

HAMMERSON PLC – AUDITED RESULTS FOR THE YEAR ENDED 31 DECEMBER 2014

INCREASED DEMAND FOR PRIME RETAIL SPACE DELIVERS RENTAL GROWTH ACROSS THE PORTFOLIO

Year ended:	31 December 2014	31 December 2013	Increase	Like-for-like increase
Net rental income (continuing operations) ⁽¹⁾	£305.6m	£282.8m	+8.1%	+2.1%
Profit before tax (including valuation changes) ⁽²⁾	£703.1m	£341.2m	n/a	
Adjusted earnings per share ⁽³⁾	23.9p	23.1p	+3.5%	
Final dividend per share	11.6p	10.8p	+7.4%	
As at:	31 December 2014	31 December 2013		
EPRA net asset value per share ⁽³⁾	£6.38	£5.73	+11.3%	
Loan to Value ⁽¹⁾	34%	38%		

(1) On a proportionally consolidated basis, excluding interests in Premium Outlets. From 1 January 2014, the Group has adopted IFRS 11 Joint Arrangements, the impact of this is explained in note 1 to the Accounts on page 32

(2) Valuation changes from the property portfolio and the Group's interest in Premium Outlets were £547 million (2013: £174 million)

(3) Calculations for adjusted and EPRA figures are shown in note 8 on pages 39 and 40

MAXIMISING INCOME THROUGH ACTIVE MANAGEMENT

- Strong leasing momentum with new rents secured of £29.5 million (2013: £23.9 million) for 178,900m² (2013: 153,900m²) demonstrating continued demand for high-quality retail property; occupancy remains strong at 97.5%
- Leases signed overall at 6% above ERV and 5% above previous passing rents; ERV growth of 2.6% across UK shopping centre portfolio
- Growth of 2.1% in like-for-like net rental income demonstrating the success of pro-active asset management
- Final dividend increased 7.4%; total dividend for the year of 20.4 pence per share (2013: 19.1 pence per share)

CREATING HIGH-QUALITY RETAIL DESTINATIONS

- Les Terrasses du Port, Marseille, welcomed over 8 million visitors since launch; total development profit of £107 million
- Construction commenced at Victoria Gate, Leeds, and WestQuay Watermark, Southampton, with pre-lettings of 40% and 58% respectively. On track for opening of Le Jeu de Paume, Beauvais, and Elliott's Field, Rugby in 2015
- Significant progress at major developments: CPO progressing at Croydon; planning approval granted at Brent Cross; planning application submitted at The Goodsyard, East London
- Successfully completed disposals of Queensgate and 10 Grosvenor Street raising proceeds of £153 million
- £100 million of new capital invested in Premium Outlets; nearly £1 billion of GAV exposure to this fast-growing segment; new VIA Outlets partnership acquired six centres, the latest being Landquart Designer Outlet, Zurich

ENHANCING CAPITAL STRENGTH

- Successfully raised over £1 billion of capital (equity and debt), enhancing flexibility to fund further expansion
- Property portfolio, including the Group's interest in Value Retail and VIA Outlets, delivered revaluation gain of £547 million, equivalent to a total return of 13.6%
- EPRA cost ratio reduced to 23.4% (2013: 24.6%); on track to achieve target ratio of 21% by 2016

David Atkins, Chief Executive of Hammerson, said: "We have delivered strong results on the back of a significant uplift in asset valuation and continuing income growth. The recovery in UK consumer sentiment has continued to strengthen, driving increased demand from retailers for prime space, which is now translating into ERV growth across the whole portfolio. In France, we have seen an encouraging improvement in performance, reflecting the success of our refurbishment programme.

We have built a successful track record, growing shareholder dividends by close to 25% over the last three years. With strong momentum across our markets predicted to continue, bolstered by further growth from our prime portfolio, strategic exposure to the fast growing outlet sector and our major development programme, we remain confident in our ability to deliver sustainable growth going forward."

Results presentation today

The results presentation is being held today at 9.30 a.m. at Deutsche Bank's offices at 1 Great Winchester Street, London EC2N 2DB. A live webcast of Hammerson's results presentation will be broadcast today at 9.30 a.m. via the Company's website, www.hammerson.com. At the end of the presentation you will be able to participate in a question and answer session by dialling +44 (0)20 3427 1904. Please quote confirmation code 8032759.

Financial calendar

The dividend payment date for 2015 and details of future announcements are provided on page 59.

Index to key data

Figures have been prepared on a proportionally consolidated basis excluding interests in Premium Outlets, unless otherwise stated

Income and operational	31 December 2014	31 December 2013
Portfolio total returns (including share of Premium Outlets portfolio)	13.6%	8.5%
Portfolio capital return (including share of Premium Outlets portfolio)	8.0%	3.1%
Occupancy	97.5%	97.7%
Like-for-like NRI growth	2.1%	2.1%
Adjusted earnings per share	23.9p	23.1p
Leasing activity	£29.5m	£23.9m
Area of new lettings	178,900m²	153,900m ²
Leasing v ERV	6%	2%
Leasing v previous passing rents	5%	2%
Like-for-like ERV growth - UK	1.8%	(0.2)%
Like-for-like ERV growth - France	0.2%	1.3%
Retail sales – UK shopping centres	2.6%	(0.4)%
Retail sales – France	(1.0)%	(2.7)%
Non-rental income	£24.7m	£21.8m
EPRA cost ratio	23.4%	24.6%
Final dividend per share	11.6p	10.8p

Capital and financing	31 December 2014	31 December 2013
Portfolio value	£6.7bn	£5.9bn
Net debt	£2.3bn	£2.3bn
Gearing	46%	56%
Loan to value	34%	38%
Liquidity	£648m	£716m
Weighted average cost of finance	4.7%	4.8%
Interest cover	2.8 times	2.8 times
Net debt/EBITDA	8.0 times	8.2 times
Fixed rate debt	79%	70%
Portfolio currency hedge	88%	79%
Equity shareholders' funds	£5.0bn	£4.1bn
EPRA net asset value per share	£6.38	£5.73

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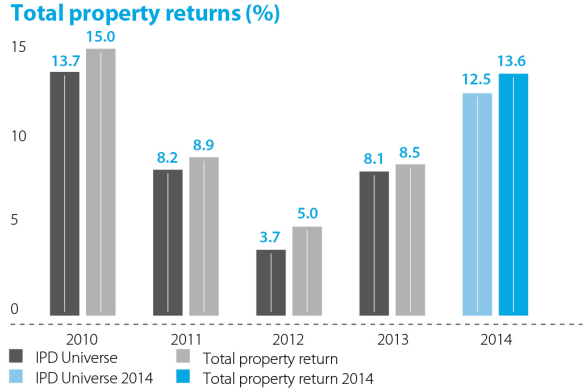
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KEY PERFORMANCE INDICATORS

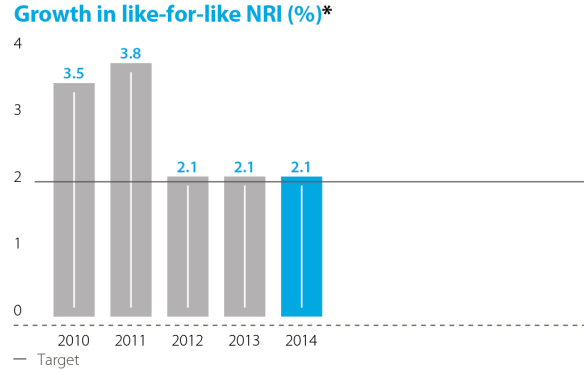
During 2014, we reviewed the Key Performance Indicators (KPIs) by which we monitor our business. This was to ensure they provided the most appropriate metrics for monitoring the achievement of the Group's three strategic priorities of high-quality property, income generation and capital strength, which are designed to deliver value for shareholders. In order to better align the KPIs with these strategic priorities we have introduced three new KPIs: Cost ratio, Leasing activity and Global emissions intensity ratio. The Group's seven KPIs are split between financial and operational measures and the KPIs and associated benchmarks are set out below.

FINANCIAL KPIs



13.6% (IPD 12.5%) (2013: 8.5% (IPD 8.1%))

During 2014, the Group's property investments, including premium outlets, produced a total return of 13.6% which was 110bp ahead of the estimated IPD benchmark. The Group's outperformance was principally due to our premium outlets business which delivered a total return of 19.9%. Further commentary is provided within the Business Review on page 13.

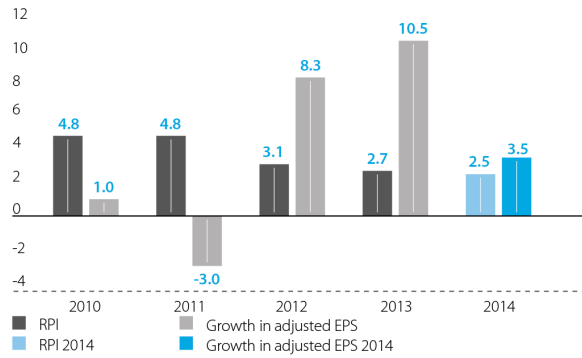


2.1% (2013: 2.1%)

On a like-for-like basis, net rental income grew by 2.1% for the portfolio in 2014, above our target of 2.0%. Income from UK and French shopping centres grew by 2.2% and 2.0% respectively. UK retail parks income increased by 2.4%. Further commentary is provided within the Business Review on page 10.

