interests in premium outlets are not proportionally consolidated as management does not review these interests on this basis.

Balance sheet

Table 15

Balance sheet as at 31 December 2018

			2018			2017
	Reported Group GBPm	Share of Property interests GBPm	Proportionally consolidated GBPm	Reported Group GBPm	Share of Property interests GBPm	Proportionally consolidated GBPm
	A	B	C	A	B	C
Non-current assets						
Investment and development properties	3,830.4	3,649.1	7,479.5	4,686.1	3,640.2	8,326.3
Interests in leasehold properties	39.9	15.6	55.5	37.2	10.4	47.6
Plant and equipment	4.5	-	4.5	5.1	-	5.1
Investment in joint ventures	3,604.5	(3,278.2)	326.3	3,673.7	(3,312.4)	361.3
Investment in associate	1,241.5	(30.4)	1,211.1	1,099.5	(30.9)	1,068.6
Derivative financial instruments	24.5	-	24.5	16.6	-	16.6
Receivables	3.6	0.6	4.2	3.8	0.1	3.9
	8,748.9	356.7	9,105.6	9,522.0	307.4	9,829.4
Current assets						
Receivables	113.8	26.6	140.4	110.5	32.2	142.7
Derivative financial instruments	4.1	-	4.1	-	-	-
Restricted monetary assets	24.0	49.1	73.1	37.3	21.3	58.6
Cash and deposits	31.2	71.2	102.4	205.9	59.9	265.8
	173.1	146.9	320.0	353.7	113.4	467.1
Total assets	8,922.0	503.6	9,425.6	9,875.7	420.8	10,296.5
Current liabilities						
Payables	(233.7)	(71.2)	(304.9)	(261.1)	(79.8)	(340.9)
Tax	(0.9)	-	(0.9)	(0.5)	(0.7)	(1.2)
Derivative financial instruments	(9.8)	-	(9.8)	(1.7)	-	(1.7)
Loans	-	-	-	-	(48.6)	(48.6)
	(244.4)	(71.2)	(315.6)	(263.3)	(129.1)	(392.4)
Non-current liabilities						
Loans	(3,013.9)	(409.3)	(3,423.2)	(3,352.4)	(275.0)	(3,627.4)
Deferred tax	(0.5)	-	(0.5)	(0.5)	-	(0.5)
Derivative financial instruments	(101.0)	(1.4)	(102.4)	(98.9)	-	(98.9)
Obligations under head leases	(42.3)	(15.6)	(57.9)	(38.9)	(10.4)	(49.3)
Payables	(87.0)	(6.1)	(93.1)	(84.2)	(6.3)	(90.5)
	(3,244.7)	(432.4)	(3,677.1)	(3,574.9)	(291.7)	(3,866.6)
Total liabilities	(3,489.1)	(503.6)	(3,992.7)	(3,838.2)	(420.8)	(4,259.0)
Net assets	5,432.9	-	5,432.9	6,037.5	-	6,037.5

Adjusted finance costs

Table 16

Adjusted finance costs for the year ended 31 December 2018

			2018			2017
	Reported Group GBPm	Share of Property interests GBPm	Total GBPm	Reported Group GBPm	Share of Property interests GBPm	Total GBPm
Notes (see page 67)	A	B	C	A	B	C
Gross finance costs	111.1	7.1	118.2	126.1	3.1	129.2
Less: Interest capitalised	(1.9)	-	(1.9)	(0.8)	-	(0.8)
Finance costs	109.2	7.1	116.3	125.3	3.1	128.4
Finance income	(14.5)	(0.1)	(14.6)	(16.1)	(4.7)	(20.8)
Adjusted finance costs/(income) (note 2)	94.7	7.0	101.7	109.2	(1.6)	107.6

Net debt

Table 17

Net debt as at 31 December 2018

			2018			2017
	Reported Group GBPm	Share of Property interests GBPm	Total GBPm	Reported Group GBPm	Share of Property interests GBPm	Total GBPm

Notes (see page 67)	A	B	C	A	B	C
Cash and deposits	31.2	71.2	102.4	205.9	59.9	265.8
Fair value of currency swaps	(84.9)	-	(84.9)	(90.3)	-	(90.3)
Loans	(3,013.9)	(409.3)	(3,423.2)	(3,352.4)	(323.6)	(3,676.0)
Net debt	(3,067.6)	(338.1)	(3,405.7)	(3,236.8)	(263.7)	(3,500.5)

Loan to value and gearing

Table 18

Loan to value and gearing as at 31 December 2018

		2018 GBPm	2017 GBPm
Net debt - 'Loan' (A)	Table 17	3,405.7	3,500.5
Property portfolio - excluding premium outlets (B)	Table 9	7,479.5	8,326.3
Investment in VIA Outlets	Note 10A	326.3	361.3
Investment in Value Retail	Note 11C	1,211.1	1,068.6
Less non-controlling interest	Note 23	(0.3)	(14.0)
'Value' (C)		9,016.6	9,742.2
Equity shareholders' funds (D)		5,432.6	6,023.5
Loan to value (%) - Headline (A/C)		37.8	35.9
Gearing (%) (A/D)		62.7	58.1
Net debt - premium outlets (E)	Table 14	900.0	685.5
Property portfolio - premium outlets (F)	Table 14	2,458.8	2,234.1
Loan to value - fully proportionally consolidated (%) - ((A+E)/(B+F))		43.3	39.6
Gearing - fully proportionally consolidated (%) - ((A+E)/D)		79.3	69.5

