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

Monday 26 February 2018

HAMMERSON plc – AUDITED RESULTS FOR THE YEAR ENDED 31 DECEMBER 2017

WELL POSITIONED PORTFOLIO AND RECORD LEASING DRIVES STRONG PERFORMANCE

David Atkins, Chief Executive of Hammerson, said: "In recent years we have actively rebalanced the weighting of our portfolio towards high footfall destinations in major cities across the UK and Europe and this has underpinned our strong financial success at a time of on-going structural change in retail. By creating the space that today's retailers need to showcase their brands, we achieved the highest level of lettings this year than in any other in Hammerson's 75-year history and group occupancy is at a 17-year high at 98.3%. This activity contributed to a 6.5% uplift in Earnings Per Share, which has risen on average by 8.3% per annum over the past five years.

"Not all retail is equal and not all locations are well placed to support the future needs of brands. But with 440 million visitors a year, our unrivalled consumer insight and relationship with retailers ensures that we target the next generation of brands, as we proactively rotate retailers and expand winning formats. In this evolving retail marketplace, winning retailers increasingly choose our exceptional destinations to achieve their growth potential and so, our role as an expert operator of retail property is more significant than ever before.

"The highlight of 2017 was the announcement of our proposed acquisition of intu. In line with our strategy, the transaction will further enhance our portfolio and operating platform, providing further opportunity to expand in higher growth markets. We are on track with our acquisition timetable and integration planning.

"Our disciplined approach to capital recycling ensures we continually lift the overall quality of our portfolio and we are seeing clear investment demand for our well-managed properties. We have achieved £1.2bn of disposals over the last three years including £400m in 2017. Consumer confidence in France and Ireland is strong and our unique position in the premium outlets sector continues to deliver impressive growth, and today we announce further investment by increasing our economic interest in the internationally renowned Bicester Village to over 50%. Overall, we are in a strong position to respond to the current consumer conditions in the UK and our rigorous approach to the capital and asset management of our properties supports our confidence in generating future returns for our shareholders."

Year ended:	31 December 2017	31 December 2016	Change
Net rental income (1)	£370.4m	£346.5m	+6.9%
Adjusted profit (2)	£246.3m	£230.7m	+6.8%
Adjusted earnings per share (2)	31.1p	29.2p	+6.5%
IFRS profit (including non-cash valuation changes) (3)	£388.4m	£317.3m	+22.4%
Basic earnings per share (3)	49.0p	40.2p	+21.9%
Final dividend per share	14.8p	13.9p	+6.5%
As at:	31 December 2017	31 December 2016	
Portfolio value (4)	£10,560m	£9,971m	+5.9%
Equity shareholders' funds	£6,024m	£5,776m	+4.3%
EPRA net asset value per share (2)	£7.76	£7.39	+5.0%
Gearing (5)	58%	59%	-1p.p.
Loan to value (5)	36%	36%	

1. On a proportionally consolidated basis, excluding interests in premium outlets. See page 23 of the Financial Review for a description of the presentation of financial information.
2. Calculations for adjusted and EPRA figures are shown in note 7 to the financial statements on pages 46 and 47.

3. Attributable to equity shareholders, includes portfolio non-cash revaluation gains of £246.5m (2016: £125.0m).
4. Proportionally consolidated, including premium outlets. See page 23 of the Financial Review for a description of the presentation of financial information.
5. See Table 18 on page 70 for supporting calculations for gearing and loan to value.

FOCUS ON GROWING CONSUMER MARKETS – DELIVERING STRONG TOTAL RETURNS

- New £76m acquisition in Value Retail taking economic interest in Bicester Village to over 50%; total investment in premium outlets in 2017 of £130m including Oslo outlet acquisition. Our premium outlets delivered impressive sales growth of +9%
- Focused capital recycling in France, selling £295m of shopping centres and reinvesting into larger destinations including acquisition of Cergy 3, adjoining Les 3 Fontaines, Paris, where our planned extension starts in March
- Important milestones achieved at major developments including the appointment of a contractor at Brent Cross, planning approval at Croydon and a supportive Court of Appeal ruling for Dublin Central
- Announced proposed acquisition of intu to create a £21bn portfolio with more leading UK shopping centres and enlarged presence in Spain's fast-growing market as well as a disposal programme designed to enhance future returns
- Targeting £500m of disposals in 2018, over £90m achieved to date

CREATE DIFFERENTIATED DESTINATIONS – RECORD LEASING ACTIVITY

- Highest ever group leasing volumes up 34% on 2016 with increases across all segments. Securing income of £33.3m (2016: £24.9m) and delivering record occupancy of 98.3% (2016: 97.5%)
- Leases signed 8% ahead of ERV and 7% ahead of previous passing rent, with stable tenant incentives
- LfL NRI growth strong in Ireland 7.4%, France 2.6% and premium outlets15.3% and 1.8% in UK shopping centres
- Shopper footfall strongly outperforming benchmarks in UK and France

PROMOTE FINANCIAL EFFICIENCY AND PARTNERSHIPS – ATTRACTING LONG-TERM CAPITAL

- Further progress in reducing weighted average cost of debt, falling to 2.9% (2016: 3.1%)
- LTV consistent at 36% (2016: 36%)
- New £1.5bn three year credit facility agreed, subject to documentation, with relationship banks to support refinancing of intu near term debt

Contents:

Results presentation today:

The results presentation is being held today at 9.00 a.m. at Deutsche Bank's offices at 1 Great Winchester Street, London EC2N 2DB. A live webcast of Hammerson's results presentation will be broadcast today at 9.00 a.m. via the Company's website, www.hammerson.com. At the end of the presentation you will be able to participate in a question and answer session by dialling +44 (0) 330 336 9105. Please quote confirmation code 5306825.

Financial calendar:

Ex-dividend date (SA)	14 March 2018
Ex-dividend date (UK)	15 March 2018
Record date (UK and SA)	16 March 2018
Final dividend payable (UK and SA)	26 April 2018

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Index to key data

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

Income and operational – Year ended:	31 December 2017	31 December 2016	Page
Total property return (including share of premium outlets portfolio)	6.8%	5.7%	5
Capital return (including share of premium outlets portfolio)	2.2%	1.1%	21
Occupancy	98.3%	97.5%	6
Like-for-like NRI growth	1.7%	2.2%	5
Adjusted earnings per share	31.1p	29.2p	5
Leasing activity	£33.3m	£24.9m	6
Leasing v ERV	+8%	+5%	6
Like-for-like ERV growth	+0.9%	+0.0%	21
Retail sales growth – UK shopping centres	- 2.7%	- 1.1%	7
Footfall growth – UK shopping centres	+0.4%	- 0.5%	7
Retail sales growth – France	+0.1%	+3.1%	12
Footfall growth – France	+1.6%	+2.8%	12
Cost ratio	21.6%	22.6%	5
Final dividend per share	14.8p	13.9p	26

Capital and financing – As at:	31 December 2017	31 December 2016	
Property portfolio value (including premium outlets)	£10.6bn	£10.0bn	19
Net debt	£3.5bn	£3.4bn	28
Gearing	58%	59%	28
Loan to value	36%	36%	28
Liquidity	£958m	£592m	28
Weighted average interest rate	2.9%	3.1%	28
Interest cover	3.4 times	3.5 times	28
Net debt/EBITDA	9.3 times	9.5 times	28
Fixed rate debt	78%	70%	28
Portfolio currency hedge	78%	79%	28
Equity shareholders' funds	£6.0bn	£5.8bn	27
EPRA net asset value per share	£7.76	£7.39	27

INTRODUCTION

WHO WE ARE

At Hammerson we create destinations that excite shoppers, attract and support retailers, reward investors and serve communities; destinations where more happens. We own, operate and develop retail and leisure destinations where more happens, that interact seamlessly with digital and bring together the very best brands. We seek to deliver value for all our stakeholders, and to create a positive and sustainable impact for generations to come. Our properties are located in significant, growing cities in selected European countries. We focus on retail property aligned to consumer requirements in a multichannel world. The portfolio includes high-quality shopping centres in the UK, France and Ireland, convenient retail parks in the UK and premium outlets across Europe.

INTU ACQUISITION

The recently announced acquisition of intu will create a £21bn pan-European portfolio of high-quality retail destinations, in line with our strategy to focus on growing consumer markets. Both businesses have now published their financial results and we are in a position to seek shareholder approval. We anticipate publishing our shareholder documentation in the coming weeks with the EGM scheduled for April. If shareholder approval is obtained, the only remaining condition will be competition regulatory approval and following receipt of that approval, the transaction is anticipated to complete in Q4 2018.

MARKET TRENDS

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

Multichannel retail: Consumers increasingly use instore and online channels in various combinations for their retail journey, leading to 'multichannel' retail journeys. The store remains the cornerstone of the retail journey. Our survey confirms that retailers measure the productivity of stores based on 'total sales' combining instore and online. Therefore, the role of the store is evolving with an emphasis on showcasing products, providing service and fulfilling click & collect.

Retailer and brand preferences: There is growing demand from retailers for stores in large, higher-footfall locations. Retailers prefer to be clustered together in the same locations to optimise their interaction with customers. Consumer brands are taking space to directly control the brand experience with their end customers. This drives a convergence by retailers and brands towards the same leading locations driving higher rental growth.

Enhanced consumer experience: Successful retail destinations provide customers with a mix of shopping, dining and leisure; retail may not be the primary driver for a visit. These destinations create an experience which attracts more customers and encourages them to stay longer.

Frictionless retail: Time-short lifestyles and multichannel retail increase expectations for faster access to goods and services. Retail locations which are well-connected to transport links, make it easy to identify and locate items, and offer convenience are performing well.

Global shopping tourism: The level of global tourism is increasing, driven by growth of the middle-income demographic in emerging economies and falling travel costs. Shopping is increasingly being enjoyed by these international tourists as part of a travel experience.

OUR STRATEGY

To align our portfolio to benefit from these market trends we:

- **Focus on growing consumer markets**
- **Create differentiated destinations**
- **Promote financial efficiency and partnerships**

DIFFERENTIATED BY OUR PRODUCT EXPERIENCE FRAMEWORK

Our **Product Experience Framework** is embedded across everything we do and ensures we constantly challenge ourselves to apply best practice in retail design and digital solutions, customer engagement and sustainability. The framework incorporates:

- **Iconic destinations:** We create outstanding, architecturally significant destinations where brands and shoppers want to be.
- **Retail specialism:** We build strong relationships with our retailers and support their multichannel strategies.
- **Experience led:** Adding leisure, events and dining to our centres to create additional ways for shoppers to spend time.
- **Customer first:** Focus on customer service and exceptional reasons for shoppers to visit.

Our sustainability vision is to create retail destinations that deliver positive impacts economically, socially and environmentally. **Positive Places** is our strategy for making that happen. In 2017, our sustainability vision became even more ambitious, with a bold new objective to become Net Positive for carbon, resource use, water and socio-economic impacts by 2030.

OUR MARKETS IN 2017

Our end-markets are influenced by a range of consumer and economic trends.

UK: The consumer backdrop was softer than the previous year. Higher inflation caused low growth in real disposable income and retail spend in the UK was down 3% in 2017 (ONS). Although inflation is easing, consumer confidence has eroded through the year (GfK) and there is uncertainty over the UK's arrangements after it leaves the EU, therefore consumer spending growth is expected to remain muted. In combination with weaker sales, retailers are experiencing cost pressures from currency fluctuations, adjustments to business rates and higher minimum wages. Nonetheless we are seeing strong levels of leasing activity with stable tenant incentives, confirming that retailers are prioritising high quality retail venues to support their multichannel sales platforms (see Market Trends above), albeit some of these leasing discussions are taking longer to conclude.

France: The Eurozone and France continue to enjoy strong economic growth at historic-high levels and low unemployment. Confidence has been improving through the year, also supported by more political stability. Whilst retailers are facing some of the same structural changes with increasing online sales, they are not facing the UK-specific consumer issues and we continue to see strong demand for our space from retailers.

Ireland: The Irish economy is outperforming in Europe. Unemployment is at its lowest since 2008 and retail sales rose by 3.9% in 2017. GDP growth of 3.1% is expected in 2018. We expect a continued positive outlook for consumers and retailers.

Premium outlets: More retailers are recognising the attraction of the outlet channel and working with skilled operators who provide outlet space which supports their brand proposition and attracts growing footfall, in particular from international tourists. We therefore anticipate sales in premium outlets to increase as the retail mix improves and as international tourist numbers to Europe continue to increase.

Investment markets: There has been a lower volume of transactions in European retail property with a noticeable divergence between high quality and secondary due to the shifting consumer and retailer behaviour. Investment markets in premium outlets are seeing increased activity and further yield compression as the market consolidates and attracts more institutional investors.

KEY PERFORMANCE INDICATORS

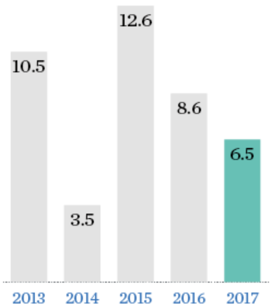
Monitoring our performance

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

Financial KPIs

Growth in adjusted EPS

6.5%



Description

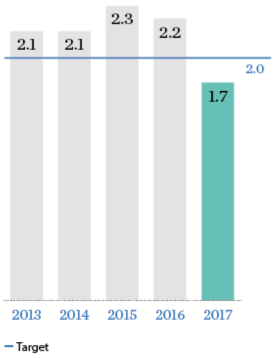
Adjusted earnings per share (EPS) is the Group's primary profit measure and reflects underlying profit divided by the average number of shares in issue and is calculated in line with EPRA guidelines as explained on page 23.

Performance

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

Growth in like-for-like NRI*

1.7%



Description

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

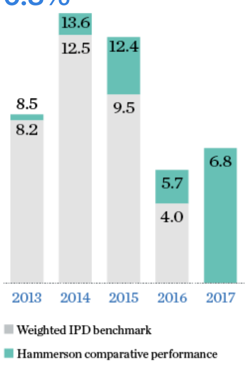
Performance

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

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

Total property return

6.8%



Description

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

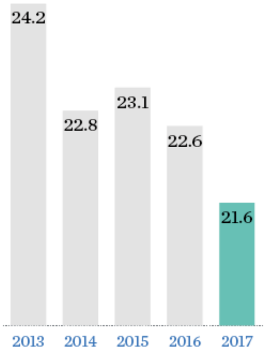
Performance

During 2017, the Group's properties produced a total return of 6.8%. The Group's investment and development portfolios produced total returns of 4.3% and 6.9% respectively. Premium outlets produced the highest return of 16.9%.

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

Cost ratio*

21.6%



Description

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

Performance

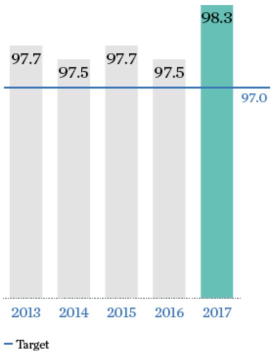
During 2017, the ratio has reduced by 100bp to 21.6%. The reduction is principally due to lower property costs, which, as a percentage of the gross rental income denominator, have fallen from 10.7% to 9.7%. The administration costs proportion of the ratio is unchanged at 11.9%.

* Proportionally consolidated excluding premium outlets. See the Financial Review on page 23 for further explanation.

Operational KPIs

Occupancy*

98.3%



Description

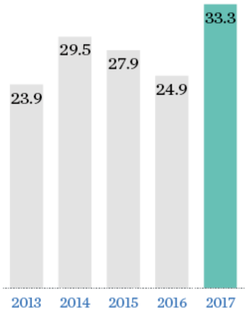
Keeping our properties occupied ensures we generate rental income and enlivens our destinations. The occupancy ratio measures the amount of space which is currently let. The ratio is calculated in line with EPRA guidance using the estimated rental value (ERV) of occupied space.

Performance

Occupancy remains above our 97.0% target, with the portfolio 98.3% occupied at the end of 2017. This was higher than the prior year due to the strong leasing performance during 2017. The most significant increase was in France, where the level of occupancy increased from 96.5% to 97.9%.

Leasing activity*

£33.3 million



Description

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

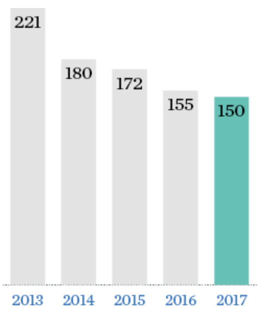
Performance

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

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

Global emissions intensity ratio

150mtCO_2e/£m



Description

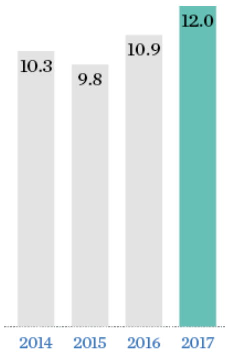
Reducing carbon emissions is a key sustainability target. This ratio measures the amount of CO_2e emissions from our properties and facilities, including corporate offices, and is calculated over the 12 months ended 30 September with the denominator being adjusted profit before tax for the same period.

Performance

The ratio has reduced by 3% to 150 mtCO_2e/£m during 2017 due to an increase in the Group's adjusted profit before tax and lower emissions in the UK. These factors were partly offset by increased emissions from gas for heating our French assets and newly acquired Irish properties where property ownership was secured during 2016 and 2017.

Voluntary staff turnover

12.0%



Description

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

Performance

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

BUSINESS REVIEW

This Business Review provides an overview of the performance of our portfolio sectors. Consistent with internal management reporting as described on page 23 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 63 to 66.

UK shopping centres

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

Operational summary

Key metrics	Like-for-like NRI growth %	Occupancy %	Leasing activity £m	Leasing vs ERV %	Retail sales growth %	Footfall growth %
31 December 2017	1.8	98.1	13.4	+8	(2.7)	0.4
31 December 2016	2.4	97.8	9.0	+6	(1.1)	(0.5)

Sector overview

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

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

Information on market trends, our strategy and our markets in 2017 and how they impact the UK shopping centre portfolios are set out in the Introduction on page 4.

Our portfolio

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

Net rental income

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

Occupancy and leasing

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

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

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

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

Our creative approach to asset management is illustrated by the reconfiguration of the former department store at Highcross, Leicester where over 10,000m^2 of upgraded space is being created over three floors. International fashion brand Zara will anchor the refurbished space and JD Sports will upsize its unit. The project will also accommodate a new leisure offer, Treetop Adventure Golf.

Since the year end we also announced that Next and River Island have chosen to relocate from Broad Street, Reading and significantly increase their physical presence at The Oracle as part of a major enhancement of the centre.

Product Experience initiatives

The customer experience at our centres is continually enhanced by a range of initiatives, developed through our Product Experience Framework, which was designed to deliver a unique point of differentiation to our operating model. From best-in-class retail design in our iconic destinations, to cutting edge digital solutions like our Style Seeker AI-driven product search tool. Delivering experience is at the heart to what we do, exemplified by exciting events like the immersive light show at Westquay. This is all underpinned by a commitment to customer service demonstrated by initiatives like handsfree shopping.

Sales and footfall and occupancy cost

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

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

UK retail parks

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

Operational summary

Key metrics	Like-for-like NRI growth %	Occupancy %	Leasing activity £m	Leasing vs ERV %	Footfall growth %
31 December 2017	(2.5)	99.4	6.3	+11	(0.4)
31 December 2016	2.4	98.6	4.9	+4	2.2

Sector overview

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

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

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

Our portfolio

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

Net rental income

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

Occupancy and leasing

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

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

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

At Rugby, we completed the second phase of the development of the successful Elliott's Field Shopping Park. Further details are provided in the Developments review on page 14.

Product Experience initiatives

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

Footfall

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

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

Ireland

We have made good progress in 2017 with implementing our acquisition strategy, including the completion of the final loan conversion at Pavilions, Swords.

Operational summary

Key metrics	Like-for-like NRI growth[1] %	Occupancy %	Leasing activity £m	Leasing vs ERV %
31 December 2017	7.4	99.7	1.9	+10
31 December 2016	n/a	99.5	0.8[2]	n/a

1. Proforma figure assuming properties owned throughout 2016 and 2017.

2. Since acquisition of properties.

3. Footfall and sales data not available for Ireland portfolio.

Sector overview

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

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

Our portfolio

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

- **July 2016**
  - Dundrum Town Centre ('Dundrum'), Ireland's pre-eminent shopping and leisure destination, acquired in a 50:50 joint venture with Allianz;
  - The Dublin Central development site, which is wholly owned by Hammerson; and
  - Land adjoining the Pavilions shopping centre in Swords, north Dublin, also wholly owned by Hammerson.
- **December 2016**
  - A 50% co-ownership with Irish Life of the Ilac Centre, located on Henry Street, one of Dublin's busiest retail thoroughfares.
- **September 2017**
  - A 50% co-ownership with IPUT and Irish Life of Pavilions shopping centre in Swords, north Dublin.