* On a proportionally consolidated basis but excluding the Group's premium outlet interests

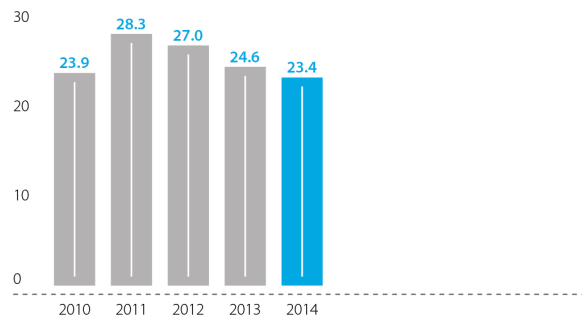
Growth in Adjusted EPS (%)



3.5% (2013: 10.5%)

In 2014, adjusted EPS increased by 0.8 pence, or 3.5%, to 23.9 pence. We benchmark this KPI against the Retail Prices Index (RPI) and in 2014 RPI was 2.5%. Adjusted EPS increased through additional income from the like-for-like portfolio, increased earnings from our premium outlet investments and new income from developments. This was partly offset by the dilution associated with the share placing, lost income from disposals outweighing new income from acquisitions and financing activity, where savings will be generated in the future. Further commentary is provided within the Financial Review on page 17.

Cost ratio (%)*



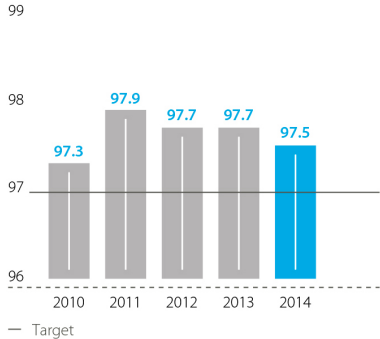
23.4% (2013: 24.6%)

During 2014, further progress has been made in reducing the cost ratio as the income generated from the property portfolio has increased whilst operating costs have been tightly controlled. The 2014 ratio excludes a net one-off restructuring cost of £3.0 million incurred implementing a number of cost saving initiatives during the year. Further commentary is provided within the Financial Review on page 18.

* On a proportionally consolidated basis but excluding the Group's premium outlet interests

OPERATIONAL KPIs

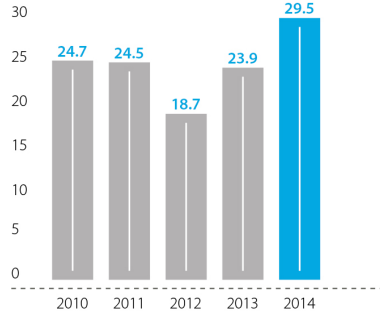
Occupancy (%)



97.5% (2013: 97.7%)

High occupancy has been maintained during 2014, with the portfolio being 97.5% occupied at the year end. This was marginally lower than the prior year, but above our target of 97.0%. Further commentary is provided within the Business Review on page 11.

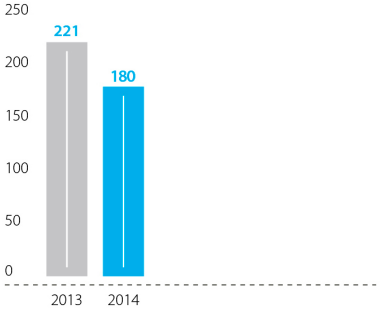
Leasing activity (£m)*



£29.5m (2013: £23.9m)

In an improving economic environment, during 2014 we have seen an increase in leasing activity across all sectors of the portfolio. On average, these leases have been secured at 6% above December 2013 ERVs and 5% above the previous passing rent. Further commentary is provided within the Business Review on page 11.

Global emissions intensity ratio (mtCO₂e/£m)



180mtCO₂e/£m (2013: 221mtCO₂e/£m)

The intensity ratio reflects tonnes of CO₂e emissions from properties and facilities under our direct control including corporate operations. The metric is calculated as a ratio of the Group’s adjusted profit before tax for the 12 months ended 30 September each year. The ratio has only been calculated from 2013 when mandatory GHG emissions reporting was introduced. The ratio has improved during 2014 as we have made efficiencies in our operational activities which have significantly reduced carbon emissions across the portfolio.

* On a proportionally consolidated basis but excluding the Group’s premium outlet interests

BUSINESS REVIEW

The 2014 Business Review provides an overview of the achievements made against our three strategic priorities during the year:

1. **High-quality property**
2. **Income generation**
3. **Capital strength**

1. High-quality property

In 2014 we embedded in the business a new six point 'product framework'. The framework is designed to ensure that best practice in areas such as retail design, digital solutions and customer engagement are implemented consistently throughout the portfolio. It will also inform all aspects of the way we work, from investment decisions and operations through to the way in which we structure our teams.

A summary of the six principles illustrates how the framework will be put into action:

- **Best @ retail** - Strong relationships with our retailers allow us to offer the best brand line-up for our shoppers across the portfolio.
- **Entertaining & exciting** - We create new reasons for consumers to visit our centres through a winning retail and leisure offer enhanced by exciting events and entertainment.
- **Interactive & engaging** - We support the shopping journey with outstanding customer service and digital engagement, creating enjoyable and modern spaces.
- **Convenient & easy** - We aim to provide facilities that make life simple and stress free. We constantly strive to improve and renew our centres.
- **Iconic destinations** - We develop and manage iconic destinations that enhance the local environment through outstanding architecture and provide the best experience for both visitors and residents.
- **Positive places** - Our Positive Places framework supports the creation of retail destinations which lead the sector environmentally, socially and economically.

The Annual Report will provide more detail on these and the other initiatives in our framework.

Portfolio summary

The Group's property portfolio includes 22 prime shopping centres, 22 convenient retail parks and investment in 15 premium outlets across Europe providing a total of 2.2 million m² of retail space. At the end of 2014, the combined portfolio was valued at £7.7 billion, with 69% of the portfolio by value located in the UK, 25% in France and the balance representing premium outlets in ten European countries.

The average lot size for the portfolio was £93 million and the ten most valuable properties represented 50% of the portfolio value.

Development and extensions

The Group has a proven track record of delivering iconic retail developments. We have a large number of development opportunities in both the UK and France, including six on-site schemes and three major London developments. These will require expenditure of approximately £1.5 billion and have the potential to significantly grow the business and create new retail destinations. In addition, we are working to bring forward a number of potential development projects, but are conscious of the need to tightly control expenditure while these opportunities are fully assessed.

During 2014 we completed three projects and have continued to make good progress in advancing our other development schemes as shown in the table below.

Progress made in advancing our development programme in 2014

Planning	Letting	Construction
Achieved planning approval for: <ul style="list-style-type: none">• Brent Cross, London NW4• Elliott's Field Shopping Park, Rugby• WestQuay Watermark, Southampton	Signed lettings at: <ul style="list-style-type: none">• Abbotsinch Retail Park, Paisley• Cyfarthfa Retail Park, Merthyr Tydfil• Elliott's Field Shopping Park, Rugby• Le Jeu de Paume, Beauvais• Les Terrasses du Port, Marseille• Silverburn extension, Glasgow• Victoria Gate, Leeds• WestQuay Watermark, Southampton	Completed works at: <ul style="list-style-type: none">• Abbotsinch Retail Park, Paisley• Les Terrasses du Port, Marseille• O'Parinor, Paris
Council resolution for compulsory purchase order at: <ul style="list-style-type: none">• Croydon town centre, South London		Progressed construction at: <ul style="list-style-type: none">• Cyfarthfa Retail Park, Merthyr Tydfil• Le Jeu de Paume, Beauvais• Silverburn extension, Glasgow
Submitted planning application for: <ul style="list-style-type: none">• The Goodsyard, London E1		Started construction at: <ul style="list-style-type: none">• Elliott's Field Shopping Park, Rugby• Victoria Gate, Leeds• WestQuay Watermark, Southampton

Completed developments

In May, we opened Les Terrasses du Port, Marseille, the 62,800m² shopping and leisure destination, which has traded ahead of expectations. The centre was valued at £480 million at December 2014, £107 million above its development cost, and is now 98% let.

At Abbotsinch Retail Park, Paisley, which was acquired as part of the Junction Fund portfolio in October 2012, a 5,000m², £9 million terrace extension was completed in June. The extension created five new units which are fully let, and increased the park to 20,900m². A 7,200m² extension of O'Parinor, Paris creating a 14-screen cinema and food court was completed towards the end of the year. The extension is fully let and is part of a wider refurbishment of the centre, including Primark's first Paris store. Retailers have witnessed sales growth and a significant increase in footfall.

