Hammerson

Where people and brands want to be

Annual Report 2019

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

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Our purpose

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

2019 overview

IFRS loss[1]
£(781)m
(2018: £268m loss)

Adjusted earnings per share[2]
28.0p
(2018: 30.6p)

Basic (loss)/earnings per share[1]
(102.1)p
(2018: 34.1p loss)

Dividend per share
25.9p
(2018: 25.9p)

Leasing activity[4]
£22.6m
(2018: £27.7m)

Equity shareholders' funds[1]
£4,377m
(2018: £5,433m)

EPRA NAV per share[2]
£6.01
(2018: £7.38)

Total portfolio value[3]
£8,327m
(2018: £9,938m)

Net debt[4]
£2,843m
(2018: £3,406m)

Global emissions intensity ratio ($mtCO_2e$/£m)
122
(2018: 122)

All the above metrics included discontinued operations.
1. Attributable to equity shareholders.
2. Calculations for adjusted and EPRA figures are shown in note 12 to the financial statements on pages 157 and 159.
3. Proportionally consolidated, including premium outlets and recognition of UK retail parks impairment following reclassification as assets held for sale.
4. Proportionally consolidated, excluding premium outlets. See page 50 of the Financial review for a description of the presentation of financial information.

Where people and brands want to be

We are focusing our portfolio on the highest quality flagship destinations and premium outlets in key cities across the UK and Europe. By applying our expertise and skills, we have significant opportunities to generate value for all stakeholders over the longer term.

As at 31 December 2019

Flagship destinations
21

Premium outlets
20

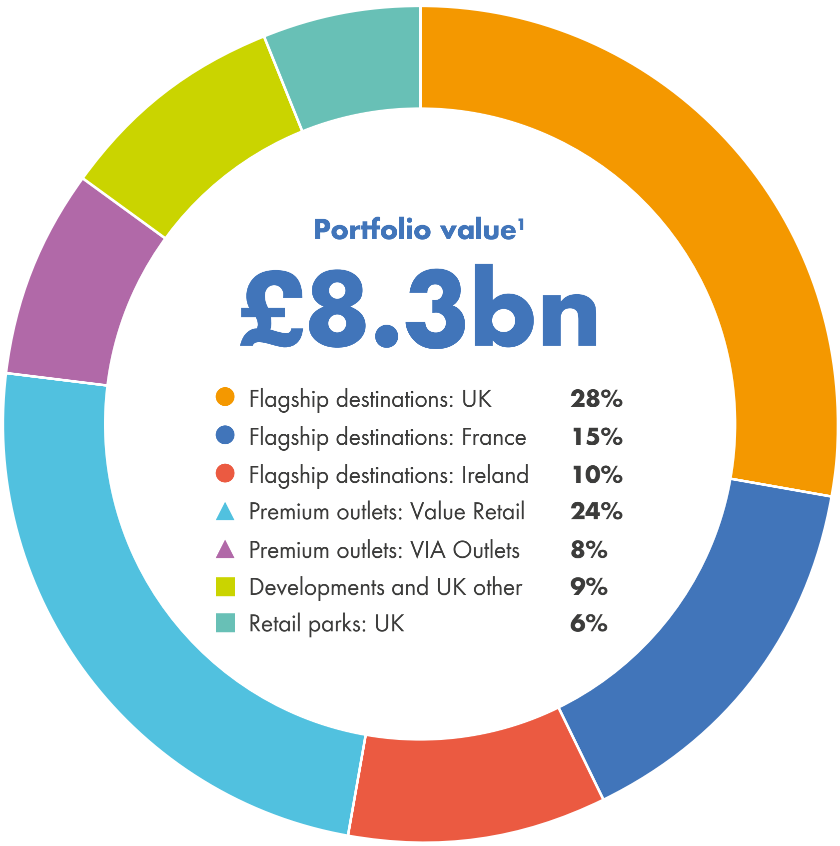
Retail parks
9

Countries
14

Lettable area
2.2m m²

Tenants
4,700

Shopper visits per year
410m



1. As at 31 December 2019. Proportionally consolidated, including premium outlets and recognition of UK retail parks impairment following reclassification as assets held for sale. See page 50 of the Financial review for a description of the presentation of financial information. A full list of our properties is shown on pages 202 and 203.

Bullring and Grand Central, Birmingham

As part of our Net Positive strategy we implemented numerous energy saving initiatives across our UK portfolio. A key project was our partnership with Grid Edge, where we have introduced AI technology across our two Birmingham venues to manage the heating and cooling systems. This has helped deliver gas savings of 25% in 2019.

Hede Fashion Outlet, Gothenburg

A 2,400m² extension opened at Hede Fashion Outlet in October introducing 15 new brands to the scheme. This resulted in a 37% increase in the number of guests to the centre.

Dundrum, Dublin

We received planning consent for a 107 apartment residential development adjacent to Dundrum Town Centre. We expect to start on site in the second half of 2020, and the project will be our first onsite City Quarters scheme.

Italie Deux, Paris

In 2019 we sold 75% of this central Paris flagship destination for €473 million. The transaction includes the forward sale of the onsite Italik extension, which is due to open in Q4 2020. This transaction was the largest retail deal in France in 2019.

Building balance sheet strength

A resilient performance in a very challenging market, as we take decisive, proactive action to build balance sheet strength, maintain vibrancy and safeguard the business for the long term

Hammerson has once again faced a challenging market over the past 12 months. This was especially the case in the UK, where we saw a series of high profile CVAs and administrations. Consumers continue to demand a seamless omnichannel experience from brands and this has put huge pressure on many traditional retailers, particularly those which have not invested in their fulfilment capabilities over the past decade. This pressure has been exacerbated in many retail categories, most notably department stores and undifferentiated high street fashion, by falling gross margins, cost pressures from higher wages, business rates, and increasing costs of providing a comprehensive offer, including online returns.

In the UK, another year of political uncertainty damaged consumer confidence, and made longer term decision making by both brands and investors more difficult.

Our strategy has continued to evolve to recognise these shifts, and we are working hard to maintain footfall and vibrancy in our flagship destinations, while continuing to make strategic disposals and optimise our portfolio. We remain confident that we can build a stronger future by leveraging the expertise, talent and assets held by the business.

We are, of course, not a business only operating in the UK. Our flagships in France and Ireland have performed more strongly. We continue to take action to focus our portfolio around the most prime European urban assets. Our diversified portfolio makes us resilient and is a real strength.

Premium outlets remains one of the most attractive parts of the retail sector. They continued to outperform in 2019 for us, notably across Value Retail's nine villages. Alongside APG, we have also acquired a further stake in VIA Outlets. Each shareholder now has 50% of the new joint venture, which has consolidated our position in this key growth market. In VIA Outlets and Value Retail we have interests in many of the strongest premium outlets in Europe.

As mentioned, our flagships in France and Ireland also produced a resilient operational performance. Sales and footfall remained robust in France. For many brands, Les Terrasses du Port in Marseille continues to be their top performing location in the country. At Dundrum, we once again attracted a number of brands to the Irish market for the first time. At the end of 2019, we secured planning approval in Dundrum for our first private rental scheme as part of City Quarters, our strategy to maximise the unique land bank surrounding our flagship locations.

Insight is at the heart of our business, and it is clear that across all our markets consumers, brands, investors and partners want and need compelling, urban destinations. The polarising divide between engaging, in-demand venues and ones which are struggling is widening. This is evidenced by the decisions brands are making about where they open stores, as well as rental levels and footfall.

Our results

Our priority in 2019 was to reduce debt through our disposal programme. In an environment where there have been very few buyers, we achieved disposals of £542m, in excess of our £500m target. This allowed us to cut net debt from £3.4bn to £2.8bn, demonstrating our commitment and ability to build balance sheet strength, even in a tough market. The additional retail parks disposals, announced in February 2020, will reduce debt by £428m.

The challenging backdrop for rents and valuations, particularly in the UK, has however impacted our performance this year. Adjusted earnings per share were down 8.5% to 28.0p, and net asset value has declined from 738p to 601p. We expect too that EPS will fall significantly further in 2020 as a result of our substantial disposal programme.

We recognise that these are challenging results, demonstrated by the valuation declines with a portfolio now valued at £8.3bn, and a capital return of -9.8%. We have achieved cost savings in the last 18 months and negotiated tenaciously with our tenants. In the context of the tough conditions across UK retail, however, it has not been possible to maintain previous levels of profitability. The 2019 dividend is in line with 2018 and the 2020 dividend will be rebased to a sustainable level of 14.0p per share, removing the direct link between earnings generated and dividend paid, while covering REIT and SIIC tax obligations.

Accelerated delivery against strategy

As I highlighted in my update last year, reducing debt remains our focus, and that will continue to be the case for the near term. The substantial disposals we achieved during the past 12 months have ensured our balance sheet is now in a stronger position, and protects us against further potential pressure on valuations. We remain committed to reducing debt in the next 12 months, to further strengthen the balance sheet.

We are also determined to put strong foundations in place for the future. We have made excellent progress on our City Quarters strategy. In Birmingham, our Martineau Galleries scheme has received planning permission; the same is the case for our planned hotel in Leeds; and we expect to be on site in Dundrum in the second half of the year.

With the major structural and cyclical shifts in retail, it is important that the business works at pace to re-merchandise our portfolio, and move our overall brand mix

towards categories with the greatest potential for rental growth. We made strong progress on this in 2019 with all new leasing to target categories. We also announced plans to repurpose the House of Fraser stores at The Oracle and Dundrum, with a new flagship Brown Thomas store opening at the latter. This work will continue in 2020, and we are committed to increasing the pace of change.

Board changes

The Board and senior leadership team changed significantly in 2019. Timon Drakesmith, CFO for eight years, decided to step down. I would like to thank Timon and pay tribute to his accomplishments. He created a talented and driven finance team, and helped develop our premium outlets business which has created real shareholder value. We are very pleased to welcome James Lenton who took over as CFO in October. His deep experience outside the property sector has already enabled him to bring fresh thinking and a new perspective to the role. Peter Cole, Chief Investment Officer, who stepped down from the Board at the end of 2018, also retired during 2019.

We announced significant changes to the Board during 2019 with the addition of three new Non-Executive Directors. Adam Metz joined us in July, bringing comprehensive experience in global real estate investment and strategy, latterly at the Carlyle Group. In December, we appointed Méka Brunel, the CEO of Gecina, one of the most experienced leaders in the European property industry. In March, Carol Welch also joined the Board, and she has brought a valuable occupier perspective.

We have built a diverse team around the Board table, with real capability and energy. We are committed to making the hard decisions required, as we navigate the current challenging environment. Finally, I would stress that the Board can only be effective because the management team and all our colleagues run the business with drive, skill and passion. That has certainly been the case in 2019 despite the pressures we have faced and I thank them sincerely on behalf of the Board.

> "In a challenging trading environment, we made good progress against the three pillars of our strategy in 2019.

Towards Net Positive

I was privileged during 2019 to be one of the founding chairs of Chapter Zero, a network of company chairs and NEDs committed to developing their understanding of the implications of climate change and making a meaningful response within their businesses.

The scale of the challenge we face cannot be under-estimated. The IPCC (Intergovernmental Panel on Climate Change) report released in September 2018 showed that we have 12 years to avoid a catastrophic outcome for the planet. Yet, carbon emissions continue to rise. The dramatic call to action from consumers in 2019 is not on its own enough. Business is key to driving this change.

The Task Force for Climate Related Financial Disclosures (TCFD) reporting requirements are pressing businesses to understand the risks that climate change presents to their operations. Following all the work we have done at Hammerson, more than most, we have a good knowledge of our direct physical and transition risk exposure. Our physical risk is limited and managed in our asset plans. Our transition risk is actively managed through our focus on energy efficiency and carbon reduction.

We are starting work in 2020 to understand the indirect risks climate change represents across our value chain. This is a more complex area of work including climate scenarios, and we are undertaking training in this for our senior team and Non-Executive Directors.

We have made great progress towards becoming Net Positive for carbon emissions, water, resource-use and socio-economic impacts within the areas we control across our destinations. Our first Net Positive milestone falls at the end of 2020. These Net Positive milestones extend to include tenanted areas by 2030. These are highly ambitious targets, and we set out progress against them in detail in our sustainability report.

I am pleased to see our peers starting to set similarly ambitious targets of their own. We need more businesses to set bold objectives as these make the real difference. Targets which are set within easy reach miss the scale of what we all have a responsibility to achieve.

Looking to the future

In a challenging trading environment, we made good progress against the three pillars of our strategy in 2019: Capital Efficiency, Optimised Portfolio and Operational Excellence.

For the Board and the business as a whole, capital efficiency will remain our number one priority in the year ahead, as we know that we have to enhance the strength of our balance sheet further. This is key for the business' long term success.

We also remain focused on ensuring our flagship destinations continue to be as attractive for consumers and brands as possible, and we will do that at pace. That means further shifting the brand mix towards high performing categories, introducing greater F&B and leisure formats, and delivering exceptional events programmes.

City Quarters, which will leverage our land bank in thriving European cities to create diversified communities, is a major point of difference for Hammerson. This year we will build on the progress already made.

We are entering 2020 fully aware of the challenges. We recognise we are in a tough trading environment, and that this is unlikely to change in the near term. We have a clear, concise strategy, and a talented and motivated team. We are all committed to delivering for brands, consumers, colleagues and shareholders.

David Tyler
Chair of the Board

Our model for long term value

What we have

High-quality property in the right places

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

MORE For more information see Operating review on pages 20 to 33

A dynamic and diverse team

We go to great lengths to attract, develop and retain the best people. By the end of 2019 Hammerson directly employed 553 people across the UK, France and Ireland.

MORE For more information see Our people on pages 42 to 44

Insight led

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

Effective capital management

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

MORE For more information see Financial review on pages 50 to 57

What we do

MORE For more information on the key components of what we do, please refer to Our strategy on pages 16 to 17 and Operating review on pages 20 to 33

Our purpose

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

The Hammerson Blueprint

Positive place makers

- Destinations that deliver positive impacts economically, socially and environmentally
- Net Positive by 2030 for carbon, water, resource-use and socio-economic impacts

MORE
For more information see pages 34 to 41

Destination makers

- Experience-led places to enjoy, shop, live and work
- Revitalise, refresh and rethink our venues to remain relevant
- Group strategic expertise, delivered with skill by local teams for our customers and communities

Relationship makers

- Collaborating with brands, partners and third party experts locally and globally to deliver the best possible venues, profitably

MORE
For more information see page 25

Who we deliver for

Shareholders

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

Brands

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

Consumers

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

Partners

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

Communities

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

Our people

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

MORE
For more information see Engaging with our stakeholders on pages 8 to 9 and read about the Board's engagement on pages 74 to 77

Our stakeholders

Key stakeholders	Key areas of interest
Shareholders We have a broad range of institutional investors and private shareholders. We actively engage with them throughout the year and undertake regular communication to ensure they understand the performance of the business.	– Current and future financial performance – Strategy – Corporate governance – Sustainability
Brands Our business strategy and future success is aligned with that of all of the brands which fill our destinations – retailers, F&B and leisure occupiers, as well as direct-to-consumer brands.	– Shared commercial objectives; attracting customers – Vibrant and well-operated destinations – Sustainability
Consumers We create vibrant destinations that meet the needs of the wide range of consumers that engage with them. In an omnichannel environment, we provide more than just a place to shop.	– Vibrant destinations with engaging occupier mix – Future winning brands – Continuous improvement to enhance customer engagement and experience – Sustainability
Partners We work with a wide range of partners over the long term, including joint venture partners, suppliers and capital partners, making our business stronger and delivering a competitive edge.	– Current and future financial performance – Operational excellence – Corporate governance – Innovation – Consumer trends and insight – Sustainability

Communities
Our assets rely on a strong, positive connection with thriving local communities. This is where we draw our customers from, and over 80% of the employees in our flagship destinations.
	– Measurable positive impact on socio-economic issues relevant to the local communities in which we operate
	– Community projects focus on four areas:
	  – Employment and skills
	  – Local investment and enterprise
	  – Young people
	  – Health and wellbeing

Our people Talented, motivated colleagues are vital to the success of the business. We have built a strong team to support our delivery of flagship destinations.	– Strategy – Employee engagement – Reward – Diversity and inclusion – Induction and on-boarding – Training and development – Health and wellbeing

Section 172 statement

The Directors continue to have regard to the interests of the Company's employees and other stakeholders, including the impact of its activities on the community, environment and the Company's reputation, when making decisions. The Directors, acting fairly between members, and acting in good faith, consider what is most likely to promote the success of the Company for its members in the long term.

MORE

For more information on the Board's Engagement with stakeholders see pages 74 to 77

Read more in the Sustainability review on pages 34 to 41, Our people on pages 42 to 44, and Health, safety and security on page 45

How we engage

- We take a proactive approach to investor relations and hold numerous shareholder meetings and roadshows, and we attend a variety of conferences
- Key shareholder publications include the Annual Report, the Full Year and Half Year results announcements, sustainability report and press releases
- The AGM provides the opportunity for the Board to engage directly with shareholders and allows all shareholders to vote on Company resolutions
- The Chair of the Board, Chair of the Remuneration Committee, General Counsel and Company Secretary and Head of Sustainability undertake a range of governance discussions with investors

- Our dedicated leasing team has a leasing strategy for each asset, underpinned by a key account management strategy
- We hold regular executive management meetings with retail counterparts
- We have a targeted programme for future occupiers
- We are proud to be an associate member of the British Retail Consortium (BRC)

- We undertake both quantitative and qualitative insight to understand consumer needs
- Our marketing, leasing and asset management strategies are optimised to ensure we create desirable destinations for shopping, leisure and socialising
- We invest in optimising space and tenant mix, and improving customer facilities including bathroom and car park upgrades

- We hold quarterly joint venture Board meetings
- Our asset Business Plans are signed off by joint venture partners, setting parameters for the next 12 months, in the context of a five-year vision
- Ad hoc meetings are organised to highlight key areas of focus, including sustainability, customer experience and innovation
- We have long term relationships with our joint venture partners, including a 20 year relationship with our premium outlet partners
- We are proud signatories to the Prompt Payment Code, to support our partners and suppliers

- Our local community impacts are positive, and our business activities attract significant additional investment into local economies
- We establish a clear placemaking strategy for each asset, that reflects the needs of our local communities, delivered through our asset management programme
- We set community engagement plans that address issues identified as relevant to local communities
- We develop long term partnerships with organisations that share our focus areas, and use the London Benchmarking Group to measure our socio-economic performance

- Our employee value proposition #HammersonLife launched in 2019
- We have a dedicated internal communications resource and OnDemand intranet platform
- We hold regular CEO briefings to the whole business including Full Year and Half Year results
- Updates on current business are delivered locally via 'town hall' meetings
- Our colleague conference is held every two to three years
- The Group Employee Forum was established in May 2019
- Our Group Employee Survey is undertaken annually, with results shared across the business and used to shape colleague engagement
- We have a rolling programme of diversity and inclusion events
- Our comprehensive programme for new employees includes online training and a two day programme attended by all new starters

Our response

MORE **For more information see Our strategy and priorities on page 16 and 17**

MORE **For more information see Operating review on pages 20 to 33**

MORE **For more information see the Hammerson Blueprint on page 25**

MORE **For more information see Engagement with stakeholders on pages 74 to 77**

MORE **For more information see Net Positive on pages 34 to 41**

MORE **For more information see Our people on pages 42 to 44**

Continued delivery of a clear strategy

Reconfiguring our space will enable us to weather the challenges in the retail market and take advantage of future opportunities

Challenges and opportunities

The past 12 months have undoubtedly been a period of significant change in the property sector, largely due to the continuation of known structural shifts.

Across retail, brands continue to adjust their business models to reflect the growth in online shopping and this is particularly the case in the UK. Striking the right balance between online and physical retail remains a work in progress for many, although the most successful brands recognise that a strong online platform requires an attractive, right-sized store network to be truly effective.

The overall impact of CVAs and administrations on our total rent roll decreased this year compared to last, but they remained a significant issue. The growth of online also continues to have an impact. However, just as significant are the cost pressures facing retailers. These include employment costs and more importantly business rates. An immediate and substantial overhaul of the business rates system that overly burdens the retail sector is still required and this is something the industry continues to call for.

What's more, all of this has come in the context of the political and economic uncertainty created by Brexit and the recent UK and Irish elections, which together created a ceiling for any potential improvement in consumer confidence.

Within this complex backdrop, we should not fall into the trap of assuming that these factors impact the sector equally; far from it. If anything, they are fuelling the further polarisation of retail, as the leading brands naturally focus on the most engaging, experiential, and well-located destinations, which attract consistently high footfall and enable them to interact with their customer base in a way that is impossible online.

Our markets in France and Ireland have proved less volatile than the UK. The premium outlets market is also more resilient. These venues provide a unique experience and offer. We are aware that the travel bans imposed on Chinese travellers as a result of Coronavirus may have a short term impact. Tax free sales at Value Retail villages account for 26% of total sales and allow us to understand sales from non-European customers. Only 9% of total sales come from Chinese guests shopping tax free. This is only half a percent at VIA Outlets. The overall long term dynamics that drive the business – growing demand for luxury goods, attractive sales densities and growing global wealth – remain in place.

In the context of these trends, Hammerson's portfolio is well placed to succeed. Our flagship destinations are located in thriving cities across the UK, Ireland, and France, where people and brands want to be, and we have a uniquely strong premium outlets business, with interests across the strongest venues in Europe.

Managing this portfolio well requires the dedication and skill of colleagues. I'm hugely proud of the team we have. At our all colleague conference in October, it was clear that this business has a depth of talent that few other companies can match. Colleagues are passionate about what the Company is seeking to achieve, and have a shared determination to succeed, which stands us in great stead for the future.

We fully recognise that this is one of the most challenging periods for the retail sector in recent memory, both from an investment and

Strategic pillars and 2020 priorities

Capital efficiency

- Further cross-portfolio disposals
- Maintain focus on cost control

Optimised portfolio

- Focus portfolio across core flagships
- Secure further progress on City Quarters planning permissions

Operational excellence

- Additional department store repurposing
- Accelerate change in tenant line-up
- Continue to enhance visitor experience

"

In a difficult investment market, we have successfully achieved £975m of disposals, including £542m generated in 2019, exceeding our target of £500m.

leasing perspective, and for brands. We are committed to proactively doing what is required to set this business up for the future.

2019 Performance

2019 has been challenging, especially in the UK. The combination of economic and political uncertainty, subdued consumer confidence and rising cost pressures have resulted in a difficult operating environment for retailers, and these factors have impacted our full year numbers.

We have experienced significant valuation declines across our flagships but this was most pronounced in the UK. Premium outlets have once again delivered a very positive return.

Despite this, our commitment to driving a shift in the brand mix in our UK destinations and providing an experience-led environment is paying off. We have seen positive footfall for the year across our flagship destinations, at a time when the national benchmarks are declining. This demonstrates the continued relevance and popularity of our destinations for both brands and consumers.

Our assets in France and Ireland have been more resilient. In both markets we saw robust footfall figures, with encouraging leasing demand. Our premium outlets business once more had another strong year.

This again highlights the continued importance of our diversified portfolio, both in terms of geography, and target demographics, as France, Ireland and premium outlets have gone some way to offsetting the challenging environment in the UK.

The full year 2019 dividend of 25.9p is in line with 2018 and the 2020 dividend is to be rebased to a more sustainable level.

We remain focused on delivering against our strategy, particularly with regards to shifting our brand mix to meaningfully improve income and customer experience, and progressing our City Quarters concept. This opportunity is all about maximising our land bank to create vibrant city neighbourhoods where people want to work, live, and play. The results of this give us significant confidence about the long term strength and potential of our Company.

The three pillars of our strategy are capital efficiency, optimised portfolio, and operational excellence.

Capital efficiency: Taking proactive action in a challenging market

We are committed to building balance sheet strength. This is to help us not just overcome the current headwinds in the market, but also ensure we are well positioned to take advantage of the opportunities that will inevitably arise over the coming years.

In a difficult investment market, we have successfully achieved £975m of disposals, including £542m generated in 2019, exceeding our target of £500m. This included the sale of a 75% stake in our central Paris destination Italie Deux, as well as the sale of four retail parks. In February 2020, we successfully exited the retail parks sector with a £400m disposal of seven assets.

We achieved our objective of reducing net debt to below £3bn by the end of the year, with net debt of £2.8bn.

Reflecting the continued uncertainty in the UK and wider retail markets, our near-term focus is to reduce debt even further. We therefore do not expect to commit to any further major projects until markets stabilise. We will then only commit to projects when the balance of risk and reward is acceptable.

This includes our future major schemes at Brent Cross and Croydon. Both are being reviewed in line with our City Quarters strategy to ensure they address changing customer and retailer requirements.

In France, we are onsite with extensions to our flagship destinations at Les 3 Fontaines in Cergy, due to open in 2021, and Italie Deux in Paris, the first phase of which opens this year.

Our financial position remains robust, and our considered approach to financing and debt maturity profile means we are able to sustain material changes in asset valuations going forward.

Optimised Portfolio: Realising the potential of City Quarters

Following our recent exit of the retail parks sector, we remain committed to pursuing additional disposals from all parts of the portfolio when they make strategic sense for the business, and are in the best interests of all stakeholders.

We see Hammerson moving to a portfolio that is more than pure retail, and that is what City Quarters is all about. There is significant potential across the 100 acres of land around our flagship destinations. This could deliver a total of 6,600 residential units, 1,600 hotel rooms, 300,000m² of workspace and nine parks and public spaces. Importantly, this land is located in some of Europes's fastest growing cities, so it represents space that is attractive to investors, brands and consumers.

Hammerson already has a strong track record of delivering successful mixed-use schemes at our flagship destinations, including in Leicester, Bristol, and Aberdeen, and these projects build on that.

We have made strong progress across a number of strategically important sites over the past 12 months. We secured planning approval for a new 205-bed hotel in Leeds and outline consent for our Martineau Galleries scheme in Birmingham. We also submitted an application for The Goodsyard in London.

Furthermore, planning consent has been achieved for a residential development at Dundrum Town Centre. The project will deliver 107 apartments which will be managed on a long term rental basis as the Group's first residential development in Ireland.

Operational excellence: Resilience in a challenging market

The well-publicised headwinds facing UK retail are reflected in our leasing metrics in 2019. It is important to distinguish between the structural shift to online, and the more cyclical, short term cost pressures. All businesses will have to respond to the former, but that does not mean that physical retail is facing terminal decline, far from it.

We can't shy away from last year's challenging metrics, with NRI falling by 6.7% in our UK flagships. However, leasing volumes remained solid, highlighting that demand for high-quality space remains in spite of an uncertain and challenging market. Occupancy across our portfolio continues to be high, at 97% in France, 97% in the UK, and 100% in Ireland.

While the number of Hammerson units impacted by CVAs and administrations in 2019 increased compared to last year, the impact on our total rent roll was slightly less than in 2018. CVAs were still a feature in 2019, although our flagship venues were less impacted than the wider market. As with last year, 48% of the Group's UK flagship units judged as Category A are consequently unaffected by any rent cuts, significantly above the national average of 37%, which is testament to the quality of our venues.

One impact of the broader uncertainty in the market has been an increase in flexible leases. This represents an opportunity as well as a challenge. Flexible leases and pop-ups allow us to trial new concepts and keep our destinations vibrant and engaging. From a brand point of view, they represent a great way to test a new offer, or build awareness with a new audience. They can also lead to permanent deals; for example, The White Company opened a pop-up in Westquay in October 2018 and were so pleased with the response that they have now taken permanent space.

We aim to make all our destinations as engaging and exciting for consumers as possible. Last year we announced our commitment to stepping up the brand mix, and targeting the types of brands that drive footfall and have the potential to deliver rental growth. We have made tangible progress; for example, all UK flagships leasing was to our target categories in 2019.

Freeport Lisboa Fashion Outlet, Lisbon

This includes some major wins, including Samsung at Cabot Circus, Waterstones in Brent Cross and Silverburn, and the only two LEGO stores to open in the UK in 2019, at Bullring and Westquay. H&M also opened its first H&M HOME concept store outside of London in Bullring.

Despite concerns about a crisis in the casual dining sector a few years ago, F&B remains an area of opportunity for us, and we saw positive trends in terms of both sales and leasing activity across the portfolio in 2019. Importantly, we've targeted brands that either have a unique offer or are regional operators and exclusive, to ensure they are relevant for the target audience, and deliver something special for consumers. Examples include pancake specialists Stack & Still in Silverburn, Indian streetfood operator Riksha in Union Square, and Kitty Café in Grand Central. We also look forward to welcoming D&D to Cabot Circus' landmark Quakers Friars piazza next year. Opening a $1,200m^2$ restaurant, it will be a first for D&D in the South West.

We remain committed to reducing the amount of department store space across our portfolio, and repurposing it so that we can introduce new offers and brands. We have announced that Ireland's leading luxury store Brown Thomas will be taking space in the former House of Fraser unit in Dundrum. We have also submitted a change of use application for the House of Fraser store at

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

The Oracle. Once approved, this would give us the flexibility to introduce new leisure and restaurant options and bring new brands to the town. We are also continuing to progress with our plans to reconfigure the House of Fraser store at Cabot Circus.

It remains as true as ever that experiences attract people, and the most successful venues combine a compelling brand mix with engaging, memorable events. Our experiential events programme in 2019 included the Festival of Light at Westquay, Dundrum, and Bullring and Grand Central, The Maze at Westquay, and Village Noël in Les Terrasses du Port. These events not only drive footfall, they attract visitors from outside a destination's normal catchment, as well as consumers that may not have visited before.

Bullring, Birmingham

Net Positive

The climate emergency is perhaps today's defining global issue and one to which all businesses must respond. Hammerson has a long track record of excellence in sustainability and addressing climate change, and was the first listed property company globally to introduce Net Positive targets in 2017. These targets exceed what would be required to comply with the Paris Climate Accord and directly support the net zero targets being set by national and local governments in our operating geographies.

We are proud of our market leading credentials in this area. You can read more about our sustainability strategy including our response to the Task Force for Climate–Related Financial Disclosures (TCFD) on page 41, and in our full Sustainability report on our website.
In summary, during 2019 we continued to make progress towards our target to be net positive for carbon, resource-use, water and socio-economic impacts by 2030. Absolute carbon emissions for our like-for-like portfolio fell by 12%. Our renewable energy capacity increased to 1.94 MWP and generated 1.1 MWH. Energy demand fell by 12% delivering £0.9 million in cost savings.

It is clear that the pace at which we are pushing ourselves to deliver on these initiatives is absolutely what is required to address the climate emergency we are facing, particularly for sectors such as ours with significant impacts. It is heartening to see others across the sector starting to set similarly ambitious targets. Having hosted the Better Buildings Partnership's CEOs' dinner in March this year, I was delighted to see the wide and continuing support for the Climate Commitment that was the direct outcome of the event. This is a clear indicator of the level of awareness across business for the need to deliver real change.

Looking to the future

While the outcome of the General Election has brought some clarity on Brexit, we are still cautious about the outlook over the near-term. It seems likely that the current low interest rate environment will continue, and it may take some time for consumer confidence to recover significantly.

In this context, we are committed to further stepping up our brand mix, and to repurposing department store space across our portfolio. It is clear that consumers are increasingly seeking experiences when they visit our destinations, and that means more F&B, leisure and events.

We have seen a slight improvement in the investment market in recent months, with an uptick in investor interest in the UK generally, and in our assets. Despite the impact of the protracted Brexit negotiations on sentiment over the past few years, the UK remains a hugely attractive market for investors, as does France and Ireland, and our assets are in the top tier.

At Hammerson, we are determined to be on the front foot, and while we are pleased with the results of our disposals programme over the past 12 months, we will continue to focus on disposals from across our portfolio in the coming year to further strengthen our balance sheet. This will not only place the business in an even stronger position to weather any volatility in the market. It will also ensure we have the flexibility and resources to invest in any new opportunities we see that will drive returns, particularly with regards to City Quarters.

The potential of City Quarters remains significant. We have an unrivalled combination of sites in and around our flagship destinations, in some of Europe's most thriving cities and are determined to progress these opportunities.

We are under no illusions about the challenges that face us. This is a difficult market, and is likely to remain so. However, I am confident our strategy is the right one, and that the steps we are taking today will not only safeguard this business for the near term, but enable us to proactively seize the opportunities that will inevitably arise.

David Atkins
Chief Executive

Market overview

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

Themes

Retail landscape

Overview

UK

- UK retailer profits have fallen by more than 30% since 2008, despite a 50% increase in sales driven by channel shift, increasing business rates and employment costs, and weak sterling
- Oversized store estates are putting retail businesses under stress – a number of key tenants have estates in excess of 400 stores, and tenant failures continue
- The shift to buying online in the UK continues at c.1% pa, forecast to rise to 20% in 2024; online clothing sales are now 29%
- Discretionary spend is continuing to shift away from retail to leisure. From 2018-25, recreation and culture spend is forecast to grow 1.8% pa in real terms, while spend on clothing and footwear is not expected to grow
- F&B is being impacted by the growth of online food ordering platforms such as Deliveroo and Just Eat, meaning operators need to be flexible, with growth focus on independent or bespoke offers

France

- As in the UK, mid-market fashion performance is subdued by market polarisation and channel shift to online
- Online penetration in France is much lower than the UK, at c.11% overall
- Our French flagships benefit from fewer department stores and more flexible leases

Ireland

- With many UK brands in the Irish market, the problems faced in UK retail are having an impact on leasing in Ireland, but the market backdrop is stronger with a clear preference for prime locations
- Ireland is also significantly lower on channel shift at c.10%

Summary

- Structural factors, rather than consumer demand, are limiting the rate of channel shift in France and Ireland, including population density and less granular postcode systems that slow home delivery
- The uncertainty in the retail market is having a negative impact on property investment markets, particularly in the UK

MORE **See Property Portfolio Review on pages 46 to 49 for further details**

How we are responding

- We are delivering a diversified offer across our venues, targeting categories where there is growing consumer demand, resulting in a more vibrant mix
- We proactively engage with our retailers on their omnichannel development, and recognise and respond to the fast-changing role of physical stores in the customer journey – we know that physical retail remains a key element of more than three-quarters of all customer journeys
- In the UK, we are targeting an increase in space allocated to F&B tenants from 9% to 12% and leisure space from 7% to 10%
- We are growing our ethical and sustainable offer, including vegetarian and vegan restaurants and markets, and pop ups featuring re-use and recycling
- Our investment in a national programme of experience-enhancing events has grown year on year for the last five years, with an increase in the number of events of nearly 100% year on year delivered in 2019

MORE **See Our strategy on pages 16 and 17**

Thriving cities

Urbanisation

- The move towards urbanisation is typically strongest in the largest cities, offering the best economic opportunities for an increasingly mobile population
- These cities tend to have a younger and more educated population and offer more 'global' employment opportunities, driving a positive cycle of inward investment
- London, Paris and Dublin were identified by the Financial Times (2018/19) as the European cities most likely to gain from foreign investment in the coming years

Office

- The office market is a highly variable market driven by the requirements of a limited number of large space occupiers in each city

Hotel

- There has been an increase in regional supply of hotels in recent years; the market is likely to experience slower growth going forward, in line with the wider economy

Residential

- The private rented sector (PRS) now accounts for 20% of households in England
- PRS continues to grow quickly as younger generations choose to rent for flexibility, with increased demand across all age groups

Student

- There is good demand for purpose built student accommodation (PBSA); in the UK full-time student numbers outweigh current PBSA bed spaces by 3:1

- We are focusing our ownership and investment on vibrant destinations which are located in or adjacent to fast growing European cities
- We are progressing our City Quarters concept, leveraging our existing land holdings of c.100 acres in major European cities to create vibrant city neighbourhoods, enhancing the experience for all of those who interact with them, and therefore the value of our flagship destinations
- Our City Quarters will include residential, workspace, leisure, hotels, educational and cultural space, with the mix being appropriate and relevant to the needs of their local catchments and communities

Luxury

Luxury retail

- The luxury retail market grew c.4% in 2019 globally; overall luxury sales are expected to continue to grow by 3-5% pa to 2025
- As growth is strongly linked to tourism, new luxury retail openings are almost exclusively in destination cities

Tourism

- Tourist flows continue to underpin the luxury retail market in Europe – long haul tourism, especially from Asia, is a key driver for sales growth in Europe
- Recent travel bans on Chinese travellers as a result of coronavirus will have an impact on global luxury sales in the first half of 2020. However, the growth of long haul Asian travel is expected to recover and remain robust in coming years

Online shift

- Ecommerce penetration for luxury brands is well below the wider market at c.12%, less than half of the rate of general clothing. Growth in online sales is expected to accelerate over the next five years
- Luxury retailers have avoided moving online fearing damage to their brand. However, this transition is expected to accelerate as brands recognise that the emerging generation of customers use online as a key channel
- Top brands will take a cautious approach to avoid commoditisation of their brand. Their online proposition will focus on the quality of user experience, as well as replication of high-quality customer service and experience enjoyed in stores

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- We have nurtured a 20 year relationship with our premium outlet partners and continue to extend our focus on the premium outlets sector, through long term investments in Value Retail and VIA Outlets
- In September 2019, we completed a restructure of our VIA investment, to create a 50:50 joint venture with long term partner APG
- Our best-performing investments in premium outlets are in the luxury/super premium category including Bicester Village, Oxfordshire, La Vallée Village, Paris, and La Roca Village, Barcelona. These destinations have an extensive array of luxury brands and are particularly attractive to tourists

Our strategy and priorities

We have outlined a clear strategy based on the three pillars of capital efficiency, optimised portfolio and operational excellence. This strategy enables us to meet the challenges and opportunities of the markets in which we operate.

2019 strategic priorities

Capital efficiency

- Focus on balance sheet resilience
- Achieve disposals in excess of £500 million in 2019
- Target net debt of less than £3.0 billion at the end of 2019, using capital from disposals to prioritise enhancing balance sheet strength
- Closely monitor capital expenditure commitments to support the reduction of net debt

Optimised portfolio

- Exit retail parks over the medium term and pursue portfolio-wide disposal options
- Progress leasing and construction at the Italie Deux and Les 3 Fontaines extensions, ahead of completion in 2020/21
- Obtain two planning consents on City Quarters schemes to enable a start on site in 2020, and advance other schemes to realise our vision of creating vibrant city neighbourhoods around our flagship destinations
- Continue to work with relevant stakeholders on the Brent Cross and Croydon schemes

Operational excellence

- Continue work on transformation of failing department stores, to deliver experience-led spaces
- Continue active strategy to introduce a wide range of occupiers to our flagship destinations, along with targeted new brands, to reduce exposure to challenged categories
- Grow and diversify F&B offer to ensure continued customer appeal
- Double investment in an experiential entertainment calendar across our flagship destinations
- Invest in a range of customer experience improvements including WiFi and app upgrades, as well as trialling frictionless parking
- Complete delivery of £7 million pa cost savings target
- Reduce utility costs and carbon emissions

Progress to date	Future steps and timescale
– Disposals of £975 million (2019: £542 million, 2020: £433 million) – Pro forma net debt of £2.4 billion – Discussions continue on a range of disposals across the business – Capital expenditure of £97 million against budget of £140 million – Share buyback programme cancelled at the start of January 2019 to support debt reduction priority – Proforma gearing 55% (2018: 63%), headline loan to value 35% (2018: 38%)	– Continue to dispose of assets across the portfolio to further strengthen the balance sheet in 2020 – Maintain focus on cost control and disciplined capital expenditure aligned with disposals to maintain liquidity – Manage Group financing position to ensure appropriate debt maturity profile and efficient cost of borrowing
– Disposed of 12 retail parks and 75% of Italie Deux, delivering gross proceeds of £975 million – VIA restructure completed in September 2019, to a 50:50 joint venture with long term partner APG – Good progress on pre-lets on Italik, Paris and Les 3 Fontaines, Cergy, although there were construction delays in 2019 – Secured three planning approvals for City Quarters developments – residential building in Dublin, Martineau Galleries in Birmingham, and the Leeds hotel – Appointed Managing Director of City Quarters to accelerate this opportunity – Following the sale of eight retail parks announced in February 2020, 51% of the portfolio is now outside the UK	– Focus portfolio across core flagship destinations with City Quarters opportunities – Capital expenditure of £270 million over the next two years, to complete extensions and repurpose space – Enhance VIA Outlets through organic growth and extensions – Secure further City Quarters planning permissions and commence work onsite – Dispose of remaining retail park, Brent South, in 2020 – Complete further cross-portfolio disposals in 2020
– Solid progress on the repurposing of House of Fraser department stores at Dundrum and The Oracle – 100% of new leasing in UK flagships to target categories; strong leasing in France and Ireland – Super events and customer experience enhancements delivered as planned, with positive footfall impact – AI trials to analyse footfall more deeply have delivered new data sources to enhance insight and leasing strategies – Additional £2 million annualised cost savings delivered, to achieve £7 million target – Positive and increasingly productive relationship with VIA management boosted by restructure – Frictionless car parking rolled out at Bullring (see page 25)	– Start onsite with department store repurposing and secure additional repurposing during 2020 – Accelerate change in occupier line-up to broaden mix and customer appeal – Continue to enhance customer experience to drive footfall and broaden events programme in 2020 – Deliver cost reduction plan to drive efficiency – Embed performance culture across the Group – Meet 2020 Net Positive target by end of year – Start next phase of Net Positive to hit 2025 targets, which include tenant space

MORE
For longer term outlook, see Chief Executive's review pages 10 to 13 and Our markets pages 14 and 15

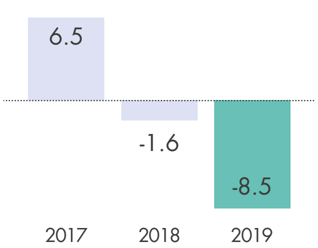
Monitoring our performance

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

Financial KPIs

Chart 1

Adjusted EPS growth (%)



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 180.

Performance

In 2019, adjusted EPS decreased by 2.6 pence, or 8.5%, to 28.0p. This was primarily driven by the reduction in NRI associated with disposals in 2018 and 2019 and a weaker performance across the UK like-for-like portfolio.

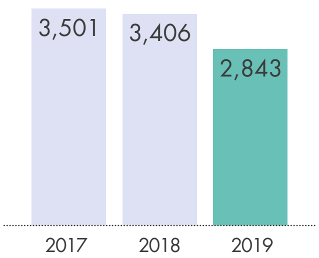
These factors were partially offset by a reduction in interest costs due to refinancing activity in 2018 and higher earnings from premium outlets.

Link to strategy

More in the Financial review on page 51

Chart 2

Net debt (£m)[1]



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

Performance

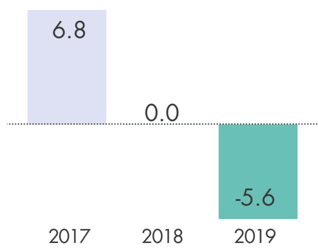
During 2019, net debt was reduced by £563 million to £2,843 million. The reduction was principally derived from net disposal proceeds received in relation to the sales in France and the UK. Consequently, credit metrics remain within our internal guidelines with gearing at 65% and LTV of 38%, compared to 63% and 38% respectively in 2018.

The Group continues to focus on balance sheet strengthening as a key priority. The £500 million disposal target outlined at the beginning of 2019 was exceeded and we remain committed to further debt reduction through disposals across the portfolio.

More in the Financial review on page 56

Chart 3

Total property return (%)



Total property return (TPR) measures the income and capital growth of our property portfolio. It is calculated on a monthly time-weighted basis consistent with MSCI methodology. We judge success in generating property returns by comparing our performance with a weighted MSCI All Retail benchmark which was 6.9% in 2017 and 1.3% in 2018. At the date of this report, our 2019 MSCI benchmark is unavailable.

Performance

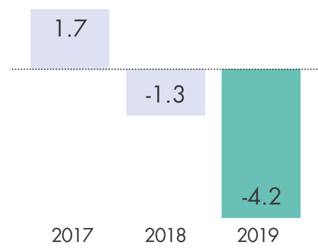
During 2019, the Group's properties produced a total return of -5.6% compared with a 0.0% total property return in 2018. For our flagship assets, the total returns were -15.8% in the UK, -6.5% in France and -3.6% in Ireland. Premium outlets again produced the Group's highest return of 13.6%.

Valuation changes were the predominant driver impacting returns.

More in the Property portfolio review on page 49

Chart 4

Like-for-like NRI growth(%)[1]



Net rental income (NRI) is the Group's primary revenue measure. Like-for-like NRI growth is key to earnings and dividend growth.

Performance

Like-for-like NRI declined by 4.2% during 2019. Negative movements of -6.7% and -5.0% respectively at our UK and Ireland flagships were partially offset by an increase of 2.1% in France. NRI at our UK retail parks fell by 1.4%.

Tenant restructuring made the single largest impact in the year, reducing total NRI by £6 million.

Consistent with our view of the business, as explained on page 50, NRI from premium outlets has been excluded from this metric as these are externally managed. Proportionally consolidating the premium outlets growth of 10.8% would result in Group like-for-like NRI growth of 0.5%.

More in the Financial review on page 50

1. Proportionally consolidated, excluding premium outlets and including the UK retail parks portfolio. See the Financial review on page 50 for further explanation.

Link to remuneration

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

For 2020, the AIP contains the financial KPIs: adjusted EPS growth and net debt. For 2019 the AIP also included TPR.

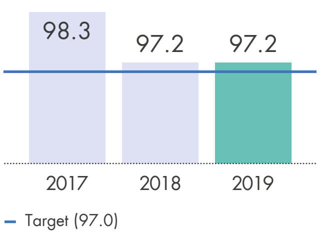
The performance against all of the KPIs is taken into account when considering the personal element of the AIP along with other specific objectives.

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

MORE **Further information on page 89**

Operational KPIs

Chart 5
Occupancy(%)[1]



Keeping our properties occupied ensures we generate rental income and enlivens our destinations.

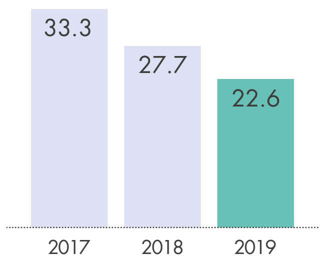
The occupancy ratio measures the amount of space which is currently let. The ratio is calculated in line with EPRA guidance using the estimated rental value (ERV) of occupied space.

Performance

Occupancy remains above our 97.0% target, with 97.2% of the portfolio occupied at the end of 2019, flat year-on-year. Year end occupancy across our flagships in the UK, France and Ireland was 97.5%. The total occupancy was reduced by 30 basis points by higher vacancy within the UK retail parks and strategic portfolios. This is a resilient performance in a challenging leasing environment.

More in Table 90 on page 191

Chart 6
Leasing activity(£m)[1]



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

Performance

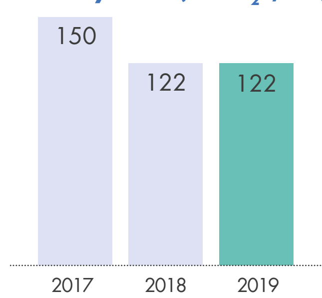
At £22.6 million, leasing levels were £5.1 million, or 18% below those experienced in 2018.

£3.2 million of the decline was due to challenging leasing across the UK flagships.

In total there were 361 lettings, compared to 423 in 2018. For principal leases, the rent was 3% below December 2018 ERVs and 4% lower than the previous passing rent.

More in the Operating review on pages 20 to 33

Chart 7
Global emissions intensity ratio ($mtCO_2e$/£m)



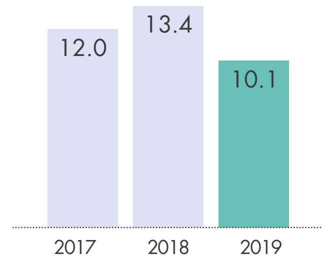
Reducing carbon emissions is a key sustainability target. This ratio measures the amount of emissions from our properties and facilities, including corporate offices. The denominator is adjusted profit before tax. This ratio demonstrates our progress in decoupling business growth from increasing carbon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

Performance

The ratio has remained constant at 122$mtCO_2e$/£m during 2019 in spite of a drop in the denominator and a significant increase in the electricity carbon factor in France. This shows our continuing success in improving the carbon efficiency of the business through investment in cross-portfolio efficiency projects and focused energy management.

More in the Sustainability review on page 34

Chart 8
Voluntary employee turnover (%)



Our talented people are key to our success and we strive to retain, engage and develop them. We continue to monitor voluntary staff turnover, together with other people metrics including the annual staff survey, to highlight any potential signs of demotivation or other people-related issues and include both corporate and centre-based employees in this measure.

Performance

Voluntary employee turnover fell from 13.4% in 2018 to 10.1% in 2019 reflecting improved retention rates across all areas of the Group. The most significant change was in France, where voluntary churn reduced from 17.1% to 11.4% during the period. We continue to monitor leavers, retention rates and other employee metrics to ensure we are retaining talent within the organisation. Turnover is low compared to the wider industry.

More in Our people on page 42

Flagship destinations

Flagship destinations overview

Not all destinations are equal and able to support the future needs of brands in today's dynamic omnichannel trading environment. Properties are differentiated by scale, catchment size, customer experience, the quality of the brand mix and breadth of offer.

Flagship destinations are those with the ability to attract customers from a wide area and provide a superior trading environment for tenants. They are also capable of being repurposed away from traditional retail and introducing a broader offer, including shopping, dining, leisure and, more recently, mixed uses such as services, workspace and residential.

Brands are contending with the structural shift towards omnichannel retailing and increased operating expenses, and this is resulting in tenants restructuring their store portfolios and cost bases. This trend is particularly prevalent in the UK, and whilst it is currently resulting in falling rents in a number of retail categories, the relative cost of physical and online retailing is beginning to tip back in favour of physical space. This dynamic will underpin the performance of flagship destinations, particularly those in thriving city centres, as these offer the optimal omnichannel trading environment.

A further differentiating factor is how destinations are managed. Expertise, experience and insight are required to ensure the brand and consumer offer matches its location and catchment and provide superior events and customer service. These factors are vital in drawing regular visitors and brands. The latter continue to seek space in these venues which are well-invested, provide high footfall and support their growth and omnichannel strategies.

Details on 'The Hammerson Blueprint', which explains how we curate our destinations to create the optimum experience for our visitors and brands, are given on page 25.

Mark Bourgeois
Managing Director, UK and Ireland

UK

Our portfolio

We invest in 11 flagship destinations in the UK, all of which are within, or close to, thriving city centres. At 31 December 2019, the assets represent 28% of the Group's portfolio by value and provide more than 830,000m^2 of lettable area. Over 1,000 tenants provide a diverse offer of retail, F&B, services and leisure. Our destinations attracted more than 180 million visitors in 2019 and include Bullring, Birmingham; Cabot Circus, Bristol; Union Square, Aberdeen; and Westquay, Southampton.

Net rental income

Market conditions in UK retail continue to be challenging and net rental income, on a like-for-like basis, decreased by 6.7% during the year. Tenant restructuring, in the form of CVAs and administrations, has been the largest single factor reducing income. CVAs enable struggling retailers to restructure their debt and costs to allow them to continue trading by applying to court and seeking approval from creditors. Landlords are usually the most compromised creditor group as cost reduction plans invariably focus on rent cuts and store closures determined by unit profitability.

During 2019, 33 of our retailers undertook a CVA or went into administration affecting 94 units and reducing passing rent of £12.7 million by £2.9 million. In total, since the beginning of 2018, 149 units have been impacted by CVAs or administrations, of which 91% are currently trading, including 28 units which have been relet on a permanent basis. The annualised rent reduction at 31 December 2019 was £7.5 million, equivalent to 2.5% of the Group's passing rent.

Like-for-like NRI growth
-6.7%
(2018: -1.3%)

Occupancy
97.0%
(2018: 97.6%)

Leasing activity
£11.2m
(2018: £14.4m)

Leasing vs ERV
-8%
(2018: +5%)

Retail sales growth
-1.8%
(2018: -2.9%)

Footfall growth
+0.6%
(2018: -1.8%)

Net Positive

Our smart metering roll out is now completed at all but one of our UK flagship destinations . This is giving us live visibility of sub-metered utility demand at each asset, complete with alerts that enable the onsite teams to see and respond to spikes in demand.

This important investment is transforming the use of energy data across the portfolio and is already delivering cost savings for our tenants.

MORE **Further information on Sustainability on page 36**

Whilst tenant restructuring may reduce income and occupancy, it also provides opportunities to introduce new brands and improve the tenant mix at our destinations as landlords receive a break option in return for lower rents under a CVA.

On a like-for-like NRI basis, these restructurings have reduced income by £4.1 million. This equates to 290 basis points of the 6.7% like-for-like NRI reduction and includes the impact of tenant incentive write-offs, reduced rent and vacancy costs. The next most significant factor, accounting for 190 basis points of the decline, was the cost of vacancy which increased by £2.7 million, consistent with lower occupancy and leasing volumes, particularly at the beginning of 2019 when Brexit uncertainty delayed retailers' letting commitments.

Despite the challenging trading conditions, collection rates remain high with 96.8% of rent collected within 14 days of the December 2019 quarter day.

Occupancy and leasing

Occupancy stood at 97.0% at 31 December 2019, 60 basis points lower than the prior year comparative.

Leasing volumes were lower in 2019, although we signed 143 leases representing 56,500m² of space and £11.2 million of income. This performance is consistent with the more challenged retail market and also reflects the record volumes achieved in 2018 when 196 leases were signed representing rent of £14.4 million. We also settled 50 rent reviews in 2019 on leases with a total passing rent of £8.5 million, securing an uplift of 5%.

For principal leases, which accounted for 72% of the total leasing volume, the average rent secured was 8% below December 2018 ERVs and 11% below the previous passing rent. The average lease term secured was eight years with an incentive package of only three months, four months less than the average in 2018. Whilst the average statistics weakened during the year, individual leases vary and 60% of principal leases were secured at or above December 2018 ERVs.

During 2019, 22% of leasing, by income, has been on a flexible basis, compared with 14% in 2018. Flexible leases act to enhance the tenant offer across our portfolio, trial new concepts and brands, generate short-term income and mitigate void costs including business rates and service charge. However, rents tend to be significantly below ERV and previous passing rent. Over the course of the year, on average, flexible leases were 38% below the previous passing rent and 57% below the December 2018 ERV, contributing to the weak NRI performance during 2019.

Whilst flexible leasing was higher in 2019 across the portfolio, these leases represent 2% of total flagship leases by income, or 9% by ERV.

Our leasing strategy continues to focus on reducing the amount of floor space occupied by challenged retail categories, principally department stores and high street fashion, and repurposing the space to introduce new aspirational fashion, leisure and F&B brands. Whilst this will broaden our offer and enhance the visitor experience, the speed of execution is hindered by existing lease structures. Nonetheless, during 2019, all new lettings, by area, have been to target categories. Key leasing deals during 2019 were:

- A new 450m² Samsung Experience store at Cabot Circus. This will be the first Experience store in the South West and is due to open in spring 2020
- In July, LEGO Group signed to open two stores, their only UK openings in 2019, at Bullring and Westquay. These are the first LEGO stores in our UK portfolio and opened before Christmas. Following the LEGO letting, we secured new lettings at Westquay with Oliver Bonas and The White Company
- In Birmingham, we opened a H&M Home Concept store at Bullring and at Grand Central we secured Base, the independent childrenswear retailer. Both of these were the first openings outside London and the South East
- At Victoria Leeds, we have strengthened the luxury offer with lettings to Mulberry, Aspinal of London and Prestons, who opened a Rolex boutique in late summer
- Whilst the broader F&B market has struggled in the UK, like-for-like F&B sales grew across our portfolio. We continue to attract new and exciting F&B offers which are carefully tailored to appeal to their catchments. Examples include:
  - D&D London, which is due to open its first restaurant in the South West, at Cabot Circus and will provide events in the Quakers Friars piazza
  - In Birmingham, @pizza, an Edinburgh-based pizza brand, opened its second ever restaurant at Grand Central, and North Fish, a Norwegian seafood specialist, opened its first UK restaurant at Bullring
  - We signed two leases with Kitty Café, a F&B operator where customers can interact with rescue cats, at Highcross and Grand Central. The latter opened in May and replaced Handmade Burger which had closed following administration
- We also introduced a number of exclusive brands with pop-up stores for Rapha and Peloton at Victoria Leeds, tapping into the passion for cycling in the catchment. Recognising the growing demand for sustainable products, we opened pop-ups with Seekd, the sustainable jewellery and accessories brand at Brent Cross and at Cabot Circus, Lone Design Club, which specialises in unique, sustainable fashion and lifestyle products

In November, we applied for planning consent to redevelop the existing House of Fraser store at The Oracle. This is a prime example of our repurposing strategy. We have made good progress with pre-letting, having secured lettings with bowling and indoor golf operators, and are in active discussions on the remainder of the space. Works to repurpose the space will cost approximately £13 million (50% share) but will deliver a significant rental uplift compared with the current concessionary House of Fraser rent following its administration in August 2018.

Footfall and sales

Footfall grew by 0.6% in 2019, significantly outperforming the Shoppertrak benchmark which fell by 4.6%. We have beaten the benchmark for the past three years, demonstrating the market polarisation towards flagship destinations.

Retail sales at our centres fell by 1.8%, calculated on a same centre basis, ahead of the Visa index which fell by 2.2%. Sales performance by centre and retail category has been mixed with stronger performances from F&B, sportswear, services and jewellery offset by weak high street fashion and mainstream department stores. The occupational cost ratio, calculated as total occupancy cost as a percentage of sales, decreased from 22.6% for 2018 to 22.2% for 2019, whilst rent to sales has reduced from 13.3% to 12.7%.

As we have previously explained, in-store sales figures are less relevant in an omnichannel retail environment as they do not capture the additional online sales benefit that tenants derive from their stores in our high-footfall flagship destinations. During 2019, we have further enhanced our insight capabilities and have used new geo-location insight tools to accurately assess the volumes and quality of footfall driven by our events and marketing programmes.

Ireland

Like-for-like NRI growth

-5.0%

(2018: 1.6%)

Occupancy

99.6%

(2018: 99.0%)

Leasing activity

£2.1m

(2018: £2.6m)

Leasing vs ERV

-2%

(2018: +8%)

Footfall growth

1.8%

(2018: -2.4%)

Note: Sales data is not available for the Ireland portfolio due to restrictions in the majority of leases.

Net Positive

Dundrum is one of the highest energy consuming assets in the Group's portfolio, with a high level of emissions due to Ireland's high grid carbon factor. This makes the asset an important area of focus given our corporate Net Positive commitment.

During 2019, we achieved a further 9% saving in electricity at the asset. This performance is due to the continuation of our programme of upgrading to LED lighting along with enhanced onsite energy management techniques.

Overview

The Irish economy continues to perform strongly, with rising employment and GDP growth of 5.4% forecast for 2019 (Source: Oxford Economics). Inward foreign investment remains a key driver of economic productivity, employment and wage growth.

Dublin's growing urban population of 1.4 million, significant tourism industry and positive net migration trends, support retail performance across the city. Grafton Street and Henry Street are the focus of Dublin city centre's retail offer with a number of large shopping centres around the city's perimeter.

Our portfolio

Our Irish portfolio consists of three flagship destinations in Dublin: Dundrum Town Centre ('Dundrum') to the south of Dublin; the Ilac Centre in the city centre; and Pavilions in Swords, north Dublin. These assets represent 10% of the Group's portfolio by value and Dundrum, which is the country's pre-eminent retail and leisure destination, accounts for two-thirds of the Irish portfolio's value. When combined, the portfolio provides almost 200,000m^2 of high quality space, with 320 tenants and annual footfall of 45 million.

We also own 30 acres of development land adjacent to the flagship venues. This provides the potential to expand and diversify the portfolio and is a key element of our City Quarters concept (see page 30).

Net rental income

During 2019, like-for-like NRI fell by 5.0%. Income increased at both the Ilac Centre and Pavilions, the latter by 8% associated with the strong leasing achieved over the past 24 months including increasing the F&B provision. However, NRI at Dundrum was lower primarily due to the House of Fraser administration in late 2018 which resulted in a significant year-on-year reduction in rent. This will be remedied by the recently announced letting to Brown Thomas.

Like-for-like income was also impacted by the receipt of a surrender premium from Hamleys in the first half of 2018 following the withdrawal of the brand from the Irish market. This provided an opportunity to redevelop the store as part of the new Pembroke leisure hub.

Occupancy and leasing

Occupancy remained very high at 99.6% and tenant demand continues to be strong. We signed 51 leases representing £2.1 million of annual rental income. For principal leases, rents secured were 9% above previous passing rents although 2% lower than December 2018 ERVs. The latter figure was skewed by two brand mix deals at Dundrum, and in total, 72% of principal leasing was secured above ERV. Key lettings across the portfolio in 2019 include:

- At Dundrum: Holland & Barrett; Kurt Geiger, taking its first full-line store in Ireland; Mad Egg, the Irish fried chicken brand's first store in a flagship destination; and Ely, the award-winning Irish wine bar and restaurant operator
- At Pavilions: Five Guys; Milano; Rituals; Superdry; and Zaytoon, a contemporary Persian restaurant, opening its third store in Ireland
- At the Ilac Centre, Dunnes Stores reconfigured its store to introduce an upmarket food hall, which opened in August 2019 and is a key element of plans to enhance the F&B offer at the asset

In addition to our leasing programme, we have made strong progress with our repurposing strategy, particularly at Dundrum. Works are onsite to reconfigure the former Hamleys building into a mixed use offer anchored by a penthouse office, an eight-lane Stella Bowl bowling alley and five new restaurants including LEON and PFChang's. The project will also provide a new public square.

We also recently announced that we had secured Brown Thomas to take a 5,850m^2 store to replace House of Fraser on two floors of their anchor store and are in active discussions on the remaining space. Works are due to commence in Q2 2020 at a cost of £14 million (50% share) and complete in the first half of 2021. The project will both deliver increased rent and enhance the overall brand and customer offer at the centre.

Apart from House of Fraser in late 2018, our Irish portfolio has been largely unaffected by tenant restructuring, with UK CVAs usually excluding Irish stores. In 2019, there has been only one unit impacted by restructuring.

Footfall and sales

In 2019, footfall increased by 1.8%, 200 basis points higher than the Shoppertrak index. Footfall growth was driven by the new F&B opening at Pavilions and Dunnes new food hall at the Ilac Centre.

Due to restrictions in leases, sales data is not available for the majority of tenants in our Irish portfolio.

Jean-Philippe Mouton
Managing Director, France

France

Like-for-like NRI growth
2.1%
(2018: -0.9%)

Occupancy
97.0%
(2018: 97.1%)

Leasing activity
£6.0m
(2018: £7.3m)

Leasing vs ERV
+5%
(2018: +5%)

Retail sales growth
2.6%
(2018: 2.2%)

Footfall growth
1.9%
(2018: 2.5%)

Net Positive

We installed a 900kWh photovoltaic (PV) array at Les Terrasses du Port which recently became operational. It is predicted to generate 1,446MWh of electricity annually, approximately 20% of landlord demand at the asset. Costing €1.4 million, the system will save €120,000 p.a. at current electricity prices.

Overview

The retail environment has been broadly stable in France during 2019. However, sales and footfall suffered during the beginning of the year due to the disruption caused by the 'Gilets Jaunes' protests and at the end of the year from pension reform strikes. Nonetheless, the overall outlook for GDP and employment remains positive.

French leases differ from those in the UK and Ireland. They are subject to annual indexation changes instead of five-yearly rent reviews and have three or six-year break clauses, although in practice these are seldom exercised. Indexation averaged 2.1% in 2019 and will increase to 2.2% in 2020.

Online penetration levels are lower in France (11%) compared to the UK (17%) (Source: Global Data). Nonetheless, online retail continues to grow and retailers are focusing on their omnichannel strategies in a similar way to retailers operating in the UK, driving a polarisation in the retail market towards flagship destinations. Key market and cultural differences are also expected to support physical retail more than has been seen in the UK.

Our portfolio

We invest in and manage seven high-quality flagship destinations in France which accommodate 800 tenants and attract over 70 million visitors each year. The portfolio represented 15% of the Group's portfolio value at 31 December 2019.

The assets are in urban locations in Paris, Marseille and Nice, and at 31 December 2019, the two wholly-owned centres, Les Terrasses du Port, Marseille and Les 3 Fontaines, Cergy, accounted for 77% of the value of the French portfolio.

Our French team works closely with our UK and Irish teams to ensure operational excellence is maintained across our destinations. A number of functions, including marketing , IT and product innovation have Group-wide remits.

2019 has been an active year in France, with the sale of 75% of Italie Deux (see page 47) and progress with the two onsite extension projects at Italie Deux and Les 3 Fontaines. Further details of these schemes are provided on pages 30 and 31.

Net rental income

On a like-for-like basis, net rental income increased by 2.1% in 2019. This was largely driven by indexation and strong leasing. Les Terrasses du Port was the strongest performing asset with NRI growth of 4.2%.

Occupancy and leasing

The retail environment in France has been stronger than in the UK during 2019, although tenants are becoming more selective and leasing activity was particularly slow at the beginning of the year as tenants were cautious until the 'Gilets Jaunes' protests eased.

Occupancy was almost unchanged at 97.0%, and we signed 114 leases representing £6.0 million of rental income and 29,700m^2 of space. For principal leases, which represented 89% of total leasing volume in the year, the new rents were 5% above December 2018 ERVs and 8% above the previous passing rent.

We apply a consistent leasing strategy across the Group and during 2019, key leasing transactions included:

– New brands in our portfolio: LEGO and Vorwerk at Les Terrasses du Port; Daniel Wellington and Emilie's and the Cookies at Nicetoile; Nin & Laur at Les 3 Fontaines
– Significant reconfigurations or transfers: Rituals, Diesel, Mango and Monoprix at Les Terrasses du Port; Levi's and Pull & Bear at O'Parinor; Undiz and La Poste at Espace Saint Quentin

The rate of tenant restructuring has been lower in France than in the UK due to the strong trading environment and different tenant legal rights . In 2019, 20 stores with passing rent of £1.5 million suffered tenant administration, only one of which was in the second half of the year. Tenant restructuring reduced 2019 NRI by £0.2 million, and at 31 December 2019 a total of 21 units were in administration, two less than at the beginning of the year. All of these units continue to trade and represent 0.7% of the Group's passing rent.

Footfall and sales

Footfall in our centres increased by 1.9% in 2019, 160 basis points ahead of the national CNCC Index. Les Terrasses du Port recorded the highest footfall increase of 5.8%.

Retail sales, calculated on a same centre basis, increased by 2.6% which was 170 basis points higher than the CNCC index.

The occupational cost ratio fell slightly from 13.7% at the beginning of the year to 13.4%, while the rent to sales ratio decreased by 30 basis points to 10.4% at 31 December 2019.


Les Terrasses du Port, Marseille

The Hammerson Blueprint

Exceptional experiences at our flagship destinations

Kathryn Malloch
Head of Customer Experience

We are uniquely differentiated by the Hammerson Blueprint, the principles of which are embedded across everything we do. The Blueprint provides a consistent frame of reference for all areas of the business to ensure an excellent experience for stakeholders.

Positive place makers

Delivering positive impacts economically, socially and environmentally

Alongside our commitment to become Net Positive by 2030, we deliver positive experiences for our customers to ensure our destinations are as accessible and inclusive as possible.

During 2019, we signed up to the Disability Confident scheme and rolled out accessible Changing Places facilities to nine of our destinations, providing best-in-class facilities for severely disabled customers and their carers. The success of our dedicated family and multi-faith rooms has continued, providing safe and welcoming spaces that support the needs of our customers and that celebrate the diversity of the cities in which we operate.

In 2019, we also continued to invest in making our car parks more accessible and frictionless for customers. The car park refurbishment at Bullring won the 2019 British Parking Awards and, as well as significant investment in electric vehicle charging, we also tested a 'Drive Thru' payment solution at Bullring, allowing customers to drive in and out without worrying about payment, helping to increase loyalty and dwell times.

Destination makers

Creating places to enjoy, shop, live and work

In 2019, we ran more than 280 different events across the portfolio to surprise and delight our consumers. At Les Terrasses du Port in Marseille, we hosted our first ever rooftop ice-skating and winter festival experience, with over 110,000 visitors flocking to the event. We also toured the Festival of Light, an immersive series of interactive light installations, at three of our flagship destinations. As well as delivering a 5% increase in visitors from outside the catchment, these events also increased the number of new customers proving the broad appeal of large scale spectacular events. During 2020, we will expand our events programme, delivering compelling experiences for both customers and brands.

We are also rethinking space in our venues so that it remains relevant for the future. At the end of 2019, we completed a review of back-of-house space, identifying several commercial opportunities within logistics and supply chain operations to diversify the services we offer. As well as driving financial returns there is the opportunity to provide wider retailer and consumer benefits, including more efficient last mile delivery and stock management, and support our sustainability strategy to reduce city centre traffic and encourage cleaner transport methods.

Relationship makers

Collaborating with experts to deliver value

We collaborate with brands, partners and third party experts to deliver the best possible venues – both sustainably and profitably.

In 2019, we carried out an innovative trial with AI tech start-up Deep North, to provide a greater insight into the patterns and behaviours of our customers. Using anonymous and aggregated data via CCTV, the trial has allowed us to better understand shopping patterns and, in the future, will give us valuable information for brands and allow us to optimise our flagship brand mix and customer environment.

We also upgraded our consumer-facing digital services, working with a new digital partner, Red Ant, to deliver a more flexible platform for future development and innovation. Inspired by the 'In Real Life' consumer advertising campaign, the new flagship websites and app are easier to navigate, with engaging and inspiring digital content. Our digital channels and content continue to deliver fantastic engagement, with year-on-year growth in downloads of +5% and app redemptions of +85%.

By redesigning the digital platform and taking an agile approach to development, we have delivered significant cost savings, which will allow us to invest in future innovation across our digital infrastructure.

Finally, our collaboration with Concrete, a leading EMEA Proptech investment and commercial advisory group, delivered some exciting new partnerships, and in 2020 we will be launching a collaboration with Catapult, a flexible workforce platform. This will further strengthen the value we offer to retailers and is part of our commitment to provide best-in-class customer service.

Freeport Lisboa Fashion Outlet

Premium outlets

Simon Travis
Group Investment Director and Managing Director, Premium outlets

Sector overview

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

Over recent years, the European outlets sector has seen both strong sales growth and increasing retailer demand. The market for discounted luxury and fashion items is attractive for international tourists, in particular from Greater China, Russia, South East Asia and the Middle East.

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

Our portfolio

Our exposure to the sector is through investments in Value Retail (VR) and VIA Outlets (VIA).

At 31 December 2019, we had interests in 20 centres in 14 European countries offering 457,000m² of retail space for international luxury and fashion brands. These investments represent 32% of the Group's total property portfolio value. Since 2014, a Compound Annual Growth Rate (CAGR) of 21% in investment property values has been achieved, 48% of which has been driven by underlying revaluation growth, 37% by acquisitions and 15% by capital expenditure.

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

During 2019, Timon Drakesmith was on the Value Retail Plc Board and was the Chairman of the VIA Outlets Advisory Committee. Following his resignation, Simon Travis has assumed the role of Managing Director, Premium outlets, with David Atkins, Hammerson CEO, taking over the VR Board seat.

	Value Retail[1]	VIA Outlets[1]
Brand sales[2]	€3,181m (2018: €2,911m)	€1,162m (2018: €1,072m)
Brand sales growth[2,3]	9% (2018: 8%)	8% (2018: 10%)
Footfall growth[3]	5% (2018: 4%)	6% (2018: 4%)
Spend per visit	€82 (2018: €79)	€36 (2018: €35)
Sales density growth[3]	9% (2018: 4%)	2% (2018: 5%)
Like-for-like NRI growth[4]	13% (2018: 4%)	6% (2018: 10%)
Occupancy	97% (2018: 97%)	93% (2018: 92%)

1. With the exception of like-for-like NRI growth, figures reflect overall portfolio performance, not Hammerson's ownership share, and 2018 figures have been restated at 31 December 2019 exchange rates.
2. 2018 VIA Outlets sales figures have been updated to reflect the collection of more accurate data.
3. Figures include assets owned for 24 months and include extensions and reconfigurations.
4. Like-for-like NRI growth excludes the impact of extensions and reconfigurations.

Value Retail (VR)

Portfolio overview

We hold our VR interests in the holding companies, as well as direct investments in the Villages, and have grown our economic interest in the net assets of VR. At 31 December 2019, the total property portfolio was valued at £5.4 billion of which the Group's share was £2.0 billion. Details of our investments are shown in note 15 to the financial statements.

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

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

In 2019, the Villages had an average sales density of €17,800/m² and generated total sales of €3.2 billion, placing them in the top echelons of the premium outlets sector.

The Villages actively target the growing shopping-tourism market as well as attracting footfall from affluent domestic catchments. This strategy has been very successful and VR has delivered annual compound brand sales growth of 12% over the last 10 years.

Income

Brand sales growth has again been strong in 2019 at 9%, driven by domestic and international guests. Tax-free sales at VR have increased by 15% in the 12 months to December 2019. This significantly outperformed overall European tax-free sales which were up 9% due to average spend growth (Source: Global Blue – December 2019). VR continues to invest in broadening long-haul tourist markets, with China, South Korea, India and Hong Kong being strong growth drivers in 2019.

As in 2018, La Vallée Village achieved the highest brand sales growth as it continued to benefit from remerchandising activity and from high tax-free sales growth. Bicester Village was the other top performer as a result of increased footfall and occupancy. After a subdued performance in H1 2019, Maasmechelen Village has also grown significantly, benefiting from active re-letting and marketing initiatives.

Sales densities increased by 9%, the best performances being at La Vallée Village, Las Rozas Village and La Roca Village.

This strong sales and leasing performance resulted in like-for-like NRI growth of 13%. The largest contributions were from La Vallée Village and Bicester Village, where income growth in 2019 was driven by a full year of higher occupancy following the lease up of the 2017 extension during 2018.

Occupancy and leasing

VR adopts an active leasing and asset management strategy to enhance and refresh the Villages and maximise the customer experience. This strategy drives sales and footfall. During 2019, 245 leases were signed, with a total of 144 new brands introduced to the Villages. Key brand openings included Breitling at Bicester Village, Kooples at La Roca Village, Balenciaga at La Vallée Village and a temporary Burberry boutique at Kildare Village. There has also been a specific focus on enhancing the F&B offer across the portfolio, demonstrated by the opening of Mordisco at La Roca Village and Made in Belgium Café at Maasmechelen Village.

Occupancy across the Villages was 97% which was in line with the prior year.

VR management continues to develop successful marketing strategies. Village apps have been enhanced and the focus on digital is illustrated by the successful partnerships with Instagram influencers and Privilege programme members. The roll out of the new Bicester Village Shopping Collection® website completed in November 2019, reflecting VR's rebranding of its Villages under this umbrella.

Collaborations include partnerships with Citizen K, benefiting from high media coverage in central Paris, and the British Fashion Council at Bicester Village, demonstrating the Collection's commitment to the future of the global fashion industry. Innovative events, such as the Enchanted Lights at Kildare Village, have also been a key footfall driver in 2019.

Developments and extensions

In March 2019, construction commenced on a 2,600m² development and remodelling at La Roca Village, Barcelona with practical completion targeted in Q4 2020. The development will provide a further 21 units and over 300 underground car parking spaces. The total development cost for VR is estimated at €50 million.

Construction works are also due to commence shortly at Kildare Village, Dublin on a 5,500m² development, with practical completion targeted for Q2 2021. The development will provide approximately 27 units and over 400 car parking spaces at an estimated total development cost of €62 million including land.

VIA Outlets (VIA)

Portfolio overview

VIA is a joint venture formed in 2014 in partnership with APG, VR and Meyer Bergman in which we originally held a 47% stake. In September 2019, Hammerson and APG purchased the VR and Meyer Bergman shares for €32 million (£29 million) each, a slight premium to June 2019 NAV, resulting in a 50:50 joint venture structure. This transaction streamlines the ownership structure of VIA, enhances the governance of this strategically important investment and increases our exposure to a high growth sector.

At 31 December 2019, VIA operated 11 outlets in nine European countries, providing 267,000m² of floor space and over 1,140 stores. The centres include Batavia Stad Amsterdam Fashion Outlet, Freeport Lisboa Fashion Outlet and Zweibrücken Fashion Outlet on the Germany/France border.

Since formation, VIA has built a significant pan-European portfolio by acquiring existing European outlet centres within strong catchments, focused on mainstream fashion brands and with potential for growth through active asset and development management. The team have implemented initiatives to enhance centre appearance, tenant mix, the provision of flagship stores and international brands, the leisure and catering offers, tourism marketing and overall centre management. This strategy has delivered strong operational and financial performance.

At 31 December 2019, the total portfolio was valued at £1.4 billion of which the Group's 50% share was £693 million. VIA has become a leading premium outlet operator in Europe, with the third largest portfolio by area, and has further evolved in 2019, with the continued internalisation of its management structure and appointed Otto Ambagtsheer as CEO in July 2019.

Income

Like-for-like brand sales growth was 8% in 2019 (2018: 10%). The highest growth was achieved at Freeport Lisboa Fashion Outlet, which benefited from the opening of Polo Ralph Lauren in November 2018 and a number of other brands in 2019 including Karl Lagerfeld and Boggi.

Double-digit sales growth was also achieved at Landquart Fashion Outlet and Hede Fashion Outlet, the latter following the launch of a 2,400m^2 extension. Strong sales growth was also exhibited at Batavia Stad Amsterdam Fashion Outlet driven by a concentrated leasing strategy, resulting in occupancy increasing in the year from 91% to 98%.

Oslo Fashion Outlet has been the weakest performer with flat year-on-year sales, as the centre was impacted by a particularly mild winter affecting its outdoor gear retailers.

Tax-free sales at VIA have increased by 17% in the 12 months to December 2019, but remain only 4% of total sales (2018: 4%). This is primarily driven by double-digit rises in tax free sales at Freeport Lisboa Fashion Outlet, Fashion Arena Prague Fashion Outlet and Batavia Stad Amsterdam Fashion Outlet, who made up 73% of total portfolio tax free sales in 2019. Brazilian, Angolan, Chinese and Israeli visitors were the main drivers of the year-on-year increase.

The sales performance resulted in like-for-like NRI growth of 6%, with the most significant contribution from Freeport Lisboa Fashion Outlet.

Occupancy and leasing

Occupancy levels increased to 93% at the end of 2019, compared with 92% in 2018. Occupancy at premium outlets is often marginally lower than the Group's other sectors to support proactive asset management.

The strong sales growth outlined above reflects the benefits of VIA's management and remerchandising initiatives across the portfolio, resulting in 266 leases being signed during 2019, including 128 new brands.

Key leasing transactions included the introduction of new brands such as Skechers at Fashion Arena Prague Fashion Outlet, Hugo Boss Woman at Landquart Fashion Outlet, L'Occitane at Hede Fashion Outlet, Hugo Boss at Wroclaw Fashion Outlet and Adidas at Vila do Conde Porto and Oslo Fashion Outlet. Leasing also included a number of first brand openings in the country such as Invicta and WMF at Freeport Lisboa Fashion Outlet, Simone Pérèle at Landquart Fashion Outlet, a Furla pop up at Wroclaw Fashion Outlet and Hünkemöller at Oslo Fashion Outlet.

In 2019, VIA completed the deployment of its loyalty programme, Fashion Club, at all centres in the portfolio. In partnership with brands, VIA continued to implement cross-portfolio marketing campaigns, including a recent sports and holiday campaign which all centres took part in during the spring/summer. VIA will continue to develop further portfolio marketing initiatives in 2020.

Developments and extensions

Following their acquisition in 2016 and 2017, refurbishment works are continuing at Sevilla Fashion Outlet, Zweibrücken Fashion Outlet, Vila do Conde Porto Fashion Outlet and Oslo Fashion Outlet, with completion due in 2020. Refurbishment works have completed at Wroclaw Fashion Outlet and will play an important part in delivering an enhanced experience to guests and welcoming new brands.

In 2020, VIA will also progress feasibility and planning applications for extensions at Sevilla, Mallorca, Batavia Stad, Amsterdam and Zweibrücken Fashion Outlets.

Completion of Hede Fashion Outlet extension

In October 2019, a 2,400m^2 extension and refurbishment completed at Hede Fashion Outlet, Gothenburg. The scheme delivered 15 new units and a children's play area, increasing the area of the centre by 15% and enhancing its aesthetics. This has improved the tenant mix by introducing a number of new international brands such as Lindt and L'Occitane (a first for the VIA portfolio) and upsizes of Gant and Calvin Klein. The total development cost (at 100%) was €10 million and the project has achieved a yield on cost of 10%.

In early 2019, a new train station adjacent to the outlet also opened, allowing visitors to travel from Gothenburg's city centre to the outlet in just 20 minutes. These enhancements to the centre have resulted in a strong 2019 performance, helping to generate double-digit sales growth.

City Quarters and developments

Simon Betty
Managing Director, City Quarters

Development overview

The Group has a proven track record in delivering iconic, sustainable urban developments, including destinations such as Bullring, Birmingham and Les Terrasses du Port, Marseille.

Reflecting current uncertainty in the UK and wider retail markets, our near term focus is to reduce debt and we do not plan to commit to any major projects until markets stabilise. We expect future schemes to include a wider variety of uses, with less space dedicated to retail and with our Net Positive targets fully embedded within all new projects. This principle is at the core of our City Quarters concept under which we intend to unlock future opportunities across our existing 100 acre land ownership.

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

At 31 December 2019, the value of the Group's development portfolio was £600 million, representing 7% of the Group's total property portfolio. 80% of the value relates to five schemes: Les 3 Fontaines extension; the Whitgift Centre, Croydon; Dublin Central; Victoria Phase 2, Leeds; and The Goodsyard.

Committed capital expenditure has fallen by £59 million during the year to £104 million at 31 December 2019. This reduction is mainly due to progress made on our two onsite Paris extension schemes, which still represent the majority of the future committed spend.

City Quarters overview

Our City Quarters concept aims to leverage existing land interests around our flagship destinations, located in major European cities and near to key transport links. These provide opportunities to develop a mix of uses including residential, workspace, hotel and leisure, and will deliver financial returns for the Group and complement our existing flagship destinations.

This concept represents a significant opportunity and has the potential to deliver 6,600 residential units, 1,600 hotel rooms, 300,000m^2 of workspace and nine parks and public spaces. An overview of a number of the projects is set out in Table 9.

We intend to use our existing strong relationships with local authorities and landowners to drive forward these opportunities. However, we recognise that in order to build on our track record of great sustainable place-making and create truly integrated sustainable communities, broader skillsets are required within our teams. With this in mind, we have appointed Simon Betty as Managing Director, City Quarters. Simon has extensive experience of the broader business and in-depth knowledge of the Irish schemes.

The projects each have different timescales and phasing opportunities. Whilst schemes are being progressed and planning consents secured, we will determine the optimal implementation plan for each project. This could include development by the Group, in partnership with expert third parties, or realisation of value through disposal whilst retaining a degree of control to ensure optimal future estate management.