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

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

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

Net rental income

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

Occupancy and leasing

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

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

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

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

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

Product Experience initiatives

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

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

France

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

Operational summary

Key metrics	Like-for-like NRI growth %	Occupancy %	Leasing activity £m	Leasing vs ERV %	Retail sales growth %	Footfall growth %
31 December 2017	2.6	97.9	9.8	+5	0.1	1.6
31 December 2016	2.2	96.5	9.0	+5	3.1	2.8

Sector overview

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

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

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

Our portfolio

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

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

Net rental income

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

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

Occupancy and leasing

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

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

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

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

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

Sales, footfall and occupancy cost

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

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

The occupational cost ratio decreased from 15.2% at the beginning of the year to 13.8% at 31 December 2017. The reduction is due to the increase in sales and also the disposals of Saint Sébastien, Nancy and Place des Halles, Strasbourg (see page 20).

Product experience initiatives

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

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

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

Developments

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

On-site developments

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

1. Group ownership 100% for on-site schemes.
2. Values are not included for extension projects which are incorporated into the value of the existing property.
3. Incremental capital cost including capitalised interest.
4. Incremental income net of head rents and after expiry of rent-free periods.
5. Let or in solicitors' hands by income at 22 February 2018.

Our pipeline

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

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

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

Completed developments

In November the 7,900m^2 second phase of development at Elliott's Field, Rugby, was completed. Built on land adjacent to the 17,000m^2 shopping park which we opened in 2015, the new phase fills a gap in the catchment for homewares and is now fully let to retailers including DFS, Dwell, Furniture Village, Oak Furniture Land and Sofology. Contributing to the Group's Net Positive commitment referred to on page 4, this new development has demonstrated its best-in-class sustainability credentials.

On-site developments

The £16 million redevelopment of Parc Tawe in Swansea is due to complete in February 2018. Having started on-site in December 2016, the 21,400m^2 project has created a modern, mixed retail and leisure park with new public realm and improved pedestrian links to the city centre. The scheme is 91% pre-let with lettings secured including Iceland Food Warehouse, Office Outlet, Tenpin bowling, Mothercare, Toys R Us and Lidl. The redevelopment also features Hammerson's second carbon neutral Costa Eco Pod and the first Denny's American Diner in the UK.

Construction of the 8,700m^2, £44 million extension of the Orchard Centre, Didcot, is on target to complete in March 2018. Didcot's affluent and rapidly growing catchment will be served by retailers including Boots, Costa, H&M, River Island, Starbucks and TK Maxx. The scheme is anchored by Marks & Spencer, and is 62% pre-let.

Good progress has been made on the development strategy at Les 3 Fontaines, Cergy, Paris. The existing centre has been refurbished and, following the acquisition of the adjoining Cergy 3 centre, enabling works commenced in January 2018, and the main works are due to start on site in March. When complete, the project will extend the retail area to over 100,000m^2 and create one of the leading shopping centres in the Paris region. As part of the wider development of the centre of Cergy, the project will add 33,000m^2 to the existing shopping centre and has a total development cost of £225 million. The scheme is expected to open in Q2 2021 and is currently 22% pre-let to tenants including Pret A Manger and Vapiano.

Future developments

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

Brent Cross extension

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

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

Croydon town centre

In November, the Croydon Partnership, a 50:50 joint venture with Westfield, secured a resolution to grant outline planning consent for the revised plans for the redevelopment of the Whitgift Centre. The Greater London Authority (GLA) has also approved the scheme which now includes a new Marks & Spencer anchor store incorporated within three levels of retail with over 300 shops, restaurants and cafes, a multiplex cinema and up to 1,000 homes. The scheme is part of the wider large-scale regeneration already underway in the town and will establish Croydon as the major retail and leisure destination for south London. The partnership already holds 75% of the Whitgift Centre and the whole of Centrale, the other covered shopping centre in Croydon, which is anchored by Debenhams and House of Fraser. It is intended that the remaining land interests required to implement the scheme will be secured later in 2018, utilising the local council's compulsory purchase powers as necessary. The earliest start on-site could be during 2019, subject to finalising detailed design and completing agreements with anchor tenants. Hammerson's total future costs for the development will be around £650-700 million.

Italie Deux extension

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

The Goodsyard

The Goodsyard in Bishopsgate, on the edge of the City of London, is a 4.2ha site owned 50:50 with our partner, Ballymore Properties. The planning application for a large mixed-use development was called in by the Mayor of London in September 2015 and then deferred in April 2016 to allow for further consultation with the GLA's planning officers and potential redesign of some elements of the proposed scheme. This work is progressing and we are now targeting a submission to the GLA of the amendments necessary by the end of 2018 to allow the Mayor to determine the scheme.

Other schemes

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

The nature and design of these schemes are fluid and they are at different stages of development. Progress to delivery is dependent on a variety of factors including: planning permission; retailer demand; anchor tenant negotiations; scheme design; funding; and financial viability. Further details of these schemes are included in the Development Pipeline table on page 72.

Premium outlets

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

Operational summary

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

1. Figures reflect overall portfolio performance, not Hammerson's ownership share and 2016 figures have been restated at 31 December 2017 exchange rates.
2. Figures include acquired assets from the date of acquisition.
3. Sales growth at VIA Outlets in 2017 includes sales at Mallorca Fashion Outlet for the second half of the year and excludes all other assets acquired in 2016 and 2017.
4. Average sales density growth excludes assets acquired in 2017 and 2016.
5. Like-for-like NRI growth includes the impact of extensions due to multiple tenant relocations from the existing schemes into the new phases. We estimate that the extensions have contributed approximately 1-2% to like-for-like NRI growth.

Sector overview

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

Over recent years, the European outlets sector has seen both strong sales growth and increasing retailer demand. The market for discounted luxury and fashion items is attractive for international tourists, in particular from China, Russia, South East Asia and the USA. Spending patterns of wealthy tourists can be influenced by security concerns and currency movements. The latter factor particularly has encouraged visitors to the UK in 2016 and 2017.

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

Our portfolio

Our exposure to the sector, which has increased over recent years to be 20% of the Group's property portfolio, is gained through our investments in Value Retail (VR) and VIA Outlets (VIA). The sector has many similarities with our directly managed properties and we utilise the knowledge gained from the sector to enhance the brand experience across our other portfolios.

We hold interests in the VR holding companies as well as direct investments in the Villages. Details of our investment are shown in note 10 of the financial statements.

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

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

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

Value Retail (VR)

Portfolio overview

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

In 2017, the Villages had an average sales density of €15,700/m^2 and generated total sales of €2.7 billion, placing them in the top echelons of the premium outlets sector. The Villages actively target the growing shopping-tourism market as well as attracting footfall from affluent domestic catchments. This strategy has been very successful and VR has delivered annual compound brand sales growth in excess of 13% over the last ten years.

Income

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

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

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

Occupancy and leasing

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

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

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

Developments and extensions

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

In October 2017, the 5,800m^2 extension opened at Bicester Village. The extension is on land adjacent to the existing Village, and the scheme has increased the existing Village by 26% and added 500 additional car parking spaces. The project also involved a new enlarged VIP suite, an enhanced food and beverage offer, improved road access and new landscaping across the entire Village.

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

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

VIA Outlets (VIA)

Portfolio overview

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

VIA's strategy is to create a significant pan-European portfolio by acquiring existing European outlet centres with strong catchments, focused on mainstream fashion brands and with potential for growth through active asset and development management. Utilising VR's expertise and brand relationship, the VIA management team have implemented initiatives to enhance each centre's appearance, tenant mix, the provision of flagship stores and international brands, the leisure and catering offers, tourism marketing and overall centre management. This strategy has delivered strong operational and financial performance since formation and the transition from an acquisition vehicle to a leading premium outlet operator has been successful.

During 2017, VIA acquired three outlets: Zweibrücken in Germany; Vila do Conde in Porto and Norwegian Outlet in Oslo (see page 19 for details). These new centres enabled VIA to achieve its original €1 billion portfolio milestone. At 31 December 2017 the total portfolio was valued at €1.4 billion, of which the Group's 47% share was £600 million.

Income

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

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

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

Occupancy and leasing

Occupancy levels remained high at 90% during 2017.

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

Key leasing transactions included Lacoste at Landquart Fashion Outlet, Coach at Zweibrücken Fashion Outlet, Hackett at Freeport Lisbon Fashion Outlet and Polo Ralph Lauren opened a 1,100m² flagship store at Mallorca Fashion Outlet in August.

Developments and extensions

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

In November, the major reconfiguration and enhancement of Freeport Lisbon Fashion Outlet completed. The project included a full refurbishment of the centre with enhanced finishes to improve the overall ascetics of the scheme. The works also included a new information centre, VIP lounge, children's play area, redesigned entrances and improved car park access. The total cost of all the works was €26 million and the yield on cost was 11%. Sales and footfall have increased by 21% and 7% respectively since the opening. New brands to the centre include Coach, Furla, Hackett and Tumi which trade alongside the existing premium brands such as Armani and Hugo Boss.

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

PROPERTY PORTFOLIO REVIEW

Stable investment markets

Investment markets

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

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

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

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

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

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

Portfolio valuation

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

Movement in portfolio value

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

Acquisitions

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

- the acquisition of a 50% co-ownership in Pavilions shopping centre, Swords in north Dublin for £123 million in September. This was the final conversion to property ownership of the Irish loan portfolio acquired in October 2015 and required an additional cash payment of £56 million in 2017 (see note 9D to the financial statements on page 54 for further details). The 45,400m^2 centre generates passing rent of £7 million (50% share) and is anchored by Dunnes Stores with a further 70 stores and restaurants, an 11-screen cinema and 2,000 car parking spaces.
- in October we acquired Cergy 3 shopping centre which is adjacent to our existing Les 3 Fontaines centre in Cergy Pontoise in north west Paris for a cost of €81 million (£72 million). The 11,000m^2 centre is anchored by Fnac and has 46 units. A major extension project has recently started on the existing scheme (see page 14) and we are able to manage the leasing and customer services across both centres to enhance the overall customer experience.
- three premium outlet centres acquired by VIA Outlets: Zweibrücken Fashion Outlet on the Germany/France border in February; Vila do Conde, Porto in March and Norwegian Outlet, Oslo in September. The Group's share of the acquisition costs was £238 million, which required a cash payment of £130 million with the remainder being funded from secured bank finance. The former two centres were part of a portfolio of four properties acquired from the IRUS fund, where the acquisition of the other two centres completed in December 2016. Norwegian Outlet in Oslo is a fully-let 13,300m^2 centre with 56 units occupied by international brands including Diesel, Gant, Guess, Hugo Boss and Superdry. Since acquisition, work has been undertaken to improve the marketing strategy, tenant mix and the centre's aesthetics to enhance the customer experience.

Capital expenditure

In 2017, capital expenditure totalled £191 million. The table below shows the expenditure on a sector basis and also analyses the spend between the creation of additional area and creation of value through the enhancement of existing space.

Capital expenditure analysis

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

Capital expenditure on UK shopping centres totalled £28 million, with the most significant improvement projects including works to reconfigure the former House of Fraser store at Highcross (see page 7 for further details) and a new 2,750m^2 Next store at The Oracle.

£46 million was incurred on UK retail parks, with the main projects creating area being the second phase of development at Elliott's Field, Rugby and an extension project at Kirkcaldy (see page 9). Expenditure classified as not creating additional area principally related to the redevelopment of Parc Tawe, Swansea and further details are provided on page 14.

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

Capital expenditure on Developments and the UK other portfolios totalled £42 million of which £41 million was on the Group's development properties. In the table above, expenditure on the Orchard Centre, Didcot project is classified as creating area and costs incurred working up the future major development projects at Brent Cross and Croydon are classified as creating no additional area until works start on-site. Further details of these projects are included in the Business Review on pages 14 and 15.

For Premium outlets, capital expenditure totalled £41 million, of which £20 million was incurred by Value Retail and £21 million by VIA Outlets. The schemes classified as creating area were the extensions at Bicester Village, Freeport Lisbon Fashion Outlet and Batavia Stad Amsterdam.

Other capital expenditure includes tenant incentives of £5 million with the remaining expenditure incurred across both outlet portfolios to enhance the existing and recently acquired properties.

Disposals

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

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

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

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

Valuation change

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

Components of valuation change

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

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

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

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

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

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

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

Further valuation, returns and yield analysis is included in Tables 9 and 10 in the Additional Disclosures on page 66.

ERV growth

Like-for-like ERV growth

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

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

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

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

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

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

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

Returns

Property returns

Property returns analysis

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

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

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

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

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

In 2017, the Reported Group portfolio (see Financial Review on page 23 for explanation) produced a total return of 4.2%, whilst properties held by our joint ventures and associates generated a total return of 8.8%. The performance of the latter portfolio was boosted by the strong return from Premium outlets. An analysis of the capital and total returns by business segment is included in Table 9 on page 66.

Shareholder returns

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

For the year ended 31 December 2017, the Group's return on shareholders' equity was 8.3%, which compares to the Group's estimated cost of equity of 8.2%. The income element of the return on equity tends to be relatively low given the high-quality nature of the Group's property portfolio. The capital element of the return was driven by the portfolio's valuation performance during the year.

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

FINANCIAL REVIEW

Delivering consistent financial performance

The Group has again produced solid earnings and net asset growth. We have also completed significant refinancing activity to boost liquidity, extend debt maturities and reduce the average cost of debt.

Highlights

IFRS profit for the year*	Adjusted EPS[1]	Dividend per share
£388.4 million	31.1p	25.5p
(+22.4%)	(+6.5%)	(+6.3%)
Shareholders' funds*	**EPRA NAV per share[2]**	**Cost ratio[3]**
£6,024 million	£7.76	21.6%
(+4.3%)	(+5.0%)	(2016: 22.6%)

* Attributable to equity shareholders.

1. See note 7B to the financial statements for calculation.
2. See note 7D to the financial statements for calculation.
3. See Table 8 on page 65 for further analysis.

Presentation of financial information

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

The Group has property interests in a number of sectors and management reviews the performance of the Group's property interests in Shopping centres, Retail parks, UK Other properties and Developments on a proportionally consolidated basis to reflect the Group's different ownership shares. Management does not proportionally consolidate the Group's premium outlet investments in Value Retail and VIA Outlets, which are externally managed by experienced outlet operators, independently financed and have operating metrics which differ from the Group's other sectors. Except for property valuation and returns, we review the performance of our premium outlet investments separately from the proportionally consolidated portfolio. The key financial metrics for our premium outlets are: income growth; earnings contribution; property valuations and returns; and capital growth.

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

Further explanation of the accounting treatments of the Group's different types of ownership is provided in the Glossary on pages 73 and 74.

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 62.

For other APMs, the Financial Review and Additional Disclosures sections contain supporting information, including reconciliations to the IFRS financial statements. Definitions for APMs are also included in the Glossary.

Profit for the year

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

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

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

Proportionally consolidated, including premium outlets	Year ended 31 December 2017 £m	Year ended 31 December 2016 £m
IFRS profit for the year attributable to equity shareholders	388.4	317.3
Adjustments:		
Loss on sale of properties*	15.5	24.0
Recycling of net exchange gain on disposal of foreign operations, net of non-controlling interests	(8.2)	–
Net revaluation (gains)/losses on property portfolio*	(21.3)	13.4
Net revaluation gains on Premium outlet properties	(225.2)	(138.4)
Debt and loan facility cancellation costs*	41.5	0.4
Change in fair value of derivatives*	21.3	2.7
Deferred tax on Premium outlets	35.0	14.3
Other adjustments	(0.7)	(3.0)
Adjusted profit for the year (note 7B)	246.3	230.7
Adjusted EPS, pence	31.1	29.2

* Proportionally consolidated.

Analysis of the Group's IFRS income statement split between underlying 'Adjusted' profit and 'Capital and other' profit is shown in note 2 of the financial statements on page 41 and further details of the EPRA adjustments are provided in note 7B of the financial statements on page 46.

Adjusted profit

The Group's adjusted profit for 2017 was £246.3 million, £15.6 million or 6.8%, higher than in 2016. 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 £m	Share of joint ventures £m	Share of associates £m	Adjusted profit for the year £m	Adjusted EPS pence
Adjusted profit – Year ended 31 December 2016	62.6	143.2	24.9	230.7	29.2
Net rental income:					
Acquisitions	2.8	19.8	–	22.6	2.9
Disposals	(15.3)	–	–	(15.3)	(1.9)
Development and other	5.3	1.1	–	6.4	0.8
Like-for-like portfolio	1.7	1.0	–	2.7	0.3
	(5.5)	21.9	–	16.4	2.1
Increase in net administration expenses	(1.9)	(0.1)	–	(2.0)	(0.2)
Decrease/(Increase) in net finance costs	4.1	(15.0)	–	(10.9)	(1.4)
Increase in Premium outlets earnings	–	6.7	0.9	7.6	1.0
Tax and non-controlling interests	0.2	0.8	–	1.0	0.1
Foreign exchange and other	0.1	3.2	0.2	3.5	0.3
Adjusted profit – Year ended 31 December 2017	59.6	160.7	26.0	246.3	31.1

Net rental income

Analysis of net rental income

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

* Share of Property interests includes £1.4 million of like-for-like net rental income from Nicetoile which is accounted for as an associate (see note 10 of the financial statements).

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

In 2017 the Group's growth in like-for-like NRI KPI on page 5 of 1.7% includes the performance of our Irish shopping centres where the underlying net rental income received in 2016 prior to the conversion to property ownership of the secured loans was treated as finance income. The like-for-like NRI performance by sector is further explained in the Business Review on pages 7 to 18.

Acquisitions generated £22.6 million of additional income which relates to the conversion of the Irish loan portfolio to real estate in 2016 and 2017. Disposals reduced income in 2017 by £15.3 million, reflecting the sales in 2016 of 50% of Grand Central, Birmingham; Villebon 2, Paris and a number of UK retail parks (Manor Walks and Westmorland, Cramlington; Thurrock Shopping Park, Essex) and Westwood and Westwood Gateway Retail Parks in July 2017. Developments increased net rental income by £6.4 million following the completion of the development of Victoria Gate, Leeds and the leisure extension at Westquay South, Southampton towards the end of 2016. Further analysis of net rental income is provided in Tables 3 and 6 of the Additional Disclosures on pages 63 and 64 respectively.

Administration expenses

Administration expenses analysis

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

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

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

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

Cost ratio

The EPRA cost ratio for the year ended 31 December 2017 was 21.6%, 100 basis points lower than 2016. Compared with the prior year ratio, the administration expenses element of the ratio remained unchanged at 11.9%, whilst the property costs element has fallen from 10.7% to 9.7%. The reduction in the property costs ratio is associated with lower vacancy and bad debt costs in 2017. The downward trend in the ratio reflects management's continued focus on delivering operating efficiencies across the Group. The calculation of the cost ratio is included as Table 8 of the Additional Disclosures on page 65.

Loss on sale of properties and recycling of net exchange gains

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

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

Potential business acquisition costs

The Group recognised £6.5 million of costs in relation to professional advisor fees to support the acquisition of intu properties plc which was announced on 6 December 2017. These costs have been excluded from the Group's adjusted earnings.

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

The Group has interests in 15 joint ventures and the share of the results of joint ventures under IFRS for the year ended 31 December 2017 was £180.5 million (2016: £169.2 million). Further details are provided in note 9 to the financial statements.

As explained at the beginning of the Financial Review on page 23, 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) £m	Associates (incl. VR) £m	Year ended 31 December 2017 Total £m	Joint ventures (incl. VIA) £m	Associates (incl. VR) £m	Year ended 31 December 2016 Total £m
Share of results – IFRS	180.5	223.0	403.5	169.2	137.1	306.3
Revaluation gains on properties	(46.3)	(198.3)	(244.6)	(29.1)	(120.6)	(149.7)
Other adjustments	26.5	1.3	27.8	3.1	8.4	11.5
Total adjustments	(19.8)	(197.0)	(216.8)	(26.0)	(112.2)	(138.2)
Adjusted earnings contribution	160.7	26.0	186.7	143.2	24.9	168.1
Analysed as:						
Share of Property interests	147.5	1.4	148.9	137.0	1.3	138.3
Premium outlets	13.2	24.6	37.8	6.2	23.6	29.8

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

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

Further details of the Group's joint ventures and associates are shown in notes 9 and 10 to the financial statements respectively. The operating performance of our Premium outlets is described in the Business Review on pages 16 to 18 and the combined profit contribution is in Table 13 of the Additional Disclosures on page 68.