On-site developments

Scheme	Ownership ¹ %	Lettable area m ²	Expected completion	Current value ² £m	Estimated cost to complete ³ £m	Estimated annual income ⁴ £m	Let ⁵ %
Silverburn extension, Glasgow	50	10,900	Q1 2015	n/a	3	1	97
Cyfarthfa Retail Park extension, Merthyr Tydfil	100	14,500	Q2 2015	n/a	10	2	65
Elliott's Field Shopping Park, Rugby	100	15,700	Q3 2015	n/a	29	3	62
Le Jeu de Paume, Beauvais	100	23,800	Q4 2015	34	34	5	62
Victoria Gate, Leeds (Phase 1)	100	34,300	Q3 2016	49	104	10	40
WestQuay Watermark, Southampton	100	17,000	Q1 2017	8	72	5	58
Total		116,200			252	26	

Notes

1. Value, costs and income represent Hammerson's share for properties held in joint ventures.
2. Valuation at 31 December 2014. Values are not included for extension projects as they are incorporated into the valuation of the existing property.
3. Incremental capital cost including capitalised interest.
4. Incremental income net of head rents and after expiry of rent-free periods.
5. Let or in solicitors' hands by income at 13 February 2015.

The first group of new catering operators have successfully opened at the 10,900m² leisure-led extension of Silverburn, Glasgow which will increase the centre to in excess of 100,000m². The project is almost fully let and features a 14-screen Cineworld and a total of nine new restaurants, including Five Guys, Chimichanga and Carluccios. The restaurants are due to open by Easter 2015, with the cinema opening in the summer.

We have progressed the 14,500m² extension to Cyfarthfa Retail Park, Merthyr Tydfil where works commenced in 2013. The first phase of the extension, including B&Q's first Eco-learning store, opened in September. The remaining 8,700m² of the scheme, including a 4,600m² full-line M&S store offering clothing, homeware and a foodhall, will open in summer 2015. The scheme has provided over 250 jobs during the construction phase and will create the equivalent of up to 230 full-time jobs when complete.

In March, planning consent for the extension of Elliott's Field Shopping Park, Rugby was upheld following a Judicial Review and we started on site in the autumn. The scheme will be anchored by a 5,600m² full-line Debenhams and a 4,600m² M&S general merchandise store and also involves the construction of a new retail terrace. The extension will accommodate a further 13 new fashion and homeware brands and provide new catering space, improved car parking facilities and improvements to the external environment. Completion is expected in autumn this year and 62% of the estimated annual income has been secured. The scheme is targeting BREEAM Excellent and the integration of 130kWp of solar photovoltaic panels will enable the generation of approximately 1mWh of renewable energy each year.

Our 23,800m² development in Le Jeu de Paume, Beauvais is due for completion in autumn 2015, and will be anchored by Carrefour Market. The scheme will also include 86 retail units, including H&M and Furet du Nord and 37 residential apartments. Leases representing 62% of the anticipated income have already been signed or are in solicitors' hands.

Construction work for the first phase of Victoria Gate, Leeds commenced in April 2014. The 34,300m² scheme is adjacent to Victoria Quarter, which was acquired in 2012. The £150 million development will consist of three main buildings: a flagship John Lewis store; a two-street arcade with more than 30 aspirational retailers and restaurants; and an 800-space multi-storey car park. Leasing progress is encouraging, with 40% of the retail income let or in solicitors' hands.

Following planning approval in June, we started on-site with the first phase of WestQuay Watermark. The 17,000m² leisure and catering scheme is in the centre of Southampton, next to our jointly owned WestQuay Shopping Centre. The scheme includes a 10-screen Showcase Cinema de Lux, up to 20 restaurants and a new public piazza in front of the city's historic walls. The scheme is scheduled to be fully open by spring 2017. Estimated income for the £80 million development is £5 million per annum, of which 58% has been pre-let to catering operators including Wahaca, Zizzi and Byron. The scheme is targeting BREEAM Excellent.

Major developments

Scheme	Ownership %	Lettable area m ²	Earliest start	Potential completion	Estimated cost to complete ¹ £m
Croydon town centre, South London	50	200,000	2016	2019/20	625-750
The Goodsyard, London E1 ²	50	260,000	2016	Phased	140-160
Brent Cross extension, London NW4	41	90,000	2017	2020/21	475-550
Total		550,000			1,240-1,460

Notes

1. Hammerson's share of incremental capital cost including capitalised interest. These costs are indicative as full scheme details are yet to be finalised.

2. Cost reflects phase 1 only. Due to residential component of scheme, area is gross external.

We have continued to progress our three major developments in London. In addition to creating new retail destinations, these complex schemes offer the potential for significant urban regeneration and to deliver attractive financial returns over the longer term.

The redevelopment of Croydon town centre involves the regeneration of the retail heart of this area to attract £1 billion of annual retail spend. The scheme is being advanced by the Croydon Partnership, a 50:50 joint venture with Westfield which was formed at the beginning of 2013. The joint venture owns Centrale shopping centre and a 25% interest in the 155-year headlease of the Whitgift Centre. The redevelopment of the Whitgift Centre and refurbishment of Centrale will result in 200,000m² of retail, leisure and residential space. Planning permission was granted in April 2014. Since this date, Croydon Council has resolved to make a compulsory purchase order (CPO) to assemble the land required for the scheme and the CPO inquiry began in February 2015. The planning process and design of this significant regeneration project has taken longer than originally expected and, assuming a successful CPO outcome, works are due to start in 2016 with completion scheduled for 2019/20.

In conjunction with our joint venture partner, Ballymore Properties, a planning application to develop The Goodsyard, London E1 was submitted in July 2014. The 4.2ha site in Shoreditch has the potential to deliver a 260,000m² mixed-use development that will include 19,000m² of retail space, 60,000m² of offices and up to 1,500 homes and will cater for the growing Tech City media and technology start ups attracted to the area. The regeneration will also provide substantial public realm including a new park. The public consultation has been completed and we are working with the local authorities. A planning decision is targeted for late 2015.

Following approval by Barnet Council in January 2014 of a revised planning application, work continues on the regeneration of Brent Cross Cricklewood in north-west London. The submission followed extensive consultation with local stakeholders and amended the outline planning permission granted for the scheme in 2010. A reserved matters application for the extensive highways and infrastructure works was submitted in January 2015. A key element of the regeneration is a 90,000m² extension to Brent Cross shopping centre which will deliver a world-class retail, dining and leisure environment. The scheme will also provide new parks and community facilities and much enhanced transport connections. In conjunction with our joint venture partner, Standard Life Investments, we are in the process of refining the scheme design and programme prior to working up and submitting a reserved matters application for the shopping centre extension. This application is anticipated for late 2015 and, subject to confirmation of CPO powers, we anticipate a start on-site in 2017 with completion in 2020/21.

Development pipeline opportunities

We have a number of potential pipeline schemes which we continue to advance. These include new-build and extension projects across all three of the Group's sectors: UK and French shopping centres, and UK retail parks.

The precise nature and design of these schemes are fluid and the speed of delivery will be dependent on a variety of factors including: planning permission; retailer demand; anchor tenant negotiations; land assembly; and scheme design. The Group's principal opportunities are shown in the table below.

Scheme	Lettable area m ²	Key facts
Italie Deux, Paris 13ème	5,100	<ul style="list-style-type: none">• Retail extension of existing shopping centre• Progressing necessary consents to enable start on-site
Les 3 Fontaines, Cergy Pontoise	22,000	<ul style="list-style-type: none">• Retail and leisure extension• Working towards obtaining the necessary consents in 2015
Orchard Centre, Didcot	14,000	<ul style="list-style-type: none">• Retail-led extension to existing centre• Planning application submitted in February 2015
Parc Tawe, Swansea	20,600	<ul style="list-style-type: none">• A refurbishment and modernisation of existing retail park• Planning permission granted in August 2014 for a potential start on-site in late 2015
Silverburn (Phase 4), Glasgow	50,000	<ul style="list-style-type: none">• Masterplan planning application submitted in July 2014 for future extension of existing centre• Masterplan also includes retail, hotel and leisure uses
SQY Ouest, Saint Quentin-en- Yvelines	30,200	<ul style="list-style-type: none">• Opportunity to reposition existing shopping centre, creating a leisure-led destination
Victoria Gate, Leeds (Phase 2)	73,000	<ul style="list-style-type: none">• Planning consent for retail-led scheme, including up to 2,700 car park spaces• Freehold control of site obtained
WestQuay Watermark, Southampton (Phase 2)	58,000	<ul style="list-style-type: none">• Outline planning consent for mixed use scheme• Council owned land, with joint review of scheme under way
Total	272,900	

Refurbishments

The £100 million refurbishment programme across the majority of our French centres, which began in 2013, was completed during 2014. The programme introduced upgraded interiors, new services and improved leisure provision to our centres.

Following completion of the programme we intend to undertake increased levels of tenant rotation across the French portfolio to further enliven the retail offer and work up refurbishment projects for San Sébastien, Nancy; Villebon, Paris and Les 3 Fontaines, Cergy Pontoise.

Acquisitions and disposals

We closely monitor the performance of our existing portfolio to ensure that it meets our strategic requirements. Proceeds from disposals may be reinvested in the investment portfolio or used to fund acquisitions or developments to generate higher returns.