We have made good progress with this new concept and have secured three major consents. Key achievements include:

- Outline planning consent for our masterplan to regenerate the Martineau Galleries site in Birmingham city centre into a thriving new neighbourhood. The proposals for the seven acre site include up to 1,300 homes, 130,000m^2 of workspace, a new city centre hotel, restaurants and cafés. Work could commence in 2022
- In Leeds, we recently received full planning consent for a new 205 bed hotel adjacent to Victoria Gate. The site is currently a surface car park, and we are in advanced negotiations with an exciting, modern operator to allow construction to commence in late 2020
- In Ireland, we received final planning consent for a residential scheme of over 100 apartments directly adjacent to Dundrum. We intend starting onsite in summer 2020, with the Group's future development cost being £16 million
- Also at Dundrum, a tender process has commenced to select an architect to masterplan a residential-led scheme on the Phase 2 land to the north of the centre
- The planning process is underway to redevelop the six-acre Dublin Central site, adjacent to our existing Ilac Centre. The scheme involves redeveloping buildings on O'Connell Street and Moore Street. In April, we appointed ACME as the designer for the project. The scheme will be a mixed-use, open scheme with improved pedestrian links and public spaces. Plans are at an early stage, and significant engagement is ongoing with local stakeholders to ensure the scheme reflects the heritage and commercial vibrancy of the area

Onsite developments

Les 3 Fontaines extension

Works have continued with the major extension of Les 3 Fontaines which coincides with the wider city centre development of Cergy-Pontoise, in the suburbs of Paris. The project involves a number of phases, including a 1,700-space car park to be completed in September and a new food hall opening in spring 2020.

During 2019, we revised the scheme, particularly the final phases, to reduce the space allocated to fashion and increase the area for F&B and leisure, including the redevelopment of the existing roof terraces. These revisions have increased the projected income by €1 million to €19 million and the total development cost by €47 million to €382 million (£324 million), including additional future cost contingency.

The opening of the main extension is planned for Q3 2021, with a new fully let food court opening in April 2020 and the final leisure phase in Cergy 3, expected to open in mid-2023. At 31 December 2019, costs to complete totalled €156 million (£132 million) and the project was valued at €207 million (£176 million). Due to outward yield shift and the revisions to the scheme, the development suffered a revaluation deficit of £57 million in 2019. This reversed cumulative revaluation gains recognised at the start of the year of £41 million.

When fully complete and let, at current yields, the project is forecast to achieve an estimated additional revaluation uplift of £50 million and a yield on cost of 5%. The project will extend the entire trading space to over 100,000m² and create one of the leading flagship destinations in the Paris region. Leasing is progressing well, with pre-let income increasing from 23% to 49% during the year. Key tenants secured include Adidas, Big Fernand, Fnac, JD Sports, Levi's and Vapiano.

Italik extension

Italik, a 6,400m² extension of Italie Deux, commenced in June 2018. The project will add 12 new retail, F&B and leisure units to the central Paris scheme and will create an attractive new façade for the existing centre. As previously reported, the scheme was delayed following a dispute with the contractor in late 2018.

During 2019, the contractor was replaced and work relaunched in March. Whilst this process has not increased the total cost of the project, it delayed the opening of the scheme, which is now due in Q4 2020.

At 31 December 2019, the total development cost is estimated at €44 million (£37 million), with €15 million (£13 million) of costs remaining. The project was valued at €36 million (£30 million), and we have recognised €5 million (£5 million) of revaluation gains to date. The project has been forward sold as part of the disposal of 75% of Italie Deux. Whilst the contracted 75% sale price is €41 million (£35 million), the final price is dependent on the passing rent when the sale completes in March 2022, 18 months after the extension opens.

The price is based on the forecast passing rent of £2 million, equivalent to a yield on cost in excess of 5%. Leasing is progressing well, with the scheme currently 85% pre-let, 51% higher than at the beginning of the year, to brands including M&S Foodhall and Prêt-à-Manger.

Future major developments

Whilst we do not expect to commit to any new major expenditure in the near term, progress has been made in 2019 with our future major schemes as explained below.

Brent Cross and Croydon

We are reviewing plans for the future major schemes at Brent Cross and Croydon. This work, consistent with our City Quarters strategy, is to ensure the developments address changing customer and occupier requirements and include a greater mixed-use element than originally planned.

We remain in active discussions with local stakeholders to support the ongoing third party regeneration around both existing interests, such as the new Brent Cross West Thameslink station and the mixed-use regeneration to the south of Brent Cross. Reviews of the schemes are progressing and we continue to ensure the existing assets are actively managed.

The Goodsyard

In conjunction with Ballymore, our 50:50 joint venture partner, revised plans were submitted to the GLA in July as an amendment to the existing planning application for the site.

The major mixed-use scheme includes workspace, retail and residential elements at the 4.2ha site on the edge of the City of London. The amended application has additional housing, including a greater number of affordable homes and a larger public park. The complicated planning process has been slower than expected and determination from the Mayor of London is now targeted by the middle of 2020.

Table 9

Overview of City Quarters and major developments

	Area	Next planning submission	Start onsite	Retail	F&B	Residential	Workspace	Leisure	Education	Culture	Hotel	Public spaces
Near term												
Les 3 Fontaines, Cergy	8,400m²	n/a	Onsite		✓		✓	✓				
The Podium at Dundrum, Dublin	10,000m²	n/a	Q3 2020	✓		✓						
Victoria Hotel, Leeds	8,400m²	n/a	Q3 2020								✓	
Strategic												
Victoria Phase 2, Leeds	10 acres	2020		✓	✓	✓	✓	✓	✓	✓	✓	✓
Martineau Galleries, Birmingham	7 acres	2021		✓	✓	✓	✓				✓	✓
Callowhill Court, Bristol	9 acres	2021		✓	✓	✓	✓	✓	✓	✓	✓	✓
Dublin Central, Dublin	6 acres	2021		✓	✓	✓	✓			✓	✓	✓
Dundrum Phase 2, Dublin	6 acres	2021		✓	✓	✓						✓
Pavilions Phase 3, Swords	18 acres	2023		✓	✓	✓		✓				✓
Major developments												
Brent Cross, London	15 acres	n/a		✓	✓	✓	✓	✓		✓	✓	✓
Croydon, London	22 acres	n/a		✓	✓	✓	✓	✓			✓	✓
The Goodsyard, London	10 acres	In planning		✓	✓	✓	✓			✓	✓	✓

Martineau Galleries, Birmingham

Green light for major City Quarters masterplan

Martineau Galleries will deliver a thriving new neighbourhood in Birmingham city centre, providing up to 1,300 new homes, up to 130,000m^2 of workspace and a new 400-bed hotel. The outline masterplan, which was granted consent by Birmingham City Council in January 2020, represents a significant step forward for our City Quarters concept. This will see us transform our existing city land bank beyond pure retail into successful new neighbourhoods.

The vibrant new quarter, which is adjacent to the new HS2 station, will support over 8,000 jobs and provide a significant boost to the city's economy. It will also deliver new public realm, including a town square, boulevard and residential streets and be both accessible and sustainable. These spaces will be available for community and cultural events, and leisure activities such as pop-up bars, food trucks and performances.

Computer generated image of future expected scheme

Computer generated image of future expected scheme

The Podium at Dundrum, Dublin

Our first Irish residential opportunity

In December 2019, we received planning approval for 107 new apartments adjacent to Dundrum, Ireland's leading flagship destination located in the affluent southern Dublin catchment. The building marks our first move into residential development in Ireland and will deliver 50 one-bed and 56 two-bed apartments, and a studio flat, which will be managed on a long term rental basis.

With easy access to Dundrum, public transport services and large employment hubs, The Podium at Dundrum represents the first phase in a long term strategy to create exceptional sustainable spaces through our City Quarters concept which will enhance the destination's appeal. The scheme delivers a high quality BREEAM Excellent design and will also set the benchmark for future developments across the Irish portfolio at Dublin Central and Swords Pavilions.

UK retail parks

Andrew Berger-North
Director, UK Retail Parks

Retail parks overview

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

Demand for space has been subdued during 2019, with further high profile tenant failures increasing the supply of available space in the market. This imbalance will take some time to work through the sector, although there is demand from a pool of occupiers for well-managed parks where trading remains strong.

Our portfolio

We announced in our July 2018 strategy update that we intended to exit this sector over the medium term and sold four parks in 2019.

As at 31 December 2019, we owned nine retail parks, representing 6% of the Group's portfolio by value. The portfolio provides 234,000m^2 of lettable space and has more than 210 tenants and includes shopping parks, hybrid parks and key homeware parks where occupational demand has been strongest. Our parks are intentionally located on the edge of town centres with ample free parking and are let to a wide spectrum of retailers, including fashion, furniture, homewares and bulky goods.

In February 2020 we announced the disposal of eight retail parks for gross proceeds of £433 million. We are marketing for sale the remaining park, Brent South.

Net rental income

On a like-for-like basis, NRI fell by 1.4% in 2019. Given the subdued nature of the occupational market, there were few growth drivers in 2019 and NRI was £0.4 million lower due to the impact of further CVAs and administrations.

Occupancy and leasing

Occupancy has been stable during 2019, ending the year at 97.3%.

Whilst leasing activity at £2.6 million was slightly higher than 2018, this principally related to existing tenants who extended their leases at a reduced rent to support our sales process. There were eight lettings to new tenants for total passing rent of £0.7 million. The most significant being Superdrug at Telford Forge and Waterstones at Didcot.

For all principal leases, rents were contracted at 1% above December 2018 ERVs but 10% below previous passing rent.

During 2019, the portfolio suffered three tenant restructurings (Arcadia, Debenhams and The Bathstore) impacting eight units. These units were generally performing well and only one closed, meaning that overall we suffered an annualised rent reduction of £0.5 million, or 22% of the previous passing rent. Including units affected during 2018, at 31 December 2019, the portfolio had 17 units which had been impacted by tenant restructuring with rent passing of £2.9 million, equivalent to 1.0% of the Group's passing rent.

Footfall and sales

During 2019, the number of visitors to the portfolio increased by 1.4%, 130 basis points above the Springboard Retail Parks index. Footfall increased at all but two of our parks. Ravenhead in St. Helens reported the highest footfall increase of 13% following the opening of a new M&S store. Also, following this opening, the average drivetime grew by 5%.

Whilst we do not receive tenant sales information for our retail parks, we do undertake customer surveys. Based on these, in 2019 average retail spend has grown by 5%, catering spend by 1% and visit frequency by 3%.

Like-for-like NRI growth
-1.4%
(2018: -4.3%)

Occupancy
97.3%
(2018: 96.9%)

Leasing activity
£2.6m
(2018: £2.4m)

Leasing vs ERV
+1%
(2018: +11%)

Footfall growth
1.4%
(2018: -1.3%)

Net Positive

Elliott's Field, Rugby was the world's first BREEAM Outstanding retail park and designed to operate with net zero carbon emissions. Two years after opening, and through collaboration with our tenants, we now have sufficient data to assess the sustainability performance of this ground-breaking development. Key findings include:

- 26% lower average energy consumption than similar stores
- 183 tonnes of carbon saved through more energy efficient tenant fitouts
- 179 tonnes of additional carbon saved from electricity generated from the rooftop solar PV array, all of which is used onsite

These results were achieved on a commercial project and are a great example of what can be accomplished with clear targets and strong tenant engagement.

Net Positive

Louise Ellison
Group Head of Sustainability

2019 Key Highlights

Carbon emissions	Water demand	Waste diverted from landfill
-12%*	**-7%***	**99.6%**
Energy demand	**Operational waste recycled**	**Invested in addressing local challenges**
-12%*	**79%**	**£1.3m**

* EPRA like for like portfolio, v 2018

Overview

We create destinations where people and brands want to be; destinations that deliver net positive impacts economically, socially and environmentally.

In 2017 we launched our sector-leading, comprehensive target to be Net Positive for carbon, water, resource-use and socio-economic impacts by 2030. We were the first real estate company globally to launch such ambitious targets and we reach the end of phase one at the close of 2020. This phase focuses on the impacts under our control in our directly managed destinations. A summary of our progress so far is set out on pages 36-40. More detail is available in our comprehensive Sustainability Report and on our website www.hammerson.com.

"The climate emergency is perhaps the defining global issue of 2019. Hammerson's long track record of excellence in sustainability and addressing climate change reduces our risk and further enhances our reputation as a company of choice to work with.

David Atkins
Chief Executive

A shifting agenda

Climate change is arguably the biggest challenge for the global economy and the past 12 months have seen the issue become significantly more prominent both for individuals and businesses.

This change is reflected in the rising significance of global initiatives such as the UN Sustainable Development Goals (UNSDGs) and Task Force for Climate Related Financial Disclosures (TCFD). There is also increasing adoption of net-zero carbon targets by local and national governments.

Having begun our sustainability journey over 13 years ago as the scale of the challenge has become clearer, we have evolved our strategy to remain ahead of the curve. This gave rise to our Net Positive targets created in 2017 which go further than net zero. Our changing business priorities and in particular the focus on City Quarters means this year we now directly support eight UNSDGs. Details of our response to TCFD can be found on page 41.

The UNSDGs directly supported by our business

Our Net Positive commitments

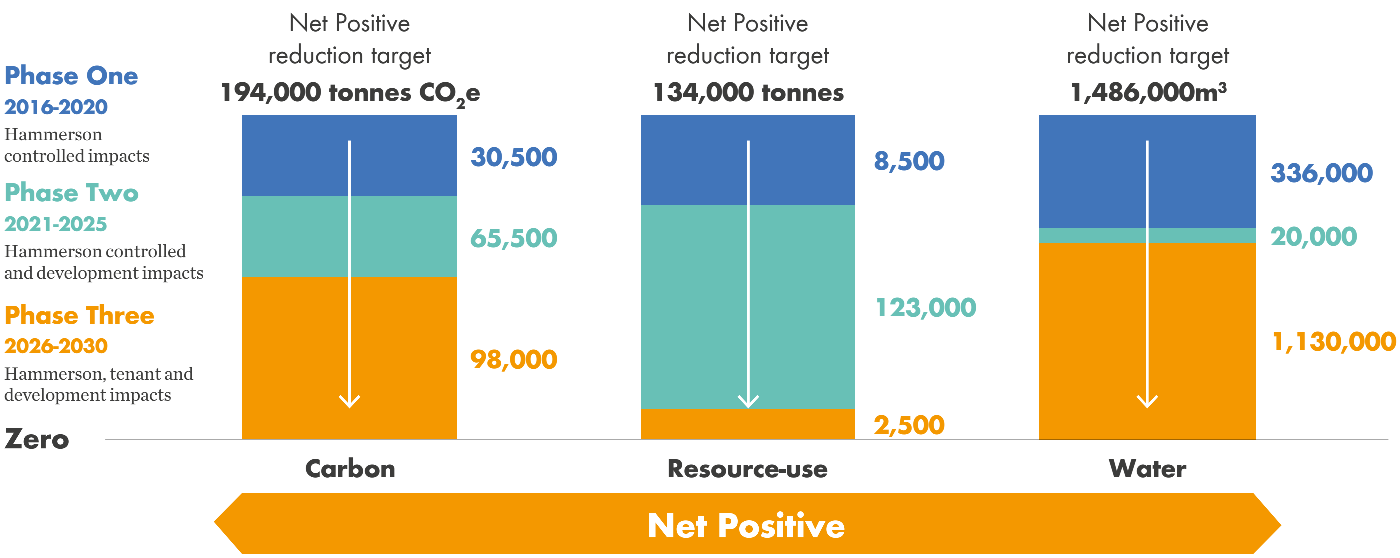
Carbon	Resource-use	Water	Socio-economic
Emissions avoided through our actions will exceed emissions generated by our business activities	Waste avoided, recycled or re-used will exceed materials used that are neither recycled or re-used or are sent to landfill	Water replenished by external projects we support will exceed water consumed from mains supply for our business activities	We will make a measurable positive impact on socio-economic issues relevant to our local communities beyond a measured baseline

Embedding sustainability within leadership and our business processes

Our progress against these targets shows we are on course to achieve our Net Positive ambitions by the end of 2030. This is made possible by successfully embedding our targets within our strategy, business model and processes and across our teams. We have clear leadership and commitment from the Board and senior leadership team which cascades through all business areas. This empowers the development, asset management and onsite teams, supported by the sustainability team, to implement initiatives that deliver meaningful and impactful change.

Net Positive 2020 – Our Destinations: Managing our opportunity

We have committed to reaching the first of the three phases of these targets by the end of 2020. **This means that from 1 January 2021, we aim to be in a position to operate with less than zero scope 1 and 2 absolute carbon emissions, water demand and resource-use on a proportionate ownership basis across our operationally managed portfolio.**



Becoming Net Positive

Becoming Net Positive means reducing our carbon emissions, water demand and resource-use to less than zero. This is the most significant contribution we can make as a business to tackle climate change. Being one of the first to make that commitment undeniably makes it more challenging to achieve as we are developing solutions that others can follow. However, it also makes it more powerful as the earlier global reductions in environmental impacts are made, the more effective they are, particularly for carbon emissions.

This is a major challenge. Our carbon footprint from the areas we control across our assets was calculated as 30,500 tCO_2e at the end of 2015. At the end of 2019 this footprint is 14,600 tonnes, a 52% decline. Additional projects with our tenants, suppliers and colleagues have reduced emissions by a further 1,661 tonnes, bringing our 2019 Net Positive carbon emissions footprint to approximately 13,000 tonnes CO_2e. In the UK and Ireland this has been supported by improvements in the carbon efficiency of the electricity grid. In France this has not been the case.

This reduction excludes the impact of our clean electricity contracts and it has been achieved through:

1. Introduction of energy efficiency initiatives across our assets. Energy intensity of the portfolio has fallen by 42% over the same period
2. Investment in onsite renewable energy generation. We now have 1.9MWp renewable electricity capacity and generated 1.1MWH clean electricity in 2019.
3. Engagement with retailers to reduce energy demand in their space within our assets. We have helped reduced retailer carbon emissions by over 800 tonnes through engagement in 2019.
4. Engagement with our supply chain to reduce embodied carbon in our developments. Our specification of recycled content in concrete at the extension, Les 3 Fontaines, Cergy has reduced embodied carbon emissions at that scheme by 211 tonnes.

Net Positive 2020

Carbon

What does Net Positive for carbon emissions mean?

Our phase one Net Positive carbon emissions are calculated on a proportionate ownership share basis. They include emissions from energy, water and waste management at all our directly managed destinations and our corporate sites, plus emissions from our corporate activity, including business travel.

Achieving Net Positive carbon emissions will require:

- reducing emissions from each of these sources
- reducing emissions that are outside our control but within our value chain, for example supporting tenants in reducing the emissions from their spaces within our destinations
- reducing emissions outside our value chain, for example by supporting local community carbon reduction projects

This approach has been developed with the support of JLL Upstream and our reporting against it is assured by Deloitte.

UNSDGs supported by our Carbon targets

2019 Achievements

Our consistent approach to energy management and engagement with key stakeholder groups has delivered a 32% year on year reduction in our Net Positive carbon footprint (5,632 tonnes of CO_2e).

Key energy efficiency projects that have driven this in 2019 have included:

- Using smart sub-metering to monitor utility consumption every 24 hours
- LED lighting installations at nine assets
- Using carbon monoxide sensors to reduce fan running times in car parks
- These and other initiatives reduced energy demand by 10% across our total managed assets

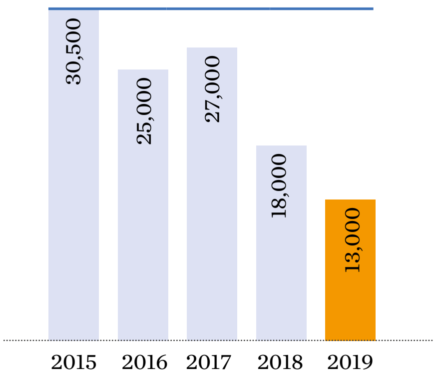
2020 Carbon key initiatives

- Maintaining our focus on energy efficiency
- Investment in further efficiency technologies
- Expansion of our renewable energy generation capacity
- A procurement approach that brings additional renewable energy to the market
- Further work with retailers to reduce emissions from their spaces within our assets

Our analysis forecasts that by the end of 2020 these measures will reduce our carbon emissions to an estimated 8700 tonnes CO_2e. Over the course of the year we will identify appropriate offset projects to address our remaining emissions. Offsetting is always the last option in our carbon strategy but is necessary. A comprehensive statement on our approach to offsetting is set out in our Sustainability Report.

Chart 10

Net Positive carbon emissions (Tonnes CO_2e)



Phase one Carbon footprint

2015 Baseline

Net Positive 2020

Resource-use

What does Net Positive for resource-use mean?

Our phase one Net Positive resource-use target includes all waste produced from the operation of all our directly managed destinations and our corporate sites, calculated on a proportionate ownership basis.

Net Positive for resource-use will be achieved through a combination of: reducing waste from each of these sources, maximising the re-use and recycling of waste we manage, and increasing demand for re-used and recycled materials both within and beyond our value chain. For example, specifying recycled content within the concrete used on a construction project significantly reduces the use of new materials.

This approach has been developed with the support of JLL Upstream and our reporting is assured by Deloitte.

UNSDGs supported by our Resource-use targets

9 Industry, innovation and infrastructure
11 Sustainable cities and communities
12 Responsible consumption and production
13 Climate action

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

During phase one of our Net Positive journey, the focus is on resource-use across the operational portfolio. We calculate total waste produced, including that from tenant fit-out and ensure we maximise re-use and recycling rates.

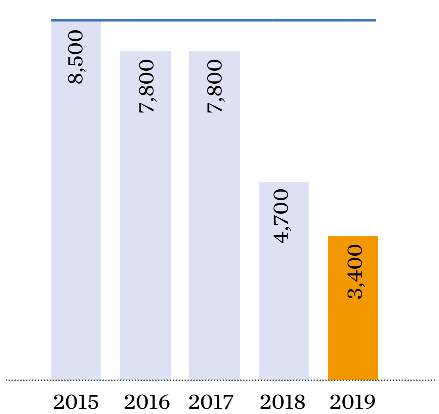
2019 Resource-use highlights

- Working with Globechain to re-use tenant shop fits
- Diverting clothes hangers from waste for customers to re-use
- Our Recycle to Refresh campaign that diverted over half a tonne of clothes from waste to local charities
- Sending 3350 tonnes of organic waste to anaerobic digestion, generating 2,000 MWH of green gas

Our supply chain is also an important element of our Net Positive resource-use target. By working with contractors to ensure key materials include recycled content we support the market for more sustainable products whilst reducing our environmental footprint. During 2019 this led to 607 tonnes of recycled content in concrete and steel within our developments.

Chart 11

Net Positive resource-use (Tonnes)



Phase one Net Resource-use footprint
2015 Baseline

Net Positive 2020

Water

What does Net Positive for Water mean?

UNSDGs supported by our Water targets

Clean drinking water is a scarce and valuable resource that is widely undervalued in developed economies. Our 2030 Net Positive water target is for water saved or replenished by external projects to exceed water consumed from mains supply for our operational and development portfolios. Water replenished includes reductions in demand from projects outside our immediate water footprint.

This is perhaps the most challenging of our Net Positive commitments partly because of the low cost associated within this essential resource.

2019 water reduction highlights

An area of focus for 2019 has been improving water efficiency of landlord services and supporting our tenants by helping them understand their water demand. Key to achieving this has been:

- Accurate metering to confidently calculate water demand for our services. We can now identify unnecessarily high levels of water consumption and leaks within 24 hours
- Water metering enabled us to alert tenants to unusual demand within their stores. We have also continued to roll out our handbook that supports our F&B operators in being more water efficient
- The installation of water-less urinals, Propelair toilets and increased rainwater harvesting at our destinations

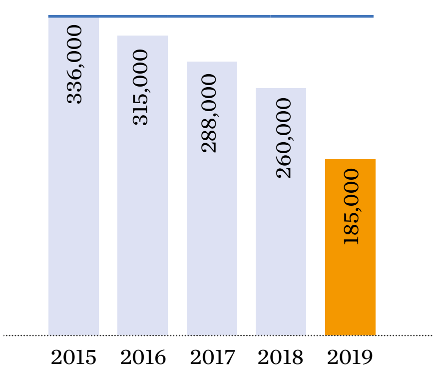
Our Net Positive water footprint has fallen by 44% since 2015 saving an estimated 150,000m³ of drinking water.

2020 initiatives

- Extending water audits to three further assets
- Using smart metering to focus on demand reduction
- Engaging with tenants to support them in reducing water demand
- Extending our rainwater harvesting systems

Chart 12

Net Positive water (m³)



Phase one Net Positive Water footprint
2015 Baseline

Our Phase One Net Positive water target includes all mains supplied water demand for landlord services from the operation of all our directly managed destinations and our corporate sites, calculated on a proportionate ownership basis.

Net Positive water demand is achieved through a combination of:

- reducing mains supplied water demand from each of these sources
- identifying projects to further reduce water demand from sources within our value chain but outside our control
- reducing water demand through initiatives beyond our value chain

For example, our partnership with Thames Water at The Oracle, Reading has supported 90 tenant water audits. 47 leaks were identified and an estimated 2,700m³ of water is now being saved each month by fixing leaks, saving tenants money and generating vital water savings. This partnership also enabled us to deliver a water audit and efficiency works for a local school, generating over 1,100m³ in water savings in three months. These savings are, of course, ongoing.

This approach has been developed with the support of JLL Upstream and our reporting against it is assured by Deloitte.

Net Positive 2020

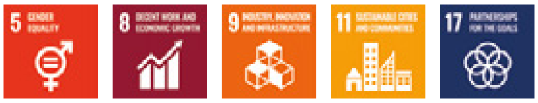
Socio-economic

What does Net Positive for socio-economic impacts mean?

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

Through our True Value of Retail research we developed a dashboard for each destination identifying key local challenges. These include, health inequalities and lower than average educational outcomes for young people. By focusing our attention on these specific issues we can make a Net Positive difference to local people connected with our flagship destinations.

UNSDGs supported by our Socio-economic targets



Our pathway to Net Positive for socio-economic impacts

Our business has significant positive socio-economic impacts on the communities where we operate. Our extensive research, the True Value of Retail, published in 2016, identified the support of 40,000 jobs, £5 million in training, £58 million to the public purse and strong support for enterprise particularly for young people.

To become Net Positive for our socio-economic impacts against an already impressive baseline we focus on key local issues. During 2019 we identified the following issues to address at our assets:

- Supporting vulnerable people in city centres
- Health and wellbeing initiatives
- Skills development for young people
- Employment and enterprise opportunities

2019 socio-economic impact highlights

- 596 young people from UK and Ireland participated in the LionHeart Challenge schools business and enterprise programme gaining valuable transferable business skills and boosting confidence
- Our long standing relationship with PopUp Business School supported 266 people in 2019 to develop the skills needed to start their own business. High impact, engaging workshops over a two week period provided participants with practical information they needed to get their businesses off the ground
- Through Key 4 Life Mentoring for young offenders, colleagues in Bristol mentored a group of young people at risk of re-offending. This helped them to understand and change their underlying behaviours, raise their aspirations, and improve their confidence and resilience

Stakeholder Engagement

Delivering our short term sustainability objectives and achieving our long term Net Positive targets requires consistent, effective engagement with our stakeholders. Over the course of 2019 this has included:

- 10 key shareholders (37% by value) through one-to-one and group meetings
- Over 200 Brands through our retailer sustainability workshop and focus on fit out standards
- 139 Partners who completed our Supplier Survey
- 1000+ community groups and local people
- 100% of Our People

Full details of our stakeholder engagement work on sustainability in 2019 is provided in our Sustainability Report.

Key outputs

Volunteering hours

3,232

contributed by Hammerson colleagues

Great Place to Work survey

90%

of Hammerson colleagues gave the business a positive rating for our approach to sustainability in our latest Great Place to Work Survey – one of the highest in the survey

Community Day

280

Hammerson colleagues in UK and Ireland participated in our annual Community Day

Community Day Activities

21

community activities took place on our annual Community Day

Community day

In 2019, 280 Hammerson employees in the UK and Ireland participated in 21 different activities for our annual corporate community day. This is a consistently popular and constructive day for the whole business, providing an opportunity for colleagues to get out of the office and work with people from different teams on a completely different set of challenges. It is an important annual reminder of the business' genuine commitment to local communities and to making Hammerson a great place to work.

MORE

More information on our stakeholder work is available in our 2019 Sustainability Report at www.hammerson.com

Task Force for Climate related Financial Disclosures (TCFD)

The pioneering work of the TCFD articulates the direct link between climate risk and financial risk. This has brought the attention of mainstream financial institutions to the importance of understanding the potential liabilities they will be exposed to as a result of climate change.

We have welcomed this intervention as a complete endorsement of the proactive, forward-looking stance Hammerson has taken on climate change and broader sustainability issues for over a decade. Our long term approach means we are advanced in our reporting against the TCFD Framework. The table below provides an overview of our responses and provides links to relevant coverage in this report, our Sustainability Report and our website.

Streamlined Energy and Carbon Reporting requirements (SECR)

SECR has extended carbon and energy reporting requirements to an estimated 11,000 business in the UK. This move to expanding a relatively light touch regulation is helpful in increasing transparency and the availability of data. Our mandatory GHG emissions reporting data is set out on page 205. Our full energy and carbon reporting which covers all SECR requirements is set out in our 2019 Sustainability Report.

Responding to the TCFD Reporting Requirements

	Requirement	Progress
1	Describe the board's oversight of climate-related risks and opportunities.	Board level oversight is with the Chief Executive and Chair of the Board. See page 58 of this report and pages 16-17 of our Sustainability Report.
2	Describe management's role in assessing and managing climate-related risks and opportunities.	Management is with Group Head of Sustainability reporting to the Chief Executive and through business stream leads. See page 58 of this report and pages 16-17 of our Sustainability Report.
3	Describe the climate-related risks and opportunities the organisation has identified over the short, medium, and long term.	Addressed extensively with ongoing monitoring. See page 59 of this report and pages 18 to 21 of our Sustainability Report.
4	Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning.	Addressed through our comprehensive sustainability strategy. See page 59 of this report and pages 20 and 21 of our Sustainability Report.
5	Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.	Our sustainability strategy incorporates climate risk assessments and is embedded within our business planning and management processes. Climate scenario work will begin in 2020. See page 64 of this report and pages 20 and 21 and 136-137 of our Sustainability Report.
6	Describe the organisation's processes for identifying and assessing climate-related risks.	See page 64 of this report and pages 20-21 and 136-137 of our Sustainability Report. Our sustainability strategy responds to short and medium term risks. Work on climate scenarios to understand longer term business risks will begin in 2020. See page 58 and pages 20 and 21 of our Sustainability Report.
7	Describe the organisation's process for managing climate-related risks.	We take a proactive strategy intended to ensure early understanding of climate risks for existing and new assets, both acquired and developed. See page 64 of this report and pages 136-137 of our Sustainability Report.
8	Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organisation's overall risk management.	Our climate-related risks are managed through our corporate risk management framework. See page 58 and pages 20-21 and 136-137 of our Sustainability Report.
9	Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management.	See page 58 of this report, pages 20-21 of our Sustainability Report and the sustainability pages of our website at www.hammerson.com.
10	Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks.	We report extensively on our Scope 1, 2 and 3 emissions. See pages 32-38 , 190 and 205 and pages Sustainability Report pages 81-110 of our Sustainability Report.
11	Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets.	See page 64 of this report and pages 14-15, 44-49 and 92-110 of our Sustainability Report.

Talented colleagues delivering our strategy

Mark Duhig
Group HR Director

Introducing #HammersonLife

At Hammerson, we create vibrant, evolving spaces where people and brands want to be. Our talented people do exciting, rewarding work that touches millions of lives.

In 2019, we introduced our employee value proposition, #HammersonLife. Engaged businesses outperform peers and a strong employer brand connects our values – Responsibility; Ambition; Collaboration and Respect – with our people strategy and colleague policies.

#HammersonLife gives colleagues everything they need to live their lives at Hammerson to the full and realise their potential. It ensures Hammerson delivers on its promises as an employer of choice and highlights what sets it apart from other organisations. Creating a compelling and clear employer brand allows us to attract, retain and most importantly motivate the best talent in the sector; creating teams that are proud to work for Hammerson.

In a challenging market our people are more important than ever. We recognise that the complexities affecting the wider macroeconomic environment also play a big part in a colleague's working world and employee engagement and wellbeing continues to be an important focus for us.

Attracting the very best

We want our people to be impressed from the start and our competency-based assessments are designed to uncover skills and allow talent to shine. Our comprehensive processes help us to attract and appoint the brightest and the best and prepare our people for success. We welcome and fully consider all applications irrespective of gender, race, ethnicity, religion, age, sexual orientation or disability. Support also exists for employees who become disabled to continue in their employment or to be retrained for other suitable roles.

A focus for 2019 and beyond is to attract and recruit a broader colleague base from non-traditional real estate backgrounds. This will allow greater diversity of thought within the business, and support the future talent pipeline.

This has meant an increased emphasis on working with schools and universities, giving university and A-level students an insight into the business and key departments. The focus on this area has delivered work experience placements, summer internships and the first apprentice joined our corporate head office. We continue to support apprentices within our flagship destinations.

Maximising talent

Hammerson offers personal development plans and potential career paths to, wherever possible, support and promote colleagues within the business. This includes training and development to nurture new talent and grow future leaders.

In 2019, increased investment in executive coaching has helped equip senior managers with the skills and potential to further their careers.

In recognising the benefits of gender diversity, and to deliver on our objective for at least 33% of our senior managers to be women, we launched a Women's Career Development Programme. This is aimed at accelerating the readiness of female colleagues for senior leadership roles. The programme was offered to senior professional level women across the business. The feedback has been overwhelmingly positive both relating to day-to-day impact and for longer term career progression.

Over the last couple of years, the environment in which we operate has continued to be challenging; in particular across UK retail and consequently for those in leadership positions. To address this, a programme was put in place to support senior managers in navigating these challenges, with a focus on improving the leadership and management skillsets.

Going into 2020, we will continue to focus on management succession planning to support 'high potential' employees, developing personal development plans, potential career paths and promotion opportunities.

2019 Hammerson Colleague Conference

Colleague engagement

We communicate openly and honestly to keep colleagues motivated and inspired. This is even more important given the challenging market. Positive colleague engagement is a business and Board priority, and to ensure we understand how colleagues feel about the business and our culture, we undertake an annual independent survey.

Participation in our 2019 colleague survey was the highest we have seen, 86% of colleagues took part and the results show a noteworthy improvement on 2018:

- Trust Index Score in UK and Ireland 69% (2018: 65%)
- Trust Index Score in France 79% (2018: 75%)
- Employees state Hammerson is "a great place to work" 76%

Hammerson's first Group Employee Forum (the Forum) was fully established in 2019. The 12 colleagues on the Forum represent the business and reflect diversity across location, age, job roles and gender. Following initial engagement across the business, three key areas of focus have been highlighted for 2020: colleague wellbeing; communication; and culture. The Forum provides regular updates to the Group Executive Committee and Board, with Judy Gibbons providing guidance and additional contribution to the Forum to ensure initiatives are aligned to the strategy and deliver positive impacts for colleagues.

MORE **Read more about Judy Gibbons' board engagement on page 77**

It is vital for colleagues to stay connected with the business strategy and understand how they can contribute to future success – even more so in the current trading environment. The introduction of regular strategy drop-in sessions conducted by the senior leadership team helps to facilitate this. Taking place across the portfolio, these sessions provide an opportunity for colleagues to discuss the Group's strategy and learn about the future direction of the business.

In 2019, we had the opportunity to bring many of our people together for our Colleague Conference. Hosted in Birmingham, the conference gave people from across the business an opportunity to learn, be inspired and network. Feedback from the event was overwhelmingly positive, with 99% of colleagues saying that the content was relevant and engaging, and 95% saying they gained a better understanding of what the business wants to achieve.

The continued effort made to create a positive working environment has seen us maintain our consistently high level of colleague retention, with voluntary staff turnover during 2019 reducing from 13.4% in 2018 to 10.1%.

Diversity and wellbeing

We have long understood and embraced the benefits of maintaining and nurturing a diverse workforce and are constantly developing our strategy to build on the good practices already in place. This year, we have implemented a number of key initiatives designed to drive meaningful and sustainable change.

For several years, we have run a diversity and inclusion events programme, aimed at raising awareness around key diversity issues. In the past 12 months, the events have focused on cultural diversity, combining caring commitments with a career, and mental health. A significant number of colleagues followed up on these sessions to make the most of our additional support and coaching. These events help us to extend our inclusion agenda and to demonstrate our commitment to colleague wellbeing in its broadest sense.

We continue to invest in tools to support positive mental health in the workplace, including an e-learning course developed by the mental health charity, MIND. The 50-minute interactive course, which launched in November, focuses on understanding and managing mental health and supporting colleagues. An interactive course has also been introduced specifically for line managers.

Unconscious bias training remains a mandatory element of our induction process, and we continually review other areas of training needed across the portfolio. Our comprehensive assessment process puts the emphasis on the objective assessment of competence for the role, minimising bias in our recruitment process and maximising our ability to select the best possible talent for our business.

During 2019, Hammerson signed up to the RICS Inclusive Employer Quality Mark and is committed to delivery against the six core principles to drive inclusivity both within the Group and across the industry as a whole. Our flagship destinations in the UK and Ireland once again supported Purple Tuesday which aims to improve the customer experience for disabled visitors across the UK. Corporately we achieved the Disability Confident accreditation.

We continue to partner with specialist consultants to plan and manage our diversity and inclusion strategy. In 2020, we will launch a new three-year strategy which will continue our focus on gender diversity but also widen our activities to include ethnic diversity and put a greater emphasis on wellbeing in line with the focus from the Forum.

Gender Pay Gap

For some years, we have undertaken an annual equal pay audit for all colleagues. In addition, the introduction of UK Gender Pay Gap legislation has placed a greater focus on pay and reward practices. As has been the case since the introduction of the legislation, we are not required to report our gender pay gap as neither of our relevant employment entities employs more than 250 people. However, given our support for gender equality and the importance we place on ensuring that fair pay and reward practices exist within the Group, we choose to do so.

Tables 13 and 14 illustrate the gender pay distribution across our UK workforce and compares this year's results with those published in our 2018 Annual Report.

Table 13

	2019	2018	Variance
Difference in mean hourly rate of pay	**42.2%**	43.6%	(1.4%)
Difference in median hourly rate of pay	**30.2%**	27.0%	3.2%
Difference in mean bonus pay	**73.4%**	78.7%	(5.3%)
Difference in median bonus pay	**50.2%**	56.3%	(6.1%)
Proportion of male employees who received bonus pay	**94.8%**	87.4%	7.4%
Proportion of female employees who received bonus pay	**92.0%**	90.5%	1.5%

The data highlights that the mean pay gap has reduced slightly to 42.2%. The variance in both the mean and median hourly rates of pay continue to show a significant pay gap between male and female colleagues within our UK business. This is a consequence of male colleagues occupying a higher proportion of our senior management roles. As a result of proactive measures being taken to improve the gender balance of this population, we expect that this gap will continue to reduce over time.

In addition to reporting on the proportion of male and female colleagues in each quartile, Table 14 also shows the gender pay gap within each quartile. This is important as it demonstrates the minimal differentials that exist within the majority of the business and the reducing gap within the upper quartile.

We continue to strive towards a greater representation of females across senior leadership and improving the gender split at these levels is a key objective for the business.

Table 14

	2019	Mean 'in quartile' pay gap
Lower quartile: % of male employees	**23.2%**	
Lower quartile: % of female employees	**76.8%**	(1%)
Lower middle quartile: % of male employees	**40.0%**	
Lower middle quartile: % of female employees	**60.0%**	(4%)
Upper middle quartile: % of male employees	**53.7%**	
Upper middle quartile:% of female employees	**46.3%**	(3%)
Upper quartile: % of male employees	**64.2%**	
Upper quartile % of female employees	**35.8%**	25%

Colleagues at Hammerson

Group

553

(2018: 533)

UK and Ireland

418

(2018: 409)

France

135

(2018: 124)

Chart 15

All employees

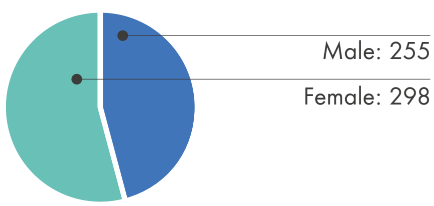


Chart 16

Senior management (excluding board)

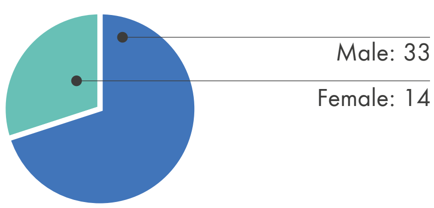
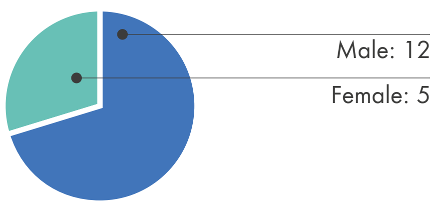


Chart 17

Flagship destination general managers



Health, safety and security

A safe, healthy and secure workplace is a fundamental right for all our colleagues and a business imperative. Our health and safety (H&S) strategy, which is reviewed annually, outlines our objectives to ensure we maintain a safe environment for all our colleagues alongside brands, supply chain partners and customers who work on or visit our flagship destinations.

We carefully monitor our performance through our health, safety and security audits, key performance indicators, and our governance programme, and implement the processes needed to prevent incidents affecting people, property and the environment.

During 2019, we moved our data reporting onto a new platform. The new system allows us to more effectively identify incident trends and implement measures to mitigate future risk. The platform also delivers enhanced visibility to managers on the outcomes of health, safety and security initiatives and further encourages a more proactive approach. This enables us to embed H&S even more firmly in our culture.

Accreditation

Hammerson is proud of its OHSAS 18001 certification, held since December 2013. We receive annual independent verification that we are meeting the requirements and also conduct regular internal audits and reviews.

Over the course of 2020, we will transition from OHSAS 18001 to the new international standard, ISO 45001. This will bring synergies with all other ISO accreditations we hold including our ISO 14001 accredited environmental management system. We are currently working to meet the new set of requirements and have a target to obtain the new certification by the end of 2020. Our flagship destinations in France are not yet ISO certified and we have a similar target to include our French operations within the ISO 45001 certification.

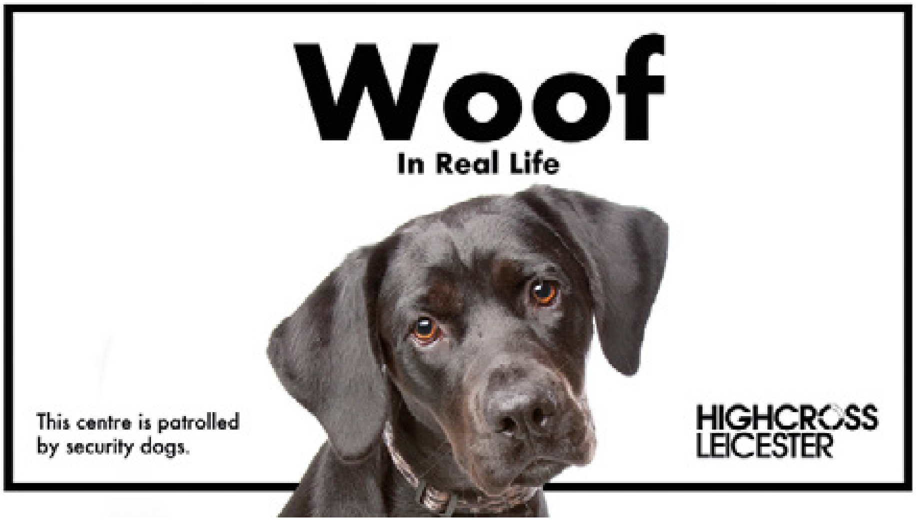
Focus on our flagships

Given the scale and prominence of our destinations, we continue to implement enhanced training and procedures for our colleagues and security partners. Security risk at our destinations will be fully integrated into our H&S management system during 2020 so that all risks are effectively managed. The Group Health and Safety Committee also continue to audit security and crisis preparedness.

We work closely with industry body REVO on matters that affect their members, including suicide prevention within the retail industry. We have been an active part of the working group as we have an established awareness and mitigation approach at our destinations. A Hammerson colleague also chairs the REVO Safe & Secure Committee where best practice is shared. Membership of this group includes the Association of Town and City Management, the Home Office and Police Authorities to enable alignment in responding to security issues.

In the second half of 2019, we launched Communication Plus at our UK and Ireland flagship destinations. The new portal delivers improved communication and feedback between us and our brands, not only for commercial aspects but also for health, safety and security. This includes offering important support for brand colleagues working onsite.

During 2020, we intend to trial the 'Secured Environments' accreditation at one of our flagship destinations in either the UK or Ireland. Secured Environments is a police certification scheme awarded to organisations that implement key principles to protect against crime. If the trial accreditation is successful, we will adopt the principles across the portfolio.



Spotlight – Flagship exercise

Last autumn, Brent Cross conducted a Counter Terrorism (CT) exercise involving the onsite and head office Hammerson team, brands within the flagship destination, Transport for London and the Metropolitan Police. The exercise was the largest form of CT training the centre has ever run, with over 650 participants.

The scenario was set up to simulate the first 15-20 minutes of a potential attack, replicating the minimum time the centre would have to deal with an incident prior to a full emergency team presence. The aim was to put into practice the RUN, HIDE, TELL training that the centre team, brands and police have regularly received. The exercise highlighted the importance of preparedness, and the benefit of holding regular events to test and assess the measures we have in place. We will be looking to ensure more brands and destinations take part in the future.

Valuation reductions reflect challenging markets

Investment markets

Investment markets for the Group's property sectors have remained subdued throughout 2019, with buyers remaining reluctant to invest, reflecting a challenging occupational market and the negative impact of domestic and international uncertainty.

In the UK, shopping centre transaction volumes totalled £0.5 billion in 2019, approximately 60% lower than 2018. UK retail yields for prime and super prime assets weakened by between 65 and 125 basis points. (Source: C&W).

The French market saw an increase in shopping centre investment volumes in 2019 to €0.9 billion (2018: €0.4 billion). Recent transactions have reinforced the widening gap in demand between prime and secondary assets. In addition to our sale of 75% of Italie Deux, Paris for €432 million, Passage du Havre in Paris sold for €200 million in the second half of 2019 representing a net initial yield of 3.7%.

Ireland has seen a softening of investment sentiment for retail assets in 2019, although transaction volumes in Ireland are estimated to be €0.7 billion (2018: €0.1 billion). Prime shopping centre yields ranged from 4.25% to 5.5% (Source: C&W).

Retail parks investment remains very selective, with buyers favouring smaller lot sizes (less than £50 million) with long unexpired lease terms, fixed income uplifts and secure covenants. Transactions in the year totalled £1.0 billion (2018: £1.9 billion) (Source: C&W). Yields moved out by approximately 100 basis points during 2019, with London and the South East the least impacted.

Investor sentiment towards the outlets sector remained positive, underpinned by continuing growth in sales and rental income, although pricing has come under pressure for non-prime schemes. In 2019, there were five key transactions totalling €0.7 billion (2018: €0.5 billion), with the largest being sales of the Percassi portfolio and Barberino Designer Outlet, both in Italy. Yields for the best European centres remain in the range of 4.5%-5.5%, consistent with 2018.

Portfolio valuation

As announced at the time of our 2018 annual results, the Board decided to tender the Group's valuation instruction during 2019. The tender covered all of the Group's properties, except for premium outlets where the valuation expertise is concentrated in a smaller pool of valuers, and Brent Cross, where Cushman and Wakefield LLP (C&W) had recently been appointed by the joint venture. The decision to exclude the premium outlets from the tender process was based on the deep knowledge of the C&W team, the views of our partners, Value Retail and VIA Outlets, and also overcomes existing valuation conflicts with other external valuers undertaking premium outlet bank valuations.

For the remainder of the Group's portfolio, C&W were the incumbent external valuer and along with CBRE Limited (CBRE), Jones Lang LaSalle Ltd (JLL) and Knight Frank LLP were invited to submit written tender proposals in November. Following presentations to a selection panel, comprising both divisional and Group senior management, a recommendation was made to the Board to broaden the Group's external valuation instruction to include CBRE, C&W and JLL. CBRE and JLL will value our UK flagship destinations and other UK properties, JLL will value our French portfolio and C&W will continue to value the Irish portfolio, residual UK retail parks and Brent Cross. We believe these changes will provide an increased breadth of valuation expertise across the Group. The first external valuation under the new appointments will be as at 30 June 2020.

At 31 December 2019, the Group's total portfolio including premium outlets, was valued at £8,327 million, a reduction of £1,611 million or 16.2% during the year. At the balance sheet date, the UK retail parks portfolio was reclassified as assets held for sale and impaired to its fair value less selling costs, resulting in a £92 million impairment loss in 2019 as detailed in note 1 on page 142 of the financial statements. For the purposes of the Property portfolio review, valuation movements and capital returns have been calculated excluding this impairment loss, which was in addition to the external valuer's valuation. Movements in the portfolio valuation are shown in Table 18.

Table 18

Proportionally consolidated, including premium outlets	Investment £m	Development £m	**Total (excl. outlets) £m**	Premium outlets £m	**Total Group £m**
Value at 1 January 2019	6,831	648	**7,479**	2,459	**9,938**
Revaluation (losses)/gains	(950)	(78)	**(1,028)**	200	**(828)**
Additions					
Acquisitions	–	1	**1**	54	**55**
Capital expenditure	47	50	**97**	34	**131**
	47	51	**98**	88	**186**
Disposals	(621)	(5)	**(626)**	–	**(626)**
Capitalised interest	1	2	**3**	–	**3**
Exchange	(148)	(18)	**(166)**	(88)	**(254)**
Impairment on reclassification to assets held for sale	(92)	–	**(92)**	–	**(92)**
Value at 31 December 2019	5,068	600	**5,668**	2,659	**8,327**

Property additions

In 2019, property additions totalled £186 million. Table 19 shows the expenditure on a sector basis and analyses the spend between the creation of additional area and the creation of value through the enhancement of existing space.

Table 19

Capital expenditure analysis

Proportionally consolidated, including premium outlets and discontinued operations	UK £m	France £m	Ireland £m	**Flagship destinations £m**	UK retail parks £m	Developments and UK other £m	**Total excl. Premium outlets £m**	Premium outlets £m	**Total Group £m**
Acquisitions	–	–	–	**–**	–	1	**1**	54	**55**
Capital expenditure – creating area	1	13	4	**18**	–	46	**64**	9	**73**
Capital expenditure – no additional area	10	5	1	**16**	4	7	**27**	23	**50**
Capital expenditure – tenant incentives	1	5	–	**6**	–	–	**6**	2	**8**
	12	23	5	**40**	4	54	**98**	88	**186**

Further analysis of capital expenditure between Reported Group and Share of Property Interests is provided in table 98 on page 196.

Acquisitions during 2019 totalled £55 million. The principal transactions were:

- The purchase of an additional 3.125% stake in VIA Outlets, increasing the Group's share of property held within VIA by £43 million
- £11 million relating to the purchase of land adjacent to Bicester Village, Oxfordshire and the exercise of an option to purchase land at Kildare Village, Dublin to enable future development

In the UK, flagship destinations incurred capital expenditure of £12 million, principally in relation to car park works at Silverburn in Glasgow, upgrade and improvement works at Grand Central, Birmingham and capital contributions at Bullring, Birmingham.

Capital expenditure on the French investment portfolio of £23 million comprised space accretive expenditure of £13 million, largely in relation to the extension project at Italik, Italie Deux and a further £10 million of renovation works and lease incentives across the portfolio.

UK retail parks incurred £4 million of capital expenditure on the completion of works at a number of parks prior to disposal.

Within the Developments and UK other portfolio, capital expenditure totalled £53 million, of which £46 million created additional area and related to the extension at Les 3 Fontaines, Cergy.

Capital expenditure within the premium outlets portfolio totalled £34 million, of which £12 million was incurred by Value Retail and £22 million by VIA Outlets. Expenditure creating additional area of £9 million related to the extensions at Hede Fashion Outlet, Gothenberg; La Roca Village, Barcelona; and Kildare Village, Dublin.

Disposals

Disposals reduced the portfolio by £626 million during 2019. The most significant transactions were:

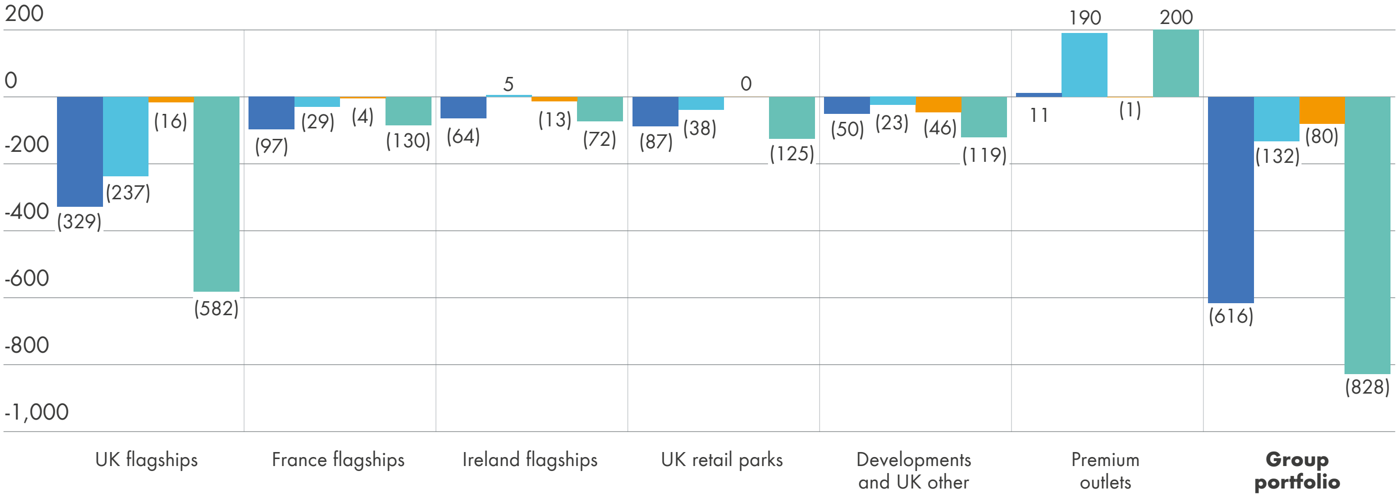
- The sale of Dallow Road, Luton in June for £24 million, representing a 7.6% net initial yield and a 6% discount to December 2018 book value. Hammerson acquired the site in 2002 and subsequently redeveloped it in 2006
- In October, we sold Abbotsinch Retail Park, Paisley for £67 million, representing a net initial yield of 7.8%. The site was acquired in 2012 for £42 million and was expanded by more than 8,700m² through phased developments, at a cost of £17 million
- The disposal of St Oswald's Retail Park, Gloucester in November to a local authority for £54 million. The sale price reflected a net initial yield of 8.5%. We originally developed the site in 2005, and subsequently increased the number of units on the park to improve the brand mix
- In December, we completed the sale of a 75% interest in Italie Deux, Paris to AXA Investment Managers for €432 million (£363 million). The sale price represented a 4.1% net initial yield and an 8.5% discount to the December 2018 value. Contracts were also exchanged for the forward sale of 75% of the Italik extension for an additional €41 million (£35 million) 18 months after completion of the scheme in 2020
- The sale of Parc Tawe Retail Park, Swansea in December for £22 million, representing a 28% discount to December 2018 book value due to increased vacancy through 2019
- When combined, these disposals meant that the Group exceeded its target of disposal proceeds of at least £500 million. Since the year end, the Group has completed the sale of Abbey Retail Park, Belfast for £33 million, and exchanged contracts on a portfolio of seven retail parks for gross proceeds of £400 million. The latter transaction is due to complete in April 2020 and represented a net initial yield of 8.9% and resulted in a £92 million impairment to C&W's formal valuation at 31 December 2019, reflecting the portfolio discount

Valuation change

Chart 20 below analyses the valuation change for the Group's property portfolio, including premium outlets, allocating the underlying valuation movement between yield, income and development and other impacts.

Chart 20

Components of valuation change (£m)



In 2019, the Group's portfolio suffered a net revaluation deficit of £828 million. This comprised a deficit on the core portfolio of £1,028 million and valuation gains on the premium outlets of £200 million.

During the year, particularly in the UK, a lack of transactional evidence coupled with continuing market uncertainty and a weak occupational market challenged the valuation process. As a result, the portfolio has been subject to outward yield movements driven largely by a change in market sentiment, rather than recent transactions. The other component of the valuation decline was income driven, reflecting the latest leasing information.

In the UK, flagship destinations suffered a revaluation deficit of £582 million, or 19.9%, driven primarily by outward yield shift averaging 64 basis points across the portfolio. All centres suffered revaluation losses, with yield expansion ranging from 31 to 122 basis points. A reduction in ERVs due to weaker occupational demand reduced valuations by a further £237 million.

The underlying value of the French portfolio fell by £130 million, principally as a result of outward yield movements averaging 38 basis points. All assets were subject to yield expansion, with the higher yielding assets the worst affected, consistent with the polarisation in the investment markets.

In Ireland, yield expansion of approximately 25 basis points across the portfolio was partially offset by strong income growth at the Ilac Centre and Swords Pavilions. Increased stamp duty rates reduced the value of the portfolio by £15 million.

UK retail parks suffered a 14% reduction in property values during the year due to a combination of outward yield movement across all parks and reduced ERVs. This excludes the impairment of £92 million recognised upon reclassifying the assets to held for sale.

A deficit of £119 million was recognised on the development and UK other portfolio. This principally reflected revisions to the latter stages of the scheme at Les 3 Fontaines, Cergy to change the future tenant mix, resulting in an increase of €38 million to the total project cost as detailed in the Operating review on page 30.

Premium outlets continued to outperform other sectors, achieving a valuation gain of £200 million, of which £190 million was attributable to income growth. The most significant uplifts were at: Bicester Village, Oxfordshire; La Vallée Village, Paris; La Roca Village, Barcelona; and Freeport Lisboa Fashion Outlet.

Further analysis is included in Tables 96 and 97 in the Additional disclosures on pages 195 and 196.

ERV growth

Table 21

Like-for-like ERV growth

Proportionally consolidated, excluding premium outlets[1]	UK %	France %	Ireland %	**Flagship destinations %**	UK retail parks %	**Group investment portfolio %**
2019	**(8.6)**	**(1.9)**	**1.2**	**(5.5)**	**(6.7)**	**(5.9)**
2018	(2.0)	0.5	2.8	(0.6)	(2.7)	(0.9)

1. The UK other portfolio is not shown above and reported like-for-like ERV growth of -11.4% (2018: +0.3%).

Like-for-like ERVs at the Group's investment properties declined by 5.9% in 2019 compared to a reduction of 0.9% in 2018.

ERVs at UK flagships fell by 8.6% in 2019, compared with a decline of 2.0% in 2018. The most significant reductions were at Westquay South, Grand Central and Brent Cross, primarily due to lower demand for units following recent tenant restructuring. The reduction in ERVs in 2019 has been focused on anchor and MSU space, where ERVs have fallen by 8.4% and 12.8% respectively. This reflects the challenging trading environment for many of the occupiers of this space, such as department and high street fashion stores. Our ongoing work to repurpose space to our target categories will support future rental values.

ERVs in France reduced by 1.9%, principally driven by lower ERVs on the MSUs at Les 3 Fontaines, Cergy. This compares with a 0.5% increase in 2018. Les Terrasses du Port continued to be the strongest performer, achieving ERV growth of 0.6%.

Ireland produced positive growth of 1.2%, having generated 2.8% in 2018. A reduction in ERVs of 0.4% at Dundrum, largely due to a change in car park ERVs, was offset by positive movements on The Ilac Centre and Swords Pavilions of +4.0% and +6.9% respectively.

ERVs at UK retail parks fell by 6.7%, compared with a 2.7% decline in the prior year, principally due to challenging leasing conditions following the tenant restructuring experienced in 2018 and 2019.

Returns

Property returns

Table 22

Property returns analysis

2019

Proportionally consolidated, including premium outlets[1]	UK %	France %	Ireland %	**Flagship destinations %**	UK retail parks %	Developments %	Premium outlets %	**Group %**
Income return	5.0	4.1	4.2	**4.6**	6.7	1.7	5.1	**4.7**
Capital return	(19.9)	(10.2)	(7.5)	**(14.8)**	(19.5)	(10.7)	8.2	**(9.8)**
Total return	(15.8)	(6.5)	(3.6)	**(10.8)**	(14.0)	(9.2)	13.6	**(5.6)**

1. The UK other portfolio is not shown above and produced an income return of 5.5%, a capital return of -23.6% and a total return of -19.3%. The combined total return for the UK portfolio was -14.6%, with a capital return of -18.9% and an income return of 5.1%.

The Group's property portfolio generated a total return of -5.6% in 2019, comprising a capital return of -9.8% and an income return of 4.7%. The strongest performer was again the premium outlets sector, generating a total return of 13.6%, primarily due to revaluation gains of £171 million at Value Retail and £29 million for VIA Outlets.

We compare the individual portfolio returns against their respective MSCI benchmarks and compare the Group's portfolio against a weighted 50:50 UK All Retail Universe: Bespoke Europe (excluding UK) All Retail Universe index. These indices include returns from all types of retail property.

As the annual MSCI benchmarks are not available until after this Annual Report has been published, it is not yet possible to gauge the Group's comparative performance. The UK MSCI Quarterly All Retail Universe to December 2019 is available and reported a total return of -6.7%, 790 basis points higher than the Group's UK portfolio return of -14.6%. The Quarterly UK MSCI index included a total return of -15.3% for shopping centres, -12.6% for standard shops and -9.2% for retail warehouses.

In 2019, the Reported Group portfolio (see Financial review on page 50 for explanation) produced a total return of -11.3%, whilst properties held by our joint ventures and associates generated a total return of -2.8%. 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 96 on page 195.

Shareholder returns

Table 23

Return	%	Benchmark	%
Total shareholder return over one year	1.1	FTSE EPRA/NAREIT UK index over one year	25.5
Total shareholder return over three years p.a.	(28.2)	FTSE EPRA/NAREIT UK index over three years p.a.	13.9
Total shareholder return over five years p.a.	(26.9)	FTSE EPRA/NAREIT UK index over five years p.a.	9.9

For the year ended 31 December 2019, the Group's return on shareholders' equity was -14.8%, which compares to the Group's estimated cost of equity of 7.9%. The income element of the return on equity tends to be relatively low given the high-quality nature of the Group's property portfolio. The capital element of the return was driven by the portfolio's adverse valuation movement during the year.

Hammerson's total shareholder return for 2019 was 1.1%, an underperformance compared with the FTSE EPRA/NAREIT UK index of 24.4 percentage points as the wider index has seen a strong performance during 2019. Over the last five years, the Group's average annual total shareholder return has been a reduction of 26.9%, compared to growth of 9.9% for the FTSE EPRA/NAREIT UK index.

Focus on balance sheet resilience

James Lenton
Chief Financial Officer

IFRS loss for the year[1]

£(781)m

(2018: £268 million loss)

Adjusted EPS[2]

28.0p

(2018: 30.6p)

Shareholders' funds[1]

£4,377m

(2018: £5,433 million)

EPRA NAV per share[3]

£6.01

(2018: £7.38)

Dividend per share

25.9p

(2018: 25.9p)

Net debt

£2,843m

(2018: £3,406 million)

1. Attributable to equity shareholders.
2. See note 12B to the financial statements for calculation.
3. See note 12D to the financial statements for calculation.

Presentation of financial information

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

The Group has property interests in a number of sectors and management reviews the performance of the Group's property interests in flagship destinations, retail parks, UK other properties and developments on a proportionally consolidated basis to reflect the Group's different ownership shares. Management does not proportionally consolidate the Group's investments in Value Retail and VIA Outlets, which are externally managed by experienced outlet operators, independently financed and have operating metrics which differ from the Group's other sectors. 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. However, for a number of the Group's Alternative Performance Measures (APMs), we aggregate the premium outlets for enhanced disclosure. These include like-for-like net rental income, property valuations and returns and certain credit metrics.

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

Further explanation of the accounting treatments of the Group's different types of ownership is provided in note 1 to the financial statements on page 143 and in the Glossary on pages 208 to 209.

Presentation of UK retail parks

At 31 December 2019, the UK retail parks portfolio was being actively marketed with an expectation of transacting within 12 months of the balance sheet date. Consequently, this met the IFRS 5 criteria of 'held for sale' and the retail parks properties, together with associated assets and liabilities, were separately classified as assets and liabilities held for sale in the balance sheet. As this constituted substantially the remainder of the segment, the results for 2018 and 2019 have been reclassified as discontinued operations within the Reported Group. More detail is provided in note 1 to the financial statements on page 142 and note 10 to the financial statements on pages 154 and 155. As we owned these properties throughout the reporting period, for the purposes of the Financial review and Property portfolio review, analysis has been prepared on a consolidated basis including the UK retail parks portfolio.

IFRS 16

In 2019, the Group has adopted the new accounting standard, IFRS 16 Leases. This standard has not had a material impact on the Group's reported financial performance and the 2018 results have not been restated. Further details of the new standard are provided in note 1 to the financial statements on page 141.

Alternative Performance Measures (APMs)

The Group uses a number of APMs, being financial measures not specified under IFRS, to monitor the performance of the business. These include a number of the Group's Key Performance Indicators on pages 18 and 19. Many of these measures are based on the EPRA Best Practice Recommendations (BPR) reporting framework, which aims to improve the transparency, comparability and relevance of the published results of listed European real estate companies. The Group's key EPRA metrics are shown in Table 89 within the Additional disclosures section on page 190.

For other APMs, the Financial review and Additional disclosures sections contain supporting information, including reconciliations to the IFRS financial statements. Definitions for APMs are also included in the Glossary on pages 208 to 210.

Loss for the year

The Group's IFRS loss for the year, attributable to equity shareholders, was £781 million, compared to a loss of £268 million in 2018. The most significant variance was the net revaluation loss on the Group's property portfolio of £1,028 million compared with a loss of £449 million in the prior year. This was partially offset by larger revaluation gains on the premium outlets portfolio of £200 million, £144 million higher than in 2018.

Management principally reviews the Group's performance on an adjusted basis to monitor the Group's underlying earnings as it excludes capital and non-recurring items such as valuation movements, gains or losses on the disposal of properties and other one-off exceptional items. This approach is consistent with other property companies and we follow EPRA guidance to calculate adjusted figures. A reconciliation of the loss to adjusted profit for the year is shown in Table 24.

Table 24

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

Proportionally consolidated, including premium outlets and discontinued operations	**Year ended 31 December 2019 £m**	Year ended 31 December 2018 £m
Loss for the year attributable to equity shareholders	**(781.2)**	(268.1)
Adjustments:		
Net revaluation losses on property portfolio*	**1,028.0**	448.6
Net revaluation gains on premium outlets property portfolio	**(199.8)**	(56.2)
Impairment losses on reclassification of UK retail parks as assets held for sale	**92.0**	–
Recycling of net exchange gain on disposal of foreign operations (net of non-controlling interests)	**(13.8)**	(2.0)
Loss on sale of properties	**91.7**	64.9
Debt and loan facility cancellation costs*	–	15.3
Change in fair value of derivatives*	**(3.6)**	15.9
Deferred tax on premium outlets	**6.4**	13.8
Other adjustments	**(5.7)**	8.1
Adjusted profit for the year (note 12B)	**214.0**	240.3
Adjusted EPS, pence	**28.0**	30.6

* Proportionally consolidated, excluding premium outlets.

Analysis of the Group's IFRS income statement split between 'Adjusted' profit and 'Capital and other' profit is shown in note 2 of the financial statements on page 146 and further details of the EPRA adjustments are provided in note 12B of the financial statements on page 157.

Adjusted profit

The Group's adjusted profit for 2019 was £214.0 million, £26.3 million or 10.9%, lower than in 2018. Table 25 bridges adjusted profit and adjusted EPS between the two years. The movements in each line are shown at constant exchange rates with the impact of foreign exchange movements included in 'Foreign exchange and other'. Explanations of the movements are provided later in this Financial review.

Table 25

Reconciliation of adjusted profit for the year

Including premium outlets and discontinued operations	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 2018	55.7	157.2	27.4	**240.3**	30.6
Net rental income (decrease)/increase*	(37.4)	(1.0)	0.3	**(38.1)**	(4.9)
Increase in net administration expenses	(3.4)	(0.3)	–	**(3.7)**	(0.5)
Decrease/(Increase) in net finance costs	13.3	(1.9)	–	**11.4**	1.5
(Decrease)/Increase in premium outlets earnings	–	(0.4)	5.2	**4.8**	0.6
Foreign exchange and other	(0.1)	(0.5)	(0.1)	**(0.7)**	(0.1)
Share buyback	–	–	–	**–**	0.8
Adjusted profit – Year ended 31 December 2019	28.1	153.1	32.8	**214.0**	28.0

* Like-for-like NRI for the Reported Group was unchanged year-on-year. Like-for-like NRI relating to Share of joint ventures fell by £9.4 million or -6.8% in 2019.

Net rental income

Table 26

Analysis of net rental income

Proportionally consolidated, excluding premium outlets, including discontinued operations	Reported Group £m	Share of Property interests* £m	**Year ended 31 December 2019 £m**	Year ended 31 December 2018 £m	Change £m
Like-for-like investment properties	109.2	138.7	**247.9**	258.9	**(11.0)**
Disposals	24.9	0.6	**25.5**	49.1	**(23.6)**
Developments and other	24.7	10.4	**35.1**	38.6	**(3.5)**
Foreign exchange	–	–	**–**	0.9	**(0.9)**
Net rental income	158.8	149.7	**308.5**	347.5	**(39.0)**

During 2019, net rental income (NRI) decreased by £39.0 million to £308.5 million. This is equivalent to a reduction in like-for-like NRI of 4.2%. At constant exchange rates, the decrease was £38.1 million. Proportionally consolidating the premium outlets net rental income growth of 10.8% would result in Group like-for-like growth of 0.5%.

The like-for-like portfolio suffered a reduction in NRI of £11.0 million compared with the prior year, comprising £9.3 million in relation to UK flagships, a £0.6 million decline in UK retail parks and the remaining £1.1 million from flagship destinations in Ireland and France. This was principally as a result of tenant restructuring totalling £5.7 million across the Group and an increase in vacancy costs of £3.2 million.

Disposals reduced income in the year by £23.6 million. 2018 disposals of: Fife Retail Park, Kirkcaldy; Imperial Retail Park, Bristol; Highcross, Leicester (50%); and Battery Retail Park, Birmingham, contributed £20.6 million of the reduction. Subsequent sales in 2019 of: St Oswalds, Gloucester; Dallow Road, Luton; Abbotsinch, Paisley; Parc Tawe, Swansea; and the 75% disposal of Italie Deux resulted in a further income reduction of £3.0 million compared with 2018. The majority of these disposals transacted in the latter part of the year (see page 47).

Developments and other factors reduced net rental income year-on-year by £3.5 million. This was principally in relation to the development at Les 3 Fontaines, Cergy, which impacted the existing centre, and a decline in income at Whitgift and Centrale in Croydon.

Administration expenses

Table 27

Proportionally consolidated, excluding premium outlets, including discontinued operations	**Year ended 31 December 2019 £m**	Year ended 31 December 2018 £m
Employee costs – excluding variable costs	**42.9**	42.5
Variable employee costs	**7.7**	4.3
Property fee income	**(15.7)**	(14.8)
Other corporate costs	**22.3**	23.0
Employee and corporate costs	**57.2**	55.0
Management fees receivable	**(8.9)**	(10.3)
Net administration expenses*	**48.3**	44.7

* In 2019, £0.5 million (2018: £0.2 million) of the Group's proportionally consolidated administration expenses related to the Group's Share of Property interests.

At £48.3 million, net administration expenses increased by £3.6 million, or £3.7 million at constant exchange rates. A significant factor was the inclusion in 2018 of a £1.9 million reversal of the total property return element of the annual bonus accrual for the prior year, where the payout threshold was not met on finalisation of the outcome in April 2018. The decline in management fees receivable of £1.4 million was principally due to reduced fees receivable at Whitgift, Croydon, and the threshold for the out-performance fee on Dundrum not being achieved in 2019.

As announced as part of the Strategy Update in July 2018, the Group targeted £7 million of cost savings through operational efficiencies and lower corporate costs, with up to £4 million of these savings to be reinvested in technology and innovation and the Group's 'super events' programme. The cost savings target has been achieved through a combination of Board and management changes and operational cost reductions. Whilst elements of these cost savings have acted to reduce administration costs in 2019, the benefit has been partially offset by redundancy costs, totalling £1.3 million.

Our accounting policy is to capitalise the cost of staff working directly on onsite development projects. In 2019, £1.8 million of staff costs were capitalised on this basis, compared with £1.3 million in 2018.

Administration expenses in relation to discontinued operations are included in the above and totalled £1.4 million in 2019 (2018: £1.3 million).

Cost ratio

The EPRA cost ratio for the year ended 31 December 2019 was 25.7%, 380 basis points higher than 2018. The net administration expenses element of the ratio has increased from 11.5% in 2018 to 13.8% in the current year, consistent with the changes in expenses explained above. The property costs element of the ratio has increased by 150 basis points to 11.9%, primarily reflecting the impact of the sale of retail parks which have a lower cost base than flagship destinations, coupled with higher costs associated with vacancy.

Loss on sale of properties

During 2019, the Group raised proceeds of £542 million from disposals, or £525 million after deducting selling costs. The majority of the proceeds related to the sale of 75% of Italie Deux, Paris for £363 million (€432 million). Other sales included retail parks in Gloucester, Luton, Paisley and Swansea. These disposals resulted in a combined loss of £92 million against December 2018 valuations.

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

The Group has interests in 16 joint ventures (2018: 16) and the share of the results of joint ventures under IFRS for the year ended 31 December 2019 was a loss of £423.0 million (2018: £103.7 million loss). From December 2019, the remaining 25% investment in Italie Deux, Paris is held as an associate, together with Value Retail (VR) and Nicetoile. The share of results from associates under IFRS for 2019 was a profit of £209.4 million (2018: £57.7 million profit). Further details are provided in notes 14 and 15 to the financial statements.

As explained at the beginning of the Financial review on page 50, 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 VR and VIA Outlets (VIA). These are externally managed by experienced outlet operators, independently financed and have operating metrics which differ from the Group's other properties. Due to the differing nature of the Group's control, VIA is accounted for as a joint venture and VR is accounted for as an associate.

Table 28 shows the contribution to the Group's adjusted profit from joint ventures and associates, split between the proportionally consolidated properties and the investments in premium outlets.

Table 28

Contribution to adjusted profit

	Joint ventures* (incl. VIA) £m	**Associates (incl. VR) £m**	**Year ended 31 December 2019 Total £m**	Joint ventures* (incl. VIA) £m	Associates (incl. VR) £m	Year ended 31 December 2018 Total £m
Share of results – IFRS	(423.0)	209.4	**(213.6)**	(103.7)	57.7	(46.0)
Revaluation losses/(gains) on properties	562.4	(167.9)	**394.5**	255.9	(44.5)	211.4
Other adjustments (notes 13B/14B)	12.0	(8.7)	**3.3**	3.1	14.2	17.3
Total adjustments	574.4	(176.6)	**397.8**	259.0	(30.3)	228.7
Adjusted earnings contribution	151.4	32.8	**184.2**	155.3	27.4	182.7
Analysed as:						
Share of Property interests	136.8	1.6	**138.4**	140.2	1.4	141.6
Premium outlets	14.6	31.2	**45.8**	15.1	26.0	41.1

* Joint ventures exclude the investment in Brent South Retail Park which was reclassified to assets held for sale at 31 December 2019 as detailed in note 10 to the financial statements.

Adjusted earnings from the Share of Property interests reduced by £3.2 million. Whilst the sale of 50% of Highcross into a joint venture in November 2018 increased adjusted earnings by £7.5 million, this was more than offset by reductions in NRI across existing joint ventures in the UK and Ireland.

Adjusted earnings from premium outlets of £45.8 million were £4.7 million higher than the prior year, or £4.8 million at constant exchange rates. Adjusted earnings from VR were £5.2 million higher than 2018, reflecting an increase in operating profit of £7.3 million, driven by the leasing of the Bicester Village extension and strong operational performance at La Vallée Village, Paris. This was partially offset by higher finance costs associated with refinancing in 2018 of La Roca Village, Las Rozas Village and Fidenza Village. The Group's share of VIA earnings reduced by £0.5 million. Strong trading at Freeport Lisboa Fashion Outlet and the effect of the acquisition of an additional 3.125% stake in the second half of 2019 were offset by higher costs reflecting the internalisation of the senior management team and refinancings in 2018.

Further details of the Group's joint ventures and associates are shown in notes 14 and 15 to the financial statements respectively. The operating performance of premium outlets is described in the Operating review on pages 27 to 29 and the combined profit contribution is in Table 101 of the Additional disclosures on page 198.

Finance costs

Net finance costs, calculated on a proportionally consolidated basis totalled £86.2 million in 2019, compared with £132.9 million in 2018. £74.6 million related to the Reported Group, £11.4 million was in respect of the Share of Property interests and £0.2 million related to discontinued operations as shown in note 2 to the financial statements.

Adjusted finance costs, which excludes the change in fair value of derivatives, debt cancellation costs and other non-recurring items, totalled £89.8 million in 2019, a reduction of £11.9 million, or £11.4 million at constant exchange rates. The decrease is principally due to the redemption of the €500 million 2019 2.75% bonds in August 2018.

Interest capitalised on our two Paris development schemes at Italie Deux and Les 3 Fontaines, Cergy totalled £2.8 million in 2019, compared with £1.9 million in 2018.

The supporting calculation for adjusted finance costs is shown in Table 104 of the Additional disclosures on page 200.

Tax

The Group has tax exempt status in the UK, France and Ireland, and is exempt from corporation tax on rental income and gains arising on property sales. The current tax charge, on a proportionally consolidated basis, was £2.2 million, £0.3 million higher than the previous year. The tax charge for the Reported Group increased by £0.1m to £1.9 million in 2019.

We publish guidance explaining the Group's tax strategy and have updated this for 2020. 'Hammerson's Approach to Tax for the year ending 31 December 2020' is available on the Group's website www.hammerson.com.

Dividends and share buyback

The Directors have proposed a final dividend of 14.8 pence per share. Together with the interim dividend of 11.1 pence, the total for 2019 is 25.9 pence, consistent with 2018.

The final dividend is payable on 30 April 2020 to shareholders on the register at the close of business on 20 March 2020 and will be paid as a PID, net of withholding tax where appropriate.

For 2020, the Board has decided to take a prudent and disciplined approach to dividends, over and above that implied by the disposals programme, removing the link between earnings and dividend whilst still enabling the Company to meet REIT and SIIC tax obligations. Therefore, the Board expects to recommend a 2020 full year dividend of 14.0 pence, a 46% cut from 2019. Dividends will be reset from this sustainable level from 2021 onward, dependent on future disposals, rental income, balance sheet strength and the broader market.

In July 2018, the Company announced the commencement of a £300 million share buyback programme, returning proceeds realised from disposals to shareholders over a 12 month period. At 31 December 2018, the Company had purchased 28 million shares at a total cost of £129 million. The accretive effect of the buyback on EPS is shown in table 28. At the time of the 2018 annual results, the Board announced the suspension of the share buyback programme and formally the programme came to an end in July 2019.

Net assets

During 2019, equity shareholders' funds decreased by £1,056 million, or 19.4%, to £4,377 million. Net assets, calculated on an EPRA basis, were £4,599 million and on a per share basis reduced by 137 pence to £6.01. The movement during the year is shown in Table 32.

Table 29

Movement in net assets

Proportionally consolidated, including discontinued operations	Equity shareholders' funds £m	Adjustments[1] £m	**EPRA net assets £m**	EPRA NAV pence per share
31 December 2018	5,433	217	**5,650**	738
Property revaluation				
Proportionally consolidated property portfolio	(1,028)	–	**(1,028)**	(134)
Premium outlet properties	200	–	**200**	26
	(828)	–	**(828)**	(108)
Impairment on reclassification to assets held for sale	(92)	–	**(92)**	(12)
Adjusted profit for the year	214	–	**214**	28
Loss on sale of properties	(92)	–	**(92)**	(12)
Change in deferred tax	(6)	6	**–**	–
Dividends	(198)	–	**(198)**	(26)
Foreign exchange and other movements	(54)	(1)	**(55)**	(7)
31 December 2019	4,377	222	**4,599**	601

1. Adjustments in accordance with EPRA best practice shown in note 12D to the financial statements on page 159.

The reduction in EPRA net assets was primarily the result of net property revaluation losses, totalling £828 million, mainly in the UK and French flagships and UK retail parks portfolios as explained in the Property portfolio review on page 48.

Assets held for sale and discontinued operations

At 31 December 2019, the Group's retail parks portfolio met the criteria under IFRS 5 for reclassification to 'assets held for sale' as these were being actively marketed at a reasonable price, and management concluded it was probable that the transaction would complete within 12 months of the balance sheet date. Therefore, the retail parks properties, together with associated assets and liabilities, were reclassified to assets and liabilities held for sale in the Reported Group and consequently suffered a £92 million impairment. As this formed substantially the remainder of the UK retail parks segment, these also met the criteria for reclassification to discontinued operations.

The results of the UK retail parks for both the current and prior year were therefore removed from the Reported Group line by line reporting and recognised as a single 'loss from discontinued operations' line in the Income statement, with further detail provided in note 10 to the financial statements. For the purposes of the Financial review, proportionally consolidated figures include the UK retail parks on a line by line basis, consistent with management reporting.

Investment and development properties

The valuation of investment and development properties in the Reported Group at 31 December 2019 was £2,099 million, £1,732 million lower than the prior year. £523 million of the movement relates to the reclassification of the UK retail parks portfolio to assets held for sale as explained above and detailed in note 10 to the financial statements. The movement in investment and development properties is shown in note 13 to the financial statements.

The Group's property portfolio valuation calculated on a proportionally consolidated basis plus the Group's premium outlets is provided in note 3B to the financial statements on page 149.

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

Details of the Group's joint ventures and associates are shown in notes 14 and 15 to the financial statements. Table 30 shows the Group's investment in joint ventures and associates on both IFRS and adjusted bases, split between the proportionally consolidated Share of Property interests and investments in premium outlets.