Net debt:EBITDA

Table 19

Net debt:EBITDA for the year ended 31 December 2018

	GBPm	GBPm
Adjusted operating profit (note 2)	343.9	359.3
Interest income from Irish loans	-	4.7
Tenant incentive amortisation	8.6	4.8
Share-based remuneration	3.4	5.4
Depreciation	1.5	2.1
EBITDA	357.4	376.3
Net debt (Table 17)	3,405.7	3,500.5
Net debt: EBITDA (times)	9.5	9.3

Glossary

Adjusted figures (per share)	Reported amounts adjusted in accordance with EPRA guidelines to exclude certain items as set out in note 8 to the financial statements.
Anchor store	A major store, usually a department or DIY store, a supermarket or leisure facility, occupying a large unit within a flagship destination or retail park, which serves as a draw to other retailers and consumers.
Average cost of debt or weighted average interest rate	The cost of finance expressed as a percentage of the weighted average debt during the period.
BREEAM	An environmental rating assessed under the Building Research Establishment's Environmental Assessment Method.
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.
CAGR (Compound Annual Growth Rate)	The return on investment over a specified period of time.
Compulsory Purchase Order (CPO)	A legal function in the UK by which land or property can be obtained to enable a development or infrastructure scheme without the consent of the owner where there is a "compelling case in the public interest".
Cost ratio (or EPRA cost ratio)	Total operating costs (being property costs and administration costs less management fees) as a percentage of gross rental income, after rents payable. Both operating costs and gross rental income are adjusted for costs associated with inclusive leases.
CPI (Consumer Price Index)	A measure of inflation based on the weighted average of prices of consumer goods and services.
CVA (Compulsory Voluntary Arrangement)	A legally binding agreement with a company's creditors to restructure its liabilities, including future lease liabilities.
Dividend cover	Adjusted earnings per share divided by dividend per share.
Earnings per share (EPS)	Profit for the period attributable to equity shareholders divided by the average number of shares in issue during the period.
EBITDA	Earnings before interest, tax, depreciation and amortisation.
EPRA	The European Public Real Estate Association, a real estate industry body. This organisation has issued Best Practice Recommendations with the intention of improving the transparency, comparability and relevance of the published results of listed real estate companies in Europe.
Equivalent yield (true and nominal)	The capitalisation rate applied to future cash flows to calculate the gross property value. The cash flows reflect future rents resulting from lettings, lease renewals and rent reviews based on current ERVs. The true equivalent yield (TEY) assumes rents are received quarterly in advance. The nominal equivalent yield (NEY) assumes rents are received annually in arrears. The property true and nominal equivalent yields are determined by the Group's external valuers.
ERV	The estimated market rental value of the total lettable space in a property calculated by the Group's external valuers. It is calculated after deducting head and equity rents, and car parking and commercialisation running costs.
F&B	Food and beverage ranging from 'grab and go' to fine dining.
Gearing	Net debt expressed as a percentage of equity shareholders' funds.