In January 2014, together with our 50% partner Aviva Investors, we sold Queensgate Shopping Centre in Peterborough. Hammerson's share of net rental income from the asset in 2013 was £6 million and we received net proceeds of £99 million.

We acquired Saint Sébastien shopping centre in Nancy, north-east France for £109 million in February 2014. The city has an affluent population and is advancing the Nancy Grand Coeur regeneration project which should benefit the centre's footfall. The 24,000m² centre has passing rents of £6 million and there is scope for a number of future asset management initiatives to improve the centre and increase income.

In September, we completed the sale of the Group's 50% stake in 10 Grosvenor Street, W1 for £54 million. The building was our remaining office asset and is currently Hammerson's head office, ahead of the relocation to Kings Place, King's Cross in June.

Also in September, we bought our joint venture partner's 40% interest in Highcross, Leicester for £180 million. The 105,600m² centre is anchored by John Lewis, generates passing rents of £27 million and was extended and refurbished by Hammerson in 2008. There are a number of asset management opportunities which will attract retailers and consumers and to grow the income stream.

Since the year end, in conjunction with our joint venture partner Allianz, we completed the acquisition of Nicetoile shopping centre in Nice. The 17,600m² centre was recently refurbished and trades on four levels. It attracts 13 million visitors each year and generates rental income of £13 million. Allianz has a 90% stake in the centre, with Hammerson holding 10% and the management contract for the property. Our share of the acquisition costs was £24 million.

Premium outlets

Hammerson is the only European REIT to have a strategic exposure to the premium outlets market which comprises outlet centres of institutional investment quality. We believe the outlet centre market is a critical distribution channel for retailers, in particular for luxury and fashion brands, as it complements their multichannel strategies and enables effective inventory management. The European outlet centre market is highly fragmented, but well managed high-quality centres can deliver high sales densities and annual total returns above 10%.

The Group has been increasing its exposure to the premium outlet sector over recent years and has investments through its long-term holding in Value Retail and also a new joint venture, VIA Outlets. At 31 December 2014, these investments represent 13% of the Group's total property value.

Value Retail (VR)

VR operates nine luxury outlet Villages in the UK and Western Europe with 170,000m² of floor space and over 1,000 stores. Their Villages, which include Bicester Village, Oxfordshire and La Vallée Village, Paris serve the luxury, fashion and international shopping-tourism customer and are amongst the best outlet centres in Europe. The Group's stake in VR has increased over recent years but remained unchanged during 2014. We hold a 22% interest in the VR holding companies as well as direct investments in certain Villages. When these holdings are combined, the Group has an economic interest in the net assets of VR of approximately 38%. Hammerson also provides loan finance to VR which totalled £64 million at 31 December 2014.

Our investment in VR is consistent with our high-quality property strategy. During 2014, La Roca Village, Barcelona, opened a 5,800m² extension, and this, together with the introduction of Sunday trading, has led to significant footfall growth. Further expansions are on-site or planned with work having commenced on a 5,800m² extension at Kildare Village, Dublin which will add 36 new international brands when open at the end of 2015. Planning has been granted for a 4,300m² extension at Bicester Village to add new retail and catering and improve road access to the Village.

The Villages have continued to perform strongly during 2014 with brand sales growth of 11% across the portfolio. During the year, around 21% of the like-for-like retail space in the Villages was remerchandised, with around half of that resulting from the introduction of new brands. Occupancy currently stands at 95%. Future growth is expected to be supported by global tourism, new emerging brands, consumers' more considered approach to shopping and the importance of perceived value.

At 31 December 2014, the nine Villages were valued at €3.7 billion, reflecting underlying valuation growth of 12.1%. VR's EBITDA in 2014, as prepared under IFRS, grew by 13.4% to €125.4 million. Hammerson's share of the property valuations and EBITDA were £885 million and £33.5 million respectively.

We continue to benefit from our relationship with VR management and utilise the knowledge gained to enhance the positioning of the Group's portfolio, for example at Victoria Gate, Leeds. Hammerson enjoys a supportive relationship with VR, whose expansion into China includes Villages at Shanghai and Suzhou.

VIA Outlets (VIA)

In September we announced the Group had invested in a 47% stake in a new outlet joint venture, VIA Outlets, formed in partnership with APG, Value Retail and Meyer Bergman. The new venture aims to acquire existing European outlet centres with strong catchments and potential for growth.

During 2014, VIA acquired six outlet centres including Batavia Stad, near Amsterdam and Alcochete, Lisbon. The most recent acquisition is Landquart, in Switzerland where Hammerson's share of the acquisition costs was £28 million. This centre is 21,000m² and has 90 retail units including Calvin Klein, Desigual and Hugo Boss and it benefits from its proximity to the wealthy catchment of Zurich as well as tourists visiting the region.

In total the VIA outlet centres provide 180,000m² of floor space and over 600 stores and were valued at €393 million at 31 December 2014. Hammerson's share of the property valuations and post acquisition operating profit were £143 million and £2.1 million respectively.

The operational performance of VIA is summarised in the table below:

	VIA Outlets
Operational performance*	2014
Brand sales (€m)	386
Brand sales growth (%)	13
Footfall (millions)	11.7
Average spend per visit (€)	33
Average sales densities (€000/m ²)	2.9
Occupancy (%)	92

* The above figures reflect overall portfolio performance, not Hammerson's ownership share and the year-on-year figures include pre-acquisition performance.

The VIA partners intend to make further acquisitions in Europe with the strategy of creating a c. €1 billion portfolio. In addition to building up the portfolio, the focus in 2015 will be on improving the performance of the outlet centres by changing the tenant mix; enhancing the leisure and food offers; right-sizing some of the units; creating flagship units for key brands; and targeted marketing to increase tourist visits. Hammerson intends to contribute personnel and expertise to VIA to support this strategy.

Page 19 of the Financial Review provides further information on how our investments in VR and VIA have impacted the Group's financial performance during 2014.

2. Income generation

Introduction

Retailers are focusing their space requirements on high-quality, prime shopping centres, conveniently located retail parks and premium outlets of the types invested in by Hammerson. Retailers are making these choices because they understand the changing preferences of consumers.

As retail specialists, we understand that in order to keep generating income growth, we need to stay ahead of consumer and retail trends and supporting technologies. Our innovation agenda will ensure that the Group's properties are best in class and ready to deliver exceptional performance in this new retail environment.

This specialist approach, alongside improving consumer confidence, low interest rates and inflation, and the limited delivery of new retail space, combine to create the conditions for ERV growth.

Adapting to retail in a multichannel age

Consumers are increasingly considered in their approach to shopping. They have more choices than ever before and are using multiple channels to research, buy and complete their purchases. Retailers are adapting their offer to react to these changes. We are working to a tightly defined strategy to ensure that our product offer of proactively managed, outstanding retail space meets the demands of both consumers and retailers.

We actively rotate tenants to ensure the retail offer is optimised and enlivened at each location. Our strategy also recognises the need for superb customer service and facilities that make shopping easy, more convenient and enjoyable throughout the day. Our catering and leisure offers, accessible parking, customer information and world class facilities are constantly refined and improved.

In 2014, we launched a Click & Collect service at Brent Cross, in partnership with Collect+, which is already performing very strongly.

A core focus is the seamless integration of digitally enabled services into our retail space which is increasingly a differentiator in the selection of retail locations. As well as offering free high speed wi-fi to our shoppers, we are upgrading our web capabilities to assist customers with researching their shopping trips. Digital tools also allow us to communicate with shoppers in a timely, relevant and highly targeted way, driving loyalty and spend.

Following successful trials of our award winning mobile app in 2013 at The Oracle, Reading and Highcross, Leicester, we launched our updated platform 'Plus' at Les Terrasses du Port, Marseille in May. This mobile app allows us to communicate directly with shoppers in real-time, with personalised content and offers based on their interests, browsing and redemption history, and stores visited. The innovative geo-location technology uses Bluetooth low energy beacons.

We have strengthened our team with digital and loyalty experts and invested in class-leading analytic platforms to ensure that the true value of this data is realised. The 'Plus' app, upgraded websites and analytics tools will be rolled out across our shopping centre portfolio in 2015.

In addition to the new digital platform, we continue to deliver engaging content across social media channels to more than one million followers, as well as supporting successful physical events that enliven our mall space such as Autumn Fashion Fix, Student Nights, Love Food and The Big Positive Weekend.

Operational performance

Presentation of information

This overview provides information on a number of key operational metrics which management monitor to ensure the portfolio generates sustainable income growth. The information presented is consistent with our management reporting systems and includes metrics prepared on a proportionally consolidated basis. However, it excludes metrics from our investments in the premium outlet shopping sector which are shown in the previous section of the Business Review, as the Group has less day-to-day management involvement and the sector has different operational characteristics from the Group's shopping centre and retail parks interests. 2013 figures also exclude the office properties which were sold and treated as discontinued during that year.

Operational performance summary

The table below shows the strong operational performance achieved during 2014, demonstrating our ability to adapt to the changing retail environment. The highlights are an increased level of letting activity across the portfolio and the recovery in tenant sales in the UK. The weaker French sales figures reflect the more challenging economic environment in France, although other metrics remain robust.