Table 30

Adjusted investment in joint ventures and associates

	31 December 2019			31 December 2018		
	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	3,017	1,505	**4,522**	3,604	1,242	4,846
Adjustments (see notes 14C/15D)	70	150	**220**	61	157	218
Adjusted investment in joint ventures/associates	3,087	1,655	**4,742**	3,665	1,399	5,064
Analysed as:						
Share of Property interests	2,642	149	**2,791**	3,279	31	3,310
Premium outlets	445	1,506	**1,951**	386	1,368	1,754

* Joint ventures exclude the investment in Brent South Retail Park which was reclassified to assets held for sale at 31 December 2019 as detailed in note 10 to the financial statements.

The total adjusted investment in the Group's Share of Property interests reduced by £519 million to £2,791 million during 2019. Net revaluation losses totalling £594 million were partially offset by adjusted earnings of £138 million and the transfer of 25% of Italie Deux, Paris out of the Reported Group, the investment in which became an associate (an increase of £123 million).

During 2019, the Group's total adjusted investment in premium outlets increased by £197 million to £1,951 million. The increase was primarily derived from property revaluation gains totalling £200 million and the acquisition of an additional 3.125% share in VIA outlets during the year for £29 million.

An analysis of the Group's combined investment in premium outlets is shown in Table 102 in the Additional disclosures on page 198.

Financing

Our financing strategy is to borrow predominantly on an unsecured basis under the Group's standard financial covenants to maintain flexibility at a low operational cost. Secured borrowings are occasionally used, mainly in conjunction with joint venture partners. Borrowings are arranged to maintain short term liquidity and to ensure an appropriate maturity profile. Acquisitions may initially be financed using short term funds before being refinanced with longer term funding when market conditions are appropriate. Short term funding is raised principally through syndicated revolving credit facilities from a range of banks and financial institutions with which we maintain strong working relationships. Long term debt mainly comprises the Group's fixed rate unsecured bonds, private placements and secured borrowings raised 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 approves financing guidelines against which it monitors the Group's financial structure. These guidelines, together with the relevant metrics, are summarised in Table 31 which illustrates the Group's robust financial position.

Key financing metrics

Table 31

Proportionally consolidated, excluding premium outlets, including discontinued operations	Guideline[1]	**31 December 2019**	31 December 2018
Net debt (£m)		**2,843**	3,406
Gearing (%)[2]	Maximum 85%	**65**	63
Loan to value – headline (%)[2]	No more than 40%	**38**	38
Loan to value (%) – fully proportionally consolidated[2]	No more than 45%	**45**	43
Unencumbered asset ratio (times)[3]	At least 1.75 times	**1.9**	2.1
Secured borrowings/equity shareholders' funds (%)		**15**	13
Liquidity (£m)		**1,210**	729
Weighted average interest rate (%)		**2.6**	2.7
Weighted average maturity of debt (years)		**4.7**	5.4
Interest cover (times)	At least 2.0	**3.3**	3.4
Net debt/EBITDA (times)[4]	Less than 10.0	**8.9**	9.5
FX hedging (%)	70-90%	**73**	79
Debt fixed (%)	At least 50%	**86**	74

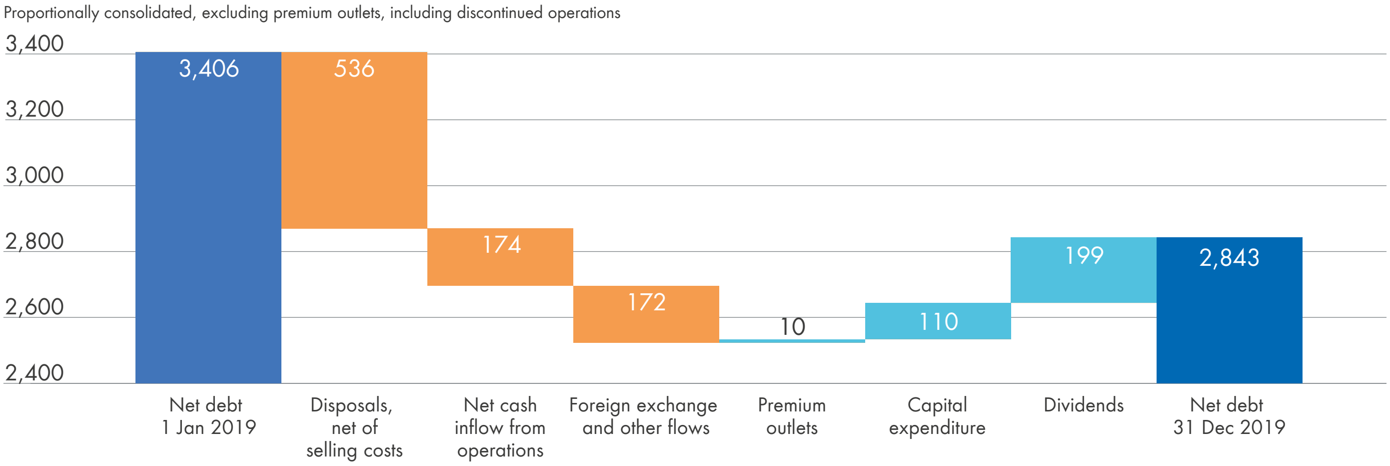
1. Guidelines should not be exceeded for an extended period.
2. See Table 107 on page 201 for supporting calculation.
3. See Table 109 on page 201 for supporting calculation.
4. See Table 108 on page 201 for supporting calculation.

Net debt

Chart 32

Movement in proportionally consolidated net debt (£m)

Proportionally consolidated, excluding premium outlets, including discontinued operations



On a proportionally consolidated basis, net debt reduced by £563 million to £2,843 million at 31 December 2019. This comprised loans of £2,897 million and the fair value of currency swaps of £43 million, less cash and deposits of £97 million.

The Group's weighted average interest rate was 2.6% for 2019, 10 basis points lower than the 2.7% average rate in 2018.

In the first half of the year, we exercised the final extension option within our existing revolving credit facilities and extended the maturities for commitments totalling £320 million by one year from April 2023 to April 2024.

Separately, the Group's total amount of revolving credit facilities was increased from £1,195 million to £1,245 million, with the new £50 million commitment maturing in April 2024. The increase arose when a new lender joined the facility with a final maturity date in April 2024, increasing total commitments under this facility from £360 million to £410 million.

The Group's liquidity at 31 December 2019, comprising cash and undrawn committed facilities, was £1,210 million, £481 million higher than at the beginning of the year. The Group's weighted average maturity of debt reduced to 4.7 years (2018: 5.4 years).

Leverage

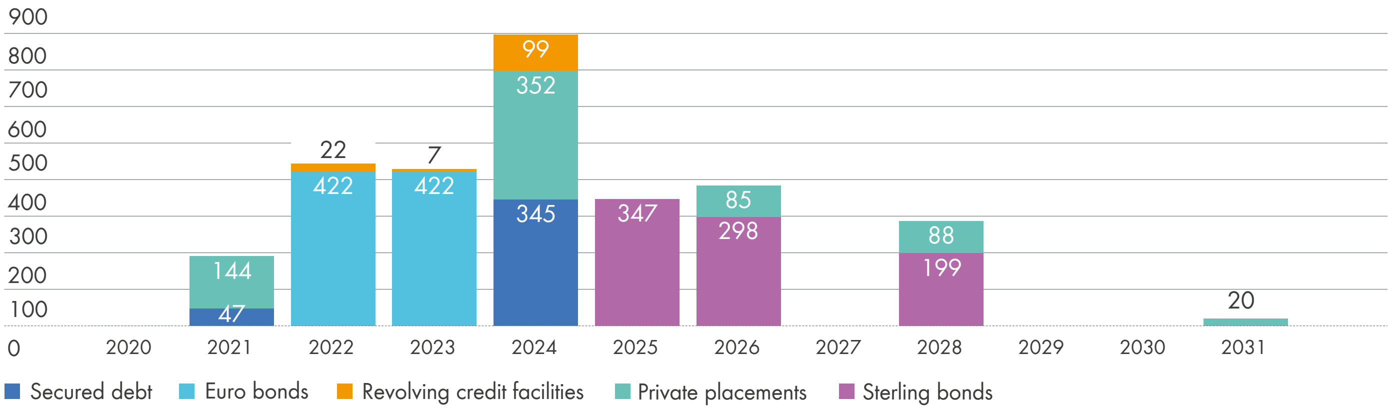
At 31 December 2019, the Group's loan to value ratio was 38% (2018: 38%) and gearing was 65% (2018: 63%). Supporting calculations are in Table 107 in Additional disclosures on page 201. On a proforma basis, including the retail park disposals announced in February 2020, the Group's loan to value would be 35% and gearing would be 55%.

At 31 December 2019, the Group's share of net debt in VR and VIA totalled £896 million (2018: £900 million). Proportionally consolidating this net debt with the Group's share of net debt and including property values held by VR and VIA, the Group's gearing would be 85% (2018: 79%) and loan to value would be 45% (2018: 43%). On a proforma basis, including retail park disposals, the Group's gearing, consolidating VR and VIA, would be 76% and loan to value would be 42%.

Chart 33

Debt maturity profile at 31 December 2019 (£m)

Proportionally consolidated, excluding premium outlets, including discontinued operations



Unsecured Borrowings and covenants

The terms of the Group's unsecured borrowings contain a number of covenants which provide protection to the lenders. The financial covenants within the Group's borrowing are:

Bonds: Gearing and secured borrowings

– Gearing should not exceed 150% for two of the bonds and 175% for the remaining bonds. All the bonds include a limitation that secured borrowings should not exceed 50% of equity shareholders' funds

Bank facilities: Gearing, secured borrowings and interest cover

– Gearing should not exceed 150%, secured borrowings should not exceed 50% of equity shareholders' funds and interest cover should be not less than 1.25 times

Private placement senior notes: Gearing, secured borrowings, unencumbered assets and interest cover

– Gearing should not exceed 150%, secured borrowings should not exceed 50% of equity shareholders' funds, unencumbered assets should not be less than 150% of net unsecured borrowings and interest cover should be not less than 1.25 times

The Group's financial ratios are comfortably within these covenants. The valuation of the Group's property portfolio at 31 December 2019, on a pro forma basis for the disposals announced on 21 February 2020 (the portfolio of seven retail parks and Abbey Retail Park, Belfast), would have to fall by 28%, or 45% for the UK portfolio only, to breach the unencumbered asset covenant in the private placement senior notes. Valuations would have to fall by 32% (UK only 65%) on a pro forma basis to breach the Group's tightest gearing covenant. Net rental income would need to fall by 64% in order to breach the interest cover covenant in the Group's bank facilities and private placement notes. Further disposals will act to increase this headroom.

In addition, some joint ventures and associates have secured debt facilities which include specific covenants to those properties, including covenants for loan to value and interest cover. This secured debt is non-recourse to the Group.

Credit ratings

Fitch and Moody's rate Hammerson's unsecured credit as BBB+ and Baa1 respectively. On 28 June 2019, Fitch changed its rating from a long term issuer default rating of BBB+ (stable outlook) and senior unsecured rating of A- to a long term issuer default rating of BBB (stable outlook) and senior unsecured rating of BBB+. This was predominantly due to Fitch's change in methodology for calculating the debt: EBITDA ratio which, on Fitch's basis, included deductions from EBITDA in relation to joint venture and associate cash reinvested in capital expenditure and acquisitions. On 16 August 2019, Moody's changed Hammerson's outlook to negative, noting in their press release the challenging retail environment and investment markets, as well as the risk of a disorderly Brexit.

Managing foreign exchange exposure

The Group's exposure to foreign exchange translation differences on euro-denominated assets is managed through a combination of euro borrowings and derivatives. At 31 December 2019, the value of euro-denominated liabilities as a proportion of the value of euro-denominated assets was 73%, compared with 79% at the beginning of the year. Interest on euro debt also acts as a partial hedge against exchange differences arising on net income from our overseas operations. Sterling strengthened against the euro during the year by 6%, which resulted in modest losses to net asset value and earnings in 2019.

Our risk management approach

Risk overview

Multiple risks exist in our business and are often interrelated, so effective risk management is key to support the delivery of our strategy (see page 16). Our risk management policies and procedures are designed to protect the Group's revenues, assets and reputation and underpin our business model (see page 6).

Given the work undertaken during the year, the Board confirms that during 2019 it has carried out a robust assessment of the Group's emerging and principal risks which are presented in this section of the Annual Report.

Risk management responsibilities

The Board is responsible for determining the Group's risk appetite. This reflects its combined attitude to market, financial, operational and reputational risks. Whilst the responsibility for risk management ultimately rests with the Board, effective risk management can only occur if it is integrated throughout the business and embedded within the Group's culture and values.

Chart 35 illustrates the key roles and responsibilities for risk management and demonstrates the interaction between the Board, the Group's management committees and our people in ensuring the Group's activities are effectively controlled.

Risk review process

To support the risk management process, the Group has designed a Risk Management Framework (RMF), Risk Dashboard and Residual Risk Heat Map (Heat Map). The RMF documents the significant risks impacting the Group and includes mitigating factors/actions and management responsibility and is summarised on pages 60 to 64. The RMF enables the Board to assess the level of residual risk relative to its risk appetite. Where residual risk levels are deemed too high, additional mitigating actions are agreed to reduce the future risk level back in line with the Group's risk appetite.

The RMF is also used to determine the Group's annual internal audit plan (see page 87) which is structured to ensure an appropriate coverage of the Group's principal risks. The internal audit plan is also designed to review risks which have not been subject to recent audit, emerging risks or areas of risk where there has been significant change. For example, in 2019, the plan included reviews of GDPR and Cyber Security.

The Risk Dashboard is updated quarterly and contains current and forward-looking metrics for each of the Group's principal risks. The Heat Map (shown on Chart 34) indicates the Board's assessment of residual risk relative to its risk appetite and changes to this assessment during the year.

These risk tools are reviewed at each Audit Committee and Risk and Controls Committee meeting. They are also regularly reviewed at Group Executive Committee and divisional management meetings. This process helps identify new or emerging risks, considers the relevant timescale for assessing different risks, and ensures the RMF accurately reflects mitigating factors and actions to support the Board's residual risk assessment.

Risks were also reviewed and discussed at the 2019 Board Strategy Day and factored into the Group's five-year 2020 Business Plan.

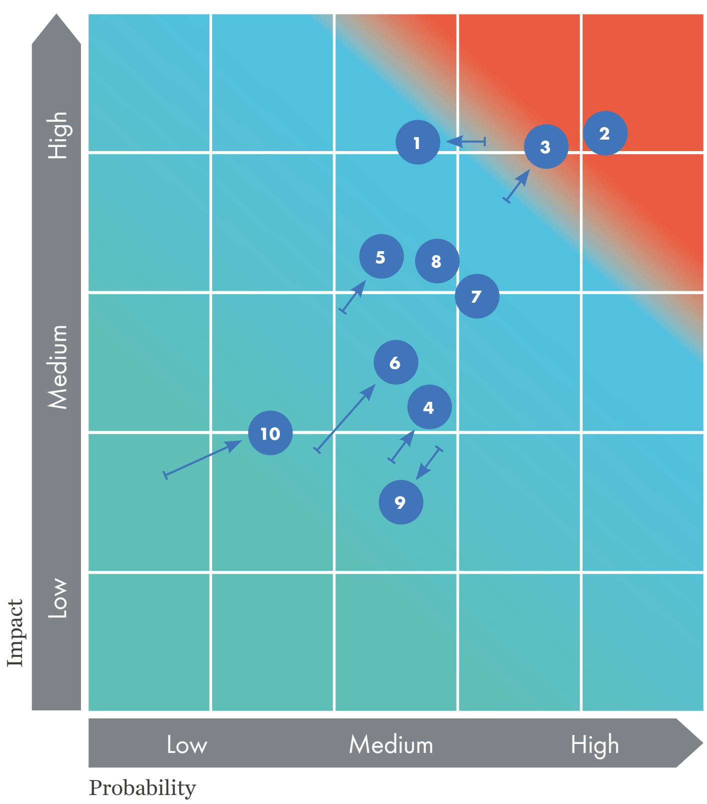
Risk assessment during 2019

The general risk environment in which the Group operates has heightened during 2019. This was largely due to uncertainty associated with the future impact of the UK's exit from the EU, the further deterioration in the UK retail market and weaker investment markets. This risk assessment is also consistent with the property and retail markets conditions explained on page 14. Achieving the Group's strategic priorities (see page 16) will reduce the overall level of residual risk, in particular, disposals will reduce debt and strengthen the Group's balance sheet.

Through its risk assessment process in 2019 the Board has not identified any new principal risks, although it has decided to rename the Environmental risk as Climate risk which is a more common name for this important topic. Emerging risks associated with cyber security, data protection and climate change were already captured by the Group's 10 principal risks. However, the assessment of residual risk, including the inclusion of emerging risks, has resulted in changes to the impact and/or probability associated with the majority of the principal risks.

Chart 34

Residual Risk Heat Map



Group's principal risks

1. Macroeconomic
2. Retail market
3. Property investment
4. Property development
5. Treasury
6. Partnerships
7. Tax and regulatory
8. Catastrophic event
9. People
10. Climate

Risk appetite

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

Note: Arrow indicates change in risk assessment over the previous 12 months.

The emerging threat from coronavirus is incorporated within our Catastrophic event principal risk. At the time of writing this report, whilst the threat from the disease is increasing, cases outside of China remain low, although supply chains and, travel and tourism are being affected. From a Group perspective, this latter risk is likely to impact our premium outlets, particularly Value Retail. Tax free sales at Value Retail Villages account for 26% of total sales, while only 9% of total sales come from Chinese guests shopping tax free. The comparable figure for the VIA portfolio is less than 1%.

The current residual risk assessment and movement over the previous 12 months for each of the Group's 10 principal risks are reflected on the Heat Map on Chart 34. The red-coloured area in the top right-hand corner of the diagram reflects an assessment which exceeds the Board's risk appetite. An explanation of changes in the Group's risk assessments during 2019 are given on pages 60 to 64.

Risks exceeding the Group's risk appetite

The residual risk associated with two of the Group's principal risks have been identified as exceeding the Group's risk appetite: Retail market and Property investment. The Retail market risk also exceeded the Group's risk appetite at the beginning of the year.

These risks are closely connected, and are particularly focused on the UK. The Group strategic objectives to reduce debt, repurposing space away from challenged retail categories and enhancing experience through events and digital innovation will mitigate these risks. Whilst progress has been made in 2019, further action is required during 2020 to reduce the residual risk to within the Group's risk appetite.

Brexit

In January 2020, the UK formally left the EU with the approval of the Withdrawal Agreement Bill. The UK has now entered a transition period until the end of 2020 and must negotiate its future trading relationship with the EU. Whilst these developments have provided some clarity, there remains significant uncertainty over the future impact of Brexit on a number of the Group's principal risks. The Heat Map assumes an orderly resolution to the UK's future relationship with the EU.

From a risk perspective, the main impact of Brexit is on Macroeconomic, Retail market, Property investment and Tax and regulatory risks. The absolute impact will be dependent on the terms of the UK's relationship with the EU. Any significant change, such as the inability to reach a trade agreement resulting in the application of WTO rules, is likely to have an adverse impact on the Group.

We have updated the Brexit review undertaken in 2018 to understand the potential impact on the Group. As we do not directly rely on imports or exports, we are largely protected from the immediate impact of the UK's exit from the EU after the transition period ends. We continue to monitor the negotiations and have plans in place to take steps such as increasing stocks of replacement operational parts. Our tenants, particularly those who rely on imports and exports, or those who employ EU nationals, face greater uncertainty until the negotiations are concluded. Risks also remain over the medium to long term associated with the performance of the UK economy and its attractiveness to foreign investors.

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

Climate risk

The portfolio-wide physical climate risk review carried out in 2018 was updated in 2019 and shows we have very limited short term exposure. Medium term risk to 2030 is being mitigated through asset plans and longer term risks are being reflected in future project design.

For transitional risk our sustainability strategy mitigates short and medium term risks. Longer term risk will be reviewed through our climate scenario analyses over the next two years. Further information is contained in the Sustainability section on page 34 and in the Climate principal risk on page 64.

Chart 35

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

Monitoring and reporting responsibility (upward) / Implementation and compliance responsibility (downward)

Board	– Overall responsibility for corporate strategy, governance, performance, internal controls and risk management – Defines the Group's risk appetite and monitors risks to ensure they are managed effectively, including agreeing mitigation where necessary
Audit Committee	– Reviews effectiveness of the RMF and internal controls on behalf of the Board – Monitors compliance with relevant legislation, rules and regulations
Group Executive Committee	– Manages the business and delivery of strategy – Reviews the RMF and prioritises mitigations and resources to manage risk effectively – Oversees Health and Safety
Risk and Controls Committee	– Responsible for integration of the RMF throughout the business – Monitors compliance with the Group's internal control systems – Manages the internal audit arrangements
Divisional management and other committees (see page 79)	– Responsible for implementing risk mitigation and monitoring compliance with internal controls and procedures at an operational level – Reviews the RMF to identify emerging or changing risk trends and recommend actions – Oversees UK and Ireland, France and premium outlets divisions, health and safety, climate risk, IT, project-level and other specific risk management activities
Our people	– Our people are key to implementing risk management mitigation and identifying emerging risks – Our culture, demonstrated through the Group values of ambition, collaboration, respect and responsibility, underpins the Group's risk management approach

Risk management framework

Further details of the Group's 10 principal risks extracted from the Group's RMF and their alignment to our strategy (see page 16) are shown below.

1. Macroeconomic

Residual risk assessment: **Medium/High**

Impact ◄► Probability ▼

Link to strategy

Risk

- Our financial performance is directly affected by the macroeconomic environment in the countries in which we operate. Key factors impacting our tenants and shoppers are GDP, disposable income growth, employment levels, inflation, business and consumer confidence, interest rates and foreign exchange movements
- The precise terms of the UK's future relationship with the EU are yet to be agreed. This creates heightened macroeconomic and property market uncertainty, adversely impacting the Group's performance

Mitigating factors/actions

- Diversified portfolio (sectors, geography and tenants)
- Flagship destinations in the heart of thriving cities
- Premium outlets in affluent catchments with strong tourist appeal
- Monitoring of macroeconomic research
- Economic review at annual Board Strategy Day
- Business Plan projections stress-tested
- Resilient business model and clear strategic objectives
- Brexit assessment undertaken and ongoing monitoring of relationship negotiations

Change during 2019 and outlook

The continued uncertainty over Brexit has hindered the UK's economic performance during 2019. Nonetheless, GDP has grown by 1.4% (Source: ONS) in the year and the recent decisive general election result and approval of the EU Withdrawal Bill have removed some elements of uncertainty.

Across the EU, macroeconomic indicators are broadly stable, and in France and Ireland economic prospects remain favourable. However, the recent Irish election result has increased uncertainty whilst a new government is formed.

Inflation and interest rate pressures have eased in the UK and remain stable in the EU and GBP strengthened by 6% against the euro in 2019. However, markets remain sensitive to external shocks, particularly associated with Brexit.

The Group's diversification, both geographically and by sector, enhances our resilience to external shocks. We remain committed to retaining operational and financial flexibility in case of macroeconomic weakness, and are pursuing further disposals across our portfolio to strengthen the Group's balance sheet and reduce debt.

MORE

See the Letter from the Chair of the Board on pages 4 and 5

2. Retail market

Residual risk assessment: **High** (in excess of risk appetite)

Impact ◄► Probability ◄►

Link to strategy

Risk

- We own and operate property in a dynamic retail marketplace (see page 14). Failure to anticipate and address developments and trends in consumer and occupational markets, such as omnichannel retailing and digital technology, will impair future performance
- Retailer profitability, particularly in the UK, is challenged due to increased costs, such as business rates and employment costs, and the erosion of margins from channel shift. This adversely affects landlords through tenant restructuring, demands for rent concessions and weaker lease negotiations
- Changing consumer shopping habits, including channel shift, are adversely impacting certain retail categories, such as traditional high street fashion. This has resulted in tenant restructuring and retailers shrinking their store portfolios, causing an oversupply of physical retail space. This hinders our leasing negotiations and there has been an increase in flexible leases

Mitigating factors/actions

- High quality portfolio of flagship destinations in thriving city centres
- Premium outlets in affluent catchments with strong tourist appeal
- Significant diversity of retail categories and tenants
- Exit from UK retail parks sector
- Bespoke leasing strategies to repurpose space away from challenged retail categories
- Deep retailer insight and relationships
- Clear focus on experience with tailored F&B, leisure and events
- Dynamic, diverse and multi-skilled internal team
- Digital innovation strategy to provide detailed consumer insight and communication with our shoppers
- Ambitious Net Positive sustainability strategy

Change during 2019 and outlook

2019 has been another turbulent year, with further tenant failures in the UK flagships portfolio reducing income by £4.1 million. We remain cautious about the trading environment in 2020, and are repurposing space away from challenged retail categories such as department stores and high street fashion. Trading conditions in France and Ireland have been stronger, with significantly fewer tenant failures.

Occupancy has been broadly stable in 2019, although leasing volumes and terms have weakened in the UK. The retail market continues to polarise, with tenants seeking space in vibrant locations which are able to support their omnichannel strategies. We remain confident that our portfolio of high footfall, city centre flagship destinations will be beneficiaries of this evolution. However, this transition will take time and there is downward pressure on rents in the near term.

Our premium outlets have again delivered strong sales and rental growth. We forecast continued demand for off-price luxury brands which will support growth from both our premium outlet investments.

MORE

See Our markets on pages 14 and 15

Change during 2019:
▲ Increasing ▼ Decreasing ◄► No change

3. Property investment

Residual risk assessment: **High** (in excess of risk appetite)
Impact ▲ Probability ▲

Link to strategy

Risk

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

Mitigating factors/actions

- Board approval for all significant investment decisions
- Thorough due diligence, research and risk assessment to support investment decisions
- Twice-yearly external valuations
- Diversified portfolio limits impact of downturn or liquidity squeeze in a single market
- Track record of disposals averaging over £500 million per annum over previous four years
- Exit from UK retail parks sector
- Pursuing disposals from across portfolio
- Properties held 'ready for sale'
- Proactive treasury planning to maintain liquidity (see Treasury risk)
- Stress tests included in annual Business Plan to assess balance sheet strength

Change during 2019 and outlook

We raised £975 million from disposals over the previous 12 months and remain confident on securing further disposals in 2020 to reduce the debt and strengthen the Group's balance sheet.

There have been few sizeable transactions in retail property investment markets across Europe in 2019 with the Group's 75% sale of Italie Deux in Paris and the portfolio of seven UK retail parks in February 2020 being two of the most significant. Investment into the UK shopping centre market has been very limited, hindered by the uncertainty associated with both Brexit and the broader retail market.

The Group's properties have fallen in value by an average of 10% in 2019, which includes a reduction in UK values of 20%. We expect further weakness in UK values during 2020 whilst Brexit negotiations are ongoing and the retail market continues to polarise.

Outside the UK, values of the Group's properties are forecast to be underpinned by the continuing low interest rate environment and stronger macroeconomic backdrop. Overall, we expect future investor demand to focus on high quality assets, which are well positioned for the dynamic retail marketplace.

MORE
See Property portfolio review on pages 46 to 49

4. Property development

Residual risk assessment: **Medium**
Impact ▲ Probability ▲

Link to strategy

Risk

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

Mitigating factors/actions

- Proven track record of developing successful iconic destinations
- Low capital commitments at 31 December 2019 of £104 million (2018: £163 million)
- Development plans and exposure included in annual Business Planning process
- Board approves all major commitments and performs formal reviews twice-yearly
- Clear project ownership and resourcing plans
- Regular project reviews, including project-specific risk registers
- Projects typically use fixed price contracts and have appropriate contingencies
- Post-completion reviews to identify future improvements
- Near term City Quarters schemes require limited capital expenditure to deliver
- Longer term City Quarters and development schemes require low levels of near term expenditure to deliver planning approvals and offer flexible future delivery options

Change during 2019 and outlook

The Group's development exposure is low. At 31 December 2019, the development portfolio represented only 7% (2018: 7%) of our total portfolio. During 2019 we have had two onsite extension schemes at Les 3 Fontaines, Cergy and Italie Deux, Paris. The former scheme was revised to ensure it better met the future needs of brands and customers (see page 75).

We have progressed our City Quarters concept to bring forward development opportunities on land we own adjacent to our existing flagship destinations. Over the past 12 months, we received three planning consents and are awaiting a decision on The Goodsyard submission.

Given the heightened level of uncertainty, from both economic and retail market perspectives, we do not anticipate committing to any major schemes until markets stabilise. However, with our joint venture partners and other stakeholders, we continue to assess the future plans for these opportunities.

MORE
See Operating review on pages 30 to 32

5. Treasury

Residual risk assessment: **Medium/High**

Impact ▲ Probability ▲

Link to strategy

Risk

- Poor treasury planning or external factors, including failures in the banking market, leads to the Group having insufficient liquidity.
- The Group's financial position is unable to support the delivery of our strategy
- Deterioration in our financial position due to property valuation declines could result in a breach of borrowing covenants
- Significant fluctuations in sterling or euro exchange rates, or a significant increase in interest rates, could result in financial losses

Mitigating factors/actions

- Proactive treasury planning to ensure adequate liquidity levels are maintained
- Board approves and monitors key financing guidelines and metrics
- Annual Business Plan includes a financing plan and associated stress tests
- Capital provided by a diverse range of counterparties (banks, investors and JV partners)
- All major investment approvals supported by a financing plan
- No debt maturities due until mid-2021
- Low level of capital commitments of £104 million at 2019 year end
- Significant headroom on Group debt covenants. Further details of covenants are given on page 57 of the Financial review
- Interest rate and currency hedging programme used to mitigate market volatility

Change during 2019 and outlook

At 31 December 2019, our balance sheet and key financing metrics remained robust. Taking into account the 2020 UK retail parks disposals, on a pro forma basis, we have significant liquidity of £1.6 billion, loan to value of 35% and gearing of 55%. Our average debt maturity has reduced to 4.7 years (2018: 5.4 years) and the next debt maturity is not until mid-2021. Total debt maturity over the next 24 months is £634 million, significantly less than our current liquidity.

Interest rates in the UK and EU are forecast to remain low over the medium term and the Group has significant headroom and financial flexibility to cope with further valuation reductions. We also continue to hedge foreign exchange exposure and, as at 31 December 2019, 73% of the Group's euro-denominated assets were matched by euro-denominated liabilities.

Nonetheless, given the current and forecast challenges in the retail and investment property markets, debt reduction through disposals and tight control over expenditure remains the key priority for the Group in 2020.

MORE

See Financial review on pages 55 to 57

6. Partnerships

Residual risk assessment: **Medium**

Impact ▲ Probability ▲

Link to strategy

Risk

- A significant proportion of the Group's properties are held in conjunction with third parties. These structures can limit the Group's control and reduce liquidity
- Operational effectiveness may also be adversely impacted if partners are not strategically aligned
- Our premium outlet investments are externally managed and this reduces control and transparency over performance and governance. They also contain pre-emption rights in favour of the Group and other owners in the event of transactions in the interests of the two investments

Mitigating factors/actions

- Proven track record of working with diverse range of partners
- Contracts provide liquidity for partners whilst protecting Group interests
- Annual joint venture business plans ensure operational and strategic alignment
- The Group has governance rights and Board representation for both its premium outlet investments
- Whilst externally managed, VIA Outlets restructured during 2019 to a 50:50 joint venture with APG
- Value Retail and VIA Outlets are both subject to local external audit. The properties are valued by Cushman & Wakefield and are subject to review by the Audit Committee and the Group's external auditor

Change during 2019 and outlook

Our partners provide capital to support our strategy of owning flagship destinations and premium outlets. At 31 December 2019, 72% (2018: 63%) of the Group's portfolio, including premium outlets, is held with third parties. This weighting has increased further since the year following the sale of eight retail parks announced in February 2020.

The increased partnership exposure in 2019 was due to a combination of valuation changes across the Group, the disposal of 75% of Italie Deux into a new partnership with AXA, and wholly-owned retail parks disposals. We regularly monitor our partnership exposure and remain comfortable that it does not adversely impact performance or liquidity.

The heightened risk assessment is due to the increased partnership exposure in the year. We have stated our intention to achieve further cross-portfolio disposals in 2020, which may encompass partnership interests, including, as previously stated, interests in premium outlets. There is a risk that the structure of individual partnerships, and existing pre-exemption rights, may make the disposal process more complex and lengthy.

MORE

See notes 14 and 15 to the financial statements on pages 161 to 170

Change during 2019:
▲ Increasing ▼ Decreasing ◄► No change

7. Tax and regulatory

Residual risk assessment: **Medium/High**

Impact ◄► Probability ◄►

Link to strategy

Risk

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

Mitigating factors/actions

- Maintenance of our low-risk tax status
- Regular meetings with key officials, including from HMRC and government
- Regular tax compliance reviews and audits
- Advance planning for future regulatory and tax changes
- Participation in policy consultations and in industry-led dialogue with policy makers through bodies such as REVO, BPF, EPRA.
- GDPR review undertaken in 2019 to assess latest best practice
- Brexit assessment undertaken and monitoring of future relationship terms ongoing

Change during 2019 and outlook

We believe the Group is appropriately structured to mitigate the impact of future tax changes, and we continue to review all new legislation. However, the continued uncertainty over future regulatory and tax matters associated with Brexit heightens the Group's residual risk.

Real estate continues to be seen as a source of additional tax revenues. In 2019, the value of the Group's Irish portfolio suffered a £15 million valuation reduction following an increase in stamp duty from 6% to 7.5% in the 2020 Budget. In 2020, there have been calls for further increases in Irish stamp duty, and the recent indecisive Irish election result has created additional uncertainty over Ireland's future tax strategy.

We support calls for a review of business rates and wider real estate taxation to ensure that taxation is fair.

MORE

See note 9 to the financials statements on page 153

8. Catastrophic event

Residual risk assessment: **Medium/High**

Impact ◄► Probability ◄►

Link to strategy

Risk

- Our operations, customer safety, reputation or financial performance could be significantly affected by a major event such as a terrorist attack, flood, power shortage, civil unrest or pandemic disease
- The wider use of digital technology across the Group increases the risks associated with cyber security. Risks in this area are continually evolving and internal teams must design, implement and monitor best practice controls to protect the Group from a cyber attack

Mitigating factors/actions

- Continuity plans at both corporate and individual property levels
- Core crisis group for dealing with major incidents
- Physical security measures implemented and regularly reviewed
- Dialogue with security agencies to assess threat levels and best practice
- Mock role play incidents to test internal processes and plans
- Flood defences in place and regularly reviewed (see Climate risk)
- Insurance cover for terrorism and property damage
- Third party support and regular testing for IT security
- Internal communications and training to enhance cyber security awareness
- Internal audits undertaken in 2019 for business continuity and cyber security
- 2020 coronavirus contingency planning underway with enhanced operational regime already implemented and communicated

Change during 2019 and outlook

Whilst there were fewer incidents in 2019, the threat of terrorism at public venues remains high. Whilst the UK threat level has been reduced to substantial, the recent outbreak of coronavirus in China (see page 59) means that the residual risk assessment is unchanged.

We regularly review our processes and procedures to counter the threat of a major incident. Examples include Core Crisis Group and onsite operational mock incident drills (see page 45). We have also recently implemented plans to counter the coronavirus threat from both an operational and corporate perspective, including enhanced business continuity plans.

The two internal audit reviews undertaken in 2019, whilst providing assurance over existing processes, have made a number of improvement recommendations. These recommendations will be addressed in 2020 and will reduce the Group's residual risk assessment.

MORE

See Health, safety and security on page 45

9. People

Residual risk assessment: **Low/Medium**

Impact ▼ Probability ▼

Link to strategy

Risk

- The Group has a relatively small headcount which could hinder the achievement of strategic objectives, particularly in times of significant activity
- A failure to recruit and retain key management and other employees with appropriate skills could adversely impact performance
- Market uncertainty adversely impacts employee morale, retention and external recruitment

Mitigating factors/actions

- Annual Business Plan includes human resources plan covering team structures, training and talent management initiatives
- Succession planning undertaken across the senior management team and direct reports
- Board approval required for significant people-related changes
- Annual employee appraisal process
- Training and development supported and embedded within new Learning Management System
- Employee turnover and engagement monitored
- Annual 'Great Place to Work' survey to record engagement and capture colleague feedback
- Internal diversity and inclusion programme increases awareness and fosters engagement
- Group Employee Forum established to enable formal Board engagement

Change during 2019 and outlook

People are a key factor in the Group's performance. We continue to encourage and support their training and development. During the year, voluntary employee turnover across the Group has reduced to 10.1% (2018: 13.4%).

Additional employee engagement has been undertaken during the year, including senior management strategy sessions across the whole portfolio and a colleague conference in Birmingham. Feedback has been positive and is further evidenced by an improved engagement score across the Group in the recent 'Great Places to Work' survey.

MORE

See Our people on page 42

10. Climate

Residual risk assessment: **Low**

Impact ▲ Probability ▲

Link to strategy

Risk

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

Mitigating factors/actions

- Experienced sustainability team designs and implements our environmental and corporate responsibility strategy in collaboration with the wider business
- Management committees monitor key sustainability metrics, including progress towards our Net Positive targets
- Detailed climate risk framework maintained
- Electricity sourced using green energy contracts
- Core crisis group for dealing with major incidents
- Annual Board review of sustainability performance and strategy
- External assurance of environmental reporting
- Increasing engagement with investors on ESG
- Assessment by external benchmarks such as GRESB and MSCI

Change during 2019 and outlook

2019 has seen a significant increase in awareness of climate-related issues, with an increased number of national and local policies being implemented to address carbon emissions and air quality issues. Combined with the increasing frequency of extreme weather events, we have identified that both our transition and physical climate risks are rising.

We have a long track record of focusing on sustainability matters and have a comprehensive strategy to address climate change risks. Our physical risk review provides asset-level management information. This informs local planning and helps mitigate potential financial impacts, for example from the introduction of clean air zones. However, new policies often provide opportunities; for example our investment in electric vehicle charging and the potential to utilise our city centre locations to facilitate clean last mile deliveries.

We will address longer term transitional risks through climate risk scenario work. This will be initiated in 2020 and inform wider business strategy. Climate risks also have implications for our City Quarters concept. However, our Net Positive commitment positions us well to match the rapidly changing expectations of stakeholders and wider society.

The Group remains committed to becoming Net Positive. Achieving these highly ambitious objectives requires collaboration with our stakeholders and work has already began in a number of key areas.

MORE

See Sustainability review on pages 34 to 41 and www.sustainability.hammerson.com

Viability statement

The Directors have considered the future viability of the Group, taking into account its current position, strategy, risk assessment and future prospects. The Group's strategy and business model are explained on pages 6 to 16. These are designed in response to the dynamic market trends in which the Group operates, as explained on page 14, to create long term value for our stakeholders, as explained on page 8.

Assessment of prospects

The Group's current strategy was announced in July 2018. It is subject to regular Board review, including at the 2019 Strategy Day. Feedback is also sought from the Company's brokers, financial advisors, shareholders and other key stakeholders.

The Strategy Day reviewed the near term strategic priorities of strengthening the balance sheet, repurposing space, and longer term objectives concerning the future role of physical retail and the Group's City Quarters opportunities.

The strategy also formed the basis of the 2020 Business Plan (the Plan) which considered the recent and future performance of each of the Group's property sectors. It included macroeconomic and property market projections from a number of external commentators, including Bain & Company, Bank of England, Cushman & Wakefield, Oxford Economics and PMA. The Plan contained income and balance sheet projections, funding plans and portfolio strategies, including asset management, investment, disposals and capital expenditure plans. The Plan also included a number of alternative scenarios and stress tests. These enabled the Board to understand the impact on performance of different assumptions and the Group's resilience to external shocks.

Five-year projections were compiled on a property-by-property basis using the latest leasing data and the key base case assumptions included:

- A managed exit for the UK from the EU
- Forecast economic conditions, including broadly stable GDP growth and future interest and foreign exchange rates in the UK and EU
- Continued challenges in the retail property market, including further tenant restructuring in the UK and outward yield shift broadly in line with PMA projections for the Group's flagship destinations
- Further disposals to reduce debt levels
- Financial markets remaining available to the Group to refinance maturing facilities and bonds over the Plan period

In addition to the business planning process, the Board also considers the long term prospects of the Group when approving significant transactions, including disposals, expenditure commitments and financing proposals.

The Board also receives twice-yearly updates on the Group's development opportunities, including progress with our City Quarters concept. A number of these projects have forecast completion dates outside of the five-year business planning period.

Assessment of period

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

- The Group's annual Business Plan covers a five-year period
- The Group has a stable, diverse, secure income stream with the majority of leases containing five-year, upward only, rent reviews with an average unexpired lease term of 4.9 years at 31 December 2019
- The Group has diverse sources of funding with an average maturity of 4.7 years, with the next debt maturity in June 2021

Assessment of viability

The Plan was assessed against a number of scenarios which involved modelling changes in property values, rental income and disposal and reinvestment assumptions. These were assessed against a range of potential outcomes and historical evidence. These factors are also consistent with adverse changes to the Group's principal risks which are most likely to impact the near term viability of the Group being: Macroeconomic, Retail market, Property investment and Treasury risks.

The assumptions adopted in the Group's 'downside' scenario included no future disposals from the end of 2019, a 5% additional reduction in Group net rental income, aggressive valuation reductions equivalent to a capital return of -20% in 2021 and reduced capital expenditure plans.

This 'downside' scenario resulted in significantly weaker financial performance, forecast gearing in excess of 100% and a breach of the unencumbered asset covenant in the private placement senior notes. However, the Board believe that the probability of extreme downside factors occurring simultaneously was low and had confidence that there were multiple, realistic mitigation actions available to avoid this downside outcome. Key mitigations include raising proceeds from additional disposals, flexibility over future expenditure plans and the ability to either raise finance or utilise the Group's existing liquidity to prepay the private placement senior notes to avoid a covenant breach.

In addition, absolute stress tests were undertaken on the Plan to understand how far values and rental income would have to decline to breach the Group's other borrowing covenants. The results of the calculations for the 2019 year end position reflecting the sale of eight retail parks announced in February 2020 are disclosed in the Financial review on page 57, and the Board were satisfied that the Group has sufficient balance sheet strength to support its viability assessment.

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

Conclusion

Based on the assessment of the prospects and viability of the Group, the Directors have concluded that they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over a five-year period to 31 December 2024.

This five-year period is unchanged from the period adopted for the 2018 Viability statement.

Going Concern statement

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

Based on this review, the Directors are able to conclude that they have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for at least the next 12 months, and continue to adopt the going concern basis in preparing the financial statements for the year ended 31 December 2019.

2019 Strategic Report

Pages 1 to 65 of this Annual Report constitute the Strategic Report which was approved and signed on behalf of the Board on 25 February 2020.

David Atkins
Director

James Lenton
Director

Overseeing the strategy

Strengthening the balance sheet and building the right team to drive our strategy forward

Dear Shareholders

I am pleased to present the Corporate Governance report for 2019. This year for the first time, the Company is reporting against the principles of the new UK Corporate Governance Code 2018 (the Code) which was published in July 2018 by the Financial Reporting Council. The purpose of the Code is to require companies to be transparent and to promote the highest ethical standards for UK listed businesses. We have decided to explain the Company's compliance with the Code by reporting against each of the five main sections of the Code: Board Leadership and Company Purpose; Division of Responsibilities; Composition, Succession and Evaluation; Audit, Risk and Internal Control; and Remuneration. The Company has complied in full with the provisions of the Code during 2019.

Against the background of the continued challenging retail market, particularly in the UK, the Board has concentrated on delivering our strategy and strengthening the balance sheet. More information on our strategy is set out on pages 16 and 17. The Investment and Disposal Committee was set up early in the year to oversee the Board's acquisition and disposal programme in a difficult investment market. The Committee's first report is set out on page 73.

Board and senior management changes

To help position the Company for the future, the Board has appointed three new Non-Executive Directors during the year. The recruitment process is explained in more detail in the report of the Nomination Committee on page 80.

As stated in the 2018 Annual Report, Carol Welch joined the Board as a Non-Executive Director on 1 March 2019 and we intended to appoint two further Non-Executive Directors to the Board during the year. I am delighted, therefore, that Adam Metz and Méka Brunel joined on 22 July 2019 and 1 December 2019, respectively.

Adam Metz has comprehensive experience in the retail and commercial real estate sector serving in executive and non-executive positions with major US companies with assets in the US, Europe and Asia.

Méka Brunel is the chief executive of Gecina, which owns a substantial portfolio of French office and residential assets. She has had a long career in the European real estate sector, focusing on commercial and residential assets.

As the Group holds nearly half of its portfolio outside of the UK and looks to progress its City Quarters concept, Adam and Méka's broad sectoral and international real estate experience will be valuable as the Board seeks to deliver the strategy and take advantage of new opportunities in the wider real estate market.

Judy Gibbons will not be seeking re-election at the 2020 AGM, having served nine years as a Non-Executive Director. Throughout her tenure, Judy has made a valuable contribution to the Board and we would like to thank her and wish her every success in the future.

In May, we announced that Timon Drakesmith, the Chief Financial Officer and Managing Director, Premium outlets, had decided to resign from the Company after eight years. He resigned as an Executive Director on 1 October 2019 and left the Company in November, having completed a handover to his successor as Chief Financial Officer, James Lenton. I would like to thank Timon for the very significant contribution that he has made to the Board and to the wider Group.

James Lenton joined the Board on 16 September 2019 as an Executive Director and was appointed as Chief Financial Officer on 1 October 2019. James was previously chief financial officer and a board member of AIG's European Group.

Simon Travis, a member of the Group Executive Committee, has taken on responsibility for Premium outlets and is now Group Investment Director and Managing Director, Premium outlets.

After 10 years with the Company, Sarah Booth is retiring as General Counsel and Company Secretary at the end of April 2020. I would like to thank Sarah for her significant contribution to the Board and the Group and wish her well in the future.

Alice Darwall will be joining as our new General Counsel and Company Secretary on 2 March 2020. Following a handover, Alice will be formally appointed as Company Secretary and take her position on the Group Executive Committee on 30 March 2020.

Board effectiveness review

This year's Board effectiveness review was undertaken by an external consultant. I am pleased to confirm that the Board continues to work effectively and has the right skills and experience to support the Group. More details about the review and the main findings of the review are set out on page 84.

Hammerson plc Board of Directors

Awards

I am very pleased that the Company won the Institute of Chartered Secretaries and Administrators (ICSA) award for the best Annual Report of the year in the FTSE 250 category for our 2018 Annual Report. The annual ICSA awards recognise excellence in governance and reporting. Winning the award for a second year in a row is a testament to the hard work of the team in preparing high-quality and detailed shareholder reports that provide clear and detailed explanation, in particular, of our governance and risk management processes.

Advisors

The Board undertook a tender of the Group's valuation instruction during 2019. Further explanation of the tender process and the outcome can be found in Property portfolio review on page 46.

Stakeholder views

Engagement with our stakeholders remains an important task for the Group and assists us in understanding their views. Our stakeholders' views are a key consideration for the Board when making business decisions. More information on how the Board considers stakeholders is on pages 74 to 75, and details of engagement with shareholders are on page 76 and with colleagues on page 77.

Committed colleagues

Despite the challenges of the past year, my fellow Directors, management and colleagues have remained focused and positive. I would like to pay tribute to their continued drive and enthusiasm as we strive to face the complexities of our sector in 2020 and beyond.

David Tyler
Chair of the Board

Summary of the Corporate Governance Report

UK Corporate Governance Code

The Company has complied in full during 2019 with the provisions of the UK Corporate Governance Code 2018. The Code is available on the website of the Financial Reporting Council at www.frc.org.uk.

Board of Directors

David Tyler

N R

Chair of the Board

Appointed to the Board
12 January 2013 and appointed as Chair on 9 May 2013

Relevant skills and experience
David Tyler is an experienced chairman having served in this role at a number of listed companies, including J Sainsbury plc and Logica plc. His 45 years' experience in executive and non-executive roles spans the consumer, retail, business services and financial services sectors. David also brings extensive financial knowledge to the Board, as he is a Fellow of the Chartered Institute of Management Accountants and a member of the Association of Corporate Treasurers, and has held senior financial roles during his career. David places high importance on regular, constructive engagement with shareholders and on building relationships with his Hammerson colleagues. As Chair, he fosters high-quality and robust debate by coordinating the diverse knowledge and perspectives on the Board. He is committed to effective governance, and has served on the Investment Association's Executive Remuneration Working Group and as co-chair of the Parker Review Committee on ethnic diversity. David is also one of the four founding chairmen of Chapter Zero, a group enhancing the knowledge of non-executive directors on climate change and how to respond effectively to it.

External Appointments
David is the chairman of Domestic & General Ltd and of Hampstead Theatre.

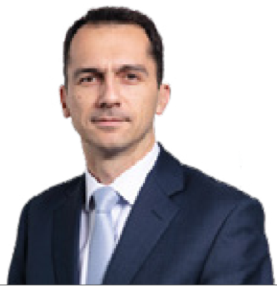
David Atkins

Chief Executive

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

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

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



James Lenton

Chief Financial Officer

Appointed to the Board
16 September 2019 and appointed as Chief Financial Officer on 1 October 2019

Relevant skills and experience
James Lenton is a Chartered Accountant with extensive experience in financing, capital allocation and business transformation, gained through senior roles at global financial and professional services organisations. From 2014 to 2018 James was CFO and a board member of AIG's European Group, where he delivered new profitability and financing strategies, and which he originally joined in 2013 as deputy CFO for EMEA. Prior to AIG, James worked at EY (formerly Ernst & Young). In 2006 he was appointed Partner, providing a range of assurance and advisory services including M&A, financing and external audit. From 2011 he was responsible for developing a new global strategy for the Insurance Assurance practice. James therefore brings to the Board a fresh perspective, as well as his significant success in working with and managing complex organisations which are experiencing periods of substantial change. In addition to leading the finance team at Hammerson, James is responsible for health and safety and IT.

Key to Committee membership

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

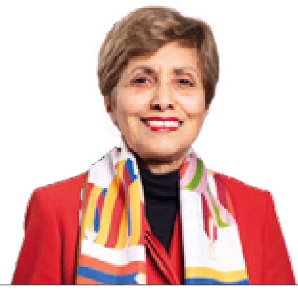
Pierre Bouchut
A I N

Non-Executive Director

Appointed to the Board
13 February 2015

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

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



Méka Brunel
I N

Non-Executive Director

Appointed to the Board
1 December 2019

Relevant skills and experience
Méka Brunel has extensive experience in the European real estate sector which, together with her knowledge and skills in property outside of retail, strengthens the Board's expertise. Méka first joined Gecina, the Euronext listed REIT with French office and residential assets, as executive director of strategic development in 2003. She was then appointed chief executive of Eurosic, the office REIT, in 2006 and became the European President of Ivanhoé Cambridge Inc in 2009. Méka returned to Gecina in 2014, joining as a non-executive director before being appointed its chief executive officer in 2017. She is a civil engineer, holds an MBA from the HEC Paris School of Management and is a fellow of RICS. Méka has previously served as a non-executive director of Crédit Foncier de France, the chair of France Green Building Council and vice-chairman of EPRA.

External appointments
Méka is the chief executive officer of Gecina and chair of the development board of the Métropole du Grand Paris.

Gwyn Burr
A N R

Non-Executive Director and Senior Independent Director

Appointed to the Board
21 May 2012 and appointed as Senior Independent Director on 25 January 2019

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

External appointments
Gwyn is a non-executive director of Just Eat Takeaway.com N.V., Metro AG and Taylor Wimpey plc. She is also a member of the board of an unlisted company, Ingleby Farms and Forests ApS.

Key to Committee membership

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

Andrew Formica
A I N

Non-Executive Director

Appointed to the Board
26 November 2015

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

External appointments
Andrew is the chief executive officer and a director of Jupiter Fund Management plc and a member of the Investment Association board.

Judy Gibbons
A N R

Non-Executive Director

Appointed to the Board
1 May 2011

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

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

Adam Metz
I N

Non-Executive Director

Appointed to the Board
22 July 2019

Relevant skills and experience
Adam Metz has built a very successful career in the US over 30 years and brings to the Board wide-ranging experience in retail and commercial real estate, as both an executive and non-executive director. He served as CEO of General Growth Properties and President of Urban Shopping Centres, Inc., two US REITs focused on the retail sector. He also has extensive investment experience gained at Blackstone Group, TPG Capital and most recently the Carlyle Group. At the Carlyle Group, he was a Managing Director and Head of International Real Estate and also served on Carlyle's Management Committee until 2018. Adam has considerable board experience, previously serving on the Boards of Forest City Realty, Parkway Properties and AMLI Realty in the US and Aliansce, a public company focused on shopping malls in Brazil. His comprehensive experience in real estate investment and strategy in the US, Europe and Asia, through listed companies and private equity, enables him to make a valuable contribution to our Board.

External appointments
Adam is a director of the Morgan Stanley Middle Market Lending Fund.

Carol Welch
N R

Non-Executive Director

Appointed to the Board
1 March 2019

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

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

Purpose and Strategy

Purpose

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

MORE **For more information see our strategy on pages 16 to 17**

Delivering the strategy

The Board is committed to the delivery of a clear strategy, underpinned by the three pillars of capital efficiency, an optimised portfolio and operational excellence. The focus has been to reduce debt below £3bn, primarily by progressing the disposal programme. The Board set a 2019 target of £500 million of disposals. In fact, £975 million have been delivered since the beginning of 2019, including the sale of retail parks announced in February 2020, amounting to £455 million.

Board visits

To support the development and delivery of the Group's strategy, the Board undertook visits to Dublin and Birmingham during the year. These visits serve an important purpose for the Board to provide an opportunity for the Directors to meet local teams, see the operations on the ground and have presentations on current actions and future plans. In addition, the Board sees culture and values in action in the daily activities of colleagues on the ground.


Dundrum Town Centre, Dublin

The Bullring Estate, Birmingham

In June the Board visited Dundrum Town Centre in Dublin, Ireland's pre-eminent retail destination. The day included meetings with centre management, discussions on key issues impacting the asset and a tour of Dundrum Town Centre. During lunch the Board discussed the business and talked informally to the local teams and heard their views and concerns on key issues impacting the business. The asset management team gave a presentation to the Board including an overview of financial performance, progress on new lettings and key initiatives for developing the destination.

The Directors toured the Dublin Central site, next to The Ilac Centre to understand the proposals to redevelop this historic area of Dublin.

In October the Board visited The Bullring Estate, Birmingham. The Directors toured this flagship destination, which has an annual footfall of approximately 39 million people. The senior management team and local colleagues joined the Board to explain the current and future plans. The Board then had the opportunity to hold informal discussions over lunch with the local team. Additionally, the Directors visited Martineau Galleries, a City Quarters project, which you can read more about on page 32.

Annual Strategy Day

Whilst in Birmingham in October, the Board met for its annual strategy review. This year, the discussions concentrated on the three pillars of the strategy, including capital efficiency, alternative income streams and the future of rents in flagship destinations, City Quarters, and continuing the Group's leadership on sustainability.

In preparation for the day the Board received a background reading pack which included the following information:

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

The Strategy Day started with a presentation on the economic, political and retail environment.

The Group Executive Committee (GEC) and some other members of the senior management team joined the Board for part of the day to contribute to the discussions on a number of strategic options. The Board then received a presentation from its advisors on the market context for strategic options, investor feedback and strategic considerations. Following the Strategy Day, the conclusions were considered further by the GEC and refined for incorporation into the Business Plan. The Business Plan was presented to and approved by the Board in December 2019, and forms the basis for setting objectives and bonus targets for 2020.

Overseeing delivery of the strategy of the Group will remain central to the Board's activities during the coming year. The Directors will continue to evaluate and review the strategy in light of market developments and the views of stakeholders.

Investment and Disposal Committee Report

Actively progressing disposals to build balance sheet strength and give the business the flexibility to explore opportunities in the market

Investment and Disposal Committee members

Andrew Formica (Chair)
Pierre Bouchut
Méka Brunel
Adam Metz

Dear Shareholders

I am pleased to present the first report of the Committee. It was established by the Board in February 2019 to provide assistance in fulfilling its responsibilities to oversee the acquisition and disposal programme, to recommend to the Board any acquisition or disposal above £50 million and to direct the allocation of capital in the Group. The Committee assists the Board in meeting its obligations to set and deliver the Group's strategy. The Committee's terms of reference can be found on www.hammerson.com.

Investment and Disposal Committee members

The members of the Committee are all Non-Executive Directors, each bringing significant experience in the development of strategy, the review and execution of acquisition and disposal programmes and the analysis of proposals presented by the Executive Directors and the senior management team.

Investment and Disposal Committee meetings

The terms of reference require that the Committee shall meet at least six times each year. In 2019, the Committee met five times as the meetings did not commence until April. I confirm that the Committee will have a minimum of six meetings per annum from 2020 onwards. The agenda for each meeting reflects the status of investment and disposal projects under consideration by management. In addition to the members of the Committee, the Chair of the Board, the Chief Executive, the Chief Financial Officer and other Non-Executive Directors are invited to attend meetings when appropriate, together with members of the senior management team.

The Committee considers progress by reviewing written reports and also receives updates from management on the investment market. It discusses proposals for acquisitions and disposals and agrees any targets for inclusion in the Business Plan. Any recommendations to proceed with specific projects valued over £50 million are then made to the Board for final approval. A verbal update on the Committee's meetings are given at the next meeting of the Board.

Key areas of focus in 2019

During the year, the Committee concentrated on delivering the disposal target of £500 million. It oversaw the negotiations with AXA Investment Managers – Real Estate (AXA) for the sale of a 75% interest in Italie Deux, Paris 13ème and the forward sale of 75% of the Italik extension for a total of €473 million, which was agreed in July. In addition, the Committee oversaw the progress on exiting all of the Group's interests in the UK retail parks. In 2019, we announced that Abbotsinch Retail Park, Paisley, was sold for £67 million and St Oswald's Retail Park, Gloucester, was sold for £54 million. In February 2020, we announced the disposal of a portfolio of retail parks, and the sale of Abbey Retail Park, Belfast, and Parc Tawe Retail Park, Swansea. This has meant total disposals since the beginning of 2019 have totalled £975 million.

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

Andrew Formica
Chair of the Investment and Disposal Committee

Sale of 75% of Italie Deux, Paris 13ème

During the year, the Investment and Disposal Committee oversaw the negotiations with AXA for the sale of 75% of Italie Deux, Paris 13ème. The Committee reviewed the contemplated structure of the transaction which involved the payment of cash consideration by AXA and the formation of a new associate structure, of which 25% would be held by the Group. The impact of the transaction on the value of the Group's property portfolio was reviewed, following advice from the valuers. The Committee also discussed the tax implications of the deal.

The Committee reviewed the status of the Italik extension for the purposes of how to include it in the transaction. It considered the implications of delaying the completion of the sale of 75% of the asset to AXA, 18 months after the development work is finished.

Engagement with stakeholders

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

In order to comply with Section 172 of the Companies Act, the Board is required to take into consideration the interests of stakeholders and include a statement setting out the way in which Directors have discharged this duty during the year. The Group's stakeholders are identified on page 7 of the Strategic Report and the statement of compliance with Section 172 is set out on page 9.

Consideration of stakeholders' views

The Board has determined that the Group's stakeholders are:

- Shareholders
- Brands
- Consumers
- Partners
- Communities
- Our people

The Board seeks to understand the needs and the key areas of interest of each stakeholder group and consider them during deliberations and as part of the decision making process. It reviews the long term consequences of decisions on each stakeholder group by ensuring the Group builds and nurtures strong working relationships with our shareholders, tenants, suppliers, joint venture partners, capital providers, consumers, the wider community and government agencies which are important to the success of the Group. It does this by overseeing the work undertaken by management to maintain and seek to enhance these relationships. The Board receives detailed reports and when relevant these include assessments of the impact of a proposal or project on stakeholders, and if required, the Directors receive appropriate input from the senior management team.

The Board is responsible for ensuring that an effective policy of engagement is undertaken within the business. The Board engages with our stakeholders on a regular basis. More information on the wider Group engagement with stakeholders can be found on pages 8 to 9.

Board engagement with stakeholders in 2019

Shareholders

A key activity during the year for the Board is investor relations. The Directors consider the views of shareholders as part of its decision making process and has discussions with them on a range of issues including strategy, governance, ESG and remuneration. A report on engagement with shareholders during 2019 is set out on page 75.

Brands

The Group's relationship with its retailers, F&B and leisure tenants and direct-to-consumer brands are important to its long term success. The Board receives reports from the senior management team on the performance of brands, which are discussed at its meetings. During 2019, the Directors were particularly focused on the impact of the administrations and CVAs of certain brands, occupational plans and the management of the assets.

Consumers

In line with the strategy of enhancing destinations to meet the needs of a wide range of consumers who visit them, the Directors have had regular reports on consumer behaviours and associated needs. It received a presentation on new technologies which would be available to assist in counting footfall and dwell times of visitors to our destinations, without impacting the privacy of consumers. This provides useful insights into emerging trends at a local and national level and will inform investment decisions and identify future revenue drivers.

Partners

The Group's relationships with its partners provides alternative sources of capital and expertise. The Board oversees the management of partnerships and relationships including Value Retail and VIA Outlets. In 2019, the Board received a report on and discussed with our senior management team, the views of current partners on the geography and asset classes in which they had invested.

Communities

Our destinations make an important social and economic contribution within their communities. The Board manages the business to ensure the strong links that we have developed with local stakeholders are maintained to boost the local economy, generate employment and business opportunities and encourage additional inward investment. The Directors received a report of the progress against our Net Positive socio-economic targets as part of the Group's sustainability strategy. The Board has been updated on engagement with local and national government bodies on future development plans. The Group's Charity Committee considers donations to charities, including local charities, complementing our sustainability goals. Read more on our work with local communities in the Sustainability review on page 34.

Our people

The Board recognises that the Group's culture and values support the delivery of its strategy, especially during challenging times. There is a programme of regular engagement with colleagues during the year. The Board also met colleagues as part of its visits to Dublin and Birmingham and had discussions with colleagues at the Strategy Day in October. Our newly appointed Non-Executive Directors also met with a wide range of colleagues, both in London and at flagship destinations across the Group, as part of the induction programme. More details on the engagement with colleagues can be found on pages 43 and 77, including information on the new Group Employee Forum.

Computer generated image of future expected scheme

Case Study – Extension of Les 3 Fontaines, Cergy

Summary

In June 2019, the Board was asked to consider a revised strategy for the extension of Les 3 Fontaines, Cergy in north west Paris. The project had been originally approved in late 2017. The retail market has undergone significant changes since then, including a shift in consumer behaviour with less demand for retail MSUs and a trend towards experiential including leisure and F&B offerings. The local management team therefore proposed changes to the project and its design to create areas in the scheme for leisure and events and high-quality F&B tenants. Furthermore, the Board wished to reconsider the design of the extension to reflect the rapid changes to consumer behaviour which were already impacting the UK market. A food hall was added to the mix and further improvements to the car parks and public transport access were proposed. The changes to the project were recommended in order to attract consumers from a wider catchment area, and to ensure the continued relevance and commercial success of this flagship destination.
A detailed paper was presented to the Board setting out the impact of the project on the affected stakeholders and after debate, the proposal was approved.

Background

In 2017, the Board had approved the extension of Les 3 Fontaines, Cergy with the aim of increasing the number of visitors to the scheme. This would be achieved by enhancing the destination status of the location, broadening the catchment area to attract customers who were currently not visiting the centre and increasing the frequency of trips by the existing customer base.

Market changes

Since 2017, the retail market in France has experienced a shift away from the standard high street fashion brands. There was a lack of newer and more innovative retailers, and F&B and leisure provision in the original scheme. This would be a barrier to attracting more consumers from a wider catchment area. In addition, the design of the car park would be reviewed to improve access and lighting, and to meet growing consumer expectations, alongside better public transport links to meet enhanced demand.

Stakeholder concerns

Following discussions with target retailers by the local management team, it was evident that the configuration of the extension needed to be reconsidered to deal with changing market trends, the expectations of consumers and to better serve the local community. It was proposed that the extension would include the following changes:

- A 5,000m^2 area of the extension devoted to events encompassing attractive open green spaces, provision for food market events, sport facilities, urban farming and a play area for children
- An external terrace for informal socialising to include a 2,600m^2 area for leisure and an enhanced F&B offering
- An internal 1,600m^2 food hall with capacity for new and upcoming F&B retailers and local producers with a mix of eat in/takeaway offers tailored to the regular customers and local catchment area
- Enhancing the retail offer to include aspirational brands to attract more consumers from a wider catchment area
- Improving access to the car parks, including signage from the main highway, and providing hubs for public transport links

The role of the Board

The Board was given a detailed briefing on the proposed changes and considered the impact on the stakeholder groups in light of evolving market trends and the more difficult trading environment for retailers. The Board considered the need to ensure the extension met local demands for community spaces, as well as providing brands with the right type and configuration of space. It also recognised that long term commercial success would be safeguarded by the adaptations to the plans, although it would increase costs in the short term. Finally, the Board considered the environmental impact of the extension on the surrounding area, before approving the proposal.

Shareholder Relations

Approach to engagement with shareholders

The Board is committed to maintaining an open dialogue with current and potential shareholders. The Company therefore undertakes a comprehensive programme of engagement including regular meetings, participation in industry conferences, and asset tours. In a typical year, the programme is focused on meetings led by Executive Directors, members of the senior management team and the Head of Investor Relations to discuss, amongst other things, strategy, the business model, the property portfolio, operational performance, market trends, financial and balance sheet strength and governance. Moreover, these interactions afford an opportunity to collect feedback from institutional investors which is then communicated to the Board. These meetings are undertaken by the Executive Directors and senior management and are supplemented by meetings hosted by the Chair of the Board, the Senior Independent Director and General Counsel and Company Secretary to discuss governance and remuneration matters. The Head of Sustainability and the investor relations team also engage with shareholders on the Group's Net Positive strategy.

In 2019, the majority of the meetings were led by the Chief Executive. The Chief Financial Officer joined these meetings and also held his own meetings. The Chair of the Board hosted a number of meetings with larger shareholders, including being joined by the Senior Independent Director as required.

There were also meetings and asset tours with institutional investors led by members of the senior management team.

The investor relations team supported the Directors and senior management team at the vast majority of the meetings.

Slightly more than half of these meetings occurred in the UK, predominantly during investor roadshows and at conferences in London and Edinburgh. There were also visits by investors to Brent Cross, London, Bicester Village, UK, The Oracle, Reading, The Goodsyard, London and Croydon Town Centre, South London.

There were also meetings in South Africa on investor roadshows to Johannesburg and Cape Town in March and August, and participation in the HSBC Conference in Cape Town in December. Meetings were held in Europe as part of investor roadshows to Paris in February and Amsterdam in March, September and November; asset visits to Dundrum Town Centre, Dublin in April and Freeport Lisboa Fashion Outlet, Lisbon in June; and attendance at the Kempen conference in Amsterdam and HSBC conference in Frankfurt in May.

There were meetings held in North America as part of investor roadshows to Boston, Chicago, New York and Toronto in September, and participation in the Citi conference in Miami in March, the Bank of America Merrill Lynch conference in New York in September and the Goodbody conference in Boston in November.

Shareholder consultation

Between October 2019 and January 2020, the Chair of the Remuneration Committee conducted a consultation with shareholders on the proposed remuneration policy for the Executive Directors. A number of calls were held with institutional investors to discuss the proposals for the new policy. The Remuneration Policy will be presented to shareholders at the 2020 AGM.

MORE **For further insight see pages 93 to 104**

Corporate website

The Group's website has a dedicated investor section which includes our annual reports, results presentations (which are given to analysts and investors at the time of the full year and half year results), regulatory announcements.

Annual report

Our Annual Report is available to all shareholders on the Company's website. Shareholders can opt to receive a hard copy by post from the Registrar.

Statement on AGM 2019 votes against

At the Company's Annual General Meeting (AGM) held on 30 April 2019, 20 per cent or more of votes were cast against resolutions 2 and 14. In the announcement released immediately following the AGM, the Board outlined the actions that it intended to take to understand and address shareholder concerns and an update is provided below.

Although resolution 2 (the Remuneration Report) was passed with the necessary majority, 29.7% of the votes received were against. Since the AGM, the Remuneration Committee has carried out its regular triennial review of the remuneration structure and quantum, prior to submitting the revised Remuneration Policy to shareholders at the next AGM. A consultation with major shareholders and voting advisory agencies on the proposed Remuneration Policy, designed to address the feedback, has been completed and shareholders will be asked to vote on it at the forthcoming AGM.

Resolution 14 (authority to allot shares) was passed with the necessary majority. However, 30.2% of the votes received were against. This resolution is considered routine for listed companies in the UK and is within the Investment Association's Share Capital Management Guidelines. The Board is aware, however, that certain overseas institutional investors have a policy of not supporting this authority for the Directors to issue shares. Since the AGM, the Company has further engaged with shareholders on this resolution and still considers the flexibility afforded by this authority to be in the best interests of the Company and its shareholders. A resolution seeking authority to allot shares will be put to the forthcoming AGM.

Culture

Values

Reinforced through the launch of #HammersonLife, the Board receives relevant updates on how the application of the Group's culture and values are embedded for colleagues and the Group's wider stakeholders. The results of the annual "Great Place to Work" colleague survey are presented to the Board and the findings considered. The clearly defined values of ambition, respect, collaboration and responsibility are embedded in the business. New joiners receive a detailed induction programme where the values are explained and they are reinforced through the internal communications programme, community engagement projects and the commitment to the Net Positive strategy.

MORE
For more information see Sustainability review on pages 34 to 41 and Our people on pages 42 to 44

Code of Conduct

The Group is committed to fully complying with all laws and regulations and has high standards of governance and compliance. The Code of Conduct has been prepared to help colleagues and Directors to fulfil their personal responsibilities to investors and stakeholders. The Code of Conduct covers the following areas:

- Compliance and accountability
- The required standards of personal behaviour
- The Group's dealings with stakeholders
- Measures to prevent fraud, bribery and corruption
- Share dealing
- Security of information

The colleague induction programme includes compulsory modules on anti-bribery, modern slavery, sustainability, confidential and inside information, data protection and expenses which are delivered in the UK via the Group's online Learning Management System.

Anti-bribery, anti-fraud and whistleblowing

The Directors remain committed to zero tolerance of bribery and corruption by colleagues and the Group's suppliers.

The Audit Committee reviewed the Company's procedures, policies, systems and controls for detecting and preventing fraud.

The Board received the annual Whistleblowing Report and reviewed the arrangements in place for individuals to raise concerns and the mechanism for the investigation of such matters. During 2019 no concerns were raised using that facility and no other issues were raised that have been treated as whistleblowing.

Modern Slavery

The Group's Modern Slavery and Human Trafficking Statement is submitted to the Board for approval. The statement is published on the Company's website.

Conflicts of interests

The Board has a well established and detailed process for the management of conflicts of interests. On appointment, a Director is required to disclose any conflicts to the General Counsel and Company Secretary. At each scheduled meeting of the Board, a governance report is reviewed, containing details of conflicts of interests for each Director noting any changes. As part of the year end reporting, each Director confirms all conflicts of interests to the General Counsel and Company Secretary.

Dialogue with Directors

There is regular dialogue between Directors outside of Board meetings on any important issues that require discussion and resolution. If necessary, any unresolved matters that are raised with the Chair of the Board, the Senior Independent Director and the General Counsel and Company Secretary would be recorded in the minutes of the next Board meeting. We have seven Board meetings a year and also schedule three conference calls between meetings. These calls are held if necessary. The Chair of the Board encourages a culture of frank debate, challenge and discussion at meetings and outside of the formal environment. This helps to ensure that any concerns can be considered and resolved.

Colleague Engagement

Judy Gibbons

Our people are central to the business and its long term success. A Group Employee Forum (the Forum) was established in May 2019 with representatives from across the Group. The Forum enables higher levels of engagement and a two-way dialogue between the Board and colleagues and offers a structured environment for issues to be discussed and feedback to be received. Representatives of the Forum attended a meeting of the Board in December 2019 and gave a full report on its activities over the year and areas of concern to the employees were discussed with the Board. More information on the Forum is set out in the Our People section on page 43.

Judy Gibbons has been the designated Non-Executive Director for colleague engagement during 2019 to provide an additional communication link between colleagues and the Board. Judy attended a meeting of the Forum in July to meet the colleague representatives and discuss the role of the Board in the engagement process. She then updated the Board at its next meeting.

In November and December, Judy attended the Women's Development Programme, a two day training session for senior female colleagues, which was held in London and Paris. She gave a presentation to the participants on her career and answered questions from the audience.

When Judy Gibbons steps down from the Board after the forthcoming AGM, Carol Welch will take her place as the designated Non-Executive Director.

Governance Structure

Role of the Board

The primary duty of the Board is to promote the long term success of the Company through setting a clear purpose and strategy which creates long term value for stakeholders. It aligns the strategy, purpose and values with the Group's culture and sets the strategic direction, governance and values of the Group and has ultimate responsibility for its management, direction and performance. The Board approves major acquisitions, disposals, capital expenditure and financing. The Board oversees the system of internal controls, corporate governance and risk management, including climate risk, and approves the annual Business Plan, and has assigned certain responsibilities to its Audit, Nomination, Remuneration and Investment and Disposal Committees. This is illustrated by the governance structure chart set out in Table 36 on page 79, and on pages 78 and 79 information on the delegated authorities and responsibilities can be found. These are fully documented in the Articles of Association, the Schedule of Matters Reserved for the Board and the Committees' terms of reference, which are all available on the Company's website.

The Chair of the Board and the Chief Executive have separate roles and responsibilities which are clearly defined. The Chair of the Board is responsible for the operation of the Board and the Chief Executive leads and manages the business within the parameters of the authorities delegated by the Directors. When the Chair was appointed to the Board in 2013, he was considered to be independent. The Non-Executive Directors are identified in their biographies on pages 68 to 70 and over half of the Board is considered to be independent, in accordance with the provisions of the Code. Gwyn Burr was appointed as Senior Independent Director in January 2019 and is available to discuss shareholders' concerns on governance and other matters. She can deputise for the Chair of the Board in his absence, act as a sounding board for the Chair and counsel Board colleagues. The Non-Executive Directors hold a meeting without the presence of the Chair of the Board annually to discuss his performance. The General Counsel and Company Secretary, whose appointment or removal is decided by all Directors, provides independent advice to the Board on legal and governance matters.

As part of the selection process for any potential directors, any significant external time commitments are considered before an appointment is agreed. All Directors are required to consult with the Chair of the Board and obtain the approval of the Board, before taking on additional appointments. Executive Directors are not permitted to take on more than one significant appointment as a director of a FTSE 100 company or any other substantial appointment. At present, David Atkins, the Chief Executive, is a non-executive director of Whitbread PLC, a FTSE 100 Company.

Committees of the Board

Audit Committee

The Audit Committee oversees the Group's financial reporting and monitors the independence of internal and external audit. It is responsible for internal controls and monitors risk management including the identification of emerging risks. The Committee oversees the valuation of the property portfolio and is responsible for the relationship with the External Auditor. The Committee's report for the year is set out on pages 85 to 88.

Nomination Committee

The Nomination Committee recommends appointments to the Board and oversees the succession planning of the Directors and the process for succession planning for the senior management team. It ensures that there is an appropriate mix of skills and experience on the Board. The Committee promotes diversity on the Board and in the Group. The Committee's report for the year is set out on pages 80 to 83.

Remuneration Committee

The Remuneration Committee is responsible for establishing a remuneration policy and setting the remuneration for the Chair of the Board, Executive Directors and members of the Group Executive Committee (GEC). It oversees remuneration policies and practices across the Group. The Committee is responsible for the alignment of reward, incentives and culture and approves bonus plans and long term incentive plans for the Executive Directors and members of the GEC. The Committee's report for the year is set out on pages 89 to 92.

Investment and Disposal Committee

The Investment and Disposal Committee which was formed in February 2019, oversees the acquisitions and disposals programme on behalf of the Board. It recommends any acquisitions and disposals above £50 million and is involved in agreeing and settling the plans for investments and disposals, as part of the Group's strategy process. The Committee's report for the year is set out on page 73.

Executive leadership and authorities

The Group Executive Committee (GEC) supports the Board by providing executive management of the Group within the agreed strategy and Business Plan. It manages the operation of the business on a day-to-day basis, sets financial and operational targets and oversees the Group's risk management. It is chaired by the Chief Executive and comprises the senior leadership team. The members of the GEC and their biographies are shown on the Group's website.

The GEC monitors performance of the Group at its formal monthly meetings and receives regular reports on finance, trading and marketing, the property portfolio, human resources, corporate communications, investor relations and risk management, including climate risk. The GEC also receives updates on the performance of Value Retail and VIA Outlets, which are both externally managed. The GEC is supported in turn by a number of other committees which provide regular reports on their proceedings, highlighting any matters of concern.

The GEC also meets most weeks for more informal discussions on key operational matters for the business.

Committees

Group Capital Committee

The Group Capital Committee supports the work of the GEC and is chaired by the Chief Executive. The Committee meets monthly and oversees the Group's disposal progress, identifies new business and development opportunities and monitors strategic partnerships and joint ventures. It recommends new development opportunities and reviews the allocation of capital. In addition, it oversees the process for acquisitions and disposals, and approves those valued between £10 million and £50 million. It considers and recommends acquisitions and disposals above £50 million to the GEC for it to consider and if thought fit, recommend to the Investment and Disposal Committee.

Risk and Controls Committee

The Risk and Controls Committee supports the Audit Committee by promoting the integration of the Risk Management Framework across the Group. It monitors compliance with the Group's internal control systems and manages the internal audit programme.

More information on the Group's approach to risk can be found on pages 58 to 64 and a report of the Committee's activities during the year is set out on page 87 as part of the report of the Audit Committee.

UK and Ireland Management Board

The UK and Ireland Management Board oversees the financial and operational performance of the Group's businesses in the UK and Ireland.

France Management Board

The France Management Board is responsible for the financial and operational performance of the Group's business in France.

Positive Places Corporate Responsibility Board

The Positive Places Corporate Responsibility Board oversees the Net Positive strategy in the business. It monitors the achievement of the Group's sustainability targets and corporate sustainability risk framework. The Positive Places Corporate Responsibility Board identifies and promotes relevant innovation projects and ensures that sustainability is adopted in the Group's business activities.

Group IT Committee

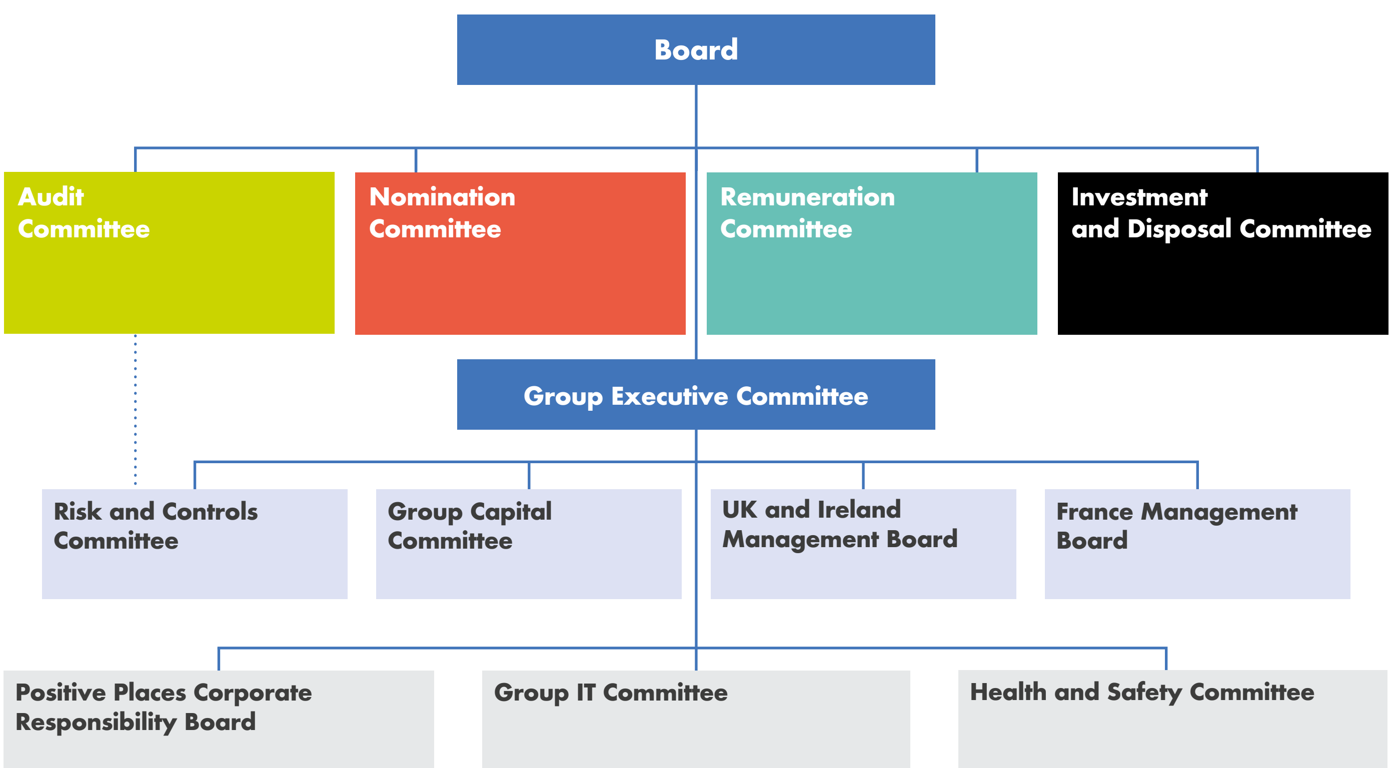
The Group IT Committee is responsible for setting IT strategy and systems in the business and establishes and monitors IT policies. It plans the implementation of projects, monitors risk and oversees cyber security.

Health and Safety Committee

The Health and Safety Committee monitors the management of the Group's health and safety systems and policies. It ensures that the Group is compliant with relevant health and safety regulations and oversees the management of the Group's health and safety risks.

Table 36

Governance Structure Chart



Nomination Committee Report

Ensuring the Board has the right mix of experience and skills by introducing new Directors from across the property, retail and leisure sectors

Nomination Committee members

David Tyler (Chair)
Pierre Bouchut
Méka Brunel
Gwyn Burr
Andrew Formica
Judy Gibbons
Adam Metz
Carol Welch
Terry Duddy (resigned 25 January 2019)

Dear Shareholders

I am pleased to present the Nomination Committee report covering the work of the Committee during 2019 in relation to composition of and succession to the Board and its Committees. It has been a busy year for the Committee with a number of changes to the Board and the senior management team. The Committee comprises all of our Non-Executive Directors and its terms of reference can be found on www.hammerson.com.

The Committee is responsible for making appointments to the Board and ensures that plans have been put in place for the orderly succession to the Board, its Committees and the senior management team. This includes the development of a pipeline of potential candidates, bearing in mind gender and ethnic diversity, to the senior management team with the necessary skills to drive the Group forward.