Finance costs

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

Adjusted finance costs, which excludes items such as the change in fair value of derivatives and debt cancellation costs, totalled £107.6 million in 2017, an increase of £14.1 million, or £10.9 million at constant exchange rates. The increase principally arose from reduced finance income following the conversion of the Irish loans to property in 2016 and 2017 and the reduction in loans to Value Retail in the second half of 2016. Interest capitalised on a number of retail park development schemes totalled £0.8 million in 2017, which was £4.3 million lower than in 2016 when both Victoria Gate, Leeds and Westquay South, Southampton were completed.

The supporting calculation for adjusted finance costs is shown in Table 16 of the Additional Disclosures on page 70.

Tax

The Group has tax exempt status in the UK, France and Ireland and is exempt from corporation tax on rental income and gains arising on property sales. The current tax charge in 2017 was £1.8 million, £0.9 million lower than 2016, as the prior year included a number of one-off charges.

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

Dividends

The Directors have proposed a final dividend of 14.8 pence per share. Together with the interim dividend of 10.7 pence, the total for 2017 is 25.5 pence, representing an increase of 6.25% compared with the prior year. The final dividend is payable on 26 April 2018 to shareholders on the register at the close of business on 16 March 2018. 7.4 pence will be paid as a PID, net of withholding tax where appropriate, with the balance of 7.4 pence paid as a normal dividend.

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

Net assets

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

Movement in net assets

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

1. Adjustments in accordance with EPRA best practice shown in note 7D to the financial statements on page 47.

The increase in EPRA net assets was principally due to property revaluation gains of £246 million, mainly in the UK shopping centres, Developments and Premium outlets portfolios as explained in the Property Portfolio Review on page 19. Adjusted profit also increased net assets by £246 million, although this was offset by dividends of £194 million. Foreign exchange and other movements totalled £59 million, mainly reflecting the weakening of sterling against the euro over the course of 2017.

Investment and development properties

The valuation of investment and development properties in the Reported Group at 31 December 2017 was £4,686 million, £78 million lower than the prior year. The movement in investment and development properties is shown in note 8 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 19.

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

Details of the Group's joint ventures and associates are shown in notes 9 and 10 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

	31 December 2017			31 December 2016		
	Joint ventures (incl. VIA) £m	Associates (incl. VR) £m	Total £m	Joint ventures (incl. VIA) £m	Associates (incl. VR) £m	Total £m
IFRS investment in joint ventures/associates	3,674	1,099	4,773	3,737	988	4,725
Adjustments (see notes 9C/10D)	57	88	145	19	87	106
Adjusted investment in joint ventures/associates	3,731	1,187	4,918	3,756	1,075	4,831
Analysed as:						
Share of Property interests	3,312	31	3,343	3,514	29	3,543
Premium outlets	419	1,156	1,575	242	1,046	1,288

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

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

An analysis of the Group's combined investment in premium outlets is shown in Table 14 in the Additional Disclosures on page 67.

Financing and cash flow

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

Key financing metrics

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

1. Guidelines should not be exceeded for an extended period of time.
2. See Table 18 on page 70 for supporting calculation.
3. EBITDA includes the interest received from the Irish loan assets. See Table 19 on page 71 for supporting calculation.

Net debt position

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

Movement in proportionally consolidated net debt

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

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

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

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

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

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

The Group's unsecured bank facilities and the private placement senior notes contain financial covenants that the Group's gearing should not exceed 150% and that interest cover should be not less than 1.25 times. Two of our unsecured bonds contain a covenant that gearing should not exceed 150%, whilst the covenant on the remaining bonds is that gearing should not exceed 175%. The bonds have no covenant for interest cover. The Group's financial ratios are comfortably within these covenants.

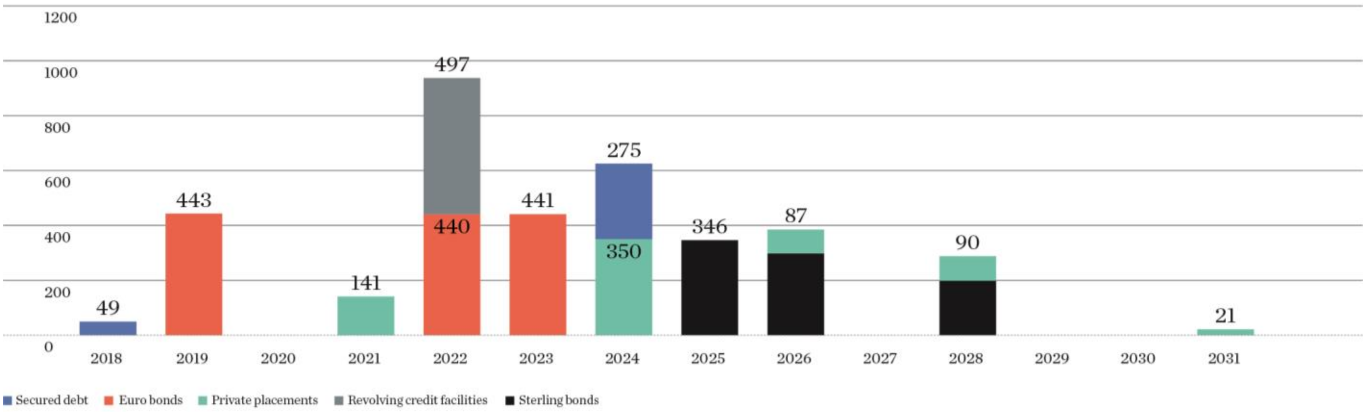
Fitch and Moody's rate Hammerson's unsecured credit as A– and Baa1 respectively. In May, Moody's changed its outlook from negative to stable, citing the Group's financial discipline and stable operating performance since the UK's EU referendum decision in June 2016 and also reaffirmed the Group's rating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

At 31 December 2017, the Group's loan to value was 36% and gearing was 58%, compared with 36% and 59% respectively at the beginning of the year. Supporting calculations are in Table 18 in the Additional Disclosures on page 69.

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

Debt maturity profile at 31 December 2017 (£m)

Proportionally consolidated, excluding premium outlets



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

RISKS AND UNCERTAINTIES

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

On 6 December 2017, we announced an all-share offer for intu properties plc. The significant scale and effort required to integrate and complete the acquisition impacts a number of the Group's principal risks. The key risks impacted are: Macro-economic, Property investment, Treasury and People. In addition to the integration impact of the acquisition on the Group's existing risks, we have created a new principal risk 'Acquisition completion' solely associated with the completion of the transaction, this is explained below.

A more comprehensive explanation of the Group's approach to risk management is included in the 2017 Annual Report.

Risk and impact	Key mitigating factors/actions	Change during 2017 and outlook
1. Macro-economic (Residual risk assessment: Medium/High)		**Impact ↔ Probability ↑**
Our financial performance is directly impacted by the macro-economic performance in the countries in which we operate.	We invest across a number of property sectors and European countries and have a diverse variety of tenants. This limits the impact of	Economic growth prospects have generally improved across Europe during 2017. However, uncertainty around the UK's exit of the EU has led to subdued growth forecasts.

Our retailers and shoppers are impacted by factors such as GDP and disposable income growth, employment levels, business and consumer confidence, interest rates and foreign exchange movements.	adverse macro-economic trends in a single market. We monitor economic research and undertook a macro-economic review at the Board Strategy Day. We have a resilient, stress tested business plan and a robust financial position which provides protection from future market shocks.	Inflationary pressures have increased and interest rates may rise in 2018 which could have a dampening impact on economic growth. The intu acquisition will increase the Group's exposure to the UK but we believe the combination of our high-quality property portfolio and management expertise will act to deliver value for stakeholders. We are also committed to retaining operational and financial flexibility in case of macro-economic weakness.
2. Retail market (Residual risk assessment: Medium/High)		**Impact ↔ Probability ↑**
We own and operate retail property in a dynamic marketplace. Failure to anticipate and address developments in consumer and occupational markets, such as multichannel retailing and digital technology challenges will result in financial underperformance and future obsolescence. Retailer profitability is under pressure due to increased costs and weak retail sales.	We own high-quality retail properties which appeal to both retailers and consumers and apply our Product Experience Framework to ensure the relevance of our portfolio. Our bespoke leasing strategy enhances our tenant mix and we have increased our catering, leisure and events offer. Our digital strategy also allows us to gain consumer insight and communicate with our shoppers.	2017 has been a record year for leasing across the business. This demand demonstrates that our portfolios are able to support retailer's evolving multichannel strategies. We continue to enhance our properties to ensure they meet customer requirements and offer both a shopping and leisure experience. This strategy, delivered through our Product Experience Framework, is key to continuing to attract both retailers and shoppers in an evolving retail market.
3. Property investment (Residual risk assessment: Medium/High)		**Impact ↑ Probability ↑**
Poor investment decisions involving acquisitions and disposals may result in suboptimal returns. Property valuations fall, adversely impacting the Group's financial position and delivery of future plans. Opportunities to divest of properties are missed, or are limited by adverse market conditions.	All significant investment decisions are approved by the Board and are thoroughly evaluated. Our diversified portfolio limits the impact of a downturn in a single market. We undertake twice yearly independent valuations and stress test our investment projections within our annual Business Plan.	Property investment markets have remained broadly stable in 2017 and whilst investors remain selective we have successfully completed our planned £400 million disposal programme. Valuations should be supported by the low interest rate environment and investor demand for the secure income yield provided by high-quality retail property. Associated with the intu acquisition we plan to dispose of at least £2 billion of property in the short to medium term to strengthen the enlarged group's balance sheet and provide liquidity for reinvestment opportunities.
4. Property development (Residual risk assessment: Low)		**Impact ↑ Probability ↑**
Property development is complex and inherently risky. Major projects have long delivery times with multiple milestones and are management intensive. Unsuccessful projects result in adverse financial and reputational outcomes. Over-exposure to developments increases the potential financial impact of an economic downturn which could overstretch the Group's financial capacity.	We have a proven track record of developing iconic destinations. Development plans and exposure are included in our business planning process and all major commitments are approved by the Board. We undertake regular project reviews, including risk reporting and have clear project ownership and resourcing plans. We regularly use fixed price contracts and projects have appropriate contingencies and post-completion reviews are performed to identify future improvements.	The completion of our two shopping centre schemes in Leeds and Southampton in late 2016 reduced our short term development exposure. As at 31 December 2017 committed capital expenditure was £89 million (2016: £68 million) and our development portfolio represented only 5% (2016: 4%) of our total property portfolio. We have progressed our major development schemes and have recently commenced the extension to Les 3 Fontaines in Paris. There are still a number of project milestones to be achieved before we can commence our other schemes.
5. Treasury (Residual risk assessment: Medium/High)		**Impact ↔ Probability ↔**
Poor treasury planning or external factors may lead to the Group having insufficient liquidity and unable to support the delivery of our strategy. A fall in property values would adversely impact our financial position and could	We undertake treasury planning to ensure appropriate liquidity levels are maintained. Capital is provided by a diverse range of counterparties (banks, bond investors and JV partners). The Board monitors and approves key financing metrics and the annual business	As at 31 December 2017 our balance sheet and key financing metrics remained robust, with liquidity of £958 million, loan to value of 36% and gearing of 58%. During 2017 we completed significant refinancing and have reduced the average cost of debt to 2.9%. The

result in a breach of borrowing covenants. Significant fluctuations in sterling or euro exchange rates or significant interest rates could result in financial losses.	plan includes a financing plan and associated stress tests. We use interest rate and currency hedging to mitigate the impact of market volatility.	average debt maturity was 5.6 years and we have no significant debt maturities in the next two years. Whilst the intu acquisition will initially act to increase leverage, a £2 billion disposal programme in the short to medium term will support our commitment to maintaining a strong financial position.
6. Partnerships (Residual risk assessment: Low)		**Impact ↑ Probability ↑**
A significant proportion of the Group's properties are held in conjunction with third parties. These structures can limit the Group's control and liquidity. Operational effectiveness may also be adversely impacted if partners are not strategically aligned. Our premium outlets are externally managed and this reduces control and transparency over performance and governance.	We have a proven track record of working successfully with a diverse range of partners and our contracts enable appropriate liquidity. Annual joint venture business plans are approved to ensure operational and strategic alignment. We have a close working relationship with our premium outlet partners including board representation. Both investments are subject to external audit and independent property valuations.	At 31 December 2017, 58% (2016: 53%) of our portfolio is held jointly with third parties. The increase during 2017 was due to strong valuation growth from our Premium outlets and the £400 million disposals which were all wholly-owned. We remain comfortable that our third-party ownership structures do not adversely impact performance or liquidity. The intu acquisition will act to reduce the proportion of the portfolio held with third parties to approximately 35%.
7. Tax and regulatory (Residual risk assessment: Medium)		**Impact ↔ Probability ↔**
There is an increasing burden from compliance and regulatory requirements which can act to impede operational and financial performance. The real estate sector has suffered a rising tax burden through increases in stamp duty and business rates. These adversely impact financial performance. The UK's future exit from the EU creates uncertainty around the future of UK tax and regulatory environment.	We act to maintain a low-risk tax status in the UK and have regular meetings with HMRC. We participate in policy consultations and in industry-wide dialogue with policy makers through bodies such as REVO, BPF, EPRA etc. We also undertake regular tax compliance reviews and advanced planning for future regulatory and tax changes.	There continues to be uncertainty associated with the UK's exit from the EU. The recent 4% increase in Irish stamp duty reduced the valuation of our portfolio by £46 million. We believe the Group is appropriately structured to mitigate the impact of future tax changes and continue to review all new legislation. The implementation in the UK of the living wage, the apprenticeship levy and increases in business rates, whilst not having a significant direct impact on the Group, have an adverse financial impact on the wider retail sector.
8. Catastrophic event (Residual risk assessment: Medium/High)		**Impact ↔ Probability ↑**
Our operations, shopper safety, reputation or financial performance could be significantly impacted by a major event such as a terrorist or cyber-attack, power outage or civil unrest.	We have continuity plans at a corporate and operational level, including a core crisis group for dealing with major incidents. We have enhanced our physical security measures at our properties and maintain regular dialogue with security agencies. We have appropriate insurance cover and have engaged third party support and testing for IT security.	There have been a number of terrorist incidents at public venues during 2017 and the current threat level across Europe remains very high. The wider use of digital technology across the Group increases the risks associated with cyber security. We regularly review and continue to implement improvements to our processes and procedures to counter the threat of a major incident. However, it is not possible to fully mitigate these risks and the related impacts.
9. People (Residual risk assessment: Low)		**Impact ↑ Probability ↑**
The Group has a relatively small headcount which can act to curtail the achievement of business objectives, particularly in times of significant activity. A failure to recruit or retain key executives and staff with appropriate skills would also adversely impact corporate performance.	Our annual business plan contains a human resources plan, covering team structures, training and talent management initiatives. Succession planning has been undertaken across the senior management team and we continue to support and encourage staff training and development. We also monitor staff turnover and employee engagement.	During 2017, staff turnover has remained low at 12.0% and we have again undertaken an all-staff 'Great Place to Work' survey. The results show high levels of employee engagement and satisfaction. We have also launched a new e-learning platform to support training and development. We are acutely aware the intu acquisition may adversely impact staff motivation and heighten job security concerns. We are planning revised team structures which will provide new opportunities and

		we will ensure staff are treated fairly throughout the integration process.
10. Environmental NEW (Residual risk assessment: Low)		**Impact** n/a **Probability** n/a
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 are impacted by the failure to achieve our Net Positive targets or other environmental objectives. Emerging environmental regulation or legislation may act to increase costs or make properties obsolete.	We have an experienced sustainability team that are empowered to design and implement the Group's environmental and corporate responsibility strategy which is reviewed and endorsed by the Board. We have green energy contracts in place across the portfolio and maintain a detailed environmental risk framework. Our environmental reporting is subject to external assurance.	In March 2017 we launched our Net Positive targets within the existing Positive Places sustainability framework. To achieve these targets we need to collaborate with our retailers to reduce the environmental impact of our existing portfolio. We also need to design our new developments to deliver environmental excellence to reduce the Group's future carbon footprint. We made further progress to reduce our environmental impact during 2017. Key achievements were a 9% like-for-like emissions reduction and the installation of new clean energy generation.
11. Acquisition completion NEW (Residual risk assessment: Medium/High)		**Impact** n/a **Probability** n/a
The acquisition fails to obtain shareholder or regulatory approval. The enlarged group's reputation and financial position are adversely impacted by the failure to achieve the forecast financial performance or deliver the identified synergies. There is significant organisational stress associated with completing the transaction and integrating the two businesses. The acquisition may result in staff retention and motivational issues for key employees and teams.	There was significant Board involvement and oversight throughout the acquisition process which included due diligence, financial modelling and sensitivity analysis. We completed a comprehensive investor roadshow with over 60 individual meetings. The synergies assessment was supported by a PwC opinion. Competition clearance work has commenced and we are supported by experienced advisory teams.	The all-share intu acquisition was announced in December 2017. Work to support the approval process and integration has commenced. See page 3 for further details. Management are committed to maximising the opportunities from the acquisition whilst effectively managing the risk associated with the transaction. 2018 will involve significant work to complete the transaction and to plan and implement the effective integration of the two businesses.

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 2017 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 (IFRSs) as adopted by the European Union and Company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 'Reduced Disclosure Framework', and applicable law). Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Company and of the profit or loss of the Group and Company for that period. In preparing the financial statements, the Directors are required to:

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

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

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

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

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

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

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

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

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

By order of the Board

David Atkins
Chief Executive

Timon Drakesmith
Chief Financial Officer

23 February 2018

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2017

	Notes	2017 £m	2016 £m
Gross rental income	2	248.9	251.3
Operating profit before other net gains/(losses) and share of results of joint ventures and associates	2	174.2	176.6
Loss on sale of properties		(15.5)	(24.0)
Net exchange gain previously recognised in equity, recycled on disposal of foreign operations		27.8	–
Gain on sale of other investments		–	1.3
Potential business acquisition costs		(6.5)	–
Revaluation gains/(losses) on properties		1.9	(24.7)
Other net gains/(losses)	2	7.7	(47.4)
Share of results of joint ventures	9A	180.5	169.2
Share of results of associates	10A	223.0	137.1
Operating profit	2	585.4	435.5
Finance costs		(125.3)	(121.2)
Debt and loan facility cancellation costs		(41.5)	(0.4)
Change in fair value of derivatives		(21.3)	(3.5)
Finance income		16.1	12.4

	Notes	2017 £m	2016 £m
Net finance costs	4	(172.0)	(112.7)
Profit before tax		413.4	322.8
Tax charge	5A	(1.8)	(1.9)
Profit for the year		411.6	320.9
Attributable to:			
Equity shareholders		388.4	317.3
Non-controlling interests	23	23.2	3.6
Profit for the year		411.6	320.9
Basic earnings per share	7B	49.0p	40.2p
Diluted earnings per share	7B	48.9p	40.1p

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2017

	2017 £m	2016 £m
Items recycled through the income statement on disposal of foreign operations		
Exchange gain previously recognised in the translation reserve	(54.4)	–
Exchange loss previously recognised in the hedging reserve	46.2	–
Net exchange gain relating to equity shareholders	(8.2)	–
Exchange gain relating to non-controlling interests	(19.6)	–
	(27.8)	–
Items that may subsequently be recycled through the income statement		
Foreign exchange translation differences	161.1	535.6
Net loss on hedging activities	(99.6)	(437.3)
	61.5	98.3
Items that may not subsequently be recycled through the income statement		
Change in fair value of participative loans within investment in associates	(0.5)	(0.3)
Net actuarial losses on pension schemes	(0.3)	(15.9)
	(0.8)	(16.2)
Total other comprehensive income	32.9	82.1
Profit for the year	411.6	320.9
Total comprehensive income for the year	444.5	403.0
Attributable to:		
Equity shareholders	437.7	388.3
Non-controlling interests	6.8	14.7
Total comprehensive income for the year	444.5	403.0

CONSOLIDATED BALANCE SHEET

AS AT 31 DECEMBER 2017

	Notes	2017 £m	2016 £m
Non-current assets			
Investment and development properties	8	4,686.1	4,763.9
Interests in leasehold properties		37.2	36.4
Plant and equipment		5.1	6.2
Investment in joint ventures	9A	3,673.7	3,736.7
Investment in associates	10C	1,099.5	988.1
Receivables	11	20.4	44.9
		9,522.0	9,576.2
Current assets			