Operational performance	2014	2013
Net rental income growth – like-for-like (%)	2.1	2.1
Occupancy (%)	97.5	97.7
Leasing activity – new rent from units leased (£m)	29.5	23.9
Area of new lettings (000m ²)	178.9	153.9
Leasing v ERV (% above 31 December 2013/2012 ERV)	6	2
Leasing v previous passing rents (%)	5	2
Like-for-like ERV growth (%)		
UK	1.8	(0.2)
France	0.2	1.3
Retail sales change (%)*		
UK	2.6	(0.4)
France	(1.0)	(2.7)
Footfall change (%)*		
UK	(1.3)	(1.0)
France	1.5	(4.9)
Occupational cost ratio (%)*		
UK	20.8	21.5
France	14.3	13.9
Collection rates (%)		
UK	98	99
France	84	87
Non-rental income (£m)		
UK	21.6	20.4
France	3.1	1.4

* Shopping centres only

Further information is provided in the Portfolio Analysis tables on pages 54 to 58.

Like-for-like net rental income

On a like-for-like basis, net rental income generated by the continuing portfolio grew by 2.1% during 2014. UK shopping centre growth of 2.2% was driven by leasing activity, rent reviews and increased turnover rent and commercial income, notably at Cabot Circus, Highcross and Union Square. However, these positive factors were partially offset by the impact of lease expiries and tenant reconfigurations.

Leasing activity associated with tenant rotation at the newly refurbished centres was the principal factor behind French shopping centre income growth of 2.0%. UK retail parks recovered from a flat year in 2013 to record like-for-like growth of 2.4%, again due to leasing activity and the permanent letting of space which had previously been impacted by retailer administrations.

Like-for-like net rental income growth (%)	UK shopping centres	France retail	UK retail parks	Other UK	Total portfolio
31 December 2014	2.2	2.0	2.4	(1.2)	2.1
30 June 2014	2.0	1.1	1.2	(0.2)	1.5
31 December 2013	3.2	2.6	0.2	(4.0)	2.1

Further analysis of like-for-like net rental income by business segment is on page 56.

Occupancy

At 31 December 2014, occupancy was 97.5%, ahead of our 97.0% target. French occupancy fell marginally during the year as a result of lease expiries, although this will enable future tenant rotation.

Occupancy (%)	UK shopping centres	France retail	UK retail parks	Other UK	Total portfolio
31 December 2014	98.1	96.6	98.5	91.3	97.5
30 June 2014	97.7	96.6	98.2	91.6	97.2
31 December 2013	98.1	97.4	98.4	91.3	97.7

Further analysis of occupancy by business segment is on page 54.

Leasing

Leasing activity increased during 2014, with 413 leases signed representing annual rental income of £29.5 million and 178,900m² of space. This compares to 364 leases, £23.9 million of income and 153,900m² in the prior year. For principal leases in the Group as a whole, rents secured were 5% greater than previous passing rents and 6% greater than December 2013 ERVs.

We continue to be encouraged by improving retailer demand and there is an improving trend of ERV growth. Across the portfolio ERVs grew by 1.5% during 2014, with growth of 0.9% in the second half of the year. This annual growth varied across the Group's three sectors, with UK shopping centres seeing growth of 2.6% and retail parks 0.5%, whilst the French shopping centres suffered from low indexation, achieving ERV growth of 0.2%.

Lease expiries and rent reviews

Our prime property portfolio provides a secure income stream, with a weighted average unexpired lease term of eight years. However, there are a significant number of leases across the portfolio which will be subject to rent reviews, break clauses or expiry in the near term. These provide the opportunity to secure additional income for the Group, if reviews or new leases are agreed at ERV.

Over the three years to 31 December 2017, leases with current rents passing of £78.0 million are due to expire, or are subject to tenants' break clauses. If these were renewed at ERV, additional annual rental income of £7.4 million would be secured.

Including outstanding reviews and those falling due over the next three years, leases in the UK with rents passing of £150.2 million are subject to review and, if reviewed at ERV, would generate additional annual income of £9.6 million. Rents in our French portfolio are subject to annual indexation, which is nil in 2015 for the majority of leases. These figures do not represent a forecast and take no account of void periods, lease incentives or potential changes to future rental values.

Further information on lease expiries and rent reviews is included on page 55.

Retailer sales, footfall and occupancy cost

The picture for sales at our UK shopping centres improved during the year, with tenant sales growth, calculated on a same centre (like-for-like) basis, of 2.6%, compared to a 0.4% reduction in sales in 2013. Jewellery, sports and outdoors and health and beauty sales recorded the highest sales growth during 2014. Footfall in the UK reduced by 1.3%, however, consumers are spending more time and money during each visit to our centres.

In France, the poor economic environment continued to hinder retail sales, and same centre sales fell by 1.0% during 2014, compared to a 2.7% decline in 2013. Footfall increased by 1.5% in 2014, compared to a decline of 4.9% in 2013. This is an encouraging trend with shoppers attracted to our centres following the completion of the refurbishment programme.

The occupational cost ratio, defined as tenant sales as a proportion of total occupancy cost (rent, business rates and service charge) fell in the UK from 21.5% to 20.8% as a result of the growth in tenant sales during 2014. In France, the ratio was 14.3%, an increase from 13.9% at the beginning of the year, this change is consistent with the reduction in retailer sales during the year.

Non-rental income

Non-rental income, being net income from car parks and the sale of advertising and merchandising opportunities, continues to grow across the portfolio and is included within 'net rental income'.

In the UK, non-rental income increased by 5.9% to £21.6 million, principally reflecting additional income at Union Square, Bullring and Highcross, partly offset by the impact of the sale of Queensgate at the beginning of 2014. In France, non-rental income increased by £1.7 million to £3.1 million, reflecting additional income from the new car park at Les Terrasses du Port.

Collection rates and tenant covenants

Our collection rates remain strong and demonstrate the underlying strength of the Group's income stream. 98% of UK billings and 84% of French billings were collected within 14 days of the December 2014 due date.

Our credit control function assesses the covenant strength of prospective tenants and monitors the credit standing of key retailers using a credit rating agency. The agency has a four-point indicator scale which runs from one ('low risk') to four ('high risk'). As at 31 December 2014, weighted by passing rent, 90% of UK tenants and 83% of French tenants were rated within the two lowest risk categories.

Incidents of tenant administrations have reduced during 2014 and, at 31 December 2014, 55 retail units were let to tenants in administration, of which 42 continued to trade. In total, 1.0% of the Group's total passing rents was derived from tenants in administration, and for those tenants no longer trading the figures was just 0.4%. The equivalent figures at 31 December 2013 were 1.2% and 0.5% respectively.

3. Capital strength

We maintain a strong balance sheet with our prime property portfolio supported by a robust capital base. Our unsecured financing strategy provides the Group with financial security and the flexibility and capacity to deliver our business objectives. It also enables the Group to act swiftly and decisively when opportunities arise to further enhance performance.

Presentation of information

As in the previous 'Income generation' section on page 9, the information presented in this section of the Business Review is prepared on a proportionally consolidated basis and, unless stated, excludes our investments in the premium outlet shopping sector. The 2013 figures also exclude the office properties which were sold and treated as discontinued in that year.

Portfolio valuation

During 2014, the valuation of the portfolio increased by £776 million, including an underlying valuation increase of £437 million. The movement in the portfolio valuation is set out in the table below.

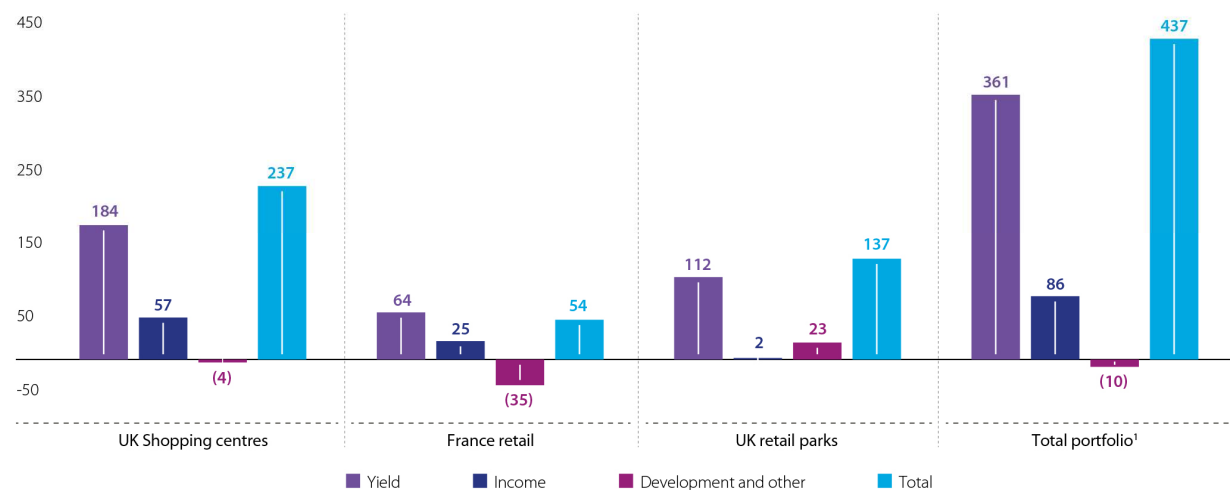
Movement in portfolio value in the year to 31 December 2014

	Investment £m	Development £m	Total £m
Portfolio value at 1 January 2014	5,434	497	5,931
Valuation increase	419	18	437
Capital expenditure			
Acquisitions	306	–	306
Developments	–	165	165
Expenditure on existing portfolio	90	–	90
Tenant incentive amortisation	5	–	5
Capitalised interest	1	8	9
Disposals	(126)	–	(126)
Foreign exchange	(83)	(27)	(110)
Transfers	453	(453)	–
Portfolio value at 31 December 2014	6,499	208	6,707

The chart below analyses the sources of valuation change for the Group's property portfolio. During 2014, investment yields fell and increased valuations for UK shopping centres, retail parks and French retail properties. The yield movement for retail parks and the French properties was weighted towards the second half of the year. The benefit of leasing and modest rental value growth further boosted valuations, although this was principally at the UK and French shopping centres. In total, yield improvements accounted for 83% of the total portfolio valuation increase during 2014.