With the appointment of three new Non-Executive Directors during the year, the Committee has engaged an external search consultancy to assist it with the process and to identify potential candidates from the wider market. Following the announcement in May 2019 of the resignation of Timon Drakesmith from the Board, the Committee oversaw the process to recruit his replacement, again using an external search consultancy. More details of the process are set out on the next page.

Appointment of Non-Executive Directors

Carol Welch was appointed to the Board on 1 March 2019 as a Non-Executive Director. The process for her appointment was described in detail on page 77 of the 2018 Annual Report. Following a decision made in February 2019 to appoint two further Non-Executive Directors during the course of 2019, the Committee engaged the services of Russell Reynolds to search for potential candidates. Other than in respect of recruitment services, Russell Reynolds has no other connection with the Company or any of its Directors. It is accredited with the FTSE 350 category of the Enhanced Voluntary Code of Conduct for Executive Search Firms.

The Committee had agreed that candidates with backgrounds in international real estate would be of particular interest to support the strategy of the Group. Additionally, the Committee wished to consider candidates with experience in the commercial and residential property sectors to complement the Group's City Quarters concept. We were also interested in candidates with extensive experience of businesses going through periods of structural change. With the assistance of Russell Reynolds, a candidate profile was prepared.

A list of appropriate candidates was drawn up by Russell Reynolds with input from the Board and large investors.

A wide range of candidates were considered and discussed by the Committee. Following the agreement of a shortlist by the Committee, the Chair interviewed the candidates and considered their skills and attributes against the role profile. Members of the Committee then met with the final shortlisted candidates and a recommendation was made to the Board. The outcome of the process was the appointment of Adam Metz in July 2019 and Méka Brunel in December 2019 and their details are shown on pages 70 and 69 respectively.

On appointment to the Board, the Non-Executive Directors were given a thorough induction on the Group which involves meeting with members of the senior management team with responsibility for operational and functional areas. Directors are invited to visit the Group's assets and meet with local management to gain important insights into the business and the strategy. Moreover, Directors are invited to meet with key external advisors to the Board to gain wider perspectives on Hammerson and its sector. Carol Welch's report on her first year as a Non-Executive Director on page 83 includes more information on the induction programme.

Appointment of an Executive Director

In May 2019, the Committee commenced the process to find a new Chief Financial Officer, following Timon Drakesmith's resignation. Timon was responsible for Premium outlets as well as Finance. However, given the growth in Premium outlets, it was decided that the role would comprise Chief Financial Officer and not cover this part of the business.

The Committee agreed on the selection of Odgers Berndston as executive search consultant for the purposes of this role. Other than in respect of recruitment services, Odgers Berndston has no connection with the Company or to any Director and has accreditation with the FTSE 350 category of the Enhanced Voluntary Code of Conduct for Executive Search Firms. A job specification was prepared in conjunction with the consultant, the Chief Executive and the Group HR Director. It was agreed that candidates from both property and non-property backgrounds would be considered. A shortlist of internal and external candidates was drawn up by the consultant and interviews were conducted with the Chief Executive, the Chair of the Board, the Chair of the Audit Committee and the Group HR Director. The Committee then made a recommendation for the appointment to the Board.

James Lenton joined the Board in September 2019 and was appointed as Chief Financial Officer on 1 October 2019. During his first month with the Group, James completed a comprehensive and tailored induction programme and he met with operational and functional members of the senior management team, met with external advisors and made visits to the significant assets in the UK, France and Ireland.

Board balance, composition and skills

The Board currently comprises ten Directors: the Chair of the Board; two Executive Directors and seven Non-Executive Directors. During the year and in accordance with its usual practice, the Committee reviewed the composition and balance of the Board. The review considered the membership of the Committees of the Board, the balance on the Board between Executive and Non-Executive Directors, the tenure of the Directors, diversity on the Board and the independence of the Non-Executive Directors, confirming that all remained independent. It also considered the time commitments of the Non-Executive Directors. Judy Gibbons will step down in April at the end of her nine-year term as a Non-Executive Director. In accordance with the policy that Non-Executive Directors serve a maximum term of nine years other than in exceptional circumstances, it is expected that Gwyn Burr will step down by April 2021 and that I will leave the Board by April 2022.

Naturally, the Committee will discuss these succession issues during 2020.

The Committee is satisfied that the Board has the necessary mix of skills and experience to fulfil its role effectively. All Directors are subject to annual re-election. The biographies of the Directors, set out on pages 68 to 70, contain more information on the reasons why the Board recommends the re-election or election of each Director. There is a range of relevant skills on the Board gained in diverse business environments and different sectors. This gives the Board varying perspectives during debates on a wide range of issues. The skills and experience of the Directors are summarised in Table 37 below.

All Directors are required to attend all meetings of the Board, the meetings of those Committees on which they serve, and the Annual General Meeting (AGM). They are expected to devote sufficient time to the Company's affairs to enable them to fulfil their duties as Directors. The attendance at the meetings for each Director during 2019 is shown in Table 42 on page 83.

Table 37

Relevant skills and experience on the Board as at the AGM 2020

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

● Executive Director

● Non-Executive Director

Succession Planning

The Committee discussed succession planning, aided by a detailed paper on Executive Director succession and which considers certain members of the senior management team who could be suitable candidates for either the role of the Chief Executive or the Chief Financial Officer. I also had discussions with the Executive Directors and the senior management team on matters of career development and succession.

The Committee also considered the senior management succession plan for the GEC and all senior management roles in the business. The plan identifies potential successors for a large number of these roles in the short and long term. I confirm that the Committee was satisfied that plans remain sufficiently robust to enable vacancies to be filled on a short to medium term basis. These plans take account of the continuing need to consider gender and ethnic diversity.

It plans to meet the objective of at least 33% female representation in the roles included in the plan in less than three years, in accordance with the guidelines set down by the Hampton-Alexander Review.
The Committee reviewed progress against this objective which has been met with 39.5% of senior management roles having potential female successors within the period.
In addition, the Committee intends to ensure that by 2024, it meets the Parker review target by having at least one person of colour on the Board. I can confirm that the Committee has carried out its role in succession planning effectively during the year and its work will help to ensure that a strong pipeline of talented individuals are available to support the Group and meet its future business objectives and deliver the strategy to shareholders.

MORE **Further information is set out in Our people on pages 42 to 44**

Diversity

The Diversity Policy was approved and adopted on by the Board on 22 February 2018 and revised on 21 February 2020. It sets out the Company's approach to diversity in respect of the Board and senior management. The Board recognises that diversity, in the broadest sense, enables wider perspectives which encourage more effective discussions and better decision making. The policy can be read in full on the Group's website. Table 38 below sets out the progress made during the year against its key objective.

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

David Tyler
Chair of the Remuneration Committee

Table 38

Board Policy diversity objectives	Progress update
Ensure that the Non-Executive candidate lists are drawn from a broad range of candidates including those who may not have listed company experience but who possess suitable skills and experience	The candidate lists for the appointment of the three Non-Executive Directors during 2019 met the criteria. Carol Welch did not have listed company experience. Furthermore Adam Metz and Méka Brunel had not served on the Board of a UK listed company
Encourage and monitor the development of talented employees	The Committee received periodic updates from the Group HR Director on learning and career development opportunities for talented individuals. In addition, colleagues below management level attend and present at Board and committee meetings and meet the Directors during visits to assets
Oversee succession plans to ensure that they meet current and future needs of the business	Succession plans are reviewed annually by the Nomination Committee
Improve gender diversity at Board and senior management level by working to achieve at least one third women on the Board, the GEC and direct reports by 2020	The Board comprises 34% female Directors. Options are being considered to improve gender diversity on the GEC where only 18% of the members are female. In the senior management team, of direct reports to the GEC, 20% are female
Oversee plans for diversity and inclusion and assess progress annually	The Committee has reviewed plans to improve diversity. More details are set out in the Our people section on pages 42 to 44. These include reaching the Parker Review target of having one person of colour on the Board by 2024

Chart 39

Directors: gender split*

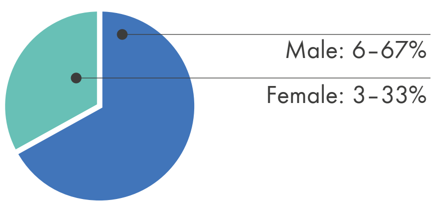


Chart 40

Non-Executive Directors: years of service*

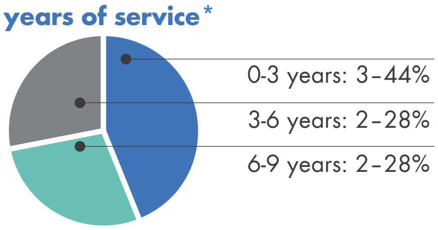
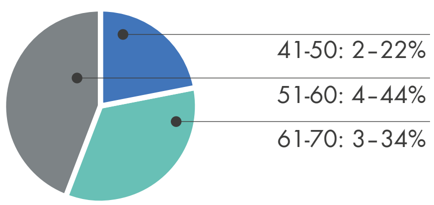


Chart 41

Directors: ages*



* As at 28 April 2020

Carol Welch – My first year as a Non-Executive Director

I've really enjoyed visiting our flagship destinations and meeting colleagues from across the business. A real strength of Hammerson is its culture, and it is great to see this reflected throughout the Company. Immersing myself in all things Hammerson has accelerated my understanding of the opportunities and challenges Hammerson and the wider retail market are facing. It has also been great to hear views and opinions from the people who are running the business and therefore best understand our customers.

The induction programme has been very comprehensive and helped me to get up to speed on the business and the broader sector. I had a comprehensive set of meetings with members of the senior management team covering all business functions and met with a number of the external advisors that support the Remuneration, Audit and Investment and Disposal Committees.

As a new Non-Executive Director, it was important to meet with the General Counsel and Company Secretary and the corporate lawyers, for an in-depth briefing on corporate governance issues, including my duties as a Director of a UK listed company.

It's been a pleasure to join such a diverse and experienced Board. Meetings of the Board and Committees provide opportunities for full and frank discussion on the business and governance issues that really matter. This includes updates from Executive Directors and external advisors to support discussion and decisions about strategic, operational and financial matters, enabling the Board to shape the direction of the business.

Past papers and other materials on the electronic board portal have been great to get me up to speed on previous business matters.

During my first year I've visited Dundrum Town Centre, Dublin, The Bullring Estate, Birmingham, Cabot Circus, Bristol, Highcross, Leicester, Victoria Gate, Leeds, a selection of retail parks, Bicester Village, UK and Las Rozas Village, Madrid. Some visits have been with fellow Directors and others part of my immersion to understand our assets, customers and teams.

As with any new role, it is really important to listen and learn from others about the business, alongside building relationships with my fellow Directors. Everyone has been incredibly welcoming, and willing to spend time explaining the business and the particular opportunities and challenges in the property market.

A priority was to meet as many colleagues as I could, to get under the skin of the business and the industry and really understand what makes it tick in order to make the best contribution.

I have been impressed by our commitment to be Net Positive for carbon, resource-use, water, and socio-economic impacts by 2030. Since 2016 the business has already significantly reduced carbon emissions. This is a real achievement that has required every colleague in the business to be pulling in the same direction. It also reflects the Board's strong commitment to sustainability.

It is clear that whilst the retail market remains challenging, the Group has a strong portfolio with significant opportunities including City Quarters, and a very talented and committed team to deliver the strategy.

Table 42

Board and Committee meetings attendance

	Board meetings	Board calls[1]	Audit Committee meetings	Remuneration Committee meetings	Investment and Disposal Committee meetings	Nomination Committee meetings
David Tyler	7/7	5/5	–	5/5	–	6/6
David Atkins	7/7	5/5	–	–	–	–
Timon Drakesmith[2]	6/6	4/4	–	–	–	–
James Lenton[3]	2/2	1/1	–	–	–	–
Pierre Bouchut	7/7	5/5	4/4	–	5/5	6/6
Méka Brunel[4]	1/1	–	–	–	1/1	1/1
Gwyn Burr[5]	7/7	4/5	4/4	5/5	–	6/6
Terry Duddy[6]	–	1/1	–	–	–	–
Andrew Formica	7/7	5/5	4/4	–	5/5	6/6
Judy Gibbons[7]	7/7	5/5	3/4	5/5	–	6/6
Adam Metz[8]	3/3	2/2	–	–	3/3	2/2
Carol Welch[9]	5/5	3/3	–	3/3	–	5/5

1. Of the five Board calls held during 2019, three were scheduled in advance and two were ad hoc calls.
2. Timon Drakesmith stepped down from the Board on 1 October 2019.
3. James Lenton joined the Board on 1 October 2019.
4. Méka Brunel joined the Board on 1 December 2019.
5. Gwyn Burr was unable to attend one ad hoc Board call, which was scheduled at short notice, due to a prior commitment.
6. Terry Duddy stepped down from the Board on 25 January 2019.
7. Judy Gibbons was unable to attend one Audit Committee meeting for medical reasons.
8. Adam Metz joined the Board on 22 July 2019.
9. Carol Welch joined the Board on 1 March 2019.

Board effectiveness review 2019

The process

A review of the effectiveness of the Board is conducted each year. Under the provisions of the Code, the review must be carried out using an external consultant every three years. In 2019, the effectiveness review was externally facilitated by Jan Hall of No. 4, an independent consultancy. Jan Hall and No.4 have no connection with the Company or any of its Directors. The selection process was conducted by the Chair of the Board and the General Counsel and Company Secretary, who met with three consultants who each had a track record of undertaking effectiveness reviews for UK listed companies. It had been previously agreed that the Company would not engage consultants who had conducted reviews in previous years.

The Chair of the Board, the Chief Executive and the General Counsel and Company Secretary met with Jan Hall to agree the purpose, scope and timetable of the review. In view of the changes in the property sector, and the impact on the business and in turn on the Board, the review focused on strategy and performance, Board systems and processes, and succession planning.

Jan Hall attended the Board meeting held at the beginning of October 2019, immediately before the Board Strategy Day, after which she met with each Director and the General Counsel and Company Secretary privately for around 90 minutes using a pre-agreed questionnaire as the basis for the discussion. She also met with the Group HR Director and the Director of Finance, who regularly attend the Board and certain Committee meetings. A meeting was held with Timon Drakesmith just before he left the business, although James Lenton was not interviewed as he had only recently joined the Board as a Director. The lead partner at the External Auditor, PricewaterhouseCoopers LLP, as well as the remuneration consultant from FIT Remuneration Consultants, were each asked for feedback on the performance of the Board and specifically of the Audit and Remuneration Committees respectively.

The initial findings of the review were then discussed with the Chair of the Board, before a detailed report was circulated to the Board. Jan Hall presented the results of the Board's effectiveness review at a meeting of the Directors in December 2019.

Recommendations and actions

Overall, all of the Directors believed that the Board was functioning well. There was felt to be a good atmosphere and mutual respect around the Board with a culture that was open and transparent. However, the current environment and challenges for the Company presented an opportunity to reflect on how the Board and its operation could evolve to best meet the needs of all stakeholders. The results and recommendations were discussed in full by the Board and an action plan was agreed under three main headings:

1. Focus more time on strategy development and monitoring of progress against the plans developed, giving more space for debate on the key issues and deep dives on business units
2. Enhance the management information given to the Board with updated metrics to best reflect progress on key financial and operational targets, and on disposals
3. Plan for the succession processes for the Senior Independent Director (likely to be in 2021) and Chair of the Board (likely to be in 2022)

Board members at the annual Strategy Day

Audit Committee Report

Safeguarding the business by thoroughly reviewing and testing its processes to ensure it is managing risk, delivering transparent and accurate reporting, and acting in the long term interests of its stakeholders

Audit Committee members

Pierre Bouchut (Chair)
Gwyn Burr
Andrew Formica
Judy Gibbons

Dear Shareholders

I am pleased to present the report of the Audit Committee for the year. This report provides insight into the activities of the Committee in the year and sets out its performance against the terms of reference and information on its key activities in accordance with the annual work plan. It continues to have a governance role for the Company and reviews, on behalf of the Board and shareholders, important matters relating to financial reporting, internal controls and risk management. The terms of reference of the Committee are available on the Group's website.

Audit Committee members

Each member of the Committee is an Independent Non-Executive Director. The Chair of the Board is not a member of the Committee but may attend its meetings by invitation. The Committee has a deep knowledge and significant business experience in financial reporting, risk management, internal control and strategic management. This combined knowledge and experience enables us to perform our duties properly. In addition, the Board considers that the members of the Committee as a whole have relevant sector knowledge. I also meet the requirement to bring recent financial experience to the Committee. More information about the members' skills and experience are set out on pages 68 to 70.

The role of the Audit Committee

The Committee assists the Board in fulfilling its responsibilities in relation to:

- Ensuring that management has systems and procedures in place to ensure the integrity of financial information
- Reviewing the Company's internal audit arrangements
- Managing the relationship with the External Auditor
- Reviewing the effectiveness, objectivity and the independence of the External Auditor, including the agreeing the scope of work and the level of audit fees
- Risk management
- Consideration of financial judgements
- Overseeing the valuations of the Group's property portfolio

Audit Committee meetings

The Committee met four times during the year. The agenda for each meeting reflects the annual reporting cycle of the Group and particular matters for the Committee's consideration. A report is given to the Board following each meeting of the Committee.

The Chair of the Board, the Chief Executive, the Chief Financial Officer and other members of the senior finance management team, together with senior representatives of the Company's External Auditor, PricewaterhouseCoopers LLP (PwC), are invited to attend all or part of meetings as appropriate. In order to fulfil its duties as set out in its terms of reference, the Audit Committee receives presentations and reviews reports from the Group's senior management, consulting as necessary with PwC.

The Committee meets with no Company management present at least once a year with PwC, and at least once with the Group's Risk and Controls Manager who is responsible for the internal audit function. In addition, it meets annually with the Risk and Controls Manager and the Director of Finance to discuss internal control matters.

Cushman & Wakefield (the Valuer) and PwC have full access to one another, and the Chair of the Audit Committee met with the Valuer and PwC to discuss the half-year and year end valuation process to ensure each is satisfied that there has been a full and open exchange of information and views.

Audit Committee effectiveness review

This year the review of the Audit Committee was carried out as part of the external Board effectiveness review. Details of the review and its results are set out on page 84.

FRC's audit quality review

The FRC's Audit Quality Review Team (AQRT) carried out a review of the audit of the Group for the financial year to 31 December 2018 as part of its routine process. As Chair of the Committee, I held discussions with the FRC prior to the review commencing. The report issued on the quality of the audit by the AQRT was circulated to the Committee and a verbal update on the process and review of the outcome was given by PwC. I am pleased to report that there were no significant recommendations made by the FRC but certain limited improvements were suggested to the audit process, which have already been implemented.

The External Auditor and external audit

The appointment of PwC is subject to ongoing monitoring and the Committee considered the effectiveness of PwC as part of the 2019 year end process. The Committee took a number of factors into account when considering the effectiveness of the external audit including the quality and scope of the audit plan and reporting. The Committee also sought the views of key members of the finance team, senior management and Directors on the audit process and the quality and experience of the audit partners engaged in the audit. Their feedback confirmed that PwC continues to perform well and provides an appropriate level of challenge to management. The Committee has concluded that overall PwC has carried out its audit for 2019 effectively and efficiently.

During the year the Committee reviewed and approved the proposed audit fees and terms of engagement for the 2019 audit and recommended to the Board that it propose to shareholders that PwC be reappointed as the Group's External Auditor at the AGM on 28 April 2020.

There are no contractual obligations which restrict the Audit Committee's choice of external auditor or which put in place a minimum period for their tenure. There are no current plans to re-tender the services of the External Auditor, which was last undertaken in 2017. The Audit Committee confirms that it has complied with The Statutory Audit Services for Large Companies Market Investigation (Mandatory Use of Competitive Processes and Audit Committee Responsibilities) Order 2014, published by the Competition and Markets Authority on 26 September 2014.

PwC's remuneration as External Auditor for the year ended 31 December 2019 was £0.6 million (2018: £0.6 million). PwC also received £0.4 million (2018: £0.4 million) for the Company's share of the audit services undertaken on behalf of its joint ventures. The External Auditor also received £0.2 million (2018: £0.1 million) for audit related assurance services, being the half-year review of the Company's financial statements. The overall increase from 2018 reflects the expansion of the scope and complexity of the audit and the resources required from PwC. This trend is expected to continue following the publication of the report by Sir Donald Brydon in December 2019 on audit reform, containing proposals for the wholescale reform of the audit of listed companies in the UK. The report recommended defining a core set of principles for external auditors and ensuring that these are applied in reviews to be governed by the FRC's successor body as regulator of the sector, which is to be known as the Auditing, Reporting and Governance Authority. The report is now being considered by the UK government.

Consideration is given to the nature of and remuneration received for other services provided by PwC to the Company, which, during 2019, totalled £nil (2018: £1.0 million). Confirmation is also sought that the fee payable for the annual audit is sufficient to enable PwC to perform its obligations in accordance with the scope of the audit.

Non-audit services

The Committee takes steps to ensure that the External Auditor remains objective and independent. It considers how such objectivity might be, or appear to be, compromised through the provision of non-audit services by the External Auditor. During the year, the Committee considered the extent of the non-audit services provided by PwC. It is responsible for developing, implementing and monitoring the Group's policy on the engagement of the External Auditor to supply non-audit services. The principal requirements of the policy are that:

- The External Auditor may not provide a service which places it in a position where it may be required to audit its own work, such as bookkeeping or valuation services
- Some services may be provided in specific or exceptional circumstances and may include due diligence and property-related consultancy. Each occasion is specifically assessed and authorised by an Executive Director up to a limit of £50,000 and above that level by the Chair of the Audit Committee

Further details of the provision of non-audit services and associated fees paid to PwC during the year are shown in Note 5 to the financial statements on page 150. The full policy on non-audit services is available on the Company's website.

Risk and internal control

On behalf of the Board, the Audit Committee has discussed the risks and challenges to the Group from market conditions, the macro economy and the political situation in the UK and Europe. The Committee uses the Risk Management Framework as a basis for the review. The framework is regularly reviewed by the senior management team to ensure that the current risks are properly identified and managed and the potential impact on the Group clearly understood. The necessary steps are then taken to mitigate the principal risks such that the perceived risk is within the parameters of the Board's risk appetite. More information on the Group's approach to risk management is contained in the Risks and uncertainties section on pages 56 to 64.

The Committee regularly reports to the Board on key risks to the business. The Board allocates responsibility for the management of each key risk to the Executive Directors and the senior management team. The Committee assists the Board in fulfilling its responsibilities relating to the adequacy and effectiveness of the control environment and compliance systems in the Group.

Throughout the year, the Committee monitored the effectiveness of the Group's risk management and internal control systems, including material financial, operational and compliance controls. In particular, it reviewed the following:

- Internal audit reports, including monitoring the implementation of recommendations arising from them
- Reports on the system of internal controls and the Risk Management Framework
- The Company's approach to compliance with legislation and the prevention of fraud
- The effectiveness of the control environment to ensure compliance with the General Data Protection Regulation (GDPR)
- Gift and entertainment and expenses registers
- Overview of the Group's anti-bribery systems

A robust assessment of the principal and emerging risks facing the Company has been carried out during the year. A procedure has been established to identify and manage the emerging risks.

The Group's risk management and internal control systems are designed to:

- Safeguard assets against unauthorised use or disposition
- Ensure the maintenance of proper accounting records
- Enable regular reporting of financial performance to the Board to support management's review process, including the production of external financial results
- Provide reliable information
- Identify and, as far as possible, mitigate potential impediments to the Group achieving its objectives
- Ensure compliance with relevant legislation, rules and regulations

The Group's internal controls provide reasonable but not absolute assurance against material misstatement or loss. The review of the controls involves analysis and evaluation of the key risks to the Group, including a review of all the material controls. This includes the plans for the continuity of the Group and its operations in the event of unforeseen interruption.

Having monitored the Group's risk management and internal controls, and the effectiveness of the material controls, the Directors have not identified any significant failings and weaknesses in the Group's internal control structure during the year.

Risk and Controls Committee

The Risk and Controls Committee supports the Audit Committee. It is not a committee of the Board but comprises senior management from the across the business. It is chaired by the Chief Financial Officer and reports its activities to the Group Executive Committee. The role of the Committee is to:

- Promote the application of the risk management framework across the Group
- Monitor compliance with the Group's internal control systems
- Manage the annual internal audit programme
- Consider the results of the internal audit reviews and the recommendations to management
- Monitor the implementation of recommendations
- Oversee the Group's business continuity plans
- Monitor data protection compliance

Internal audit

The Group operates a co-sourced internal audit function. The majority of the reviews are undertaken internally but are supplemented when required with additional external resource and specialist expertise. This allows the Risk and Controls Manager, who leads internal audit activities, to draw on technical knowledge for certain internal audit reviews. In the development of the plan for 2019, the Group's Risk Management Framework was reviewed and key risks which had not been subject to recent internal audit and key areas of change were identified. The proposals were discussed with the Risk and Controls Committee before being reviewed and approved by the Committee. During 2019 audits were carried out on the following activities:

- Cyber security
- French car park operators
- French marketing fund
- GDPR implementation
- IT disaster recovery and business continuity
- Retailer sales reporting
- Training and development

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

In 2020, the Committee expects to continue to follow a risk-based approach to internal audit and approved the internal audit work plan for 2020 in December 2019. Risk areas scheduled for Group-wide audits in 2020 include the Net Positive strategy, payment practices, development controls and lease management. There will be a review of third party IT security activities at VIA Outlets and an audit of certain flagship destinations to ensure the consistency and effectiveness of the Group's control systems.

A review of the effectiveness of the internal audit was carried out using a specifically created online survey which was completed by Committee members, certain members of senior management who had received and reviewed audit reports, and a number of participants in areas subject to recent audits. The survey responses were analysed and collated into a report which was reviewed and discussed with the Chair of the Committee and then reported to the Committee. The survey responses indicate that the Group's internal audit function is performing well with no significant concerns raised. The Committee is satisfied that the internal audit arrangements continue to provide effective assurance over the Group's risk and controls environment.

Fair, balanced and understandable

As in previous years, an internal editorial team consisting of members drawn from Group Finance, the Company Secretariat, Corporate Communications, Investor Relations and Marketing led the process to produce the Annual Report. The editorial team met regularly to establish the broad direction and themes, review progress and ensure balanced reporting with appropriate links between key themes and sections of the Annual Report. PwC and the designers, Black Sun, also provided feedback on the structure, format and content to assist management in ensuring the Annual Report was user-friendly and presented a fair and balanced review of the year.

As part of this process, the Committee was provided with an early draft of the Annual Report to assess the tone and key themes.

A further draft was provided to the Committee prior to the meeting at which it gave its final opinion. When forming its opinion the Committee considered a paper to help it challenge and test the assessment that the Report was fair, balanced and understandable.

Following its review, the Committee is of the opinion that the 2019 Annual Report and financial statements are representative of the year and present a fair, balanced and understandable overview, providing the necessary information for shareholders to assess the Group's position, performance, business model and strategy.

Viability statement

The Committee reviewed management's work on assessing the potential risks to the business and the appropriateness of the Company's choice of a five-year assessment period. Following this review, the Committee was satisfied that management had conducted a robust assessment and recommended to the Board that it could approve and make the Viability statement on page 65.

Going Concern statement

The Committee received the information, underlying assumptions and analysis presented in support of the Going Concern statement. The Committee concluded that it was appropriate to adopt the Going Concern basis in preparing the financial statements and make the statement on page 65.

Significant financial judgements

The Committee considered a number of significant issues during the year. These related to areas requiring management to exercise particular judgement or a high degree of estimation. The Committee assesses whether the judgements and estimates made by management are reasonable and appropriate. The issues and how they were addressed by the Committee are set out below:

Key financial reporting and significant financial judgements		How the issue was addressed by the Committee
Valuation of the Group's property portfolio	The valuation of the Group's property portfolio is a key recurring risk due to its significance in the context of the Group's net asset value. Valuations are inherently subjective due to the assumptions and judgements required concerning capitalisation yields and market rental income (ERV). This is further complicated by a lack of transaction evidence, particularly in the UK market, to support capitalisation yields. Valuations are undertaken by the Group's independent valuer, Cushman & Wakefield (the Valuer), and are thoroughly reviewed by management and the Group's External Auditor. There is a higher degree of subjectivity in the valuation of the Group's premium outlets as it requires judgement about future trading and operating performance and discount rates.	The Committee ensured that there was a robust procedure in place to satisfy itself that the Valuer's valuations and assumptions were appropriate, particularly given the recent RICS notifications. The Committee understands the established valuation practices followed by the Valuer. The Committee is also familiar with the process by which management provides information to the Valuer. The Valuer presented the valuations for all the Group's properties to the Committee in January and July 2019. These were scrutinised, challenged and debated. The Committee asked the Valuer to highlight any significant judgements or disagreements encountered during the valuation process. It was satisfied that the procedures and methodologies used were appropriate. The Chair of the Committee held a private meeting with the Valuer at which he discussed the valuation process and was able to satisfy himself that the process was independent and objective. The Chair of the Committee also held a private meeting with PwC to discuss its review of the valuation process and its conclusions. The Committee concluded that the valuation of the Group's property portfolio had been carried out in an appropriate manner with reference to the widest range of available evidence and was therefore suitable for inclusion in the Group's financial statements.
Accounting for significant transactions	During the year the Group undertook a number of a disposals. The accounting treatment of these transactions is a recurring risk for the Group because of the financial significance and complexity of such transactions. Judgement is required to determine the transfer of risks and rewards associated with each transaction and the appropriate disclosure requirements. At 31 December 2019, the Group was actively marketing a portfolio of retail parks, forming substantially the remainder of the UK retail parks portfolio. Judgement is required to determine whether these meet the 'held for sale' criteria under IFRS 5, and consequently require reclassification.	The Committee reviewed management's report explaining the proposed accounting treatment for transactions completed during the year. The Committee reviewed and challenged the proposed accounting treatment and was satisfied that at 31 December 2019, the UK retail parks met the criteria under IFRS 5 for reclassification to assets held for sale, and that the resultant impairment adjustment accurately reflects the anticipated portfolio discount. As this formed the majority of the remaining UK retail parks segment, the Committee was satisfied that the reclassification of the results of the UK retail parks for the current and prior year as 'discontinued operations' was appropriate.
Accounting for joint ventures and associates	The Group holds a number of interests in joint ventures and associates. Judgement must be exercised in determining whether the Group has significant influence and should therefore account for these as associates, or joint control, and therefore include as a joint venture.	The Committee reviewed the basis of classification of joint ventures and associates where changes of ownership had arisen during the year and was satisfied that these are treated correctly, with reference to the terms of the underlying shareholder agreements.
Presentation of information	The Group uses a number of Alternative Performance Measures (APMs), being financial measures not specified under IFRS, to monitor the performance of the business. Management principally reviews the Group on a proportionally consolidated basis, except for the Group's premium outlets investments. Judgement is required to ensure disclosures and associated commentary clearly explain the performance of the business and provide reconciliations to the IFRS financial statements.	The Committee reviewed the disclosure and commentary in the Annual Report including the relative prominence of APMs and IFRS financial measures, and the reconciliation of UK retail parks discontinued operations to fully proportionally consolidated information. The Committee was satisfied with the disclosures and reconciliations provided.

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

Pierre Bouchut
Chair of the Audit Committee

Directors' Remuneration report

Balancing reward and performance

A new remuneration policy responding to market conditions and shareholder feedback

Remuneration Committee members

Gwyn Burr (Chair)
Judy Gibbons
David Tyler
Carol Welch
Terry Duddy (resigned 25 January 2019)

Dear Shareholders

As Chair of the Remuneration Committee (Committee), I am pleased to present our Directors' Remuneration Report (Report) for the year ended 31 December 2019.

Remuneration Policy review

The Committee has conducted a thorough review of the Remuneration Policy (Policy) during the year, and is proposing a number of changes to the current Policy which was last approved by shareholders in 2017 with over 98% of votes in favour. We were disappointed with the voting outcome at the 2019 AGM for our 2018 Directors' Remuneration Report, and as part of the review of the Policy, the views of shareholders and voting agencies were considered and taken into account. The Committee was also keen to ensure that the Policy continues to align remuneration with strategy and stakeholder interests, and takes into account the requirements of the 2018 Code as far as they relate to remuneration.

MORE **For more detail on our Code considerations see page 93**

Long term incentive arrangements

As noted above, our review included a consultation process with major shareholders and their representative bodies, focusing in particular on our proposal to introduce a restricted share scheme (RSS) in place of the LTIP. While subject to the inevitable detail and complexity, the key differences between these two arrangements are simple and can be summarised as follows:

- LTIP awards are linked to the success of the Company as assessed by reference to pre-defined performance conditions
- RSS awards are much smaller (award values no more than 50% of previous LTIP grant value), but not subject to performance conditions
- Vesting of RSS awards is contingent on continued employment of three to five years from grant

Under the RSS, participants essentially receive smaller quantum in exchange for a greater certainty of payment. They are therefore aligned with our shareholders and encouraged to deliver long term value for shareholders. While typically RSS awards are not subject to performance conditions, in response to feedback during the consultation our proposed RSS builds in an underpin whereby the number of shares subject to an RSS award may be reduced by the Committee in circumstances where there has been material underperformance.

MORE **For further information on our considerations in formulating the RSS proposal see the Q&As on page 91**

2019 Directors' Remuneration Report index

Proposed changes to the Policy are summarised in Table 44 below.

Table 44

Summary of changes to the Policy

Element of pay	Changes to the Policy
Base salary	No material changes
Pensions	New Executive Directors to be aligned with the arrangements available to the majority of staff employed in the UK and Ireland (available rates are age related up to a maximum of 18.5%). CFO recruited on terms consistent with this. Current CEO rate to reduce from 30% to 18.5% as follows: – 2020: 24.5% – 2021: 22.5% – 2022: 20.5% – 2023: 18.5%
Other benefits	No material changes
Annual bonus	No material changes (cap of 200% of salary and 40% deferral of bonus into shares for 2 years) CEO's maximum opportunity to be reduced to 175% of salary on a one-time basis for 2020 CFO recruited with a maximum opportunity of 150% of salary
Long term incentive arrangements	RSS to replace LTIP as described in the RSS Q&As on page 91.
Share ownership guidelines	250% of salary level retained. Post-cessation guidelines of 250% for two years – Committee discretion to release if no longer appropriate in the circumstances. Shares valued at the higher of value on departure and subsequently. Enforced through building up shares in escrow on the vesting of new RSS and DBSS awards granted from 2020 onwards.

As part of the Policy review, we wrote to shareholders representing over 80% of the issued share capital of the Company, and I have engaged directly with over half of those shareholders. We are pleased with the level of support expressed for the RSS, the details of which are set out in the proposed Policy. The move to the RSS will create broad alignment between Executive Directors and colleagues below Board level (where restricted stock has been operated for a number of years), and removes the great difficulty of setting robust and appropriately challenging LTIP performance targets against an uncertain and volatile market background which may potentially lead to unintended or sub-optimal remuneration outcomes.

RSS award levels will be on the basis of a 50% discount to previous LTIP award levels. For 2020 only, David Atkins' RSS award will be further reduced in response to feedback at the 2019 AGM that LTIP award levels should have reflected the decline in share price. As a new joiner, James Lenton's RSS award level has been set at 75% of base salary which is a greater than 50% reduction on the maximum LTIP award of his predecessor. RSS awards will be subject to an underpin as described in the proposed Policy.

Executive Director pension contributions

As indicated in Table 44 above, we also propose changes to align the pension contribution rates available to Executive Directors with the arrangements available to the majority of staff in the UK and Ireland.

We believe this to be the appropriate approach, as Executive Directors will be treated in the same way as their Hammerson colleagues, and we recognise this is important to our shareholders. Under these arrangements, employee contributions up to 7% of salary are double matched by the Company, with additional single matching contributions – up to a maximum company contribution of 18.5% – linked to age. We have agreed that David Atkins' pension contribution should reduce annually to the maximum rate available to him in accordance with the age bandings (18.5%) by the start of 2023.

Remuneration performance and considerations in 2019

Context for the Committee's decisions

The Committee carries out its duties against the backdrop of the performance of the wider economy, the market within which the Group operates, remuneration of the wider workforce and specific Group performance. The impact of continued political uncertainty on consumer and business confidence, and the challenging backdrop for rents and valuations, particularly in the UK, were key themes during 2019, and you will have read more about these in earlier sections of the Annual Report.

The Group has continued to deliver against our strategy announced in July 2018, including achieving disposals of £542m, in excess of the £500m target, ensuring our balance sheet is in a strong position, and making progress in improving tenant mix and repurposing department store space. You can also read more about this in earlier sections of the Annual Report.

AIP 2019 Performance

Annual bonus (AIP) outturn is determined based on a combination of financial and personal performance measures as described in more detail in this Report. Performance against the 2019 financial measures has been mixed, with partial payouts under both the EPS and net debt measures, but a zero payout anticipated in respect of the TPR measure (no AIP payments for TPR are made until actual external benchmark data becomes available).

In assessing the AIP outturn, the Committee discussed whether it should exercise discretion with respect to personal performance elements in light of disappointing share price performance during the year. However, in the context of a challenging market, broader economic circumstances, the decision to waive bonuses last year and the Executive Directors having made significant progress in a number of key areas, such as strengthening the balance sheet and disposals, the Committee is satisfied that no reduction to AIP outturns is merited.

Combined with personal performance, the final estimated AIP level is 39.6% to David Atkins and 44.1% to James Lenton (subject to pro-rating from his date of joining). No AIP is payable to Timon Drakesmith, who resigned from the Board during the year.

MORE **Further information on outturn against performance targets for the AIP and LTIP is on pages 107 and 109 respectively**

Stakeholder engagement

We communicate with, and receive feedback from our employees through a variety of channels, including an annual survey, regular employee briefings and through the Group Employee Forum which you can read about in the 'Our people' section on page 43. These channels allow us to communicate with employees on remuneration matters where appropriate.

The Committee is regularly updated on colleague pay and benefits throughout the Group and considers colleague remuneration as part of the review of executive remuneration.

As noted above, we consulted with our major shareholders and institutional advisory bodies on proposed changes to our Policy. We were pleased with the level of engagement shown by shareholders during the consultation process, and the support shown for our proposals.

Restricted Share Scheme (RSS) – Q&As

Why are you changing your long term incentive arrangements?

We have taken into account the clear views of institutional shareholders, proxy advisory agencies and specialists in the area of executive remuneration that the quantum of executive pay packages should be reduced. Our proposed RSS will result in a reduced level of total pay for our Executive Directors by ending the LTIP. The RSS will also align our Executive Directors with senior management below board level, for whom a similar plan has been in place for a number of years.

As one of only two large UK listed retail property businesses, we have also become increasingly concerned about the difficulty of setting robust and meaningful performance conditions for our existing LTIP against the backdrop of a volatile market environment.

Taking all of the above into consideration, we feel that the RSS offers shareholders and participants a simple, clear and understandable long term reward structure.

What are the key features of the RSS?

- Lower policy award levels than under the LTIP (100% of salary for CEO, 75% of salary for CFO)
- The value of the RSS award will vest in three equal tranches in years three, four and five from the date of the award
- No performance conditions giving clarity of outturn
- Vesting is subject to an underpin (material underperformance)

What is and why are you applying a material underperformance underpin?

Having an underpin ensures that a threshold level of performance is achieved before an award vests. We are aware that the typical operation of restricted share schemes would not include an underpin (certainty of vesting outcome being the trade-off for the reduced quantum of awards). During our consultation with shareholders on the proposed remuneration policy, we received clear feedback that our arrangements should include a mechanism, otherwise known as an underpin, which would ensure that our Executive Directors do not receive payment for failure. We have therefore decided to apply an underpin which allows the Committee to determine that an RSS award will not vest where there has been material underperformance.

Why are you also applying an underpin for 2020 awards based on TSR and how will it be measured?

For the 2020 awards, we have decided to apply an additional TSR underpin so that the vesting outturn of the initial RSS award is more aligned to returns to shareholders. We will measure average TSR for the three months prior to award and compare this with the average TSR for the three months prior to vesting. No more than 50% of the awards will vest if the average TSR for the period prior to vesting is not higher than the average TSR prior to award.

We anticipate that awards from 2021 onwards will be subject only to the material underperformance underpin.

Why have you reduced the RSS policy award level by 50% compared to the old LTIP, and why is the proposed 2020 award lower than policy?

As noted above, the RSS trades the size of awards for certainty of vesting. The stability of a smaller fixed vesting level, with the ultimate value received dependent on share price movement is aligned with the shareholder experience and better supports the stewardship role of management than the potential volatility of LTIP performance targets.

Given recent share price performance, the Committee has taken the view that had we continued with the existing LTIP scheme, 2020 LTIP awards would have been at a lower level than in previous years. We have therefore concluded that it is appropriate to apply the same discount to RSS awards this year, hence the proposal for awards to the CEO and CFO of 75% of salary in 2020. We envisage future RSS awards to be at 100% of salary for the CEO and 75% of salary for the CFO.

Board changes

Timon Drakesmith resigned as a Director of the Company with effect from 1 October 2019 and his remuneration for the period to that date is set out in the single figure table on page 106. As he resigned from office, Timon was not eligible for a bonus under the AIP for 2019, and his outstanding unvested interests in the DBSS and LTIP lapsed on his leaving date.

James Lenton was appointed as an Executive Director of the Company on 16 September 2019, and as Chief Financial Officer with effect from 1 October 2019. As announced at the time of his appointment, James's salary was set lower than that of his predecessor at £430,000 with a pension contribution rate of 14%, in line with the arrangements available to the majority of employees in the UK and Ireland. James also received an LTIP award with a value equivalent to 50% of his base salary, which was reduced from the then policy level to reflect his period of employment during the year.

Peter Cole stepped down as an Executive Director of the Company on 31 December 2018 and retired as an employee with effect from 30 April 2019. Under the LTIP rules, Peter's unvested LTIP interests at the date of his retirement will vest and become exercisable subject to applicable performance and holding periods, and pro-rating for the time to the date of his retirement. As part of his retirement, and in recognition of Peter's long and dedicated service to the Company, the Committee exercised discretion to allow the deferred share element (DBSS) of the AIP awards made to Peter in respect of 2018 and 2019 to vest early following his retirement. The exercise of this discretion is permitted by the DBSS rules, and within the terms of the remuneration policy in place at the time. Peter did not exercise his 2015 LTIP award which lapsed.

The year ahead

Remuneration alignment to strategy

All aspects of remuneration are regularly considered by the Committee to ensure they support and are aligned to strategy. To support the ongoing focus on reducing debt, the Committee has decided that the 2020 AIP financial performance measures will be EPS and net debt (the 2019 AIP also included a TPR measure), and that the weighting between financial and personal performance measures will move to 75%:25% (from 70%:30% in 2019). The personal element will be based on a scorecard approach, with 15% assessed consistent with the previous approach, 5% dependent on achievement of a measurable sustainability target and 5% on an employee-related target.

We have also agreed that the maximum bonus opportunity under the AIP for the CEO will be reduced to 175% of salary on a one-time basis in 2020. On his appointment, James Lenton's maximum bonus opportunity was set at 150% of base salary and this is reflected in the proposed Policy on page 95.

MORE **Further information on the 2020 AIP performance measures and targets is on page 121**

2020 pay approach

Factors that the Committee took into account in determining salary increases for the Executive Directors included a low inflationary environment and the continuing focus on cost control. Following its review, the Committee approved a base salary increase of 2% for the CEO and CFO with effect from 1 April 2020. This compares with a general increase of 2% for other senior management and 2.5% for other colleagues.

Conclusion

At the 2020 AGM, the revised Remuneration Policy will be put to shareholders for approval and the Remuneration Report will be put to an advisory vote. The rules of the RSS will also be submitted to shareholders for approval. I look forward to receiving your continued support at the AGM.

Gwyn Burr
Chair of the Remuneration Committee

Table 45

Summary of major activities and decisions of the Committee in 2019

Policy	Review of feedback from shareholders and proxy voting agencies following 2019 AGM Review of policy and development of proposal for submission to 2020 AGM, including consultation with our largest shareholders
Salary	2019 Executive Directors' pay review Review and approval of Chair's fee
Annual Incentive Plan and Long Term Incentive Plan	Consideration of AIP 2018 outturn and confirmation of bonus payments Review and approval of 2019 AIP structure, performance targets and personal objectives Consideration of 2015 LTIP performance outturn and approval of vesting outcomes Review of 2019 AIP outturn and options for 2020 Review and approval of 2019 LTIP award levels and performance conditions Consideration of 2015 LTIP performance outturn and approval of vesting outcomes
Governance	Review of AGM season remuneration report results, and investor and proxy agencies' views on remuneration
Other	Review of 2019 Annual Remuneration Report Review of remuneration structures across the Group Employee share plan award activity Incentive plan rule updates, and new RSS rules Review of remuneration consultant costs and re-appointment

Directors' Remuneration Policy

Voting on remuneration at the AGM

Three votes on remuneration matters will be presented at the 2020 Annual General Meeting (AGM): a binding vote on the Directors' Remuneration Policy (Policy) as set out in the policy section of this Report, an advisory vote on the Annual Remuneration Report section of this Report, and a binding vote to approve the rules of the Restricted Share Scheme (RSS).

Explanation of our remuneration approach

The overall objectives of the Remuneration Committee (Committee) are to determine an appropriate remuneration policy that:

- Aligns remuneration with strategy to drive the long term success of the Company
- Aligns with the Company's culture and broader reward framework
- Ensures that the Company can continue to attract, retain and motivate quality leaders
- Avoids paying more than the Committee considers necessary

Remuneration Policy

The Policy is shaped by the following underlying principles that aim to achieve:

- Alignment with strategy and business objectives and shareholder interests
- The long term success of the Company
- Consistency and transparency
- The reward of performance with competitive remuneration
- Support for Company values
- A mixture of fixed remuneration, short term and long term incentives

Case Study – 2018 UK Corporate Governance Code (Code) considerations

As part of its review of the Remuneration Policy, the Committee has considered the factors set out in provision 40 of the Code. In our view, the proposed Policy addresses those factors as set out below:

Factor	How addressed
Clarity – remuneration arrangements should be transparent and promote effective engagement with shareholders and the workforce	Remuneration policy and arrangements are clearly disclosed each year in the Annual Report. The Committee proactively seeks engagement with shareholders on remuneration matters (see description of consultation on proposed Policy above), and is regularly updated on workforce pay and benefits across the Group during the course of its activity.
Simplicity – remuneration structures should avoid complexity and their rationale and operation should be easy to understand	Our remuneration structure is comprised of fixed and variable remuneration, with the performance conditions for variable elements clearly communicated to, and understood by, participants. The RSS provides a mechanism for aligning Executive Director and shareholder interests, removes the difficult challenge of setting robust, appropriately challenging and easily understandable performance targets in a volatile market which could to lead to potentially unintended remuneration outcomes and significantly reduces the maximum pay available to Executive Directors.
Risk – remuneration arrangements should ensure reputational and other risks from excessive rewards, and behavioural risks that can arise from target-based incentive plans, are identified and mitigated	The rules of the AIP, RSS and LTIP provide discretion to the Committee to reduce award levels (see the Policy table on pages 95 and 96), and awards are subject to malus and clawback provisions. The Committee also has overriding discretion to reduce awards to mitigate against any reputational or other risk from such awards being considered excessive. As noted above, the RSS reduces the risk of unintended remuneration outcomes associated with complex performance conditions.
Predictability – the range of possible reward values to individual directors and any other limits or discretions should be identified and explained at the time of approving the policy	See scenario charts on page 104. As noted above, the RSS increases the predictability of reward values (removing the risk of potentially unintended outcomes). Maximum award levels and discretions are set out in the Policy Table on page 94 to 97.
Proportionality – the link between individual awards, the delivery of strategy and the long term performance of the company should be clear. Outcomes should not reward poor performance	As shown in the scenario charts on page 104, variable performance related elements represent a significant proportion of the total remuneration opportunity for our Executive Directors. The Committee considers the appropriate financial and personal performance measures each year to ensure that there is a clear link to strategy. For example, for 2019 a net debt element was added to the AIP, and balance sheet strength included as a personal objective for Executive Directors, to reflect the strategy announced during 2018. Discretions available to the Committee ensure that awards can be reduced if necessary to ensure that outcomes do not reward poor performance.
Alignment to culture – incentive schemes should drive behaviours consistent with company purpose, values and strategy	The Committee seeks to ensure that personal performance measures under the AIP incentivise behaviours consistent with the Company's culture, purpose and values. The RSS will clearly align Executive Director interests with those of shareholders by ensuring a focus on delivering against strategy to generate long term value for shareholders.

Directors' Remuneration Policy

The Directors' Remuneration Policy as set out below (Policy) will take effect from the conclusion of the AGM to be held on 28 April 2020, subject to approval by the shareholders at that meeting. It is intended that this Policy will remain applicable for the following three years. However, the Committee will keep a watching brief to ensure that it remains appropriate in the broader remuneration landscape. The Committee consulted extensively with shareholders and took into account their views when formulating the Policy. Further details of the consultation process are set out in the Chair's letter on pages 89 and 90.

The Committee has received clear advice that formal limits are required in the Policy and has retained sufficient flexibility to enable it to continue to act in the interests of the Company and its shareholders. The limits will not lead to pressure on reward levels and the Committee is satisfied that it has adopted a suitably conservative approach to date and will continue to do so.

Table 46

Remuneration Policy for Executive Directors

Salary

Purpose and link to Strategy	– To continue to retain and attract quality leaders. – To recognise accountabilities, skills, experience and value.
Operation	– Paid monthly in cash. – Reviewed but not necessarily increased annually by the Committee. – In undertaking reviews, the Committee will take into account a variety of factors, including Company and individual performance, market conditions, the level of salary increases awarded to other employees of the Group, and a comparison against both a relevant property peer group and a group of entities of comparable size selected by the Committee (currently the largest REITs and an appropriate pan-sector group of companies with a comparable market capitalisation). – The Committee is aware of the limitations of benchmarking and of the need to avoid inflationary upward trends. However, benchmarking is considered at both base salary and total remuneration level, and the Committee generally considers that pay will be within a range of +/- 10% of a median benchmark but also takes into account such other factors as it considers appropriate and is not constrained by this default.
Maximum potential value	– The base salary for any existing Executive Director shall not exceed £850,000 (or the equivalent if denominated in a different currency), with this limit increasing annually at the rate of UK CPI from the date of the 2017 AGM.
Performance measures	– Not applicable.

Benefits

Purpose and link to Strategy	– Provide a range of benefits in line with market practice. – To continue to retain and attract quality leaders.
Operation	– Executive Directors may receive such contractual and non-contractual benefits as the Committee considers to be appropriate and consistent with market practice in the relevant market in which the Executive Director is based. – These benefits currently include a car allowance, enhanced sick pay, private medical insurance (for the Executive Director and their spouse/life partner), permanent health insurance and life assurance. – Whilst the Committee does not consider it to form part of benefits in the normal sense, Executive Directors can participate in corporate hospitality (including travel and, where appropriate, with a family member), whether paid for by the Company or another, within its agreed policies with any tax liability met on the Executive Directors' behalf. – In addition, Executive Directors will be paid any statutory entitlements.
Maximum potential value	– The aggregate value of such benefits received by each Executive Director (based on the value included in the individual's annual P11D tax calculation or a broadly equivalent basis for a non-UK based Executive Director) shall not exceed £100,000 or the equivalent if denominated in a different currency (with this maximum increasing annually at the rate of UK CPI from the date of the 2017 AGM). – In addition to the benefits outlined, where Executive Directors are relocated to work in a different country, the Company may pay global relocation support (up to a maximum of £400,000) or the equivalent if denominated in a different currency; and/or provide tax equalisation arrangements in relation to all elements of remuneration.
Performance measures	– Not applicable.

Table 46 continued

Remuneration Policy for Executive Directors

Pension

Purpose and link to Strategy	– Provide market competitive retirement benefits. – To continue to retain and attract quality leaders.
Operation	– In line with all UK employees, where either annual or lifetime pension allowances are exceeded Executive Directors may receive a cash allowance (Pension Choice) to be paid as, or as a combination of: (i) an employer contribution to the Company's defined contribution pension plan; (ii) a payment to a personal pension plan; or (iii) a salary supplement. – Pension arrangements for Executive Directors are kept under review to ensure that they remain appropriate and the Company may decide to amend the way in which pension benefits are provided (but subject to the stated maximum limit). – The Company will also provide any additional pension benefit required by local legal obligations or implemented pursuant to collective employment arrangements in any relevant jurisdiction, up to applicable statutory limits. – The percentage of base salary as a pension allowance may differ between Executive Directors. New Executive Directors will receive contributions aligned with the arrangements available to the majority of staff employed in the UK and Ireland (age related and subject to employee contributions) from time to time. – The CEO's contribution rate will reduce from 30% to the relevant age related maximum level available to the majority of staff employees in the UK and Ireland (currently 18.5%) by the start of 2023. – The Company's defined benefit scheme closed to further accrual in 2014. The participation of David Atkins in this scheme is to the extent of accrued benefits only.
Maximum potential value	– Pension Choice is limited to an aggregate maximum age-related limit of 18.5% of base salary. No elements of remuneration other than base salary are pensionable.
Performance measures	– Not applicable.

Annual Bonus (Annual Incentive Plan or AIP)

Purpose and link to Strategy	– Align Executive Director remuneration with annual financial and Company strategic targets as determined by the Company's Business Plan for the relevant financial year. – To differentiate appropriately, in the view of the Committee, on the basis of performance. – Partial award in shares aligns interests with shareholders and supports retention.
Operation	– Awards are subject to continued employment, save in the leaver circumstances described in the Payment for loss of office section of this Policy. – Awards are paid in a mix of cash and deferred shares, with the deferred shares element being at least 40% of the total award. – The Committee reserves discretion to reduce any formulaic outcome if it is not considered appropriate in all the circumstances. – Subject to clawback and malus provisions in situations of personal misconduct and/or where accounts or information relevant to performance are shown to be materially wrong and the bonus paid was higher than should have been the case and/or where the individual's actions contributed to a significant adverse impact on the reputation of the Company or Group. – The recovery and withholding provisions also apply to the deferred element of the AIP delivered under the DBSS.
Maximum potential Value	– The maximum bonus opportunity is 200% of base salary (CEO) and 150% (CFO).

Performance measures	– The annual bonus operates by reference to financial and personal performance measures set and assessed over one year. The weighting of the financial measures will be at least 60% of the total opportunity. It is expected that the financial performance measures may include some or all of the following:
	  – Absolute net debt
	  – Relative Total Property Return
	  – Adjusted Earnings Per Share
	– These measures are aligned to the Company's financial KPIs, as explained in the Company's Strategic Report, and reflect effective delivery of the business model. The Committee reserves the right to change, remove or include these or such other measures as it considers to be an appropriate means of assessing the performance of the Executive Directors.
	– The level of vesting at entry/threshold performance for each performance measure is set annually, but will be between 0% and 25% of maximum (with vesting normally then being on a straight-line or stepped basis to the target level set for full vesting). On-target and maximum performance levels will also be set.
	– The Committee retains discretion to amend the vesting level (up or down) where it considers it to be appropriate, but not so as to exceed the maximum bonus potential and will fully disclose the exercise of any discretion in the Annual Remuneration Report that follows such exercise of discretion.
	– Once set, performance measures and targets will generally remain unchanged for the year, except targets may be adjusted by the Committee to take account of significant transactions such as acquisitions and/or disposals or in other exceptional circumstances such as timing of transactions that have a material impact on Business Plan.

Table 46 continued

Remuneration Policy for Executive Directors

Annual Bonus (Deferred share element)

Purpose and link to Strategy	– The AIP award is split between cash and a substantial deferred award of shares which aligns interests with shareholders and supports retention.
Operation	– The deferred shares element is currently awarded under the Deferred Bonus Share Scheme (DBSS) (but may be delivered under a different plan with equivalent terms). – The deferral period is currently two years, and may not be shorter. – The deferred shares are subject to the leaver conditions as set out in the Payment for loss of office section of this Policy. – The awards are typically structured as nil-cost share options, but can take other forms such as a conditional award of shares. – Participants are entitled to a dividend equivalent for the period from grant until the vesting date, delivered as additional shares when the shares are transferred to the participant.
Maximum potential value	– Awards under the DBSS are granted to deliver the deferred element of the annual bonus, and so no separate maximum applies.
Performance measures	– No further performance targets apply to the deferred shares element of the AIP as these represent previously earned bonuses.

Restricted Share Scheme (RSS)

Purpose and link to Strategy	– Incentivise the creation of long term returns for shareholders. – Align interests of Executive Directors with shareholders and support retention. – To create alignment with the workforce.
Operation	– Executive Directors are eligible to participate in an annual award under the RSS. If the Remuneration Policy and new RSS rules are approved by shareholders at the 2020 AGM, future awards will be made under the new RSS. – Awards are subject to a three-year underpin period. – Awards are subject to continued employment for three to five years from grant (with one-third of awards contingent on employment to each such anniversary) and only released on the fifth anniversary of grant), save as set out in the Payment for loss of office section of this Policy. – Participants are entitled to a dividend equivalent for the period from grant until the date of release of the shares or, where a holding period applies, to the end of the holding period, delivered as additional shares when the shares are transferred to the participant. – The Committee has discretion to settle awards as a cash payment in place of the transfer of shares. – The Committee reserves discretion to reduce any formulaic outcome if it is not considered appropriate in all the circumstances. – Subject to clawback and malus provisions in situations of personal misconduct and/or where performance in the year prior to grant is shown to be materially different from that assumed and/or if the Remuneration Committee reasonably concludes that events have occurred following that year which lead it to conclude in exceptional circumstances that vesting is inappropriate (in which case it may reduce such vesting).
Maximum potential value	– A discretionary annual award up to a value of 100% of base salary. – The Committee reserves the discretion to increase the maximum award to 150% of base salary in exceptional circumstances.

Performance measures	– Awards will normally vest in full, subject to the following underpin:
	  – that the Group's underlying performance and delivery against its strategy and plans (which may change in response to structural and cyclical changes over time) is sufficient to justify the level of vesting having regard to such factors as the Committee considers to be appropriate in the round.
	  – in normal circumstances, such factors will include consideration of absolute and relative TSR, net debt and TPR.
	  – when considering these factors, the Committee will assess overall performance in the round, with a default to full vesting unless there has been material under performance.
	– Awards to be made in 2020 will be subject to the following additional underpin:
	  – that no more than 50% of the award will vest if the Company's TSR has not increased over the three years following grant (using the three-month average TSR's for January to March 2020 for the base price and the same period three years later for the end price).
	– The Committee retains the discretion prior to making the award to amend the underpin.
	– Once set, the Committee may only amend the underpin in respect of outstanding awards in the event that exceptional circumstances occur which make it appropriate to do so, provided that the amended underpin is not, in the view of the Committee, materially less difficult to satisfy.

All-employee arrangements

Purpose and link to Strategy	– In order to be able to offer participation in these plans to employees generally, the Company is required by the relevant UK legislation to allow Executive Directors to participate on the same terms, or chooses so to do.
Operation	– Executive Directors are eligible to participate in all-employee incentive arrangements on the same terms as other employees. This currently comprises the following arrangements: – Eligible UK employees may participate in the Sharesave and Share Incentive Plan (SIP). – All employees of Hammerson France are eligible to participate in a profit share plan, which rewards performance against such measures as the Committee considers to be appropriate.
Maximum potential value	– Maximum participation levels for Executive Directors are the same as apply to all employees
Performance measures	– Not generally applicable. An award of free shares under the SIP can be made to all participants and may be subject to a Company performance target.

Notes to the Remuneration Policy Table

1. For details regarding remuneration of other Company employees, please refer to the Employee pay and conditions elsewhere in the Group section of this Policy.
2. The Payment for loss of office section of this Policy contains details of the impact of a change of control on awards made under AIP, the DBSS, the RSS and outstanding awards under the Long Term Incentive Plan (LTIP).
3. The Committee will determine components of remuneration for new Executive Directors, as outlined in the Recruitment section of this Policy.
4. Performance targets for the AIP and RSS are set by the Committee taking into consideration a number of factors, including alignment to strategy, the Business Plan, need for consistency between years, changes to the Group's portfolio, market conditions, and need to ensure that measures are sufficiently challenging but also provide motivation to succeed.
5. It is a provision of this Policy that all pre-existing obligations and commitments that were entered into prior to this Policy taking effect and/or prior to an individual joining the Board will continue and can be honoured on their existing terms. In particular, these may include continued participation in legacy defined benefit pension arrangements and the retention of outstanding awards under the LTIP together with other obligations and commitments under service contracts, incentive schemes, pension and benefit plans. This includes payments from any outstanding awards under the LTIP or other incentive plans provided they were consistent with the Policy at the time they were awarded.
6. If the rules of the RSS are not approved by shareholders at the 2020 AGM, the Company will consult with shareholders about appropriate alternatives.
7. A summary of key changes to the Policy is included in the Committee Chair's letter.

Share ownership guidelines

The Chief Executive and all other Executive Directors are expected to accumulate and maintain a holding in ordinary shares in the Company equivalent to no less than 250% of base salary.

Executive Directors are normally required to achieve the minimum shareholding requirement within seven years of the date of appointment.

Shares to be included in the calculation are:

- Shares held beneficially by the Executive Director and the Executive Director's spouse/life partner.
- Shares held under the DBSS, RSS or LTIP that are exercisable (on a net of tax/NI basis).
- Shares held under the LTIP that have vested but are subject to a holding period (on a net of tax/NI basis).
- Shares held by the Executive Director under the Share Incentive Plan.

An annual calculation as a percentage of salary is made against the guidelines for each Executive Director as at 31 December each year based on the closing middle market quotation of a share price on the last business day in December. The closing exchange rate as at 31 December is used for Executive Directors whose salary is denominated in a currency other than sterling. No formal sanctions exist for non-compliance.

Post-cessation share ownership

On cessation of employment, Executive Directors are expected to maintain a shareholding equivalent to 250% of base salary for a period of two years. The Committee has discretion to reduce this guideline if it is no longer appropriate. Shares will be valued at the higher of the value on cessation and subsequently. Vesting of RSS grants from 2020 onwards, and DBSS awards from 2021 onwards, will be lodged in escrow to provide an enforcement mechanism.

Recruitment

Statement of Principles

The Company will pay total remuneration for new Executive Directors that enables the Company to attract appropriately skilled and experienced individuals, but is not, in the opinion of the Committee, excessive.

The Company will not pay new Executive Directors any inducements to join the Company over and above buy-outs of existing forfeited awards, as outlined in this section of the Policy.

The Company will disclose to the market/on its website in a timely manner the basis of a package agreed with a new Executive Director.

Approach and limits

Annual salary, pension, contractual and non-contractual benefits, annual bonus and long term incentive arrangements (including performance measures and/or conditions and maximum award levels), as described in the Remuneration Policy Table, will be the starting point for the structure of any package. The level of variable remuneration that may be awarded to a new Executive Director will not exceed the maximum AIP and RSS limits that can be awarded in line with the principles set out in the Remuneration Policy Table, with the exception of any compensation for variable remuneration forfeited. Consistent with the regulations; the limits contained within the Remuneration Policy Table for base salary or any other element of fixed pay do apply to a new Executive Director either on joining or for any subsequent salary review within the period of this Policy unless the Committee considers there are exceptional circumstances. However, the Committee would seek to avoid exceeding those limits in practice.

The Company may provide a new Executive Director with global relocation support and/or tax equalisation arrangements as set out in the Remuneration Policy Table although, to date, the Company has not had occasion to do so.

For a new Executive Director who is an internal appointment, the Company may also continue to honour commitments made prior to the appointment as Executive Director even if those commitments are otherwise inconsistent with the Policy in force when the commitments are honoured. Any relevant existing incentive plan participation may either continue on its original terms or the performance conditions and/or measures may be amended to reflect the individual's new role, as the Committee considers appropriate.

Compensation for variable remuneration forfeited by a new Executive Director

The Company may, where appropriate, compensate a new Executive Director for variable remuneration that has been forfeited as a result of accepting the appointment with the Company. Where the Company compensates a new Executive Director in this way, it will seek to do so under the terms of the Company's existing variable remuneration arrangements as set out in the Remuneration Policy Table. The Company may compensate on terms that are more bespoke than the existing arrangements where the Committee considers that to be appropriate.

The Committee may also make awards under a long term incentive scheme that does not require shareholder approval if it falls within Listing Rule 9.4.2 (an arrangement established for a director specifically to facilitate, in unusual circumstances, the recruitment of an individual). In such instances, the Company will disclose a full explanation of the detail and rationale for such recruitment-related compensation. In making such awards, the Committee will seek to take into account the nature (including whether awards are cash or share-based), vesting period and performance measures and/or conditions for any remuneration forfeited by the individual when leaving a previous employer. Where such awards had outstanding performance or service conditions (which are not substantially completed), the Company will generally impose equivalent conditions. In exceptional cases, the Committee may relax those requirements where it considers this to be in the interests of shareholders, for example through a significant discount to the face value of the replacement awards.

Service agreements for a new Executive Director

The Committee's approach is for the service agreements of new Executive Directors to have due regard to market practice at the date of appointment, the Company's current Policy and the service agreements in place for existing Executive Directors.

Table 47

The key termination provisions for service agreements for newly appointed Executive Directors will be:

Notice period	No greater than 12 months' notice (either notice to or from the Executive Director) for UK-based Directors. For non UK-based Directors, contracts are designed to meet local laws and have a similar overall effect in terms of the potential cost to the Group. A longer period of notice from the Company may apply to new appointments for a limited time if the Committee considers this is appropriate, but would then reduce to no more than 12 months.
Post-termination restrictions	Compensation in respect of restrictive covenants will be paid as required for enforceability reasons under applicable local statutory (or collective bargaining) requirements. Appropriate post-termination restrictions to protect the Group's confidential information, its customer and supplier connections and/or to prevent poaching of its senior workforce will be included.
Payment in lieu of notice (PILON)	Employment can be terminated by the Company with immediate effect (for any reason) by making a payment in lieu of the outstanding period of notice (PILON). The PILON comprises base pay, and the value of employer's pension contributions, medical insurance and car allowance. The Company will have discretion to make any PILON on a phased basis, subject to mitigation. No PILON will be made in the event of gross misconduct.
Expiry date	There will be no fixed expiry date. The appointment of new Executive Directors will be terminable in accordance with the notice period.
Change of control and liquidated damages	The Executive Director will not have a right to liquidated damages, whether triggered by a change of control of the Company or otherwise.

The terms summarised above will be subject to any local statutory (or collective bargaining) requirements where applicable. For treatment of incentive awards in connection with termination please see the Payment for loss of office section of this Policy.

Payment for loss of office

Committee considerations on leaving office

The Committee considers the circumstances under which an Executive Director is leaving the Company's employment. In circumstances where a Director is terminated for cause, the Committee typically has limited discretion in connection with remuneration payments. In other circumstances, a range of discretions is available to the Committee

The following tables set out a summary of obligations contained in the Executive Directors' service agreements which could give rise to, or impact on, remuneration payments for loss of office.

Table 48

Service agreements and notice periods for current Executive Directors

	David Atkins	James Lenton
Date of service contract	11 January 2008	16 September 2019
Expiry date	Rolling service contracts with no fixed expiry date.	
Notice period	12 months' notice to the Executive Director and 6 months' notice from the Executive Director.	12 months' notice (both from and to the Executive Director).
Termination payments:		
Payment in lieu of notice (PILON)	Employment can be terminated by the Company with immediate effect by making a lump sum PILON in respect of the outstanding notice period comprising base salary, the value of contractual benefits and a bonus based on the Executive Director's average bonus over the previous three years (but pro-rated to reflect the part of the bonus year actually worked). No PILON will be made in the event of gross misconduct. The Company has discretion to make any PILON on a phased basis, subject to mitigation.	Employment can be terminated by the Company with immediate effect by making a PILON in respect of the outstanding notice period comprising base salary and the value of benefits in respect of pension, private medical insurance and car allowance.
Liquidated damages/Change of control	Entitlement to liquidated damages calculated on the same basis as calculated for the Executive Director's PILON if (i) the Company terminates the employment in breach of the service agreement or (ii) the Executive Director terminates the employment because of a fundamental breach by the Company or (iii) within 12 months after a change of control, the Company terminates the employment (in each case, save where such termination is for gross misconduct or long term sickness or incapacity). Liquidated damages are subject to deductions for new earnings.	

The service agreements with David Atkins and James Lenton provide that the relevant Executive Director will be eligible to be considered for payment of an award under the AIP provided that the Director has been employed through the entirety of the bonus year, even if no longer employed at the payment date. Where the Executive Director has been employed for only part of the bonus year, he will be eligible for consideration for payment of a discretionary bonus, but on a pro-rata basis. Other than in this respect, the treatment of leavers under the AIP, DBSS, RSS and LTIP arrangements is set out in Table 49. The Company will pay any additional statutory entitlements where applicable.

Table 49

Annual bonus and long term incentives

The following table describes the provisions which apply to leavers who are Executive Directors and the discretions available under the AIP, DBSS, RSS and LTIP. Further detail as to the potential exercise of discretion by the Committee is set out in the Use of discretion section of this Policy.

	Leaving reason						
	Ill-health, injury, disability	Death	Redundancy, sale of Company or business	Retirement	Voluntary resignation[3]	Termination for cause	Change of control[2]
AIP[1] In all cases, any bonus payable is subject to the normal deferral arrangements, unless the Committee determines otherwise	Remains eligible for bonus. Any bonus payable will be time pro-rated unless the Committee decides otherwise.		Remains eligible for full payment of the bonus for a completed performance period. In addition, the Committee has discretion to make pro-rated payments for any performance period not completed.		No right to receive any bonus. Committee has discretion to pay a bonus provided the Executive Director is in employment at the bonus payment date.	No bonus payable.	Bonuses may be awarded under the AIP at the time of the change of control. Unless the Committee determines otherwise, a bonus will be time pro-rated.
DBSS (deferred share element of AIP)	Full vesting on normal vesting date. Committee may accelerate vesting.				Awards lapse, save that the Committee has discretion to allow up to full vesting on the normal vesting date or the Committee may accelerate vesting.	Awards lapse.	Awards vest in full.
LTIP (outstanding awards made up to 2019)	Awards remain capable of vesting, subject to the performance conditions being met. Awards will vest on the normal vesting date, save that the Committee may accelerate vesting. Unless the Committee determines otherwise, vesting will be time pro-rated.				Awards lapse, save that the Committee has discretion for awards to remain capable of vesting (subject to performance conditions) on a time pro-rated basis and may accelerate vesting.	Awards lapse.	Awards vest subject to the performance conditions and, unless the Committee determines otherwise, will be time pro-rated.
RSS	Awards remain capable of vesting, subject to the underpin. Awards will vest on the normal vesting date subject to the underpin, save that the Committee may accelerate vesting. Unless the Committee determines otherwise, vesting will be time pro-rated.				Awards lapse, save that the Committee has discretion for awards to remain capable of vesting (subject to the underpin) on a time pro-rated basis and may accelerate vesting.	Awards lapse.	Awards vest, subject to the underpin and, unless the Committee determines otherwise, will be time pro-rated.

In respect of all-employee plans, including the Company's HMRC-approved, all-employee share plans, the Sharesave and the SIP, and the profit share plan for employees of Hammerson France, the Executive Directors are subject to the same leaver provisions as all other participants.

Notes:

1. Where the date of notice and the date of cessation fall in different performance periods, the provisions relating to AIP as stated above apply in respect of the AIP award for each performance period separately.
2. On a corporate event affecting the Company, bonuses and awards under the AIP, DBSS, RSS and LTIP will be governed by the rules of these plans. The information given here is for summary purposes.
3. Specific arrangements apply under the service agreements of David Atkins and James Lenton and as set out on page 99.

Use of discretion

The Committee can exercise discretion in various areas of the Policy as set out in this Report. In addition, the Committee has discretion to amend the Policy with regard to minor or administrative matters where it would be, in the opinion of the Committee, disproportionate to seek or await shareholder approval. The Committee retains the discretion to override the formulaic outcomes of incentive schemes. In exercising discretion in respect of the AIP, RSS or LTIP, the Committee will take into account all factors it determines to be appropriate at the relevant time, including but not limited to the duration of the Executive Director's service and its assessment of the contribution towards the success of the Company during that period; whether the Executive Director has worked any notice period or whether (and if so, the extent that) a PILON is being made; the need to ensure an orderly handover of duties and continuity in the business operations of the Company; and the need to settle any claims which the Executive Director may have. In exercising any discretion, the members of the Committee will take account of their duties as Directors.

Other

If the Company terminates an Executive Director's employment by reason of redundancy, the Company will make a redundancy payment to the Executive Director in line with any applicable Company redundancy policy (which includes any entitlement to statutory redundancy pay) and any applicable collective bargaining agreement.

Payment to a departing Executive Director may be made in respect of accrued benefits and accrued untaken holiday.

In connection with an Executive Director ceasing employment, the Company may, if the Committee determines it is in the best interests of the Company, enter into new contractual arrangements with the departing Executive Director including (but not limited to) settlement, confidentiality, restrictive covenants and/or consultancy arrangements on such terms as it considers appropriate. In such case, the Company will make appropriate disclosures of such terms. If a settlement agreement is entered into with the Executive Director, the Company may make payments that it considers reasonable in settlement of potential legal claims, for example unfair dismissal, or where agreed under the settlement agreement. This may include any entitlement to compensation in respect of statutory rights under employment protection legislation in the UK or in other jurisdictions.

A departing gift may be provided (and any tax liability met on the Executive Director's behalf) up to a value of £5,000 (plus the related taxes) per Executive Director on termination of office. The Company may agree to provide other ancillary or non-material benefits in connection with (including in a defined period following) termination, not exceeding a value of £5,000 in aggregate.

Legal fees

Consistent with market practice, the Company may pay reasonable legal fees (and any associated tax costs) on behalf of the Executive Director for entering into a statutory settlement agreement and may pay a contribution of up to £50,000, plus VAT, towards fees for outplacement services as part of a negotiated settlement.

In the case of a corporate transaction, the Company may agree to pay reasonable legal fees (and any associated tax costs) on behalf of the Executive Director for advice on the effect of the corporate transaction on the Executive Director's personal position as a director (including, where appropriate, as to the terms of their employment).

The Company may agree to pay reasonable legal fees (and any associated tax costs) on behalf of the Executive Director for advice related to any proposed changes to their terms and conditions of employment during their period of employment.

On recruitment of an Executive Director, the Company may make a contribution towards legal fees in connection with agreeing employment terms and drawing up a service contract.

Other appointments: new and existing Executive Directors

Executive Directors are able to accept, with the consent of the Company's Board of Directors, non-executive appointments outside the Company (provided that such appointments do not lead to a conflict of interests) on the basis that such external appointments can enhance their experience and skills and add value to the Company. Any fees received by an Executive Director for such external appointments can be retained by the individual (except where the Executive Director is appointed as the Company's representative).

Chair and Non-Executive Directors' remuneration

Table 50

Remuneration Policy for Non-Executive Directors

Purpose and link to strategy

Ensure the Company continues to attract and retain high-quality Chair and Non-Executive Directors by offering market-competitive fees.

Fee levels

Current fees (per annum) are:	£000
Chair	346
Non-Executive Director	62
Senior Independent Director	10
Chair of Audit Committee	15
Audit Committee member	5
Chair of Remuneration Committee	15
Remuneration Committee member	5

Operation

The Chair's fee is determined by the Committee. Other Non-Executive Directors' fees are determined by the Board on the recommendation of the Executive Directors.

Fee levels are reviewed periodically taking into account independent advice and the time commitment required of Non-Executive Directors.

Fees paid aim to be competitive with other listed companies which the Committee (in the case of the Chair) and the Board (in respect of Non-Executive Directors) consider to be of equivalent size and complexity but are not set by reference to a prescribed benchmark.

Fees are paid monthly in arrears.

The Chair does not receive any additional fee in respect of membership of any of the Committees.

Other Non-Executive Directors may receive additional fees for membership and/or chairmanship of the Remuneration and Audit Committees. No additional fee is currently paid to the Chair or members of the Nomination Committee. There is also an additional fee for the Senior Independent Director. The level of additional fees is set to reflect the responsibilities of the role.

Maximum limit

Aggregate total fees payable annually to all Non-Executive Directors are subject to the limit as stated in the Company's Articles of Association (currently £1,000,000). The Committee reserves the right to provide additional fees within the stated limit, including for membership of any additional Committee the Board may establish.

Other benefits

There are no other benefits currently available to any of the Non-Executive Directors. Whilst the Company does not consider that reimbursing travel and accommodation expense (including to the Company's London office) is a benefit in the normal sense, should any assessment to tax be made on such reimbursement, the Company reserves the ability to settle such liability on behalf of the Non-Executive Director.

Non-Executive Directors are not eligible for performance-related bonuses or participation in the Company's share plans, nor do Non-Executive Directors receive any pension benefits.

Whilst the Company does not consider it to form part of benefits in the normal sense, Non-Executive Directors can participate in corporate hospitality (including travel and, where appropriate, with a family member), whether paid for by the Company or another, within its agreed policies.

A departing gift may be provided (and any tax liability met on the Non-Executive Director's behalf) up to a value of £5,000 (plus the related taxes) per Non-Executive Director on termination of office.

The Chair and the Non-Executive Directors do not have service agreements with the Company. Their appointments are governed by letters of appointment, which are available for inspection on request. The letters of appointment of Non-Executive Directors are reviewed by the Chair and the Executive Directors every three years.

Appointments of Non-Executive Directors are for a term of three years, subject to the right of either party to terminate the appointment on not less than three months' notice or immediately should a conflict of interest arise. If any Non-Executive Director is not re-elected at the Company's Annual General Meeting, the appointment will cease automatically.

On termination of an appointment, a Non-Executive Director is only entitled to such fees as may have accrued to the date of termination, together with the reimbursement in the normal way of any expenses properly incurred prior to that date.

The dates of the appointments of the Non-Executive Directors in office as at 31 December 2019 are set out below.

Table 51

	Date of original appointment to Board	Commencement date of current term	Unexpired term as at April 2020
Pierre Bouchut	13 February 2015	13 February 2018	10 months
Gwyn Burr	21 May 2012	21 May 2018	1 year, 1 month
Andrew Formica	26 November 2015	26 November 2018	1 year, 7 months
Judy Gibbons[1]	1 May 2011	1 May 2017	Standing down at AGM
Adam Metz	22 July 2019	22 July 2019	2 years, 3 months
David Tyler	12 January 2013	12 January 2019	1 year, 9 months
Carol Welch	1 March 2019	1 March 2019	1 year, 11 months
Méka Brunel	1 December 2019	1 December 2019	2 years, 8 months

Notes

1. Judy Gibbons current term ends on 1 May 2020 and she will not seek re-election at the 2020 AGM.

Employee pay and conditions elsewhere in the Group

Consideration of the remuneration of the wider workforce forms an important part of the policy review. Set out below is a summary of employee pay and conditions. Remuneration packages for all Group employees may comprise both fixed and variable elements. Generally, the more senior the individual, the greater the variable pay offer as a proportion of overall pay due to the ability of senior managers to impact more directly upon Company performance. As well as assessing the remuneration packages of the Executive Directors, the Committee reviews the remuneration of the senior management team and is kept informed of remuneration developments across the Group, including the salary increases and employee benefits of the wider employee population. In accordance with prevailing commercial practice, the Committee does not consult with employees in preparing remuneration policy.

Summary of 2020 remuneration structure for employees below Board level

Table 52

Element	Approach/Policy
Base salary	An assessment is made each year on pay increases across the Group. The assessment may include benchmarking exercises for different roles. Other factors taken into consideration are Company performance, competition in the marketplace and general economic climate, specifically rates of inflation and wage growth. Pay increases are expected to be in line with market rate and any increase awarded to an individual will reflect competence and experience. Exceptional pay increases are sometimes awarded to bring pay in line with market practice or recognition of an individual's development within a role. More usually exceptional personal performance is recognised through variable pay.
Annual bonus	An annual cash bonus scheme is operated throughout the Group. Although there are some minor differences in application of the scheme according to jurisdiction of employment, the same principle applies to all employees in that there is an opportunity to receive a bonus based on personal or company performance or a mixture of both. Generally, the more senior the employee the more the weighting is towards Company performance. The maximum cash bonus opportunity varies according to seniority. In addition to Executive Directors, Group Executive Committee members have a proportion of their award deferred into shares.
Pension	The pension offering forms an important part of the reward package across the Group. All employees may participate in one of a number of defined contribution pension arrangements across the UK and Ireland. Employee and employer contribution structures vary depending on the scheme.
Share schemes	A variety of all-employee and discretionary share schemes are in operation across the Group. Generally, where local legislation allows, eligible employees, including Executive Directors, may participate in an all-employee share scheme such as the Sharesave scheme operated in the UK and Ireland. In addition, a number of UK employees have the opportunity to join the UK Share Incentive Plan (SIP), with the potential for an annual SIP Free Share Award based on Company stretch performance. Employees of Hammerson France are eligible to participate in a profit share plan which rewards performance against certain performance measures. Senior employees in the UK may participate in the Restricted Share Plan (a separate scheme to the Executive Director RSS) and in France in the Free Shares Award Scheme.
Employee benefits	Benefits offered by the Group include life assurance, private medical care, car allowances, permanent health insurance and health checks. The offer of a particular benefit to an employee will depend on location within the business, their role and seniority.

Illustration of application of the Policy

Set out below is an illustration of the reward mix for the Executive Directors at minimum, on-target and maximum performance under the Policy.