Receivables	12	110.5	105.9
Restricted monetary assets	13	37.3	35.1
Cash and deposits	14	205.9	74.3
		353.7	215.3
Total assets		9,875.7	9,791.5
Current liabilities			
Payables	15	(261.1)	(303.8)
Tax		(0.5)	(0.4)
Loans and other borrowings	16A	(1.7)	(211.1)
		(263.3)	(515.3)
Non-current liabilities			
Loans and other borrowings	16A	(3,451.3)	(3,285.2)
Deferred tax		(0.5)	(0.5)
Obligations under finance leases		(38.9)	(37.5)
Payables	18	(84.2)	(96.0)
		(3,574.9)	(3,419.2)
Total liabilities		(3,838.2)	(3,934.5)
Net assets		6,037.5	5,857.0
Equity			
Share capital	19	198.6	198.3
Share premium		1,265.9	1,265.7
Translation reserve		763.1	659.6
Hedging reserve		(616.3)	(562.9)
Merger reserve		374.1	374.1
Other reserves		22.0	23.7
Retained earnings		4,016.4	3,817.3
Investment in own shares		(0.3)	(0.2)
Equity shareholders' funds		6,023.5	5,775.6
Non-controlling interests	23	14.0	81.4
Total equity		6,037.5	5,857.0
EPRA net asset value per share	7D	£7.76	£7.39

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2017

	Share capital £m	Share premium £m	Translation reserve £m	Hedging reserve £m	Merger reserve £m	Other reserves £m	Retained earnings £m	Investment in own shares* £m	Equity shareholders' funds £m	Non-controlling interests £m	Total equity £m
Balance at 1 January 2017	198.3	1,265.7	659.6	(562.9)	374.1	23.7	3,817.3	(0.2)	5,775.6	81.4	5,857.0
Issue of shares	0.3	0.2	–	–	–	–	–	(0.3)	0.2	–	0.2
Share-based employee remuneration	–	–	–	–	–	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 6)	–	–	–	–	–	–	(193.6)	–	(193.6)	(74.2)	(267.8)
Exchange gain previously recognised in equity recycled on disposal of foreign operation	–	–	(54.4)	–	–	–	–	–	(54.4)	(19.6)	(74.0)

Exchange loss previously recognised in the hedging reserve recycled on disposal of foreign operation	–	–	–	46.2	–	–	–	–	46.2	–	46.2
Foreign exchange translation differences	–	–	157.9	–	–	–	–	–	157.9	3.2	161.1
Net loss on hedging activities	–	–	–	(99.6)	–	–	–	–	(99.6)	–	(99.6)
Change in fair value of participative loans within investment in associates (note 10E)	–	–	–	–	–	–	(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	(53.4)	–	–	387.6	–	437.7	6.8	444.5
Balance at 31 December 2017	198.6	1,265.9	763.1	(616.3)	374.1	22.0	4,016.4	(0.3)	6,023.5	14.0	6,037.5

* Investment in own shares is stated at cost.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2016

	Share capital £m	Share premium £m	Translation reserve £m	Hedging reserve £m	Merger reserve £m	Other reserves £m	Retained earnings £m	Investment in own shares* £m	Equity shareholders' funds £m	Non-controlling interests £m	Total equity £m
Balance at 1 January 2016	196.1	1,223.3	135.1	(125.6)	374.1	21.7	3,696.5	(3.9)	5,517.3	69.0	5,586.3
Issue of shares	0.3	0.2	–	–	–	–	–	(0.3)	0.2	–	0.2
Share-based employee remuneration	–	–	–	–	–	5.6	–	–	5.6	–	5.6
Cost of shares awarded to employees	–	–	–	–	–	(4.0)	–	4.0	–	–	–
Transfer on award of own shares to employees	–	–	–	–	–	0.4	(0.4)	–	–	–	–
Proceeds on award of own shares to employees	–	–	–	–	–	–	0.2	–	0.2	–	0.2
Dividends (note 6)	1.9	42.2	–	–	–	–	(180.1)	–	(136.0)	(2.3)	(138.3)
Foreign exchange translation differences	–	–	524.5	–	–	–	–	–	524.5	11.1	535.6
Net loss on hedging activities	–	–	–	(437.3)	–	–	–	–	(437.3)	–	(437.3)
Change in fair value of participative loans within investment in associates (note 10E)	–	–	–	–	–	–	(0.3)	–	(0.3)	–	(0.3)
Net actuarial losses on pension schemes	–	–	–	–	–	–	(15.9)	–	(15.9)	–	(15.9)
Profit for the year	–	–	–	–	–	–	317.3	–	317.3	3.6	320.9
Total comprehensive income/(loss) for the year	–	–	524.5	(437.3)	–	–	301.1	–	388.3	14.7	403.0
Balance at 31 December 2016	198.3	1,265.7	659.6	(562.9)	374.1	23.7	3,817.3	(0.2)	5,775.6	81.4	5,857.0

* Investment in own shares is stated at cost.

CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2017

	Notes	2017 £m	2016 £m
Operating activities			
Operating profit before other net gains/(losses) and share of results of joint ventures and associates	2	174.2	176.6

Decrease in receivables		6.6	2.0
(Increase)/Decrease in restricted monetary assets		(1.5)	2.2
(Decrease)/Increase in payables		(14.5)	11.9
Adjustment for non-cash items	21	9.1	11.6
Cash generated from operations		173.9	204.3
Interest received		12.9	20.0
Interest paid		(129.9)	(125.1)
Debt and loan facility cancellation costs	4	(41.5)	(0.4)
Tax paid		(1.1)	(2.9)
Distributions and other receivables from joint ventures		125.0	84.0
Cash flows from operating activities		139.3	179.9
Investing activities			
Property acquisitions		(122.5)	(499.7)
Developments and major refurbishments		(46.7)	(127.2)
Other capital expenditure		(66.7)	(55.2)
Sale of properties		490.8	639.0
Advances to joint ventures	9D	(165.6)	(63.1)
Return of equity from joint ventures	9D	275.0	–
Acquisition of additional interest in Irish loan portfolio	9D	(56.2)	–
Advances to joint ventures on conversion of Irish loan portfolio to property assets	9D	–	(91.9)
Acquisition of interest in associates		(39.3)	(2.4)
Distributions from associates		130.9	18.0
Acquisition of other investments		–	(1.9)
Sale of other investments		–	8.0
Repayment of loans receivable		19.9	65.8
Cash flows from investing activities		419.6	(110.6)
Financing activities			
Issue of shares		0.2	0.2
Proceeds from award of own shares		0.2	0.2
Purchase of own shares		(2.0)	–
Proceeds from new borrowings		526.9	949.8
Repayment of borrowings		(687.7)	(847.5)
Net (decrease)/increase in borrowings	20	(160.8)	102.3
Dividends paid to non-controlling interests		(74.2)	(2.3)
Equity dividends paid	6	(191.7)	(135.7)
Cash flows from financing activities		(428.3)	(35.3)
Net increase in cash and deposits		130.6	34.0
Opening cash and deposits		74.3	37.0
Exchange translation movement		1.0	3.3
Closing cash and deposits	14	205.9	74.3

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

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 2017. 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 2017 or 2016, 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 2016 have been delivered to the Registrar of Companies and those for 2017 will be delivered following the Company's Annual General Meeting. The auditor’s reports on both the 2017 and 2016 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 2017, the following new and revised Standards and Interpretations have been adopted but these have not had a material impact on the amounts reported in these financial statements:

- Amendments to IAS 7 Statement of Cash Flows
- Amendments to IAS Income Taxes
- IFRS 12 Disclosure of interests in other entities.

The principal exchange rate used to translate foreign currency denominated amounts in the balance sheet is the rate at the end of the year, £1 = €1.127 (2016: £1 = €1.171). The principal exchange rate used for the income statement is the average rate, £1 = €1.141 (2016: £1 = €1.224).

Going concern

The Group's business activities, together with factors likely to affect its future development, performance, and position are set out in the 'Business Review', the 'Property Portfolio Review', the 'Financial Review' and the 'Risks and Uncertainties'. The financial position of the Group, its liquidity position and borrowing facilities are described in the 'Business 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, making reasonable assumptions about future trading performance. As part of the review, the Directors considered the Group's cash balances, its debt maturity profile, including undrawn facilities, and the long-term nature of tenant leases. After making enquiries, the Directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the Annual Report.

2: Profit for the year

As stated in the Financial Review on page 23 and in note 3, management reviews the performance of the Group's property portfolio on a proportionally consolidated basis. Management does not proportionally consolidate the Group's premium outlet investments in Value Retail and VIA Outlets, and reviews the performance of these investments separately from the rest of the proportionally consolidated portfolio.

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

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

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

						2017
					Proportionally consolidated	
	Notes	Reported Group £m	Share of Property interests £m	Proportionally consolidated £m	Adjusted £m	Capital and other £m
Notes (see page 42)		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		(55.0)	(38.1)	(93.1)	(93.1)	–
Net service charge expenses		(9.1)	(6.2)	(15.3)	(15.3)	–
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	–
Employee and corporate costs		(60.5)	(0.5)	(61.0)	(61.0)	–
Management fees receivable		12.1	–	12.1	12.1	–
Administration expenses		(48.4)	(0.5)	(48.9)	(48.9)	–
Operating profit before other net gains/(losses) 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
Potential business acquisition costs[F]		(6.5)	–	(6.5)	–	(6.5)
Revaluation gains on properties		1.9	19.4	21.3	–	21.3

Other net gains/(losses)		7.7	19.4	27.1	–	27.1
Share of results of joint ventures	9A, 9B	180.5	(166.9)	13.6	13.2	0.4
Share of results of associates	10A, 10B	223.0	(1.4)	221.6	24.6	197.0
Operating profit		585.4	(1.6)	583.8	359.3	224.5
Net finance (costs)/income[G]	4	(172.0)	1.6	(170.4)	(107.6)	(62.8)
Profit before tax		413.4	–	413.4	251.7	161.7
Current tax charge	5A	(1.8)	–	(1.8)	(1.8)	–
Profit for the year		411.6	–	411.6	249.9	161.7
Non-controlling interests		(23.2)	–	(23.2)	(3.6)	(19.6)
Profit for the year attributable to equity shareholders	7B	388.4	–	388.4	246.3	142.1

						2016
					Proportionally consolidated	
	Notes	Reported Group £m	Share of Property interests £m	Proportionally consolidated £m	Adjusted £m	Capital and other £m
Notes (see below)		A	B	C	D	D
Gross rental income[E]	3A	251.3	147.4	398.7	398.7	–
Ground and equity rents payable		(1.3)	(2.8)	(4.1)	(4.1)	–
Gross rental income, after rents payable		250.0	144.6	394.6	394.6	–
Service charge income		43.8	24.8	68.6	68.6	–
Service charge expenses		(52.1)	(31.0)	(83.1)	(83.1)	–
Net service charge expenses		(8.3)	(6.2)	(14.5)	(14.5)	–
Other property outgoings		(19.4)	(14.2)	(33.6)	(33.6)	–
Property outgoings		(27.7)	(20.4)	(48.1)	(48.1)	–
Net rental income	3A	222.3	124.2	346.5	346.5	–
Employee and corporate costs		(54.3)	(0.3)	(54.6)	(54.6)	–
Management fees receivable/(payable)		8.6	(0.1)	8.5	8.5	–
Administration expenses		(45.7)	(0.4)	(46.1)	(46.1)	–
Operating profit before other net (losses)/gains and share of results of joint ventures and associates		176.6	123.8	300.4	300.4	–
Loss on sale of properties		(24.0)	–	(24.0)	–	(24.0)
Gain on sale of other investments		1.3	–	1.3	–	1.3
Revaluation (losses)/gains on properties		(24.7)	11.3	(13.4)	–	(13.4)
Other net (losses)/gains		(47.4)	11.3	(36.1)	–	(36.1)
Share of results of joint ventures	9A, 9B	169.2	(148.5)	20.7	6.2	14.5
Share of results of associates	10A	137.1	(1.9)	135.2	23.6	111.6
Operating profit		435.5	(15.3)	420.2	330.2	90.0
Net finance (costs)/income[G]	4	(112.7)	16.1	(96.6)	(93.5)	(3.1)
Profit before tax		322.8	0.8	323.6	236.7	86.9
Current tax charge	5A	(1.9)	(0.8)	(2.7)	(2.7)	–
Profit for the year		320.9	–	320.9	234.0	86.9
Non-controlling interests		(3.6)	–	(3.6)	(3.3)	(0.3)
Profit for the year attributable to equity shareholders	7B	317.3	–	317.3	230.7	86.6

Notes

A Reported Group results as shown in the consolidated income statement on page 34.

B Property interests reflect the Group's share of results of Property joint ventures as shown in note 9A and Nicetoile included within note 10A.

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 7A.

E Included in gross rental income on a proportionally consolidated basis in Column C is £7.9 million (2016: £7.2 million) of contingent rents calculated by reference to tenants' turnover.

F. Costs of £6.5 million have been recognised in respect of the potential acquisition of intu properties plc, as announced on 6 December 2017.

G. Adjusted finance costs presented on a proportionally consolidated basis are shown in Table 16 on page 70.

3: Segmental analysis

The factors used to determine the Group's reportable segments are the geographic locations (UK, France and Ireland) and sectors in which it operates, which are generally managed by separate teams and are the basis on which performance is assessed and resources allocated. As stated in the Financial Review on page 23, the Group has property interests in a number of sectors and management reviews the performance of the Group's property interests in Shopping centres, Retail parks, Other UK properties and Developments on a proportionally consolidated basis to reflect the Group's different ownership shares. Management does not proportionally consolidate the Group's premium outlet investments in Value Retail and VIA Outlets, which are externally managed by experienced outlet operators, independently financed and have operating metrics which differ from the Group's other sectors. Except for property valuation and returns, we review the performance of our premium outlet investments separately from the proportionally consolidated portfolio.

The segmental analysis has been prepared on the same basis that management uses to review the business, rather than on a statutory basis. Property interests represent the Group's non wholly-owned properties which management proportionally consolidate when reviewing the performance of the business. For reconciliation purposes the Reported Group figures, being properties either wholly-owned or held within joint operations, are shown in the following tables.

Gross rental income represents the Group's revenue from its tenants and customers. As stated in the Key Performance Indicators section on page 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

	2017		2016	
	Gross rental income £m	Net rental income £m	Gross rental income £m	Net rental income £m
United Kingdom				
Shopping centres	180.2	152.9	174.2	148.4
Retail parks	72.4	69.3	84.0	79.6
Other	12.3	8.8	13.8	9.3
	264.9	231.0	272.0	237.3
France	104.6	95.3	101.1	89.3
Ireland	37.9	34.8	13.7	12.5
Investment portfolio	407.4	361.1	386.8	339.1
Developments	14.5	9.3	11.9	7.4
Property portfolio	421.9	370.4	398.7	346.5
Less share of Property interests	(173.0)	(147.8)	(147.4)	(124.2)
Reported Group	248.9	222.6	251.3	222.3

B: Investment and development property assets by segment

	2017			2016		
	Property valuation £m	Property additions £m	Revaluation gains/(losses) £m	Property valuation £m	Property additions £m	Revaluation gains/(losses) £m
United Kingdom						
Shopping centres	3,488.9	28.4	23.9	3,436.5	369.8	(5.8)
Retail parks	1,234.1	46.7	(27.2)	1,320.0	19.8	(118.3)
Other	180.1	3.4	13.4	163.5	0.8	2.2
	4,903.1	78.5	10.1	4,920.0	390.4	(121.9)
France	1,887.0	55.4	(11.4)	2,159.6	65.6	73.3
Ireland	959.6	124.5	(1.5)	805.1	801.9	3.2
Investment portfolio	7,749.7	258.4	(2.8)	7,884.7	1,257.9	(45.4)
Developments	576.6	150.8	24.1	397.0	274.9	32.0
Property portfolio – excluding premium outlets	8,326.3	409.2	21.3	8,281.7	1,532.8	(13.4)
Premium outlets	2,234.1	278.9	225.2	1,689.4	200.5	138.4
Total Group	10,560.4	688.1	246.5	9,971.1	1,733.3	125.0
Less premium outlets	(2,234.1)	(278.9)	(225.2)	(1,689.4)	(200.5)	(138.4)

Less share of Property interests	(3,640.2)	(65.7)	(19.4)	(3,517.8)	(778.9)	(11.3)
Reported Group	4,686.1	343.5	1.9	4,763.9	753.9	(24.7)

C: Analysis of non-current assets employed

Non-current assets employed	2017 £m	2016 £m
United Kingdom	5,255.5	5,210.7
Continental Europe	3,433.6	3,357.8
Ireland	832.9	1,007.7
	9,522.0	9,576.2

Included in the above table are investments in joint ventures of £3,673.7 million (2016: £3,736.7 million), which are further analysed in note 9 on pages 49 to 54. The Group's share of the property valuations held within Property interests of £3,640.2 million (2016: £3,517.8 million) has been included in note 3B above, of which £2,650.2 million (2016: £2,562.6 million) relates to the United Kingdom, £211.5 million (2016: £205.1 million) relates to Continental Europe and £778.5 million (2016: £750.1 million) relates to Ireland.

4: Net finance costs

	2017 £m	2016 £m
Interest on bank loans and overdrafts	12.3	19.7
Interest on other borrowings	109.8	102.0
Interest on obligations under finance leases	2.2	2.1
Other interest payable	1.8	2.5
Gross interest costs	126.1	126.3
Less: Interest capitalised	(0.8)	(5.1)
Finance costs	125.3	121.2
Debt and loan facility cancellation costs[1]	41.5	0.4
Change in fair value of derivatives	21.3	3.5
Finance income	(16.1)	(12.4)
	172.0	112.7

1. Includes costs of £41.1 million (2016: £nil) to cancel the £250 million 6.875% sterling bonds due 2020 and other loan facility cancellation costs of £0.4 million (2016: £0.4 million).

5: Tax

A: Tax charge

	2017 £m	2016 £m
UK current tax	0.2	0.2
Foreign current tax	1.6	1.7
Tax charge	1.8	1.9

The Group's tax charge remains low because it has tax exempt status in its principal operating countries. In the UK, the Group has been a REIT since 2007 and a SIIC in France since 2004. These tax regimes exempt the Group's property income and gains from corporate taxes provided a number of conditions in relation to the Group's activities are met including, but not limited to, distributing at least 90% of the Group's UK tax exempt profit as property income distributions (PID). The residual business in both the UK and France are subject to corporation tax as normal. The Irish properties are held in a QIAIF which provides similar tax benefits to those of a UK REIT but which subject distributions from Ireland to the UK to a 20% withholding tax.

B: Tax charge reconciliation

	Notes	2017 £m	2016 £m
Profit before tax	2	413.4	322.8
Less: Profit after tax of joint ventures	9A	(180.5)	(169.2)
Less: Profit after tax of associates	10A	(223.0)	(137.1)
Profit on ordinary activities before tax		9.9	16.5
Profit multiplied by the UK corporation tax rate of 19.25% (2016: 20%)		1.9	3.3
UK REIT tax exemption		(4.5)	17.6
French SIIC tax exemption		(14.3)	(23.6)
Irish QIAIF tax exemption		6.6	2.0
Losses for the year not utilised		9.5	1.8
Non-deductible and other items		2.6	0.8
Tax charge		1.8	1.9

C: Unrecognised deferred tax

A deferred tax asset is not recognised for UK revenue losses and UK capital losses where their future utilisation is uncertain. At 31 December 2017, the total of such losses was £440 million (2016: £330 million) and £460 million (2016: £465 million) respectively, and the potential tax effect of these was £75 million (2016: £53 million) and £78 million (2016: £79 million) respectively.

Deferred tax is not provided on potential gains on investments in subsidiaries when the Group can control whether gains crystallise and it is probable that gains will not arise in the foreseeable future. At 31 December 2017, the total of such gains was £690 million (2016: £640 million) and the potential tax effect before the offset of losses was £117 million (2016: £109 million).

If a UK REIT sells a property within three years of completion of development, the REIT exemption will not apply. At 31 December 2017 the value of such completed properties was £269 million (2016: £258 million). If these properties were to be sold without the benefit of the tax exemption the tax arising would be £nil (2016: £nil) due to the availability of capital losses.

6: Dividends

The proposed final dividend of 14.8 pence per share was recommended by the Board on 23 February 2018 and, subject to approval by shareholders, is payable on 26 April 2018 to shareholders on the register at the close of business on 16 March 2018. 7.4 pence per share will be paid as a PID, net of withholding tax at the basic rate (currently 20%) if applicable, and 7.4 pence per share will be paid as a normal dividend. There will be no scrip alternative although the dividend reinvestment plan (DRIP) remains available to shareholders. The aggregate amount of the 2017 final dividend is £117.5 million. This has been calculated using the total number of eligible shares outstanding at 31 December 2017.

The interim dividend of 10.7 pence per share was paid on 9 October 2017 as a PID, net of withholding tax where appropriate. The total dividend for the year ended 31 December 2017 would be 25.5 pence per share (2016: 24.0 pence per share).