Further valuation and yield analysis is included on page 58.

Components of valuation change in 2014 – Total property portfolio (£m)



¹ Total portfolio includes the valuation change of £9m for UK Other properties

Returns data for 2014

Return	%	Benchmark	%
UK portfolio income return	5.1	UK IPD All Retail Universe income return	5.4
UK portfolio capital return	8.8	UK IPD All Retail Universe capital return	8.4
UK portfolio total return	14.3	UK IPD All Retail Universe total return	14.3
Group income return	5.1	Group weighted IPD All Retail Universe income return	5.1
Group capital return	8.0	Group weighted IPD All Retail Universe capital return	7.0
Group total return	13.6	Group weighted IPD All Retail Universe total return	12.5
Total shareholder return over one year	24.7	FTSE EPRA/NAREIT UK index over one year	21.3
Total shareholder return over three years p.a.	23.3	FTSE EPRA/NAREIT UK index over three years p.a.	24.9
Total shareholder return over five years p.a.	11.5	FTSE EPRA/NAREIT UK index over five years p.a.	13.5

Property returns

The table above compares the financial returns generated in 2014 with benchmark IPD indices. The above returns include development properties and the Group's returns include those from the properties held by its premium outlet investments in Value Retail and VIA Outlets. The Group weighted IPD All Retail Universe total return benchmark of 12.5% is weighted 70:30 between the UK and French indices. The All Retail Universe indices include returns from all types of retail property.

As the Annual IPD benchmarks for both countries are not available until after this announcement has been published, the IPD benchmarks have been estimated and are subject to revision. The UK IPD data is based on the Quarterly All Retail Universe to December 2014. As there is less data available for France, we have assumed that the French benchmark is equal to the total return generated by our French portfolio of 8.3%.

The Group's total return was 13.6%, compared with an estimated weighted IPD benchmark of 12.5%. The total return for the UK portfolio was 14.3% which was in-line with the IPD index, although income return was 30bp lower than the index which is indicative of the prime nature of the Group's UK portfolio. The Group's investments in premium outlets properties produced a total return of 19.9%.

An analysis of the capital and total returns by business segment is included on page 58.

Shareholders returns

For the year ended 31 December 2014, Hammerson's return on shareholders' equity was 16.3%. This compares to the Group's estimated cost of equity of 8.0%. The income element of the return on equity tends to be relatively low given the prime quality of the property portfolio. The capital element of the return was driven by the portfolio's strong valuation performance during the year.

Hammerson's total shareholder return for 2014 was 24.7% which outperformed the FTSE EPRA/NAREIT UK index by 340bp. Over the last five years, Hammerson's average annual total shareholder return has been 11.5% compared with 13.5% for the FTSE EPRA/NAREIT UK index.

Financing

Our financing strategy is to generally borrow on an unsecured basis on the strength of the Group's covenant in order to maintain operational flexibility. This strategy has ensured access to a wide range of debt capital markets at competitive pricing. 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. 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 principally comprises the Group's fixed rate unsecured bonds.

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 approves financing guidelines against which it monitors the Group's financial structure. These guidelines, together with the relevant metrics, including the Group's share of joint ventures but excluding balances held in our premium outlet investments are summarised in the table on page 14 which illustrates the Group's robust financial condition.

Key financing metric	Guideline	31 December 2014	31 December 2013
Net debt (£m) – note 20B		2,265	2,252
Gearing (%)	Maximum 85% for an extended period	46	56
Loan to value (%)	Up to 40%	34	38
Liquidity (£m)		648	716
Weighted average cost of finance (%)		4.7	4.8
Interest cover (times)	At least 2.0	2.8	2.8
Net debt/EBITDA (times)	Less than 10.0	8.0	8.2
FX hedging (%)	80%-90%	88	79
Fixed debt (%)		79	70

During the first half of the year, we received the funds from the \$443 million US private placement signed in November 2013. The fixed rate senior notes mature in seven, ten and twelve years and are denominated in US Dollar, British Pound Sterling and Euro, with the US Dollar portion swapped to fixed rate Euro. The weighted average coupon is fixed at 3.6% and the proceeds have been used to repay existing floating rate debt and increase the proportion of fixed rate debt.

In July 2014, we issued a new eight year €500 million bond at a coupon of 2.0%. The proceeds were partly used in December 2014 to redeem the outstanding €480 million 4.875% coupon bond, originally maturing in June 2015. This refinancing will result in a saving of 2.875%, or €14 million, per annum and is in line with the Group's objectives to manage down the cost of debt and extend the debt maturity profile. At 31 December 2014, the average maturity of the Group's debt was 6.5 years. The maturity profile of the Group's borrowings is shown in the chart below.

Debt maturity profile at 31 December 2014 (£m)



Funds raised through the bond issue and, the share placing in September, were used in the short term to repay floating rate debt on the revolving credit facilities at low floating rates of interest. The timing of this has led to the weighted average cost of finance rising from 4.6% at the half year to 4.7% for the full year. However, following the €480 million bond redemption in December, the running cost of debt fell to below 4.3%. We believe that the sterling and euro bond markets will continue to be available in the medium term to refinance existing bonds as they mature and we will access these markets as appropriate. In addition, bank lending markets have continued to improve during 2014, with falling margins, and we expect to be able to take advantage of this situation with upcoming refinancings of unsecured credit facilities.

Our policy for interest rate hedging is to fix the rate of at least 50% of debt, although we may increase this at higher gearing levels. At 31 December 2014, 79% of debt was fixed, compared with 70% at the beginning of the year. We expect interest rates to increase in the medium to long term and our fixed/floating profile will partly mitigate that risk.

Exposure to exchange translation differences on euro-denominated assets is managed through a combination of euro borrowings and derivatives. At 31 December 2014, 88% of euro-denominated assets were hedged by euro-denominated debt, compared to 79% at the beginning of the year. The purpose of this increase was to offset the impact of increased euro-denominated rental income following the opening of Les Terrasses du Port in May. Interest on euro debt acts as a hedge against exchange differences arising on rental income from our French business. On average during 2014, approximately 82% of our French income was hedged in this way. However, falling euro interest rates have led to higher euro-denominated earnings and the hedge of euro income is forecast to fall to approximately two-thirds during 2015.

The Group's unsecured bank facilities and the US private placement senior notes contain financial covenants, requiring that the Group's gearing, defined as the ratio of net debt to shareholders' equity, should not exceed 150% and that interest cover, defined as net rental income divided by net interest payable, should not be less than 1.25 times. The same gearing covenant applies to three of the Company's unsecured bonds, whilst the remaining bonds, contain a covenant that gearing should not exceed 175% and have no covenant for interest cover. The calculation of these ratios includes the Group's share of joint ventures. Hammerson's financial ratios are comfortably within these covenants. Fitch and Moody's rate Hammerson's unsecured credit as A- and Baa2 (positive outlook) respectively. Moody's upgraded their outlook from stable to positive in June 2014.

Premium outlets

As explained at the beginning of this section, we do not proportionally consolidate our two premium outlet interests, Value Retail and VIA Outlets. These are financed independently from the rest of the Group's financing arrangements. Both VR and VIA utilise a combination of secured borrowings and partner loans to fund their structures. At 31 December 2014, Hammerson's share of VR's and VIA's net debt was £275 million and £31 million respectively. If the Group's share of net debt, properties and other net assets of the two premium outlet investments were included within the Group's financing metrics, the Group's proforma gearing would increase from 46% to 52%, whilst the loan to value ratio would reduce from 34% to 33%.

Equity issue

Hammerson raised gross proceeds of £399 million in September 2014 through a successful share placing. 71.3 million shares were issued at £5.60 each, representing a 4% discount to the prevailing share price. The proceeds were used to finance the £180 million acquisition of a 40% stake in Highcross, Leicester and our 47% investment in VIA Outlets. The remaining proceeds will fund the Group's development expenditure.