Chart 53 (£000)

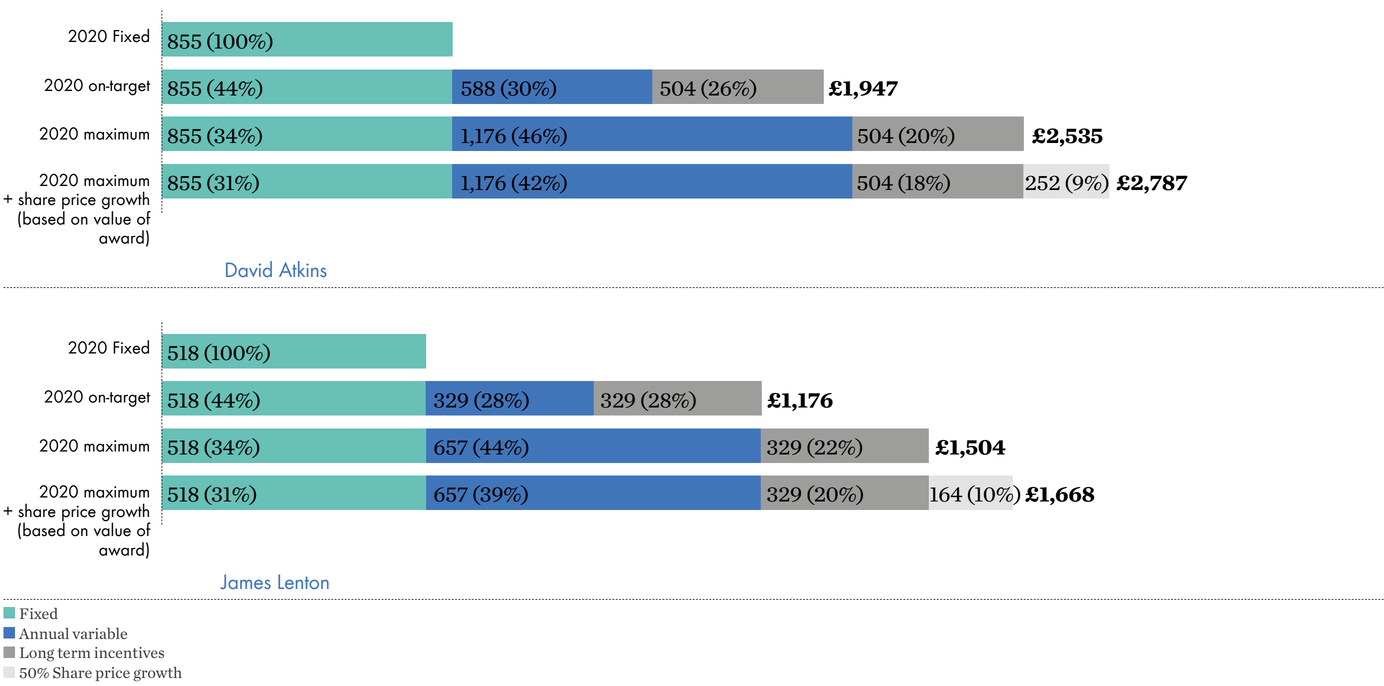


Table 54

Assumptions: Executive Director remuneration scenarios 2020

Fixed

Consists of base salary, contractual and non-contractual benefits, pension and participation in the UK all-employee share plans.
Base salary is the salary to apply after salary increases take effect on 1 April 2020.
Benefits are as shown in the Single Figure Table for 2019 in the Annual Remuneration Report (annualised for James Lenton).
Pension contributions are based on salary after salary increases take effect on 1 April 2020.

	Base Salary £000	Benefits £000	Pension £000	Total Fixed £000
David Atkins	672	18	165	855
James Lenton	439	18	61	518

On-target

Based on what the Executive Director would receive if performance was in line with expectation (excluding share price appreciation and accrual of dividend equivalent payments):
AIP: consists of on-target levels (50% of maximum bonus opportunity in 2020).
RSS: Assumes maximum vesting of awards (75% of 2020 base salary).

Maximum

Based on the maximum remuneration receivable (excluding share price appreciation and accrual of dividend equivalent payments):
AIP: consists of the maximum bonus opportunity in 2020 (175% of base salary for CEC, 150% of base salary for CFO).
RSS: assumes maximum vesting of awards (75% of 2020 base salary).

Impact of share price appreciation

50% of maximum RSS award value

Annual Remuneration Report

2019 Remuneration at a glance

Table 55

2019 Remuneration year in summary

Salary	Salary increases for the Executive Directors of 2.5%, less than the average for other Group employees	
Bonus total vesting percentage	David Atkins	39.6%
	James Lenton	44.1%
2019 LTIP	200% of salary awarded with EPS, TPR and TSR performance targets measured over four years with a one-year post vesting holding period	
Shareholding	Shareholding guidelines of 250% of base salary	
Chair of the Board and NED fees	No changes to fees for the Chair of the Board and the Non-Executive Directors in 2019	

Table 56

AIP Performance

AIP Financial/ Operational Measure	Target	Actual	Outcome
EPS[1]	27.0p	28.0p	**76.3%**
TPR[2]	IPD+0.75%	IPD+<0.375%	**0%**
Net Debt	£2.676bn	£2.842bn%	**22.3%**

1. Adjusted EPS.
2. Estimate.

Table 57

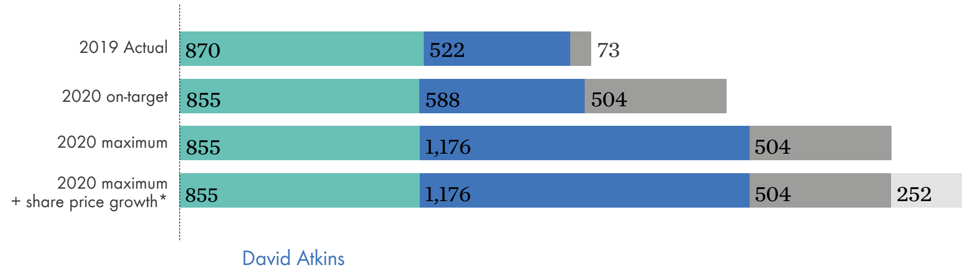
LTIP Performance[1]

LTIP Measure	Target	Actual	Outcome
EPS[2]	CPI +3.00%	CPI+1.75%	**0%**
TPR[3]	IPD+0.00%	IPD+0.078%	**29.7%**
TSR	Median	Below median	**0%**

1. LTIP performance disclosed on the same basis as the Single Figure Table, Table 59 (EPS and TPR elements from the 2016 LTIP and TSR from the 2015 LTIP).
2. Adjusted EPS.
3. Estimate.

Chart 58

CEO Remuneration scenarios — 2019 actual remuneration v 2020 on-target and maximum potential (£000)



Fixed (salary, benefits, pension) - For 2020 salary is base salary (from 1 April 2020), benefits are as showin in Single Figure Table for 2019
AIP - 2020 on-target consists of 50% of bonus maximum. Maximum bonus for 2020 is 175% of base salary
LTIP/RSS - 2020 on-target and maximum assumes full vesting (75% of 2020 base salary)
Impact of share price appreciation - 50% of maximum RSS award value
* (Based on value of award)

The Annual Remuneration Report sets out how the Directors' Remuneration Policy was put into practice in 2019 and how we intend to apply the proposed Policy in 2020. It is divided into three sections:

Section 1: Single Figure Tables
Section 2: Further information on 2019 remuneration
Section 3: Implementation of Remuneration Policy in 2020

The auditors have reported on certain sections of this Report and stated whether, in their opinion, those sections have been properly prepared. Those sections which have been subject to audit are clearly indicated with an asterisk (*).

The Remuneration Policy which was applied in 2019 was approved by shareholders at the AGM held on 25 April 2017, and is available on the Company's website at www.hammerson.com.

Section 1: Single Figure Tables

This section contains the single figure tables showing 2019 remuneration for the Executive Directors and Non-Executive Directors, and information that relates directly to the composition of these figures.

All figures highlighted in GREEN in the Remuneration Report relate directly to a figure that is found in the Single Figure Table, Table 59.

Executive Directors' remuneration: Single Figure Table*

Table 59 below shows the remuneration of the Executive Directors for the year ended 31 December 2019, and the comparative figures for the year ended 31 December 2018.

Table 59

Executive Directors' remuneration for the year ended 31 December 2019

		Salary £000	Benefits £000	Pension £000	Fixed Total £000	Annual Bonus (AIP) £000	Long Term Incentive Plan (LTIP) £000	Variable Total £000	Total £000
David Atkins	**2019**	**655**	**18**	**197**	**870**	**522**	**73**	**595**	**1,465**
	2018	639	17	192	848	0	261	261	1,109
Timon Drakesmith[1]	**2019**	**357**	**14**	**71**	**442**	**0**	**0**	**0**	**442**
	2018	465	17	93	575	0	178	178	753
James Lenton[2]	**2019**	**126**	**5**	**18**	**149**	**83**	**0**	**83**	**232**
	2018	–	–	–	–	–	–	–	–
Peter Cole[3]	**2019**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
	2018	465	17	140	622	140	190	330	952
Jean-Philippe Mouton[3]	**2019**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
	2018	385	31	82	498	116	131	247	745
Total	**2019**	**1,138**	**37**	**286**	**1,461**	**605**	**73**	**678**	**2,139**
	2018	1,954	82	507	2,543	256	760	1,016	3,559

1. Timon Drakesmith ceased to be a Director of Hammerson plc with effect from 1 October 2019.
2. James Lenton was appointed as a Director of Hammerson plc on 16 September 2019.
3. Peter Cole and Jean-Philippe Mouton ceased to be Directors of Hammerson plc with effect from 31 December 2018.

MORE **For further information on the AIP, LTIP and truing up of 2018 Single Figure Table numbers see pages 107 to 109 and 110**

Commentary on the Single Figure Table*

Fixed Remuneration

Salary

With effect from 1 April 2019, the Executive Directors received a salary increase of approximately 2.5%, which was slightly below the average of Hammerson employees generally.

Benefits

Taxable benefits include a car allowance (£16,000), private health insurance and permanent health insurance. UK Executive Directors participate in the Company's all-employee share plan arrangements (SIP and Sharesave). There was no award of SIP free shares to participants during 2019.

Pension

Executive Directors receive a salary supplement in lieu of pension benefits. David Atkins received a salary supplement of 30% of base salary. Timon Drakesmith received a salary supplement of 20% of base salary. James Lenton received a salary supplement of 14%. All salary supplements paid to Executive Directors in lieu of pension benefits are subject to deductions required for income tax in the UK.

Information on the accrued pension benefit for David Atkins under the Company's closed defined benefit scheme is on page 119.

Table 60

Salary supplements in lieu of pension benefits

	2019 £000 (shown in Single Figure Table)	2018 £000
David Atkins	**197**	192
Timon Drakesmith	**71**	93
James Lenton	**18**	–

Variable Remuneration

Annual bonus for 2019

The Annual Incentive Plan (AIP) is the Company's annual bonus scheme. The bonus awards are based on performance conditions that were approved by the Committee at the start of the financial year. The AIP bonus is split 70% for performance against financial measures and 30% for performance against personal objectives. The Committee also considers every year the overall AIP outcome as determined by achievement against the financial and personal targets to check that the bonus level is appropriate given the Company's performance during the year, and has the ability to override the indicative formulaic outturn if it considers that not to be appropriate in all the circumstances. Further details may be found in the Chair's letter on page 90.

The performance targets were not disclosed in advance of the year, as they were considered by the Board to be commercially sensitive information, but full details of the conditions and performance against them are now set out below.

MORE

A summary of the Remuneration Policy for the AIP and DBSS is on page 121

The following tables (Tables 61, 62 and 63) show the AIP outcomes and achievement against AIP performance targets for 2019.

Table 61

Total AIP outcomes for 2019

	Financial measures (% of bonus achieved, max 70%)	Personal measures (% of bonus achieved, max 30%)	Total vesting percentage (%, max 100%)	Vesting amount as % of salary	**AIP amount (£000) (Shown in Single Figure Table)**
David Atkins (max bonus – 200% of salary)	24.6	15.0	39.6	79.7	**522**
Timon Drakesmith (not eligible for a bonus in 2019)	–	–	–	–	**–**
James Lenton (max bonus – 150% of salary, time pro-rated)	24.6	19.5	44.1	65.9	**83**

Table 62

Achievement against financial measures (70% weighting)

AIP Outcome	Performance against targets[1]					Bonus achieved	
Performance measure	Entry threshold (% vesting at threshold)	On-target (50% vesting)	Full vesting target (100% vesting)	Result achieved	Vesting percentage against target	Weighting (% of max bonus available)	% of max bonus achieved
Adjusted EPS[2]	25.1p (0%)	27.0p	28.9p	28.0p	76.3%	27.5%	21.3%
TPR (estimated outcome)[3]	IPD +0.375% (25%)	IPD+0.75%	IPD+1.5%	IPD+<0.375%	0%	27.5%	0%
Net debt[4]	>£2.976bn (0%)	£2.676bn	<£2.376bn	£2.842bn	22.3%	15%	3.3%
							24.6%

AIP financial performance measures

1. Each of the AIP performance conditions is subject to a straight-line payment scale between entry, on-target and full vesting points.
2. Adjusted EPS is the Group's underlying adjusted profit divided by the average number of shares in issue.
3. The TPR performance is measured against a composite index comprising the IPD Annual Retail Property Indices for the UK and a bespoke Europe Index (for 2019 this is weighted on a 50:50 basis (2018 – 60:40) to align with the Company's geographical portfolio allocation). The annual data for these indices is not available at the date of this report. Accordingly, the closing measurement for TPR for the year to 31 December 2019 is based on management's best estimate using available data (see page 49 for property returns data). The AIP is not paid until the confirmed data for these indices is available. The actual outcome will be disclosed in the 2020 Annual Report.
4. Net debt is the total debt of the Group, excluding cash.

Achievement against personal objectives (30% weighting)

Personal objectives focus on the delivery of the Business Plan, strategic elements for 2019 (refer to 'Our strategy' on page 16), an assessment of behaviours based on the Company's values and the Executive Director's capability in managing colleagues to maximise their contribution. They may also incorporate environmental, social and governance parameters where appropriate. The assessment in 2019 considered progress in delivering against strategy in the context of a challenging market, and the commitment to progress sustainability measures.

AIP objectives were set at the beginning of the year. Table 63 sets out the key 2019 personal objectives for the Executive Directors and how these support the Company's three strategic priorities.

Table 63

2019 Key personal objectives

Personal objectives	Link to Strategic Priorities			Sustainability culture and values	Achievement	% of max bonus achieved (max 30%)
David Atkins						
– Review and lead the effective execution of the strategy, with an emphasis on disposals and strengthening the balance sheet	✓	✓	✓	✓	£542m of disposals, net debt reduced to £2.8bn, good progress against Net Positive 2020 targets, solid progress on repurposing of department stores and MSUs.	15%
– Repurpose retail space to broaden tenant mix	✓	✓		✓		
– Oversee/ensure the development of the Group's senior management succession plan	✓	✓		✓		
– Ensure targets are achieved within sustainability and Net Positive initiatives	✓	✓		✓		
James Lenton						
– Build relationships with key stakeholders (shareholders, capital providers, employees, advisors etc.)		✓		✓	Established positive relationships with key stakeholders (both internal and external), led the 2020 business plan, supported disposal process.	19.5%
– Contribute to evolution of Group strategy	✓	✓	✓	✓		
– Support disposal process to reduce net debt	✓		✓			
– Lead process for developing business plan for 2020 to 2024	✓		✓	✓		

Bonus deferral under the AIP

The AIP amounts earned for 2019 will be paid 60% in cash and 40% in the form of a deferred share award granted under the DBSS. The deferred share award is granted in two tranches: the DBSS (A) award relates to the bonus achieved against the EPS, Net Debt and personal objectives measures; and the DBSS (B) award relates to the TPR measure and so is only granted once the TPR result is known and at the same time as that cash element is paid. Each award is granted with a face value equal to 40% of the bonus achieved against the relevant measures, over a number of shares calculated based on the average mid-market closing share price of a share over the five dealing days prior to the date of grant. Details of the DBSS (A) and (B) awards granted in 2020 will be included in next year's Annual Report. The deferral period under the DBSS is two years from the date of the award. Vesting is not subject to any further performance conditions (other than continued employment at date of vesting).

Long Term Incentive Plan*

The Long Term Incentive Plan (LTIP) is an award programme for Executive Directors designed to incentivise the creation of long term returns for shareholders. Performance under the LTIP is assessed over differing performance periods. TSR is assessed over a period of four years from the date of grant, and TPR and EPS are assessed over a period of four financial years commencing with the financial year in which the award is granted.

The Single Figure Table for 2019 is required to report the value of the LTIP element for which the performance period ends during 2019. Consequently, the LTIP values shown in the Single Figure Table comprise the value of the TSR element of the 2015 award (where the performance period ended 25 March 2019) and the TPR and EPS elements of the 2016 award (where the performance period ended 31 December 2019).

Achievement against targets

The following table shows the level of performance achieved against the targets set for the three performance components that drive the 2019 LTIP vesting value as shown in the Single Figure Table.

Table 64

LTIP Outcome	Performance against targets				
Performance measure and period	Entry threshold target (25% vesting at threshold)	Full vesting target	Result achieved	Vesting percentage against target	
TSR (26/3/15 – 25/3/19)	Median	Upper Quartile	Below median rank	0%	
TPR (estimated outcome) (1/1/16 – 31/12/19)	IPD+0%	IPD+1.5% p.a.	IPD + 0.078%	29.71%	TPR element of the LTIP award granted in 2016. Award is scheduled to vest in March 2020
Adjusted EPS (1/1/16 – 31/12/19)	CPI+3% p.a.	CPI+7% p.a.	CPI + 1.75%	0%	EPS element of the LTIP award granted in 2016. Award is scheduled to vest in March 2020

MORE **For further information on the 2015 and 2016 LTIP award performance measures, see pages 114 and 115**

Vesting value achieved

Table 65 shows the level of vesting outcome for the three components that drive the 2019 LTIP vesting as shown in the Single Figure Table.

Table 65

	TSR Performance period: 26/3/15 – 25/3/19 (TSR component of the 2015 LTIP)				TPR[1] Performance period: 1/1/16 – 31/12/19 (TPR component of the 2016 LTIP)				EPS Performance period: 1/1/16 – 31/12/19 (EPS component of the 2016 LTIP)				**Total value (shown in Single Figure Table)[3,4]**
	Shares available	Vesting % against target	Number of shares that vested	Value £000	Shares available	Vesting % against target	Number of shares due to vest[2]	Value £000	Shares available	Vesting % against target	Number of shares due to vest[2]	Value £000	
David Atkins	51,668	0	0	0	82,913	29.71	24,633	73	82,913	0	0	0	**73**
Timon Drakesmith[5]	35,312	0	0	0	0	–	–	–	0	–	–	–	**0**

Notes

1. The element dependent on TPR is estimated as the IPD data regarding TPR performance is not available at the date of the Annual Report.
2. The number of shares includes any notional dividend shares awarded to date. The actual number of shares that vest may increase by the amount of any notional dividend shares awarded up to the date of vesting of the award.
3. The value shown is based on the average of the mid-market closing price of a share for each dealing day in the three-month period to 31 December 2019 (295.7p) The actual value that vests, based on the closing share price on the vesting date, will be disclosed in next year's Annual Report.
4. No amount of the total value disclosed is attributable to share price appreciation as the share price calculated per note 3 above is below the market value of shares used to calculate the number of options awarded under the 2016 LTIP (572.9p). No discretion has been exercised by the Committee to the final result of the award as a result of share price appreciation or depreciation.
5. Timon Drakesmith's 2016 LTIP lapsed on his leaving date.

Truing up of 2018 Single Figure Table numbers*

Each year the outcome of AIP and LTIP elements dependent on Total Property Return (TPR) are estimated because the data regarding TPR performance of the relevant index is not available at the date of the Annual Report.

In the 2018 Annual Report, the TPR element of AIP was anticipated as being below the entry threshold of IPD +0.5%, therefore resulting in an estimated payout level at 0% for that measure. The final closing measurement for TPR during 2018 was below the IPD Index figure, resulting in a final payout level of 0%. The estimated TPR outcome for the 2018 LTIP figure was IPD +1.18%, resulting in an estimated payout level of 90.31% for that measure. The full vesting target was IPD+1.5% p.a. The actual TPR outcome was IPD +1.29% p.a., and therefore the actual payout level was slightly higher than the estimate at 93.75% for that measure. In addition, the 2018 LTIP figure contained a value for the TPR and EPS portions of the 2015 LTIP where the performance period ended on 31 December 2018 and was calculated based on the average share price over the three months to 31 December 2018. The 2018 LTIP figure in the Single Figure Table on page 106 has therefore been adjusted to reflect the actual share price of 327.0p on the vesting date (30 April 2019).

Non-Executive Directors: Single Figure Table*

Table 66 below shows the remuneration of Non-Executive Directors for the year ended 31 December 2019 and the comparative figures for the year ended 31 December 2018.

Table 66

Non-Executive Directors' remuneration for the year ended 31 December 2019

	Committee membership and other responsibilities			Fees		Benefits		Total	
	Audit Committee	Remuneration Committee	Other	**2019 £000**	2018 £000	**2019 £000**	2018 £000	**2019 £000**	2018 £000
David Tyler		Member	Chair of the Board	**346**	343	**–**	0	**346**	343
Pierre Bouchut[1]	Chair			**77**	76	**12**	16	**89**	92
Gwyn Burr[2]	Member	Chair	Senior Independent Director	**91**	81	**–**	2	**91**	83
Terry Duddy[2]		Member	Senior Independent Director	**6**	76	**–**	0	**6**	76
Andrew Formica	Member			**67**	66	**0**	0	**67**	66
Judy Gibbons	Member	Member		**72**	71	**1**	2	**73**	73
Adam Metz[3]				**28**	–	**66**	–	**94**	–
Carol Welch[4]		Member		**55**	–	**0**	–	**55**	–
Méka Brunel[5]				**5**	–	**2**	–	**7**	–
Total				**747**	713	**81**	20	**828**	733

1. Pierre Bouchut is based in continental Europe. This is reflected in his benefits figure – see Benefits note below.
2. Gwyn Burr was appointed as Senior Independent Director on 25 January 2019 following Terry Duddy's resignation on the same date.
3. Adam Metz was appointed to the Board on 22 July 2019 and is based in the USA. This is reflected in his benefits figure – see Benefits note below.
4. Carol Welch was appointed to the Board on 1 March 2019.
5. Méka Brunel was appointed to the Board on 1 December 2019 and is based in France. This is reflected in her benefits figure – see Benefits note below.

Benefits

The benefits disclosed in Table 66 relate to the reimbursement of travel and accommodation expenses incurred in attending Board meetings at the Company's Head Office. For those Non-Executive Directors based abroad, this includes the cost of international travel and accommodation. The grossed-up value has been disclosed. In accordance with the Remuneration Policy, any tax arising is settled by the Company.

Fees payable to Non-Executive Directors

The Chair of the Board's fee was reviewed by the Committee and the Non-Executive Directors' fees were reviewed by the Board in February 2019. The Chair of the Board and the Non-Executive Directors did not wish to be considered for fee increases in 2019. The annual fees payable to Non-Executive Directors are set out in Table 67 below. There is no fee for membership of the Nomination Committee or the Investment and Disposals Committee

Table 67

Chair of the Board and Non-Executive Directors' 2019 annual fees	£
Chair of the Board	345,500
Non-Executive Director	61,500
Senior Independent Director	10,000
Audit Committee Chair	15,000
Remuneration Committee Chair	15,000
Audit/Remuneration Committee member	5,000

Section 2: Further information on 2019 remuneration

Directors' shareholdings and share plan interests*

Table 68

Summary of all Directors' shareholdings and share plan interests as at 31 December 2019* (including connected persons)

	Outstanding scheme interests 31/12/19				Actual shares held		
	Unvested scheme interests (subject to performance measures)[1]	Unvested scheme interests (not subject to performance measures)[2]	Vested but unexercised scheme interests[3]	Total shares subject to outstanding scheme interests	As at 1 January 2019	As at 31 December 2019 (or leaving date if earlier)	**Total of all share scheme interests and shareholdings at 31/12/19[4]**
Executive Directors							
David Atkins	1,200,340	65,436	0	1,265,776	703,973	795,747	**2,061,523**
Timon Drakesmith (ceased to be a Director on 1 October 2019)	0	0	0	0	481,866	533,462	**533,462**
James Lenton	79,801	0	0	79,801	–	–	**79,801**
Non-Executive Directors							
David Tyler	–	–	–	–	77,370	77,370	**77,370**
Pierre Bouchut	–	–	–	–	20,279	20,279	**20,279**
Gwyn Burr	–	–	–	–	5,182	5,182	**5,182**
Terry Duddy (ceased to be a Director on 25 January 2019)	–	–	–	–	65,000	65,000	**65,000**
Andrew Formica	–	–	–	–	22,000	44,000	**44,000**
Judy Gibbons	–	–	–	–	4,115	4,115	**4,115**
Adam Metz	–	–	–	–	–	48,071	**48,071**
Carol Welch	–	–	–	–	–	7,461	**7,461**
Méka Brunel	–	–	–	–	–	–	**–**

Notes

1. LTIP awards still subject to performance measures.
2. DBSS and Sharesave awards that have not vested.
3. LTIP and DBSS awards that have vested but remain unexercised plus any notional dividend shares.
4. All share plan interests, vested, unvested and unexercised together with any holdings of ordinary shares.

Between 1 January 2020 and 25 February 2020, the Executive and Non-Executive Directors' beneficial interests in Table 68 above remained unchanged.

Directors' share ownership guidelines*

Table 69 shows for the Executive Directors actual share ownership compared with the current share ownership guidelines. Executive Directors are normally expected to achieve the minimum shareholding guidelines within seven years of appointment. Non-Executive Directors are also encouraged to acquire a shareholding in the Company.

Table 69

Executive Directors' shareholdings as a percentage of salary

	Shares held as at 31 December 2019 (or leaving date if earlier)	Vested but unexercised share scheme interests[1]	Guideline on share ownership as % of salary	Actual beneficial share ownership as % of salary[2]	Guideline met
David Atkins	795,747	0	250%	373%	Yes
Timon Drakesmith (ceased to be a Director on 1 October 2019)	533,462	0	250%	313%	Yes
James Lenton	0	0	250%	0%	No

Notes

1. The number of shares shown is on a net of tax and NI basis in accordance with the share ownership guidelines.
2. As at and based on the share price of 308.7 pence on 31 December 2019. Timon Drakesmith's beneficial ownership as % of salary calculated based on share price on his leaving date (1 October 2019) of 281.8 pence.

Executive Directors' share plan interests (including share options)*

Tables 70 to 72 set out the Executive Directors' interests under the Deferred Bonus Share Scheme (DBSS), the Long Term Incentive Plan (LTIP) and the Sharesave scheme.

Performance conditions and form of awards

Awards under the DBSS and Sharesave scheme are not subject to any performance conditions (other than continued employment on the vesting date). The LTIP awards are subject to performance conditions, details of which are in Tables 73 and 74.

Awards to UK Executive Directors under the LTIP and DBSS are made in the form of nil-cost options.

Accrual of dividend shares

DBSS and LTIP awards accrue notional dividend shares to the date of vesting (including any holding period). The Sharesave scheme does not accrue notional dividend shares.

Face values

Face values for the DBSS and LTIP awards are calculated by multiplying the number of shares granted during 2019 by the average share price for the five business days preceding the awards. Notional dividend shares are not included in the face value calculations.

No DBSS award was made to David Atkins and Timon Drakesmith in 2019 as they did not receive a bonus under the AIP.

Executive Directors' share plan interest movements during 2019*

Table 70

	Date of award	Vesting or exercise date	**Number of awards held as at 1 January 2019**	Awarded	Notional dividend shares accrued	Exercised/ vested	Lapsed	**Number of awards held as at 31December 2019**	Grant price in pence (exercise price for Sharesave)	Face value of awards granted during 2019 £000
David Atkins										
DBSS (A)	01/03/2017	Mar–19	**39,082**	–	–	39,082	–	**0**	–	–
DBSS (B)	02/05/2017	May–19	**19,461**	–	742	20,203	–	**0**	–	–
DBSS (A)	06/03/2018	Mar–20	**55,557**		4,428	–	–	**59,985**	–	–
DBSS (B)[1]	–	–	**–**	–	–	–	–	**–**		
								59,985		**–**
LTIP	26/03/2015	Mar–19	**149,309**		5,697	79,859	75,147	**0**	–	–
	24/03/2016	Mar–20	**230,377**		18,362	–	–	**248,739**	–	–
	03/04/2017	Apr–21	**236,274**	–	18,831	–	–	**255,105**	–	–
	06/03/2018	Mar–22	**299,931**	–	23,905	–	–	**323,836**		
	05/03/2019	Mar–23	**–**	345,152	27,508			**372,660**	381.86	1,318
								1,200,340		**1,318**
Sharesave	24/03/2016	May–19	**2,102**	–	–	–	2,102	**0**	–	–
	23/03/2017	May–20	**765**	–	–	–	–	**765**	–	–
	01/04/2019	May–22	**–**	4,686	–	–	–	**4,686**	307.28	14
								5,451		**14**

Table 71

	Date of award	Vesting or exercise date	Number of awards held as at 1 January 2019	Awarded	Notional dividend shares accrued	Exercised/vested	Lapsed	Number of awards held as at 31December 2019	Grant price in pence (exercise price for Sharesave)	Face value of awards granted during 2019 £000
Timon Drakesmith										
DBSS (A)	01/03/2017	Mar–19	**28,552**	–	–	28,552	–	**0**	–	–
DBSS (B)	02/05/2017	May–19	**13,291**	–	508	13,799	–	**0**	–	–
DBSS (A)	06/03/2018	Mar–20	**40,493**		3,228	–	43,721	**0**	–	–
DBSS (B)[1]	–	–	**–**	–	–	–	–	**–**	–	–
								0		n/a
LTIP	26/03/2015	Mar–19	**102,040**	–	3,894	54,577	51,357	**0**	–	–
	24/03/2016	Mar–20	**157,443**	–	12,549	–	169,992	**0**	–	–
	03/04/2017	Apr–21	**172,212**	–	13,726	–	185,938	**0**	–	–
	06/03/2018	Mar–22	**218,301**	–	17,399	–	235,700	**0**	–	–
	05/03/2019	Mar–23	**–**	251,401	20,036	–	271,437	**0**	381.86	960
								0		**960**
Sharesave								**0**		
	23/03/2017	May–20	**765**	–	–	–	765	**0**	–	–
								0		

Table 72

	Date of award	Vesting or exercise date	Number of awards held as at 1 January 2019	Awarded	Notional dividend shares accrued	Exercised/vested	Lapsed	Number of awards held as at 31 December 2019	Grant price in pence (exercise price for Sharesave)	Face value of awards granted during 2019 £000
James Lenton										
LTIP[2]	20/09/2019	Sept–23	**0**	79,801	–	–	–	**79,801**	269.42	215
								79,801		**215**

Notes

1. As the final closing measure for the TPR element of the 2017 AIP was below the entry level threshold, there was no payout under this measure resulting in no DBSS (B) award in 2018.
2. In accordance with the Remuneration Policy, James Lenton received a time pro-rated 2019 LTIP Award on appointment.

Long Term Incentive Plan structure*

In addition to the annual bonus provided by the AIP, Executive Directors are incentivised over the longer term through the LTIP.

Tables 73 and 74 set out a summary of the LTIP structure and details of the LTIP performance measures and conditions.

Table 73

LTIP structure summary

	All years	2015	2016	2017	2018	2019
Level of award		150% of salary	200% of salary	200% of salary	200% of salary	200% of salary
Performance measures	TSR, TPR, EPS					
Performance period	Four years					
Post-vesting holding period						One year
Weighting of performance measures	33.33%					
TPR: Measured over four financial years commencing with year of grant in comparison with composite index		IPD UK Annual Retail Property Index and France Annual Retail Index			IPD Annual Retail Property indices for UK and a bespoke Europe index	
Adjusted EPS: Measured over four financial years commencing with year of grant. Calculated with reference to EPRA Best Practice recommendations		Benchmark: Blend of UK/French CPI			Benchmark: Blend of UK/French/Irish CPI	
TSR: Measured over four-year period from date of grant						
TSR Comparator Group		Altarea, British Land, Capital & Regional, intu, Eurocommercial, Klépierre, Land Securities, London Metric, SEGRO, Shaftesbury, Unibail–Rodamco–Westfield, FTSE 100 Index			British Land, intu, Klépierre, Unibail–Rodamco–Westfield, Land Securities	
		Plus: New River Retail		Plus: Wereldhave, New River Retail		

Table 74

LTIP performance conditions 2015 to 2019

TSR

Vesting threshold	0%	25%	100%
All award years	Less than TSR of median-ranked entity in comparator group	Equal to TSR of median-ranked entity in comparator group	Equal to TSR of upper quartile-ranked entity in comparator group

Vesting for intermediate performance between median and upper quartile-ranked entities is on a straight-line basis between 25% and 100%. Vesting under the TSR performance condition is subject to the Committee's satisfaction that the Company's underlying performance has been satisfactory in comparison with that of the FTSE Real Estate sector.

TPR

Vesting threshold	0%	25%	55%	85%	100%
All award years	Less than index	Equal to index	Index +0.5% (average) p.a.	Index +1.0% (average) p.a.	Index +1.5% (average) p.a.

Vesting for intermediate performance between these levels will be pro-rated on a straight-line basis.

Adjusted EPS

Vesting threshold	0%	25%	100%
All award years	Less than a CPI blend + 3.0% p.a. growth	Equal to or more than a CPI blend +3.0% p.a. growth	Equal to or more than a CPI blend +7.0% p.a. growth

Vesting for intermediate performance between these levels will be pro-rated on a straight-line basis between 25% and 100%.

For awards from 2019 onwards, the Committee may make downward adjustments to the vesting outcome irrespective of the achievement against performance measures if it determines this to be necessary to reflect overall performance of the Company or any individual.

Details of 2015 LTIP (which vested during 2019)

The following table shows the number of shares delivered on vesting of the 2015 LTIP (which vested on 30 April 2019).

Table 75

	TSR[3] Performance period: 26/3/15 – 25/3/19				TPR[2] Performance period: 1/1/15 – 31/12/18				EPS[2] Performance period: 1/1/15 – 31/12/18					
	Shares available	Vesting % against target	Number of shares delivered	Value of shares delivered	Shares available	Vesting % against target	Number of shares delivered	Value of shares delivered £000	Shares available	Vesting % against target	Number of shares delivered	Value of shares delivered £000	Total shares delivered[4]	**Total value of shares delivered £000[1]**
David Atkins	51,668	0%	0	0	51,669	93.75%	48,439	158	51,669	60.81%	31,420	103	79,859	**261**
Timon Drakesmith	35,312	0%	0	0	35,311	93.75%	33,104	108	35,311	60.81%	21,473	70	54,577	**178**

Notes

1. The value shown is based on the share price on the date on which the awards vested of 327.0p.
2. Details of the TPR and EPS performance conditions were shown as estimates in the 2018 Annual Report. The value of those components was reflected in the Single Figure Table for 2018 as the performance period for those components ended during 2018. The table above shows the final outcome.
3. Details of the assessment of the TSR performance condition are shown on page 109, Table 64.
4. The number of shares vested includes any notional dividend shares awarded up to the date of vesting.

Executive Directors' SIP interests*

The Executive Directors' interests in ordinary shares of the Company under the Share Incentive Plan (SIP) as at 31 December 2019 (or at their leaving date if earlier) are shown in Table 76 below. The shares are held in a SIP trust.

Table 76

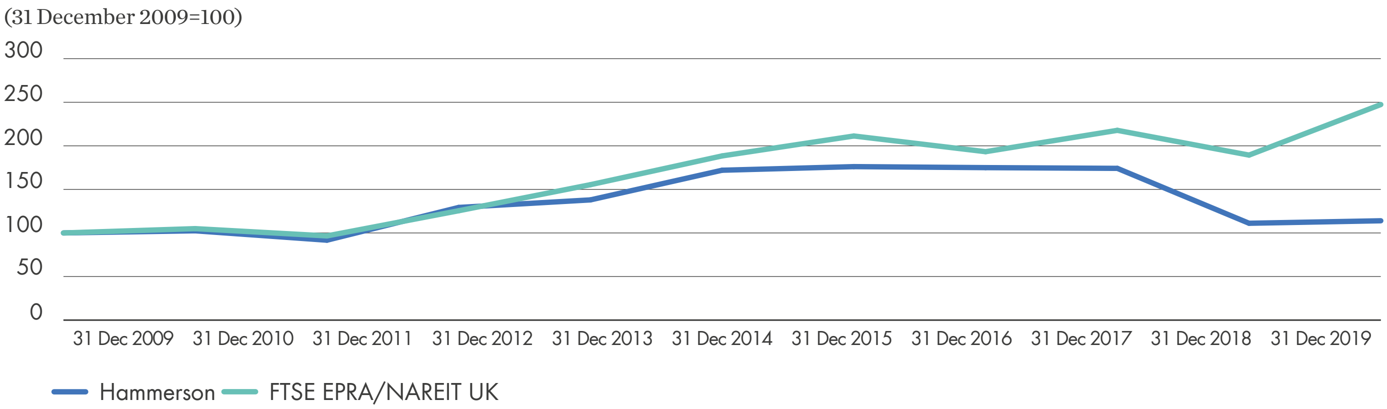
	Total SIP shares 1 January 2019	Partnership shares purchased	Matching shares awarded	Free shares awarded	Dividend shares awarded	**Total SIP shares 31 December 2019 (or date of cessation if earlier)**
David Atkins	15,275	0	0	0	1,160	**16,435**
Timon Drakesmith (ceased to be a Director on 1 October 2019)	7,543	0	0	0	317	**7,860**
James Lenton	0	0	0	0	0	**0**

Total Shareholder Return

Table 77 below shows the total shareholder return in respect of the Company's ordinary shares of 25 pence each for the 10 years ended 31 December 2019 against the return of the FTSE EPRA/NAREIT UK Index, which comprises shares of the Company's peers. The total shareholder return is rebased to 100 at 31 December 2009. The other points plotted are the values at intervening financial year ends.

Chart 77

Total Shareholder return index



Remuneration of the Chief Executive over the last 10 years

Table 78 shows the remuneration of the holder of the office of Chief Executive for the period from 1 January 2010 to 31 December 2019.

Table 78

Chief Executive's remuneration history

Year	Notes	Total remuneration £000	Annual bonus[3]	LTIP vesting[3]
2019	1	**1,465**	**39.6%**	**29.7%**
2018	2	1,109	0%	51.5%
2017		1,795	47.5%	56.4%
2016		2,681	65.3%	64.9%
2015		2,147	77.3%	–
2014		1,568	65.3%	–
2013		2,216	56.2%	51.6%
2012		2,451	88.9%	52.6%
2011		1,515	51.7%	–
2010		1,594	68.2%	–

Notes

1. The total remuneration and annual bonus figures for 2019 include certain estimated values for the LTIP and AIP vesting. See the Single Figure Table (Table 59) on page 106 for details.
2. The total remuneration reported in the 2018 Annual Report contained estimates; the numbers given here are the actual values. See the Single Figure Table (Table 59) on page 106.
3. All numbers are expressed as a percentage of the maximum that could have vested in that year.

Relative importance of spend on pay

Table 79 below shows the Company's total employee costs compared with dividends paid and share buybacks.

Table 79

Total employee costs compared with dividends paid and share buybacks

	Employee costs[1]	Dividends[2]	Share buybacks[3]
2019	£55.3m	£198.4m	£0m
2018	£52.1m	£203.4m	£128.9m
Percentage change	6.1%	(2.5)%	(100)%

Notes

1. These figures have been extracted from note 5 (Administration expenses) to the financial statements on page 150.
2. These figures have been extracted from note 11 (Dividends) to the financial statements on page 156.
3. The share buyback programme was cancelled at the end of 2018.

Remuneration for the Chief Executive compared with UK employees of the Hammerson Group

Table 80 shows the percentage change from 31 December 2018 to 31 December 2019 in base salary, taxable benefits and bonus for the Chief Executive compared with all other employees of the Hammerson Group in the UK. This disclosure is based on UK employees only for consistency with gender pay gap reporting and in line with reporting requirements.

Personal performance measures for centre-based employee bonuses are now in line with office-based employees. The outturn of these measures is higher than in prior years and therefore impacts favourably on the total Group percentage change in bonus. David Atkins was not awarded an annual bonus in 2019, and the award of a bonus to him in 2020 (relating to performance in 2019) therefore impacts the percentage change in the bonus and total columns below. The percentage change in benefits for David Atkins relates to the increased car allowance from 1 April 2018.

Table 80

Percentage change in the Chief Executive's base salary, taxable benefits and bonus

					Change %
	Notes	Salary	Benefits	Annual bonus	Total
David Atkins	1,2	2.5%	5.9 %	100%	82.2%
Total UK employees	1,2	3.5%	-0.1 %	32.2%	6.7%

Notes

1. The percentage movement in annual bonus is based on calculations that incorporate an estimated value for the TPR performance measure within the AIP. The calculation of the percentage change in total remuneration excludes pensions and LTIP.
2. David Atkins has been excluded from the UK employees calculation. Data for the UK employees calculation includes bonuses. The Group calculation uses a weighted average headcount for the year. Employees received an average salary increase of 3% during 2019, although this is not reflected in the above figures due to the number of leavers and joiners.

Table 81

CEO Pay Ratio

Year	Method	25th percentile pay ratio	Median pay ratio	75th percentile pay ratio
2019	Option A	38:1	22:1	12:1

Total UK employee pay and benefits figures used to calculate the CEO Pay Ratio

	25th percentile pay £000	Median pay £000	75th percentile pay £000
Salary	32	53	87
Total UK employee pay and benefits	39	65	119

Notes

1. The Company has chosen Option A methodology to prepare the CEO pay ratio calculation as this is the most statistically robust method and is in line with the general preference of institutional investors.
2. As ratios could be unduly impacted by joiners and leavers who may not participate in all remuneration arrangements in the year of joining and leaving, the Committee has modified the statutory basis to exclude any employee not employed throughout the financial year.
3. Employee pay data is based on full-time equivalent (FTE) pay for UK employees as at 31 December 2019. For each employee, total pay is calculated in line with the single figure methodology (i.e. fixed pay accrued during the financial year and the value of performance-based incentive awards vesting in relation to the performance year). Leavers and joiners are excluded. Employees on maternity or other extended leave are included pro-rata for their FTE salary, benefits and short term incentives. No other calculation adjustments or assumptions have been made.
4. CEO pay is per the single total figure of remuneration for 2019, as set out in Table 59.
5. Bonus amounts for the CEO and eligible employees are based on calculations that incorporate an estimate for the TPR performance measure within the AIP as the relevant data is not available at the time of the publication of the Annual Report.
6. The 2019 ratio will be restated in the 2020 Directors' Remuneration report to take account of the trued-up final AIP TPR outturn, and LTIP vesting data for eligible employees and for the CEO.
7. Each of the three individuals identified was a full-time employee during the year and received remuneration in line with the Group remuneration policy.

Supporting information for the CEO Pay Ratio

Generally, remuneration policy supports a greater variable pay offer the more senior the employee as these employees are able to influence Company performance more directly. Executive Directors participate in the LTIP linked to long term strategy whilst other employees may participate in the Restricted Share Plan (RSP). The lower quartile, median and upper quartile employees identified this year are not participants in either the LTIP or RSP. However, the median pay ratio reflects the Company's policy to pay good fixed rewards to its employees with an opportunity to benefit from the annual bonus plan. With a significant proportion of CEO pay linked to performance and share price over the longer term, it is expected that the ratio will depend to a significant extent on LTIP (Restricted Share Scheme from 2020 onwards) and RSP outcomes each year, and accordingly may fluctuate from year to year.

Payments to past Directors*

The value of LTIP awards vesting in 2019 to former Executive Directors who stepped down from the Board on 31 December 2018 were: Peter Cole – £41,000; Jean Phillipe-Mouton – £39,000. Other than these payments, there were no payments to past Directors in 2019.

Payments for loss of office*

There were no payments for loss of office to past Directors in 2019.

Detail of Executive Directors' accrued pension benefits*

Following the closure of the Company's defined benefit pension scheme (Scheme) in 2014, David Atkins remains eligible for a deferred pension based on his pensionable salary and service at the point he ceased to accrue further benefits in the Scheme. The normal retirement age under the Scheme is 60. Members may draw their pension from the age of 55, subject to actuarial reduction and the Trustees' consent. Further information concerning the Scheme is in note 7 to the financial statements on page 151.

Table 82 below shows the total accrued benefit at 31 December 2019, representing the annual pension that is expected to be payable on retirement and the transfer values of Executive Directors' accrued entitlements. The transfer value figures do not represent sums paid or payable to individual Executive Directors but represent a potential liability of the Scheme. Any increase or decrease in transfer value over the year represents a change in the transfer value assumptions that the Scheme applies.

Table 82

Executive Directors' accrued pension benefits and transfer values

	Total accrued benefit at 31 December		Transfer value at 31 December of total accrued benefit	
	2019 £000	2018 £000	**2019 £000**	2018 £000
David Atkins	**89**	87	**2,216**	1,902

Advisors

The Committee appointed FIT Remuneration Consultants (FIT) in place of Aon Hewitt in 2011 following a tendering exercise. FIT has no other connection with the Company or its Directors. Directors may serve on the Remuneration Committees of other companies for which FIT acts as Remuneration Consultants. The Committee is satisfied that all advice given was objective and independent. FIT is a member of the Remuneration Consultants Group and subscribes to its Code of Conduct. Details of the fees and services provided by FIT are set out below.

Table 83

Advisor	Appointed by	Services provided to the Committee	Fees paid for services to the committee in 2019 and basis of charge	Other services provided to the Company
FIT Remuneration Consultants LLP (FIT)	Remuneration Committee (August 2011)	Reward structures and levels and other aspects of the Company's Remuneration Policy	£71,964 (excluding VAT) (2018: £64,492, excluding VAT) Charged on normal FIT time basis	None. Terms of engagement (available on request to shareholders) specify that FIT will only provide advice expressly authorised by or on behalf of the Remuneration Committee

Herbert Smith Freehills LLP provides legal advice and Lane Clark & Peacock LLP provides actuarial advice to the Company. The Committee may seek advice from both firms where it relates to matters within its remit. In addition, the Chief Executive, Chief Financial Officer and Group Human Resources Director attend Committee meetings by invitation. The General Counsel and Company Secretary is the Secretary to the Committee. The Chief Executive, senior human resources staff and the General Counsel and Company Secretary provided advice to the Committee on matters relating to the Remuneration Policy and Company practices. No one is present during discussions concerning their own remuneration.

Statement of voting at Annual General Meeting

Table 84 below shows votes cast by proxy at the AGM held on 30 April 2019 in respect of the Directors' Remuneration Report and at the AGM held on 25 April 2017 in respect of the Directors' Remuneration Policy. The Board was disappointed with the voting results on the Directors' Remuneration Report at the 2019 AGM. The Board understands that the result may be due to a combination of factors including quantum of LTIP vesting in 2018, quantum of 2019 LTIP awards in light of the share price, pension contributions and bonuses paid to Executive Directors. The Committee has since consulted extensively with shareholders and their feedback has informed the decisions made as part of the Policy Review as reported on in the Chair's letter on page 89.

Table 84

Statement of voting on remuneration

	Votes for number of shares and percentage of shares voted	Votes against number of shares and percentage of shares voted	Votes withheld number of shares
To receive and approve the 2018 Directors' Remuneration Report (2019 AGM)	379,191,754 70.26%	160,514,108 29.74%	32,557,192
To receive and approve the Remuneration Policy (2017 AGM)	563,721,945 98.73%	7,263,050 1.27%	1,374,514

Section 3: Implementation of Remuneration Policy in 2020

This section sets out information on how the Remuneration Policy will be implemented in 2020 if approved by shareholders at the 2020 Annual General Meeting.

Shareholder approval for the Remuneration Policy was last received at the 2017 Annual General Meeting. Following consultation with shareholders (described in the Remuneration Committee Chair's letter on page 89), the Company has proposed changes to the Remuneration Policy, and will present the revised Policy (set out on pages 93 to 104) to shareholders for approval at the 2020 Annual General Meeting. If the new Remuneration Policy is approved by shareholders, the Company intends to implement the new Policy in 2020 as shown below. If the new Policy is not approved by shareholders, then the existing Remuneration Policy would instead remain in place and continue to operate.

In implementing the Remuneration Policy, the Committee will continue to take into account factors such as remuneration packages available within comparable companies, the Company's overall performance, internal relativities, achievement of corporate objectives, individual performance and experience, published views of institutional investors, general market and wider economic trends.

Table 85

Summary of planned implementation of the Remuneration Policy during 2020

Salary

Policy

Purpose and link to strategy	Performance measures	Operation
– To continue to retain and attract quality leaders – To recognise accountabilities, skills, experience and value	Not applicable	Reviewed but not necessarily increased annually by the Committee. The base salary for any existing Executive Director will not exceed £850,000 (or the equivalent if denominated in a different currency), with this limit increasing annually at the rate of UK CPI from the date of the 2017 AGM.

Implementation

In February 2020, the Committee determined that an increase in base salary of approximately 2% was appropriate for the Executive Directors. Other senior executives received in the region of 2% and increases in salaries across the Group were generally in the region of 2.5%. Factors influencing the level of the increases included a low inflationary environment and the continued focus on cost control. The increases take effect from 1 April 2020.

2020 Executive Directors salaries	£000
David Atkins	672
James Lenton	439

Benefits

Policy

Purpose and link to strategy	Performance measures	Operation
– To provide a range of benefits in line with market practice – To continue to retain and attract quality leaders	Not applicable	The aggregate value received by each Executive Director (based on value of P11D tax calculations or equivalent basis for a non-UK based Executive Director) will not exceed £100,000, with this maximum increasing annually at the rate of UK CPI from the date of the 2017 AGM.

Implementation

In 2020, these benefits will continue to include a car allowance, enhanced sick pay, private medical insurance, permanent health insurance and life assurance.

Pension

Policy

Purpose and link to strategy	Performance measures	Operation
– To provide market competitive retirement benefits – To continue to retain and attract quality leaders	Not applicable	Executive Directors may receive a non-contributory allowance (Pension Choice) to be paid as, or as a combination of: (i) an employer contribution to the Company's defined contribution pension plan; (ii) a payment to a personal pension plan; or (iii) a salary supplement. Pension Choice is limited to an aggregate maximum age-related limit of 18.5% of base salary.

Implementation

Executive Directors will continue to receive a salary supplement by way of pension provision. The allowance for new Executive Directors will be aligned with the arrangements available to the majority of staff employed in the UK and Ireland (age-related and subject to employee contribution) from time to time. The current allowance for the Chief Executive Officer will reduce from 30% to 18.5% by the start of 2023.

Table 85 continued

Annual Incentive Plan (AIP) and deferral under the Deferred Bonus Share Scheme (DBSS)

Policy

Purpose and link to strategy	Performance measures	Operation
– To align Executive Director remuneration with annual financial and Company strategic targets as determined by the Company's Business Plan – To differentiate appropriately, in the view of the Committee, on the basis of performance – The partial award in shares aligns interests with shareholders and supports retention	The annual bonus operates by reference to financial and personal performance measures assessed over one year. The weighting of financial measures will be at least 60% of the total opportunity	Awards are paid in a mix of cash and deferred shares, with the deferred shares element being at least 40% of the total award. The deferral period is at least two years and may not be shorter. Awards are subject to clawback and malus provisions.

Implementation

The AIP maximum will remain at 200% of base salary for the CEO and 150% of base salary for the CFO. However, the AIP maximum for the Chief Executive Officer will be reduced on a one time basis for 2020 to 175%.
Performance measures for the AIP in 2020 will be weighted at 75% towards Group financial targets and 25% towards personal objectives. Group financial targets in 2020 comprise:
- 37.5% Adjusted earnings per share
- 37.5% Net debt

Adjusted earnings per share and Net debt are retained from prior year AIP performance measures.
As is demonstrated in this report in respect of previous years, the Committee designs the financial targets and personal objectives to align closely to the Company's strategy, as well as to the Business Plan and the priorities for the coming year. It is therefore felt that the specific financial targets and important personal objectives are commercially sensitive such that, having considered this carefully, the Board is of the view that it is in the Company's interests not to disclose this information in advance. However, personal objectives are centred on the delivery of strategic objectives and focus on the strength of the balance sheet, supporting returns through an optimised portfolio, operational excellence and cost savings. The personal element of the 2020 AIP will be based on a scorecard approach, with 15% assessed on the same basis as in 2019, 5% dependent on achievement of a measurable sustainability target and 5% on an employee related target.
Full details of the specific targets and key personal objectives set will be disclosed in the 2020 Annual Report.
40% of the 2020 AIP vesting will be deferred by making an award of shares under the DBSS, with a deferral period of two years. No change to current arrangements is proposed for 2020.

Restricted Share Scheme

Policy

Purpose and link to strategy	Performance measures	Operation
– To incentivise the creation of long term returns for shareholders – To align interests of Executive Directors with shareholders and support retention – To create alignment with the workforce	Subject to underpin as described in the Remuneration Policy	A discretionary annual award up to a value of 100% of base salary. The Committee reserves the discretion to increase the maximum award to 150% of base salary in exceptional circumstances. Awards are subject to clawback and malus provisions.

Implementation

Annual award of 100% of base salary for the CEO and 75% for the CFO. The CEO's award in 2020 will be reduced to 75% of base salary to reflect share price performance. Vesting of the award is subject to the underpin described in the Remuneration Policy. 2020 awards will also be subject to the following additional underpin:
- that no more than 50% of the award will vest if the Company's TSR has not increased over the three years following grant (using the three-month average TSRs for January to March 2020 for the base price and the same period three years later for the end price).

Participation in all-employee arrangements

Policy

Purpose and link to strategy	Performance measures	Operation
– In order to be able to offer participation in all-employee plans to employees generally, the Company is either required by the relevant UK and French legislation to allow Executive Directors to participate on the same terms or chooses to do so	Not generally applicable. Any award of free shares under the SIP may be subject to a Company performance target.	Executive Directors are eligible to participate in all-employee incentive arrangements on the same terms as other employees.

Implementation

All-employee arrangements currently offered in the UK are Sharesave and SIP share awards. The opportunity to participate in all-employee arrangements continues on the same basis as for all staff in the UK. No change to current arrangements is proposed for 2020.

Share ownership guidelines

Policy

The Company has in place share ownership guidelines for the Executive Directors. Executive Directors are normally required to achieve the minimum shareholding requirement within seven years of the date of appointment. An annual calculation as a percentage of salary is made against the guidelines as at 31 December each year based on the middle-market value of a share price on the last business day in December. Executive Directors are expected to accumulate and maintain a holding in ordinary shares in the Company equivalent to no less than 250% of base salary. The Company has a post-cessation share ownership guideline of 250% for the first year and 125% for the second year.

Implementation

250% of base salary for the Chief Executive and all other Executive Directors. Post-cessation share ownership guidelines to apply to those Directors that resigned during 2019 and going forward.

Chair of the Board and Non-Executive Directors' Fees

Policy

Purpose and link to strategy	Performance measures	Operation
To ensure the Company continues to attract and retain high-quality Chair and Non-Executive Directors by offering market competitive fees	Not applicable	The Chair of the Board's fee is determined by the Committee. Other Non-Executive Directors' fees are determined by the Board on the recommendation of the Executive Directors. Aggregate total fees payable annually to all Non-Executive Directors are subject to the limit stated in the Company's Articles of Association (currently £1,000,000).

Implementation

The Chair of the Board and Non-Executive Directors' fees were reviewed in February 2020. Non-Executive Director fees were increased by approximately 2%, in line with the increase for Executive Director base salaries, from 1 April 2020. No change was made to the Chair's fee.

Chair and Non-Executive Directors' 2020 annual fees	£000
Chair of the Board	345,500
Non-Executive Director	62,500
Senior Independent Director	10,000
Audit Committee Chair	15,000
Remuneration Committee Chair	15,000
Audit/Remuneration Committee Member	5,000

Remuneration for employees below Board level in 2020

A summary of the remuneration structure for employees below Board level is set out in the Remuneration Policy section on page 103. For 2020, base salary budgets have been set on average at 2.5% for all employees below Board and senior management team level.

By order of the Board

Gwyn Burr
Chair of the Remuneration Committee
25 February 2020

This report (Directors' report) forms part of the management report as required under the Disclosure Guidance and Transparency Rules (DTR). The Strategic Report on pages 1 to 65 includes an indication of likely future developments in the Company, details of important events since the year ended 31 December 2019 and the Company's business model and strategy. The Corporate Governance Report on pages 66 to 122 is incorporated in this Directors' Report by reference.

Articles of Association

The Company's Articles of Association (Articles) may be amended by special resolution in accordance with the Companies Act 2006 (Act) and are available at www.hammerson.com.

Branches

Details of the Company's French and Irish branches are provided on page 185.

Directors

Details of the Directors who served during the year and continue to serve at the date of approval of the Directors' report are set out on pages 68 to 70. Terry Duddy stepped down as a Director on 25 January 2019 and Timon Drakesmith stepped down as a Director on 1 October 2019. Carol Welch, Adam Metz, James Lenton and Méka Brunel were appointed as Directors on 1 March 2019, 22 July 2019, 16 September 2019 and 1 December 2019 respectively. Judy Gibbons will step down as a Director at the AGM on 28 April 2020.

Directors are appointed and replaced in accordance with the Articles, the Act and the UK Corporate Governance Code. The powers of the Directors are set out in the Articles and the Act.

Directors' interests

Details of the Directors' share interests can be found on page 111.

Disclosure of information to auditors

The Statement of Directors' responsibilities, including confirmation of the disclosure of information to the External Auditor, can be found on page 126.

Dividend

Details of the recommended final dividend can be found on page 54 and in note 11 of the financial statements on page 156.

Distributable reserves

The capacity of the Company to make dividend payments is primarily determined by the availability of retained distributable reserves and cash resources. As at 31 December 2019 the Company had distributable reserves of £771 million (2018: £634 million) and the total dividends declared in 2019 amounted to £198.4 million. The Company's distributable reserves support over three times this annual dividend. When required the Company can receive dividends from its subsidiaries to further increase distributable reserves.

Employees

Details of the Group's policies regarding the employment of disabled persons are provided on page 42.

Employees receive regular briefings and updates via the Group's intranet to inform them of the performance of the business and opportunities to participate in employee share schemes. Details of engagement with employees can be found on pages 8 to 9, 43, 74 and 77.

Financial instruments

Details of the Group's risk management in relation to its financial instruments are available in note 21 of the financial statements on pages 172 to 178.

Going Concern and Viability statements

The Company's Going Concern and Viability statements can be found on page 65.

Greenhouse gas emissions reporting

Information regarding the Group's greenhouse gas emissions can be found on page 205.

Indemnification of and insurance for Directors and officers

The Company maintains directors' and officers' liability insurance, which is reviewed annually. The Company's Directors and officers are adequately insured in accordance with best practice. Directors are indemnified under the Articles and through a Deed Poll of Indemnity.

Listing Rule 9.8.4R disclosures

Table 86 sets out where disclosures required in compliance with Listing Rule 9.8.4R are located.

Table 86

	Page
Interest capitalised and tax relief	152
Publication of unaudited financial information	n/a
Details of long term incentive schemes	n/a
Waiver of emoluments by a director	n/a
Waiver of future emoluments by a director	n/a
Non pre-emptive issues of equity for cash	n/a
Non pre-emptive issues of equity for cash by major subsidiary undertakings	n/a
Parent company participation in a placing by a listed subsidiary	n/a
Contracts of significance	n/a
Provision of services by a controlling shareholder	n/a
Agreements with controlling shareholders	n/a
Shareholder waivers of dividends	125
Shareholder waivers of future dividends	125

Post balance sheet events

Details of post balance sheet events can be found in note 29 of the financial statements on page 181.

Provisions on change of control

Four of the five outstanding bonds issued by the Company contain covenants specifying that the bondholders may request repayment at par, if the Company's credit rating is downgraded to below investment grade due to a change of control, and the rating remains below investment grade for a period of six months thereafter.

In addition, under the Company's credit facilities and private placement notes, the lending banks or holders may request repayment of outstanding amounts within 30 and 52 days respectively of any change of control.

Non-Financial Information Statement

Table 87

Reporting requirement	Where to read more about our policies, including the principal risks relating to these matters	Page	Some of our relevant policies
Environmental matters	Sustainability review Risks and uncertainties – Climate Sustainability Report 2019[1]	34-41 64	Energy policy[1] Environmental policy[1] Climate change policy[1] Biodiversity policy[1] Responsible procurement policy[1]
Employees	Engaging with our stakeholders Our people Health, safety and security Risks and uncertainties – People Board Leadership and Company Purpose – Culture	8-9 42-44 45 64 77	Code of conduct[2] Flexible working and equal opportunities policy[1] Health and safety policy[1]
Human Rights	Board Leadership and Company Purpose – Culture	77	Modern slavery and human trafficking statement[2] Responsible procurement policy[1]
Social matters	Engaging with our stakeholders Sustainability review Health, safety and security Risks and uncertainties – Catastrophic event Board Leadership and Company Purpose – Engagement with stakeholders Sustainability Report 2019[1]	8-9 34-41 45 63 74-75	Code of conduct[2] Responsible procurement policy[1] Health and safety policy[1]
Anti-bribery and corruption	Board Leadership and Company Purpose – Culture	77	Code of conduct[2] Anti-bribery and corruption policy[3] Whistleblowing policy[3] Responsible procurement policy[1]
Business model	Our business model	6-7	
Non-financial KPIs	Operational KPIs Operating review	19 20-33	

1. Available on our Positive Places website sustainability.hammerson.com.
2. Available on our website www.hammerson.com.
3. Available to all employees through the Hammerson intranet. Not published externally.

Purchase of own shares

At the 2019 Annual General Meeting (AGM), the Company was granted authority by shareholders to purchase up to 76,629,361 ordinary shares (10% of the Company's issued ordinary share capital as at 11 March 2019). This authority will expire at the conclusion of the 2020 AGM, at which a resolution will be proposed for its renewal, or, if earlier, on 30 July 2020.

Details of shares purchased by the Company during 2019 can be found in note 24 of the financial statements on page 179.

Responsibility statement

The Statement of Directors' responsibilities is set out on page 126.

Share capital

Details of the Company's capital structure are set out in note 24 of the financial statements on page 179. The rights and obligations attached to the Company's shares are set out in the Articles. There are no restrictions on the transfer of shares except the UK Real Estate Investment Trust restrictions.

Shares held in the Employee Share Ownership Plan

The Trustees of the Hammerson Employee Share Ownership Plan hold Hammerson plc shares in trust to satisfy awards under the Company's employee share plans. The Trustees have waived their right to receive dividends on shares held in the Company. As at 31 December 2019, 1,139,757 shares were held in trust for employee share plans purposes.

Substantial shareholders

Interests in voting rights over the issued share capital of the Company disclosed in accordance with DTR 5 can be found in Table 88.

Suppliers and customers

Details of the Company's engagement with suppliers, customers and others in a business relationship with the Company can be found on pages 8 to 9 and 74 to 75.

Sarah Booth

General Counsel and Company Secretary

25 February 2020

Interests disclosed under DTR 5

Table 88

	Number of voting rights attached to shares or held through financial instruments	% of total voting rights disclosed to the Company[6]
APG Asset Management N.V.[1]	130,370,030	17.01
BlackRock, Inc.[2]	63,820,935	8.32
Coronation Asset Management (Pty) Ltd[3]	45,417,174	5.93
Baillie Gifford & Co	38,356,703	5.01
Peel Holdings (IOM) Limited	30,538,230	3.99

1. APG Asset Management N.V. notified the Company:
   – on 10 January 2020 that its holding had increased to 18.00% of the Company's total voting rights
   – on 7 February 2020 that its holding had increased to 19.27% of the Company's total voting rights.
2. BlackRock, Inc. notified the Company:
   – on 13 January 2020 that its holding had increased to 8.57% of the Company's total voting rights, including a decrease in voting rights attached to shares from 5.22% to 4.83%.
   – on 14 January 2020 that its holding had remained at 8.57% of the Company's total voting rights, with an increase in voting rights attached to shares from 4.83% to 5.49%.
3. Coronation Asset Management (Pty) Ltd notified the Company on 13 February 2020 that its holding had decreased to 4.88% of the Company's total voting rights.
4. J O Hambro Capital Management Limited notified the Company on 22 January 2020 that its holding had reached 5.01% of the Company's total voting rights.
5. JP Morgan Chase & Co. notified the Company on 13 February 2020 that its holding had reached 5.15% of the Company's total voting rights.
6. No other changes to table 88 have been disclosed to the Company between 1 January 2020 and 25 February 2020.

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

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

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

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

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

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

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

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

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

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

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

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

By order of the Board

David Atkins
Chief Executive

James Lenton
Chief Financial Officer

25 February 2020

Report on the audit of the financial statements

Opinion

In our opinion:

- Hammerson plc's Group financial statements and Company financial statements (the "financial statements") give a true and fair view of the state of the Group's and of the Company's affairs as at 31 December 2019 and of the Group's loss and cash flows for the year then ended;
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union;
- the Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

We have audited the financial statements, included within the Annual Report, which comprise: the Consolidated and Company balance sheets as at 31 December 2019; the Consolidated income statement and the Consolidated statement of comprehensive income, the Consolidated cash flow statement, and the Consolidated and Company statements of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Our opinion is consistent with our reporting to the Audit Committee.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

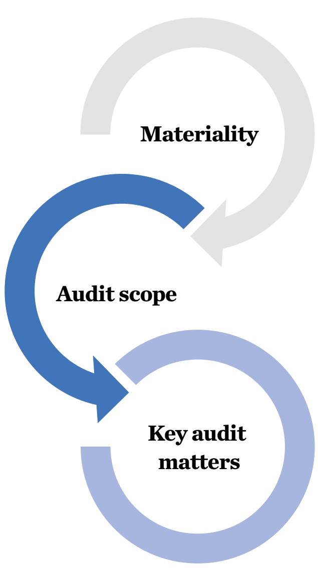
We remained independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, as applicable to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

To the best of our knowledge and belief, we declare that non-audit services prohibited by the FRC's Ethical Standard were not provided to the Group or the Company.

Other than those disclosed in note 5 to the financial statements, we have provided no non-audit services to the Group or the Company in the period from 1 January 2019 to 31 December 2019.

Our audit approach

Overview



- Overall Group materiality: £55.0 million (2018: £67.0 million), based on 0.75% of Group's total assets.
- Specific Group materiality: £10.6 million (2018: £12.0 million), based on 5.0% of the Group's adjusted earnings.
- Overall Company materiality: £66.0 million (2018: £77.8 million), based on 0.75% of Company's total assets.

- The UK, French and Value Retail components were subject to a full scope audit. Together these components account for 88% of the Group's total assets.
- The Irish and VIA Outlets components were subject to an audit over certain account balances (including investment property).

- Valuation of investment property, either held directly or within joint ventures (Group).
- Accounting for the investment in Value Retail and valuation of investment property held by Value Retail (Group).
- Valuation of investments in subsidiary companies (Company).

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements.

Capability of the audit in detecting irregularities, including fraud

Based on our understanding of the Group and industry, we identified that the principal risks of non-compliance with laws and regulations to be related to tax legislation including the Real Estate Investment Trust requirements, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the preparation of the financial statements such as the Companies Act 2006 and Listing Rules. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries to increase revenue, and management bias in accounting estimates. The Group engagement team shared this risk assessment with the component auditors so that they could include appropriate audit procedures in response to such risks in their work. Audit procedures performed by the Group engagement team and/or component auditors included:

- Discussions with management and internal audit, including consideration of known or suspected instances of non-compliance with laws and regulation and fraud;
- Evaluation of management's controls designed to prevent and detect irregularities;
- Challenging assumptions and judgements made by management in their significant accounting estimates, in particular in relation to the valuation of investment property (see related key audit matter below); and
- Identifying and testing journal entries, in particular any journal entries posted to revenue with unusual account combinations or posted by senior management.

There are inherent limitations in the audit procedures described above and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we would become aware of it. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. This is not a complete list of all risks identified by our audit.

Key audit matter	How our audit addressed the key audit matter
Valuation of investment property, either held directly or within joint ventures (Group) Refer to page 88 (Audit Committee report), pages 160 to 166 (Notes to the financial statements – notes 13 and 14), page 142 (Significant judgements and key estimates), and page 144 (Significant accounting policies). The Group directly owns, or owns via joint ventures or associates, a portfolio of property which includes shopping centres, retail parks, developments and premium outlets. The total value of this portfolio as at 31 December 2019 was £8,327 million (2018: £9,938 million). Of this portfolio £2,099 million (2018: £3,830 million) is held by subsidiaries within 'Investment and development properties', and £3,658 million (2018: £4,256 million) is held by joint ventures within 'Investment in joint ventures'. Additionally the portfolio includes £456 million (2018: £nil) of retail parks held within 'Assets held for sale'. Together these properties are spread across the UK, French, Irish and VIA Outlets components. The remainder of the portfolio is held within associates, £2,114 million (2018: £1,852 million), primarily in respect of Value Retail but also Italie Deux and Nicetoile. The Group's share of Value Retail's investment property is £1,966 million (2018: £1,823 million). The valuation of Value Retail's property is discussed within the subsequent key audit matter. This was identified as a key audit matter given the valuation of the investment property portfolio is inherently subjective and complex due to, among other factors, the individual nature of each property, its location, and the expected future rental streams for that particular property. The wider challenges currently facing the retail real estate occupier and investor markets, including the relative lack of comparable transactions in certain markets, further contributed to the subjectivity for the year ended 31 December 2019.	Given the inherent subjectivity involved in the valuation of investment properties, the need for deep market knowledge when determining the most appropriate assumptions and the technicalities of valuation methodology, we engaged our internal valuation experts (qualified chartered surveyors) to assist us in our audit of this matter. *Assessing the valuers' expertise and objectivity* We assessed the external valuers' qualifications and expertise and read their terms of engagement with the Group to determine whether there were any matters that might have affected their objectivity or may have imposed scope limitations upon their work. We also considered fee arrangements between the external valuers and the Group, and other engagements which might exist between the Group and the valuers. We found no evidence to suggest that the objectivity of the external valuers, in their performance of the valuations, was compromised. *Data provided to the valuers* We checked the accuracy of the underlying lease data and capital expenditure used by the external valuers in their valuation of the portfolio by tracing the data back to the relevant component accounting records and signed leases on a sample basis. No exceptions were identified from this work. *Assumptions and estimates used by the valuers* We read the external valuation reports for the properties and confirmed that the valuation approach for each was in accordance with RICS standards and suitable for use in determining the final value for the purpose of the financial statements. We met with external valuers to discuss and challenge the valuation process, the key assumptions, and the rationale behind the more significant valuation movements during the year. It was evident from our interaction with the external valuers, and from our review of the valuation reports, that close attention had been paid to each property's individual characteristics at a detailed, tenant by tenant level, as well as considering the property specific factors such as the overall quality,

Key audit matter	How our audit addressed the key audit matter

Key audit matter

Valuation of investment property, either held directly or within joint ventures (continued)

Other than for assets held for sale, the closing valuation was carried out by external valuers, Cushman & Wakefield, in accordance with the RICS Valuation – Professional Standards and the Group accounting policies which incorporate the requirements of International Accounting Standard 40, 'Investment Property'.

The properties are held primarily at investment value reflecting the fact that the properties are largely existing operational properties currently generating rental income. Shopping centres are primarily valued using the income capitalisation method, and premium outlets are valued on a discounted cash flow ("DCF") basis.

Those development properties that are subject to an active ongoing development are valued using the residual valuation approach. Certain operational properties, which have development potential, are valued under the income capitalisation method but adjusted to account for development potential. Development land is valued on a land per acre basis.

Retail parks have been classified as assets held for sale and have therefore been recognised at fair value less costs to sell in accordance with IFRS 5 'Non-current assets held for sale and discontinued operations'.

Shopping centres

In determining the valuation of a shopping centre the valuers take into account property specific information such as the current tenancy agreements and rental income. They then apply judgemental assumptions such as estimated rental value ("ERV") and yield, which are influenced by prevailing market yields and where appropriate comparable market transactions, to arrive at the final valuation. Due to the unique nature of each property the judgemental assumptions to be applied are determined having regard to the individual property characteristics at a detailed, tenant by tenant level, as well as considering the qualities of the property as a whole.

Premium outlets

In determining the valuation of a premium outlet the valuers take into account property specific information such as current tenancy agreements, rental income generated by the asset, as well as property operating costs. They then apply judgemental assumptions such as yield, discount rate and expected rental income growth rates, which are influenced by prevailing market yields and where appropriate comparable market transactions, to arrive at the final valuation. Due to the unique nature of each property, the judgemental assumptions to be applied are determined having regard to the individual property characteristics at a detailed, unit by unit level, as well as considering the qualities of the property as a whole.

Developments

In determining the valuation of development property held under a residual valuation the valuers take into account the property specific information such as the development plans for the site. They then apply a number of judgemental assumptions including ERV and yield within the gross development value, estimated costs to complete and developers profit to arrive at the valuation. Due to the unique nature of an ongoing development the judgemental assumptions to be applied are determined having regard to the nature and risks associated with each development.

In determining the valuation of operational properties with development potential the valuers initially follow the same methodology as described previously to arrive at an income capitalisation value. Having regard to the unique nature of each property, the likelihood of the development progressing and the status of planning consents for the development, the valuers then make adjustments to the valuation to reflect development potential.

In determining the value of development land the valuers primarily have regard for the land per acre value achieved by recent comparable land transactions.

Retail parks

In determining the valuation of the retail parks within assets held for sale, the Directors primarily utilised the actual sales price agreed with third parties for the assets, less a deduction for selling costs.

How our audit addressed the key audit matter

latest leasing activity, geographic location and desirability of the asset as a whole.

In addition we performed the following procedures for each type of property. We were able to obtain sufficient evidence to support the valuation and did not identify any material issues during our work.

– *Shopping centres*

  For shopping centres we obtained details of each property and set an expected range for yield and capital value movement, determined by reference to published benchmarks and using our experience and knowledge of the market. We compared the yield and capital movement of each property with our expected range. We also considered the reasonableness of other assumptions that are not so readily comparable with published benchmarks, such as ERV. Where assumptions were outside the expected range or otherwise appeared unusual we undertook further investigations and, when necessary, obtained corroborating evidence to support explanations received. This enabled us to assess the property specific factors that had an impact on value, including recent comparable transactions where appropriate, and to conclude on the reasonableness of the assumptions utilised.

– *Premium outlets*

  For premium outlets we initially obtained details of each property. We then assessed the reasonableness of each property's key assumptions comparing its yield, discount rate and rental income growth rates to comparable market benchmarks. In doing so we had regard to property specific factors and our knowledge of the market, including recent comparable transactions where appropriate. We obtained corroborating evidence to support explanations received from the valuers where appropriate.

– *Developments*

  For significant ongoing developments valued via the residual valuation method we obtained the development appraisal and assessed the reasonableness of the valuers' key assumptions. This included comparing the yield to comparable market benchmarks, comparing the costs to complete estimates to development plans, and considering the reasonableness of other assumptions that are not so readily comparable with published benchmarks, such as ERV and developers profit. Where assumptions appeared unusual we undertook further investigations and, when necessary, obtained corroborating evidence to support explanations received.

  For operational properties with development potential we performed the same procedures as described previously for shopping centres. Additionally we considered the reasonableness of any additional value recognised for development potential by reviewing the stage of progress of the proposed development including verifying any planning consents obtained.

  For development land valued on a land per acre basis we obtained details of the comparable land transactions utilised by the valuers. We verified the value of these transactions to supporting evidence and considered their comparability to the asset being valued.

– *Retail parks*

  For retail parks classified as assets held for sale we obtained the signed sale documentation and verified that the agreed sale price corresponded with the fair value arrived at by the Directors. We are satisfied this is an appropriate basis for determining the fair value for assets held for sale.

Overall findings

We found that the assumptions used in the valuations were predominantly consistent with our expectations and comparable benchmarking information for the asset type, and that the assumptions were applied appropriately and reflected available comparable market transactions. Where assumptions did not fall within our expected range we were satisfied that variances were due to property specific factors such as new lettings at higher rents. We concluded that the assumptions used in the valuations by the external valuers were supportable in light of available comparable market evidence.

Key audit matter	How our audit addressed the key audit matter
Accounting for the investment in Value Retail and valuation of investment property held by Value Retail (Group) Refer to page 88 (Audit Committee report), pages 167 to 170 (Notes to the financial statements – note 15), page 142 (Significant judgements and key estimates), and page 143 and 144 (Significant accounting policies). The Group has an investment in Value Retail, a separate group owning a number of premium outlet centres across the United Kingdom and Europe. The Group equity accounts for its interest in Value Retail as an associate. The Group's investment as at 31 December 2019 was £1,355 million (2018: £1,211 million). *Investment property valuation* The valuation of the Group's investment in Value Retail is predominantly driven by the valuation of the property assets within the Value Retail portfolio. The value of the properties was £5,365 million as at 31 December 2019 (2018: £5,054 million). The Group's share of the Value Retail property, which is included within the wider Group portfolio of £8,327 million (2018: £9,938 million), was £1,966 million (2018: £1,823 million). The judgements and risks associated with the valuation of this portfolio are similar to those in the remainder of the Group's premium outlets portfolio discussed within the previous key audit matter, with the properties also being valued by Cushman & Wakefield on a DCF basis. *Accounting for the investment in Value Retail* Value Retail has a complex ownership structure whereby each investing party owns differing proportions of each of the entities, and hence properties, within the Value Retail group. As such this creates significant complexity in determining the overall investment in Value Retail held within the Group consolidated financial statements. Therefore, on the basis of the significant judgement within the investment property valuation, and the complexity in determining the overall investment in Value Retail, we identified this as a key audit matter.	Investment property valuation As Group auditors we formally instructed the component auditors of Value Retail to perform a full scope audit over the financial information of Value Retail. This included audit work over the valuation of investment property within Value Retail. The audit procedures performed were in line with those described within the previous key audit matter surrounding the remainder of the Group's premium outlet investment properties. We have obtained reporting from the component auditors and have reviewed the results and quality of their work over investment property valuation. In addition the Group audit team attended the meeting held between Cushman & Wakefield and the component auditors and reviewed the component auditors' working papers. We have no issues to report and have obtained sufficient audit comfort over the investment property balances within the Value Retail financial information. Accounting for the investment in Value Retail In respect of the complexity within the calculation of the Group's investment in Value Retail, we obtained the ownership structure for Value Retail as at 31 December 2019. We instructed the component auditor to verify the Group's percentage ownership of each entity within the Value Retail group including taking into account any acquisitions in the year. We have obtained reporting from the component auditors on this procedure and have reviewed the results and quality of their work. We have tested the adjustments made within the Group consolidation in accordance with IAS 28 'Investments in associates and joint ventures', in arriving at the Group's equity accounted investment in Value Retail to determine whether they are appropriate. We have no issues to report in respect of this work.
Valuation of investments in subsidiary companies (Company). Refer to page 184 (Notes to the financial statements – note C), page 184 (Accounting Policies). The Company has investments in subsidiary companies of £3,775 million (2018: £4,551 million) as at 31 December 2019. The Company's accounting policy is to hold these investments at fair value. Given the inherent judgement and complexity in assessing the fair value of a subsidiary company, this was identified as a key audit matter for our audit of the Company. The primary determinant and key judgement within the fair value of each subsidiary company is the value of the investment property held by each investee. As such it was over this area to which we applied the most focus and audit effort.	We obtained the Directors' valuation for the value of investments held in subsidiary companies as at 31 December 2019. We assessed the accounting policy for investments to ensure it was compliant with FRS 101 "Reduced Disclosure Framework". We verified that the methodology used by the Directors in arriving at the fair value of each subsidiary was compliant with FRS 101 "Reduced Disclosure Framework". We identified the key judgement within the valuation of investments held in subsidiary companies to be the valuation of investment property held by each investee. For details of our procedures over investment property valuations please refer to earlier within this report since this was identified as a key audit matter in its own right for the Group. We have no matters to report in respect of this work.

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the Group and the Company, the accounting processes and controls, and the industry in which they operate.

The Group owns and invests in a number of shopping centres, retail parks, developments and premium outlets across the United Kingdom and Europe. These are held within a variety of subsidiaries, joint ventures and associates.

Based on our understanding of the Group we focussed our audit work primarily on five components being: UK, France, Ireland, Value Retail and VIA Outlets.

The UK, French and Value Retail components were subject to a full scope audit given their financial significance to the Group. Ireland and VIA Outlets were subject to an audit over certain account balances (including investment property), based on our assessment of risk and materiality of the Group's operations at each component.

The UK, French and Value Retail components account for 88% (2018: UK and French components accounted for 73%) of the Group's total assets. The UK and Irish components were audited by the Group team. The French, VIA Outlets and Value Retail components were audited by component teams.

Detailed instructions were sent to all component teams. These instructions covered the significant areas that should be addressed by the component auditors (which included the relevant risks of material misstatement) and set out the information required to be reported back to the Group audit team. In addition, regular meetings were held with the component audit teams, with the Group audit team attending the clearance meeting for all component audits. Finally the Group audit team performed a detailed review of the working papers of all component teams to ensure the work performed was appropriate.

These procedures, together with additional procedures performed at the Group level (including audit procedures over the consolidation and consolidation adjustments), gave us the evidence we needed for our opinion on the Group financial statements as a whole.

In respect of the audit of the Company, the Group audit team performed a full scope statutory audit.

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	Group financial statements	**Company financial statements**
Overall materiality	£55.0 million (2018: £67.0 million).	£66.0 million (2018: £77.8 million).
How we determined it	0.75% of the Group's total assets.	0.75% of the Company's total assets.
Rationale for benchmark applied	We determined materiality based on total assets given the valuation of investment properties, whether held directly or through joint ventures and associates, is the key determinant of the Group's value. This materiality was utilised in the audit of investing and financing activities.	Given the Hammerson plc entity is primarily a holding company we determined total assets to be the appropriate benchmark .
Specific materiality	£10.6 million (2018: £12.0 million).	Not applicable.
How we determined it	5% of the Group's adjusted earnings.	Not applicable.
Rationale for benchmark applied	In arriving at this materiality we had regard to the fact that adjusted earnings is a secondary financial indicator of the Group (Refer to note 12 of the financial statements where the term is defined). This materiality was utilised in the audit of operating activities.	Not applicable.

For each component in the scope of our Group audit, we allocated a materiality that is less than our overall Group materiality. The range of materiality allocated across components was £20.0 million to £50.0 million.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £2.7 million (Group audit) (2018: £3.3 million) and £3.3 million (Company audit) (2018: £3.9 million) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

In addition we agreed with the Audit Committee we would report to them misstatements identified during our Group audit above £1.1 million (2018: £1.2 million) for misstatements related to operating items within the financial statements, as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Going concern

In accordance with ISAs (UK) we report as follows:

Reporting obligation	Outcome
We are required to report if we have anything material to add or draw attention to in respect of the Directors' statement in the financial statements about whether the Directors considered it appropriate to adopt the going concern basis of accounting in preparing the financial statements and the Directors' identification of any material uncertainties to the Group's and the Company's ability to continue as a going concern over a period of at least twelve months from the date of approval of the financial statements.	We have nothing material to add or to draw attention to. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Group's and Company's ability to continue as a going concern. For example, the terms of the United Kingdom's withdrawal from the European Union are not clear, and it is difficult to evaluate all of the potential implications on the Group's and Company's trade, customers, suppliers and the wider economy.
We are required to report if the Directors' statement relating to Going Concern in accordance with Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit.	We have nothing to report.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The Directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic report and Directors' report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, the Companies Act 2006 (CA06), ISAs (UK) and the Listing Rules of the Financial Conduct Authority (FCA) require us also to report certain opinions and matters as described below (required by ISAs (UK) unless otherwise stated).