	PID pence per share	Non-PID pence per share	Total pence per share	Equity dividends 2017 £m	Equity dividends 2016 £m
Current year					
2017 final dividend	7.4	7.4	14.8	–	–
2017 interim dividend	10.7	–	10.7	84.2	–
	18.1	7.4	25.5		
Prior years					
2016 final dividend	4.9	9.0	13.9	109.4	–
2016 interim dividend	10.1[1]	–	10.1	–	79.8
	15.0	9.0	24.0		
2015 final dividend				–	100.3
Dividends as reported in the consolidated statement of changes in equity				193.6	180.1
2015 interim dividend withholding tax (paid 2016)				–	11.2
2015 final dividend non-PID scrip alternative				–	(36.7)
2016 interim dividend withholding tax (paid 2017)				11.5	(11.5)
2016 interim dividend PID scrip alternative				–	(7.4)
2017 interim dividend withholding tax (paid 2018)				(13.4)	–
Dividends paid as reported in the consolidated cash flow statement				191.7	135.7

1. A PID scrip alternative was offered to shareholders.

7: Earnings and headline earnings per share and net asset value per share

The European Public Real Estate Association (EPRA) has issued recommended bases for the calculation of certain per share information and these are included in the following tables B and D. Commentary on earnings and net asset value per share is provided in the Financial Review on pages 23 to 27. Headline earnings per share has been calculated and presented in note 7C as required by the Johannesburg Stock Exchange listing requirements.

A: Number of shares for earnings and headline earnings per share calculations

	2017 Shares million	2016 Shares million
Basic, EPRA and Adjusted	792.9	789.0
Diluted	794.0	790.7

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

B: Earnings per share

		Notes	2017 Earnings £m	2017 Pence per share	2016 Earnings £m	2016 Pence per share
Basic		2	388.4	49.0	317.3	40.2
Dilutive share schemes			–	(0.1)	–	(0.1)
Diluted			388.4	48.9	317.3	40.1
Basic			388.4	49.0	317.3	40.2
Adjustments:						
Revaluation (gains)/losses on properties:	Reported Group	2	(1.9)	(0.2)	24.7	3.1
	Share of Property interests	2	(19.4)	(2.5)	(11.3)	(1.4)
			(21.3)	(2.7)	13.4	1.7
Loss on sale of properties:	Reported Group	2	15.5	2.0	24.0	3.0
Net exchange gain previously recognised in equity, recycled on disposal of foreign operations:	Reported Group	2	(27.8)	(3.5)	–	–
Debt and loan facility cancellation costs:	Reported Group	4	41.5	5.2	0.4	0.1
Change in fair value of derivatives:	Reported Group	4	21.3	2.7	3.5	0.4
	Share of Property interests	9B	–	–	(0.8)	(0.1)
			21.3	2.7	2.7	0.3
Other adjustments:	Reported Group					
	Gain on sale of other investments	2	–	–	(1.3)	(0.1)
	Potential business acquisition costs	2	6.5	0.8	–	–
	Non-controlling interests	2	19.6	2.5	0.3	–
			26.1	3.3	(1.0)	(0.1)
Premium outlets:	Revaluation gains on properties	9B, 10B	(225.2)	(28.4)	(138.4)	(17.5)
	Deferred tax (including on acquisition)	9B, 10B	35.0	4.4	14.3	1.8
	Other adjustments	9B, 10B	(6.2)	(0.8)	(1.8)	(0.3)
			(196.4)	(24.8)	(125.9)	(16.0)
Total adjustments			(141.1)	(17.8)	(86.4)	(11.0)
EPRA			247.3	31.2	230.9	29.2
Other adjustments:	Translation movement on intragroup funding loan: Premium outlets	9B	(1.0)	(0.1)	(0.2)	–
Adjusted			246.3	31.1	230.7	29.2

C: Headline earnings per share

	Notes	2017 Earnings £m	2016 Earnings £m
Profit for the year attributable to equity shareholders	2	388.4	317.3
Revaluation (gains)/losses on properties: Reported Group and Share of Property interests	7B	(21.3)	13.4
Loss on sale of properties: Reported Group	7B	15.5	24.0
Net exchange gain previously recognised in equity, recycled on disposal of foreign operations: Reported Group	7B	(27.8)	–
Gain on sale of other investments: Reported Group	7B	–	(1.3)
Non-controlling interests	7B	19.6	0.3
Revaluation gains on properties: Premium outlets	7B	(225.2)	(138.4)
Deferred tax (including on acquisition): Premium outlets	7B	35.0	14.3
Loss on sale of properties: Premium outlets	9B	–	0.1
Translation movements on intragroup funding loan: Premium outlets	9B	(1.0)	(0.2)
Headline earnings		183.2	229.5
Basic headline earnings per share (pence)		23.1p	29.1p

Diluted headline earnings per share (pence)		23.1p	29.0p

Reconciliation of headline earnings to adjusted earnings		2017 Earnings £m	2016 Earnings £m
Headline earnings as above		183.2	229.5
Debt and loan facility cancellation costs: Reported Group	7B	41.5	0.4
Change in fair value of derivatives: Reported Group and Share of Property interests	7B	21.3	2.7
Potential business acquisition costs: Reported Group	7B	6.5	–
Change in fair value of derivatives: Premium outlets	9B, 10B	3.6	14.5
Change in fair value of participative loans – revaluation movement: Premium outlets	10B	(11.8)	(16.6)
Loan facility costs written off: Premium outlets	10B	2.0	0.2
Adjusted earnings		246.3	230.7

D: Net asset value per share

		2017			2016		
	Notes	Equity shareholders' funds £m	Shares million	Net asset value per share £	Equity shareholders' funds £m	Shares million	Net asset value per share £
Basic		6,023.5	794.2	7.58	5,775.6	793.2	7.28
Company's own shares held in Employee Share Ownership Plan		–	(1.0)	n/a	–	(0.9)	n/a
Dilutive share schemes		1.4	1.2	n/a	1.1	1.7	n/a
Diluted		6,024.9	794.4	7.58	5,776.7	794.0	7.28
Fair value adjustment to borrowings							
– Reported Group	17	(262.0)		(0.33)	(316.1)		(0.40)
– Share of Property interests		(2.3)		–	–		–
		(264.3)		(0.33)	(316.1)		(0.40)
EPRA NNNAV		5,760.6		7.25	5,460.6		6.88
Fair value adjustment to borrowings		264.3		0.33	316.1		0.40
Deferred tax: Reported Group		0.5		–	0.5		–
Fair value of interest rate swaps – Reported Group	17	(6.3)		(0.01)	(19.3)		(0.02)
Premium outlets							
– Fair value of derivatives	9C, 10D	(9.7)		(0.01)	3.2		–
– Deferred tax	9C, 10D	212.0		0.27	160.4		0.20
– Goodwill as a result of deferred tax	9C, 10D	(57.1)		(0.07)	(57.0)		(0.07)
		145.2		0.19	106.6		0.13
EPRA NAV		6,164.3	794.4	7.76	5,864.5	794.0	7.39

8: Investment and development properties

	2017			2016		
	Investment properties Valuation £m	Development properties Valuation £m	Total Valuation £m	Investment properties Valuation £m	Development properties Valuation £m	Total Valuation £m
Balance at 1 January	4,561.8	202.1	4,763.9	4,418.9	233.2	4,652.1
Exchange adjustment	79.3	4.5	83.8	268.0	0.3	268.3
Additions – Asset acquisitions	162.9	72.0	234.9	465.2	108.8	574.0
– Capital expenditure	73.1	35.5	108.6	57.9	122.0	179.9
	236.0	107.5	343.5	523.1	230.8	753.9
Transfer to investment in joint ventures	–	–	–	(221.7)	–	(221.7)
Disposals	(506.6)	(1.2)	(507.8)	(669.1)	–	(669.1)
Reclassification on completion of developments	–	–	–	303.9	(303.9)	–
Capitalised interest	0.3	0.5	0.8	–	5.1	5.1
Revaluation (losses)/gains	(21.9)	23.8	1.9	(61.3)	36.6	(24.7)
Balance at 31 December	4,348.9	337.2	4,686.1	4,561.8	202.1	4,763.9

Properties are stated at fair value as at 31 December 2017, valued by professionally qualified external valuers. Cushman & Wakefield Debenham Tie Leung Limited, Chartered Surveyors have valued the Group's properties, excluding those held by the Group's premium outlet investments which have been valued by Cushman & Wakefield LLP, Chartered Surveyors. Valuations have been prepared in accordance with the RICS

Valuation – Professional Standards 2014. Valuation fees are based on a fixed amount agreed between the Group and the valuers and are independent of the portfolio value.

The total amount of interest included in development properties at 31 December 2017 was £0.5 million (2016: £nil). Capitalised interest is calculated using the cost of secured debt or the Group's weighted average cost of borrowings, as appropriate, and the effective rate applied in 2017 was 2.9% (2016: 3.1%). At 31 December 2017 the historic cost of investment and development properties was £3,912.8 million (2016: £3,852.6 million).

At 31 December 2017, investment properties included two properties with a total value of £92.5 million. A sale contract was exchanged in January 2018 and completed on 9 February 2018 for one property, and exchanged in February 2018 for the other property, with completion expected in March 2018.

Joint operations

At 31 December 2017, investment properties included properties with a value of £202.4 million (2016: £75.6 million) held within joint operations which are jointly controlled and proportionally consolidated. The Hammerson ICAV acquired a 50% interest in the Ilac Centre, Dublin in December 2016 and a Co-Ownership agreement is in place with Irish Life Assurance plc, the holders of the remaining 50% interest. The Hammerson ICAV also holds a 50% interest in Pavilions Swords, Dublin, acquired in September 2017 and a Co-Ownership agreement is in place with Irish Life Assurance plc and IPUT plc, both of which hold a 25% interest in the property. See note 9D on page 54 for further details.

9: Investment in joint ventures

The Group has investments in a number of jointly controlled property and corporate interests, which have been equity accounted.

As explained the Financial Review on page 23, 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[1]	Group share %
United Kingdom			
Bishopsgate Goodsyard Regeneration Limited	Ballymore Properties	The Goodsyard	50
Brent Cross Shopping Centre	Aberdeen Standard Investments	Brent Cross	41.2
Brent South Shopping Park	Aberdeen Standard Investments	Brent South	40.6
Bristol Alliance Limited Partnership	AXA Real Estate	Cabot Circus	50
Croydon Limited Partnership/Whitgift Limited Partnership	Westfield	Centrale/Whitgift	50
Grand Central Limited Partnership	CPPIB	Grand Central	50
Silverburn Unit Trust[2]	CPPIB	Silverburn	50
The Bull Ring Limited Partnership	TH Real Estate, CPPIB	Bullring	50
The Oracle Limited Partnership	ADIA	The Oracle	50
The West Quay Limited Partnership	GIC	Westquay	50
VIA Limited Partnership[2]	APG, Meyer Bergman, Value Retail	VIA Outlets	47
Ireland			
Dundrum Retail Limited Partnership /Dundrum Car Park Limited Partnership	Allianz	Dundrum	50
Triskelion Property Holding Designated Activity Company ('Triskelion')	Allianz	n/a	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

1. The names of the principal properties operated by each partnership have been used in the summary income statements and balance sheets in note 12A. Brent Cross and Brent South are presented together as Brent Cross. Triskelion and the two Dundrum partnerships are presented together as the 'Irish portfolio'. The Goodsyard, Espace Saint-Quentin and O'Parinor are presented together as 'Other'

2. Registered in Jersey.

The Reported Group's investment in joint ventures at 31 December 2017 was £3,673.7 million (2016: £3,736.7 million). An analysis of the movements in the year is provided in note 9D on page 54.

The summarised income statements and balance sheets in note 9A 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.

A. Summary financial statements of joint ventures
Share of results of joint ventures for the year ended 31 December 2017

See pages 52 and 53 for footnotes.

	Brent Cross £m	Cabot Circus £m	Bullring £m	Grand Central £m	The Oracle £m	Westquay £m
Ownership (%)	41.2/40.6	50	50	50	50	50
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 gains/(losses)	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 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	–

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

	Brent Cross £m	Cabot Circus £m	Bullring £m	Grand Central £m	The Oracle £m	Westquay £m
Non-current assets						
Investment and development properties	1,040.6	646.3	1,267.9	344.7	678.0	702.5
Goodwill	–	–	–	–	–	–
Other non-current assets	–	13.9	–	2.8	0.1	4.2
	1,040.6	660.2	1,267.9	347.5	678.1	706.7
Current assets						
Other current assets[3]	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 and other borrowings – secured	–	–	–	–	–	–
	(18.3)	(14.8)	(20.8)	(10.2)	(11.4)	(13.9)
Non-current liabilities						
Loans and other borrowings – secured	–	–	–	–	–	–
Obligations under finance 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[4]	421.1	324.5	638.4	173.4	341.4	352.9

100%						Hammerson share		
Silverburn £m	Centrale/Whitgift £m	Irish portfolio £m	VIA Outlets £m	Other £m	Total 2017 £m	Property joint ventures £m	VIA Outlets £m	Total 2017 £m
50	50	50	47	various				
22.1	24.4	64.5	77.1	33.6	444.9	171.4	36.2	207.6

20.1	15.2	59.2	54.7	29.8	369.7	146.4	25.6	172.0
(0.1)	(0.1)	(0.6)	(9.5)	(0.2)	(10.5)	(0.5)	(4.4)	(4.9)
20.0	15.1	58.6	45.2	29.6	359.2	145.9	21.2	167.1
(24.0)	(1.4)	(3.3)	29.5	(19.1)	57.9	19.4	14.0	33.4
(4.0)	13.7	55.3	74.7	10.5	417.1	165.3	35.2	200.5
–	–	–	3.5	–	3.5	–	1.6	1.6
–	–	–	2.1	–	2.1	–	1.0	1.0
–	–	5.9	(13.5)	(2.9)	(11.9)	1.6	(6.4)	(4.8)
–	–	5.9	(7.9)	(2.9)	(6.3)	1.6	(3.8)	(2.2)
(4.0)	13.7	61.2	66.8	7.6	410.8	166.9	31.4	198.3
–	–	–	(3.4)	–	(3.4)	–	(1.6)	(1.6)
–	–	–	(34.5)	–	(34.4)	–	(16.2)	(16.2)
(4.0)	13.7	61.2	28.9	7.6	373.0			
(2.0)	6.9	30.6	13.6	2.1	180.5	166.9	13.6	180.5
7.1	–	22.8	14.5	0.6	84.6			

					100%			Hammerson share
Silverburn £m	Centrale/Whitgift £m	Irish portfolio £m	VIA Outlets £m	Other £m	Total 2017 £m	Property joint ventures £m	VIA Outlets £m	Total 2017 £m
334.5	363.9	1,557.0	1,278.8	835.9	9,050.1	3,611.1	600.3	4,211.4
–	–	–	–	–	–	–	3.6	3.6
–	–	–	0.5	–	21.5	10.5	0.2	10.7
334.5	363.9	1,557.0	1,279.3	835.9	9,071.6	3,621.6	604.1	4,225.7
2.8	5.7	24.0	30.4	14.3	131.1	52.7	14.5	67.2
15.4	22.6	17.9	44.6	7.9	164.7	58.5	20.9	79.4
18.2	28.3	41.9	75.0	22.2	295.8	111.2	35.4	146.6
(6.3)	(24.6)	(17.9)	(43.0)	(4.7)	(185.9)	(79.6)	(20.2)	(99.8)
(1.4)	–	–	–	–	(1.4)	(0.7)	–	(0.7)
–	–	–	(58.8)	(194.3)	(253.1)	(48.6)	(27.7)	(76.3)
(7.7)	(24.6)	(17.9)	(101.8)	(199.0)	(440.4)	(128.9)	(47.9)	(176.8)
–	–	(550.0)	(355.8)	–	(905.8)	(275.0)	(166.8)	(441.8)
–	–	–	–	–	(20.9)	(10.4)	–	(10.4)
–	(104.9)	(0.8)	(8.2)	(196.3)	(1,012.6)	(6.1)	(3.8)	(9.9)
–	–	–	(127.2)	–	(127.4)	–	(59.7)	(59.7)
–	(104.9)	(550.8)	(491.2)	(196.3)	(2,066.7)	(291.5)	(230.3)	(521.8)
345.0	262.7	1,030.2	761.3	462.8	6,860.3			
172.5	131.3	515.1	361.3	125.1	3,208.8			
–	52.4	–	–	64.3	464.9			
172.5	183.7	515.1	361.3	189.4	3,673.7	3,312.4	361.3	3,673.7

Share of results of joint ventures for the year ended 31 December 2016

	Brent Cross £m	Cabot Circus £m	Bullring £m	Grand Central £m	The Oracle £m	Westquay £m
Ownership (%)	41.2/40.6	50	50	50	50	50
Gross rental income	46.5	38.7	59.4	0.6	32.8	29.7
Net rental income	42.2	32.7	52.7	0.2	27.5	23.3
Administration expenses	–	–	(0.1)	–	–	–
Operating profit before other net gains/(losses)	42.2	32.7	52.6	0.2	27.5	23.3
Loss on sale of properties	–	–	–	–	–	–
Revaluation (losses)/gains on properties[1]	(4.2)	7.9	24.6	(3.1)	2.3	(0.3)

Operating profit/(loss)	38.0	40.6	77.2	(2.9)	29.8	23.0
Change in fair value of derivatives	–	–	–	–	–	–
Translation movement on intragroup funding loan	–	–	–	–	–	–
Other finance (costs)/income	–	(0.8)	–	–	–	(0.3)
Net finance (costs)/income	–	(0.8)	–	–	–	(0.3)
Profit before tax	38.0	39.8	77.2	(2.9)	29.8	22.7
Current tax charge	–	–	–	–	–	–
Deferred tax charge	–	–	–	–	–	–
Profit for the year	38.0	39.8	77.2	(2.9)	29.8	22.7
Hammerson share of profit for the year	15.6	19.9	38.6	(1.4)	14.9	11.4
Hammerson share of distributions payable[2]	–	11.8	23.2	–	3.5	0.5

Share of assets and liabilities of joint ventures as at 31 December 2016

	Brent Cross £m	Cabot Circus £m	Bullring £m	Grand Central £m	The Oracle £m	Westquay £m
Non-current assets						
Investment and development properties	1,002.4	629.7	1,229.8	346.2	667.4	660.6
Goodwill	–	–	–	–	–	–
Other non-current assets	–	14.5	–	2.8	–	4.2
	1,002.4	644.2	1,229.8	349.0	667.4	664.8
Current assets						
Other current assets[3]	16.4	5.4	7.9	8.4	5.6	6.2
Cash and deposits	0.7	5.9	20.9	3.2	13.0	9.9
	17.1	11.3	28.8	11.6	18.6	16.1
Current liabilities						
Other payables	(19.3)	(13.8)	(20.4)	(9.8)	(242.1)	(14.1)
Loans and other borrowings – secured	–	–	–	–	–	–
	(19.3)	(13.8)	(20.4)	(9.8)	(242.1)	(14.1)
Non-current liabilities						
Loans and other borrowings – secured	–	–	–	–	–	–
Obligations under finance leases	–	(14.5)	–	(2.8)	–	(4.2)
Other payables	(1.2)	(0.6)	(1.4)	–	(1.0)	(680.2)
Deferred tax	–	–	–	–	(0.1)	–
	(1.2)	(15.1)	(1.4)	(2.8)	(1.1)	(684.4)
Net assets/(liabilities)	999.0	626.6	1,236.8	348.0	442.8	(17.6)
Hammerson share of net assets/(liabilities)	409.1	313.3	618.4	174.0	221.4	(8.8)
Balance due to Hammerson[4]	–	–	–	–	115.6	339.7
Total investment in joint ventures[4]	409.1	313.3	618.4	174.0	337.0	330.9

1. The Hammerson share of revaluation gains within VIA Outlets of £14.0 million (2016: £18.4 million) includes revaluation gains on properties of £26.9 million (2016: £18.4 million) and deferred tax acquired of £12.9 million (2016: £nil).
2. In addition to the distributions payable, the Group received interest from its joint ventures of £17.4 million (2016: £38.6 million).