FINANCIAL REVIEW

Presentation of financial information

The Group's financial statements are prepared under IFRS and for 2014 the Group has adopted IFRS 11 Joint Arrangements. The new standard requires that the Group's joint arrangements, which were previously proportionally consolidated, are classified as joint ventures and are equity accounted. This presentation is consistent with the treatment of the Group's investment in Value Retail, which is classified as an associate.

The income statement on page 25 and the balance sheet on page 27 include single lines showing the Group's share of post-tax profit and the net investment in joint ventures and associates respectively. The Group's profit for the year and equity shareholders' funds are unaffected by the presentational changes associated with the new accounting standard. Further details of the impact of adopting this accounting policy are given in note 1 to the accounts on page 32.

Adjusted profit is a key measure of the Group's financial performance as it reflects the underlying earnings of the Group. Details of adjustments in calculating adjusted earnings are given in note 8A to the accounts on page 39.

As explained in the Business Review on page 10, management continues to monitor the performance of the business principally on a proportionally consolidated basis, except for its interests in premium outlets through its investments in Value Retail and VIA Outlets where the Group has less day-to-day involvement in operational activities. The commentary in this Financial Review is consistent with this approach.

The table below highlights the presentational impact of the adoption of IFRS 11 on the Group's proportionally consolidated adjusted profit.

Adjusted profit analysis

		Year ended 31 December 2014			Year ended 31 December 2013		
	Notes to the Accounts	Reported Group £m	Share of Property joint ventures £m	Proportionally consolidated £m	Reported Group £m	Share of Property joint ventures £m	Proportionally consolidated £m
Gross rental income, after rents payable	2	205.9	136.3	342.2	175.5	143.8	319.3
Property outgoings	2	(17.8)	(18.8)	(36.6)	(15.3)	(21.2)	(36.5)
Net rental income	2	188.1	117.5	305.6	160.2	122.6	282.8
Administration expenses	2	(42.6)	(0.9)	(43.5)	(41.1)	(1.0)	(42.1)
Net finance costs	2	(97.4)	(2.7)	(100.1)	(88.6)	(1.9)	(90.5)
Share of results of joint ventures ¹	10B	114.8	(113.9)	0.9	121.1	(121.1)	–
Share of results of associate	11A	16.0	–	16.0	13.4	–	13.4
Profit from discontinued operations	6	–	–	–	3.9	1.4	5.3
Adjusted profit before tax	2	178.9	–	178.9	168.9	–	168.9
Tax charge	2	(0.9)	–	(0.9)	(0.8)	–	(0.8)
Non-controlling interests	2	(3.7)	–	(3.7)	(3.6)	–	(3.6)
Adjusted profit for the year	2,8A	174.3	–	174.3	164.5	–	164.5
Adjusted EPS, pence	8A	23.9p	–	23.9p	23.1p	–	23.1p
Total dividend per share, pence	7	20.4p	–	20.4p	19.1p	–	19.1p

Notes

¹ The £0.9 million shown as "Share of results from joint ventures" for the year ended 31 December 2014 represents the share of adjusted profit from the Group's investment in VIA Outlets which is not proportionally consolidated. All other joint venture interests are proportionally consolidated in this analysis.

Further analysis on the proportionally consolidated income statement is in note 2 to the accounts on pages 33 and 34.

Profit before tax

The Group's profit before tax for 2014 was £703.1 million compared with £341.2 million in 2013, the latter figures includes discontinued operations. As analysed in the table below, the year-on-year increase reflected portfolio revaluation gains of £436.8 million in 2014, compared to £90.3 million in 2013. A good operational performance also contributed to the increase in profit.

Other profit variances related to the net loss of £6.5 million on the sale of properties and joint venture interests in 2014 compared to a profit of £11.7 million in 2013 and a £13.7 million increase in the fair value of derivatives compared to a decrease of £13.9 million in the prior year.

Analysis of profit before tax

Proportionally consolidated, excluding premium outlets and including discontinued operations in 2013	Notes	Year ended 31 December 2014 £m	Year ended 31 December 2013 £m
Adjusted profit before tax	2	178.9	168.9
Adjustments:			
(Loss)/Gain on the sale of properties and joint ventures interests	2	(6.5)	11.7
Net revaluation gains on property portfolio	2	436.8	90.3
Net revaluation and other losses in joint venture not proportionally consolidated – VIA Outlets	2,10B	(2.0)	–
Net revaluation and other gains in associate – Value Retail	2,11A	93.9	88.1
Bond redemption – premium and costs	4	(8.7)	(3.9)
Net one-off restructuring charge	8A	(3.0)	–
Change in fair value of derivatives	8A,10B	13.7	(13.9)
Profit before tax	2	703.1	341.2

At £178.9 million, adjusted profit before tax was £10.0 million up on 2013, an increase of 5.9%. The table below reconciles the movement in adjusted profit before tax between the current and prior years. The principal contributors to the increase were new income from acquisitions and developments, additional income from the like-for-like portfolio and Value Retail. These were partly offset by higher financing costs associated with reduced levels of floating rate debt.

Reconciliation of adjusted profit before tax

Proportionally consolidated, excluding premium outlets and including discontinued operations in 2013	Adjusted profit before tax £m	Adjusted EPS pence
Adjusted profit before tax 2013	168.9	23.1
Net financing expense	(4.7)	(0.7)
Net administration expense	(0.9)	(0.1)
Net investment and development activity	6.8	1.1
Like-for-like net rental income increase	5.4	0.7
VIA EPRA earnings	0.9	0.1
Value Retail EPRA earnings	2.6	0.3
Impact of share placing	1.4	(0.5)
Exchange and other	(1.5)	(0.1)
Adjusted profit before tax 2014	178.9	23.9

In 2014, adjusted earnings per share increased by 3.5% to 23.9 pence, reflecting the changes noted above. Calculations for earnings per share are set out in note 8A to the accounts on page 39.

Net rental income

Proportionally consolidated excluding premium outlets and including discontinued operations in 2013	Year ended 31 December 2014 £m	Year ended 31 December 2013 £m	Change £m
Like-for-like investment properties	266.4	261.0	5.4
Acquisitions	16.3	5.5	10.8
Disposals	2.0	16.7	(14.7)
Developments	20.9	3.8	17.1
Exchange	–	3.2	(3.2)
Net rental income	305.6	290.2	15.4

In 2014, the portfolio as a whole generated net rental income of £305.6 million, compared with £290.2 million in the prior year. Growth of 2.1% in income from the like-for-like portfolio was principally driven by leasing activity at Cabot Circus and Italie Deux. Net rental income also increased with additional income of £17.1 million from developments, principally Les Terrasses du Port and £10.8 million from acquisitions. This was partly offset by £14.7 million of income lost from disposals, principally Queensgate sold in January 2014 and the remainder of the office portfolio sold in June 2013.

Further analysis of net rental income by business segment is on pages 35 and 36.

Administration expenses

As announced with the 2013 annual results, we intended to rebalance the Group's cost base by increasing resources to grow the development and digital marketing areas of our business.

During 2014 a number of initiatives were implemented and we have: consolidated senior positions in London; contracted to relocate our London head office to King's Cross in June; reduced employee share scheme benefits; closed the UK defined benefit pension scheme to future accrual; and transferred a number of head office roles to a new operations centre in Reading.

We have incurred a net £3.0 million one-off restructuring charge which has been recognised within administration expenses, but excluded from adjusted earnings. The gross cost is £5.5 million, of which £3.0 million relates to occupational changes, £1.5 million to staff restructuring and £1.0 million to the other initiatives. These costs are partly offset by a curtailment gain of £2.5 million recognised on the closure to future accrual of the defined benefit pension scheme.

We anticipate constraining total operating costs, whilst increasing rental income to further improve the cost ratio over the next few years.

Administration expenses are analysed in the following table.

Administration expenses

	Year ended 31 December 2014 £m	Year ended 31 December 2013 £m
Proportionally consolidated excluding premium outlets and including discontinued operations in 2013		
Employee and corporate costs	52.1	49.2
Management fees receivable	(5.6)	(6.9)
Administration expenses	46.5	42.3
Less:		
Restructuring cost	(5.5)	—
Pension curtailment gain	2.5	—
One-off restructuring charge	(3.0)	—
Underlying net administration expenses	43.5	42.3

In 2014, underlying administration expenses, net of management fees receivable, were £43.5 million, an increase of £1.2 million, or 2.8%, compared with 2013. The increase was principally due to marginally higher staff costs and reduced management fees associated with joint venture disposals and an outperformance fee received in 2013.

Cost ratio

The EPRA cost ratio for the year ended 31 December 2014 is 23.4%, a reduction of 120bp from 24.6% for 2013. The ratio is calculated as total operating costs, including the cost of vacancy, as a percentage of gross rental income and the 2013 ratio is for continuing operations. The reduction in 2014 reflects a £22.9 million increase in gross rental income whilst operating costs increased by £1.5 million.

The 2014 ratio has been adjusted to exclude the £3.0 million one-off net restructuring charge explained above. Including this item would increase the 2014 cost ratio to 24.3%.

The ratio is not necessarily comparable between different companies as business models and expense accounting and classification practices vary.