Strategic report and Directors' report
In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' report for the year ended 31 December 2019 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements. *(CA06)*

In light of the knowledge and understanding of the Group and Company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic report and Directors' report. *(CA06)*

The Directors' assessment of the prospects of the Group and of the principal risks that would threaten the solvency or liquidity of the Group
We have nothing material to add or draw attention to regarding:

- The Directors' confirmation on page 58 of the Annual Report that they have carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity.
- The disclosures in the Annual Report that describe those risks and explain how they are being managed or mitigated.
- The Directors' explanation on page 65 of the Annual Report as to how they have assessed the prospects of the Group, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

We have nothing to report having performed a review of the Directors' statement that they have carried out a robust assessment of the principal risks facing the Group and statement in relation to the longer-term viability of the Group. Our review was substantially less in scope than an audit and only consisted of making inquiries and considering the Directors' process supporting their statements; checking that the statements are in alignment with the relevant provisions of the UK Corporate Governance Code (the "Code"); and considering whether the statements are consistent with the knowledge and understanding of the Group and Company and their environment obtained in the course of the audit. *(Listing Rules)*

Other Code Provisions
We have nothing to report in respect of our responsibility to report when:

- The statement given by the Directors, on page 126, that they consider the Annual Report taken as a whole to be fair, balanced and understandable, and provides the information necessary for the members to assess the Group's and Company's position and performance, business model and strategy is materially inconsistent with our knowledge of the Group and Company obtained in the course of performing our audit.
- The section of the Annual Report on page 85 describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee.
- The Directors' statement relating to the Company's compliance with the Code does not properly disclose a departure from a relevant provision of the Code specified, under the Listing Rules, for review by the auditors.

Directors' Remuneration
In our opinion, the part of the Directors' Remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006. *(CA06)*

Responsibilities for the financial statements and the audit

Responsibilities of the Directors for the financial statements
As explained more fully in the Statement of Directors' responsibilities set out on page 126, the Directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The Directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the Company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- the Company financial statements and the part of the Directors' Remuneration report to be audited are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Appointment

Following the recommendation of the Audit Committee, we were appointed by the members on 25 April 2017 to audit the financial statements for the year ended 31 December 2017 and subsequent financial periods. The period of total uninterrupted engagement is 3 years, covering the years ended 31 December 2017 to 31 December 2019.

Paul Cragg (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London

25 February 2020

Consolidated income statement

for the year ended 31 December 2019

	Notes	2019 £m	2018[1] £m
Revenue	4	**190.3**	224.8
Operating profit before other net losses and share of results of joint ventures and associates	2	**65.0**	96.3
Loss on sale of properties		**(69.7)**	(53.5)
Net exchange gain previously recognised in equity, recycled on disposal of foreign operations		**13.8**	2.0
Acquisition-related costs		–	(6.4)
Revaluation losses on properties		**(294.7)**	(41.4)
Other net losses	2	**(350.6)**	(99.3)
Share of results of joint ventures	14A	**(423.0)**	(103.7)
Share of results of associates	15A	**209.4**	57.7
Operating loss	2	**(499.2)**	(49.0)
Finance costs		**(102.3)**	(109.0)
Debt and loan facility cancellation costs		–	(15.3)
Change in fair value of derivatives		**6.2**	(14.5)
Finance income		**21.5**	14.5
Net finance costs	8	**(74.6)**	(124.3)
Loss before tax		**(573.8)**	(173.3)
Tax charge	9A	**(1.9)**	(1.8)
Loss from continuing operations		**(575.7)**	(175.1)
Loss from discontinued operations	10B	**(205.5)**	(93.4)
Loss for the year		**(781.2)**	(268.5)
Attributable to:			
Equity shareholders		**(781.2)**	(268.1)
Non-controlling interests[2]	28C	–	(0.4)
Loss for the year		**(781.2)**	(268.5)
Basic and diluted loss per share			
Continuing operations	12B	**(75.2)p**	(22.2)p
Discontinued operations	12B	**(26.9)p**	(11.9)p
Total	12B	**(102.1)p**	(34.1)p

1. The results reported for the year ended 31 December 2018 have been reclassified to represent discontinued operations in line with the requirements of IFRS 5 'Non-current assets held for sale and discontinued operations'.
2. Non-controlling interests relate to continuing operations.

Consolidated statement of comprehensive income

for the year ended 31 December 2019

	2019 £m	2018 £m
Items recycled through the consolidated income statement on disposal of foreign operations		
Exchange gain previously recognised in the translation reserve	**(69.1)**	(10.3)
Exchange loss previously recognised in the net investment hedge reserve	**55.3**	8.3
Net exchange gain relating to equity shareholders[1]	**(13.8)**	(2.0)
Items that may subsequently be recycled through the consolidated income statement		
Foreign exchange translation differences	**(204.4)**	41.5
Gain/(Loss) on net investment hedge	**138.6**	(29.0)
Net gain on cash flow hedge	**6.8**	4.1
Share of other comprehensive loss of associates	**(4.0)**	(3.3)
	(63.0)	13.3
Items that may not subsequently be recycled through the consolidated income statement		
Net actuarial (losses)/gains on pension schemes	**(1.5)**	0.8
Total other comprehensive (loss)/income[2]	**(78.3)**	12.1
Loss for the year from continuing operations	**(575.7)**	(175.1)
Loss for the year from discontinued operations	**(205.5)**	(93.4)
Loss for the year	**(781.2)**	(268.5)
Total comprehensive loss for the year	**(859.5)**	(256.4)
Attributable to:		
Equity shareholders	**(859.4)**	(256.0)
Non-controlling interests	**(0.1)**	(0.4)
Total comprehensive loss for the year	**(859.5)**	(256.4)

1. Relates to the sale of a 75% interest in Italie Deux, Paris in 2019 and the sale of Jeu de Paume, Beauvais in 2018.
2. All items within total other comprehensive (loss)/income relate to continuing operations.

Consolidated balance sheet

As at 31 December 2019

	Notes	2019 £m	2018 £m
Non-current assets			
Investment and development properties	13	**2,098.7**	3,830.4
Interests in leasehold properties		**34.3**	39.9
Right-of-use assets	1	**10.1**	–
Plant and equipment		**3.2**	4.5
Investment in joint ventures	14A	**3,017.1**	3,604.5
Investment in associates	15C	**1,504.5**	1,241.5
Derivative financial instruments	21A	**31.6**	24.5
Receivables		**3.4**	3.6
		6,702.9	8,748.9
Current assets			
Receivables	16	**96.3**	113.8
Derivative financial instruments	21A	**0.8**	4.1
Restricted monetary assets	17	**21.5**	24.0
Cash and deposits	18	**28.2**	31.2
		146.8	173.1
Assets held for sale	10D	**465.7**	–
		612.5	173.1
Total assets		**7,315.4**	8,922.0
Current liabilities			
Payables	19	**(193.5)**	(233.7)
Tax		**(1.5)**	(0.9)
Derivative financial instruments	21A	**(4.1)**	(9.8)
		(199.1)	(244.4)
Liabilities associated with assets held for sale	10D	**(19.7)**	–
		(218.8)	(244.4)
Non-current liabilities			
Loans	20	**(2,504.9)**	(3,013.9)
Deferred tax		**(0.4)**	(0.5)
Derivative financial instruments	21A	**(70.7)**	(101.0)
Obligations under head leases	22	**(36.9)**	(42.3)
Payables	23	**(106.5)**	(87.0)
		(2,719.4)	(3,244.7)
Total liabilities		**(2,938.2)**	(3,489.1)
Net assets		**4,377.2**	5,432.9
Equity			
Share capital	24	**191.6**	191.6
Share premium		**1,266.0**	1,266.0
Translation reserve		**520.9**	794.3
Net investment hedge reserve		**(430.8)**	(624.7)
Cash flow hedge reserve		**(1.4)**	(8.2)
Merger reserve		**374.1**	374.1
Other reserves		**25.6**	27.2
Retained earnings		**2,433.2**	3,415.3
Investment in own shares		**(2.2)**	(3.0)
Equity shareholders' funds		**4,377.0**	5,432.6
Non-controlling interests	28C	**0.2**	0.3
Total equity		**4,377.2**	5,432.9
EPRA net asset value per share	12D	**£6.01**	£7.38

These financial statements were approved by the Board of Directors on 25 February 2020. Signed on behalf of the Board.

David Atkins
Director

James Lenton
Director

Registered in England No. 360632

Consolidated statement of changes in equity

for the year ended 31 December 2019

	Share capital £m	Share premium £m	Translation reserve £m	Net investment hedge reserve £m	Cash flow hedge reserve £m	Merger reserve £m	Other reserves[1] £m	Retained earnings £m	Investment in own shares[2] £m	Equity shareholders' funds £m	Non-controlling interests £m	Total equity £m
Balance at 1 January 2019	**191.6**	**1,266.0**	**794.3**	**(624.7)**	**(8.2)**	**374.1**	**27.2**	**3,415.3**	**(3.0)**	**5,432.6**	**0.3**	**5,432.9**
Share buyback – release of 2018 accrual	–	–	–	–	–	–	–	**0.8**	–	**0.8**	–	**0.8**
Share-based employee remuneration (note 5)	–	–	–	–	–	–	**3.0**	–	–	**3.0**	–	**3.0**
Cost of shares awarded to employees	–	–	–	–	–	–	**(2.6)**	–	**2.6**	–	–	–
Transfer on award of own shares to employees	–	–	–	–	–	–	**(2.0)**	**2.0**	–	–	–	–
Proceeds on award of own shares to employees	–	–	–	–	–	–	–	**0.2**	–	**0.2**	–	**0.2**
Purchase of own shares	–	–	–	–	–	–	–	–	**(1.8)**	**(1.8)**	–	**(1.8)**
Dividends (note 11)	–	–	–	–	–	–	–	**(198.4)**	–	**(198.4)**	–	**(198.4)**
Exchange (gain)/loss previously recognised in equity recycled on disposal of foreign operations	–	–	**(69.1)**	**55.3**	–	–	–	–	–	**(13.8)**	–	**(13.8)**
Foreign exchange translation differences	–	–	**(204.3)**	–	–	–	–	–	–	**(204.3)**	**(0.1)**	**(204.4)**
Gain on net investment hedge	–	–	–	**138.6**	–	–	–	–	–	**138.6**	–	**138.6**
Loss on cash flow hedge	–	–	–	–	**(8.4)**	–	–	–	–	**(8.4)**	–	**(8.4)**
Loss on cash flow hedge recycled to net finance costs	–	–	–	–	**15.2**	–	–	–	–	**15.2**	–	**15.2**
Share of other comprehensive loss of associates (note 15E)	–	–	–	–	–	–	–	**(4.0)**	–	**(4.0)**	–	**(4.0)**
Net actuarial losses on pension schemes (note 7C)	–	–	–	–	–	–	–	**(1.5)**	–	**(1.5)**	–	**(1.5)**
Loss for the year[3]	–	–	–	–	–	–	–	**(781.2)**	–	**(781.2)**	–	**(781.2)**
Total comprehensive (loss)/income for the year	–	–	**(273.4)**	**193.9**	**6.8**	–	–	**(786.7)**	–	**(859.4)**	**(0.1)**	**(859.5)**
Balance at 31 December 2019	**191.6**	**1,266.0**	**520.9**	**(430.8)**	**(1.4)**	**374.1**	**25.6**	**2,433.2**	**(2.2)**	**4,377.0**	**0.2**	**4,377.2**

1. Other reserves comprise a capital redemption reserve of £14.3 million (2018: £14.3 million) relating to share buybacks and £11.3 million (2018: £12.9 million) relating to share-based employee remuneration.
2. Investment in own shares is stated at cost.
3. Relates to continuing and discontinued operations.

	Share capital £m	Share premium £m	Translation reserve £m	Net investment hedge reserve £m	Cash flow hedge reserve £m	Merger reserve £m	Other reserves[1] £m	Retained earnings £m	Investment in own shares[2] £m	Equity shareholders' funds £m	Non-controlling interests £m	Total equity £m
Balance at 1 January 2018	198.6	1,265.9	763.1	(604.0)	(12.3)	374.1	22.0	4,016.4	(0.3)	6,023.5	14.0	6,037.5
Issue of shares	–	0.1	–	–	–	–	–	–	–	0.1	–	0.1
Share buyback	(7.0)	–	–	–	–	–	7.0	(128.9)	–	(128.9)	–	(128.9)
Share-based employee remuneration (note 5)	–	–	–	–	–	–	3.4	–	–	3.4	–	3.4
Cost of shares awarded to employees	–	–	–	–	–	–	(3.6)	–	3.6	–	–	–
Transfer on award of own shares to employees	–	–	–	–	–	–	(1.6)	1.6	–	–	–	–
Proceeds on award of own shares to employees	–	–	–	–	–	–	–	0.2	–	0.2	–	0.2
Purchase of own shares	–	–	–	–	–	–	–	–	(6.3)	(6.3)	–	(6.3)
Dividends (note 11)	–	–	–	–	–	–	–	(203.4)	–	(203.4)	(13.3)	(216.7)
Exchange (gain)/loss previously recognised in equity recycled on disposal of foreign operations	–	–	(10.3)	8.3	–	–	–	–	–	(2.0)	–	(2.0)
Foreign exchange translation differences	–	–	41.5	–	–	–	–	–	–	41.5	–	41.5
Loss on net investment hedge	–	–	–	(29.0)	–	–	–	–	–	(29.0)	–	(29.0)
Gain on cash flow hedge	–	–	–	–	27.7	–	–	–	–	27.7	–	27.7
Gain on cash flow hedge recycled to net finance costs	–	–	–	–	(23.6)	–	–	–	–	(23.6)	–	(23.6)
Share of other comprehensive loss of associates (note 15E)	–	–	–	–	–	–	–	(3.3)	–	(3.3)	–	(3.3)
Net actuarial gains on pension schemes (note 7C)	–	–	–	–	–	–	–	0.8	–	0.8	–	0.8
Loss for the year[3]	–	–	–	–	–	–	–	(268.1)	–	(268.1)	(0.4)	(268.5)
Total comprehensive income/(loss) for the year	–	–	31.2	(20.7)	4.1	–	–	(270.6)	–	(256.0)	(0.4)	(256.4)
Balance at 31 December 2018	191.6	1,266.0	794.3	(624.7)	(8.2)	374.1	27.2	3,415.3	(3.0)	5,432.6	0.3	5,432.9

1. Other reserves comprise a capital redemption reserve of £14.3 million (2017: £7.3 million) relating to share buybacks and £12.9 million (2017: £14.7 million) relating to share-based employee remuneration.
2. Investment in own shares is stated at cost.
3. Relates to continuing and discontinued operations.

Consolidated cash flow statement
for the year ended 31 December 2019

	Notes	2019 £m	2018 £m
Operating activities			
Operating profit before other net losses and share of results of joint ventures and associates			
– continuing operations	2	**65.0**	96.3
– discontinued operations	10B	**46.0**	55.9
		111.0	152.2
(Increase)/Decrease in receivables		**(0.1)**	1.4
(Increase)/Decrease in restricted monetary assets		**(0.2)**	13.6
Decrease in payables		**(8.3)**	(32.7)
Adjustment for non-cash items	26	**8.9**	10.3
Cash generated from operations		**111.3**	144.8
Interest received		**21.4**	14.5
Interest paid		**(102.9)**	(110.0)
Acquisition-related costs paid		**–**	(12.9)
Debt and loan facility cancellation costs	8	**–**	(15.3)
Tax paid		**(1.9)**	(1.6)
Distributions and other receivables from joint ventures		**139.2**	95.0
Cash flows from operating activities		**167.1**	114.5
Investing activities			
Property acquisitions		**(0.7)**	(12.0)
Developments and major refurbishments		**(40.2)**	(89.3)
Other capital expenditure		**(39.7)**	(60.3)
Sale of properties		**536.1**	553.2
Advances to joint ventures	14D	**(29.1)**	(30.0)
Funds from financing transferred from joint ventures		**–**	144.2
Acquisition of interest in joint venture		**(29.0)**	–
Acquisition of interest in associates		**(1.3)**	(108.6)
Distributions received from associates		**30.5**	37.6
Cash flows from investing activities		**426.6**	434.8
Financing activities			
Issue of shares		**–**	0.1
Proceeds from award of own shares		**0.2**	0.2
Purchase of own shares		**(1.8)**	(5.1)
Share buyback		**(1.5)**	(126.5)
Proceeds from new borrowings		**48.2**	240.3
Repayment of borrowings		**(439.9)**	(616.3)
Net decrease in borrowings	25	**(391.7)**	(376.0)
Dividends paid to non-controlling interests	28C	**–**	(13.3)
Equity dividends paid	11	**(198.9)**	(204.1)
Cash flows from financing activities		**(593.7)**	(724.7)
Net decrease in cash and deposits		**–**	(175.4)
Opening cash and deposits		**31.2**	205.9
Exchange translation movement		**(1.4)**	0.7
Closing cash and deposits		**29.8**	31.2
Less: cash and deposits classified as held for sale	10D	**(1.6)**	–
Closing cash and deposits as stated on balance sheet	18	**28.2**	31.2

The cash flows above relate to continuing and discontinued operations. See note 10 for information on discontinued operations.

An analysis of the movement in net debt is provided in note 25.

1: Significant accounting policies

Statement of compliance

The consolidated financial statements of Hammerson plc have been prepared in accordance with IFRS and interpretations adopted by the European Union and with the Companies Act 2006 applicable to companies reporting under IFRS, as well as SAICA Financial Reporting Guides as issued by the Accounting Practices committee. The following new and revised Standards and Interpretations have been issued:

Issued, endorsed by the European Union, and effective

- IFRS 16 Leases; effective for accounting periods beginning on or after 1 January 2019 (adopted in 2019)
- IFRIC 23 Uncertainty over income tax treatments; effective for accounting periods beginning on or after 1 January 2019 (adopted in 2019)

Issued, not endorsed by the European Union as at 31 December 2019, and not yet effective

- Amendments to IFRS 3 Business Combinations; amendments to assess whether a transaction meets the definition of a business combination; effective for periods beginning on or after 1 January 2020

IFRIC 23 has not had a material impact on the Group's financial statements and the amendments to IFRS 3 are not expected to either. The impact of the adoption of IFRS 16 is set out below:

Impact assessment of adopting new accounting Standards and Interpretations

IFRS 16 Leases

The standard does not impact the Group's financial position as a lessor or the Group's rental income from its investment properties. The standard requires lessees to recognise, for each lease, a right-of-use asset and related lease liability representing the obligation to make lease payments. Interest expense on the lease liability and depreciation on the right-of-use asset is recognised in the consolidated income statement.

Included within the scope of the standard are the Group's current operating leases for its offices in London, Dublin, Paris and Reading, and the existing head leases which are already IFRS 16 compliant and disclosed on the face of the consolidated balance sheet, and other smaller operating leases, for example, equipment, which are considered to be immaterial to the Group.

The Group has applied the modified retrospective approach in adopting IFRS 16 to the office leases. This method includes the calculated lease liabilities and right-of-use assets being recognised in the consolidated balance sheet on the transition date of 1 January 2019, without the requirement to restate prior periods. Under the standard, the Group also has the option to set the balance of the right-of-use assets, on transition, at an amount equal to the lease liabilities. This option has been taken.

As detailed in the table below, right-of-use assets and lease liabilities of £13.8 million were recognised in the consolidated balance sheet on the adoption of IFRS 16. For the year ended 31 December 2019, rents payable of £3.6 million which would have been recognised under IAS 17 have been replaced with depreciation of £3.5 million and interest on other leases of £0.2 million, under IFRS 16.

At 31 December 2019, the right-of-use assets of £10.1 million are shown separately on the face of the consolidated balance sheet. Lease liabilities of £6.7 million and £3.5 million are included in non-current and current payables respectively.

The effect of adopting IFRS 16 in 2019 is summarised below:	Right-of-use assets £m	Lease liabilities £m
On transition to IFRS 16 (1 January 2019)	**13.8**	**(13.8)**
Rents payable	–	**3.6**
Depreciation (administration costs)	**(3.5)**	–
Interest on other leases (net finance costs)	–	**(0.2)**
Exchange	**(0.2)**	**0.2**
At 31 December 2019	**10.1**	**(10.2)**

Basis of preparation

The financial statements are prepared on a going concern basis, as explained in the Risks and uncertainties section of the Strategic report on page 65.

The financial statements are presented in sterling. They are prepared on the historical cost basis, except that investment and development properties and derivative financial instruments are stated at fair value.

The accounting policies have been applied consistently to the results, other gains and losses, assets, liabilities and cash flows of entities included in the consolidated financial statements. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period. If the revision affects both current and future periods, the change is recognised over those periods.

Significant judgements and key estimates

The preparation of the financial statements requires management to make judgements, estimates and assumptions that may affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. These judgements and key estimates are considered by the Audit Committee, as explained on page 88, and are set out on page 142:

1: Significant accounting policies continued

Significant estimates

Property valuations

The property portfolio is valued six-monthly by external valuers in accordance with RICS Valuation – Global Standards.

The valuation of the Group's properties, which are carried in the consolidated balance sheet at fair value, is the most material area of estimation due to its inherent subjectivity, reliance on assumptions and sensitivity to market fluctuations. The retail market has experienced significant challenges in recent years due to tenant failures and wider macroeconomic uncertainty. The valuation of the portfolio is further complicated by historical low levels of transactional evidence. This has been particularly prevalent in the UK, where the portfolio has been subject to outward yield movements driven by a change in market sentiment, rather than evidenced by transactions.

Investment properties, excluding properties held for development, are valued by adopting the 'investment method' of valuation. This approach involves applying capitalisation yields to estimated future rental income streams reflecting contracted income reverting to Estimated Rental Value or "ERVs" with appropriate adjustments for income voids arising from vacancies, lease expiries or rent-free periods. These capitalisation yields and future income streams are derived from comparable property and leasing transactions and are considered to be the key inputs to the valuations. Other factors that are taken into account include, but are not limited to, the location and physical attributes of the property, tenure, tenancy details and environmental and structural conditions.

A tailored approach is taken to the valuation of the Group's developments due to their unique nature. In the case of onsite developments, the approach applied is the 'residual method' of valuation, which is the investment method of valuation as described above with a deduction for all costs necessary to complete the development, together with a further allowance for remaining risk and developers' profit.

Properties held for future development are generally valued by adopting the higher of the residual method of valuation allowing for all associated risks, and the investment method of valuation for the existing asset.

Valuations of the Group's properties within the premium outlets investments are calculated on a discounted cash flow basis, utilising key assumptions such as net operating income, exit yield, discount rate and forecast sales density growth.

Inputs to the valuations, some of which are 'unobservable' as defined by IFRS 13, include capitalisation yields (nominal equivalent yield) and market rental income (ERV). These inputs to the valuations are analysed by segment in the rental and valuation data tables on pages 192 and 195 and the valuation change analysis in the Property portfolio review on page 48. All other factors remaining constant, an increase in rental income would increase valuations, whilst increases in capitalisation yields and discount rates would result in a fall in values and vice versa. However, there are interrelationships between unobservable inputs as they are determined by market conditions. The existence of an increase of more than one unobservable input would augment the impact on valuation. The impact on the valuation would be mitigated by the interrelationship between unobservable inputs moving in opposite directions. For example, an increase in rents may be offset by an increase in yield, resulting in no net impact on the valuation.

The Directors have satisfied themselves that the valuation process is sufficiently rigorous and supports the carrying value of the Group's properties in the financial statements.

A sensitivity analysis showing the impact on valuations of changes in yields and market rental income is detailed in the table below.

		Impact on valuation of 50bp change in nominal equivalent yield		Impact on valuation of 5% change in estimated rental value (ERV)	
Key unobservable inputs sensitivity analysis	Investment properties valuation £m	Decrease £m	Increase £m	Increase £m	Decrease £m
UK flagships	**2,351**	**216**	**(182)**	**118**	**(118)**
France flagships	**1,269**	**154**	**(124)**	**63**	**(63)**
Ireland flagships	**860**	**105**	**(85)**	**43**	**(43)**
UK other	**135**	**8**	**(7)**	**7**	**(7)**
Premium outlets	**2,659**	**183**	**(154)**	**n/a**	**n/a**
Total Group (excluding retail parks* and developments)	**7,274**	**666**	**(552)**	**231**	**(231)**

* Excludes the retail parks sector which is classified as discontinued. See note 10 for further details.

Significant judgements

Accounting for assets held for sale

In July 2018, the Group announced its intention to dispose of the retail parks portfolio over the medium-term. For properties identified for disposal at the balance sheet date, management must assess whether the property should be classified as 'held for sale' and excluded from investment and development properties. This judgement is based on criteria outlined in IFRS 5 which states that the assets should be available for sale in their present condition; management must be committed to a plan to sell; an active programme must be in place to locate a buyer; they must be being actively marketed at a reasonable price; that significant changes to the plan are unlikely; and that completion of the sale is expected within a year. At 31 December 2018, the portfolio was not reclassified to 'held for sale' as it was not being actively marketed and it was anticipated that completion would not be reached within 12 months.

At 31 December 2019, management completed their assessment and concluded that the retail parks met the IFRS 5 criteria for 'held for sale' at the balance sheet date as a portfolio of retail parks was being actively marketed at a reasonable price with an expectation of transacting within a year. This was further evidenced by the transactions achieved since the year end, as detailed in note 29. Consequently, all assets and liabilities associated with the retail parks have been reclassified to assets held for sale. On transfer to 'assets held for sale', the property portfolio has been re-measured at the lower of the carrying amount and fair value less costs to sell, in accordance with IFRS 5. For properties which have exchanged, fair value has been based upon the offer price, which included a portfolio discount, less selling costs. For other residual retail parks properties, where disposal is expected in the near term, these are carried at fair value determined by external valuers, impaired by a deduction for anticipated selling costs. This remeasurement has resulted in a £92 million impairment loss being recognised in the year.

Accounting for discontinued operations

Management concluded that the sale of the UK retail parks represents an identifiable segment of the business and forms part of a co-ordinated disposal plan. As noted above the parks met the criteria for 'held for sale', therefore, in accordance with IFRS 5, the entire segment has been treated as a discontinued operation and the results for the current and prior year have been separately disclosed from the rest of the business.

Basis of consolidation

Subsidiaries

Subsidiaries are entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. All intragroup transactions, balances, income and expenses are eliminated on consolidation.

Joint operations, joint ventures and associates

The accounting treatment for joint operations, joint ventures and associates requires an assessment to determine the degree of control or influence that the Group may exercise over them and the form of that control.

The Group's interest in joint arrangements is classified as either:

(1) a joint operation, whereby the joint controlling parties have rights to the assets and obligations for the liabilities, relating to the arrangement; or
(2) a joint venture, whereby the joint controlling parties have rights to the net assets of the arrangement.

The Group's interests in its joint arrangements are commonly driven by the terms of partnership agreements, which ensure that control is shared between the partners.

Associates are those entities over which the Group is in a position to exercise significant influence, but not control or joint control.

The Group's share of interests in joint operations is proportionally consolidated into the Group financial statements.

The results, assets and liabilities of joint ventures and associates are accounted for using the equity method. Investments in joint ventures and associates are carried in the consolidated balance sheet at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the joint venture or associate, less any impairment. Losses of a joint venture or associate in excess of the Group's interest in that entity are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the entity.

Loans to joint ventures and associates are separately presented from equity interests within the notes to the financial statements, although aggregated in the Group's consolidated balance sheet. The Group eliminates upstream and downstream transactions with its joint ventures, including interest and management fees.

Accounting for acquisitions

An acquisition is recognised when the risks and rewards of ownership have transferred. This is usually on completion of the transaction.

Business combinations are accounted for using the acquisition method. Any excess of the purchase consideration over the fair value of the net assets acquired is recognised as goodwill, and reviewed annually for impairment. Any discount received or acquisition-related costs are recognised in the income statement.

Foreign currency

Foreign currency transactions

Transactions in foreign currencies are translated into sterling at exchange rates approximating to the exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated into sterling at the exchange rate ruling at that date and, unless they relate to the hedging of the net investment in foreign operations, differences arising on translation are recognised in the income statement.

Financial statements of foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on consolidation, are translated into sterling at the exchange rates ruling at the balance sheet date.

The operating income and expenses of foreign operations are translated into sterling at the average exchange rates for the year. Significant transactions, such as property sales, are translated at the foreign exchange rate ruling at the date of each transaction.

The principal exchange rate used to translate foreign currency-denominated amounts in the consolidated balance sheet is the rate at the end of the year, £1 = €1.18 (2018: £1 = €1.115). The principal exchange rates used for the income statement are the following quarterly average rates:

Quarter 1 2019: £1 = €1.147; Quarter 2 2019: £1 = €1.144; Quarter 3 2019: £1 = €1.109; Quarter 4 2019: £1 = €1.163; 2018: £1 = €1.131.

From 1 January 2019, the Group adopted a quarterly average exchange rate for the consolidated income statement, replacing an annual average rate.

Net investment in foreign operations

Exchange differences arising from the translation of the net investment in foreign operations are taken to the translation reserve. They are released to the income statement upon disposal of the foreign operation.

Cash, receivables, payables and borrowings

Cash and cash equivalents and restricted monetary assets

Cash and cash equivalents comprise cash and short-term bank deposits with an original maturity of three months or less which are readily accessible.

Restricted monetary assets relate to cash balances which legally belong to the Group but which the Group cannot readily access. These do not meet the definition of cash and cash equivalents and consequently are presented separately from cash and deposits in the consolidated balance sheet.

Trade and other receivables and payables

Trade and other receivables and payables are initially measured at fair value, subsequently measured at amortised cost and, where the effect is material, discounted to reflect the time value of money. Trade receivables are shown net of any loss allowance provision.

Loans receivable

Loans receivable are financial assets which are initially measured at fair value, plus acquisition costs and are subsequently measured at amortised cost, using the effective interest method, less any impairment.

Borrowings

Borrowings are recognised initially at fair value, after taking account of any discount on issue and attributable transaction costs. Subsequently, borrowings are held at amortised cost, such that discounts and costs are charged to the income statement over the term of the borrowing at a constant return on the carrying amount of the liability.

1: Significant accounting policies continued

Derivative financial instruments
The Group uses derivative financial instruments to economically hedge its exposure to foreign currency movements and interest rate risks. Hedge accounting is applied in respect of net investments in foreign operations and of debt raised in non-functional currencies. Derivative financial instruments are recognised initially at fair value, which equates to cost and subsequently remeasured at fair value, with changes in fair value being included in the income statement, except where hedge accounting is applied.

Derivative financial instruments are presented as current assets or liabilities if they are expected to be settled within 12 months after the end of the reporting period, otherwise they are held as non-current assets or liabilities.

The fair value gain or loss on remeasurement of derivative financial instruments and the exchange differences on non-derivative financial instruments that are designated in a net investment hedge are recognised in the net investment hedge reserve in total comprehensive income, to the extent they are effective, and the ineffective portion is recognised in the income statement within net finance costs. Amounts are reclassified from the net investment hedge reserve to the income statement when the associated hedged item is disposed of.

The fair value gain or loss on re-measurement of derivative financial instruments that are designated in a cash flow hedge are recognised in the cash flow hedge reserve in total comprehensive income, to the extent they are effective, and the ineffective portion is recognised in the income statement within net finance costs. Amounts are reclassified from the cash flow hedge reserve to the income statement when the associated hedged transaction affects the income statement.

Finance costs
Net finance costs
Net finance costs include interest payable on debt, derivative financial instruments, interest on head leases and other lease obligations, debt and loan facility cancellation costs, net of interest capitalised, interest receivable on funds invested and derivative financial instruments, and changes in the fair value of derivative financial instruments.

Capitalisation of interest
Interest is capitalised if it is directly attributable to the acquisition, construction or production of development properties or the significant redevelopment of investment properties. Capitalisation commences when the activities to develop the property start and continues until the property is substantially ready for its intended use, normally practical completion. Capitalised interest is calculated with reference to the actual rate payable on borrowings for development purposes or, for that part of the development cost financed out of general funds, at the Group's weighted average interest rate.

Property portfolio
Investment and development properties
Investment properties are stated at fair value, being market value determined by professionally qualified external valuers, and changes in fair value are included in the income statement.

Properties acquired with the intention of redevelopment are classified as development properties and stated at fair value, being market value determined by professionally qualified external valuers. Changes in fair value are included in the income statement. All costs directly associated with the purchase and construction of a development property are capitalised. When development properties are completed, they are reclassified as investment properties. Further details are given in note 13.

Accounting for disposals
The Group accounts for the disposal of a property or corporate entity when the risks and rewards of ownership transfer, usually on the date of completion of a contract for sale.

Gains or losses on the sale of properties are calculated by reference to the carrying value at the end of the previous year, adjusted for subsequent capital expenditure. Where a corporate entity, whose primary asset is a property, is disposed, the associated gains or losses on the sale of the entity are included within the gain or loss on sale of properties.

A property may be classed as 'held for sale' and excluded from investment and development properties if it meets the criteria of IFRS 5 at the balance sheet date.

In the event that assets held for sale form an identifiable business segment, the results for both the current and prior year are reclassified as 'discontinued operations'.

Leasehold properties
The Group owns a number of properties on long leaseholds. These are leased out to tenants under operating leases, are classified as investment properties or development properties as appropriate, and included in the balance sheet at fair value. The obligation to the freeholder or superior leaseholder for the buildings element of the leasehold is included in the balance sheet at the present value of the minimum lease payments at inception. Payments to the freeholder or superior leaseholder are apportioned between a finance charge and a reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Contingent rents payable, such as rent reviews or those related to rental income, are charged as an expense in the period in which they are incurred. An asset equivalent to the leasehold obligation is recorded in the balance sheet within 'Interests in leasehold properties', and is amortised over the lease term.

Tenant leases
Management has exercised judgement in considering the potential transfer of the risks and rewards of ownership, in accordance with IFRS 16 Leases, for properties leased to tenants and has determined that such leases are operating leases. Payments made under operating leases are charged to the income statement on a straight line basis over the period of the lease.

Depreciation
In accordance with IAS 40 Investment Property, no depreciation is provided in respect of investment and development properties, which are carried at fair value.

Plant and equipment
Plant and equipment is stated at cost less accumulated depreciation. Depreciation is charged to the income statement on a straight-line basis over the estimated useful life, which is generally between three and five years, or in the case of leasehold improvements, the lease term.

Revenue

Revenue comprises gross rental income (consisting of base and turnover rents, income from car parks, lease incentive recognition and other rental income), service charge income, property fee income and joint venture and associate management fees as set out in note 4 of the financial statements.

Rental income and lease incentives are recognised in accordance with IFRS 16 Leases. Rental income from investment property is recognised as revenue on a straight-line basis over the lease term. Lease incentives and costs associated with entering into tenant leases are amortised over the lease term, or if the probability that a break option will be exercised is considered high, over the period to the first break option. Rent reviews are recognised when such reviews have been agreed with tenants.

Car park income, service charge income, property fee income and joint venture and associate management fees are recognised in accordance with IFRS 15 Revenue from contracts with customers, which prescribes the use of a five-step model for the recognition of revenue. These income streams are recognised as revenue in the period in which they are earned.

Management fees

Management fees are recognised in the period to which they relate. Performance fee-related elements are recognised when the fee can be reliably estimated.

Employee benefits

Defined contribution pension plans

Obligations for contributions to defined contribution pension plans are charged to the income statement as incurred.

Defined benefit pension plans

The Group's net obligation in respect of defined benefit pension plans comprises the amount of future benefit that employees have earned, discounted to determine a present value, less the fair value of the pension plan assets. The calculation is performed by a qualified external actuary using the projected unit credit method. Actuarial gains and losses are recognised in equity. Where the assets of a plan are greater than its obligations, the asset included in the balance sheet is limited to the present value of any future refunds from the plan or reduction in future contributions to the plan.

Share-based employee remuneration

Share-based employee remuneration is determined with reference to the fair value of the equity instruments at the date at which they are granted and charged to the income statement over the vesting period on a straight-line basis. The fair value of share options is calculated using the binomial option pricing model and is dependent on factors including the exercise price, expected volatility, option life and risk-free interest rate. The fair value of the market-based element of the Long-Term Incentive Plans is calculated using the Monte Carlo Model and is dependent on factors including the expected volatility, vesting period and risk-free interest rate.

Tax

Tax exempt status

The Company has elected for UK REIT, French SIIC and Irish QIAIF status. To continue to benefit from these tax regimes, the Group is required to comply with certain conditions as outlined in note 9A to the financial statements. Management intends that the Group will continue as a UK REIT, a French SIIC and an Irish QIAIF for the foreseeable future.

Current and deferred tax

Tax is included in the income statement except to the extent that it relates to items recognised directly in equity, in which case the related tax is recognised in equity.

Current tax is the expected tax payable on the non-tax exempt income for the period, net of allowable expenses and tax deductions, using the tax rate(s) prevailing during the accounting period, together with any adjustment in respect of previous periods.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for tax purposes. The following temporary differences are not provided for:

- goodwill not deductible for tax purposes
- the initial recognition of assets or liabilities that affect neither accounting nor taxable profit
- differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future

The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates that are expected to apply in the period when the liability is settled or the asset is realised.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised.

2: Loss for the year

As stated in the Financial review on page 50 and in note 3, management reviews the performance of the Group's property portfolio on a proportionally consolidated basis. Management does not proportionally consolidate the Group's premium outlet investments in Value Retail and VIA Outlets, and reviews the performance of these investments separately from the rest of the proportionally consolidated portfolio.

The following tables have been prepared on a basis consistent with how management reviews the performance of the business and show the Group's loss for the year on a proportionally consolidated basis in column D, by aggregating the Reported Group results (shown in column A) with those from its Share of Property interests – continuing operations (shown in column B), and discontinued operations shown in column C. Columns B and C have been reallocated to the relevant financial statement lines. Further analysis of Share of Property interests is in table 99 of the Additional disclosures and Discontinued operations in note 10 of the financial statements.

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 D.

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

						2019	
						Proportionally consolidated	
Notes (see page 148)	Notes	Reported Group £m	Share of Property interests £m	Discontinued operations (see note 10B) £m	Proportionally consolidated £m	Adjusted £m	Capital and other £m
		A	B	C	D	E	E
Gross rental income[F]	3A	**131.4**	177.1	52.5	361.0	**361.0**	–
Ground and equity rents payable		**(1.0)**	(1.8)	(0.4)	(3.2)	**(3.2)**	–
Gross rental income, after rents payable		**130.4**	175.3	52.1	357.8	**357.8**	–
Service charge income		**34.3**	32.6	5.3	72.2	**72.2**	–
Service charge expenses		**(37.6)**	(37.5)	(6.0)	(81.1)	**(81.1)**	–
Net service charge expenses		**(3.3)**	(4.9)	(0.7)	(8.9)	**(8.9)**	–
Inclusive lease costs recovered through rent		**(4.5)**	(2.9)	(0.2)	(7.6)	**(7.6)**	–
Other property outgoings		**(11.2)**	(19.5)	(2.1)	(32.8)	**(32.8)**	–
Property outgoings		**(19.0)**	(27.3)	(3.0)	(49.3)	**(49.3)**	–
Net rental income	3A	**111.4**	148.0	49.1	308.5	**308.5**	–
Administration costs		**(71.0)**	(0.5)	(1.4)	(72.9)	**(72.9)**	–
Property fee income		**15.7**	–	–	15.7	**15.7**	–
Employee and corporate costs		**(55.3)**	(0.5)	(1.4)	(57.2)	**(57.2)**	–
Joint venture and associate management fees		**8.9**	–	–	8.9	**8.9**	–
Net administration expenses		**(46.4)**	(0.5)	(1.4)	(48.3)	**(48.3)**	–
Operating profit before other net losses and share of results of joint ventures and associates		**65.0**	147.5	47.7	260.2	**260.2**	–
(Loss)/Profit on sale of properties[G]		**(69.7)**	14.1	(36.1)	(91.7)	–	**(91.7)**
Net exchange gain previously recognised in equity, recycled on disposal of foreign operations		**13.8**	–	–	13.8	–	**13.8**
Revaluation losses on properties[G]		**(294.7)**	(608.4)	(124.9)	(1,028.0)	–	**(1,028.0)**
Impairment recognised on reclassification to held for sale		**–**	–	(92.0)	(92.0)	–	**(92.0)**
Other net losses		**(350.6)**	(594.3)	(253.0)	(1,197.9)	–	**(1,197.9)**
Share of results of joint ventures	14A, 14B	**(423.0)**	457.3	–	34.3	**14.6**	**19.7**
Share of results of associates	15A, 15B	**209.4**	1.2	–	210.6	**31.2**	**179.4**
Operating (loss)/profit		**(499.2)**	11.7	(205.3)	(692.8)	**306.0**	**(998.8)**
Net finance costs[H]	8	**(74.6)**	(11.4)	(0.2)	(86.2)	**(89.8)**	**3.6**
(Loss)/Profit before tax		**(573.8)**	0.3	(205.5)	(779.0)	**216.2**	**(995.2)**
Tax charge	9A	**(1.9)**	(0.3)	–	(2.2)	**(2.2)**	–
(Loss)/Profit for the year from continuing operations	12B	**(575.7)**	–	(205.5)	(781.2)	**214.0**	**(995.2)**
(Loss)/Profit for the year from discontinued operations	10B, 12B	**(205.5)**	–	205.5	–	–	–
(Loss)/Profit for the year attributable to equity shareholders	12B	**(781.2)**	–	–	(781.2)	**214.0**	**(995.2)**
Attributable to:							
Continuing operations	12B	**(575.7)**	–	–	(575.7)	**166.5**	**(742.2)**
Discontinued operations	10B, 12B	**(205.5)**	–	–	(205.5)	**47.5**	**(253.0)**
	12B	**(781.2)**	–	–	(781.2)	**214.0**	**(995.2)**

Notes (see page 148)	Notes	Reported Group £m	Share of Property interests £m	Discontinued operations (see note 10B) £m	Proportionally consolidated £m	2018 Proportionally consolidated Adjusted £m	Capital and other £m
		A	B	C	D	E	E
Gross rental income[F]	3A	161.6	173.6	63.6	398.8	398.8	–
Ground and equity rents payable		(0.8)	(2.1)	(0.6)	(3.5)	(3.5)	–
Gross rental income, after rents payable		160.8	171.5	63.0	395.3	395.3	–
Service charge income		38.1	38.4	6.0	82.5	82.5	–
Service charge expenses		(40.4)	(41.9)	(6.8)	(89.1)	(89.1)	–
Net service charge expenses		(2.3)	(3.5)	(0.8)	(6.6)	(6.6)	–
Inclusive lease costs recovered through rent		(5.0)	(2.4)	(0.3)	(7.7)	(7.7)	–
Other property outgoings		(14.0)	(16.7)	(2.8)	(33.5)	(33.5)	–
Property outgoings		(21.3)	(22.6)	(3.9)	(47.8)	(47.8)	–
Net rental income	3A	139.5	148.9	59.1	347.5	347.5	–
Administration costs		(68.3)	(0.2)	(1.3)	(69.8)	(69.8)	–
Property fee income		14.8	–	–	14.8	14.8	–
Employee and corporate costs		(53.5)	(0.2)	(1.3)	(55.0)	(55.0)	–
Joint venture and associate management fees		10.3	–	–	10.3	10.3	–
Net administration expenses		(43.2)	(0.2)	(1.3)	(44.7)	(44.7)	–
Operating profit before other net losses and share of results of joint ventures and associates		96.3	148.7	57.8	302.8	302.8	–
(Loss)/Profit on sale of properties[I]		(53.5)	15.0	(26.4)	(64.9)	–	(64.9)
Net exchange gain previously recognised in equity, recycled on disposal of foreign operations		2.0	–	–	2.0	–	2.0
Acquisition-related costs[J]		(6.4)	–	–	(6.4)	–	(6.4)
Revaluation losses on properties[I]		(41.4)	(282.6)	(124.6)	(448.6)	–	(448.6)
Other net losses		(99.3)	(267.6)	(151.0)	(517.9)	–	(517.9)
Share of results of joint ventures	14A, 14B	(103.7)	128.3	–	24.6	15.1	9.5
Share of results of associates	15A, 15B	57.7	(0.9)	–	56.8	26.0	30.8
Operating (loss)/profit		(49.0)	8.5	(93.2)	(133.7)	343.9	(477.6)
Net finance costs[H]	8	(124.3)	(8.4)	(0.2)	(132.9)	(101.7)	(31.2)
(Loss)/Profit before tax		(173.3)	0.1	(93.4)	(266.6)	242.2	(508.8)
Tax charge	9A	(1.8)	(0.1)	–	(1.9)	(1.9)	–
(Loss)/Profit for the year from continuing operations		(175.1)	–	(93.4)	(268.5)	240.3	(508.8)
Loss for the year from discontinued operations	10B,12B	(93.4)	–	93.4	–	–	–
(Loss)/Profit for the year		(268.5)	–	–	(268.5)	240.3	(508.8)
Non-controlling interests[K]	28C	0.4	–	–	0.4	–	0.4
(Loss)/Profit for the year attributable to equity shareholders	12B	(268.1)	–	–	(268.1)	240.3	(508.4)
Attributable to:							
Continuing operations	12B	(174.7)	–	–	(174.7)	182.7	(357.4)
Discontinued operations	12B	(93.4)	–	–	(93.4)	57.6	(151.0)
	12B	(268.1)	–	–	(268.1)	240.3	(508.4)

2: Loss for the year continued

Notes
A. Reported Group results as shown in the consolidated income statement on page 135.
B. Property interests reflect the Group's share of results of Property joint ventures as shown in note 14A plus the Group's share of Nicetoile and Italie Deux as included within note 15A.
C. Discontinued operations including properties wholly owned and held by joint ventures (see note 10).
D. Aggregated results on a proportionally consolidated basis showing Reported Group together with Share of Property interests.
E. 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 12B.
F. Included in gross rental income on a proportionally consolidated basis in Column D is £8.5 million (2018: £8.0 million) of contingent rents calculated by reference to tenants' turnover.
G. Reclassification of £14.1 million between '(Loss)/Profit on sale of properties' and 'Revaluation losses on properties' in column B, to present the sale of the 75% interest in Italie Deux on a proportionally consolidated basis.
H. Adjusted finance costs presented on a proportionally consolidated basis are shown in Table 104 on page 200.
I. Reclassification of £15.0 million between '(Loss)/Profit on sale of properties' and 'Revaluation losses on properties' in column B, to present the sale of the 50% interest in Highcross on a proportionally consolidated basis.
J. Acquisition-related costs of £6.4 million recognised in respect of the proposed acquisition of intu and the offers from Klépierre S.A.
K. The Group's non-controlling interests represent a 35.5% interest in an entity which disposed of its property in December 2017. See note 28C.

3: Segmental analysis

The factors used to determine the Group's reportable segments are the sectors in which it operates and geographic locations. These are generally managed by separate teams and are the basis on which performance is assessed and resources allocated. As stated in the Financial review on page 50, the Group has property interests in a number of sectors and management reviews the performance of the Group's property interests in flagship destinations, retail parks, other UK properties and developments on a proportionally consolidated basis to reflect the Group's different ownership shares. Management does not proportionally consolidate the Group's premium outlet investments in Value Retail and VIA Outlets, which are externally managed by experienced outlet operators, independently financed and have operating metrics which differ from the Group's other sectors. Except for property valuation and returns, we review the performance of our premium outlet investments separately from the proportionally consolidated portfolio.

The segmental analysis has been prepared on the same basis that management uses to review the business, rather than on a statutory basis. Property interests represent the Group's non wholly-owned properties which management proportionally consolidates when reviewing the performance of the business. The results of discontinued operations and assets reclassified as 'held for sale' have also been included in the segmental analysis, consistent with management's internal reporting, but have been separately identified. For reconciliation purposes the Reported Group figures, being properties either wholly owned or held within joint operations, are shown in the following tables.

Gross rental income represents the Group's revenue from its tenants and customers. As stated in the Key Performance indicators section on page 18, net rental income is the Group's primary revenue measure and is used to determine the performance of each sector. Total assets are not monitored by segment and resource allocation is based on the distribution of property assets between segments.

A: Income and profit by segment

	2019		2018	
	Gross rental income £m	**Net rental income £m**	Gross rental income £m	Net rental income £m
Flagship destinations				
UK	**158.2**	**130.7**	178.2	151.9
France	**82.1**	**72.0**	83.4	74.8
Ireland	**41.8**	**38.0**	44.2	40.4
	282.1	**240.7**	305.8	267.1
UK retail parks	**52.5**	**49.1**	63.5	59.1
UK other	**11.3**	**8.2**	12.4	8.9
Investment portfolio	**345.9**	**298.0**	381.7	335.1
Developments	**15.1**	**10.5**	17.1	12.4
Property portfolio	**361.0**	**308.5**	398.8	347.5
Less share of Property interests – continuing operations	**(177.1)**	**(148.0)**	(173.6)	(148.9)
Less discontinued operations*	**(52.5)**	**(49.1)**	(63.6)	(59.1)
Reported Group – continuing operations	**131.4**	**111.4**	161.6	139.5

* 2018 gross rental income from discontinued operations comprises £63.5 million previously disclosed as UK retail parks and £0.1 million previously included in developments.

B: Investment and development property assets by segment

	2019			2018		
	Property valuation £m	Property additions £m	Revaluation (losses)/gains £m	Property valuation £m	Property additions £m	Revaluation (losses)/gains £m
Flagship destinations						
UK	**2,351.3**	**12.3**	**(581.8)**	2,920.9	29.7	(346.6)
France	**1,269.0**	**22.8**	**(130.6)**	1,885.2	37.9	(14.3)
Ireland	**860.0**	**5.2**	**(71.6)**	978.5	2.9	9.0
	4,480.3	**40.3**	**(784.0)**	5,784.6	70.5	(351.9)
UK retail parks	**453.3**	**4.1**	**(124.9)**	873.1	13.3	(126.3)
UK other	**134.5**	**2.4**	**(41.2)**	173.3	15.0	6.9
Investment portfolio	**5,068.1**	**46.8**	**(950.1)**	6,831.0	98.8	(471.3)
Developments	**599.6**	**50.9**	**(77.9)**	648.5	84.2	22.7
Property portfolio – excluding premium outlets	**5,667.7**	**97.7**	**(1,028.0)**	7,479.5	183.0	(448.6)
Premium outlets	**2,659.1**	**88.0**	**199.8**	2,458.8	153.9	56.2
Total Group	**8,326.8**	**185.7**	**(828.2)**	9,938.3	336.9	(392.4)
Less premium outlets	**(2,659.1)**	**(88.0)**	**(199.8)**	(2,458.8)	(153.9)	(56.2)
Less share of Property interests – continuing operations	**(3,112.5)**	**(19.8)**	**608.4**	(3,649.1)	(35.0)	282.6
Less assets held for sale/discontinued operations*	**(456.5)**	**(4.2)**	**124.9**	–	–	124.6
Reported Group – property portfolio	**2,098.7**	**73.7**	**(294.7)**	3,830.4	148.0	(41.4)

* Shown as part of 'assets held for sale' in current assets on the consolidated balance sheet on page 137. In addition to revaluation losses of £124.9 million (2018: £124.6 million) incurred during the year, an impairment loss of £92.0 million (2018: £nil) was recognised on the transfer of retail parks from investment properties to assets held for sale, which is shown separately in note 2. Revaluation losses of £124.9 million (2018: £124.6 million) include £7.4 million (2018: £4.6 million) relating to Hammerson (Brent South) Limited, which was previously classified as a joint venture, as detailed in note 10B.

C: Analysis of non-current assets employed

	Non-current assets employed	
	2019 £m	2018 £m
UK	**3,013.0**	4,305.8
Continental Europe	**2,943.8**	3,581.7
Ireland	**746.1**	861.4
	6,702.9	8,748.9

Included in the above table are investments in joint ventures of £3,017.1 million (2018: £3,604.5 million), which are further analysed in note 14 on pages 162 to 165. The Group's share of the property valuations held within Property interests of £3,112.5 million (2018: £3,649.1 million) has been included in note 3B above, of which £2,145.5 million (2018: £2,664.4 million) relates to the UK, £281.6 million (2018: £194.4 million) relates to Continental Europe and £685.4 million (2018: £790.3 million) relates to Ireland.

4: Revenue

	2019 £m	2018 £m
Base rent	**109.3**	135.2
Turnover rent	**3.5**	3.1
Car park income[1]	**14.6**	18.9
Lease incentive recognition	**(1.5)**	(4.3)
Other rental income	**5.5**	8.7
Gross rental income	**131.4**	161.6
Service charge income[1]	**34.3**	38.1
Property fee income[1]	**15.7**	14.8
Joint venture and associate management fees[1]	**8.9**	10.3
Revenue – continuing operations	**190.3**	224.8
Revenue – discontinued operations[2]	**55.9**	67.6
Revenue – Reported Group	**246.2**	292.4

1. The above income streams reflect revenue recognised under IFRS 15 Revenue from Contracts with Customers and total £73.5 million (2018: £82.1 million). All other revenue streams relate to income recognised under IFRS 16 Leases.
2. Comprises £5.3 million (2018: £5.9 million) of income recognised under IFRS 15 Revenue from Contracts with Customers and £50.6 million (2018: £61.7 million) relating to income recognised under IFRS 16 Leases.

5: Administration expenses

Administration expenses include the following items:

Employee costs

		Note	2019 £m	2018 £m
Salaries and wages			**35.0**	34.5
Performance-related bonuses	– payable in cash		**5.9**	3.1
	– payable in shares[1]		**0.4**	0.1
			6.3	3.2
Other share-based employee remuneration[1]			**2.4**	3.1
Social security			**7.2**	7.3
Net pension expense	– defined contribution scheme	7A	**3.1**	2.8
Continuing operations			**54.0**	50.9
Discontinued operations[1,2]			**1.3**	1.2
Total			**55.3**	52.1

1. Total share-based employee remuneration is £3.0 million (2018: £3.4 million) comprising 'performance-related bonuses - payable in shares' of £0.4 million (2018: £0.1 million), 'other share-based employee remuneration' of £2.4 million (2018: £3.1 million) and £0.2 million (2018: £0.2 million) included in discontinued operations.
2. Administration expenses of £1.3 million (2018: £1.2 million) relating to discontinued operations comprise salaries and wages of £0.7 million (2018: £0.9 million), performance-related bonuses of £0.5 million (2018: £0.2 million), and net pension expenses of £0.1 million (2018: £0.1 million).

Of the total in the above table, £1.8 million (2018: £1.3 million) was capitalised in respect of development projects.

Employees throughout the Company, including Executive Directors, participate in a performance-related bonus scheme which, for certain senior employees, is part payable in cash and part payable in shares. The Company also operates a number of share plans under which employees, including Executive Directors, are eligible to participate. Further details of share-based payment arrangements, some of which have performance conditions, are provided in the Directors' Remuneration report on pages 89 to 122.

Employee numbers

	2019 Number	2018 Number
Average number of employees	**536**	545
Employees recharged to tenants, included above	**232**	233

Other information

		2019 £m	2018 £m
Auditors' remuneration:	Audit of the Company's annual financial statements	**0.3**	0.3
	Audit of subsidiaries, pursuant to legislation	**0.3**	0.3
	Audit-related assurance services[1]	**0.2**	0.1
	Audit and audit-related assurance services	**0.8**	0.7
	Other fees[2]	**–**	1.0
	Total auditor's remuneration[3]	**0.8**	1.7
Depreciation of plant and equipment		**1.6**	1.5
Depreciation of right-of-use assets		**3.5**	–

1. Relates to the review of the Company's half year financial statements.
2. In 2018, other fees were payable to the Group's auditors, PricewaterhouseCoopers for work to support the Company's preparation of the documentation for the proposed acquisition of intu, to provide an opinion on the Company's 31 March 2018 profit estimate and for other assurance services.
3. In addition, £0.4 million (2018: £0.4 million) relates to the Company's share of the audit services undertaken on behalf of its joint ventures.

6: Directors' emoluments

Full details of the Directors' emoluments, as required by the Companies Act 2006, are disclosed in the audited sections of the Directors' Remuneration report on pages 89 to 122. The Company did not grant any credits, advances or guarantees of any kind to its Directors during the current and preceding years.

7: Pensions

A: Defined contribution pension scheme

The Company operates a UK funded approved Group Personal Pension Plan, which is a defined contribution pension scheme. The Group's cost for the year was £3.2 million (2018: £2.9 million), as disclosed in note 5, comprising £3.1 million (2018: £2.8 million) in relation to continuing operations and £0.1 million (2018: £0.1 million) in relation to discontinued operations.

B: Defined benefit pension schemes

Hammerson Group Management Limited Pension & Life Assurance Scheme (the Scheme).

The Scheme is funded and the funds, which are administered by trustees, are independent of the Group's finances. The Scheme was closed to new entrants on 31 December 2002 and was closed to future accrual for all participating employees on 30 June 2014.

Unfunded Unapproved Retirement Schemes

The Company also operates three Unfunded Unapproved Retirement Schemes. Two schemes provide pension benefits to two former Executive Directors, the other meets pension commitment obligations to former US employees.

C: Changes in present value of defined benefit pension schemes

			2019			2018
	Obligations £m	Assets £m	Net £m	Obligations £m	Assets £m	Net £m
At 1 January	**(117.6)**	**69.8**	**(47.8)**	(123.1)	71.7	(51.4)
Amounts recognised in the income statement						
– interest (cost)/income[1]	**(3.3)**	**2.0**	**(1.3)**	(3.2)	1.9	(1.3)
Amounts recognised in equity						
– actuarial experience gains/(losses)	**0.3**	**7.9**	**8.2**	(1.3)	(4.5)	(5.8)
– actuarial (losses)/gains from changes in financial assumptions	**(10.3)**	**–**	**(10.3)**	6.8	–	6.8
– actuarial gains/(losses) from changes in demographic assumptions	**0.6**	**–**	**0.6**	(0.2)	–	(0.2)
	(9.4)	**7.9**	**(1.5)**	5.3	(4.5)	0.8
Contributions by employer[2]	**–**	**3.5**	**3.5**	–	3.5	3.5
Benefits	**4.5**	**(3.3)**	**1.2**	3.9	(2.8)	1.1
Exchange gains/(losses)	**0.6**	**–**	**0.6**	(0.5)	–	(0.5)
At 31 December	**(125.2)**	**79.9**	**(45.3)**	(117.6)	69.8	(47.8)
Analysed as:						
Present value of the Scheme	**(112.6)**	**79.9**	**(32.7)**	(104.9)	69.8	(35.1)
Present value of Unfunded Retirement Schemes	**(12.6)**	**–**	**(12.6)**	(12.7)	–	(12.7)
	(125.2)	**79.9**	**(45.3)**	(117.6)	69.8	(47.8)
Analysed as:						
Current liabilities (note 19)			**(0.9)**			(0.9)
Non-current liabilities (note 23)			**(44.4)**			(46.9)
			(45.3)			(47.8)

1. Included in Other interest payable (note 8).
2. The Group expects to make contributions totalling £15.0 million to the Scheme in 2020.

D: Summary of Scheme assets

	2019 £m	2018 £m
Diversified Growth Funds	**54.4**	48.4
Equities	**24.1**	20.2
Total invested assets	**78.5**	68.6
Cash and other net current assets	**1.4**	1.2
Total Scheme assets	**79.9**	69.8

7: Pensions continued

E: Principal actuarial assumptions used for defined benefit pension schemes

	2019 %	2018 %
Discount rate for Scheme liabilities	**2.1**	2.9
Increase in retail price index	**2.9**	3.2
Increase in pensions in payment	**2.9**	3.2

		2019 Years	2018 Years
Life expectancy from age 60 for Scheme members:	Male aged 60 at 31 December	**27.5**	27.7
	Male aged 40 at 31 December	**29.0**	29.2

Weighted average maturity	2019 Years	2018 Years
The Scheme	**17.4**	17.0
UK Unfunded Retirement Scheme	**12.2**	12.5
French Unfunded Retirement Scheme	**12.0**	12.5
US Unfunded Retirement Scheme	**5.9**	6.1

The present value of defined benefit obligations has been calculated by an external actuary. This was taken as the present value of accrued benefits and pensions in payment calculated using the projected unit credit method.

F: Sensitivities to changes in assumptions and conditions

(Decrease)/Increase in net balance sheet liability of the Scheme at 31 December	2019 £m	2018 £m
Discount rate + 0.1%	**(1.9)**	(1.8)
Price inflation + 0.1%	**1.8**	1.8
Long-term improvements in longevity 1.5% per annum	**1.0**	0.8
Asset value falls 5%	**4.0**	3.4

8: Net finance costs

	2019 £m	2018 £m
Interest on bank loans and overdrafts	**15.1**	13.2
Interest on other borrowings	**86.2**	92.7
Interest on obligations under head leases	**2.2**	2.4
Interest on other lease obligations	**0.2**	–
Other interest payable	**1.4**	2.6
Gross interest costs	**105.1**	110.9
Less: Interest capitalised	**(2.8)**	(1.9)
Finance costs	**102.3**	109.0
Debt and loan facility cancellation costs	**–**	15.3
Change in fair value of derivatives	**(6.2)**	14.5
Finance income	**(21.5)**	(14.5)
Reported Group – continuing operations	**74.6**	124.3
Reported Group – discontinued operations	**0.2**	0.2
Reported Group - total	**74.8**	124.5

9: Tax

A: Tax charge

	2019 £m	2018 £m
UK current tax	**0.1**	0.1
Foreign current tax	**1.8**	1.7
Tax charge	**1.9**	1.8

The Group's tax charge remains low because it has tax exempt status in its principal operating countries. In the UK, the Group has been a REIT since 2007 and a SIIC in France since 2004. These tax regimes exempt the Group's property income and gains from corporate taxes provided a number of conditions in relation to the Group's activities are met including, but not limited to, distributing at least 90% of the Group's UK tax-exempt profit as property income distributions (PID). The residual businesses 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 subjects distributions and, since 2019, certain excessive interest payments from Ireland to the UK to a 20% withholding tax.

B: Tax charge reconciliation

	Notes	2019 £m	2018 £m
Loss before tax – continuing operations	2	**(573.8)**	(173.3)
Loss before tax – discontinued operations	10B	**(205.5)**	(93.4)
Less: Loss after tax of joint ventures – continuing operations	14A	**423.0**	103.7
Less: Loss after tax of joint ventures – discontinued operations	10B	**6.1**	2.7
Less: Profit after tax of associates	15A	**(209.4)**	(57.7)
Loss on ordinary activities before tax		**(559.6)**	(218.0)
Loss multiplied by the UK corporation tax rate of 19% (2018: 19%)		**(106.3)**	(41.4)
UK REIT tax exemption		**68.1**	43.4
French SIIC tax exemption		**30.9**	(8.9)
Irish QIAIF tax exemption		**5.9**	(0.2)
Losses for the year not utilised		**2.0**	4.5
Non-deductible and other items		**1.3**	4.4
Tax charge		**1.9**	1.8

C: Unrecognised deferred tax

A deferred tax asset is not recognised for UK revenue losses or capital losses where their future utilisation is uncertain. At 31 December 2019, the total of such losses was £490 million (2018: £475 million) and £505 million (2018: £440 million) respectively, and the potential tax effect of these was £84 million (2018: £81 million) and £86 million (2018: £75 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 2019, the total of such gains was £272 million (2018: £535 million) and the potential tax effect before the offset of losses was £46 million (2018: £91 million).

If a UK REIT sells a property within three years of completion of development, the REIT exemption will not apply. At 31 December 2019, the value of such completed properties was £212 million (2018: £464 million). If these properties were to be sold without the benefit of the tax exemption, the tax arising would be £nil (2018: £nil) due to the availability of capital losses.

10: Discontinued operations and assets and liabilities classified as held for sale

A: Disposals

As part of the Group's strategic review in 2018, a decision was taken to exit the retails parks sector. To date a number of retail parks have been disposed of and as at 31 December 2019 the remaining retail parks have been reclassified as assets held for sale. As this constitutes the remainder of the UK retail parks segment, the profits and losses arising in 2018 and 2019 from the segment have been classified as discontinued operations. Further explanation surrounding the judgements reached in relation to the reclassification is provided in note 1.

Detailed below are the key entities and properties classified as discontinued operations:

Entity disposed of in 2018:

Entity	Property owned
Hammerson (Kirkcaldy) Limited	Fife Central Retail Park, Kirkcaldy

Entity disposed of in 2019:

Entity	Property owned
Hammerson (Parc Tawe) Limited	Parc Tawe Retail Park, Swansea

Properties disposed of in 2018:

Battery Retail Park, Birmingham
Wrekin Retail Park, Telford
Thurrock Shopping Park, Thurrock
Imperial Retail Park, Bristol

Properties disposed of in 2019:

Dallow Road, Luton
Abbotsinch Retail Park, Glasgow
St. Oswald's Retail Park, Gloucester

On 12 February 2020 the Group exchanged and completed contracts for the sale of the following entity:

Entity	Property owned
Hammerson (Abbey) Limited	Abbey Retail Park, Belfast

On 21 February 2020 the Group exchanged contracts for the sale of the following entities[1]:

Entity	Property owned
Grantchester Developments Falkirk Limited	Central Retail Park, Falkirk
Grantchester Properties Middlesbrough	Cleveland Retail Park, Middlesbrough
Hammerson (Didcot) Limited	The Orchard Centre, Phase 1, Didcot
Hammerson (Didcot II) Limited	The Orchard Centre, Phase 2, Didcot
Hammerson (Merthyr) Limited	Cyfarthfa Retail Park, Merthyr Tydfil
Hammerson (Ravenhead) Limited	Ravenhead Retail Park, St. Helens
Hammerson (Rugby) Limited	Elliott's Field, Rugby
Telford Forge Retail Park Unit Trust	Telford Forge Shopping Park, Telford

Retail park entities intended for sale within the near term:

Entity	Property owned
Hammerson (Brent South) Limited[2]	Brent South Shopping Park, London

1. Completion is expected before 30 April 2020.
2. Hammerson (Brent South) Limited was previously included within Share of results of joint ventures.

B: Loss for the year

	2019			2018		
	Reported Group £m	Share of Property interests £m	Proportionally consolidated £m	Reported Group £m	Share of Property interests £m	Proportionally consolidated £m
Revenue	**55.9**	**1.8**	**57.7**	67.6	2.0	69.6
Gross rental income	**50.7**	**1.8**	**52.5**	61.7	1.9	63.6
Ground and equity rents payable	**(0.4)**	–	**(0.4)**	(0.6)	–	(0.6)
Gross rental income, after rents payable	**50.3**	**1.8**	**52.1**	61.1	1.9	63.0
Service charge income	**5.2**	**0.1**	**5.3**	5.9	0.1	6.0
Service charge expenses	**(5.9)**	**(0.1)**	**(6.0)**	(6.7)	(0.1)	(6.8)
Net service charge expenses	**(0.7)**	–	**(0.7)**	(0.8)	–	(0.8)
Inclusive lease costs recovered through rent	**(0.2)**	–	**(0.2)**	(0.3)	–	(0.3)
Other property outgoings	**(2.0)**	**(0.1)**	**(2.1)**	(2.8)	–	(2.8)
Property outgoings	**(2.9)**	**(0.1)**	**(3.0)**	(3.9)	–	(3.9)
Net rental income	**47.4**	**1.7**	**49.1**	57.2	1.9	59.1
Net administration expenses	**(1.4)**	–	**(1.4)**	(1.3)	–	(1.3)
Operating profit before other net losses and share of results of joint ventures	**46.0**	**1.7**	**47.7**	55.9	1.9	57.8
Loss on sale of properties	**(36.1)**	–	**(36.1)**	(26.4)	–	(26.4)
Revaluation losses on properties	**(117.5)**	**(7.4)**	**(124.9)**	(120.0)	(4.6)	(124.6)
Impairment recognised on reclassification to held for sale	**(91.6)**	**(0.4)**	**(92.0)**	–	–	–
Other net losses	**(245.2)**	**(7.8)**	**(253.0)**	(146.4)	(4.6)	(151.0)
Share of results of joint ventures	**(6.1)**	**6.1**	–	(2.7)	2.7	–
Operating loss	**(205.3)**	–	**(205.3)**	(93.2)	–	(93.2)
Net finance costs	**(0.2)**	–	**(0.2)**	(0.2)	–	(0.2)
Loss from discontinued operations	**(205.5)**	–	**(205.5)**	(93.4)	–	(93.4)

C: Cash flows from discontinued operations

	2019 £m	2018 £m
Cash flows from operating activities	**51.0**	55.7
Cash flows from investing activities	**168.9**	236.4
Net cash inflow from discontinued operations*	**219.9**	292.1

* There were no cash flows from financing activities in 2019 or 2018.

D: Summary of assets and liabilities associated with assets held for sale

	2019		
	Reported Group £m	Share of Property interests £m	Proportionally consolidated £m
Investment properties*	**431.6**	**24.9**	**456.5**
Interests in leasehold properties	**3.0**	–	**3.0**
Investment in joint ventures	**24.7**	**(24.7)**	–
Current receivables	**3.0**	**1.1**	**4.1**
Restricted monetary assets	**1.8**	–	**1.8**
Cash and deposits	**1.6**	–	**1.6**
Assets held for sale	**465.7**	**1.3**	**467.0**
Obligations under head leases	**(3.0)**	–	**(3.0)**
Current payables	**(16.6)**	**(1.3)**	**(17.9)**
Non-current payables	**(0.1)**	–	**(0.1)**
Liabilities associated with assets held for sale	**(19.7)**	**(1.3)**	**(21.0)**
Net assets associated with assets held for sale	**446.0**	–	**446.0**

* Upon transfer to held for sale, investment properties were remeasured at their fair value less anticipated selling costs. This resulted in an impairment loss of £92.0 million, of which £91.6 million related to the Reported Group and £0.4 million related to Share of Property interests.

11: Dividends

The proposed final dividend of 14.8 pence per share was recommended by the Board on 25 February 2020 and, subject to approval by shareholders, is payable on 30 April 2020 to shareholders on the register at the close of business on 20 March 2020. The dividend will be paid entirely as a PID, net of withholding tax at the basic rate (currently 20%) if applicable. There will be no scrip alternative, although the dividend reinvestment plan (DRIP) remains available to shareholders. The aggregate amount of the 2019 final dividend is £113.4 million. This has been calculated using the total number of eligible shares outstanding at 31 December 2019.

The interim dividend of 11.1 pence per share was paid on 7 October 2019 as a PID, net of withholding tax where appropriate. The total dividend for the year ended 31 December 2019 would be 25.9 pence per share (2018: 25.9 pence per share).

	PID pence per share	Non-PID pence per share	Total pence per share	Equity dividends 2019 £m	Equity dividends 2018 £m
Current year					
2019 final dividend	**14.8**	–	**14.8**	–	–
2019 interim dividend	**11.1**	–	**11.1**	**84.9**	–
	25.9	–	**25.9**		
Prior years					
2018 final dividend	7.4	7.4	14.8	**113.5**	–
2018 interim dividend	11.1	–	11.1	–	86.8
	18.5	7.4	25.9		
2017 final dividend				–	116.6
Dividends as reported in the consolidated statement of changes in equity				**198.4**	203.4
2017 interim dividend withholding tax (paid 2018)				–	13.4
2018 interim dividend withholding tax (paid 2019)				**12.7**	(12.7)
2019 interim dividend withholding tax (paid 2020)				**(12.2)**	–
Dividends paid as reported in the consolidated cash flow statement				**198.9**	204.1

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

The European Public Real Estate Association (EPRA) has issued recommended bases for the calculation of certain per share information and these are included in the following tables B and D. Commentary on (loss)/earnings and net asset value per share is provided in the Financial review on pages 50 to 57. Headline earnings per share has been calculated and presented in note 12C as required by the Johannesburg Stock Exchange listing requirements.

A: Number of shares for per share calculations

	2019		2018	
	Basic, EPRA and adjusted	Diluted*	Basic, EPRA and adjusted	Diluted*
Shares (million)	**765.3**	**765.3**	786.3	786.3

* In 2019 and 2018, there was no difference in the weighted average number of shares used for the calculation of basic and diluted loss per share as the effect of all potentially dilutive shares outstanding was anti-dilutive. The total number of shares including potentially dilutive shares is 765.9 million (2018: 787.4 million).

The calculations for (loss)/earnings per share use the weighted average number of shares, which excludes those shares held in the Hammerson Employee Share Ownership Plan, which are treated as cancelled. The calculations for net asset value per share use the number of shares in issue at 31 December as shown in note 24.

B: (Loss)/Earnings per share

		Notes	2019 (Loss)/ Earnings £m	2019 Pence per share	2018 (Loss)/ Earnings £m	2018 Pence per share
Basic and diluted			**(781.2)**	**(102.1)**	(268.1)	(34.1)
Basic – continuing operations			**(575.7)**	**(75.2)**	(174.7)	(22.2)
Basic – discontinued operations			**(205.5)**	**(26.9)**	(93.4)	(11.9)
Basic and diluted - total			**(781.2)**	**(102.1)**	(268.1)	(34.1)
Adjustments:						
Revaluation losses on properties:						
continuing operations	Reported Group	2	**294.7**	**38.5**	41.4	5.3
	Share of Property interests[1]	2	**608.4**	**79.5**	282.6	35.9
Revaluation losses on properties:						
discontinued operations		2, 10B	**124.9**	**16.3**	124.6	15.8
			1,028.0	**134.3**	448.6	57.0
Loss/(Profit) on sale of properties: continuing operations	Reported Group	2	**69.7**	**9.1**	53.5	6.8
	Share of Property interests	2	**(14.1)**	**(1.8)**	(15.0)	(1.9)
Loss on sale of properties: discontinued operations	Reported Group	2, 10B	**36.1**	**4.7**	26.4	3.4
			91.7	**12.0**	64.9	8.3
Impairment recognised on reclassification to held for sale: discontinued operations		2, 10B	**92.0**	**12.0**	–	–
Net exchange gain previously recognised in equity, recycled on disposal of foreign operations[2]	Reported Group	2	**(13.8)**	**(1.8)**	(2.0)	(0.3)
Debt and loan facility cancellation costs[2]	Reported Group	8	–	–	15.3	1.9
Change in fair value of derivatives[2]	Reported Group	8	**(6.2)**	**(0.8)**	14.5	1.8
	Share of Property interests	14B	**2.6**	**0.4**	1.4	0.2
			(3.6)	**(0.4)**	15.9	2.0
Other adjustments[2]	Reported Group					
	Acquisition-related costs	2	–	–	6.4	0.8
	Non-controlling interests	2, 28C	–	–	(0.4)	–
			–	–	6.0	0.8
Premium outlets[2]	Revaluation gains on properties	14B, 15B	**(199.8)**	**(26.1)**	(56.2)	(7.1)
	Change in fair value of derivatives	14B, 15B	**(5.1)**	**(0.7)**	1.3	0.2
	Deferred tax	14B, 15B	**6.4**	**0.8**	13.8	1.7
	Other adjustments	14B, 15B	**(0.3)**	–	0.7	0.1
			(198.8)	**(26.0)**	(40.4)	(5.1)
Total adjustments			**995.5**	**130.1**	508.3	64.6
EPRA			**214.3**	**28.0**	240.2	30.5
Other adjustments[2]	Translation movement on intragroup funding loan: Premium outlets	14B	**(0.3)**	–	0.1	0.1
Adjusted			**214.0**	**28.0**	240.3	30.6

1. The revaluation losses on properties relating to the Share of Property interests includes: £591.5 million (2018: £267.1 million) in respect of Property joint ventures (note 14B); £2.8 million (2018: £0.5 million) in respect of associates (note 15B); and the reclassification of £14.1 million (2018: £15.0 million) from 'loss on sale of properties' referred to in footnote G (2018: footnote I) of note 2, to reflect the sale of a 75% interest in Italie Deux (2018: sale of a 50% interest in Highcross).
2. Relate to continuing operations.

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

C: Headline earnings per share

	Notes	2019 Earnings £m	2018 Earnings £m
Loss for the year attributable to equity shareholders		**(781.2)**	(268.1)
Revaluation losses on properties: Reported Group and Share of Property interests	12B	**1,028.0**	448.6
Loss on sale of properties: Reported Group and Share of Property interests	12B	**91.7**	64.9
Impairment recognised on reclassification to held for sale – discontinued operations	12B	**92.0**	–
Net exchange gain previously recognised in equity, recycled on disposal of foreign operations: Reported Group*	12B	**(13.8)**	(2.0)
Non-controlling interests*	12B	**–**	(0.4)
Revaluation gains on properties: Premium outlets*	12B	**(199.8)**	(56.2)
Deferred tax: Premium outlets*	12B	**6.4**	13.8
Translation movements on intragroup funding loan: Premium outlets*	14B	**(0.3)**	0.1
Headline earnings		**223.0**	200.7
Basic headline earnings per share (pence)		**29.1p**	25.5p
Diluted headline earnings per share (pence)		**29.1p**	25.5p

Reconciliation of headline earnings to adjusted earnings		2019 Earnings £m	2018 Earnings £m
Headline earnings as above		**223.0**	200.7
Debt and loan facility cancellation costs: Reported Group*	12B	**–**	15.3
Change in fair value of derivatives: Reported Group and Share of Property interests*	12B	**(3.6)**	15.9
Acquisition-related costs: Reported Group*	12B	**–**	6.4
Change in fair value of derivatives: Premium outlets*	14B, 15B	**29.4**	3.5
Change in fair value of participative loans – revaluation movement: Premium outlets*	15B	**(34.5)**	(2.2)
Change in fair value of financial assets: Premium outlets*	15B	**(0.3)**	–
Loan facility costs written off: Premium outlets*	15B	**–**	0.7
Adjusted earnings		**214.0**	240.3

* Relate to continuing operations.

D: Net asset value per share

Continuing and discontinued operations	Notes	2019 Equity shareholders' funds £m	2019 Shares million	2019 Net asset value per share £	2018 Equity shareholders' funds £m	2018 Shares million	2018 Net asset value per share £
Basic		**4,377.0**	**766.3**	**5.71**	5,432.6	766.4	7.09
Company's own shares held in Employee Share Ownership Plan		**–**	**(1.1)**	**n/a**	–	(1.5)	n/a
Dilutive share schemes		**1.6**	**0.4**	**n/a**	2.0	1.2	n/a
Diluted		**4,378.6**	**765.6**	**5.72**	5,434.6	766.1	7.09
Fair value adjustment to borrowings							
– Reported Group	21H	**(180.9)**		**(0.24)**	(110.0)		(0.14)
– Share of Property interests		**(2.4)**		**–**	(3.2)		–
		(183.3)		**(0.24)**	(113.2)		(0.14)
EPRA NNNAV		**4,195.3**		**5.48**	5,321.4		6.95
Fair value adjustment to borrowings		**183.3**		**0.24**	113.2		0.14
Deferred tax							
– Reported Group		**0.4**		**–**	0.5		–
– Share of Property interests	14C	**0.1**		**–**	–		–
		0.5		**–**	0.5		–
Fair value of interest rate swaps							
– Reported Group	21H	**(0.7)**		**–**	(2.7)		–
– Share of Property interests	14C	**3.9**		**0.01**	1.4		–
		3.2		**0.01**	(1.3)		–
Premium outlets							
– Fair value of derivatives	14C, 15D	**16.7**		**0.02**	8.8		0.01
– Deferred tax	14C, 15D	**270.2**		**0.35**	274.4		0.36
– Goodwill as a result of deferred tax	14C, 15D	**(70.6)**		**(0.09)**	(66.7)		(0.08)
		216.3		**0.28**	216.5		0.29
EPRA NAV		**4,598.6**	**765.6**	**6.01**	5,650.3	766.1	7.38

13: Investment and development properties

	2019			2018		
	Investment properties £m	Development properties £m	Total £m	Investment properties £m	Development properties £m	Total £m
Valuation at 1 January	3,440.7	389.7	3,830.4	4,348.9	337.2	4,686.1
Exchange adjustment	(95.6)	(17.3)	(112.9)	20.3	2.5	22.8
Additions – Asset acquisitions	–	0.9	0.9	11.5	0.4	11.9
– Capital expenditure	29.9	47.1	77.0	70.7	65.4	136.1
	29.9	48.0	77.9	82.2	65.8	148.0
Transfer to investment in joint ventures (note 14D)	–	–	–	(235.7)	–	(235.7)
Transfer to investments in associates	(121.1)	–	(121.1)	–	–	–
Disposals	(637.5)	(5.5)	(643.0)	(631.3)	–	(631.3)
Capitalised interest	0.5	2.3	2.8	0.2	1.7	1.9
Reclassification on completion of developments	–	–	–	39.5	(39.5)	–
Revaluation (losses)/gains – continuing operations	(232.2)	(62.5)	(294.7)	(61.8)	20.4	(41.4)
Revaluation (losses)/gains – discontinued operations	(117.5)	–	(117.5)	(121.6)	1.6	(120.0)
	(349.7)	(62.5)	(412.2)	(183.4)	22.0	(161.4)
Valuation at 31 December – total portfolio	2,267.2	354.7	2,621.9	3,440.7	389.7	3,830.4
Less: transfer to assets held for sale*	(520.0)	(3.2)	(523.2)	–	–	–
Valuation at 31 December	1,747.2	351.5	2,098.7	3,440.7	389.7	3,830.4

* On 31 December 2019, properties valued at £523.2 million were transferred to assets held for sale and subsequently impaired by £91.6 million, resulting in a carrying value of £431.6 million as disclosed in note 10D.

Analysis of properties by tenure	Freehold £m	Long leasehold £m	Total £m
Valuation at 31 December 2019	**1,151.4**	**947.3**	**2,098.7**
Valuation at 31 December 2018	2,563.6	1,266.8	3,830.4

Properties are stated at fair value as at 31 December 2019, valued by professionally qualified external valuers. Cushman & Wakefield Debenham Tie Leung Limited, Chartered Surveyors, have valued the Group's properties, excluding those held by the Group's premium outlet investments which have been valued by Cushman & Wakefield LLP, Chartered Surveyors. Valuations have been prepared in accordance with the RICS Valuation – Global Standards based on certain assumptions as set out in note 1. Valuation fees are based on a fixed amount agreed between the Group and the valuers and are independent of the portfolio value. Summaries of the valuers' reports are available on the Company's website: www.hammerson.com.

In the case of leasehold properties, valuations are net of any obligation to freeholders or superior leaseholders. To comply with IAS 40 and IFRS 16 these obligations and the related leasehold assets are included in the balance sheet within 'Obligations under head leases' (note 22) and 'Interests in leasehold properties' respectively. Further information is provided in 'Significant accounting policies' on page 144.

As noted in 'Significant judgements and key estimates' on page 142, real estate valuations are complex, derived from data which is not widely publicly available and involve a significant degree of estimation. For these reasons, and consistent with EPRA's guidance, we have classified the valuations of our property portfolio as Level 3 as defined by IFRS 13.

The total amount of interest included in development properties at 31 December 2019 was £3.8 million (2018: £1.5 million). Capitalised interest is calculated using the cost of secured debt or the Group's weighted average cost of borrowings, as appropriate, and the effective rate applied in 2019 was 2.6% (2018: 2.7%). At 31 December 2019, the historical cost of investment and development properties was £2,698.6 million (2018: £3,145.9 million).

Included within investment properties at 31 December 2019 is £30.3 million relating to the onsite development of Italik on which contracts have been exchanged for a forward sale 18 months after completion, which is due in Q4 2020.