					100%	Hammerson share		
Silverburn £m	Centrale/Whitgift £m	Irish portfolio £m	VIA Outlets £m	Other £m	Total 2016 £m	Property joint ventures £m	VIA Outlets £m	Total 2016 £m
50	50	50	47	various				
21.3	26.0	27.9	34.4	34.1	351.4	145.9	16.1	162.0
18.8	15.6	25.4	23.7	29.4	291.5	122.9	11.2	134.1
(0.1)	(0.1)	(0.3)	(4.5)	(0.4)	(5.5)	(0.4)	(2.3)	(2.7)
18.7	15.5	25.1	19.2	29.0	286.0	122.5	8.9	131.4
–	–	–	–	–	–	–	(0.1)	(0.1)
(17.1)	(0.2)	5.1	39.4	11.0	65.4	10.7	18.4	29.1

1.6	15.3	30.2	58.6	40.0	351.4	133.2	27.2	160.4
–	–	–	1.5	3.1	4.6	0.8	0.7	1.5
–	–	–	0.4	–	0.4	–	0.2	0.2
–	–	34.6	(5.3)	(6.0)	22.2	15.3	(2.2)	13.1
–	–	34.6	(3.4)	(2.9)	27.2	16.1	(1.3)	14.8
1.6	15.3	64.8	55.2	37.1	378.6	149.3	25.9	175.2
(1.4)	–	–	(0.9)	(0.3)	(2.6)	(0.8)	(0.5)	(1.3)
–	–	–	(10.0)	–	(10.0)	–	(4.7)	(4.7)
0.2	15.3	64.8	44.3	36.8	366.0			
0.1	7.6	32.4	20.7	9.4	169.2	148.5	20.7	169.2
–	–	8.2	–	0.6	47.8			

					100%			Hammerson share
Silverburn £m	Centrale/Whitgift £m	Irish portfolio £m	VIA Outlets £m	Other £m	Total 2016 £m	Property joint ventures £m	VIA Outlets £m	Total 2016 £m
356.2	304.2	1,500.2	644.5	815.6	8,156.8	3,490.1	302.1	3,792.2
–	–	–	–	–	–	–	3.5	3.5
–	–	–	–	–	21.5	10.8	–	10.8
356.2	304.2	1,500.2	644.5	815.6	8,178.3	3,500.9	305.6	3,806.5
5.1	4.2	119.6	18.1	14.3	211.2	100.2	8.5	108.7
9.9	13.0	25.0	39.9	11.0	152.4	54.8	18.7	73.5
15.0	17.2	144.6	58.0	25.3	363.6	155.0	27.2	182.2
(9.4)	(22.2)	(120.9)	(27.4)	(9.7)	(509.1)	(78.4)	(12.9)	(91.3)
–	–	–	(4.5)	(187.0)	(191.5)	(46.7)	(2.1)	(48.8)
(9.4)	(22.2)	(120.9)	(31.9)	(196.7)	(700.6)	(125.1)	(15.0)	(140.1)
–	–	–	(151.2)	–	(151.2)	–	(70.9)	(70.9)
–	–	–	–	–	(21.5)	(10.8)	–	(10.8)
–	(229.0)	(0.5)	(11.5)	(197.5)	(1,122.9)	(5.3)	(5.4)	(10.7)
–	–	–	(41.7)	–	(41.8)	–	(19.5)	(19.5)
–	(229.0)	(0.5)	(204.4)	(197.5)	(1,337.4)	(16.1)	(95.8)	(111.9)
361.8	70.2	1,523.4	466.2	446.7	6,503.9			
180.9	35.1	761.7	222.0	121.3	3,048.4			
–	114.5	54.1	–	64.4	688.3			
180.9	149.6	815.8	222.0	185.7	3,736.7	3,514.7	222.0	3,736.7

3. At 31 December 2016, the Hammerson share of other current assets of the Property joint ventures include loans of £54.1 million which were secured on retail properties located in Dublin. These loans were converted into property assets in 2017.

4. The Group and its partners invest in joint ventures principally by way of equity investment. To provide further clarity of this investment, those balances which are not equity have been included within other payables as a liability of the joint venture, and Hammerson's interest has been shown separately.

B. Reconciliation to adjusted earnings

	Property joint ventures £m	VIA Outlets £m	Total 2017 £m	Property joint ventures £m	VIA Outlets £m	Total 2016 £m
Profit for the year	166.9	13.6	180.5	148.5	20.7	169.2
Revaluation gains on properties	(19.4)	(26.9)	(46.3)	(10.7)	(18.4)	(29.1)
Deferred tax acquired	–	12.9	12.9	–	–	–
Revaluation gains	(19.4)	(14.0)	(33.4)	(10.7)	(18.4)	(29.1)
Loss on sale of properties	–	–	–	–	0.1	0.1
Change in fair value of derivatives	–	(1.6)	(1.6)	(0.8)	(0.7)	(1.5)
Translation movements on intragroup funding loan[1]	–	(1.0)	(1.0)	–	(0.2)	(0.2)
Deferred tax charge	–	16.2	16.2	–	4.7	4.7
Total adjustments	(19.4)	(0.4)	(19.8)	(11.5)	(14.5)	(26.0)
Adjusted earnings of joint ventures	147.5	13.2	160.7	137.0	6.2	143.2

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

C. Reconciliation to adjusted investment in joint ventures

	Property joint ventures £m	VIA Outlets £m	Total 2017 £m	Property joint ventures £m	VIA Outlets £m	Total 2016 £m
Investment in joint ventures	3,312.4	361.3	3,673.7	3,514.7	222.0	3,736.7
Fair value of derivatives	–	1.2	1.2	–	3.5	3.5
Deferred tax	–	59.7	59.7	–	19.5	19.5
Goodwill as a result of deferred tax	–	(3.6)	(3.6)	–	(3.5)	(3.5)
Total adjustments	–	57.3	57.3	–	19.5	19.5
Adjusted investment in joint ventures	3,312.4	418.6	3,731.0	3,514.7	241.5	3,756.2

D. Reconciliation of movements in investment in joint ventures

	Property joint ventures £m	VIA Outlets £m	Total 2017 £m	Property joint ventures £m	VIA Outlets £m	Total 2016 £m
Balance at 1 January	3,514.7	222.0	3,736.7	3,102.8	110.8	3,213.6
Share of results of joint ventures	166.9	13.6	180.5	148.5	20.7	169.2
Advances/(Repayments)	35.7	129.9	165.6	(7.5)	70.6	63.1
Distributions and other receivables	(111.9)	(14.5)	(126.4)	(89.6)	–	(89.6)
Return of equity[1]	(275.0)	–	(275.0)	–	–	–
Acquisition of additional interest in Irish loan portfolio[2]	56.2	–	56.2	–	–	–
Irish loan portfolio transferred to Reported Group[3]	(112.5)	–	(112.5)	(82.8)	–	(82.8)
Advances on conversion of Irish loan portfolio to property assets[4]	–	–	–	91.9	–	91.9
Transfer of investment property from Reported Group[5]	–	–	–	221.7	–	221.7
Other movements	1.0	–	1.0	4.6	–	4.6
Foreign exchange translation differences	37.3	10.3	47.6	125.1	19.9	145.0
Balance at 31 December	3,312.4	361.3	3,673.7	3,514.7	222.0	3,736.7

1. Finance raised in 2017, and secured on Dundrum Town Centre, was used to return £275 million of equity to each of the 50% joint venture partners. This finance is classified as 'loans and other borrowings - secured' and included in non-current liabilities within the 100% results for the Irish portfolio in note 9A on pages 50 and 51.
2. In 2017, the Reported Group acquired a further interest in the interest-bearing loan secured on the Pavilions Swords property held within the Irish portfolio. This loan was converted into property assets in September 2017. (See footnote 3 below).
3. In 2017, the element of the loan portfolio relating to Pavilions Swords was transferred to the Reported Group prior to conversion to property assets. Similarly in 2016, the element of the loan portfolio relating to the Ilac Centre, Dublin Central and the Irish development sites were transferred to the Reported Group prior to conversion to property assets. These properties are included within asset acquisitions for 2017 and 2016 in note 8 on page 48. The Reported Group has a 50% interest in Pavilions Swords and the Ilac Centre which are held within joint operations and proportionally consolidated. Dublin Central and the Irish development sites are wholly owned by the Reported Group.
4. In 2016, further advances were made by the Reported Group to the Irish joint venture to fund the conversion of the loan portfolio relating to Dundrum Town Centre, which is now owned by Dundrum Retail Limited Partnership and Dundrum Car Park Limited Partnership.
5. In 2016, the Group sold 50% stakes in Grand Central, Birmingham and Westquay North, Southampton for £175 million and £47 million respectively. The total is shown separately in the comparative figures in note 8 on page 48 as a transfer to investment in joint ventures.

10: Investment in associates

At 31 December 2017, the Group had two associates: Value Retail PLC and its group entities ('VR') and a 10% interest in Nicetoile where Hammerson is the asset manager. Both investments are equity accounted under IFRS, although the share of results in Nicetoile is included with the Group's Share of Property interests when presenting figures on a proportionally consolidated basis. Further details are provided in the Financial Review on page 23.

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 9), are provided in Tables 13 and 14 of the Additional Disclosures on page 68.

A: Share of results of associates

						2017
	VR		Nicetoile		Total	
	100% £m	Hammerson share £m	100% £m	Hammerson share £m	100% £m	Hammerson share £m
Gross rental income	341.5	103.1	15.9	1.6	357.4	104.7
Net rental income	236.0	72.0	14.1	1.4	250.1	73.4
Administration expenses	(115.8)	(33.8)	–	–	(115.8)	(33.8)
Operating profit before other net gains	120.2	38.2	14.1	1.4	134.3	39.6
Revaluation gains on properties	490.2	198.3	0.6	–	490.8	198.3
Operating profit	610.4	236.5	14.7	1.4	625.1	237.9
Net finance costs	(56.0)	(15.8)	–	–	(56.0)	(15.8)

Change in fair value of derivatives	(25.5)	(5.2)	–	–	(25.5)	(5.2)
Change in fair value of participative loans – revaluation movement	–	11.8	–	–	–	11.8
Change in fair value of participative loans – other movement	–	2.9	–	–	–	2.9
Profit before tax	528.9	230.2	14.7	1.4	543.6	231.6
Current tax charge	(15.0)	(2.7)	–	–	(15.0)	(2.7)
Deferred tax charge	(26.9)	(5.9)	–	–	(26.9)	(5.9)
Profit for the year	487.0	221.6	14.7	1.4	501.7	223.0

						2016
		VR		Nicetoile		Total
	100% £m	Hammerson share £m	100% £m	Hammerson share £m	100% £m	Hammerson share £m
Gross rental income	295.7	84.6	14.8	1.5	310.5	86.1
Net rental income	201.4	56.5	13.2	1.3	214.6	57.8
Administration expenses	(90.1)	(22.4)	–	–	(90.1)	(22.4)
Operating profit before other net gains	111.3	34.1	13.2	1.3	124.5	35.4
Revaluation gains on properties	349.6	120.0	6.4	0.6	356.0	120.6
Operating profit	460.9	154.1	19.6	1.9	480.5	156.0
Net finance costs	(49.5)	(12.3)	–	–	(49.5)	(12.3)
Change in fair value of derivatives	(61.5)	(15.2)	–	–	(61.5)	(15.2)
Change in fair value of participative loans – revaluation movement	–	16.6	–	–	–	16.6
Change in fair value of participative loans – other movement	–	4.7	–	–	–	4.7
Profit before tax	349.9	147.9	19.6	1.9	369.5	149.8
Current tax charge	(13.7)	(3.1)	–	–	(13.7)	(3.1)
Deferred tax charge	(36.7)	(9.6)	–	–	(36.7)	(9.6)
Profit for the year	299.5	135.2	19.6	1.9	319.1	137.1

B: Reconciliation to adjusted earnings

	VR £m	Nicetoile £m	Total 2017 £m	VR £m	Nicetoile £m	Total 2016 £m
Profit for the year	221.6	1.4	223.0	135.2	1.9	137.1
Revaluation gains on properties	(198.3)	–	(198.3)	(120.0)	(0.6)	(120.6)
Change in fair value of derivatives	5.2	–	5.2	15.2	–	15.2
Change in fair value of participative loans – revaluation movement	(11.8)	–	(11.8)	(16.6)	–	(16.6)
Loan facility costs written off	2.0	–	2.0	0.2	–	0.2
Deferred tax charge	5.9	–	5.9	9.6	–	9.6
Total adjustments	(197.0)	–	(197.0)	(111.6)	(0.6)	(112.2)
Adjusted earnings of associates	24.6	1.4	26.0	23.6	1.3	24.9

When aggregated, the Group's share of VR's adjusted earnings for the year ended 31 December 2017 amounted to 45.7% (2016: 47.1%).

C: Share of assets and liabilities of associates

						2017
		VR		Nicetoile		Total
	100% £m	Hammerson share £m	100% £m	Hammerson share £m	100% £m	Hammerson share £m
Goodwill on acquisition	–	80.4	–	–	–	80.4
Investment properties	4,760.4	1,633.8	291.0	29.1	5,051.4	1,662.9
Other non-current assets	213.9	52.0	–	–	213.9	52.0
Non-current assets	4,974.3	1,766.2	291.0	29.1	5,265.3	1,795.3
Other current assets	71.8	22.5	8.0	0.8	79.8	23.3
Cash and deposits	294.2	113.4	14.1	1.4	308.3	114.8
Current assets	366.0	135.9	22.1	2.2	388.1	138.1
Total assets	5,340.3	1,902.1	313.1	31.3	5,653.4	1,933.4

Other payables	(188.1)	(94.3)	(2.1)	(0.2)	(190.2)	(94.5)
Loans and other borrowings	(4.4)	(1.1)	–	–	(4.4)	(1.1)
Current liabilities	(192.5)	(95.4)	(2.1)	(0.2)	(194.6)	(95.6)
Loans and other borrowings	(1,765.4)	(624.2)	–	–	(1,765.4)	(624.2)
Other payables	(336.0)	(90.4)	(2.5)	(0.2)	(338.5)	(90.6)
Deferred tax	(594.1)	(152.3)	–	–	(594.1)	(152.3)
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		1,068.6		30.9		1,099.5

						2016
		VR		Nicetoile		Total
	100% £m	Hammerson share £m	100% £m	Hammerson share £m	100% £m	Hammerson share £m
Goodwill on acquisition	–	77.0	–	–	–	77.0
Investment properties	4,095.9	1,387.3	277.3	27.7	4,373.2	1,415.0
Other non-current assets	182.0	44.2	–	–	182.0	44.2
Non-current assets	4,277.9	1,508.5	277.3	27.7	4,555.2	1,536.2
Other current assets	52.6	16.7	3.8	0.4	56.4	17.1
Cash and deposits	169.4	53.0	13.6	1.4	183.0	54.4
Current assets	222.0	69.7	17.4	1.8	239.4	71.5
Total assets	4,499.9	1,578.2	294.7	29.5	4,794.6	1,607.7
Other payables	(70.0)	(43.3)	(2.1)	(0.2)	(72.1)	(43.5)
Loans and other borrowings	(4.3)	(1.0)	–	–	(4.3)	(1.0)
Current liabilities	(74.3)	(44.3)	(2.1)	(0.2)	(76.4)	(44.5)
Loans and other borrowings	(1,382.6)	(465.3)	–	–	(1,382.6)	(465.3)
Other payables	(305.5)	(82.3)	(2.4)	(0.3)	(307.9)	(82.6)
Deferred tax	(545.6)	(140.9)	–	–	(545.6)	(140.9)
Non-current liabilities	(2,233.7)	(688.5)	(2.4)	(0.3)	(2,236.1)	(688.8)
Total liabilities	(2,308.0)	(732.8)	(4.5)	(0.5)	(2,312.5)	(733.3)
Net assets	2,191.9	845.4	290.2	29.0	2,482.1	874.4
Participative loans[1]		113.7		–		113.7
Investment in associates		959.1		29.0		988.1

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. Included within the participative loan of £128.8 million (2016: £113.7 million) is an embedded derivative of £121.9 million (2016: £106.6 million) which is classified as a 'fair value through profit and loss' financial asset. The fair value movement on this embedded derivative of £14.7 million (2016: £21.3 million) is included within the Group's share of the profit from associates within the income statement. The value of the underlying host participative loan is £6.9 million (2016: £7.1 million) which is treated as an 'available for sale' financial asset, with the fair value movement of £0.5 million (2016: £0.3 million) being recognised within other comprehensive income.

2. The analysis in the tables above excludes liabilities in respect of distributions received in advance from VR amounting to £16.6 million (2016: £18.9 million) which are included within non-current liabilities in note 18.

At 31 December 2017, Hammerson's investment in VR, excluding goodwill, as a proportion of VR's net assets was 40.3% (2016: 40.2%). Adjusting for the Participative Loans, which at 100% are included within other payables in non-current liabilities, Hammerson's economic share is calculated as 35.5 % (2016: 35.5%).

D: Reconciliation to adjusted investment in associates

	VR £m	Nicetoile £m	Total 2017 £m	VR £m	Nicetoile £m	Total 2016 £m
Investment in associates	1,068.6	30.9	1,099.5	959.1	29.0	988.1
Fair value of derivatives	(10.9)	–	(10.9)	(0.3)	–	(0.3)
Deferred tax	152.3	–	152.3	140.9	–	140.9
Goodwill as a result of deferred tax	(53.5)	–	(53.5)	(53.5)	–	(53.5)
Total adjustments	87.9	–	87.9	87.1	–	87.1
Adjusted investment in associates	1,156.5	30.9	1,187.4	1,046.2	29.0	1,075.2

E: Reconciliation of movements in investment in associates

	VR 2017 £m	Nicetoile 2017 £m	Total 2017 £m	VR 2016 £m	Nicetoile 2016 £m	Total 2016 £m
Balance at 1 January	959.1	29.0	988.1	743.8	24.2	768.0
Acquisitions	0.9	–	0.9	40.8	–	40.8
Share of results of associates	221.6	1.4	223.0	135.2	1.9	137.1
Distributions	(129.8)	(1.1)	(130.9)	(17.0)	–	(17.0)
Change in fair value of participative loans (note 10C)	(0.5)	–	(0.5)	(0.3)	–	(0.3)
Exchange and other movements	17.3	1.6	18.9	56.6	2.9	59.5
Balance at 31 December	1,068.6	30.9	1,099.5	959.1	29.0	988.1

11: Receivables: non-current assets

	2017 £m	2016 £m
Loans receivable	1.8	21.6
Other receivables	2.0	4.0
Fair value of interest rate swaps	6.3	19.3
Fair value of currency swaps	10.3	–
	20.4	44.9

All loans receivable are classified as available for sale and held at fair value and are analysed below:

	2017 £m	2016 £m
Value Retail European Holdings BV: €2.0 million (2016: €2.0 million) maturing 30 November 2043	1.8	1.7
VR Milan S.R.L.: €nil (2016: €23.3 million) maturing 13 December 2018	–	19.9
	1.8	21.6

12: Receivables: current assets

	2017 £m	2016 £m
Trade receivables	52.3	52.4
Other receivables	54.2	50.0
Corporation tax	–	0.6
Prepayments	4.0	2.9
	110.5	105.9

Trade receivables are shown after deducting a provision for bad and doubtful debts of £14.2 million (2016: £17.0 million). The level of provision required is determined after taking account of rent deposits and personal or corporate guarantees held.

13: Restricted monetary assets

	2017 £m	2016 £m
Cash held on behalf of third parties	37.3	35.1

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

14: Cash and deposits

	2017 £m	2016 £m
Cash at bank	205.9	74.1
Short-term deposits	–	0.2
	205.9	74.3
Currency profile		
Sterling	133.5	48.0
Euro	72.4	26.3
	205.9	74.3

15: Payables: current liabilities

	2017 £m	2016 £m
Trade payables	26.5	33.9
Net pension liability	0.8	0.9
Withholding tax on interim dividends (note 6)	13.4	11.5
Capital expenditure payables	34.2	38.4
Other payables	75.4	72.4
Accruals	85.5	121.9
Deferred income	25.3	24.8
	261.1	303.8

16: Loans and other borrowings

A: Analysis

	2017 £m	2016 £m
Unsecured		
£200 million 7.25% sterling bonds due 2028	198.3	198.2
£300 million 6% sterling bonds due 2026	297.9	297.8
£350 million 3.5% sterling bonds due 2025	345.8	345.3
€500 million 1.75% euro bonds due 2023	441.3	424.3
€500 million 2% euro bonds due 2022	440.4	423.2
£250 million 6.875% sterling bonds due 2020	–	248.9
€500 million 2.75% euro bonds due 2019	442.4	425.1
Bank loans and overdrafts	496.6	800.0
Senior notes due 2031[1]	21.3	–
Senior notes due 2028[1]	89.9	–
Senior notes due 2026[1]	87.3	25.6
Senior notes due 2024[1]	350.0	153.4
Senior notes due 2021[1]	141.2	151.8
	3,352.4	3,493.6
Fair value of currency swaps[2]	100.6	2.7
	3,453.0	3,496.3
Analysed as:		
Current liabilities	1.7	211.1
Non-current liabilities	3,451.3	3,285.2
	3,453.0	3,496.3

At 31 December 2017 and 2016 no loans and other borrowings were repayable by instalments.