Gross property value or Gross asset value (GAV)	Property value before deduction of purchasers' costs, as provided by the Group's external valuers.
Gross rental income (GRI)	Income from rents, car parks and commercialisation income, after accounting for the net effect of the amortisation of lease incentives.
IAS/IFRS	International Accounting Standard/International Financial Reporting Standard.
Inclusive lease	A lease, often for a short duration, under which the rent is inclusive of costs such as service charge, rates, utilities etc. Instead, the landlord incurs these costs as part of the overall commercial arrangement.
Income return	The income derived from a property as a percentage of the opening property value, taking account of capital expenditure and exchange translation movements, calculated on a time-weighted basis.
Initial yield (or Net initial yield (NIY))	Annual cash rents receivable (net of head and equity rents and the cost of vacancy, and, in the case of France, net of an allowance for costs of approximately 5%, primarily for management fees), as a percentage of gross property value, as determined by the Group's external valuers. Rents receivable following the expiry of rent-free periods are not included. Rent reviews are assumed to have been settled at the contractual review date at ERV.
Interest cover	Net rental income divided by net cost of finance before exceptional finance costs, capitalised interest and change in fair value of derivatives.
Interest rate or currency swap (or derivatives)	An agreement with another party to exchange an interest or currency rate obligation for a pre-determined period.
Joint venture and associate management fees	Fees charged to joint ventures and associates for accounting, secretarial, asset and development management services.
Like-for-like (LfL) NRI	The percentage change in NRI for flagship destinations and retail parks investment properties owned throughout both current and prior periods, after taking account of exchange translation movements. Properties undergoing a significant extension are excluded from this calculation during the period of the works. For interim reporting periods properties sold between the balance sheet date and the date of the announcement are also excluded from LFL NRI.
LTV (Loan to value)	Net debt expressed as a percentage of the property portfolio value calculated on a proportionally consolidated basis.
MSCI	Property market benchmark indices produced by MSCI, rebranded from IPD in 2018.
Net asset value (NAV) per share	Equity shareholders' funds divided by the number of shares in issue at the balance sheet date.
Net rental income (NRI)	Gross rental income less head and equity rents payable, and other property related costs.
Occupancy rate	The ERV of the area in a property, or portfolio, excluding developments, which is let, expressed as a percentage of the total ERV of that property or portfolio.
Occupational cost ratio (OCR)	The proportion of retailer's sales compared with the total cost of occupation being: rent, business rates, service charge and insurance. Calculated excluding anchor stores.
Over-rented	The amount, or percentage, by which the ERV falls short of rents passing, together with the estimated rental value of vacant space.
Passing rents or rents passing	The annual rental income receivable from an investment property, after any rent-free periods and after deducting head and equity rents and car parking and commercialisation running costs. This may be more or less than the ERV (see over-rented and reversionary or under-rented).
Pre-let	A lease signed with a tenant prior to the completion of a development.
Principal lease	A lease signed with a tenant with a secure term of greater than three years and where the unit is not reconfigured. This enables letting metrics to be stated on a comparable basis.
Property fee income	Amounts recharged to tenants or co-owners for property management services.
Property Income Distribution (PID)	A dividend, generally subject to withholding tax, that a UK REIT is required to pay from its tax-exempt property rental business and which is taxable for UK-resident shareholders at their marginal tax rate.
Property interests (Share of)	The Group's non-wholly owned properties which management proportionally consolidates when reviewing the performance of the business. These exclude the Group's premium outlets interests in Value Retail and VIA Outlets which are not proportionally consolidated.
Property joint ventures (Share of)	The Group's joint ventures which management proportionally consolidate when reviewing the performance of the business, but exclude the Group's interests in the VIA Outlets joint venture.
Proportional consolidation	The aggregation of the financial results of the Reported Group together with the Group's share of Property interests being the Group's share of Property joint ventures as shown in note 10, and Nicetoile as shown in note 11.
QIAIF	Qualifying Investor Alternative Investment Fund. A regulated tax regime in the Republic of Ireland which exempts participants from Irish tax on property income and chargeable gains subject to certain requirements.
REIT	Real Estate Investment Trust. A tax regime which in the UK exempts participants from corporation tax both on UK rental income and gains arising on UK investment property sales, subject to certain requirements.
Reported Group	The financial results as presented under IFRS which represent the Group's 100% owned properties and share of joint operations, transactions and balances and the equity accounted Group's interests in joint ventures and associates.
Return on shareholders' equity (ROE)	Capital growth and profit for the period expressed as a percentage of equity shareholders' funds at the beginning of the year, all excluding deferred tax and certain non-recurring items.
Reversionary or under-rented	The amount, or percentage, by which the ERV exceeds the rents passing, together with the estimated rental value of vacant space.
SIIC	Sociétés d'Investissements Immobiliers Côtées. A tax regime in France which exempts participants from the French tax on property income and gains subject to certain requirements.
Temporary lettings	Temporary leases of less than five years.
Total development cost (TDC)	All capital expenditure on a development project, including capitalised interest.
Total property return (TPR) (or total return)	Net rental income and capital growth expressed as a percentage of the opening value of property adjusted for capital expenditure, calculated on a monthly time-weighted basis after taking account of exchange translation movements.
Total shareholder return (TSR)	Dividends and capital growth in a Company's share price, expressed as a percentage of the share price at the beginning of the year.
Turnover rent	Rental income which is related to an occupier's turnover.
Vacancy rate	The ERV of the area in a property, or portfolio, excluding developments, which is currently available for letting, expressed as a percentage of the ERV of that property or portfolio.
Yield on cost	Passing rents expressed as a percentage of the total development cost of a property.

Disclaimer

This document contains certain statements that are neither reported financial results nor other historical information. These statements are forward-looking in nature and are subject to risks and uncertainties. Actual future results may differ materially from those expressed in or implied by these statements.

Many of these risks and uncertainties relate to factors that are beyond Hammerson's ability to control or estimate precisely, such as future market conditions, currency fluctuations, the behaviour of other market participants, the actions of governmental regulators and other risk factors such as the Company's ability to continue to obtain financing to meet its liquidity needs, changes in the political, social and regulatory framework in which the Company operates or in economic or technological trends or conditions, including inflation and consumer confidence, on a global, regional or national basis. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date of this document. Hammerson does not undertake any obligation to publicly release any revisions to these forward-looking statements to reflect events or circumstances after the date of this document. Information contained in this document relating to the Company should not be relied upon as a guide to future performance.

The announcement above has also been released on the SENS system of the Johannesburg Stock Exchange.

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