Since the year end, the Group has completed the sale of Abbey Retail Park for £33 million and exchanged unconditional contracts for the sale of seven retail parks for net proceeds of £395 million as detailed in note 29.

Joint operations

At 31 December 2019, investment properties included properties with a value of £199.5 million (2018: £215.1million) held within joint operations which are jointly controlled and proportionally consolidated. The Hammerson ICAV acquired a 50% interest in the Ilac Centre, Dublin in December 2016 and at 31 December 2019 a co-ownership agreement was in place with Irish Life Assurance plc, the holder of the remaining 50% interest. The Hammerson ICAV also holds a 50% interest in Pavilions, Swords, acquired in September 2017 and at 31 December 2019 a Co-ownership agreement was in place with Irish Life Assurance plc.

14: Investment in joint ventures

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

As explained in the Financial review on page 50, management reviews the business principally on a proportionally consolidated basis, except for its premium outlet investments. The Group's share of assets and liabilities of joint ventures is split between Property joint ventures, being joint ventures which are proportionally consolidated, and VIA Outlets, a premium outlets investment, which is not proportionally consolidated. The Group's significant joint venture interests are set out in the table below. Further details of the Group's interests in joint ventures are shown in note G on pages 188 and 189.

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

A. The names of the principal properties operated by each partnership have been used in the summary income statements and balance sheets in note 14A. The two Dundrum partnerships are presented together as the 'Dundrum'. The Goodsyard, Espace Saint-Quentin and O'Parinor are presented together as 'Other'.
B. Brent South Shopping Park is classified as a discontinued operation in both 2018 and 2019 and its share of results are shown in note 10B. At 31 December 2019, the Group's investment in Brent South Shopping Park was reclassified as 'assets held for sale' as detailed in note 10D. The share of assets and liabilities for 2018 are included in investment in joint ventures in note 14B.
C. Registered in Jersey (see note G on page 189).

The Reported Group's investment in joint ventures at 31 December 2019 was £3,017.1 million (2018: £3,604.5 million). An analysis of the movements in the year is provided in note 14D on page 166.

The following footnotes apply to the summarised income statements and balance sheets in note 14A which show 100% of the results, assets and liabilities of joint ventures, and where appropriate have been restated to the Group's accounting policies and exclude all balances which are eliminated on consolidation.

1. In addition to the distributions payable, the Group received interest from its joint ventures of £12.3 million (2018: £10.3 million). See note 28A.
2. Included within the 100% cash and deposits figures are balances of £5.0 million (2018: £4.1 million) and £7.2 million (2018: £4.5 million) in respect of Highcross and Dundrum respectively, which are classed as 'restricted' under the terms of the loan agreements.
3. The Group and its partners invest in joint ventures principally by way of equity investment. To provide further clarity of this investment, those balances which are not equity have been included within other payables as a liability of the joint venture, and the Group's interest has been shown separately.
4. In September 2019, the Group acquired an additional 3.125% stake in VIA Outlets for €32 .1 million (£29.0 million), resulting in the recognition of goodwill of €6.8 million (£6.1 million) and increasing its ownership share from 46.875% to 50%.

14: Investment in joint ventures continued

A. Summary financial statements of joint ventures
Share of results of joint ventures for the year ended 31 December 2019

See page 161 for footnotes.

	Brent Cross £m	Cabot Circus £m	Bullring £m	Grand Central £m	The Oracle £m	Westquay £m
Ownership (%)	41	50	50	50	50	50
Gross rental income	39.2	35.5	55.0	11.3	33.1	34.6
Net rental income	36.0	29.9	46.1	9.1	28.0	26.8
Administration expenses	(0.1)	–	–	(0.1)	–	–
Operating profit before other net (losses)/gains	35.9	29.9	46.1	9.0	28.0	26.8
Revaluation (losses)/gains on properties	(196.3)	(107.1)	(189.0)	(83.1)	(120.1)	(124.8)
Operating (loss)/profit	(160.4)	(77.2)	(142.9)	(74.1)	(92.1)	(98.0)
Change in fair value of derivatives	–	–	–	–	–	–
Translation movement on intragroup funding loan	–	–	–	–	–	–
Other finance (costs)/income	(0.4)	(0.7)	–	(0.1)	–	(0.3)
Net finance (costs)/income	(0.4)	(0.7)	–	(0.1)	–	(0.3)
(Loss)/Profit before tax	(160.8)	(77.9)	(142.9)	(74.2)	(92.1)	(98.3)
Current tax charge	–	–	–	–	(0.2)	–
Deferred tax charge	–	–	–	–	–	–
(Loss)/Profit for the year	(160.8)	(77.9)	(142.9)	(74.2)	(92.3)	(98.3)
Hammerson share of (loss)/profit for the year	(65.3)	(38.9)	(71.4)	(37.1)	(46.1)	(49.1)
Hammerson share of distributions payable[1]	16.7	21.6	24.0	5.1	14.9	5.3

Share of assets and liabilities of joint ventures as at 31 December 2019

	Brent Cross £m	Cabot Circus £m	Bullring £m	Grand Central £m	The Oracle £m	Westquay £m
Non-current assets						
Investment and development properties	754.4	470.2	961.2	203.8	454.1	530.6
Goodwill	–	–	–	–	–	–
Other non-current assets	12.8	13.8	–	2.7	–	4.2
	767.2	484.0	961.2	206.5	454.1	534.8
Current assets						
Other current assets	8.7	6.7	16.4	5.0	7.3	6.7
Cash and deposits[2]	9.4	15.9	12.7	9.1	4.1	4.8
	18.1	22.6	29.1	14.1	11.4	11.5
Current liabilities						
Other payables	(15.2)	(13.4)	(24.4)	(7.0)	(10.7)	(11.3)
Loans – secured	–	–	–	–	–	–
	(15.2)	(13.4)	(24.4)	(7.0)	(10.7)	(11.3)
Non-current liabilities						
Loans – secured	–	–	–	–	–	–
Derivative financial instruments	–	–	–	–	–	–
Obligations under head leases	(12.8)	(14.1)	–	(2.8)	–	(4.2)
Other payables	(0.4)	(0.7)	(1.5)	(0.7)	(1.4)	(697.5)
Deferred tax	–	–	–	–	(0.2)	–
	(13.2)	(14.8)	(1.5)	(3.5)	(1.6)	(701.7)
Net assets/(liabilities)	756.9	478.4	964.4	210.1	453.2	(166.7)
		239.2	482.2	10		
Hammerson share of net assets/(liabilities)	307.4	239.2	482.2	105.0	226.6	(83.3)
Balance due to Hammerson[3]	–	–	–	–	–	348.2
Total investment in joint ventures	307.4	239.2	482.2	105.0	226.6	264.9

						100%			Hammerson share
Silverburn £m	Croydon £m	Highcross £m	Dundrum £m	VIA Outlets £m	Other £m	Total 2019 £m	Property joint ventures £m	VIA Outlets[4] £m	Total 2019 £m
50	50	50	50	50	various				
21.1	21.1	28.9	61.6	94.9	32.6	468.9	175.3	45.6	220.9
19.0	13.0	22.6	54.5	66.4	28.9	380.3	146.4	31.8	178.2
(0.1)	(0.1)	(0.1)	(0.4)	(13.6)	(0.1)	(14.6)	(0.5)	(6.5)	(7.0)
18.9	12.9	22.5	54.1	52.8	28.8	365.7	145.9	25.3	171.2
(80.1)	(57.2)	(81.2)	(134.5)	60.3	(92.4)	(1,205.5)	(591.5)	29.1	(562.4)
(61.2)	(44.3)	(58.7)	(80.4)	113.1	(63.6)	(839.8)	(445.6)	54.4	(391.2)
–	–	(2.6)	(2.5)	(2.0)	–	(7.1)	(2.6)	(0.9)	(3.5)
–	–	–	–	0.6	–	0.6	–	0.3	0.3
–	0.2	(5.1)	(10.7)	(17.2)	(2.9)	(37.2)	(8.8)	(8.2)	(17.0)
–	0.2	(7.7)	(13.2)	(18.6)	(2.9)	(43.7)	(11.4)	(8.8)	(20.2)
(61.2)	(44.1)	(66.4)	(93.6)	94.5	(66.5)	(883.5)	(457.0)	45.6	(411.4)
–	(0.4)	–	–	(5.3)	(0.1)	(6.0)	(0.3)	(2.5)	(2.8)
–	–	–	–	(18.2)	–	(18.2)	–	(8.8)	(8.8)
(61.2)	(44.5)	(66.4)	(93.6)	71.0	(66.6)	(907.7)			
(30.6)	(22.2)	(33.2)	(46.8)	34.3	(16.6)	(423.0)	(457.3)	34.3	(423.0)
6.2	–	4.6	18.0	–	0.5	116.9			

						100%			Hammerson share
Silverburn £m	Croydon £m	Highcross £m	Dundrum £m	VIA Outlets £m	Other £m	Total 2019 £m	Property joint ventures £m	VIA Outlets[4] £m	Total 2019 £m
238.8	316.8	391.8	1,370.8	1,386.9	645.9	7,725.3	2,964.6	693.5	3,658.1
–	–	–	–	–	–	–	–	8.9	8.9
–	–	–	0.8	11.9	–	46.2	18.2	6.0	24.2
238.8	316.8	391.8	1,371.6	1,398.8	645.9	7,771.5	2,982.8	708.4	3,691.2
6.3	82.4	8.7	17.2	29.7	11.2	206.3	78.0	11.1	89.1
5.9	20.9	13.9	26.4	59.4	18.5	201.0	65.3	29.7	95.0
12.2	103.3	22.6	43.6	89.1	29.7	407.3	143.3	40.8	184.1
(7.4)	(15.1)	(12.5)	(16.4)	(47.2)	(9.5)	(190.1)	(69.0)	(23.6)	(92.6)
–	–	–	–	(6.6)	–	(6.6)	–	(3.3)	(3.3)
(7.4)	(15.1)	(12.5)	(16.4)	(53.8)	(9.5)	(196.7)	(69.0)	(26.9)	(95.9)
–	–	(163.9)	(526.6)	(527.9)	(186.7)	(1,405.1)	(391.9)	(263.9)	(655.8)
–	–	(4.0)	(3.8)	(8.0)	–	(15.8)	(3.9)	(4.0)	(7.9)
–	–	–	–	–	–	(33.9)	(15.8)	–	(15.8)
(0.2)	(68.1)	(2.1)	(14.1)	(12.3)	(179.7)	(978.7)	(7.3)	(6.2)	(13.5)
–	–	–	–	(138.4)	–	(138.6)	(0.1)	(69.2)	(69.3)
(0.2)	(68.1)	(170.0)	(544.5)	(686.6)	(366.4)	(2,572.1)	(419.0)	(343.3)	(762.3)
243.4	336.9	231.9	854.3	747.5	299.7	5,410.0			
	168.4	11.0			84.2				
121.7	168.4	115.9	427.1	379.0	84.2	2,573.4			
–	26.0	–	6.6	–	62.9	443.7			
121.7	194.4	115.9	433.7	379.0	147.1	3,017.1	2,638.1	379.0	3,017.1

14: Investment in joint ventures continued

A. Summary financial statements of joint ventures
Share of results of joint ventures for the year ended 31 December 2018

See page 161 for footnotes.

	Brent Cross £m	Cabot Circus £m	Bullring £m	Grand Central £m	The Oracle £m	Westquay £m
Ownership (%)	41	50	50	50	50	50
Gross rental income	41.2	38.1	58.8	12.0	32.8	36.2
Net rental income	37.4	32.6	51.2	11.0	28.1	28.6
Administration expenses	–	–	–	–	–	–
Operating profit before other net (losses)/gains	37.4	32.6	51.2	11.0	28.1	28.6
Revaluation (losses)/gains on properties	(47.7)	(77.0)	(118.7)	(62.8)	(121.3)	(50.2)
Operating (loss)/profit	(10.3)	(44.4)	(67.5)	(51.8)	(93.2)	(21.6)
Change in fair value of derivatives	–	–	–	–	–	–
Translation movement on intragroup funding loan	–	–	–	–	–	–
Other finance (costs)/income	(0.1)	(0.7)	–	(0.2)	–	(0.4)
Net finance (costs)/income	(0.1)	(0.7)	–	(0.2)	–	(0.4)
(Loss)/Profit before tax	(10.4)	(45.1)	(67.5)	(52.0)	(93.2)	(22.0)
Current tax charge	–	–	–	–	–	–
Deferred tax credit	–	–	–	–	–	–
(Loss)/Profit for the year	(10.4)	(45.1)	(67.5)	(52.0)	(93.2)	(22.0)
Hammerson share of (loss)/profit for the year	(4.2)	(22.6)	(33.7)	(26.0)	(46.6)	(11.0)
Hammerson share of distributions payable[1]	0.2	9.8	27.2	–	6.2	–

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

	Brent Cross £m	Cabot Circus £m	Bullring £m	Grand Central £m	The Oracle £m	Westquay £m
Non-current assets						
Investment and development properties	1,026.3	574.1	1,145.9	283.2	573.5	654.5
Goodwill	–	–	–	–	–	–
Other non-current assets	12.8	13.9	–	2.7	–	4.2
	1,039.1	588.0	1,145.9	285.9	573.5	658.7
Current assets						
Other current assets	9.6	6.3	12.8	4.7	6.5	8.8
Cash and deposits[2]	18.0	15.9	19.2	13.7	9.6	8.8
	27.6	22.2	32.0	18.4	16.1	17.6
Current liabilities						
Other payables	(17.4)	(12.7)	(21.7)	(6.2)	(11.7)	(12.4)
Loans – secured	–	–	–	–	–	–
	(17.4)	(12.7)	(21.7)	(6.2)	(11.7)	(12.4)
Non-current liabilities						
Loans – secured	–	–	–	–	–	–
Derivative financial instruments	–	–	–	–	–	–
Obligations under head leases	(12.8)	(13.9)	–	(2.7)	–	(4.2)
Other payables	(1.3)	(0.6)	(1.4)	(0.6)	(1.1)	(697.7)
Deferred tax	–	–	–	–	(0.2)	–
	(14.1)	(14.5)	(1.4)	(3.3)	(1.3)	(701.9)
Net assets/(liabilities)	1,035.2	583.0	1,154.8	294.8	576.6	(38.0)
Hammerson share of net assets/(liabilities)	420.3	291.5	577.4	147.4	288.3	(19.0)
Balance due to Hammerson[3]	–	–	–	–	–	348.2
Total investment in joint ventures	420.3	291.5	577.4	147.4	288.3	329.2

						100%			Hammerson share
Silverburn £m	Croydon £m	Highcross £m	Dundrum £m	VIA Outlets £m	Other £m	Total 2018 £m	Property joint ventures £m	VIA Outlets £m	Total 2018 £m
50	50	50	50	47	various				
21.2	24.6	3.3	66.5	90.7	33.2	458.6	172.1	42.6	214.7
19.4	16.0	2.8	60.2	68.0	28.6	383.9	147.5	31.9	179.4
(0.1)	(0.1)	–	(0.2)	(15.4)	(0.1)	(15.9)	(0.2)	(7.2)	(7.4)
19.3	15.9	2.8	60.0	52.6	28.5	368.0	147.3	24.7	172.0
(25.8)	(2.1)	(1.4)	4.5	23.9	(81.1)	(559.7)	(267.1)	11.2	(255.9)
(6.5)	13.8	1.4	64.5	76.5	(52.6)	(191.7)	(119.8)	35.9	(83.9)
–	–	(1.4)	(1.5)	(4.6)	–	(7.5)	(1.4)	(2.2)	(3.6)
–	–	–	–	(0.2)	–	(0.2)	–	(0.1)	(0.1)
–	0.1	(0.4)	(10.8)	(15.7)	(2.9)	(31.1)	(7.0)	(7.4)	(14.4)
–	0.1	(1.8)	(12.3)	(20.5)	(2.9)	(38.8)	(8.4)	(9.7)	(18.1)
(6.5)	13.9	(0.4)	52.2	56.0	(55.5)	(230.5)	(128.2)	26.2	(102.0)
–	(0.1)	–	–	(4.8)	(0.1)	(5.0)	(0.1)	(2.2)	(2.3)
–	–	–	–	1.1	–	1.1	–	0.6	0.6
(6.5)	13.8	(0.4)	52.2	52.3	(55.6)	(234.4)			
(3.2)	6.9	(0.2)	26.1	24.6	(13.8)	(103.7)	(128.3)	24.6	(103.7)
10.6	–	–	16.8	62.2	0.6	133.6			

						100%			Hammerson share
Silverburn £m	Croydon £m	Highcross £m	Dundrum £m	VIA Outlets £m	Other £m	Total 2018 £m	Property joint ventures £m	VIA Outlets £m	Total 2018 £m
312.1	373.7	470.7	1,580.7	1,354.6	767.9	9,117.2	3,619.8	635.8	4,255.6
–	–	–	–	–	–	–	–	3.6	3.6
0.2	–	–	0.7	7.0	–	41.5	16.2	3.4	19.6
312.3	373.7	470.7	1,581.4	1,361.6	767.9	9,158.7	3,636.0	642.8	4,278.8
5.7	67.8	5.8	16.6	23.9	12.7	181.2	75.4	7.7	83.1
7.4	17.8	5.5	19.5	70.7	15.8	221.9	70.0	33.2	103.2
13.1	85.6	11.3	36.1	94.6	28.5	403.1	145.4	40.9	186.3
(7.2)	(22.2)	(12.3)	(14.7)	(33.5)	(11.0)	(183.0)	(71.0)	(15.8)	(86.8)
–	–	–	–	(68.4)	–	(68.4)	–	(32.0)	(32.0)
(7.2)	(22.2)	(12.3)	(14.7)	(101.9)	(11.0)	(251.4)	(71.0)	(47.8)	(118.8)
–	–	(163.6)	(556.6)	(518.7)	(196.9)	(1,435.8)	(409.3)	(243.6)	(652.9)
–	–	(1.3)	(1.5)	(6.6)	–	(9.4)	(1.4)	(3.1)	(4.5)
–	–	–	–	–	–	(33.6)	(15.6)	–	(15.6)
–	(53.5)	–	(0.9)	(6.6)	(189.1)	(952.8)	(5.9)	(3.1)	(9.0)
–	–	–	–	(127.4)	–	(127.6)	–	(59.8)	(59.8)
–	(53.5)	(164.9)	(559.0)	(659.3)	(386.0)	(2,559.2)	(432.2)	(309.6)	(741.8)
318.2	383.6	304.8	1,043.8	695.0	399.4	6,751.2			
159.1	191.8	152.4	521.9	326.3	109.2	3,166.6			
–	26.7	–	–	–	63.0	437.9			
159.1	218.5	152.4	521.9	326.3	172.2	3,604.5	3,278.2	326.3	3,604.5

14: Investment in joint ventures continued

B. Reconciliation to adjusted earnings

	Property joint ventures[1] £m	VIA Outlets £m	Total 2019 £m	Property joint ventures[1] £m	VIA Outlets £m	Total 2018 £m
(Loss)/Profit for the year	**(457.3)**	**34.3**	**(423.0)**	(128.3)	24.6	(103.7)
Revaluation losses/(gains) on properties	**591.5**	**(29.1)**	**562.4**	267.1	(11.2)	255.9
Change in fair value of derivatives	**2.6**	**0.9**	**3.5**	1.4	2.2	3.6
Translation movements on intragroup funding loan[2]	**–**	**(0.3)**	**(0.3)**	–	0.1	0.1
Deferred tax charge	**–**	**8.8**	**8.8**	–	(0.6)	(0.6)
Total adjustments	**594.1**	**(19.7)**	**574.4**	268.5	(9.5)	259.0
Adjusted earnings	**136.8**	**14.6**	**151.4**	140.2	15.1	155.3

1. Relates to continuing operations. See note 10B for details of discontinued operations.
2. 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 and are therefore excluded from the Group's adjusted earnings.

C. Reconciliation to adjusted investment in joint ventures

	Property joint ventures[1] £m	VIA Outlets £m	Total 2019 £m	Property joint ventures £m	VIA Outlets £m	Total 2018 £m
Investment in joint ventures	**2,638.1**	**379.0**	**3,017.1**	3,278.2	326.3	3,604.5
Fair value of derivatives	**3.9**	**4.0**	**7.9**	1.4	3.1	4.5
Deferred tax	**0.1**	**69.2**	**69.3**	–	59.8	59.8
Goodwill as a result of deferred tax	**–**	**(7.4)**	**(7.4)**	–	(3.6)	(3.6)
Total adjustments	**4.0**	**65.8**	**69.8**	1.4	59.3	60.7
Adjusted investment	**2,642.1**	**444.8**	**3,086.9**	3,279.6	385.6	3,665.2

1. Relates to continuing operations. See note 10D for details of discontinued operations.

D. Reconciliation of movements in investment in joint ventures

	Property joint ventures[1] £m	VIA Outlets £m	Total 2019 £m	Property joint ventures £m	VIA Outlets £m	Total 2018 £m
Balance at 1 January	**3,278.2**	**326.3**	**3,604.5**	3,312.4	361.3	3,673.7
Share of results of joint ventures	**(457.3)**	**34.3**	**(423.0)**	(128.3)	24.6	(103.7)
Acquisition	**–**	**29.0**	**29.0**	–	–	–
Advances	**19.7**	**9.4**	**29.1**	30.0	–	30.0
Distributions and other receivables	**(139.2)**	**–**	**(139.2)**	(98.6)	(62.2)	(160.8)
Transfer of investment property from Reported Group[2]	**–**	**–**	**–**	235.7	–	235.7
Funds from financing transferred to Reported Group[3]	**–**	**–**	**–**	(81.9)	–	(81.9)
Transfer to assets held for sale[4]	**(25.1)**	**–**	**(25.1)**	–	–	–
Exchange and other movements	**(38.2)**	**(20.0)**	**(58.2)**	8.9	2.6	11.5
Balance at 31 December	**2,638.1**	**379.0**	**3,017.1**	3,278.2	326.3	3,604.5

1. Relates to continuing operations. See note 10D for details of discontinued operations.
2. In 2018, the Group sold a 50% investment in Highcross for £235.7 million. The total is shown separately in note 13 on page 160 as a transfer to investment in joint ventures.
3. Finance raised in 2018, and secured on Highcross, was used to repay intragroup debt due to the Reported Group. This finance is classified as 'loans - secured' and included in non-current liabilities within the 100% results for Highcross in note 14A on page 163.
4. The Group's investment in Brent South Shopping Park was transferred to assets held for sale and subsequently impaired by £0.4 million, to £24.7 million (see note 10D).

15: Investment in associates

At 31 December 2019, the Group had three associates: Value Retail PLC and its group entities ('VR'), a 25% interest in Italie Deux and a 10% interest in Nicetoile. Hammerson is the asset manager for both Italie Deux and Nicetoile. On 11 December 2019 the Group disposed of a 75% share in Italie Deux, for €432.0 million (£363.3 million). Prior to this, the results of Italie Deux were consolidated into the Reported Group figures. Following part disposal the remaining 25% holding is treated as an investment in associate as the Group has significant influence but not joint control, based on the terms of the underlying shareholder agreement. The above three investments are equity accounted under IFRS, although the share of results in Italie Deux and Nicetoile are 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 50.

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 14), are provided in Tables 101 and 102 of the Additional disclosures on page 198.

A: Share of results of associates

	VR		Nicetoile		Italie Deux		2019 Total	
	100% £m	Hammerson share £m	100% £m	Hammerson share £m	100% £m	Hammerson share £m	100% £m	Hammerson share £m
Gross rental income	**404.4**	**135.7**	**15.3**	**1.5**	**1.2**	**0.3**	**420.9**	**137.5**
Net rental income	**277.7**	**95.1**	**13.5**	**1.3**	**1.2**	**0.3**	**292.4**	**96.7**
Administration expenses	**(140.0)**	**(44.4)**	–	–	–	–	**(140.0)**	**(44.4)**
Operating profit before other net gains/(losses)	**137.7**	**50.7**	**13.5**	**1.3**	**1.2**	**0.3**	**152.4**	**52.3**
Revaluation gains/(losses) on properties	**444.4**	**170.7**	**(22.9)**	**(2.3)**	**(2.0)**	**(0.5)**	**419.5**	**167.9**
Operating profit/(loss)	**582.1**	**221.4**	**(9.4)**	**(1.0)**	**(0.8)**	**(0.2)**	**571.9**	**220.2**
Change in fair value of derivatives*	**(107.8)**	**(28.5)**	–	–	–	–	**(107.8)**	**(28.5)**
Change in fair value of participative loans – revaluation movement*	–	**34.5**	–	–	–	–	–	**34.5**
Change in fair value of participative loans – other movement	–	**5.1**	–	–	–	–	–	**5.1**
Other finance costs	**(59.5)**	**(21.0)**	–	–	–	–	**(59.5)**	**(21.0)**
Net finance costs	**(167.3)**	**(9.9)**	–	–	–	–	**(167.3)**	**(9.9)**
Profit/(loss) before tax	**414.8**	**211.5**	**(9.4)**	**(1.0)**	**(0.8)**	**(0.2)**	**404.6**	**210.3**
Current tax charge	**(15.6)**	**(3.3)**	**(0.1)**	–	–	–	**(15.7)**	**(3.3)**
Deferred tax credit	**6.8**	**2.4**	–	–	–	–	**6.8**	**2.4**
Profit/(loss) for the year	**406.0**	**210.6**	**(9.5)**	**(1.0)**	**(0.8)**	**(0.2)**	**395.7**	**209.4**

* Investments in the VR Spanish villages are by way of participative loans, which are held at fair value based on the underlying net assets of the individual Villages. During the year, assumptions behind the fair value assessment have been revisited resulting in a change to the participative loan asset and liability. The net impact of these changes was an increase in the investment in associate of £3.7 million, comprising an increase in the participative loan liability of £13.4 million (included in the £28.5 million above), and a corresponding increase in the fair value of the participative loan asset of £17.1 million (included in the £34.5 million above). Comparative figures have not been restated.

	VR		Nicetoile		2018 Total	
	100% £m	Hammerson share £m	100% £m	Hammerson share £m	100% £m	Hammerson share £m
Gross rental income	369.6	117.7	16.3	1.6	385.9	119.3
Net rental income	250.7	81.2	14.0	1.4	264.7	82.6
Administration expenses	(128.2)	(37.8)	–	–	(128.2)	(37.8)
Operating profit before other net gains /(losses)	122.5	43.4	14.0	1.4	136.5	44.8
Revaluation gains/(losses) on properties	174.5	45.0	(4.7)	(0.5)	169.8	44.5
Operating profit	297.0	88.4	9.3	0.9	306.3	89.3
Change in fair value of derivatives	(13.4)	(1.3)	–	–	(13.4)	(1.3)
Change in fair value of participative loans – revaluation movement	–	2.2	–	–	–	2.2
Change in fair value of participative loans – other movement	–	3.7	–	–	–	3.7
Other finance costs	(63.2)	(19.5)	–	–	(63.2)	(19.5)
Net finance costs	(76.6)	(14.9)	–	–	(76.6)	(14.9)
Profit before tax	220.4	73.5	9.3	0.9	229.7	74.4
Current tax charge	(11.6)	(2.3)	–	–	(11.6)	(2.3)
Deferred tax charge	(58.8)	(14.4)	–	–	(58.8)	(14.4)
Profit for the year	150.0	56.8	9.3	0.9	159.3	57.7

15: Investment in associates continued

B: Reconciliation to adjusted earnings

	VR £m	Nicetoile £m	Italie Deux £m	Total 2019 £m	VR £m	Nicetoile £m	Total 2018 £m
Profit/(loss) for the year	**210.6**	**(1.0)**	**(0.2)**	**209.4**	56.8	0.9	57.7
Revaluation (gains)/losses on properties	**(170.7)**	**2.3**	**0.5**	**(167.9)**	(45.0)	0.5	(44.5)
Change in fair value of derivatives	**28.5**	**–**	**–**	**28.5**	1.3	–	1.3
Change in fair value of participative loans – revaluation movement	**(34.5)**	**–**	**–**	**(34.5)**	(2.2)	–	(2.2)
Change in fair value of financial assets	**(0.3)**	**–**	**–**	**(0.3)**	–	–	–
Loan facility costs written off	**–**	**–**	**–**	**–**	0.7	–	0.7
Deferred tax (credit)/charge	**(2.4)**	**–**	**–**	**(2.4)**	14.4	–	14.4
Total adjustments	**(179.4)**	**2.3**	**0.5**	**(176.6)**	(30.8)	0.5	(30.3)
Adjusted earnings of associates	**31.2**	**1.3**	**0.3**	**32.8**	26.0	1.4	27.4

When aggregated, the Group's share of VR's adjusted earnings for the year ended 31 December 2019 amounted to 52% (2018: 50%). This figure is dependent on the relative profitability of the component Villages in which the Group has differing ownership shares.

C: Share of assets and liabilities of associates

See page 169 for footnotes.

2019	VR		Nicetoile		Italie Deux		Total	
	100% £m	Hammerson share £m	100% £m	Hammerson share £m	100% £m	Hammerson share £m	100% £m	Hammerson share £m
Investment properties	**5,364.5**	**1,965.6**	**262.0**	**26.2**	**486.7**	**121.7**	**6,113.2**	**2,113.5**
Goodwill	**–**	**89.3**	**–**	**–**	**–**	**–**	**–**	**89.3**
Other non-current assets	**260.8**	**71.1**	**–**	**–**	**–**	**–**	**260.8**	**71.1**
Non-current assets	**5,625.3**	**2,126.0**	**262.0**	**26.2**	**486.7**	**121.7**	**6,374.0**	**2,273.9**
Other current assets	**80.6**	**32.5**	**–**	**–**	**4.9**	**1.2**	**85.5**	**33.7**
Cash and deposits	**201.6**	**61.4**	**10.3**	**1.0**	**5.4**	**1.3**	**217.3**	**63.7**
Current assets	**282.2**	**93.9**	**10.3**	**1.0**	**10.3**	**2.5**	**302.8**	**97.4**
Total assets	**5,907.5**	**2,219.9**	**272.3**	**27.2**	**497.0**	**124.2**	**6,676.8**	**2,371.3**
Other payables	**(90.3)**	**(55.5)**	**(4.6)**	**(0.4)**	**(2.6)**	**(0.6)**	**(97.5)**	**(56.5)**
Current liabilities	**(90.3)**	**(55.5)**	**(4.6)**	**(0.4)**	**(2.6)**	**(0.6)**	**(97.5)**	**(56.5)**
Loans	**(1,971.6)**	**(719.6)**	**–**	**–**	**–**	**–**	**(1,971.6)**	**(719.6)**
Derivative financial instruments	**(38.7)**	**(12.7)**	**–**	**–**	**–**	**–**	**(38.7)**	**(12.7)**
Other payables	**(36.7)**	**(14.5)**	**(1.6)**	**(0.2)**	**(3.9)**	**(1.0)**	**(42.2)**	**(15.7)**
Participative loan liabilities[4]	**(366.6)**	**(90.6)**	**–**	**–**	**–**	**–**	**(366.6)**	**(90.6)**
Deferred tax	**(616.8)**	**(166.9)**	**–**	**–**	**–**	**–**	**(616.8)**	**(166.9)**
Non-current liabilities	**(3,030.4)**	**(1,004.3)**	**(1.6)**	**(0.2)**	**(3.9)**	**(1.0)**	**(3,035.9)**	**(1,005.5)**
Total liabilities	**(3,120.7)**	**(1,059.8)**	**(6.2)**	**(0.6)**	**(6.5)**	**(1.6)**	**(3,133.4)**	**(1,062.0)**
Net assets	**2,786.8**	**1,160.1**	**266.1**	**26.6**	**490.5**	**122.6**	**3,543.4**	**1,309.3**
Participative loans	**–**	**195.2**	**–**	**–**	**–**	**–**	**–**	**195.2**
Investment in associates	**2,786.8**	**1,355.3**	**266.1**	**26.6**	**490.5**	**122.6**	**3,543.4**	**1,504.5**

C: Share of assets and liabilities of associates continued

	2018					
	VR		Nicetoile		Total	
	100% £m	Hammerson share £m	100% £m	Hammerson share £m	100% £m	Hammerson share £m
Investment properties	5,054.0	1,823.0	293.5	29.3	5,347.5	1,852.3
Goodwill	–	93.1	–	–	–	93.1
Other non-current assets	247.0	67.8	–	–	247.0	67.8
Non-current assets	5,301.0	1,983.9	293.5	29.3	5,594.5	2,013.2
Other current assets	97.5	36.3	3.0	0.3	100.5	36.6
Cash and deposits	269.5	77.8	12.0	1.2	281.5	79.0
Current assets	367.0	114.1	15.0	1.5	382.0	115.6
Total assets	5,668.0	2,098.0	308.5	30.8	5,976.5	2,128.8
Other payables	(96.9)	(48.6)	(2.2)	(0.2)	(99.1)	(48.8)
Current liabilities	(96.9)	(48.6)	(2.2)	(0.2)	(99.1)	(48.8)
Loans	(2,032.8)	(735.4)	–	–	(2,032.8)	(735.4)
Derivative financial instruments	(19.3)	(5.7)	–	–	(19.3)	(5.7)
Other payables	(34.6)	(13.9)	(2.3)	(0.2)	(36.9)	(14.1)
Participative loan liabilities[4]	(298.4)	(73.7)	–	–	(298.4)	(73.7)
Deferred tax	(660.0)	(179.0)	–	–	(660.0)	(179.0)
Non-current liabilities	(3,045.1)	(1,007.7)	(2.3)	(0.2)	(3,047.4)	(1,007.9)
Total liabilities	(3,142.0)	(1,056.3)	(4.5)	(0.4)	(3,146.5)	(1,056.7)
Net assets	2,526.0	1,041.7	304.0	30.4	2,830.0	1,072.1
Participative loans	–	169.4	–	–	–	169.4
Investment in associates	2,526.0	1,211.1	304.0	30.4	2,830.0	1,241.5

1. The analysis in the tables above excludes liabilities in respect of distributions received in advance from VR amounting to £24.1 million (2018: £26.4 million) which are included within payables - non-current liabilities in note 23.
2. In addition to the above investments, non-current receivables of the Group include loans to Value Retail European Holdings BV, totalling €2.0 million (£1.7 million) (2018: €2.0 million, £1.8 million) secured against a number of VR assets and maturing on 30 November 2043.
3. At 31 December 2019, Hammerson's economic interest in VR is calculated as 40% (2018: 39%) adjusting for the Participative Loans, which at 100% are included within other payables in non-current liabilities.
4. The participative loan liability previously included in other payables has been presented separately to improve the clarity of reporting. Comparative figures have been amended accordingly.

D: Reconciliation to adjusted investment in associates

	VR £m	**Nicetoile £m**	**Italie Deux £m**	**Total 2019 £m**	VR £m	Nicetoile £m	Total 2018 £m
Investment in associates	**1,355.3**	**26.6**	**122.6**	**1,504.5**	1,211.1	30.4	1,241.5
Fair value of derivatives	**12.7**	–	–	**12.7**	5.7	–	5.7
Deferred tax*	**166.7**	–	–	**166.7**	179.0	–	179.0
Deferred tax within participative loans	**34.3**	–	–	**34.3**	35.6	–	35.6
Goodwill as a result of deferred tax	**(63.2)**	–	–	**(63.2)**	(63.1)	–	(63.1)
Total adjustments	**150.5**	–	–	**150.5**	157.2	–	157.2
Adjusted investment	**1,505.8**	**26.6**	**122.6**	**1,655.0**	1,368.3	30.4	1,398.7

* Shown net of a deferred tax asset of £0.2 million (2018: £nil), which is included in non-current assets in note 15C.

15: Investment in associates continued

E: Reconciliation of movements in investment in associates

	VR £m	Nicetoile £m	Italie Deux £m	Total 2019 £m	VR £m	Nicetoile £m	Total 2018 £m
Balance at 1 January	**1,211.1**	**30.4**	–	**1,241.5**	1,068.6	30.9	1,099.5
Acquisitions[1]	**1.4**	–	–	**1.4**	113.8	–	113.8
Share of results of associates	**210.6**	**(1.0)**	**(0.2)**	**209.4**	56.8	0.9	57.7
Distributions[2]	**(30.9)**	**(0.6)**	–	**(31.5)**	(31.8)	(1.2)	(33.0)
Transfer of investment property from Reported Group[3]	–	–	**121.1**	**121.1**	–	–	–
Share of other comprehensive loss of associate[4]	**(4.0)**	–	–	**(4.0)**	(3.3)	–	(3.3)
Exchange and other movements	**(32.9)**	**(2.2)**	**1.7**	**(33.4)**	7.0	(0.2)	6.8
Balance at 31 December	**1,355.3**	**26.6**	**122.6**	**1,504.5**	1,211.1	30.4	1,241.5

1. During 2019, the Group acquired additional investor stakes in Value Retail for £1.4 million. This included advances of £0.1 million, resulting in cash consideration of £1.3 million.
2. Included within distributions of £31.5 million (2018: £33.0 million) are distributions totalling £5.5 million (2018: £24.7 million) in relation to Value Retail refinancing.
3. In 2019, the Group sold a 75% stake in Italie Deux for €432.0 million (£363.3 million). The remaining 25% holding was transferred to investment in associates. The total is shown separately in note 13 on page 160.
4. Relates to the change in fair value of derivative financial instruments in an effective hedge relationship within Value Retail.

16: Receivables: current assets

	2019 £m	2018 £m
Trade receivables	**32.1**	43.7
Other receivables	**60.4**	66.4
Corporation tax	**0.7**	0.2
Prepayments	**3.1**	3.5
	96.3	113.8

Trade receivables are shown after deducting a loss allowance provision of £9.9 million (2018: £9.8 million), as set out in the table below. To measure the loss allowance provision, trade receivables have been grouped based on shared credit risk characteristics and the days overdue. The level of provision required is determined after taking account of rent deposits and personal or corporate guarantees held. Management have performed an assessment of the effectiveness of this approach by comparing actual losses to provisions estimated in prior periods. Based on the minimal differences identified within this assessment, management has concluded that there is no material difference between the expected credit loss model prescribed by IFRS 9 and the current provisioning method being applied. Consequently, no allowance has been made for losses on receivables not yet falling due. Management will continue to review this assertion at each reporting period.

Credit risk is discussed further in note 21E.

			2019			2018
	Gross receivable £m	Loss allowance £m	Net receivable £m	Gross receivable £m	Loss allowance £m	Net receivable £m
Not yet due	**18.6**	–	**18.6**	25.9	–	25.9
1-30 days overdue	**3.2**	–	**3.2**	5.3	–	5.3
31-60 days overdue	–	–	–	0.5	–	0.5
61-90 days overdue	**0.8**	–	**0.8**	0.5	(0.1)	0.4
91-120 days overdue	**4.0**	**(0.6)**	**3.4**	0.4	(0.1)	0.3
More than 120 days overdue	**15.4**	**(9.3)**	**6.1**	20.9	(9.6)	11.3
	42.0	**(9.9)**	**32.1**	53.5	(9.8)	43.7

17: Restricted monetary assets

	2019 £m	2018 £m
Cash held on behalf of third parties	**21.5**	24.0

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.

18: Cash and deposits

	Total £m	Reclassified to assets held for sale £m	2019 £m	2018 £m
Cash at bank	**29.8**	**(1.6)**	**28.2**	31.2
Currency profile				
Sterling	**3.3**	**(1.6)**	**1.7**	8.4
Euro	**26.5**	–	**26.5**	22.8
	29.8	**(1.6)**	**28.2**	31.2

19: Payables: current liabilities

	2019 £m	2018 £m
Trade payables	**13.1**	17.4
Net pension liability (note 7C)	**0.9**	0.9
Withholding tax on interim dividends (note 11)	**12.2**	12.7
Capital expenditure payables	**24.1**	28.5
Other payables*	**57.6**	64.5
Accruals	**78.1**	91.6
Deferred income	**7.5**	18.1
	193.5	233.7

* Other payables include lease liabilities of £3.5 million (2018: £nil) in relation to the Group's offices in London, Reading, Dublin and Paris, as a result of adopting IFRS 16 in 2019 (see note 1). The non-current portion is included in note 23.

20: Loans

	2019 £m	2018 £m
Unsecured		
£200 million 7.25% sterling bonds due 2028	**198.6**	198.4
£300 million 6% sterling bonds due 2026	**298.4**	298.1
£350 million 3.5% sterling bonds due 2025	**346.7**	346.3
€500 million 1.75% euro bonds due 2023	**422.3**	446.4
€500 million 2% euro bonds due 2022	**422.0**	445.9
Sterling bank loans and overdrafts	**127.6**	562.8
Senior notes due 2031*	**20.3**	21.5
Senior notes due 2028*	**88.1**	90.4
Senior notes due 2026*	**84.8**	88.5
Senior notes due 2024*	**352.4**	366.6
Senior notes due 2021*	**143.7**	149.0
	2,504.9	3,013.9

* Senior notes are analysed in note 21F on page 175.

At 31 December 2019 and 2018, no loans were repayable by instalments.

21: Financial instruments and risk management

A: Financing strategy

The Group generally borrows on an unsecured basis on the strength of its covenant in order to maintain operational flexibility. Borrowings are arranged to ensure an appropriate maturity profile and to maintain short term liquidity. Acquisitions may be financed initially using short-term funds before being refinanced for the longer term when market conditions are appropriate. Long term debt mainly comprises the Group's fixed rate unsecured bonds. Short-term funding is raised principally through syndicated revolving credit facilities from a range of banks and financial institutions with which the Group maintains strong working relationships. An analysis of the maturity of the undrawn element of these revolving credit facilities is shown in note 21D.

The Group's borrowing position at 31 December 2019 is summarised below:

	Derivative financial instruments					
	Current assets £m	**Non-current assets £m**	**Current liabilities £m**	**Non-current liabilities £m**	**Loans > 1 year £m**	**2019 Total £m**
Note					20	
Bonds	–	–	–	–	**1,688.0**	**1,688.0**
Bank loans and overdrafts	–	–	–	–	**127.6**	**127.6**
Senior notes	–	–	–	–	**689.3**	**689.3**
Fair value of currency swaps	**(0.1)**	**(31.6)**	**4.1**	**70.7**	–	**43.1**
Borrowings	**(0.1)**	**(31.6)**	**4.1**	**70.7**	**2,504.9**	**2,548.0**
Interest rate swaps	**(0.7)**	–	–	–	–	**(0.7)**
Loans and derivative financial instruments	**(0.8)**	**(31.6)**	**4.1**	**70.7**	**2,504.9**	**2,547.3**

Comparative information for 31 December 2018 is detailed below:

	Derivative financial instruments					
	Current assets £m	Non-current assets £m	Current liabilities £m	Non-current liabilities £m	Loans > 1 year £m	2018 Total £m
Note					20	
Bonds	–	–	–	–	1,735.1	1,735.1
Bank loans and overdrafts	–	–	–	–	562.8	562.8
Senior notes	–	–	–	–	716.0	716.0
Fair value of currency swaps	(4.1)	(21.8)	9.8	101.0	–	84.9
Borrowings	(4.1)	(21.8)	9.8	101.0	3,013.9	3,098.8
Interest rate swaps	–	(2.7)	–	–	–	(2.7)
Loans and derivative financial instruments	(4.1)	(24.5)	9.8	101.0	3,013.9	3,096.1

B: Interest rate and foreign currency management

Derivative financial instruments are used to manage exposure to fluctuations in foreign currency exchange rates and interest rates, but are not employed for speculative purposes. Interest rate swaps are used to manage the interest rate basis of the Group's debt, allowing changes from fixed to floating rates or vice versa. Clear guidelines exist for the Group's ratio of fixed to floating rate debt and management regularly reviews the interest rate profile against these guidelines.

At 31 December 2019, the Group had interest rate swaps of £250.0 million (2018: £250.0 million), maturing in 2020 under which the Group pays interest at a rate linked to LIBOR and receives interest at 6.875%. At 31 December 2019, the fair value of interest rate swaps was an asset of £0.7 million (2018: £2.7 million). The fair value of interest rate swaps is excluded from the Group's borrowings as the fair value will crystallise over the life of the instruments rather than at maturity. The Group does not hedge account for its interest rate swaps and states them at fair value with changes in fair value included in the income statement.

	Fixed rate borrowings			Floating rate borrowings	2019 Total
Interest rate profile	**%**	**Years**	**£m**	**£m**	**£m**
Sterling	**5.4**	**11**	**337.2**	**104.4**	**441.6**
Euro	**2.2**	**4**	**1,829.0**	**284.5**	**2,113.5**
US dollar	**–**	**–**	**–**	**(7.1)**	**(7.1)**
	2.7	**5**	**2,166.2**	**381.8**	**2,548.0**

	Fixed rate borrowings			Floating rate borrowings	2018 Total
Interest rate and currency profile	%	Years	£m	£m	£m
Sterling	5.4	12	365.6	(97.9)	267.7
Euro	2.2	5	1,916.5	921.7	2,838.2
US dollar	–	–	–	(7.1)	(7.1)
	2.7	6	2,282.1	816.7	3,098.8

Net investment hedge

To manage the foreign currency exposure on its net investments in euro-denominated entities, the Group has designated all euro borrowings or synthetic euro borrowings, including euro-denominated bonds, senior notes and currency swaps, as net investment hedges. This designation allows exchange differences on hedging instruments to be recognised directly in equity and offset against the exchange differences on net investments in euro-denominated entities also recognised in equity. The notional and carrying amount of these euro-denominated liabilities designated in a net investment hedge, and the average hedged exchange rate is shown below.

2019	**Bonds[3]**	**Senior notes**	**Cross currency swaps**	**Foreign exchange swaps**	**Total**
Euro notional[1] (€m)	**1,000.0**	**237.0**	**905.0**	**335.7**	**2,477.7**
Carrying amount[2] (£m)	**844.3**	**200.8**	**41.0**	**3.6**	**1,089.7**
Average hedged exchange rate	**£1=€1.264**	**£1=€1.176**	**£1=€1.282**	**£1=€1.195**	

2018	Bonds[3]	Senior notes	Cross currency swaps	Foreign exchange swaps	Total
Euro notional[1] (€m)	1,000.0	237.0	905.0	1,027.7	3,169.7
Carrying amount[2] (£m)	892.3	212.6	80.7	5.9	1,191.5
Average hedged exchange rate	£1=€1.264	£1=€1.176	£1=€1.282	£1=€1.124	

1. The euro notional is the amount due at maturity without netting any receivable of different currency under the same instrument.
2. The carrying amount is the book value at which euro-denominated financial instruments are recognised within borrowings.
3. The fair value of euro-denominated bonds at 31 December 2019 was £879.8 million (2018: £903.5 million).

Cash flow hedge

To manage the impact of foreign exchange movements on the Group's $523 million US dollar borrowings, the Group has used derivatives at an average hedged exchange rate of £1 = $1.408, to swap the cash flows to either euro or sterling, the sterling element of which is designated as a cash flow hedge. At 31 December 2019, the carrying value of derivatives designated in a cash flow hedge was an asset of £22.1 million (2018: £30.6 million). Currency basis is not included in this designation and a cost of hedging reserve is not presented separately as it is considered to be immaterial. This designation allows exchange differences on hedging instruments to be recognised in the cash flow hedge reserve and then recycled to net finance costs in the income statement, to offset against the exchange differences on US dollar borrowings also recognised in net finance costs. The critical terms of the US dollar borrowings and the derivatives match.

21: Financial instruments and risk management continued

C: Profit and loss account and balance sheet management

The Group maintains internal guidelines for interest cover, gearing and other credit ratios. Management monitors the Group's current and projected financial position against these guidelines. Further details of these ratios are provided in the Financial review on page 56.

D: Cash management and liquidity

Cash levels are monitored to ensure sufficient resources are available to meet the Group's operational requirements. Short term money market deposits are used to manage cash resources to maximise the rate of return, giving due consideration to risk. Liquidity requirements are met with an appropriate mix of short and longer-term debt as explained in note 21A.

The maturity analysis of the undrawn element of the revolving credit facilities at 31 December 2019 is summarised below:

	2019 £m	2018 £m
Expiry		
Within two to five years	**1,113.0**	627.0

E: Credit risk

The Group's principal financial assets are trade receivables, restricted monetary assets, cash and deposits, assets held for sale, balances due from joint ventures, other investments, loans receivable, participative loans to associates and derivative financial instruments. The Group's credit risk is attributable to its trade receivables, restricted monetary assets, cash and deposits, assets held for sale and derivative financial instruments. The credit risk on balances due from joint ventures, other investments, loans receivable and participative loans is limited as they are supported by investment properties held within the joint ventures and associates.

Trade receivables consist principally of rents and service charges due from tenants. The balance is low relative to the scale of the balance sheet and the Group's tenant base is diversified, with tenants generally of good financial standing. The majority of tenant leases are long-term contracts with rents payable quarterly in advance. Rent deposits and personal or corporate guarantees are held in respect of some leases. Taking these factors into account, the risk to the Group of individual tenant default and the credit risk of trade receivables are considered low. Trade receivables are presented after deducting a loss allowance provision, as set out in note 16. The Group's most significant tenants are set out in Table 94 of the Additional disclosures on page 194.

The credit risk on cash and deposits and derivative financial instruments is limited because the counterparties are banks, who are committed lenders to the Group, with high credit ratings assigned by international credit-rating agencies. At 31 December 2019, the fair value of interest rate and currency swap assets was £32.4 million (2018: £28.6 million), and the fair value of currency swap liabilities was £74.8 million (2018: £110.8 million), as shown in note 21A. These financial instruments have interest accruals of £11.0 million (2018: £10.6 million) which are recognised within other receivables in note 16. After taking into account the netting impact included within our International Swap and Derivatives Association (ISDA) agreements with each counterparty (which are enforceable on the occurrence of future credit events such as a default), the net positions, including accrued interest would be derivative financial assets of £9.3 million (2018: £7.4 million) and derivative financial liabilities of £40.7 million (2018: £79.0 million). The combined value of derivative financial instruments at 31 December 2019 was therefore a liability of £31.4 million (2018: £71.6 million).

The credit risk on restricted monetary assets, being cash held by the Group and its managing agents on behalf of third parties, is similarly considered low. At 31 December 2019, the Group's maximum exposure to credit risk was £347.0 million (2018: £338.3 million) which excludes derivative financial instruments and balances supported by investment properties.

Financial Statements

F: Financial maturity analysis

The following table is a maturity analysis for the Group's borrowings, cash and deposits and loans receivable. Borrowings are stated net of unamortised fees of £15.4 million (2018: £18.7 million), the maturity of which is analysed in note 21J.

					2019 Maturity
	Less than one year £m	One to two years £m	Two to five years £m	More than five years £m	Total £m
Unsecured sterling fixed rate bonds	–	–	–	**843.7**	**843.7**
Unsecured euro fixed rate bonds	–	–	**844.3**	–	**844.3**
Senior notes					
– £95 million Sterling	–	–	**45.0**	**50.0**	**95.0**
– €237 million Euro	–	**19.1**	**38.5**	**143.2**	**200.8**
– $523 million US dollar	–	**124.6**	**268.9**	–	**393.5**
Unsecured sterling bank loans and overdrafts	–	–	**127.6**	–	**127.6**
Fair value of currency swaps*	**4.0**	**(18.9)**	**(6.5)**	**64.5**	**43.1**
Borrowings (note 21A)	**4.0**	**124.8**	**1,317.8**	**1,101.4**	**2,548.0**
Cash and deposits (note 18)	**(28.2)**	–	–	–	**(28.2)**
Loans receivable (note 15C)	–	–	–	**(1.7)**	**(1.7)**
	(24.2)	**124.8**	**1,317.8**	**1,099.7**	**2,518.1**

					2018 Maturity
	Less than one year £m	One to two years £m	Two to five years £m	More than five years £m	Total £m
Unsecured sterling fixed rate bonds	–	–	–	842.8	842.8
Unsecured euro fixed rate bonds	–	–	892.3	–	892.3
Senior notes					
– £95 million Sterling	–	–	–	95.0	95.0
– €237 million Euro	–	–	20.2	192.4	212.6
– $523 million US dollar	–	–	128.8	279.6	408.4
Unsecured sterling bank loans and overdrafts	–	–	562.8	–	562.8
Fair value of currency swaps*	5.7	–	(13.9)	93.1	84.9
Borrowings (note 21A)	5.7	–	1,590.2	1,502.9	3,098.8
Cash and deposits (note 18)	(31.2)	–	–	–	(31.2)
Loans receivable (note 15C)	–	–	–	(1.8)	(1.8)
	(25.5)	–	1,590.2	1,501.1	3,065.8

* The fair value of currency swaps of £43.1 million (2018: £84.9 million) is included within derivative financial instruments as shown in note 21A.

G: Sensitivity analysis

In managing interest rate and currency risks, the Group aims to reduce the impact of short term fluctuations on the Group's earnings. Changes in foreign exchange and interest rates may have an impact on consolidated earnings over the longer term. The tables below provide indicative sensitivity data.

	2019		2018	
Effect on profit before tax:	Increase in interest rates by 1% £m	Decrease in interest rates by 1% £m	Increase in interest rates by 1% £m	Decrease in interest rates by 1% £m
(Decrease)/Increase	**(3.8)**	**3.8**	(11.1)	11.2

There would have been no effect on amounts recognised directly in equity. The sensitivity has been calculated by applying the interest rate change to the floating rate borrowings, net of interest rate swaps, at the year end.

	2019		2018	
Effect on financial instruments:	Strengthening of sterling against euro by 10% £m	Weakening of sterling against euro by 10% £m	Strengthening of sterling against euro by 10% £m	Weakening of sterling against euro by 10% £m
Increase/(Decrease) in net gain taken to equity	**190.9**	**(233.3)**	258.4	(315.9)
Increase/(Decrease) in profit before tax	**9.4**	**(11.5)**	10.0	(12.2)

The effect on the net gain taken to equity would be more than offset by the effect of exchange rate changes on the euro-denominated assets included in the Group's financial statements. This has been calculated by retranslating the year end euro-denominated financial instruments at the year end foreign exchange rate changed by 10%. Forward foreign exchange contracts have been included in this estimate.

21: Financial instruments and risk management continued

H: Fair values of financial instruments

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

		2019			2018		
	Hierarchy level	Book value £m	Fair value £m	Variance £m	Book value £m	Fair value £m	Variance £m
Unsecured bonds	1	**1,688.0**	**1,847.2**	**159.2**	1,735.1	1,842.0	106.9
Senior notes	2	**689.3**	**706.6**	**17.3**	716.0	713.9	(2.1)
Unsecured bank loans and overdrafts	2	**127.6**	**132.0**	**4.4**	562.8	568.0	5.2
Fair value of currency swaps	2	**43.1**	**43.1**	–	84.9	84.9	–
Borrowings		**2,548.0**	**2,728.9**	**180.9**	3,098.8	3,208.8	110.0
Fair value of interest rate swaps*	2	**(0.7)**	**(0.7)**	–	(2.7)	(2.7)	–
Participative loans to associates	3	**195.2**	**195.2**	–	169.4	169.4	–

* Interest rate swaps are included within current derivative financial instruments on the consolidated balance sheet (see note 21A) at 31 December 2019. At 31 December 2018, interest rate swaps were included within non-current derivative financial instruments.

The following valuation techniques have been applied to determine the fair values of borrowings and interest rate swaps:

Valuation technique	Financial instrument
Quoted market prices	Unsecured bonds
Calculating present value of cash flows using appropriate market discount rates	Senior notes, unsecured bank loans and overdrafts, fair value of currency swaps and fair value of interest rate swaps
Calculation based on the underlying net asset values of the Villages in which the Reported Group holds interests; the assets of the Villages mainly comprise properties held at professional valuation (see note 15C)	Participative loans to associates

Level 3 financial instruments - Participative loans within investments in associates (note 15C)		2019 £m	2018 £m
Balance at 1 January		**169.4**	128.8
Total gains	– in share of results of associates*	**39.6**	5.9
	– in other comprehensive income	**(9.9)**	1.6
Other movements	– acquisitions	**0.9**	32.1
	– movement in (repayments)/advances	**(4.8)**	1.0
Balance at 31 December		**195.2**	169.4

* During the year, assumptions behind the fair value assessment have been revisited, resulting in a change to the participative loan asset. Included in the £39.6 million gain above is £17.1 million relating to the change in assumptions. Comparatives have not been restated.

The valuation technique applied for Level 3 financial instruments is described in the above table. All other factors remaining constant, an increase of 5% in the net asset values of the Villages would increase the carrying amount of the Level 3 financial instruments by £10.4 million. Similarly, a decrease of 5% would decrease the carrying amount by £10.4 million. The fair values of all other financial assets and liabilities equate to their book values.

I: Carrying amounts, gains and losses on financial instruments

The tables below show the classification of financial instruments under accounting standards IFRS 9.

	Notes	Carrying amount £m	Gain/(Loss) to income £m	2019 Gain/(Loss) to equity £m
Balances due from joint ventures	14A	**443.7**	–	–
Loans receivable: non-current assets	15C	**1.7**	**0.1**	–
Other receivables: non-current assets		**1.7**	–	–
Trade and other receivables: current assets	16	**92.5**	**(1.4)**	–
Restricted monetary assets	17	**21.5**	–	–
Cash and deposits	18	**28.2**	–	–
Assets held for sale/discontinued operations[1]		**6.2**	–	–
Financial assets at amortised cost		**595.5**	**(1.3)**	–
Participative loans to associates	15C	**195.2**	**39.6**	**(9.9)**
Assets at fair value through profit and loss		**195.2**	**39.6**	**(9.9)**
Derivative financial instruments	21A	**(42.4)**	**(43.0)**	**139.8**
Net liabilities at fair value through profit and loss		**(42.4)**	**(43.0)**	**139.8**
Payables	21J	**(235.0)**	**(0.2)**	–
Loans	20	**(2,504.9)**	**(84.3)**	**60.9**
Obligations under head leases	22	**(36.9)**	**(2.2)**	–
Liabilities associated with assets held for sale/discontinued operations[2]		**(13.1)**	**(0.2)**	–
Financial liabilities at amortised cost		**(2,789.9)**	**(86.9)**	**60.9**
Total for financial instruments		**(2,041.6)**	**(91.6)**	**190.8**

	Notes	Carrying amount £m	Gain/(Loss) to income £m	2018 Gain/(Loss) to equity £m
Balances due from joint ventures	14A	437.9	–	–
Loans receivable: non-current assets	15C	1.8	0.1	–
Other receivables: non-current assets		1.8	–	–
Trade and other receivables: current assets	16	110.1	(1.0)	–
Restricted monetary assets	17	24.0	–	–
Cash and deposits	18	31.2	–	–
Financial assets at amortised cost		606.8	(0.9)	–
Participative loans to associates	15C	169.4	5.9	1.6
Assets at fair value through profit and loss		169.4	5.9	1.6
Derivative financial instruments	21A	(82.2)	18.2	1.2
Net liabilities at fair value through profit and loss		(82.2)	18.2	1.2
Payables	21J	(242.1)	–	–
Loans	20	(3,013.9)	(150.6)	(17.8)
Obligations under head leases	22	(42.3)	(2.4)	–
Liabilities associated with assets held for sale/discontinued operations		–	(0.2)	–
Financial liabilities at amortised cost		(3,298.3)	(153.2)	(17.8)
Total for financial instruments		(2,604.3)	(130.0)	(15.0)

1. Comprises cash and deposits of £1.6 million, trade receivables of £1.3 million, other receivables of £1.5 million and restricted monetary assets of £1.8 million. See note 10D.
2. Comprises trade payables of £2.3 million, capital expenditure payables of £3.4 million, other payables of £1.6 million, accruals of £2.8 million and obligations under head leases of £3.0 million. See note 10D.

21: Financial instruments and risk management continued

I: Carrying amounts, gains and losses on financial instruments (continued)

The equity gains of £200.7 million, on hedging instruments, shown as the total movement in the net investment and cash flow hedge reserves in the consolidated statement of changes in equity on page 138 comprise gains in relation to derivative financial instruments of £139.8 million and gains in relation to loans of £60.9 million as shown in the table on page 177. This includes cumulative losses of £55.3 million recycled from the net investment hedge reserve to the income statement on disposal of foreign operations. In 2018, the equity losses on hedging instruments of £16.6 million shown as the total movement in the hedging reserves on page 139 comprise a gain of £1.2 million in relation to derivative financial instruments and a loss of £17.8 million for loans. This included a loss of £8.3 million recycled from the net investment hedge reserve. The Group risk management strategies and hedge documentation comply with the requirements of IFRS 9 and are thus treated as continuing hedges. As at 31 December 2019, amounts relating to continuing hedges in the net investment hedge reserve were £120.2 million (2018: £230.1 million). These hedges are due to mature between 2020 and 2031.

The movements in the net investment hedge reserve offset foreign exchange translation losses during the year of £204.3 million (2018: £41.5 million gains) which arise from the retranslation of the net investment in foreign operations and £69.1 million (2018: £10.3 million) of cumulative gains recycled on disposal of foreign operations. These are shown in the consolidated statement of changes in equity as movements in the translation reserve on pages 138 and 139.

The Group designated as a cash flow hedge the cross currency swaps used to manage its foreign currency risk on US dollar loans. In 2019, a loss of £8.4 million (2018: £27.7 million gain) was recognised in the cash flow hedge reserve in respect of these derivatives of which a £15.2 million loss (2018: £23.6 million gain) was recycled to net finance costs. At 31 December 2019, the cash flow hedge reserve includes a loss of £1.4 million (2018: £8.2 million), all of which relates to continuing cash flow hedges. The cash flows are expected to occur between 2020 and 2024.

The ratio for hedging instruments designated in both net investment and cash flow hedge relationships was 1:1. Ineffectiveness could be recognised on either hedging relationship due to significant changes in counterparty credit risk or a reduction in the notional amount of the hedged item during the designated hedging period.

J: Maturity analysis of financial liabilities

The remaining contractual non-discounted cash flows for financial liabilities are as follows:

							2019 Maturity
	Note	Less than one year £m	One to two years £m	Two to five years £m	Five to 25 years £m	More than 25 years £m	Total £m
Payables[1]		**182.6**	**9.5**	**13.6**	**39.3**	**–**	**245.0**
Derivative financial liability cash inflows		**(297.3)**	**(17.9)**	**(226.0)**	**(362.3)**	**–**	**(903.5)**
Derivative financial liability cash outflows		**296.4**	**12.8**	**215.3**	**415.0**	**–**	**939.5**
Non-derivative borrowings	20	**–**	**143.7**	**1,324.4**	**1,036.8**	**–**	**2,504.9**
Non-derivative unamortised borrowing costs		**–**	**–**	**8.1**	**7.3**	**–**	**15.4**
Non-derivative interest		**84.9**	**84.8**	**231.8**	**166.8**	**–**	**568.3**
Head leases – continuing operations	22	**2.2**	**2.2**	**6.6**	**44.2**	**73.3**	**128.5**
Head leases – discontinued operations		**0.1**	**0.1**	**0.4**	**2.3**	**26.1**	**29.0**
		268.9	**235.2**	**1,574.2**	**1,349.4**	**99.4**	**3,527.1**

							2018 Maturity
	Note	Less than one year £m	One to two years £m	Two to five years £m	Five to 25 years £m	More than 25 years £m	Total £m
Payables[1]		202.0	1.7	2.2	36.2	–	242.1
Derivative financial liability cash inflows		(456.7)	(18.1)	(54.2)	(559.4)	–	(1,088.4)
Derivative financial liability cash outflows		461.9	13.5	40.5	655.9	–	1,171.8
Non-derivative borrowings	20	–	–	1,604.1	1,409.8	–	3,013.9
Non-derivative unamortised borrowing costs		–	–	10.3	8.4	–	18.7
Non-derivative interest		94.2	95.3	262.3	184.4	–	636.2
Head leases	22	2.4	2.4	7.3	48.9	105.7	166.7
		303.8	94.8	1,872.5	1,784.2	105.7	4,161.0

1. Comprises current and non-current payables excluding withholding tax on interim dividends of £12.2 million (2018: £12.7 million), deferred income of £14.2 million (2018: £18.1 million) and net pension liabilities of £45.3 million (2018: £47.8 million) as these do not meet the definition of financial liabilities. Total payables of £245.0 million includes £235.0 million relating to continuing operations and £10.0 million relating to discontinued operations.

K: Capital structure

The Group's financing policy is to optimise the weighted average cost of capital by using an appropriate mix of debt and equity, the latter in the form of share capital. Further information on debt is provided in the Financial review on pages 56 and 57, and information on share capital and changes therein is set out in note 24 on page 179 and in the consolidated statement of changes in equity on pages 138 and 139.

22: Obligations under head leases

Head lease obligations in respect of rents payable on leasehold properties are payable as follows:

	2019			2018		
	Minimum lease payments £m	Interest £m	Present value of minimum lease payments £m	Minimum lease payments £m	Interest £m	Present value of minimum lease payments £m
After 25 years	**73.3**	**(41.2)**	**32.1**	105.7	(68.2)	37.5
From five to 25 years	**44.2**	**(39.9)**	**4.3**	48.9	(44.6)	4.3
From two to five years	**6.6**	**(6.3)**	**0.3**	7.3	(7.0)	0.3
From one to two years	**2.2**	**(2.1)**	**0.1**	2.4	(2.3)	0.1
Within one year	**2.2**	**(2.1)**	**0.1**	2.4	(2.3)	0.1
	128.5	**(91.6)**	**36.9**	166.7	(124.4)	42.3

23: Payables: non-current liabilities

	2019 £m	2018 £m
Net pension liability (note 7C)	**44.4**	46.9
Other payables*	**62.1**	40.1
	106.5	87.0

* Other payables include lease liabilities of £6.7 million (2018: £nil) as a result of adopting IFRS 16 to the Group's offices in London, Reading, Dublin and Paris (see note 1). The lease liabilities are payable as follows: £3.1 million from one to two years; £3.5 million from two to five years; and £0.1 million from five to 25 years.

24: Share capital

Called-up, allotted and fully paid	2019 £m	2018 £m
Ordinary shares of 25p each	**191.6**	191.6

The authorised share capital was removed from the Company's Articles of Association in 2010.

	Number
Movements in number of shares in issue	
Number of shares in issue at 1 January 2019	766,352,172
Share buyback	(59,400)
Share options exercised – Savings-Related Share Option Scheme	841
Number of shares in issue at 31 December 2019	**766,293,613**

Share schemes

At 31 December 2019, the Company had three share schemes in operation. The number and weighted average exercise price of share options which remain outstanding in respect of the Savings-Related Share Option Scheme are shown in the tables below, together with details of expiry periods and range of exercise price. The number of ordinary shares which remain outstanding in respect of the Restricted Share Plan and Long Term Incentive Plan are shown, together with their year of grant.

2019	Share options				Ordinary shares of 25p each	
	Number	Year of expiry	Weighted average exercise price	Exercise price (pence)	Number	Year of grant
Savings-Related Share Option Scheme	**541,480**	**2020-2025**	**£3.57**	**170.4-540.4**	–	–
Restricted Share Plan	–	–	–	–	**1,383,179**	**2017-2019**
Long Term Incentive Plan	–	–	–	–	**2,065,609**	**2016-2019**

2018	Share options				Ordinary shares of 25p each	
	Number	Year of expiry	Weighted average exercise price	Exercise price (pence)	Number	Year of grant
Savings-Related Share Option Scheme	551,321	2019-2024	£4.25	356.64-540.4	–	–
Restricted Share Plan	–	–	–	–	997,776	2016-2018
Long Term Incentive Plan	–	–	–	–	2,753,291	2015-2018

25: Analysis of movement in net debt

	2019			2018		
	Cash and deposits £m	Borrowings £m	Net debt £m	Cash and deposits £m	Borrowings £m	Net debt £m
Notes	18	21F		18	21F	
At 1 January	**31.2**	**(3,098.8)**	**(3,067.6)**	205.9	(3,442.7)	(3,236.8)
Cash flow	–	**391.7**	**391.7**	(175.4)	376.0	200.6
Change in fair value of currency swaps	–	**10.7**	**10.7**	–	(5.6)	(5.6)
Exchange	**(1.4)**	**148.4**	**147.0**	0.7	(26.5)	(25.8)
At 31 December	**29.8**	**(2,548.0)**	**(2,518.2)**	31.2	(3,098.8)	(3,067.6)
Cash and deposits reclassified as assets held for sale	**(1.6)**	–	**(1.6)**	–	–	–
At 31 December – excluding assets held for sale	**28.2**	**(2,548.0)**	**(2,519.8)**	31.2	(3,098.8)	(3,067.6)

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

	2019 £m	2018 £m
Amortisation of lease incentives and other costs	**6.2**	7.9
Increase in loss allowance provision	**1.4**	1.0
Increase in accrued rents receivable	**(1.3)**	(1.7)
Depreciation	**5.1**	1.5
Share-based employee remuneration (note 5)	**3.0**	3.4
Other	**(5.5)**	(1.8)
	8.9	10.3

27: Contingent liabilities and capital commitments

There are contingent liabilities of £159.2 million (2018: £73.5 million) relating to guarantees given by the Reported Group and a further £60.4 million (2018: £22.0 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, the Group's share of contingent liabilities arising within joint ventures is £18.8 million (2018: £8.7 million). Contingent liabilities have increased during the year as a result of liabilities associated with potential works on the Group's properties and recent property disposals, although no individual contingency is material to the Group.

The Reported Group also had capital commitments of £70.6 million (2018: £141.2 million) in relation to future capital expenditure on investment and development properties. The Group's share of the capital commitments arising within joint ventures is £33.2 million (2018: £21.8 million).

The risks and uncertainties facing the Group are detailed on pages 58 to 64.

28: Related party transactions and non-controlling interests

A. Joint ventures and associates

Related party transactions with the Group's joint ventures and associates primarily comprise management fees, interest receivable and loan balances. The amounts shown below represent the Group's transactions and balances with its related parties and are shown before any consolidation adjustments.

	2019 £m	2018 £m
Management fees from joint ventures	**14.7**	17.1
Management fees from associates	**1.1**	1.1
Interest receivable from joint ventures	**12.3**	10.3
Interest receivable from associates	**0.1**	0.1
Balances due from joint ventures (note 14A)	**443.7**	437.9
Participative loans to associates (note 15C)	**195.2**	169.4
Loans to associates (note 15C, footnote 2)	**1.7**	1.8

B. Key management

The remuneration of the Directors and other members of the Group Executive Committee (GEC), who are the key management of the Group, is set out below in aggregate. The members of the GEC, including their biographies, are set out on the Group's website. Further information about the remuneration of the individual Directors is disclosed in the audited sections of the Directors' Remuneration report on pages 89 to 122.

	2019 £m	2018 £m
Salaries and short-term benefits	**5.5**	4.6
Post-employment benefits	**0.7**	0.7
Share-based payments	**1.0**	1.3
Total remuneration	**7.2**	6.6

C. Non-controlling interests

The Group's non-controlling interest represents a 35.5% interest held by Assurbail in a French entity which owned Place des Halles, Strasbourg. The entity disposed of its interest in this property in December 2017 and incurred post-disposal costs of £0.4 million in 2018, as shown in note 2 on page 147.

As a result of exchange differences of £0.1 million during the year, at 31 December 2019, non-controlling interests in the consolidated balance sheet were £0.2 million (2018: £0.3 million). Distributions of £nil (2018: £13.3 million), were paid to Assurbail during the year.

29: Post balance sheet events

Since the year end, the Group has completed the sale of Abbey Retail Park for £33 million and exchanged unconditional contracts for the sale of seven retail parks for net proceeds of £395 million. These properties were classified as assets held for sale at 31 December 2019, and impaired to their fair value less selling costs, in accordance with IFRS 5, as detailed in note 10. The sale price was in line with the value utilised to calculate the impairment. Following these disposals, the Group will have £34 million remaining in properties classified as held for sale.

Company balance sheet

as at 31 December 2019

	Notes	2019 £m	2018 £m
Non-current assets			
Investments in subsidiary companies	C	**3,774.9**	4,551.0
Derivative financial instruments	F	**31.6**	24.5
Receivables	D	**4,955.5**	5,784.4
		8,762.0	10,359.9
Current assets			
Receivables		**11.2**	11.1
Derivative financial instruments	F	**0.8**	4.1
Cash and deposits		**2.1**	3.8
		14.1	19.0
Total assets		**8,776.1**	10,378.9
Current liabilities			
Payables	E	**(1,819.2)**	(1,821.3)
Derivative financial instruments	F	**(4.1)**	(9.8)
		(1,823.3)	(1,831.1)
Non-current liabilities			
Loans	F	**(2,504.9)**	(3,013.9)
Derivative financial instruments	F	**(70.7)**	(101.0)
Total liabilities		**(4,398.9)**	(4,946.0)
Net assets		**4,377.2**	5,432.9
Equity			
Called-up share capital	24	**191.6**	191.6
Share premium		**1,266.0**	1,266.0
Merger reserve		**374.1**	374.1
Other reserves		**14.3**	14.3
Revaluation reserve		**1,668.3**	2,955.4
Retained earnings		**865.1**	634.5
Investment in own shares		**(2.2)**	(3.0)
Equity shareholders' funds		**4,377.2**	5,432.9

The profit for the year attributable to equity shareholders and included within retained earnings was £428.6 million (2018: £76.3 million).

These financial statements were approved by the Board of Directors on 25 February 2020.

Signed on behalf of the Board

David Atkins
Director

James Lenton
Director

Registered in England No. 360632

Company statement of changes in equity

for the year ended 31 December 2019

	Share capital £m	Share premium £m	Merger reserve £m	Other reserves[1] £m	Revaluation reserve £m	Retained earnings £m	Investment in own Shares[2] £m	Equity shareholders' funds £m
Balance at 1 January 2019	**191.6**	**1,266.0**	**374.1**	**14.3**	**2,955.4**	**634.5**	**(3.0)**	**5,432.9**
Share buyback – release of 2018 accrual	–	–	–	–	–	**0.8**	–	**0.8**
Cost of shares awarded to employees	–	–	–	–	–	–	**2.6**	**2.6**
Purchase of own shares	–	–	–	–	–	–	**(1.8)**	**(1.8)**
Dividends (note 11)	–	–	–	–	–	**(198.4)**	–	**(198.4)**
Revaluation losses on investments in subsidiary companies (note C)	–	–	–	–	**(1,287.1)**	–	–	**(1,287.1)**
Foreign exchange translation differences on net investment in subsidiaries (note C)	–	–	–	–	–	**(0.4)**	–	**(0.4)**
Profit for the year attributable to equity shareholders	–	–	–	–	–	**428.6**	–	**428.6**
Total comprehensive (loss)/income for the year	–	–	–	–	**(1,287.1)**	**428.2**	–	**(858.9)**
Balance at 31 December 2019	**191.6**	**1,266.0**	**374.1**	**14.3**	**1,668.3**	**865.1**	**(2.2)**	**4,377.2**

1. Other reserves comprise a capital redemption reserve relating to share buybacks.
2. Investment in own shares is stated at cost.

	Share capital £m	Share premium £m	Merger reserve £m	Other reserves[1] £m	Revaluation reserve £m	Retained earnings £m	Investment in own shares[2] £m	Equity shareholders' funds £m
Balance at 1 January 2018	198.6	1,265.9	374.1	7.3	3,301.4	890.5	(0.3)	6,037.5
Issue of shares	–	0.1	–	–	–	–	–	0.1
Share buyback	(7.0)	–	–	7.0	–	(128.9)	–	(128.9)
Cost of shares awarded to employees	–	–	–	–	–	–	3.6	3.6
Purchase of own shares	–	–	–	–	–	–	(6.3)	(6.3)
Dividends (note 11)	–	–	–	–	–	(203.4)	–	(203.4)
Revaluation losses on investments in subsidiary companies (note C)	–	–	–	–	(346.0)	–	–	(346.0)
Profit for the year attributable to equity shareholders	–	–	–	–	–	76.3	–	76.3
Total comprehensive (loss)/income for the year	–	–	–	–	(346.0)	76.3	–	(269.7)
Balance at 31 December 2018	191.6	1,266.0	374.1	14.3	2,955.4	634.5	(3.0)	5,432.9

1. Other reserves comprise a capital redemption reserve relating to share buybacks.
2. Investment in own shares is stated at cost.

The merger reserve comprises the premium on the share placing in September 2014. With regard to this transaction, no share premium is recorded in the Company's financial statements, through the operation of the merger relief provisions of the Companies Act 2006.

A: Accounting policies

Basis of accounting

Although the consolidated Group financial statements are prepared under IFRS, the Hammerson plc Company financial statements presented in this section are prepared in accordance with Financial Reporting Standard 101 (FRS 101) 'Reduced Disclosure Framework' as issued by the Financial Reporting Council.

The financial statements are presented in sterling. They are prepared on the historical cost basis, except that the investments in subsidiary companies and derivative financial instruments are included at fair value. Historical cost is generally based on the fair value of the consideration given in exchange for the goods and services.

Disclosure exemptions adopted

In preparing these financial statements, Hammerson plc has taken advantage of all certain exemptions conferred by FRS 101. Therefore these financial statements do not include:

- certain comparative information as otherwise required by EU endorsed IFRS
- certain disclosures regarding the Company's capital
- a statement of cash flows
- certain disclosures in respect of financial instruments
- the effect of future accounting standards not yet adopted
- disclosure of related party transactions with wholly-owned members of the Group

The above disclosure exemptions have been adopted because equivalent disclosures are included in the consolidated Group financial statements into which Hammerson plc is consolidated.

Accounting policies

The significant accounting policies relevant to the Company are the same as those set out in the accounting policies for the Group in note 1, except for significant judgements and key estimates and investments in subsidiary companies, which are included at fair value. Revaluation movements are included within equity in the revaluation reserve.

The Company's area of estimation uncertainty is in respect of the valuation of investments in subsidiary companies. The Directors determine the valuations with reference to the net assets of the entities. The principal assets of the entities are the investment and development properties either held by the subsidiary or its fellow group undertakings which are valued by professional external valuers. The Directors must ensure they are satisfied that the Company's investment in subsidiary companies is appropriate for the financial statements. The basis of valuation of the Group's investment and development properties is set out in the notes to the financial statements. See note 1 on page 144 and note 13 on page 160. Consistent with the Group's deferred tax recognition treatment, as explained in note 9C, in calculating the net asset values of the subsidiaries, no deduction is made for deferred tax. There are no other significant areas of judgement.

B: Result for the year and dividend

As permitted by section 408 of the Companies Act 2006, the income statement of the Company is not presented as part of these financial statements. The profit for the year attributable to equity shareholders within the financial statements of the Company was £428.6 million (2018: £76.3 million) and includes a net gain of £125.2 million (2018: £26.5 million) in respect of foreign exchange translation movements on the Company's euro and US dollar denominated receivables and borrowings.

Dividend information is provided in note 11 to the financial statements.

C: Investments in subsidiary companies

	2019		2018	
	Cost less provision for permanent diminution in value £m	**Valuation £m**	Cost less provision for permanent diminution in value £m	Valuation £m
Balance at 1 January	**1,561.7**	**4,551.0**	1,561.7	4,897.0
Additions	**511.4**	**511.4**	–	–
Exchange adjustment	**(0.4)**	**(0.4)**	–	–
Revaluation loss	–	**(1,287.1)**	–	(346.0)
Balance at 31 December	**2,072.7**	**3,774.9**	1,561.7	4,551.0

During the year the Company increased its investments in Hammerson International Holdings Limited and Hammerson VIA Jersey Limited by £450.0 million and €65.3 million (£55.7 million) respectively and subscribed for shares in Hammerson Via No 2 Limited at a nominal value of €6.7 million (£5.7 million).

Investments are stated at Directors' valuation.

A list of the subsidiary companies and other related undertakings at 31 December 2019 is included in note G.

D: Receivables: non-current assets

	2019 £m	2018 £m
Amounts owed by subsidiaries and other related undertakings	**4,953.8**	5,782.6
Loans receivable from associate (note 15C)	**1.7**	1.8
	4,955.5	5,784.4

Amounts owed by subsidiaries and other related undertakings are unsecured and bear interest at floating rates based on LIBOR. This includes amounts which are repayable on demand; however, it is the Company's current intention not to seek repayment of these amounts before 31 December 2020.

E: Payables: current liabilities

	2019 £m	2018 £m
Amounts owed to subsidiaries and other related undertakings	**1,765.1**	1,762.1
Withholding tax on interim dividends (note 11)	**12.2**	12.7
Other payables	**–**	0.9
Accruals	**41.9**	45.6
	1,819.2	1,821.3

The amounts owed to subsidiaries and other related undertakings are unsecured, repayable on demand and bear interest at floating rates based on LIBOR.

F: Loans and derivative financial instruments

	Derivative financial instruments						
	Current assets £m	Non-current assets £m	Current liabilities £m	Non-current liabilities £m	Loans > 1 year £m	2019 Total £m	2018 Total £m
Bonds	–	–	–	–	**1,688.0**	**1,688.0**	1,735.1
Bank loans and overdrafts	–	–	–	–	**127.6**	**127.6**	562.8
Senior notes	–	–	–	–	**689.3**	**689.3**	716.0
Fair value of currency swaps	**(0.1)**	**(31.6)**	**4.1**	**70.7**	–	**43.1**	84.9
Borrowings	**(0.1)**	**(31.6)**	**4.1**	**70.7**	**2,504.9**	**2,548.0**	3,098.8
Interest rate swaps	**(0.7)**	–	–	–	–	**(0.7)**	(2.7)
Loans and derivative financial instruments	**(0.8)**	**(31.6)**	**4.1**	**70.7**	**2,504.9**	**2,547.3**	3,096.1

Details of the Group's loans and derivative financial instruments are given in notes 20 and 21 to the financial statements. The fair value of the Company's loans and derivative financial instruments is equal to that of the Reported Group as shown in note 21H.

G: Subsidiaries and other related undertakings

The Company's subsidiaries and other related undertakings at 31 December 2019 are listed below. No Group entities have been excluded from the consolidated financial results.