1. The Senior notes comprise £386.6 million (2016: £234.6 million) denominated in US dollar, £208.1 million (2016: £51.2 million) denominated in euro and £95.0 million (2016: £45.0 million) denominated in sterling.
2. In addition, currency swap assets of £10.3 million (2016: £nil) are included in non-current receivables in note 11.

B: 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 16C.

The Group's borrowing position at 31 December 2017 is summarised below:

	Receivables: Non-current assets £m	Loans and other borrowings <1year £m	Loans and other borrowings >1year £m	2017 Total £m	2016 Total £m
Notes	11	16A	16A	20	20
Borrowings					
Bonds	–	–	2,166.1	2,166.1	2,362.8
Bank loans and overdrafts	–	–	496.6	496.6	800.0

Senior notes	–	–	689.7	689.7	330.8
Fair value of currency swaps	(10.3)	1.7	98.9	90.3	2.7
	(10.3)	1.7	3,451.3	3,442.7	3,496.3

C: Undrawn committed facilities

The maturity analysis of the undrawn element of the revolving credit facilities at 31 December 2017 is summarised below:

	2017 £m	2016 £m
Expiry		
Within two to five years	692.6	327.0
Within one to two years	–	125.0
Within one year	–	9.2
	692.6	461.2

17: Fair values of financial instruments

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

	2017			2016		
	Book value £m	Fair value £m	Variance £m	Book value £m	Fair value £m	Variance £m
Unsecured bonds	2,166.1	2,420.4	254.3	2,362.8	2,657.7	294.9
Senior notes	689.7	691.6	1.9	330.8	347.0	16.2
Unsecured bank loans and overdrafts	496.6	502.4	5.8	800.0	805.0	5.0
Fair value of currency swaps	90.3	90.3	–	2.7	2.7	–
Borrowings	3,442.7	3,704.7	262.0	3,496.3	3,812.4	316.1
Interest rate swaps	(6.3)	(6.3)	–	(19.3)	(19.3)	–

18: Payables: non-current liabilities

	2017 £m	2016 £m
Net pension liability	50.6	53.8
Other payables	33.6	42.2
	84.2	96.0

19: Share capital

Called-up, allotted and fully paid	2017 £m	2016 £m
Ordinary shares of 25p each	198.6	198.3

	Number
Movements in number of shares in issue	
Number of shares in issue at 1 January 2017	793,188,451
New share issue – transferred to investment in own shares	1,000,000
Share options exercised – Savings-Related Share Option Scheme	37,967
Number of shares in issue at 31 December 2017	794,226,418

20: Analysis of movement in net debt

	2017			2016		
	Cash and deposits £m	Borrowings £m	Net debt £m	Cash and deposits £m	Borrowings £m	Net debt £m
Notes	14	16B		14	16B	
At 1 January	74.3	(3,496.3)	(3,422.0)	37.0	(2,998.1)	(2,961.1)
Cash flow	130.6	160.8	291.4	34.0	(102.3)	(68.3)
Change in fair value of currency swaps	–	9.0	9.0	–	(6.7)	(6.7)
Exchange	1.0	(116.2)	(115.2)	3.3	(389.2)	(385.9)
At 31 December	205.9	(3,442.7)	(3,236.8)	74.3	(3,496.3)	(3,422.0)

Borrowings comprise loans and other borrowings of £3,453.0 million (2016: £3,496.3 million), as shown in note 16A, less the fair value of currency swap assets of £10.3 million (2016: £nil), included in non-current receivables in note 11.

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

	2017 £m	2016 £m
Amortisation of lease incentives and other costs	7.7	6.8
Increase in provision for bad and doubtful debts	0.5	5.2
Increase in accrued rents receivable	(4.9)	(6.4)
Depreciation	2.1	2.0
Share-based employee remuneration	5.4	5.6
Other items	(1.7)	(1.6)
	9.1	11.6

22: Contingent liabilities and capital commitments

There are contingent liabilities of £65.6 million (2016: £68.6 million) relating to guarantees given by the Reported Group and a further £14.2 million (2016: £15.0 million) relating to claims against the Reported Group arising in the normal course of business, which are considered to be unlikely to crystallise. In addition, Hammerson's share of contingent liabilities arising within joint ventures is £18.3 million (2016: £18.7 million).

The Reported Group also had capital commitments of £62.4 million (2016: £20.7 million) in relation to future capital expenditure on investment and development properties. Hammerson's share of the capital commitments arising within joint ventures is £26.6 million (2016: £174.9 million).

The risks and uncertainties facing the Group are detailed on pages 30 to 32.

23: Non-controlling interests

The Group's non-controlling interest represents a 35.5% interest held by Assurbail in Société Civile de Développement du Centre Commercial de la Place des Halles SDPH SC, which owned Place des Halles, Strasbourg. The entity disposed of its interest in this property in December 2017, with the exception of a residual unit which will be sold later this year.

As a result of the property disposal, exchange gains previously recognised in equity have been recycled to the income statement in 2017. The non-controlling interest's share of these exchange gains was £19.6 million (2016: £nil) and is included in its share of the profit for the year of £23.2 million (2016: £3.6 million).

A distribution of £74.2 million (2016: £2.3 million) was paid to Assurbail during the year. At 31 December 2017, the non-controlling interests of £14.0 million (2016: £81.4 million) principally represents remaining cash from the sale of the property held within the entity at the balance sheet date, which will be distributed in 2018.

The balances and movements during the year associated with the non-controlling interests are shown on the Consolidated Statement of Changes in Equity on pages 37 and 38.

ADDITIONAL DISCLOSURES UNAUDITED

Table 1

EPRA measures

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

As with other real estate companies, we have adopted the EPRA Best Practice Recommendations (BPR) and were again awarded an EPRA Gold Award for compliance with the EPRA BPR for our 2016 Annual Report. Further information on EPRA and the EPRA BPR can be found on their website www.epra.com. Our key EPRA metrics are described and shown in Table 2.

Table 2

EPRA performance measures

Performance measure	2017 performance	2016 performance	Definition	Page
Earnings	£247.3m	£230.9m	Recurring earnings from core operational activities. In 2017, EPRA earnings differed by £1.0 million (2016: £0.2 million) from the Group's adjusted earnings due to the inclusion of a 'Company specific adjustment' in relation to foreign exchange translation movements on an intragroup funding loan in VIA Outlets which has no cash flow impact (see note 7B of the financial statements) and which management believe distorts the underlying earnings of the Group.	46
Earnings per share (EPS)	31.2p	29.2p	EPRA earnings divided by the weighted average number of shares in issue during the period. As stated in 'Earnings' above, the EPRA EPS is 0.1p higher than the Group's adjusted EPS of 31.1p due to the VIA Outlets intragroup funding loan adjustment.	46
Net asset value (NAV) per share	£7.76	£7.39	Equity shareholders' funds excluding the fair values of certain financial derivatives, deferred tax balances and any associated goodwill divided by the diluted number of shares in issue.	47
Triple net asset value (NNNAV) per share	£7.25	£6.88	Equity shareholders' funds adjusted to include the fair values of borrowings.	47
Net Initial Yield (NIY)	4.4%	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.	66
Topped-up NIY	4.6%	4.6%	EPRA NIY adjusted for the expiry of rent-free periods.	66
Vacancy rate	1.7%	2.5%	The estimated market rental value (ERV) of vacant space divided by the ERV of the whole portfolio. Occupancy is the inverse of vacancy.	63
Cost ratio	21.6%	22.6%	Total operating costs as a percentage of gross rental income, after rents payable. Both operating costs and gross rental income are adjusted for costs associated with inclusive leases.	65

Portfolio analysis

Rental information

Table 3

Rental data for the year ended 31 December 2017

Proportionally consolidated excluding premium outlets	Gross rental income £m	Net rental income £m	Vacancy rate %	Average rents passing[1] £/m²	Rents passing £m	Estimated rental value[2] £m	Reversion/ (over-rented) %
United Kingdom							
Shopping centres	180.2	152.9	1.9	540	175.7	186.7	4.5
Retail parks	72.4	69.3	0.6	215	77.5	75.4	(3.4)
Other	12.3	8.8	8.1	155	12.9	14.1	0.2
	264.9	231.0	1.8	365	266.1	276.2	2.1
France	104.6	95.3	2.1	470	83.1	91.7	7.8
Ireland	37.9	34.8	0.3	455	41.6	43.3	3.9
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					

Selected data for the year ended 31 December 2016							
Group							
UK	272.0	237.3	2.4	365	263.6	277.3	2.9
France	101.1	89.3	3.5	455	97.0	107.9	7.1
Ireland	13.7	12.5	0.5	495	31.9	34.8	8.3
Investment portfolio	386.8	339.1	2.5	390	392.5	420.0	4.4

Developments	11.9	7.4
Property portfolio (note 2)	398.7	346.5

Notes

1. Average rents passing at the year end before deducting head and equity rents and excluding rents passing from anchor units and car parks.
2. The estimated market rental value at the year end calculated by the Group's valuers. ERVs in the above table are included within the unobservable inputs to the portfolio valuations as defined by IFRS 13. This information has been subject to audit. The total ERV for the Reported Group at 31 December 2017 was £239.8 million (2016: £251.2 million).
3. Rental income for Developments is principally in relation to the Whitgift Centre, Croydon; Dublin Central and ancillary properties associated with our development pipeline in Dublin and Leeds.

Rent reviews

Table 4

Rent reviews as at 31 December 2017

	Rents passing subject to review in[1]					Current ERV of leases subject to review in[2]				
Proportionally consolidated excluding premium outlets	Outstanding £m	2018 £m	2019 £m	2020 £m	Total £m	Outstanding £m	2018 £m	2019 £m	2020 £m	Total £m
United Kingdom										
Shopping centres	17.7	18.5	23.3	16.9	76.4	18.4	20.0	24.8	17.9	81.1
Retail parks	14.7	4.9	10.0	20.1	49.7	15.0	5.0	10.6	20.8	51.4
Other	3.0	0.5	1.2	0.6	5.3	3.1	0.5	1.5	0.7	5.8
	35.4	23.9	34.5	37.6	131.4	36.5	25.5	36.9	39.4	138.3
Ireland	11.1	3.4	3.4	17.0	34.9	11.8	3.6	3.6	18.7	37.7
Total[3]	46.5	27.3	37.9	54.6	166.3	48.3	29.1	40.5	58.1	176.0

Notes

1. The amount of rental income, based on rents passing at 31 December 2017, for leases which are subject to review in each year.
2. Projected rental income for leases that are subject to review in each year, based on the higher of the current rental income and the ERV at 31 December 2017. For outstanding reviews the ERV is as at the review date.
3. Leases in France are not subject to rent reviews but instead are adjusted annually based on French indexation indices.

Lease expiries and breaks

Table 5

Lease expiries and breaks as at 31 December 2017

	Rents passing that expire/break in[1]				ERV of leases that expire/break in[2]				Weighted average unexpired lease term	
Proportionally consolidated excluding premium outlets	2018 £m	2019 £m	2020 £m	Total £m	2018 £m	2019 £m	2020 £m	Total £m	to break years	to expiry years
United Kingdom										
Shopping centres	30.5	14.3	10.3	55.1	36.2	15.2	10.8	62.2	6.0	10.5
Retail parks	2.9	3.7	6.8	13.4	2.8	3.9	6.8	13.5	7.7	8.6
Other	3.4	0.8	1.5	5.7	3.6	1.1	1.7	6.4	7.5	8.4
	36.8	18.8	18.6	74.2	42.6	20.2	19.3	82.1	6.6	9.8
France	11.0	2.2	4.3	17.5	13.3	2.5	4.7	20.5	2.8	5.6
Ireland	2.5	2.4	3.1	8.0	3.1	2.7	3.4	9.2	8.7	11.6
Investment portfolio	50.3	23.4	26.0	99.7	59.0	25.4	27.4	111.8	5.9	9.0

Notes

1. The amount of rental income, based on rents passing at 31 December 2017, for leases which expire or, for the UK and Ireland only, are subject to tenant break options, which fall due in each year.
2. The ERV at 31 December 2017 for leases that expire or, for the UK and Ireland only, are subject to tenant break options which fall due in each year and ignoring the impact of rental growth and any rent-free periods.

Net rental income

Table 6

Net rental income for the year ended 31 December 2017

Proportionally consolidated excluding premium outlets	Properties owned throughout 2016/17 £m	Increase for properties owned throughout 2016/17 %	Acquisitions £m	Disposals £m	Developments and other £m	Total £m
United Kingdom						
Shopping centres	140.4	1.8	3.8	0.1	8.6	152.9
Retail parks	66.0	(2.5)	–	3.1	0.2	69.3

Other	–	–	–	–	14.5	14.5
	206.4	0.4	3.8	3.2	23.3	236.7
France	74.8	2.6	0.7	18.8	1.5	95.8
Ireland	–	n/a	37.9	–	–	37.9
Property portfolio	281.2	1.0	42.4	22.0	24.8	370.4

Net rental income for the year ended 31 December 2016

Proportionally consolidated excluding premium outlets	Properties owned throughout 2016/17 £m	Exchange £m	Acquisitions £m	Disposals £m	Developments and other £m	Total £m
United Kingdom						
Shopping centres	137.9	–	4.3	4.3	1.7	148.2
Retail parks	67.6	–	–	12.0	–	79.6
Other	–	–	–	–	15.4	15.4
	205.5	–	4.3	16.3	17.1	243.2
France	73.0	(6.5)	0.5	21.0	1.3	89.3
Ireland	–	(1.0)	15.0	–	–	14.0
Property portfolio	278.5	(7.5)	19.8	37.3	18.4	346.5

Following the acquisition of the Irish loan portfolio in October 2015, the underlying net rental income derived from the property assets secured against the debt was in the form of finance income. Had this been treated as net rental income, the like-for-like net rental income growth for the Irish properties in 2017 would have been 7.4%, which would have increased the Group's like-for-like net rental income growth to 1.7%.

Top ten tenants

Table 7

Ranked by passing rent at 31 December 2017

Proportionally consolidated excluding premium outlets	Passing rent £m	% of total passing rent
B&Q	12.6	3.2
Inditex	9.3	2.4
Next	9.0	2.3
H&M	8.8	2.3
Boots	5.6	1.4
Dixons Carphone	5.2	1.3
Arcadia	5.2	1.3
Marks & Spencer	5.1	1.3
Debenhams	5.1	1.3
River Island	5.1	1.3
Total	71.0	18.1

Cost ratio

Table 8

EPRA cost ratio

Proportionally consolidated excluding premium outlets	Year ended 31 December 2017 £m	Year ended 31 December 2016 £m
Net service charge expenses – non-vacancy	7.8	6.5
Net service charge expenses – vacancy	7.5	8.0
Net service charge expenses – total	15.3	14.5
Other property outgoings	32.1	33.6
Less inclusive lease costs recovered through rent	(7.7)	(6.6)
Total property costs (for cost ratio)	39.7	41.5
Employee and corporate costs	61.0	54.6
Management fees receivable	(12.1)	(8.5)
Total operating costs (for cost ratio)	88.6	87.6

Gross rental income	421.9	398.7
Ground and equity rents payable	(4.1)	(4.1)
Less inclusive lease costs recovered through rent	(7.7)	(6.6)
Gross rental income (for cost ratio)	410.1	388.0
EPRA cost ratio including net service charge expenses – vacancy (%)	21.6	22.6
EPRA cost ratio excluding net service charge expenses – vacancy (%)	19.8	20.5

Our business model for developments is to use a combination of in-house staff and external advisers. The cost of external advisers is capitalised to the cost of developments. The cost of staff working on developments is generally expensed, but is capitalised subject to meeting certain criteria related to the degree of time spent on and the stage of progress of specific projects. During the year ended 31 December 2017, staff costs amounting to £0.1 million (2016: £1.6 million) were capitalised as development costs and are not included within 'Employee and corporate costs'.

Valuation analysis

Table 9

Valuation analysis at 31 December 2017

Proportionally consolidated including premium outlets	Properties at valuation £m	Revaluation in the year £m	Capital return %	Total return %	Initial yield %	True equivalent yield %	Nominal equivalent yield[1] %
United Kingdom							
Shopping centres	3,488.9	23.9	0.7	5.2	4.4	5.1	4.9
Retail parks	1,234.1	(27.2)	(2.5)	2.8	5.5	6.2	6.0
Other	180.1	13.4	8.8	14.5	5.2	7.2	6.9
	4,903.1	10.1	0.1	4.9	4.7	5.5	5.3
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
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			
Selected data for the year ended 31 December 2016							
Group							
UK	4,920.0	(121.9)	(2.8)	1.9	4.7	5.5	5.3
France	2,159.6	73.3	3.6	8.3	3.9	4.4	4.3
Ireland	805.1	3.2	0.4	2.3	3.9	4.3	4.2
Investment portfolio	7,884.7	(45.4)	(1.0)	3.7	4.4	5.1	4.9
Developments	397.0	32.0	7.2	8.6			
Property portfolio – excluding premium outlets	8,281.7	(13.4)	(0.4)	4.1			
Premium outlets[2]	1,689.4	138.4	9.6	15.1			
Total Group	9,971.1	125.0	1.1	5.7			

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 yields for the Reported Group at 31 December 2017 was 5.1% (2016: 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 2017

Proportionally consolidated excluding premium outlets	Income £m	Gross value £m	Net book value £m
Portfolio value (net of cost to complete)		8,226	8,226
Purchasers' costs[1]			(476)
Net investment portfolio valuation on a proportionally consolidated basis			7,750
Income and yields			

Rent for valuers' initial yield (equivalent to EPRA Net Initial Yield)	364.3	4.4%	4.7%
Rent-free periods (including pre-lets)[2]	12.6	0.2%	0.2%
Rent for 'topped-up' initial yield[3]	376.9	4.6%	4.9%
Non-recoverable costs (net of outstanding rent reviews)	13.9	0.2%	0.2%
Passing rents	390.8	4.8%	5.1%
ERV of vacant space	6.7	0.1%	0.1%
Reversions	13.7	0.2%	0.2%
Total ERV/Reversionary yield	411.2	5.1%	5.4%
True equivalent yield		5.0%	
Nominal equivalent yield		4.9%	

Notes

1. Purchasers' costs equate to 6.1% of the net portfolio value.
2. The weighted average remaining rent-free period is 0.5 years.
3. The yield of 4.6% based on passing rents and gross portfolio value is equivalent to EPRA's 'topped-up' Net Initial Yield.

Share of Property interests

The Group's Share of Property interests reflects the Group's Property joint ventures as shown in note 9 to the financial statements on pages 49 to 54 and the Group's interest in Nicetoile, which is accounted for as an associate, as shown in note 10 to the financial statements on pages 55 to 57.

Table 11

Income statement

	2017 Property joint ventures £m	2017 Nicetoile £m	2017 Share of Property interests £m	2016 Property joint ventures £m	2016 Nicetoile £m	2016 Share of Property interests £m
Gross rental income	171.4	1.6	173.0	145.9	1.5	147.4
Net rental income	146.4	1.4	147.8	122.9	1.3	124.2
Administration expenses	(0.5)	–	(0.5)	(0.4)	–	(0.4)
Operating profit before other net gains	145.9	1.4	147.3	122.5	1.3	123.8
Revaluation gains on properties	19.4	–	19.4	10.7	0.6	11.3
Operating profit	165.3	1.4	166.7	133.2	1.9	135.1
Change in fair value of derivatives	–	–	–	0.8	–	0.8
Other finance income	1.6	–	1.6	15.3	–	15.3
Net finance income	1.6	–	1.6	16.1	–	16.1
Profit before tax	166.9	1.4	168.3	149.3	1.9	151.2
Current tax charge	–	–	–	(0.8)	–	(0.8)
Profit for the year	166.9	1.4	168.3	148.5	1.9	150.4

Table 12

Balance sheet

	2017 Property joint ventures £m	2017 Nicetoile £m	2017 Share of Property interests £m	2016 Property joint ventures £m	2016 Nicetoile £m	2016 Share of Property interests £m
Non-current assets						
Investment and development properties	3,611.1	29.1	3,640.2	3,490.1	27.7	3,517.8
Interests in leasehold properties	10.4	–	10.4	10.8	–	10.8
Other non-current assets	0.1	–	0.1	–	–	–
	3,621.6	29.1	3,650.7	3,500.9	27.7	3,528.6
Current assets						
Other current assets	52.7	0.8	53.5	100.2	0.4	100.6
Cash and deposits	58.5	1.4	59.9	54.8	1.4	56.2
	111.2	2.2	113.4	155.0	1.8	156.8
Total assets	3,732.8	31.3	3,764.1	3,655.9	29.5	3,685.4

Current liabilities						
Other payables	(79.6)	(0.2)	(79.8)	(78.4)	(0.2)	(78.6)
Tax	(0.7)	–	(0.7)	–	–	–
Loans and other borrowings	(48.6)	–	(48.6)	(46.7)	–	(46.7)
	(128.9)	(0.2)	(129.1)	(125.1)	(0.2)	(125.3)
Non-current liabilities						
Loans and other borrowings	(275.0)	–	(275.0)	–	–	–
Obligations under finance leases	(10.4)	–	(10.4)	(10.8)	–	(10.8)
Other payables	(6.1)	(0.2)	(6.3)	(5.3)	(0.3)	(5.6)
	(291.5)	(0.2)	(291.7)	(16.1)	(0.3)	(16.4)
Total liabilities	(420.4)	(0.4)	(420.8)	(141.2)	(0.5)	(141.7)
Net assets	3,312.4	30.9	3,343.3	3,514.7	29.0	3,543.7

Premium outlets

The Group's investment in premium outlets is through interests in Value Retail and VIA Outlets. Due to the nature of the Group's control over these externally managed investments, Value Retail is accounted for as an associate and VIA Outlets is accounted for as a joint venture. Tables 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 10 to the financial statements on pages 55 to 57 and for VIA Outlets in note 9 to the financial statements on pages 49 to 54.

Income statement

Table 13

Aggregated premium outlets income summary

			2017			2016
	Value Retail £m	VIA Outlets £m	Total £m	Value Retail £m	VIA Outlets £m	Total £m
Share of results (IFRS)	221.6	13.6	235.2	135.2	20.7	155.9
Less adjustments:						
Revaluation gains on properties	(198.3)	(26.9)	(225.2)	(120.0)	(18.4)	(138.4)
Deferred tax acquired	–	12.9	12.9	–	–	–
Revaluation gains	(198.3)	(14.0)	(212.3)	(120.0)	(18.4)	(138.4)
Change in fair value of derivatives	5.2	(1.6)	3.6	15.2	(0.7)	14.5
Deferred tax charge	5.9	16.2	22.1	9.6	4.7	14.3
Other adjustments	(9.8)	(1.0)	(10.8)	(16.4)	(0.1)	(16.5)
	(197.0)	(0.4)	(197.4)	(111.6)	(14.5)	(126.1)
Adjusted earnings of premium outlets	24.6	13.2	37.8	23.6	6.2	29.8

Balance sheet

Table 14

Aggregated premium outlets investment summary

			2017			2016
	Value Retail £m	VIA Outlets £m	Total £m	Value Retail £m	VIA Outlets £m	Total £m
Investment properties	1,633.8	600.3	2,234.1	1,387.3	302.1	1,689.4
Net debt	(511.9)	(173.6)	(685.5)	(413.3)	(54.3)	(467.6)
Other net liabilities	(53.3)	(65.4)	(118.7)	(14.9)	(25.8)	(40.7)
Share of net assets (IFRS)	1,068.6	361.3	1,429.9	959.1	222.0	1,181.1
Less adjustments:						
Fair value of derivatives	(10.9)	1.2	(9.7)	(0.3)	3.5	3.2
Deferred tax	152.3	59.7	212.0	140.9	19.5	160.4
Goodwill as a result of deferred tax	(53.5)	(3.6)	(57.1)	(53.5)	(3.5)	(57.0)
	87.9	57.3	145.2	87.1	19.5	106.6
Adjusted investment	1,156.5	418.6	1,575.1	1,046.2	241.5	1,287.7

In addition to the above figures, at 31 December 2017 the Group had provided loans of £1.8 million (2016: £21.6 million) to Value Retail for which the Group received interest of £0.3 million in 2017 (2016: £4.2 million) which is included within finance income in note 4 to the financial statements on page 44.

Proportionally consolidated information

Note 2 to the financial statements on pages 41 and 42 shows the proportionally consolidated income statement. The proportionally consolidated balance sheet, adjusted finance costs and net debt and 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 9 to the financial statements on pages 49 to 54 and Nicetoile as shown in note 10 to the financial statements on pages 55 to 57. Column C shows the Group's proportionally consolidated figures by aggregating the Reported Group and Share of Property interests figures. As explained on page 23 of the Financial Review, the Group's interests in premium outlets are not proportionally consolidated as management does not review these interests on this basis.

Balance sheet

Table 15

Balance sheet as at 31 December 2017

			2017			2016
	Reported Group £m	Share of Property interests £m	Proportionally consolidated £m	Reported Group £m	Share of Property interests £m	Proportionally consolidated £m
	A	B	C	A	B	C
Non-current assets						
Investment and development properties	4,686.1	3,640.2	8,326.3	4,763.9	3,517.8	8,281.7
Interests in leasehold properties	37.2	10.4	47.6	36.4	10.8	47.2
Plant and equipment	5.1	–	5.1	6.2	–	6.2
Investment in joint ventures	3,673.7	(3,312.4)	361.3	3,736.7	(3,514.7)	222.0
Investment in associate	1,099.5	(30.9)	1,068.6	988.1	(29.0)	959.1
Receivables	20.4	0.1	20.5	44.9	–	44.9
	9,522.0	307.4	9,829.4	9,576.2	(15.1)	9,561.1
Current assets						
Receivables	110.5	32.2	142.7	105.9	84.8	190.7
Restricted monetary assets	37.3	21.3	58.6	35.1	15.8	50.9
Cash and deposits	205.9	59.9	265.8	74.3	56.2	130.5
	353.7	113.4	467.1	215.3	156.8	372.1
Total assets	9,875.7	420.8	10,296.5	9,791.5	141.7	9,933.2
Current liabilities						
Payables	(261.1)	(79.8)	(340.9)	(303.8)	(78.6)	(382.4)
Tax	(0.5)	(0.7)	(1.2)	(0.4)	–	(0.4)
Loans and other borrowings	(1.7)	(48.6)	(50.3)	(211.1)	(46.7)	(257.8)
	(263.3)	(129.1)	(392.4)	(515.3)	(125.3)	(640.6)
Non-current liabilities						
Loan and other borrowings	(3,451.3)	(275.0)	(3,726.3)	(3,285.2)	–	(3,285.2)
Deferred tax	(0.5)	–	(0.5)	(0.5)	–	(0.5)
Obligations under finance leases	(38.9)	(10.4)	(49.3)	(37.5)	(10.8)	(48.3)
Payables	(84.2)	(6.3)	(90.5)	(96.0)	(5.6)	(101.6)
	(3,574.9)	(291.7)	(3,866.6)	(3,419.2)	(16.4)	(3,435.6)
Total liabilities	(3,838.2)	(420.8)	(4,259.0)	(3,934.5)	(141.7)	(4,076.2)
Net assets	6,037.5	–	6,037.5	5,857.0	–	5,857.0

Adjusted finance costs

Table 16

Adjusted finance costs for the year ended 31 December 2017

			2017			2016
	Reported Group £m	Share of Property interests £m	Total £m	Reported Group £m	Share of Property interests £m	Total £m
Notes (see page 69)	A	B	C	A	B	C

Gross finance costs	126.1	3.1	129.2	126.3	2.1	128.4
Less: Interest capitalised	(0.8)	–	(0.8)	(5.1)	–	(5.1)
Finance costs	125.3	3.1	128.4	121.2	2.1	123.3
Finance income	(16.1)	(4.7)	(20.8)	(12.4)	(17.4)	(29.8)
Adjusted finance costs/(income) (note 2)	109.2	(1.6)	107.6	108.8	(15.3)	93.5

Net debt

Table 17

Net debt as at 31 December 2017

	2017			2016		
	Reported Group £m	Share of Property interests £m	Total £m	Reported Group £m	Share of Property interests £m	Total £m
Notes (see page 69)	A	B	C	A	B	C
Cash and deposits	205.9	59.9	265.8	74.3	56.2	130.5
Fair value of currency swaps*	(90.3)	–	(90.3)	(2.7)	–	(2.7)
Other loans and other borrowings	(3,352.4)	(323.6)	(3,676.0)	(3,493.6)	(46.7)	(3,540.3)
Net debt	(3,236.8)	(263.7)	(3,500.5)	(3,422.0)	9.5	(3,412.5)

* At 31 December 2017 the fair value of currency swaps in the Reported Group included currency swaps of £10.3 million (2016: £nil) within non-current receivables.

Loan to value and gearing

Table 18

Loan to value and gearing as at 31 December 2017

	2017 £m	2016 £m
Net debt - 'Loan' (A)	3,500.5	3,412.5
Total property portfolio (Table 9)	8,326.3	8,281.7
Irish loan assets (note 9A)	–	54.1
Investment in VIA Outlets (note 9A)	361.3	222.0
Investment in Value Retail (note 10C)	1,068.6	959.1
Less non-controlling interests (note 23)	(14.0)	(81.4)
'Value' (B)	9,742.2	9,435.5
Equity shareholders' funds (C)	6,023.5	5,775.6
Loan to value (%) - (A/B)	35.9	36.2
Gearing (%) - (A/C)	58.1	59.1

Net debt:EBITDA

Table 19

Net debt:EBITDA for the year ended 31 December 2017

	2017 £m	2016 £m
Adjusted operating profit (note 2)	359.3	330.2
Interest income from Irish loans	4.7	17.4
Tenant incentive amortisation	4.8	2.6
Share-based remuneration	5.4	5.6
Depreciation	2.1	2.0
EBITDA	376.3	357.8
Net debt (Table 17)	3,500.5	3,412.5
Net debt:EBITDA - times	9.3	9.5

DEVELOPMENT PIPELINE

UNAUDITED

Scheme	Scheme Area m²	Key facts
UK shopping centres		
Brent Cross extension	90,000	• Extension and refurbishment of Brent Cross, forming part of wider Brent Cross Cricklewood regeneration plans, totalling 175,000m² of retail, catering and leisure. • Reserved matters planning application approved October 2017. The compulsory purchase order was confirmed in December 2017. • Laing O'Rourke has been selected as the preferred contractor for the retail extension and leasing is progressing.
Bristol Investment Properties*	74,000	• Resolution to grant planning permission subject to conclusion of a s. 106 agreement, confirmed in January 2018 for a 3.5ha area of joint venture-owned properties forming part of the Broadmead estate adjoining Cabot Circus. • Masterplan includes up to 74,000m² retail and leisure, 380 car parking spaces, and the potential for 150 residential units and a 150 room hotel.
Croydon Town Centre	200,000	• Redevelopment of Whitgift Centre and refurbishment of Centrale shopping centre. • Resolution to grant outline planning permission confirmed in November 2017 for the redevelopment of the Whitgift Centre subject to conclusion of a S106 agreement.
Silverburn (Phase 4), Glasgow*	50,000	• Variation to planning condition consented in 2017 to permit phased delivery of a masterplan for a future extension of existing centre. • Masterplan includes 31,250m² retail, 8,500m² leisure, plus a hotel.
Union Square, Aberdeen*	27,800	• Extension of existing shopping centre for up to 11,000m² of retail, 12,000m² of leisure and catering, plus up to 294 car parking spaces and a hotel. • Planning consent subject to conclusion of a section 75 agreement anticipated H1 2018.
Victoria, Leeds (Phase 2)*	95,000	• Phase 1 Victoria Gate completed October 2016. Operator being sought for up to 200 bed hotel adjacent to new multi-storey car park. • Phase 2 master planning underway to deliver a phased retail/leisure mixed-use scheme to complement Victoria Gate. • Freehold control of 4.1ha Phase 2 site obtained.
UK retail parks		
Imperial Retail Park, Bristol*	7,350	• Planning consent granted in November 2017 for retail and leisure extension to Imperial Retail Park. • Leasing progressing ahead of potential start on site in Autumn 2018.
Oldbury, Dudley*	10,900	• Planning consent granted in May 2016 for new development of up to 11 retail and catering units. Leasing underway.
UK Other		
The Goodsyard, London E1	270,000	• 4.2ha site on edge of the City of London. • A planning application for a major mixed-use development of up to 270,000m² was deferred by the GLA in April 2016 to allow further consultation. This work is progressing and we are now targeting a submission of the necessary amendments to the GLA by the end of 2018 to allow the Mayor to determine the scheme.
France		
SQY Ouest, Saint Quentin-en-Yvelines*	32,000	• Opportunity to reposition existing shopping centre, creating a leisure-led destination. • Trading consent obtained. • Construction works and pre-letting on-going, Phase 1 launched to handover first units in first half of 2018.
Ireland		
Dundrum Phase II, Dublin*	100,000	• 2.4ha site located adjacent to Dundrum Town Centre. • Masterplan in preparation for a residential-led mixed-use scheme including retail.
Dublin Central, Dublin*	130,000	• Extension of duration of planning consent granted until May 2022 to create a retail-led city centre scheme including 60,000m² of retail. • The Court of Appeal in Dublin overturned the earlier ruling relating to buildings on Moore Street and their national monument status. Previously constrained by the court case, Hammerson will now engage with stakeholders on the future of the site.
Swords Pavilions Phase III, Dublin*	272,000	• Extension of planning consent granted to August 2021 to create a mixed use development including 124,000m² of retail and commercial uses. • Loan-to-own process complete. Masterplan for extension to be reviewed in 2018.
Total	1,359,050	

* Schemes are on Group owned land. No additional land acquisitions are required. This excludes occupational and long leaseholds.

GLOSSARY

Adjusted figures (per share)	Reported amounts adjusted in accordance with EPRA guidelines to exclude certain items as set out in note 7 to the financial statements.
Anchor store	A major store, usually a department or DIY store, a supermarket or leisure facility, occupying a large unit within a shopping centre or retail park, which serves as a draw to other retailers and consumers.
Average cost of debt or weighted average interest rate	The cost of finance expressed as a percentage of the weighted average of debt during the period.
BREEAM	An environmental rating assessed under the Building Research Establishment's Environmental Assessment Method.
Capital return	The change in property value during the period after taking account of capital expenditure, calculated on a monthly time-weighted basis after taking account of exchange translation movements.
Cost ratio (or EPRA cost ratio)	Total operating costs (being property costs, administration costs less management fees) as a percentage of gross rental income, after rents payable. Both operating costs and gross rental income are adjusted for costs associated with inclusive leases.
CPI	Consumer Price Index. A measure of inflation based on the weighted average of prices of consumer goods and services.
Dividend cover	Adjusted earnings per share divided by dividend per share.
Earnings per share (EPS)	Profit for the period attributable to equity shareholders divided by the average number of shares in issue during the period.
EBITDA	Earnings before interest, tax, depreciation and amortisation.
EPRA	The European Public Real Estate Association, a real estate industry body. This organisation has issued Best Practice Recommendations with the intention of improving the transparency, comparability and relevance of the published results of listed real estate companies in Europe.
Equivalent yield (true and nominal)	The capitalisation rate applied to future cash flows to calculate the gross property value. The cash flows reflect the timing of future rents resulting from lettings, lease renewals and rent reviews based on current ERVs. The true equivalent yield (TEY) assumes rents are received quarterly in advance. The nominal equivalent yield (NEY) assumes rents are received annually in arrears. The property true and nominal equivalent yields are determined by the Group's external valuers.
ERV	The estimated market rental value of the total lettable space in a property calculated by the Group's external valuers. It is calculated after deducting head and equity rents, and car parking and commercialisation running costs.
Gearing	Proportionally consolidated net debt expressed as a percentage of equity shareholders' funds.
Gross property value or Gross asset value (GAV)	Property value before deduction of purchasers' costs, as provided by the Group's external valuers.
Gross rental income (GRI)	Income from rents, car parks and commercialisation income, after accounting for the net effect of the amortisation of lease incentives.
IAS/IFRS	International Accounting Standard/International Financial Reporting Standard.
Inclusive lease	A lease, often for a short period of time, under which the rent is inclusive of costs such as service charge, rates, utilities etc. Instead, the landlord incurs these costs as part of the overall commercial arrangement.
Income return	The income derived from a property as a percentage of the property value, taking account of capital expenditure and exchange translation movements, calculated on a time-weighted basis.
Initial yield (or Net initial yield (NIY))	Annual cash rents receivable (net of head and equity rents and the cost of vacancy, and, in the case of France, net of an allowance for costs of approximately 5%, primarily for management fees), as a percentage of gross property value, as provided by the Group's external valuers. Rents receivable following the expiry of rent-free periods are not included. Rent reviews are assumed to have been settled at the contractual review date at ERV.
Interest cover	Net rental income divided by net cost of finance before exceptional finance costs, capitalised interest and change in fair value of derivatives.
Interest rate or currency swap (or derivatives)	An agreement with another party to exchange an interest or currency rate obligation for a pre-determined period of time.
IPD	Property market benchmark indices produced by MSCI.
Like-for-like (LFL) NRI	The percentage change in net rental income for completed investment properties owned throughout both current and prior periods, after taking account of exchange translation movements.
LTV (Loan to value)	Net debt expressed as a percentage of the property portfolio value calculated on a proportionally consolidated basis.
Net asset value (NAV) per share	Equity shareholders' funds divided by the number of shares in issue at the balance sheet date.
Net rental income (NRI)	Income from rents, car parks and commercial income, after deducting head and equity rents payable, and other property related costs.
Occupancy rate	The ERV of the area in a property, or portfolio, excluding developments, which is let, expressed as a percentage of the total ERV of that property or portfolio.
Occupational cost ratio (OCR)	The proportion of retailer's sales compared with the total cost of occupation being: rent, business rates, service charge and insurance. Calculated excluding anchor stores.

Over-rented	The amount, or percentage, by which the ERV falls short of rents passing, together with the estimated rental value of vacant space.
Passing rents or rents passing	The annual rental income receivable from an investment property, after any rent-free periods and after deducting head and equity rents and car parking and commercialisation running costs. This may be more or less than the ERV (see over-rented and reversionary or under-rented).
Pre-let	A lease signed with a tenant prior to the completion of a development.
Principal lease	A lease signed with a tenant with a secure term of greater than three years and where the unit is not reconfigured. This enables letting metrics to be stated on a comparable basis.
Property Income Distribution (PID)	A dividend, generally subject to withholding tax, that a UK REIT is required to pay from its tax-exempt property rental business and which is taxable for UK-resident shareholders at their marginal tax rate.
Property interests	The Group's non-wholly owned properties which management proportionally consolidates when reviewing the performance of the business. These exclude the Group's premium outlets interests in Value Retail and VIA Outlets which are not proportionally consolidated.
Property joint ventures	The Group's shopping centre and retail park joint ventures which management proportionally consolidate when reviewing the performance of the business, but exclude the Group's interests in the VIA Outlets joint venture.
Proportional consolidation	The aggregation of the financial results of the Reported Group together with the Group's share of Property interests being the Group's share of Property joint ventures as shown in note 9, and Nicetoile as shown in note 10.
QIAIF	Qualifying Investor Alternative Investment Fund. A regulated tax regime in the Republic of Ireland which exempts participants from Irish tax on property income and chargeable gains subject to certain requirements.
REIT	Real Estate Investment Trust. A tax regime which in the UK exempts participants from corporation tax both on UK rental income and gains arising on UK investment property sales, subject to certain requirements.
Reported Group	The financial results as presented under IFRS which represent the Group's 100% owned properties and share of joint operations, transactions and balances and equity accounted Group's interests in joint ventures and associates.
Return on shareholders' equity (ROE)	Capital growth and profit for the period expressed as a percentage of equity shareholders' funds at the beginning of the year, all excluding deferred tax and certain non-recurring items.
Reversionary or under-rented	The amount, or percentage, by which the ERV exceeds the rents passing, together with the estimated rental value of vacant space.
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.
Share of Property joint ventures	The Group's shopping centre and retail park joint ventures which management proportionally consolidate when reviewing the performance of the business, but exclude the Group's interests in the VIA Outlets joint venture.
Total development cost (TDC)	All capital expenditure on a development project, including capitalised interest.
Total property return (TPR) (or total return)	Net rental income and capital growth expressed as a percentage of the opening book value of property adjusted for capital expenditure, calculated on a monthly time-weighted basis after taking account of exchange translation movements.
Total shareholder return (TSR)	Dividends and capital growth in a Company's share price, expressed as a percentage of the share price at the beginning of the year.
Turnover rent	Rental income which is related to an occupier's turnover.
Vacancy rate	The ERV of the area in a property, or portfolio, excluding developments, which is currently available for letting, expressed as a percentage of the ERV of that property or portfolio.
Value Retail (VR)	Owner and operator of luxury outlet Villages in Europe in which the Group has an investment and accounts for as an associate.
VIA Outlets (VIA)	A premium outlets joint venture which owns and operates premium outlet centres in Europe, in which the Group has an investment and accounts for as a joint venture.
Yield on cost	Passing rents expressed as a percentage of the total development cost of a property.

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