Direct subsidiaries

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

England and Wales

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

Grantchester Holdings Limited
Hammerson Company Secretarial Limited
Hammerson Employee Share Plan Trustees Limited
Hammerson Group Management Limited
Hammerson Group Management Limited – Irish branch[1]
Hammerson Group Limited
Hammerson International Holdings Limited
Hammerson Pension Scheme Trustees Limited
Hammerson Share Option Scheme Trustees Limited
Hammerson Via No 1 Limited
Hammerson Via No 2 Limited

1. Registered office: Pavilion House, 31 Fitzwilliam Square, Dublin 2, Ireland.

France

Registered office: 40/48 rue Cambon – 23 rue des Capucines 75001 Paris

Hammerson Holding France SAS
Hammerson plc – French branch

G: Subsidiaries and other related undertakings continued

Indirect subsidiaries and other wholly-owned entities

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

England and Wales

Registered office: Kings Place, 90 York Way, London N1 9GE (See page 187 for footnotes)

280 Bishopsgate Investments Limited
Abbey Retail Park Limited (Northern Ireland) [1]
Christchurch UK Limited
Crocusford Limited
Governeffect Limited
Grantchester Developments (Birmingham) Limited
Grantchester Developments (Falkirk) Limited
Grantchester Group Limited
Grantchester Investments Limited
Grantchester Limited
Grantchester Properties (Gloucester) Limited
Grantchester Properties (Luton) Limited
Grantchester Properties (Middlesbrough) Limited
Grantchester Properties (Nottingham) Limited
Grantchester Properties (Port Talbot) Limited
Grantchester Properties (Sunderland) Limited
Grantchester Property Management Limited
Hammerson (60 Threadneedle Street) Limited
Hammerson (9-13 Grosvenor Street) Limited
Hammerson (Abbey) Limited
Hammerson (Bicester No. 2) Limited
Hammerson (Brent Cross) Limited
Hammerson (Brent South) Limited
Hammerson (Bristol Investments) Limited
Hammerson (Bristol) Limited
Hammerson (Cardiff) Limited
Hammerson (Centurion) Limited
Hammerson (Coventry) Limited
Hammerson (Cramlington I) Limited
Hammerson (Cricklewood) Limited
Hammerson (Croydon) Limited
Hammerson (Didcot) Limited
Hammerson (Didcot II) Limited
Hammerson (Euston Square) Limited
Hammerson (Exeter II) Limited
Hammerson (Folkestone) Limited
Hammerson (Grosvenor Street) Limited
Hammerson (Kingston) Limited
Hammerson (Leeds Developments) Limited
Hammerson (Leeds GP) Limited
Hammerson (Leeds Investments) Limited
Hammerson (Leeds) Limited
Hammerson (Leicester GP) Limited
Hammerson (Lichfield) Limited
Hammerson (Merthyr) Limited
Hammerson (Milton Keynes) Limited
Hammerson (Moor House) Properties Limited
Hammerson (Newcastle) Limited
Hammerson (Newtownabbey) Limited
Hammerson (Oldbury) Limited
Hammerson (Renfrew) Limited
Hammerson (Rugby) Limited
Hammerson (Silverburn) Limited (Isle of Man) [2]
Hammerson (Staines) Limited
Hammerson (Telford) Limited
Hammerson (Value Retail Investments) Limited
Hammerson (Via) GP Limited
Hammerson (Victoria Gate) Limited
Hammerson (Victoria Investments) Limited
Hammerson (Victoria Quarter) Limited
Hammerson (Watermark) Limited
Hammerson (Whitgift) Limited
Hammerson Birmingham Properties Limited
Hammerson Bull Ring Limited
Hammerson Croydon (GP1) Limited
Hammerson Croydon (GP2) Limited
Hammerson Investments (No. 12) Limited
Hammerson Investments (No. 13) Limited
Hammerson Investments (No. 16) Limited
Hammerson Investments (No. 23) Limited
Hammerson Investments (No. 26) Limited
Hammerson Investments (No. 35) Limited
Hammerson Investments (No. 36) Limited
Hammerson Investments (No. 37) Limited
Hammerson Investments Limited
Hammerson Junction (No 3) Limited
Hammerson Junction (No 4) Limited
Hammerson LLC (United States) [3]
Hammerson Martineau Galleries Limited
Hammerson MGLP Limited
Hammerson MGLP 2 Limited
Hammerson MLP Limited
Hammerson Moor House (LP) Limited
Hammerson Operations Limited
Hammerson Oracle Investments Limited
Hammerson Oracle Properties Limited
Hammerson Peterborough (GP) Limited
Hammerson Peterborough (No 1) Limited
Hammerson Peterborough (No 2) Limited
Hammerson Project Management Limited
Hammerson Ravenhead Limited
Hammerson Renewable Energy Limited
Hammerson Retail Parks Holdings Limited
Hammerson Sheffield (NRQ) Limited

Indirect subsidiaries and other wholly-owned entities continued

England and Wales continued

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

Hammerson Shelf Co 7 Limited
Hammerson Shelf Co 9 Limited
Hammerson Shelf Co 10 Limited
Hammerson Shelf Co 11 Limited
Hammerson Shelf Co 12 Limited
Hammerson Shelf Co 13 Limited
Hammerson Shelf Co 14 Limited
Hammerson UK Properties plc
Hammerson Wrekin LLP [6]
Junction Nominee 1 Limited
Junction Nominee 2 Limited
Leeds (GP1) Limited
Leeds (GP2) Limited
London & Metropolitan Northern
LWP Limited Partnership [6]
Martineau Galleries (GP) Limited
Martineau Galleries No. 1 Limited
Martineau Galleries No. 2 Limited
Mentboost Limited
Monesan Limited (Northern Ireland) [1]
New Southgate Limited
Precis (1474) Limited (Ordinary and Deferred)
RT Group Developments Limited
RT Group Property Investments Limited
SEVCO 5025 Limited [4]
Spitalfields Developments Limited
Spitalfields Holdings Limited (Ordinary and Preference)
The Junction (General Partner) Limited
The Junction (Thurrock Shareholder GP) Limited
The Junction Limited Partnership [6]
The Junction Thurrock (General Partner) Limited
The Junction Thurrock Limited Partnership [6]
The Martineau Galleries Limited Partnership [6]
Thurrock Shares 1 Limited
Thurrock Shares 2 Limited
Union Square Developments Limited (Scotland) [5]
West Quay (No.1) Limited
West Quay (No.2) Limited
West Quay Shopping Centre Limited
Westchester Holdings Limited
Westchester Property Holdings Limited

Registered offices: (1) 50 Bedford Street, Belfast, BT2 7FW (2) First Names House, Victoria Road, Douglas, Isle of Man IM2 4DF (3) 2711 Centerville Road, Suite 400, Wilmington, Delaware 19808, United States; country of operation is the United Kingdom (4) SG House, 6 St. Cross Road, Winchester, Hampshire, SO23 9HX (5) 1 George Square, Glasgow, G2 1AL (6) No shares in issue for Limited Partnerships.

France

Registered office: 40/48 rue Cambon – 23 rue des Capucines, 75001 Paris

BFN10 GmbH (Germany) [1]
Cergy Expansion 1 SAS
Espace Plus SCI
Hammerson SAS
Hammerson Asset Management SAS
Hammerson Centre Commercial Italie SAS
Hammerson Cergy 1 SCI
Hammerson Cergy 2 SCI
Hammerson Cergy 4 SCI
Hammerson Cergy 5 SCI
Hammerson Développement SCI
Hammerson Europe BV (Netherlands) [2]
Hammerson Fontaine SCI
Hammerson France SAS
Hammerson Marketing et Communication SAS
Hammerson Marseille SC
Hammerson Property Management SAS
Hammerson Troyes SCI
Les Pressing Réunis SARL
Retail Park Nice Lingostière SAS
RC Aulnay 3 SCI
SCI Cergy Cambon SCI
SCI Cergy Capucine SCI
SCI Cergy Honoré SCI
SCI Cergy Lynx SCI
SCI Cergy Madeleine SCI
SCI Cergy Office 1 SCI
SCI Cergy Office 2 SCI
SCI Cergy Office 3 SCI
SCI Cergy Office 4 SCI
SCI Cergy Office 5 SCI
SCI Cergy Office 6 SCI
SCI Cergy Opéra SCI
SCI Cergy Paix SCI
SCI Cergy Royale SCI
SCI Cergy Trois SCI
SCI Cergy Tuileries SCI
SCI Cergy Vendôme SCI
SCI Nevis SCI
SCI Paris Italik SCI
SNC Cergy Expansion 2
Société de gestion des parkings Hammerson (SOGEPH) SARL
Teycpac-H-Italie SAS

Registered offices: (1) Schlossstraße 1, 12163 Berlin, Germany (2) Spoorsinge, 2871 TT, Schoonhoven, Netherlands.

G: Subsidiaries and other related undertakings continued

Indirect subsidiaries and other wholly-owned entities continued

Ireland

Registered office: 6th floor, 2 Grand Canal Square, Dublin 2

Dublin Central GP Limited	Dundrum Village Management Company Limited
Dublin Central Limited Partnership[1]	Hammerson Ireland Investments Limited
Dundrum R&O Park Management Limited	Hammerson Operations (Ireland) Limited
Dundrum Town Centre Management Limited	The Hammerson ICAV

1. No shares in issue for Limited Partnerships.

Jersey

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

Hammerson 60 TNS Unit Trust[1]	Hammerson Victoria Quarter Unit Trust[1]
Hammerson Birmingham Investments Limited[2]	Hammerson VIA (Jersey) Limited
Hammerson Bull Ring (Jersey) Limited[2]	Hammerson VRC (Jersey) Limited
Hammerson Croydon Investments Limited	Hammerson Whitgift Investments Limited
Hammerson Highcross Investments Limited	The Junction Thurrock Unit Trust[1]
Hammerson Junction (No 1) Limited	The Junction Unit Trust[1]
Hammerson Junction (No 2) Limited	The Telford Forge Retail Park Unit Trust[1]

1. No shares in issue for Unit Trusts. The registered office address is that of the appropriate trustee (2) Registered office: 44 Esplanade, St. Helier, Jersey JE4 9WG.

Indirectly held joint venture entities

See page 189 for footnotes

	Country of registration or operation	Class of share held	Ownership %
Bishopsgate Goodsyard Regeneration Limited	England and Wales[1]	Ordinary	50
Brent Cross Partnership	England and Wales[1]	N/A	41
Bristol Alliance (GP) Limited	England and Wales[1]	Ordinary	50
Bristol Alliance Limited Partnership	England and Wales[1]	N/A	50
Bristol Alliance Nominee No. 1 Limited	England and Wales[1]	Ordinary	50
Bristol Alliance Nominee No. 2 Limited	England and Wales[1]	Ordinary	50
BRLP Rotunda Limited	England and Wales[1]	Ordinary	50
Bull Ring (GP) Limited	England and Wales[1]	Ordinary	50
Bull Ring (GP2) Limited	England and Wales[1]	Ordinary	50
Bull Ring Joint Venture Trust	Jersey[2]	N/A	50
Bull Ring No. 1 Limited	England and Wales[1]	Ordinary	50
Bull Ring No. 2 Limited	England and Wales[1]	Ordinary	50
Croydon (GP1) Limited	England and Wales[1]	Ordinary	50
Croydon (GP2) Limited	England and Wales[1]	Ordinary	50
Croydon Car Park Limited	England and Wales[1]	Ordinary	50
Croydon Jersey Unit Trust	Jersey[3]	N/A	50
Croydon Limited Partnership	England and Wales[1]	N/A	50
Croydon Management Services Limited	England and Wales[1]	Ordinary	50
Croydon Property Investments Limited	England and Wales[1]	Ordinary	50
Dundrum Car Park GP Limited	Ireland[4]	Ordinary	50
Dundrum Car Park Limited Partnership	Ireland[4]	N/A	50
Dundrum Retail GP Designated Activity Company	Ireland[4]	Ordinary	50
Dundrum Retail Limited Partnership	Ireland[4]	N/A	50
Grand Central (GP) Limited	England and Wales[1]	Ordinary	50
Grand Central Limited Partnership	England and Wales[1]	N/A	50
Grand Central No 1 Limited	England and Wales[1]	Ordinary	50
Grand Central No 2 Limited	England and Wales[1]	Ordinary	50
Grand Central Unit Trust	Jersey[2]	N/A	50
Hammerson (Leicester) Limited	England and Wales[1]	Ordinary	50
Highcross (GP) Limited	England and Wales[1]	Ordinary	50
Highcross Leicester (GP) Limited	England and Wales[1]	Ordinary	50

Indirectly held joint venture entities continued

	Country of registration or operation	Class of share held	Ownership %
Highcross Leicester Limited	Jersey [3]	N/A	50
Highcross Leicester Limited Partnership	England and Wales [1]	N/A	50
Highcross (No.1) Limited	Jersey [3]	N/A	50
Highcross (No.2) Limited	Jersey [3]	N/A	50
Highcross Residential (Nominees 1) Limited	England and Wales [1]	Ordinary	50
Highcross Residential (Nominees 2) Limited	England and Wales [1]	Ordinary	50
Highcross Residential Properties Limited	England and Wales [1]	Ordinary	50
Highcross Shopping Centre Limited	England and Wales [1]	Ordinary	50
Moor House General Partner Limited	England and Wales [1]	Ordinary	67
Oracle Nominees (No. 1) Limited	England and Wales [1]	Ordinary	50
Oracle Nominees (No. 2) Limited	England and Wales [1]	Ordinary	50
Oracle Nominees Limited	England and Wales [1]	Ordinary	50
Oracle Shopping Centre Limited	England and Wales [1]	Ordinary	50
RC Aulnay 1 SCI	France [5]	Ordinary	25
RC Aulnay 2 SCI	France [5]	Ordinary	25
Reading Residential Properties Limited	England and Wales [1]	Ordinary	50
Retail Property Holdings Limited	Isle of Man [6]	Ordinary	50
Retail Property Holdings (SE) Limited	Guernsey [7]	Ordinary	50
SCI ESQ SCI	France [8]	Ordinary	25
Société Civile de Développement du Centre Commercial de la Place des Halles SDPH SC	France [9]	Ordinary	65
Silverburn Investment Advisor Limited	England and Wales [1]	Ordinary	50
Silverburn Unit Trust	Jersey [3]	N/A	50
The Bull Ring Limited Partnership	England and Wales [1]	N/A	50
The Highcross Limited Partnership	England and Wales [1]	N/A	50
The Moor House Limited Partnership	England and Wales [1]	N/A	67
The Oracle Limited Partnership	England and Wales [1]	N/A	50
The West Quay Limited Partnership	England and Wales [1]	N/A	50
Triskelion Property Holding Designated Activity Company	Ireland [4]	Ordinary	50
VIA (GP) Limited	Jersey [10]	N/A	50
VIA Limited Partnership	Jersey [10]	N/A	50
Whitgift Limited Partnership	England and Wales [1]	N/A	50

Registered offices: (1) Kings Place, 90 York Way, London N1 9GE (2) 44 Esplanade, St Helier, Jersey JE4 9WG (3) 47 Esplanade, St Helier, Jersey JE1 0BD (4) 6th Floor, 2 Grand Canal Square, Dublin 2, Ireland (5) 129 rue Turenne, 75003 Paris (6) First Names House, Victoria Road, Douglas, Isle of Man IM2 4DF (7) Fiman House, St. George's Place, St. Peter Port, Guernsey GY1 2BH (8) 1 cours Michelet – CS 30051, 92076 Paris La Defense (9) 40/48 rue Cambon – 23 rue des Capucines, 75001 Paris (10) Aztec Group House, 11 – 15 Seaton Place, St Helier, Jersey JE4 0QH.

Indirectly held associate entities

	Country of registration or operation	Class of share held	Ownership %[1]
Bicester Investors Limited Partnership	Bermuda [2]	N/A	25
Bicester Investors II Limited Partnership	Bermuda [2]	N/A	25
Master Holding BV	Netherlands [3]	Ordinary	44
SAS Angel Shopping Centre SAS	France [4]	Ordinary	10
SNC Italie Theatre SNC	France [5]	Ordinary	25
SNC Reinventer Italie Vendrezanne SNC	France [5]	Ordinary	25
SNC Vendrezanne SNC	France [5]	Ordinary	25
US Paris LLC	USA [6]	Ordinary	42
Value Retail Investors Limited Partnership	Bermuda [2]	N/A	79
Value Retail Investors II Limited Partnership	Bermuda [2]	N/A	89
Value Retail Investors III Limited Partnership	Bermuda [2]	N/A	27
Value Retail PLC	UK [7]	Ordinary	24
VR Bavaria GmbH	Germany [8]	Ordinary	63
VR European Holdings BV	Netherlands [3]	Ordinary	25
VR Franconia GmbH	Germany [8]	Ordinary	63
VR Ireland BV	Netherlands [3]	Ordinary	54
VR La Vallee BV	Netherlands [3]	Ordinary	28
VR Maasmechelen Tourist Outlets Comm. VA	Belgium [9]	B-shares	26

(1) Ownership % represents Hammerson's effective ownership which is held directly and indirectly in the entities listed above. Registered offices: (2) Victoria Place, 31 Victoria Street, Hamilton, HM10, Bermuda (3) TMF, Luna Arena, Herikerbergweg 238, 1101 CM Amsterdam, Netherlands (4) 1 cours Michelet – CS 30051, 92076 Paris La Defense (5) 40/48 rue Cambon, 75001 Paris (6) 35 Mason Street, Greenwich CT 06830 USA (7) 19 Berkeley Street, London W1J 8ED (8) Almosenberg, 97877, Wertheim, Germany (9) Zetellaan 100, 3630 Maasmechelen, Belgium.

EPRA measures

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

As with other real estate companies, we have adopted the EPRA Best Practice Recommendations (BPR) and were again awarded an EPRA Gold Award for compliance with the EPRA BPR and sustainability BPR for our 2018 Annual Report. Further information on EPRA and the EPRA BPR can be found on their website www.epra.com. Details of our key EPRA metrics are shown in Table 89.

Table 89

EPRA performance measures

Performance	2019	2018	Definition and commentary	Page
Earnings	**£214.3m**	£240.2m	Recurring earnings from core operational activities. In 2019, EPRA earnings were £0.3 million higher (2018: £0.1 million lower) then 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 12B of the financial statements) and which management believes distorts the underlying earnings of the Group.	157
Earnings per share (EPS)	**28.0p**	30.5p	EPRA earnings divided by the weighted average number of shares in issue during the period. Despite the adjustment due to the VIA Outlets intragroup funding loan, stated in 'Earnings' above, for 2019 the EPRA EPS is equal to the Group's adjusted EPS of 28.0p.	157
Net asset value (NAV) per share	**£6.01**	£7.38	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.	159
Triple net asset value (NNNAV) per share	**£5.48**	£6.95	Equity shareholders' funds adjusted to include the fair values of borrowings.	159
Net Initial Yield (NIY)	**5.1%**	4.6%	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.	196
Topped-up NIY	**5.2%**	4.7%	EPRA NIY adjusted for the expiry of rent-free periods and future rent on signed leases.	196
Vacancy rate	**2.8%**	2.8%	The estimated market rental value (ERV) of vacant space divided by the ERV of the lettable area. Occupancy is the inverse of vacancy.	191
Cost ratio (incl. net service charge expenses – vacancy)	**25.7%**	21.9%	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.	194
Cost ratio (excl. net service charge expenses – vacancy)	**23.3%**	20.4%	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. This metric excludes net service charges in relation to vacancy.	194
Sustainability (LFL annual change)*				
Electricity	**-12%**	-10%	Electricity consumption of the EPRA like-for-like portfolio for a full reporting year.	
Fuels	**-15%**	-18%	Gas consumption of the EPRA like-for-like portfolio for a full reporting year.	
GHG Direct	**-11%**	-11%	Greenhouse gas emissions emitted from onsite combustion of energy.	
GHG Indirect	**-13%**	-19%	Greenhouse gas emissions emitted from offsite combustion (purchased electricity and heat) over a full reporting year.	

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

Basis of preparation

At 31 December 2019, the UK retail parks portfolio was reclassified as 'held for sale' as detailed in notes 1 and 10 to the financial statements. This required the re-measurement of the portfolio to its fair value less anticipated selling costs, resulting in the recognition of a £92 million impairment loss. Furthermore, as this represented the majority of the UK retail parks segment, the results for both the current and prior year were reclassified as "discontinued operations". For the purposes of the Additional disclosures metrics, the results of the UK retail parks have been fully consolidated, consistent with management reporting. Valuation movements, yield and returns metrics are based on the formal valuation at 31 December 2019 and exclude the subsequent impairment loss.

Portfolio analysis

Rental information

Table 90

Rental data for the year ended 31 December 2019

Proportionally consolidated excluding premium outlets	Gross rental income £m	Net rental income £m	Vacancy rate[1] %	ERV of vacant space £m	Average rents passing[2] £/m	Rents passing[3] £m	Estimated rental value (ERV)[4] £m	Reversion/ (over-rented) %
UK	158.2	130.7	3.0	4.0	490	145.9	154.5	3.0
France	82.1	72.0	3.0	2.0	455	60.2	65.1	4.9
Ireland	41.8	38.0	0.4	0.1	500	39.6	42.2	6.3
Flagship destinations	**282.1**	**240.7**	**2.5**	**6.1**	**480**	**245.7**	**261.8**	**4.0**
UK retail parks	52.5	49.1	2.7	1.1	220	44.5	42.5	(7.5)
UK other	11.3	8.2	7.5	0.9	150	10.6	12.0	3.8
Investment portfolio	**345.9**	**298.0**	**2.8**	**8.1**	**405**	**300.8**	**316.3**	**2.4**
Developments[5]	15.1	10.5						
Property portfolio	**361.0**	**308.5**						
Analysed as:								
Continuing operations	**308.5**	**259.4**						
Discontinued operations[6]	**52.5**	**49.1**						
Data for the year ended 31 December 2018								
UK	178.2	151.9	2.4	3.6	515	155.5	169.3	6.4
France	83.4	74.8	2.9	2.6	480	79.9	89.3	8.3
Ireland	44.2	40.4	1.0	0.4	525	43.2	45.3	3.9
Flagship destinations	**305.8**	**267.1**	**2.4**	**6.6**	**505**	**278.6**	**303.9**	**6.6**
UK retail parks	63.5	59.1	3.1	1.8	210	58.4	59.7	(1.1)
UK other	12.4	8.9	10.8	1.4	170	11.4	13.3	4.3
Investment portfolio	**381.7**	**335.1**	**2.8**	**9.8**	**415**	**348.4**	**376.9**	**5.2**
Developments	17.1	12.4						
Property portfolio	**398.8**	**347.5**						
Analysed as:								
Continuing operations	**335.2**	**288.4**						
Discontinued operations[6]	**63.6**	**59.1**						

1. More information on vacancy is provided in the Operating review on pages 20 to 33.
2. Average rents passing at the year end before deducting head and equity rents and excluding rents passing from anchor units and car parks.
3. Passing rents is 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.
4. 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 2019 was £141.3 million (2018: £190.2 million).
5. Rental income for developments is principally in relation to the Whitgift Centre, Croydon, Dublin Central and ancillary properties associated with future City Quarters projects in Dublin and Leeds.
6. Discontinued operations relates solely to the UK retail parks portfolio.

Rent reviews
Table 91

Rent reviews as at 31 December 2019

Proportionally consolidated excluding premium outlets	Rents passing subject to review in[1] Outstanding £m	2020 £m	2021 £m	2022 £m	Total £m	Current ERV of leases subject to review in[2] Outstanding £m	2020 £m	2021 £m	2022 £m	Total £m
UK	21.9	12.6	14.9	13.3	62.7	22.7	12.9	15.0	13.6	64.2
Ireland	4.0	14.5	4.3	2.7	25.5	4.6	16.3	4.8	3.1	28.8
Flagship destinations	**25.9**	**27.1**	**19.2**	**16.0**	**88.2**	**27.3**	**29.2**	**19.8**	**16.7**	**93.0**
UK retail parks	5.8	10.5	8.3	4.4	29.0	5.9	10.7	8.4	4.5	29.5
UK other	1.4	0.6	0.6	0.6	3.2	1.5	0.6	0.6	0.6	3.3
Investment portfolio[3]	**33.1**	**38.2**	**28.1**	**21.0**	**120.4**	**34.7**	**40.5**	**28.8**	**21.8**	**125.8**

1. The amount of rental income, based on rents passing at 31 December 2019, 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 2019.
3. Leases in France are not subject to rent reviews but are adjusted annually based on French indexation indices.

Lease expiries and breaks
Table 92

Lease expiries and breaks as at 31 December 2019

Proportionally consolidated excluding premium outlets	Rents passing that expire/break in[1] Outstanding £m	2020 £m	2021 £m	2022 £m	Total £m	ERV of leases that expire/break in[2] Outstanding £m	2020 £m	2021 £m	2022 £m	Total £m	Weighted average unexpired lease term to break years	to expiry years
UK	10.0	12.4	13.8	15.3	51.5	11.5	16.9	12.7	14.4	55.5	6.3	11.7
France	3.9	2.9	1.7	2.4	10.9	4.2	3.7	1.8	2.4	12.1	2.3	4.9
Ireland	1.4	3.0	2.6	2.8	9.8	1.4	3.8	2.8	2.9	10.9	6.5	9.6
Flagship destinations	**15.3**	**18.3**	**18.1**	**20.5**	**72.2**	**17.1**	**24.4**	**17.3**	**19.7**	**78.5**	**5.2**	**9.5**
UK retail parks	2.0	4.5	4.6	2.9	14.0	1.9	4.3	4.1	2.7	13.0	6.4	7.8
UK other	1.5	1.6	1.6	0.7	5.4	1.6	1.9	1.6	0.8	5.9	6.7	8.7
Investment portfolio	**18.8**	**24.4**	**24.3**	**24.1**	**91.6**	**20.6**	**30.6**	**23.0**	**23.2**	**97.4**	**5.5**	**9.2**

1. The amount of rental income, based on rents passing at 31 December 2019, 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 2019 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 93

Net rental income for the year ended 31 December 2019

Proportionally consolidated excluding premium outlets	Properties owned throughout 2018/19 £m	Inc/(Dec) for properties owned throughout 2018/19 %	Acquisitions £m	Disposals £m	Developments and other £m	Total £m
UK	130.1	**(6.7)**	–	0.6	–	130.7
France	42.0	**2.1**	–	14.9	16.3	73.2
Ireland	37.9	**(5.0)**	–	–	3.4	41.3
Flagship destinations	**210.0**	**(4.7)**	**–**	**15.5**	**19.7**	**245.2**
UK retail parks	37.9	**(1.4)**	–	9.9	1.3	49.1
UK other	–	**–**	–	0.1	14.1	14.2
Property portfolio[1]	**247.9**	**(4.2)**	**–**	**25.5**	**35.1**	**308.5**
Analysed as:						
Continuing operations	**210.0**	**(4.7)**	**–**	**15.6**	**33.8**	**259.4**
Discontinued operations[2]	**37.9**	**(1.4)**	**–**	**9.9**	**1.3**	**49.1**

Net rental income for the year ended 31 December 2018

Proportionally consolidated excluding premium outlets	Properties owned throughout 2018/19 £m	Exchange £m	Acquisitions £m	Disposals £m	Developments and other £m	Total £m
UK	139.3	–	–	12.0	0.9	152.2
France	41.1	0.6	–	16.6	18.5	76.8
Ireland	39.9	0.3	–	0.1	3.5	43.8
Flagship destinations	**220.3**	**0.9**	**–**	**28.7**	**22.9**	**272.8**
UK retail parks	38.6	–	–	19.8	0.7	59.1
UK other	–	–	–	0.6	15.0	15.6
Property portfolio[1]	**258.9**	**0.9**	**–**	**49.1**	**38.6**	**347.5**
Analysed as:						
Continuing operations	**220.3**	**0.9**	**–**	**29.3**	**37.9**	**288.4**
Discontinued operations[2]	**38.6**	**–**	**–**	**19.8**	**0.7**	**59.1**

1. The Property portfolio value on which LFL growth is based was £4,542 million as at 31 December 2019 (2018: £6,012 million)
2. Discontinued operations relates solely to the UK retail parks portfolio.

Top ten tenants
Table 94

Ranked by passing rent at 31 December 2019

Proportionally consolidated, excluding premium outlets, including UK retail parks	Passing rent £m	% of total passing rent
H&M	8.9	3.0
Inditex	8.4	2.8
Next	7.4	2.5
Boots	5.4	1.8
Marks & Spencer	5.1	1.7
B&Q	4.6	1.5
TK Maxx	4.6	1.5
River Island	4.6	1.5
Frasers Group	4.5	1.5
Debenhams	3.9	1.3
Total	**57.4**	**19.1**

Cost ratio
Table 95

EPRA cost ratio

Proportionally consolidated excluding premium outlets	Continuing operations £m	Discontinued operations £m	Year ended 31 December 2019 £m	Continuing operations £m	Discontinued operations £m	Year ended 31 December 2018 £m
Net service charge expenses – non-vacancy	7.8	0.2	8.0	8.1	0.3	8.4
Net service charge expenses – vacancy	7.8	0.7	8.5	5.1	0.8	5.9
Net service charge expenses – total	15.6	0.9	16.5	13.2	1.1	14.3
Other property outgoings	30.7	2.1	32.8	30.7	2.8	33.5
Less inclusive lease costs recovered through rent	(7.4)	(0.2)	(7.6)	(7.4)	(0.3)	(7.7)
Total property costs (for cost ratio)	38.9	2.8	41.7	36.5	3.6	40.1
Employee and corporate costs	55.8	1.4	57.2	53.7	1.3	55.0
Management fees receivable	(8.9)	–	(8.9)	(10.3)	–	(10.3)
Total operating costs (for cost ratio)	85.8	4.2	90.0	79.9	4.9	84.8
Gross rental income	308.5	52.5	361.0	335.2	63.6	398.8
Ground and equity rents payable	(2.8)	(0.4)	(3.2)	(2.9)	(0.6)	(3.5)
Less inclusive lease costs recovered through rent	(7.4)	(0.2)	(7.6)	(7.4)	(0.3)	(7.7)
Gross rental income (for cost ratio)	298.3	51.9	350.2	324.9	62.7	387.6
EPRA cost ratio including net service charge expenses – vacancy (%)	28.8	8.1	25.7	24.6	7.8	21.9
EPRA cost ratio excluding net service charge expenses – vacancy (%)	26.1	6.7	23.3	23.0	6.5	20.4

Our business model for developments is to use a combination of in-house staff and external advisors. The cost of external advisors is capitalised to the cost of developments. The cost of staff working on developments is generally expensed, but capitalised subject to meeting certain criteria related to the degree of time spent on and the stage of progress of specific projects. During the year ended 31 December 2019, staff costs of £1.8 million (2018: £1.3 million) were capitalised as development costs and are not included within 'Employee and corporate costs'.

Valuation analysis

Table 96

Valuation analysis at 31 December 2019

Proportionally consolidated including premium outlets	Properties at valuation[1] £m	Revaluation in the year £m	Capital return %	Total return %	Initial yield %	True equivalent yield %	Nominal equivalent yield[2] %
UK	2,351.3	(581.8)	(19.9)	(15.8)	5.5	6.2	6.0
France	1,269.0	(130.6)	(10.2)	(6.5)	4.1	4.7	4.6
Ireland	860.0	(71.6)	(7.5)	(3.6)	4.1	4.7	4.6
Flagship destinations	**4,480.3**	**(784.0)**	**(14.8)**	**(10.8)**	**4.8**	**5.5**	**5.3**
UK retail parks	453.3	(124.9)	(19.5)	(14.0)	7.3	7.6	7.3
UK other	134.5	(41.2)	(23.6)	(19.3)	7.4	9.4	8.8
Investment portfolio	**5,068.1**	**(950.1)**	**(15.6)**	**(11.5)**	**5.1**	**5.8**	**5.6**
Developments	599.6	(77.9)	(10.7)	(9.2)			
Property portfolio – excluding premium outlets	**5,667.7**	**(1,028.0)**	**(15.8)**	**(11.9)**			
Premium outlets[3]	2,659.1	199.8	8.2	13.6			
Total Group[4]	**8,326.8**	**(828.2)**	**(9.8)**	**(5.6)**			
Analysed as:							
Continuing operations	**7,870.3**	**(703.3)**					
Discontinued operations[5]	**456.5**	**(124.9)**					

Data for the year ended 31 December 2018	Properties at valuation[1] £m	Revaluation in the year £m	Capital return %	Total return %	Initial yield %	True equivalent yield %	Nominal equivalent yield[2] %
UK	2,920.9	(346.6)	(10.6)	(6.5)	4.8	5.5	5.3
France	1,885.2	(14.3)	(1.7)	2.2	3.7	4.3	4.2
Ireland	978.5	9.0	0.9	5.2	3.9	4.5	4.4
Flagship destinations	**5,784.6**	**(351.9)**	**(6.2)**	**(2.1)**	**4.3**	**4.9**	**4.8**
UK retail parks	873.1	(126.3)	(13.2)	(8.5)	6.0	6.8	6.5
UK other	173.3	6.9	4.5	9.2	5.7	8.0	7.6
Investment portfolio	**6,831.0**	**(471.3)**	**(7.0)**	**(2.8)**	**4.6**	**5.3**	**5.1**
Developments	648.5	22.7	4.1	6.2			
Property portfolio – excluding premium outlets	**7,479.5**	**(448.6)**	**(6.2)**	**(2.1)**			
Premium outlets[3]	2,458.8	56.2	2.4	7.4			
Total Group[4]	**9,938.3**	**(392.4)**	**(4.3)**	**0.0**			
Analysed as:							
Continuing operations	**9,938.3**	**(267.8)**					
Discontinued operations[5]	**–**	**(124.6)**					

1. Includes impairment of £92 million recognised following reclassification of UK retail parks to assets held for sale. Valuation movements, returns and yields have been calculated excluding this impairment loss.
2. Nominal equivalent yields are included within the unobservable inputs to the portfolio valuations as defined by IFRS 13. This information has been subject to audit. The nominal equivalent yield for the Reported Group at 31 December 2019 was 5.8% (2018: 5.1%).
3. Represents the Group's share of premium outlets through its investments in Value Retail and VIA Outlets.
4. Further analysis of capital expenditure between Reported Group and Share of Property interests is included in note 3B on page 149.
5. Discontinued operations relates solely to the UK retail parks portfolio and includes £3.2 million (2018: £7.2 million) of properties within the Development portfolio.

EPRA Net Initial Yield (NIY)
Table 97

Investment portfolio as at 31 December 2019

Proportionally consolidated excluding premium outlets	2019 £m	2018 £m
Property portfolio - excluding premium outlets – wholly owned	2,098.7	3,830.4
Property portfolio - excluding premium outlets – share of property interests	3,112.5	3,649.1
Property portfolio - excluding premium outlets – assets held for sale/discontinued operations	456.5	–
Net investment portfolio valuation on a proportionally consolidated basis	**5,667.7**	7,479.5
Less: Developments	(599.6)	(648.5)
Completed investment portfolio	**5,068.1**	6,831.0
Add: Impairment recognised on reclassification to held for sale	92.0	–
Purchasers' costs[1]	353.7	420.0
Grossed up completed investment portfolio (A)	**5,513.8**	7,251.0
Annualised cash passing rental income	299.5	344.7
Non recoverable costs	(11.6)	(11.0)
Rents payable	(4.5)	(4.8)
Annualised net rent (B)	**283.4**	328.9
Add:		
Notional rent expiration of rent free periods[2]	4.8	4.7
Future rent on signed leases	1.0	3.8
Topped-up annualised net rent (C)	**289.2**	337.4
Add back: Non recoverable costs	11.6	11.0
Passing rents[3]	**300.8**	348.4
EPRA net initial yield (B/A)	**5.1%**	4.6%
EPRA 'topped-up' net initial yield (C/A)	**5.2%**	4.7%

1. Purchasers' costs equate to 6.9% (2018: 6.1%) of the net portfolio value prior to impairment.
2. The weighted average remaining rent-free period is 0.4 years.
3. Passing rent is 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

EPRA - capital expenditure
Table 98

	2019			2018		
	Reported group £m	**Share of Property interests £m**	**Proportionally consolidated £m**	Reported group £m	Share of Property interests £m	Proportionally consolidated £m
Acquisitions	1	–	1	12	-	12
Developments	48	3	51	66	18	84
Capital expenditure – creating area	13	3	16	15	5	20
Capital expenditure – no additional area	14	10	24	62	12	74
Tenant incentives	3	3	6	(6)	(1)	(7)
Total capital expenditure	**79**	**19**	**98**	149	34	183
Conversion from accruals to cash basis	2	10	12	13	34	47
Total capital expenditure on cash basis	**81**	**29**	**110**	162	68	230

Further analysis of capital expenditure between the creation of additional area and the creation of value through enhancement of existing space is provided in the Property portfolio review on page 47.

Share of Property interests

The Group's Share of Property interests reflects the Group's Property joint ventures as shown in note 14 to the financial statements on pages 161 to 166 and the Group's interests in Italie Deux and Nicetoile, which are accounted for as associates, as shown in note 15 to the financial statements on pages 167 to 170.

Income statement

Table 99

	2019			2018		
	Property joint ventures £m	Italie Deux and Nicetoile £m	Share of Property interests £m	Property joint ventures[1] £m	Nicetoile £m	Share of Property interests £m
Gross rental income	**175.3**	**1.8**	**177.1**	174.0	1.6	175.6
Net rental income	**146.4**	**1.6**	**148.0**	149.4	1.4	150.8
Administration expenses	**(0.5)**	**–**	**(0.5)**	(0.2)	–	(0.2)
Operating profit before other net (losses)	**145.9**	**1.6**	**147.5**	149.2	1.4	150.6
Revaluation losses on properties	**(591.5)**	**(2.8)**	**(594.3)**	(271.7)	(0.5)	(272.2)
Operating (loss)/profit	**(445.6)**	**(1.2)**	**(446.8)**	(122.5)	0.9	(121.6)
Change in fair value of derivatives	**(2.6)**	**–**	**(2.6)**	(1.4)	–	(1.4)
Other finance costs	**(8.8)**	**–**	**(8.8)**	(7.0)	–	(7.0)
Net finance costs	**(11.4)**	**–**	**(11.4)**	(8.4)	–	(8.4)
(Loss)/Profit before tax	**(457.0)**	**(1.2)**	**(458.2)**	(130.9)	0.9	(130.0)
Current tax charge	**(0.3)**	**–**	**(0.3)**	(0.1)	–	(0.1)
(Loss)/Profit for the year	**(457.3)**	**(1.2)**	**(458.5)**	(131.0)	0.9	(130.1)

Balance sheet

Table 100

	2019			2018		
	Property joint ventures £m	Italie Deux and Nicetoile £m	Share of Property interests £m	Property joint ventures £m	Nicetoile £m	Share of Property interests £m
Non-current assets						
Investment and development properties	**2,964.6**	**147.9**	**3,112.5**	3,619.8	29.3	3,649.1
Interests in leasehold properties	**15.6**	**–**	**15.6**	15.6	–	15.6
Other non-current assets	**2.6**	**–**	**2.6**	0.6	–	0.6
	2,982.8	**147.9**	**3,130.7**	3,636.0	29.3	3,665.3
Current assets						
Other current assets	**78.0**	**1.2**	**79.2**	75.4	0.3	75.7
Cash and deposits	**65.3**	**2.3**	**67.6**	70.0	1.2	71.2
	143.3	**3.5**	**146.8**	145.4	1.5	146.9
Total assets	**3,126.1**	**151.4**	**3,277.5**	3,781.4	30.8	3,812.2
Current liabilities						
Other payables	**(69.0)**	**(1.0)**	**(70.0)**	(71.0)	(0.2)	(71.2)
	(69.0)	**(1.0)**	**(70.0)**	(71.0)	(0.2)	(71.2)
Non-current liabilities						
Loans	**(391.9)**	**–**	**(391.9)**	(409.3)	–	(409.3)
Derivative financial instruments	**(3.9)**	**–**	**(3.9)**	(1.4)	–	(1.4)
Obligations under head leases	**(15.8)**	**–**	**(15.8)**	(15.6)	–	(15.6)
Other payables	**(7.3)**	**(1.2)**	**(8.5)**	(5.9)	(0.2)	(6.1)
Deferred tax	**(0.1)**	**–**	**(0.1)**	–	–	–
	(419.0)	**(1.2)**	**(420.2)**	(432.2)	(0.2)	(432.4)
Total liabilities	**(488.0)**	**(2.2)**	**(490.2)**	(503.2)	(0.4)	(503.6)
Net assets	**2,638.1**	**149.2**	**2,787.3**	3,278.2	30.4	3,308.6

1. Income statement for 2018 includes Brent South Shopping Park.

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 101 and 102 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 15 to the financial statements on pages 167 to 170 and for VIA Outlets in note 14 to the financial statements on pages 161 to 166.

Income statement

Table 101

Aggregated premium outlets income summary

	2019 Value Retail £m	2019 VIA Outlets £m	2019 Total £m	2018 Value Retail £m	2018 VIA Outlets £m	2018 Total £m
Gross rental income	**135.7**	**45.6**	**181.3**	117.7	42.6	160.3
Net rental income	**95.1**	**31.8**	**126.9**	81.2	31.9	113.1
Administration expenses	**(44.4)**	**(6.5)**	**(50.9)**	(37.8)	(7.2)	(45.0)
Operating profit before other net gains	**50.7**	**25.3**	**76.0**	43.4	24.7	68.1
Revaluation gains on properties	**170.7**	**29.1**	**199.8**	45.0	11.2	56.2
Operating profit	**221.4**	**54.4**	**275.8**	88.4	35.9	124.3
Change in fair value of derivatives	**(28.5)**	**(0.9)**	**(29.4)**	(1.3)	(2.2)	(3.5)
Change in fair value of participative loans	**39.6**	**–**	**39.6**	5.9	–	5.9
Other finance costs	**(21.0)**	**(7.9)**	**(28.9)**	(19.5)	(7.5)	(27.0)
Profit before tax	**211.5**	**45.6**	**257.1**	73.5	26.2	99.7
Current tax charge	**(3.3)**	**(2.5)**	**(5.8)**	(2.3)	(2.2)	(4.5)
Deferred tax credit/(charge)	**2.4**	**(8.8)**	**(6.4)**	(14.4)	0.6	(13.8)
Share of results (IFRS)	**210.6**	**34.3**	**244.9**	56.8	24.6	81.4
Less adjustments:						
Revaluation gains on properties	**(170.7)**	**(29.1)**	**(199.8)**	(45.0)	(11.2)	(56.2)
Change in fair value of derivatives	**28.5**	**0.9**	**29.4**	1.3	2.2	3.5
Change in fair value of financial assets	**(0.3)**	**–**	**(0.3)**	–	–	–
Deferred tax (credit)/charge	**(2.4)**	**8.8**	**6.4**	14.4	(0.6)	13.8
Other adjustments	**(34.5)**	**(0.3)**	**(34.8)**	(1.5)	0.1	(1.4)
	(179.4)	**(19.7)**	**(199.1)**	(30.8)	(9.5)	(40.3)
Adjusted earnings of premium outlets	**31.2**	**14.6**	**45.8**	26.0	15.1	41.1

Balance sheet

Table 102

Aggregated premium outlets investment summary

	2019 Value Retail £m	2019 VIA Outlets £m	2019 Total £m	2018 Value Retail £m	2018 VIA Outlets £m	2018 Total £m
Investment properties	**1,965.6**	**693.5**	**2,659.1**	1,823.0	635.8	2,458.8
Net debt	**(658.2)**	**(237.5)**	**(895.7)**	(657.6)	(242.4)	(900.0)
Other net assets/(liabilities)	**47.9**	**(77.0)**	**(29.1)**	45.7	(67.1)	(21.4)
Share of net assets (IFRS)	**1,355.3**	**379.0**	**1,734.3**	1,211.1	326.3	1,537.4
Less adjustments:						
Fair value of derivatives	**12.7**	**4.0**	**16.7**	5.7	3.1	8.8
Deferred tax	**201.0**	**69.2**	**270.2**	214.6	59.8	274.4
Goodwill as a result of deferred tax	**(63.2)**	**(7.4)**	**(70.6)**	(63.1)	(3.6)	(66.7)
	150.5	**65.8**	**216.3**	157.2	59.3	216.5
Adjusted investment	**1,505.8**	**444.8**	**1,950.6**	1,368.3	385.6	1,753.9

In addition to the above figures, at 31 December 2019 the Group had provided loans of £1.7 million (2018: £1.8 million) to Value Retail for which the Group received interest of £0.1 million in 2019 (2018: £0.1 million) which is included within finance income in note 8 to the financial statements on page 152.

Proportionally consolidated information

Note 2 to the financial statements on pages 146 to 148 shows the proportionally consolidated income statement. The proportionally consolidated balance sheet, adjusted finance costs and net debt are shown in Tables 103, 104 and 105 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 14 to the financial statements on pages 161 to 166 and Italie Deux and Nicetoile as shown in note 15 to the financial statements on pages 167 to 170. Column C shows the Group's proportionally consolidated figures by aggregating the Reported Group and Share of Property interests figures. As explained on page 50 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 103

Balance sheet as at 31 December 2019

		2019			2018	
	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	**2,098.7**	**3,112.5**	**5,211.2**	3,830.4	3,649.1	7,479.5
Interests in leasehold properties	**34.3**	**15.6**	**49.9**	39.9	15.6	55.5
Right of use assets	**10.1**	**–**	**10.1**	–	–	–
Plant and equipment	**3.2**	**–**	**3.2**	4.5	–	4.5
Investment in joint ventures	**3,017.1**	**(2,638.1)**	**379.0**	3,604.5	(3,278.2)	326.3
Investment in associates	**1,504.5**	**(149.2)**	**1,355.3**	1,241.5	(30.4)	1,211.1
Derivative financial instruments	**31.6**	**–**	**31.6**	24.5	–	24.5
Receivables	**3.4**	**2.6**	**6.0**	3.6	0.6	4.2
	6,702.9	**343.4**	**7,046.3**	8,748.9	356.7	9,105.6
Current assets						
Receivables	**96.3**	**30.5**	**126.8**	113.8	26.6	140.4
Derivative financial instruments	**0.8**	**–**	**0.8**	4.1	–	4.1
Restricted monetary assets	**21.5**	**48.7**	**70.2**	24.0	49.1	73.1
Cash and deposits	**28.2**	**67.6**	**95.8**	31.2	71.2	102.4
	146.8	**146.8**	**293.6**	173.1	146.9	320.0
Assets held for sale	**465.7**	**1.3**	**467.0**	–	–	–
	612.5	**148.1**	**760.6**	173.1	146.9	320.0
Total assets	**7,315.4**	**491.5**	**7,806.9**	8,922.0	503.6	9,425.6
Current liabilities						
Payables	**(193.5)**	**(70.0)**	**(263.5)**	(233.7)	(71.2)	(304.9)
Tax	**(1.5)**	**–**	**(1.5)**	(0.9)	–	(0.9)
Derivative financial instruments	**(4.1)**	**–**	**(4.1)**	(9.8)	–	(9.8)
	(199.1)	**(70.0)**	**(269.1)**	(244.4)	(71.2)	(315.6)
Liabilities associated with assets held for sale	**(19.7)**	**(1.3)**	**(21.0)**	–	–	–
	(218.8)	**(71.3)**	**(290.1)**	(244.4)	(71.2)	(315.6)
Non-current liabilities						
Loans	**(2,504.9)**	**(391.9)**	**(2,896.8)**	(3,013.9)	(409.3)	(3,423.2)
Deferred tax	**(0.4)**	**(0.1)**	**(0.5)**	(0.5)	–	(0.5)
Derivative financial instruments	**(70.7)**	**(3.9)**	**(74.6)**	(101.0)	(1.4)	(102.4)
Obligations under head leases	**(36.9)**	**(15.8)**	**(52.7)**	(42.3)	(15.6)	(57.9)
Payables	**(106.5)**	**(8.5)**	**(115.0)**	(87.0)	(6.1)	(93.1)
	(2,719.4)	**(420.2)**	**(3,139.6)**	(3,244.7)	(432.4)	(3,677.1)
Total liabilities	**(2,938.2)**	**(491.5)**	**(3,429.7)**	(3,489.1)	(503.6)	(3,992.7)
Net assets	**4,377.2**	**–**	**4,377.2**	5,432.9	–	5,432.9

Adjusted finance costs
Table 104

Adjusted finance costs for the year ended 31 December 2019

	2019			2018		
	Reported Group £m	Share of Property interests £m	Total £m	Reported Group £m	Share of Property interests £m	Total £m
Notes (see page 199)	A	B	C	A	B	C
Gross finance costs[1]	**105.3**	**9.0**	**114.3**	111.1	7.1	118.2
Less: Interest capitalised	**(2.8)**	**–**	**(2.8)**	(1.9)	–	(1.9)
Finance costs	**102.5**	**9.0**	**111.5**	109.2	7.1	116.3
Finance income	**(21.5)**	**(0.2)**	**(21.7)**	(14.5)	(0.1)	(14.6)
Adjusted finance costs/(income)	**81.0**	**8.8**	**89.8**	94.7	7.0	101.7

1. Included within gross finance costs for the Reported Group is £0.2 million (2018: £0.2 million) relating to discontinued operations

Net debt
Table 105

Net debt as at 31 December 2019

	2019			2018		
	Reported Group £m	Share of Property interests £m	Total £m	Reported Group £m	Share of Property interests £m	Total £m
Notes (see page 199)	A	B	C	A	B	C
Cash and deposits[1]	**29.8**	**67.6**	**97.4**	31.2	71.2	102.4
Fair value of currency swaps	**(43.1)**	**–**	**(43.1)**	(84.9)	–	(84.9)
Loans	**(2,504.9)**	**(391.9)**	**(2,896.8)**	(3,013.9)	(409.3)	(3,423.2)
Net debt	**(2,518.2)**	**(324.3)**	**(2,842.5)**	(3,067.6)	(338.1)	(3,405.7)

1. Included within net debt for the Reported Group is £1.6 million (2018: £nil million) of cash and deposits relating to assets held for sale

Movement in net debt
Table 106

Movement in net debt for the year ended 31 December 2019

	Year ended 31 December 2019 £m	Year ended 31 December 2018 £m
Opening net debt	**(3,405.7)**	(3,500.5)
Operating profit before other net (losses)/gains	**260.2**	302.8
(Increase)/Decrease in receivables and restricted monetary assets	**(3.9)**	25.3
Decrease in payables	**(1.6)**	(29.8)
Adjustment for non-cash items	**9.9**	11.2
Cash generated from operations	**264.6**	309.5
Interest received	**20.6**	16.0
Interest paid	**(109.3)**	(118.1)
Acquisition-related costs paid	**–**	(12.9)
Debt and loan facility cancellation costs	**–**	(15.3)
Tax paid	**(2.1)**	(2.4)
Operating distributions received from premium outlets	**24.3**	31.8
Cash flows from operating activities	**198.1**	208.6
Acquisitions and capital expenditure	**(110.3)**	(229.6)
Sale of properties	**536.1**	553.2
Advances to premium outlets	**(9.4)**	–
Funds from financing transferred from premium outlets	**5.5**	62.2
Acquisition of interest in premium outlets	**(30.4)**	(113.8)
Cash flows from investing activities	**391.5**	272.0
Purchase of own shares	**(1.6)**	(4.8)
Share buyback	**(1.5)**	(126.5)
Dividends paid to non-controlling interests	**–**	(13.3)
Equity dividends paid	**(198.9)**	(204.1)
Cash flows from financing activities	**(202.0)**	(348.7)
Exchange translation movement	**175.6**	(37.1)
Closing net debt	**(2,842.5)**	(3,405.7)

Loan to value and gearing

Table 107

Loan to value and gearing as at 31 December 2019

		2019 £m	2018 £m
Net debt – 'Loan' (A)	Table 105	**2,842.5**	3,405.7
Property portfolio – excluding premium outlets (B)	Table 96	**5,667.7**	7,479.5
Investment in VIA Outlets	Note 14A	**379.0**	326.3
Investment in Value Retail	Note 15C	**1,355.3**	1,211.1
Less non-controlling interest	Note 28C	**(0.2)**	(0.3)
'Value' (C)		**7,401.8**	9,016.6
Equity shareholders' funds (D)	Note 12D	**4,377.0**	5,432.6
Loan to value (%) – (A/C)		**38.4**	37.8
Gearing – (%) (A/D)		**64.9**	62.7
Net debt – premium outlets (E)	Table 102	**895.7**	900.0
Property portfolio – premium outlets (F)	Table 102	**2,659.1**	2,458.8
Loan to value – fully proportionally consolidated (%) – ((A+E)/(B+F))		**44.9**	43.3
Gearing – fully proportionally consolidated (%) – ((A+E)/D)		**85.4**	79.3

Net debt:EBITDA

Table 108

Net debt:EBITDA for the year ended 31 December 2019

		2019 £m	2018 £m
Adjusted operating profit	Note 2	**306.0**	343.9
Tenant incentive amortisation		**6.4**	8.6
Share-based remuneration		**3.0**	3.4
Depreciation	Note 5	**5.1**	1.5
EBITDA		**320.5**	357.4
Net debt	Table 105	**2,842.5**	3,405.7
Net debt:EBITDA (times)		**8.9**	9.5

Unencumbered asset ratio

Table 109

Unencumbered asset ratio as at 31 December 2019

		2019 £m	2018 £m
Property portfolio – excluding premium outlets	Table 96	**5,667.7**	7,479.5
VIA Outlets properties	Note 14A	**693.5**	635.8
Less: properties held in associates	Note 15C	**(147.9)**	(29.3)
Less: encumbered assets		**(1,607.0)**	(1,717.6)
Total unencumbered assets (A)		**4,606.3**	6,368.4
Net debt – proportionally consolidated	Table 105	**2,842.5**	3,405.7
Less: net debt held in associates	Note 15C	**2.3**	1.2
Add: net debt in VIA Outlets	Note 14A	**237.5**	242.4
Add: fair value of currency swaps in VIA Outlets		**1.5**	1.0
Add: unamortised borrowing costs		**20.0**	21.9
Less: encumbered debt		**(663.7)**	(688.1)
Total unsecured debt (B)		**2,440.1**	2,984.1
Unencumbered asset ratio (times) (A)/(B)		**1.9**	2.1

Property listing

Unaudited

	Ownership	Area, m2	No. of tenants	Passing rent, £m
Flagship destinations				
UK				
Brent Cross, London	41%	85,400	116	15.4
Bullring, Birmingham	50%	123,100	155	26.2
Cabot Circus, Bristol	50%	111,000	119	12.8
Centrale, Croydon[1]	50%	64,300	48	3.4
Grand Central, Birmingham	50%	37,700	70	5.8
Highcross, Leicester	50%	99,800	129	12.9
Silverburn, Glasgow	50%	100,200	103	10.2
The Oracle, Reading	50%	71,900	107	13.9
Union Square, Aberdeen	100%	51,800	78	18.1
Victoria, Leeds[2]	100%	56,900	92	15.3
Westquay, Southampton	50%	95,400	114	15.3
France				
Espace Saint-Quentin, Saint Quentin-En-Yvelines[3]	25%	33,700	108	3.0
Italie Deux, Paris	25%	62,100	121	5.5
Les 3 Fontaines, Cergy[4, 5]	100%	44,300	130	17.8
Les Terrasses du Port, Marseille	100%	62,900	173	28.5
Nicetoile, Nice[4]	10%	17,300	105	1.4
O'Parinor, Aulnay-Sous-Bois[4]	25%	68,600	164	5.8
SQY Ouest, Saint Quentin-En-Yvelines	100%	21,500	18	1.9
Ireland				
Dundrum Town Centre, Dublin	50%	121,700	157	27.4
Ilac Centre, Dublin	50%	27,000	62	4.4
Pavilions, Swords	50%	44,000	92	7.5
UK retail parks				
Abbey Retail Park, Belfast[6]	100%	20,200	4	3.2
Brent South Retail Park, London	41%	8,700	10	1.9
Central Retail Park, Falkirk[6]	100%	37,600	30	6.1
Cleveland Retail Park, Middlesbrough[6]	100%	27,900	19	4.4
Cyfarthfa Retail Park, Merthyr Tydfil[6]	100%	30,900	24	7.0
Elliott's Field Shopping Park, Rugby[6]	100%	24,100	26	6.6
Ravenhead Retail Park, St. Helens[6]	100%	27,700	17	4.5
Telford Forge Retail Park, Telford[6]	100%	28,000	21	5.1
The Orchard Centre, Didcot[6]	100%	29,100	63	5.4
Developments				
Whitgift, Croydon	50%	69,100	99	6.3
Dublin Central, Dublin	100%	21,800	24	2.2

1. Included within the UK Other properties portfolio.
2. Comprises Victoria Quarter and Victoria Gate
3. Key properties only.
4. Held under co-ownership. Figures reflect Hammerson's ownership interests.
5. Includes Cergy 3 which was acquired in 2017 and is classified within the development portfolio.
6. Disposal completed or exchanged in 2020.

	Ownership	Area, m2	No. of tenants	Income1, £m
Premium outlets				
Value Retail				
Bicester Village, UK	50%	28,300	161	70.4
La Roca Village, Barcelona	41%	22,800	131	19.0
Las Rozas Village, Madrid	38%	16,600	99	11.5
La Vallée Village, Paris	26%	22,400	104	22.0
Maasmechelen Village, Brussels	27%	20,000	102	5.4
Fidenza Village, Milan	34%	21,200	121	6.3
Wertheim Village, Frankfurt	45%	21,200	116	10.0
Ingolstadt Village, Munich	15%	21,100	112	3.5
Kildare Village, Dublin	41%	16,700	97	8.7
VIA Outlets				
Batavia Stad Amsterdam Fashion Outlet	50%	31,000	135	7.3
Fashion Arena Prague Outlet	50%	25,600	102	4.1
Landquart Fashion Outlet, Zürich	50%	21,300	82	4.2
Freeport Lisboa Fashion Outlet	50%	36,600	132	5.4
Hede Fashion Outlet, Gothenburg	50%	18,500	59	1.8
Mallorca Fashion Outlet	50%	32,700	79	4.8
Wroclaw Fashion Outlet, Poland	50%	13,700	87	2.1
Sevilla Fashion Outlet	50%	16,000	61	2.3
Zweibrücken Fashion Outlet, Germany	50%	30,100	118	8.4
Vila do Conde Porto Fashion Outlet, Portugal	50%	27,600	112	5.0
Oslo Fashion Outlet	50%	13,500	93	2.3

1. Figures represent annualised base and turnover rent at 31 December 2019 for each premium outlet, at Hammerson's ownership share.

Ten-year financial summary

	2019[1] £m	2018 £m	2017 £m	2016 £m	2015 £m	2014 £m	2013[1] £m	2012[1] £m	2011 £m	2010 £m
Income statement										
Net rental income	**308.5**	347.5	370.4	346.5	318.6	305.6	290.2	282.9	296.0	284.7
Operating profit before other net (losses)/gains	**260.2**	302.8	321.5	300.4	276.3	259.1	247.9	239.6	249.1	248.8
Other net (losses)/gains	**(1,197.9)**	(517.9)	27.1	(36.1)	381.0	430.3	102.0	(7.3)	209.8	469.9
Share of results of joint ventures	**34.3**	24.6	13.6	20.7	13.1	(1.1)	–	–	–	–
Share of results of associates	**210.6**	56.8	221.6	135.2	159.3	109.9	101.5	47.5	–	1.5
Cost of finance (net)	**(86.2)**	(132.9)	(170.4)	(96.6)	(98.1)	(95.1)	(110.2)	(137.6)	(112.6)	(100.0)
(Loss)/Profit before tax	**(779.0)**	(266.6)	413.4	323.6	731.6	703.1	341.2	142.2	346.3	620.2
Current tax	**(2.2)**	(1.9)	(1.8)	(2.7)	(1.6)	(0.9)	(0.8)	(0.4)	(0.7)	(0.6)
Deferred tax	–	–	–	–	–	(0.1)	0.1	–	–	(0.1)
Non-controlling interests	–	0.4	(23.2)	(3.6)	(3.2)	(3.0)	(3.1)	(3.4)	(9.9)	(4.1)
(Loss)/Profit for the year attributable to equity shareholders	**(781.2)**	(268.1)	388.4	317.3	726.8	699.1	337.4	138.4	335.7	615.4
Balance sheet										
Investment and development properties	**5,667.7**	7,479.5	8,326.3	8,281.7	7,130.5	6,706.5	5,931.2	5,458.4	5,719.6	5,331.1
Investment in joint ventures	**379.0**	326.3	361.3	222.0	110.8	104.2	–	–	–	–
Investment in associates	**1,355.3**	1,211.1	1,068.6	959.1	743.8	628.8	545.4	428.4	–	–
Cash and short-term deposits	**97.4**	102.4	265.8	130.5	70.5	59.4	56.7	57.1	100.7	126.2
Borrowings[2]	**(2,939.9)**	(3,508.1)	(3,776.3)	(3,543.0)	(3,068.3)	(2,329.3)	(2,309.0)	(2,038.1)	(2,079.9)	(1,920.6)
Other assets	**275.8**	280.4	264.2	339.9	1,025.0	268.6	271.2	462.3	435.6	323.1
Other liabilities	**(457.6)**	(458.2)	(481.9)	(532.7)	(425.5)	(392.6)	(358.5)	(441.9)	(327.1)	(307.6)
Deferred tax	**(0.5)**	(0.5)	(0.5)	(0.5)	(0.5)	(0.5)	(0.4)	(0.5)	(0.5)	(0.5)
Non-controlling interests	**(0.2)**	(0.3)	(14.0)	(81.4)	(69.0)	(71.4)	(76.7)	(74.5)	(76.5)	(71.7)
Equity shareholders' funds	**4,377.0**	5,432.6	6,023.5	5,775.6	5,517.3	4,973.7	4,059.9	3,851.2	3,771.9	3,480.0
Cash flow										
Operating cash flow after tax	**167.1**	114.5	139.3	179.9	171.2	128.1	129.4	139.9	147.8	132.7
Dividends	**(198.9)**	(204.1)	(191.7)	(135.7)	(163.8)	(139.1)	(129.4)	(118.4)	(86.1)	(95.4)
Property and corporate acquisitions	**(0.7)**	(12.0)	(122.5)	(499.7)	(43.7)	(302.7)	(191.1)	(397.3)	(374.1)	(218.6)
Developments and major refurbishments	**(40.2)**	(89.3)	(46.7)	(127.2)	(137.2)	(164.0)	(184.4)	(122.9)	(91.2)	(60.8)
Other capital expenditure	**(39.7)**	(60.3)	(66.7)	(55.2)	(45.1)	(39.8)	(17.5)	(48.0)	(23.6)	(25.5)
Disposals	**536.1**	553.2	490.8	639.0	185.2	155.4	256.3	585.0	271.8	554.6
Investments in joint ventures	**(58.1)**	114.2	53.2	(155.0)	(735.6)	(118.9)	–	–	–	–
Other cash flows	**29.2**	(71.0)	111.9	87.9	(14.0)	12.4	(30.8)	(72.4)	(34.9)	(0.8)
Net cash flow before financing	**394.8**	345.2	367.6	(66.0)	(783.0)	(468.6)	(167.5)	(34.1)	(190.3)	286.2
Per share data[3]										
Basic (loss)/earnings per share	**(102.1)p**	(34.1)p	49.0p	40.2p	92.8p	95.7p	47.4p	19.4p	47.3p	87.2p
Adjusted earnings per share	**28.0p**	30.6p	31.1p	29.2p	26.9p	23.9p	23.1p	20.9p	19.3p	19.9p
Dividend per share	**25.9p**	25.9p	25.5p	24.0p	22.3p	20.4p	19.1p	17.7p	16.6p	15.95p
Diluted net asset value per share	**£5.72**	£7.09	£7.58	£7.28	£7.03	£6.35	£5.70	£5.41	£5.30	£4.93
EPRA net asset value per share	**£6.01**	£7.38	£7.76	£7.39	£7.10	£6.38	£5.73	£5.42	£5.30	£4.95
Financial ratios										
Return on shareholders' equity	**(14.8)%**	(3.2)%	8.3%	7.8%	14.3%	16.3%	8.8%	5.3%	11.2%	21.1%
Gearing	**65%**	63%	58%	59%	54%	46%	56%	53%	52%	52%
Interest cover	**3.3x**	3.4x	3.4x	3.5x	3.6x	2.8x	2.8x	2.8x	2.6x	2.6x
Dividend cover	**1.1x**	1.2x	1.2x	1.2x	1.2x	1.2x	1.2x	1.2x	1.2x	1.2x

1. Comprises continuing and discontinued operations. Assets associated with UK retail parks have been presented on a line by line basis.
2. Borrowings comprises loans and currency swaps. In 2019, £31.7 million (2018: £25.9 million, 2017: £10.3 million) of currency swaps were included in 'other assets'. For the purposes of this summary, these have been reclassified to 'borrowings'.
3. Comparative per share data was restated following the rights issue in March 2009.

The Income statement, Balance sheet and Financial ratios for 2014 to 2019 have been presented on a proportionally consolidated basis, excluding the Group's investment in Premium outlets. Cash flow information has been presented on an IFRS basis throughout.

Reporting period and methodology

In line with requirements set out in the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013, this statement reports the Company's GHG emissions for the reporting period 1 January 2019 to 31 December 2019. Our GHG emissions reporting period is the same as the financial reporting year, in accordance with the DEFRA Environmental Reporting Guidance. The data has been calculated and recorded in accordance with the Greenhouse Gas (GHG) Protocol and ISO 14064. We are required by the Scope 2 GHG Protocol to report our Scope 2 emissions using both market and location-based methods.

Independent assurance

Total Scope 1, Total Scope 2, Total Scope 3, and Total GHG emissions intensity data have been independently assured by Deloitte LLP who have carried out limited assurance in accordance with the International Standards on Assurance Engagements 3000. Their assurance statement is available on the sustainability pages of our website.

Reporting boundaries

We have adopted operational control as our reporting approach. GHG emissions data is provided for those assets where we have authority to introduce and implement operating policies.

This includes properties held in joint ventures where JV Board approval is required. We have reported 100% of GHG emissions data for these reported assets. A detailed basis of reporting statement and full list of operating entities and assets included within the reporting boundary can be found on the Positive Places pages of our website.

GHG emissions 2019

Table 110

Baseline year	1/1/19 – 31/12/19
Boundary summary	All assets and facilities under Hammerson's direct operational control are included.
Consistency with financial statements	Consistency with the financial statements and reporting period are set out above.
Emissions factor data source	We have sourced our emissions factors from 2019 DEFRA GHG Conversion Factors for Company Reporting, and additional sources including, but not limited, to International Energy Agency and Engie.
Assessment methodology	GHG Protocol and ISO 14064 (2006).
Materiality threshold	Activities generating emissions of <5% relative to total Group emissions have been excluded.
Intensity ratio	Denominator is adjusted profit before tax 1/1/19 – 31/12/19 of £216.2 million.
Target	20% reduction in carbon emissions intensity by 2020 against 2015 baseline using location-based approach.

Emissions disaggregated by country

Table 111

Source	Group emissions (mtCO2e)	UK emissions (mtCO2e)	France emissions (mtCO2e)	Ireland emissions (mtCO2e)	Group emissions intensity (mtCO2e/£m)
Total GHG emissions metric tonnes (mt)[1]	**12,350**	**6,805**	**4,537**	**1,008**	**57**
Total GHG emissions metric tonnes (mt)	**26,273**	**15,332**	**5,150**	**5,791**	**122**
Scope 1: Direct emissions from owned/controlled operations					
a. Direct emissions from stationary operations	**4,787**	**2,748**	**1,319**	**720**	**22**
b. Direct emissions from mobile combustion	91	24	67	0	1
c. Direct emissions from fugitive sources	269	269	0	0	1
Totals	**5,147**	**3,041**	**1,386**	**720**	**24**
Scope 2: Indirect emissions from the use of purchased electricity, steam, heating and cooling					
a. Indirect emissions from purchased/acquired electricity[1]	4,259	2,498	1,729	32	19
a. Indirect emissions from purchased/acquired electricity	18,182	11,025	2,342	4,815	84
b. Indirect emissions from purchased/acquired steam	0	0	0	0	0
c. Indirect emissions from purchased/acquired heating	1,218	127	1,091	0	6
d. Indirect emissions from purchased/acquired cooling	33	33	0	0	0
Totals[1]	**5,510**	**2,658**	**2,820**	**32**	**25**
Totals	**19,433**	**11,185**	**3,433**	**4,815**	**90**
Scope 3					
Business travel	562	397	113	52	3
Waste	759	498	129	132	3
Water	372	211	89	72	2
Totals	**1,693**	**1,106**	**331**	**256**	**8**

1. Emissions using Market Based Method.

Registered office and principal UK address

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Principal address in France

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Advisors

Valuers: CBRE Limited, Cushman and Wakefield LLP, and Jones Lang LaSalle Ltd
Auditor: PricewaterhouseCoopers LLP
Solicitor: Herbert Smith Freehills LLP
Joint Brokers and Financial Advisors: J. P. Morgan Cazenove and Morgan Stanley & Co. International plc
Financial Advisor: Lazard Ltd
JSE Equity Sponsor: Investec Bank Limited

Primary and secondary listing

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

Shareholder administration

For assistance with queries about the administration of shareholdings, such as lost share certificates, change of address, change of ownership or dividend payments, please contact the relevant Registrar or Transfer Secretaries.

UK Registrar

Link Asset Services
The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4TU

0371 664 0300 or +44 371 664 0300 from outside the UK. Calls are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom will be charged at the applicable international rate. Lines are open between 09:00 - 17:30, Monday to Friday excluding public holidays in England and Wales.

shareholderenquiries@linkgroup.co.uk
www.signalshares.com

South African Transfer Secretaries

Computershare Investor Services Proprietary Limited, Rosebank Towers, 15 Biermann Avenue, Rosebank 2196, South Africa or PO Box 61051, Marshalltown 2107, South Africa

0861 100 933 (local in South Africa)
web.queries@computershare.co.za

Annual General Meeting

The Annual General Meeting will be held at 11.00 am (UK time) on 28 April 2020 at Kings Place, 90 York Way, London N1 9GE. Details of the Annual General Meeting and the resolutions to be voted upon can be found in the Notice of Meeting which is available at www.hammerson.com/investors.

Payment of dividends

UK shareholders who do not currently have their dividends paid direct to a bank or building society account and who wish to do so should complete a mandate instruction available from the Registrar or register their mandate at www.signalshares.com.

UK Dividend Reinvestment Plan (DRIP)

Shareholders can reinvest dividend payments in additional shares in the Company under the DRIP operated by the Registrar by completing an application form online at www.signalshares.com.

Elections to participate in the DRIP (or cancellation of previous instructions) in respect of the final dividend must be received by the Company's Registrar no later than 15 business days before the dividend payment date. The DRIP will continue to be available to shareholders who have already completed an application form. Such shareholders should take no action unless they wish to receive their dividend in cash, in which case they should contact the Registrar to cancel their instruction.

South African DRIP

Shareholders registered on the South African branch register who hold their shares through the Strate system and who wish to participate in the DRIP should contact their Central Securities Depository Participants or brokers.

Link share dealing services

An online and telephone share dealing facility is available to shareholders wishing to deal in shares on the UK share register. For more information visit www.linksharedeal.com.

ShareGift

Shareholders with a small number of shares, the value of which makes it uneconomic to sell them, may wish to consider donating them to charity through ShareGift, a registered charity (registered charity no: 1052686). Further information about ShareGift is available at www.sharegift.org, by email at help@sharegift.org or by writing to ShareGift, PO Box 72253, London, SW1P 9LQ. To donate shares please contact ShareGift or Link Asset Services.

Strate Charity Shares

South African shareholders for whom the cost of selling their shares would exceed the market value of such shares may wish to consider donating them to charity. An independent non-profit organisation called Strate Charity Shares has been established to administer this process. For further details or donations contact the Strate Charity Shares' toll-free helpline on 0800 202 363 (if calling from South Africa) or +27 11 870 8207 (if calling from outside South Africa), email charityshares@computershare.co.za, or visit www.strate.co.za.

Shareholder security

Share fraud includes scams where fraudsters cold-call investors offering them overpriced, worthless or non-existent shares, or offer to buy shares owned by investors at an inflated price. We advise shareholders to be vigilant of unsolicited mail or telephone calls regarding buying or selling shares.
For more information visit www.fca.org.uk/scams or call the FCA Consumer Helpline on 0800 111 6768.

Unsolicited mail

Hammerson is obliged by law to make its share register available on request to other organisations. This may result in shareholders receiving unsolicited mail. To limit the receipt of unsolicited mail UK shareholders may register with the Mailing Preference Service, an independent organisation whose services are free, by visiting www.mpsonline.org.uk. Once a shareholder's name and address details have been registered, the Mailing Preference Service will advise companies and other bodies that subscribe to the service not to send unsolicited mail to the address registered.

UK Real Estate Investment Trust (REIT) taxation

As a UK REIT, Hammerson plc is exempt from corporation tax on rental income and gains on UK investment properties but is required to pay Property Income Distributions (PIDs). UK shareholders will be taxed on PIDs received at their full marginal tax rates. A REIT may in addition pay normal dividends.

For most shareholders, PIDs will be paid after deducting withholding tax at the basic rate. However, certain categories of UK shareholder are entitled to receive PIDs without withholding tax, principally UK resident companies, UK public bodies, UK pension funds and managers of ISAs, PEPs and Child Trust Funds. Further information on UK REITs is available on the Company's website, including a form to be used by shareholders to certify if they qualify to receive PIDs without withholding tax.

PIDs paid to overseas shareholders are subject to withholding tax at 20%. South African shareholders may apply to Her Majesty's Revenue and Customs after payment of a PID for a refund of the difference between the 20% withholding tax and the prevailing UK/South African double tax treaty rate. Other overseas shareholders may be eligible to apply for similar refunds of UK withholding tax under the terms of the relevant tax treaties.

Normal dividends paid to overseas shareholders are paid gross but may be subject to taxation in the shareholder's country of residence. For South African shareholders, dividends tax at 20% will be withheld and paid over to the South African Revenue Service on the shareholders' behalf. Certain shareholders, including South African tax resident companies, retirement funds and approved public benefit organisations are exempt from dividends tax but it is the responsibility of each shareholder to seek their own advice. Dividends tax does not apply to scrip dividends, whether paid as a PID or a normal dividend.

Dividend Timetable

Table 112

Recommended final dividend	Last day to effect removal of shares between the United Kingdom (UK) and South African (SA) registers	3 March 2020
	Currency conversion announcement released	4 March 2020
	Last day to trade on the Johannesburg Stock Exchange to qualify for the dividend	17 March 2020
	Ex-dividend on the Johannesburg Stock Exchange from commencement of trading on	18 March 2020
	Ex-dividend on the London Stock Exchange from the commencement of trading on	19 March 2020
	Record date (applicable to both the UK principal register and the SA branch register)	20 March 2020
	Removal of shares between the UK and SA registers permissible from	23 March 2020
	Last day for receipt of Dividend Reinvestment Plan (DRIP) mandates by Central Securities Depository Participants (CSDPs) and DRIP elections by UK Registrar and SA Transfer Secretaries	7 April 2020
Annual General Meeting		28 April 2020
	Final dividend payable (UK and SA)	30 April 2020
Anticipated 2020 interim dividend		October 2020

Analysis of shares held as at 31 December 2019

Table 113

Number of shares held	Number of shareholders	% of total shareholders	Holding	% of total capital
0-500	742	32.7160	128,665	0.0168
501-1,000	284	12.5220	219,555	0.0287
1,001-2,000	276	12.1693	413,530	0.0540
2,001-5,000	274	12.0811	858,903	0.1121
5,001-10,000	128	5.6437	901,521	0.1176
10,001-50,000	189	8.3334	4,422,114	0.5771
50,001-100,000	83	3.6597	5,912,374	0.7716
100,001-500,000	155	6.8342	36,381,697	4.7477
500,001-1,000,000	53	2.3369	37,691,306	4.9187
1,000,001 +	84	3.7037	679,363,948	88.6557
Total	2,268	100	766,293,613	100

Glossary

Adjusted figures (per share)	Reported amounts adjusted in accordance with EPRA guidelines to exclude certain items as set out in note 12 to the financial statements.
Anchor store	A major store, occupying a large unit within a retail destination or retail park, which serves as a draw to other retailers and consumers.
Annual Incentive Plan (AIP)	The annual bonus plan for all employees, including Executive Directors.
Average cost of debt or weighted average interest rate (WAIR)	The cost of finance expressed as a percentage of the weighted average debt during the period.
BREEAM	An environmental rating assessed under the Building Research Establishment's Environmental Assessment Method.
Capital return	The change in property value during the period after taking account of capital expenditure, calculated on a monthly time-weighted and constant currency basis.
Compulsory Purchase Order (CPO)	A legal function in the UK by which land or property can be obtained to enable a development or infrastructure scheme without the consent of the owner where there is a "compelling case in the public interest."
Cost ratio (or EPRA cost ratio)	Total operating costs (being property costs, 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 as detailed in the calculation in table 95 on page 194.
Consumer Price Index (CPI)	A measure of inflation based on the weighted average of prices of consumer goods and services.
Compulsory Voluntary Arrangement (CVA)	A legally binding agreement with a company's creditors to restructure its liabilities, including future lease liabilities.
Deferred Bonus Share Scheme (DBS)	The deferred element of the AIP, payable in shares, two years after the awards date.
Dividend cover	Adjusted earnings per share divided by dividend per share.
Earnings per share (EPS)	Profit/(loss) attributable to equity shareholders divided by the average number of shares in issue during the period.
EBITDA	Earnings before interest, tax, depreciation and amortisation, as shown in table 108 on page 201.
EPRA	The European Public Real Estate Association, a real estate industry body, of which the Company is a member. This organisation has issued Best Practice Recommendations with the intention of improving the transparency, comparability and relevance of the published results of listed real estate companies in Europe.
Equivalent yield (true and nominal)	The capitalisation rate applied to future cash flows to calculate the gross property value. The cash flows reflect future rents resulting from lettings, lease renewals and rent reviews based on current ERVs. The true equivalent yield (TEY) assumes rents are received quarterly in advance. The nominal equivalent yield (NEY) assumes rents are received annually in arrears. The property true and nominal equivalent yields are determined by the Group's external valuers.
ERV	The estimated market rental value of the total lettable space in a property calculated by the Group's external valuers. It is calculated after deducting head and equity rents, and car parking and commercialisation running costs.
ESG	Using environmental, social and government factors to evaluate companies and countries on how far advanced they are with sustainability.
F&B	Food and beverage ranging from "grab and go" to fine dining.
Flexible lettings	Leases of less than three years, which often contain break options to provide flexibility for landlords and tenants.
Gearing	Net debt expressed as a percentage of equity shareholders' funds. See table 107 on page 201.
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, under which the rent is inclusive of costs such as service charge, rates and utilities. 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 on a constant currency basis, calculated on a monthly 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.

Like-for-like (LFL) NRI	The percentage change in NRI for investment properties owned throughout both current and prior periods, after taking account of exchange translation movements. Properties undergoing a significant extension project are excluded from this calculation during the period of the works. For interim reporting periods properties sold between the balance sheet date and the date of the announcement are also excluded from LFL NRI.
Loan to value (LTV)	Net debt expressed as a percentage of the property portfolio value.
Long Term Incentive Plan (LTIP)	Long term incentive scheme for Executive Directors.
Medium Sized Unit (MSU)	Retail unit of between 10,000ft^2 (929m^2) and 50,000ft^2 (4,645m^2)
MSCI	Property market benchmark indices produced by MSCI, rebranded from IPD in 2018.
Net asset value (NAV) per share	Equity shareholders' funds divided by the number of shares in issue at the balance sheet date.
Net rental income (NRI)	Gross rental income less head and equity rents payable and other property related costs.
Occupancy rate	The ERV of the area in a property, or portfolio, excluding developments, which is let, expressed as a percentage of the total ERV of that property or portfolio.
Occupational cost ratio (OCR)	The proportion of retailer's sales compared with the total cost of occupation, including rent, business rates and service charge. Calculated excluding department stores.
Over-rented	The amount, or percentage, by which the ERV falls short of rents passing, together with the ERV of vacant space.
Passing rents or rents passing	The annual rental income receivable from an investment property, after: rent-free periods; head and equity rents; car park costs; and commercialisation costs. This may be more or less than the ERV (see over-rented and reversionary or under-rented).
Physical risk	Business risk posed by the physical effects of climate change, including high temperatures, flooding, storm damage and fires.
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 significantly reconfigured. This enables letting metrics to be stated on a comparable basis.
Property fee income	Amounts recharged to tenants or co-owners for property management services.
Property Income Distribution (PID)	A dividend, generally subject to withholding tax, that a UK REIT is required to pay from its tax-exempt property rental business and which is taxable for UK-resident shareholders at their marginal tax rate.
Property interests (Share of)	The Group's non-wholly owned properties which management proportionally consolidate when reviewing the performance of the business. These exclude the Group's premium outlets interests in Value Retail and VIA Outlets which are not proportionally consolidated.
Property joint ventures (Share of)	The Group's joint ventures which management proportionally consolidate when reviewing the performance of the business, but exclude the Group's interests in the VIA Outlets joint venture.
Proportional consolidation	The aggregation of the financial results of the Reported Group together with the Group's share of Property interests being the Group's share of Property joint ventures as shown in note 14, and Nicetoile and Italie Deux as shown in note 15.
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.
Restricted Share Scheme (RSS)	The proposed replacement for the LTIP scheme.
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.
Scope 1 emissions	Direct emissions from owned or controlled sources.
Scope 2 emissions	Indirect emissions from the generation of purchased energy.
Scope 3 emissions	All indirect emissions (not included in scope 2) that occur in the value chain of the reporting company, including both upstream and downstream emissions.
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.
Task Force for Climate Related Financial Disclosures (TCFD)	An organisation established with the goal of developing a set of voluntary climate-related financial risk disclosures to be adopted by companies to inform investors and the public about the risks they face relating to climate change.

Tenant restructuring	CVAs and administrations.
Total development cost (TDC)	All capital expenditure on a development project, including capitalised interest.
Total property return (TPR) (or total return)	NRI and capital growth expressed as a percentage of the opening book value of property adjusted for capital expenditure, calculated on a monthly time-weighted and constant currency basis.
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.
Transitional risk	Business risk posed by regulatory and policy changes implemented to tackle climate change.
Turnover rent	Rental income which is related to an occupier's turnover.
UK other	High street and other properties held for strategic purposes.
United Nations Sustainable Development Goals (UN SDGs)	17 goals designed to support the delivery of a sustainable world by ending poverty and other deprivations by improving health and education, reducing inequality and supporting economic growth, whilst also tackling climate change and focusing on preserving the natural environment.
Vacancy rate	The ERV of the area in a property, or portfolio, excluding developments, which is currently available for letting, expressed as a percentage of the ERV of that property or portfolio.
Yield on cost	Passing rents expressed as a percentage of the total development cost of a property.

Disclaimer

This document contains certain statements that are neither reported financial results nor other historical information. These statements are forward-looking in nature and are subject to risks and uncertainties. Actual future results may differ materially from those expressed in or implied by these statements. Many of these risks and uncertainties relate to factors that are beyond Hammerson's ability to control or estimate precisely, such as future market conditions, currency fluctuations, the behaviour of other market participants, the actions of governmental regulators and other risk factors such as the Company's ability to continue to obtain financing to meet its liquidity needs, changes in the political, social and regulatory framework in which the Company operates or in economic or technological trends or conditions, including inflation and consumer confidence, on a global, regional or national basis. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date of this document. Hammerson does not undertake any obligation to publicly release any revisions to these forward-looking statements to reflect events or circumstances after the date of this document. Information contained in this document relating to the Company should not be relied upon as a guide to future performance.

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Thank You

We'd like to thank everyone who has helped to produce this report:

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