The Cost ratio calculation is shown on page 57.

Share of results and net assets from investments in premium outlets – Value Retail and VIA Outlets

The operating performance of our investments in Value Retail and VIA Outlets is described on page 8 of the Business Review.

As explained above, for the management reporting purposes we do not proportionally consolidate the results of these interests as the Group has less day-to-day involvement in these operations.

Value Retail (VR)

As the Group has significant influence over the operations of Value Retail PLC and its associated entities, our investment in VR is treated as an associated undertaking and equity accounted. VR's contribution to the Group's income statement and balance sheet is set out in the table below.

Value Retail – Adjusted earnings analysis	Notes	Year ended 31 December 2014 £m	Year ended 31 December 2013 £m
Income statement			
Share of results of associate	11A	109.9	101.5
Less: EPRA adjustments	11A	(93.9)	(88.1)
Adjusted earnings of associate		16.0	13.4
Interest receivable	Within net finance costs	5.8	5.6
Total impact of VR on income statement – adjusted basis		21.8	19.0

Value Retail – EPRA NAV analysis	Notes	31 December 2014 £m	31 December 2013 £m
Balance sheet			
Investment in associate	11B	628.8	545.4
Add: EPRA adjustments	11B	31.9	19.7
EPRA adjusted investment in associate		660.7	565.1
Loan to VR	12	63.5	68.7
Total impact of VR on balance sheet – EPRA basis		724.2	633.8

In 2014, EPRA net income from our investment was £21.8 million, or 3.0 pence per share, compared with £19.0 million, or 2.7 pence per share in 2013. The uplift in income reflects the continued brand sales growth driving additional rental income.

During 2014, on an EPRA adjusted basis, the value of the Group's investment in VR increased by £95.6 million. This was principally due to the valuation uplift within the VR property portfolio, the Group's share of which was £111.1 million.

Including the Group's loan to VR, our net interest at the end of 2014 was valued at £724.2 million on an EPRA basis, equivalent to 92 pence per share.

VIA Outlets (VIA)

The Group acquired a 47% stake in VIA Outlets in July, which is a joint venture formed in partnership with APG, Value Retail and Meyer Bergman. VIA acquired six assets during 2014 and for management reporting purposes we do not proportionally consolidate the results of VIA and instead using equity accounting.

In 2014, VIA contributed £0.9 million to EPRA earnings. At 31 December 2014, the Group's investment in VIA totalled £104.2 million, or £108.2 million on an EPRA NAV basis excluding deferred tax, goodwill on acquisition and the fair value of financial instruments. Further details of the Group's interest in VIA are shown in note 10 to the accounts.

Finance costs

We reduced the average cost of borrowings for the Group to 4.7% in 2014 from 4.8% in the prior year. This was primarily due to the increased use of floating rate debt during the year. The €500 million bond issue in July and earlier \$443 million US private placement have been retained at fixed rates of interest. Underlying finance costs, comprising gross interest less finance income were £109.2 million compared with £103.6 million in 2013.

Interest capitalised during the year was £8.8 million and related principally to the developments of Les Terrasses du Port, which completed in May, and Victoria Gate in Leeds.

Tax

The Group is a UK REIT and French SIIC for tax purposes and hence is exempt from corporation tax on rental income and gains arising on property sales. The tax charge at 31 December 2014 remains low at £1.0 million, of which £0.1 million relates to deferred tax.

Dividend

The Directors have proposed a final dividend of 11.6 pence per share. Together with the interim dividend of 8.8 pence, the total for 2014 is 20.4 pence, representing an increase of 6.8% compared with the prior year. The final dividend is payable on 24 April 2015 to shareholders on the register at the close of business on 13 March 2015 and 2.0 pence will be paid as a PID, net of withholding tax where appropriate, with the balance of 9.6 pence paid as a normal dividend. As has been the case in recent years, there will be no scrip alternative although the dividend reinvestment plan continues to be available to shareholders.

Balance sheet

During 2014, equity shareholders' funds increased by £914 million to £4,974 million at 31 December 2014.

Net assets, calculated on an EPRA basis, were £4,999 million, an increase of 22.4% during the year. On a per share basis, net assets increased by 65 pence, or 11.3%, to £6.38 and the movement during the year is shown in the table below:

Movement in EPRA net asset value

Proportionally consolidated	Net assets* £m	EPRA NAV* £ per share
31 December 2013	4,083	5.73
Revaluation – property portfolio	437	0.56
Revaluation – investment in Value Retail	111	0.14
Revaluation – investment in VIA Outlets	(2)	–
EPRA profit for the year	171	0.22
Dividends	(140)	(0.18)
Equity share issue (net of costs)	393	(0.02)
Exchange and other	(54)	(0.07)
31 December 2014	4,999	6.38

* Excluding deferred tax and the fair value of derivatives, calculated in accordance with EPRA best practice as shown in note 8B.

The increase in EPRA net asset value was principally due to the valuation surplus on the property portfolio due to yield improvements. Other improvements resulted from the gains from our Value Retail investment, the equity share issue and retained earnings.

Financing and cash flow

At 31 December 2014, net debt was £2,265 million, including our share of net debt held in joint ventures which totalled £12 million.

Net debt comprised borrowings and currency swaps of £2,324 million and cash and deposits of £59 million. During the year, net debt was almost unchanged with a small increase of £13 million. The movements of net debt during 2014 are summarised in the table below:

Movement in net debt

Proportionally consolidated excluding premium outlets	£m
Net debt at 1 January 2014	2,252
Acquisitions	414
Disposals	(155)
Development and other capital expenditure	244
Proceeds from equity issue (net of costs)	(393)
Net cash inflow from operations	(162)
Dividends paid	139
Exchange and other	(74)
Net debt at 31 December 2014	2,265

At 31 December 2014, liquidity, comprising cash and undrawn committed facilities, was £648 million, compared with £716 million at the end of 2013.

PRINCIPAL RISKS AND UNCERTAINTIES

Business strategy

The UK economy has seen accelerated growth, although the recovery in the eurozone has been subdued with further monetary stimulus expected in 2015.

Stock markets have performed strongly despite potential uncertainty associated with forthcoming elections. But downside risks remain, especially given recent election results in Greece.

Retailers are becoming more confident in their outlook but must ensure that their sales channels remain relevant in the digital age and provide consumers with the flexibility and convenience they require. Real estate remains a cornerstone of their plans.

The Group's portfolio is diversified by sub-sector, and its allocation, including exposure to the eurozone, is reviewed regularly.

Stress-testing of our business model against a severe downside economic scenario has confirmed that the Group is robust. Low gearing, long-term secure income streams from our leases, the currency hedging of the value of and income from our euro-denominated portfolio, a good spread of debt maturities and the flexibility to phase or halt our development programme, all point to resilience to market shocks.

Property and corporate investment

2014 has seen an increase in investor demand for real estate, reinforced by an appetite from overseas investors for relatively safe returns from prime assets in the UK and France. This is further encouraged by the continuing low interest rate and inflation environment. These factors have contributed to a rise in real estate values during 2014 and this trend is forecast to continue into 2015.

However, in the event that there is further instability in the eurozone, significant volatility could return to financial markets in the short to medium terms, which could have a negative effect on real estate values.

The Group's property portfolio is high-quality, geographically diversified and let to a large number of tenants.

Property development

We successfully completed Les Terrasses du Port in May and were on-site with six projects at 31 December 2014.

Our three major London schemes have been advanced and this coincides with improving demand from retailers for new prime trading locations. Local and national political support is still required to bring these schemes to fruition, and uncertainty caused by UK elections may act to adversely impact the delivery of these projects.

We have also seen cost inflation in the construction sector, fuelled by growing demand for skills and raw materials as economic growth returns. The recent fall in the oil price should act to cool these inflationary trends.

Where possible, guaranteed maximum price contracts are agreed with building contractors and fixed prices agreed for other advisers.

We have a substantial pipeline but will progress developments only when the relevant markets are sufficiently robust, when we have the right level of interest from occupiers and on the basis that sound financial analysis demonstrates good returns. Developments only represent 3% of the Group property portfolio at 31 December 2014, and leasing is progressing as expected on the six on-site developments.

Treasury

The improved economic picture has supported property valuations for prime assets and hence maintained the safety margin for borrowing covenants.

The Group's balance sheet and financial ratios were further strengthened by the £399 million share placing in September.

Gearing stood at 46% at 31 December 2014, significantly lower than the Group's most stringent borrowing covenant that gearing should not exceed 150%. We estimate that values could fall by 52% from their December 2014 levels before covenants would be endangered.

Interest rate and exchange risk

Interest rates have remained low over the last 12 months, and the pressure for a near term increase has diminished as inflationary pressures have reduced. However, there remains an expectation that they will rise in the medium term.

Sterling has strengthened against the euro during 2014 and the risk of volatility remains at times of heightened uncertainty in the eurozone.

We set guidelines for our exposure to fixed and floating interest rates, using interest rate and currency swaps as appropriate. At 31 December 2014, 79% of the Group's gross debt was at fixed rates of interest.

Exchange risk is managed principally by matching foreign currency assets with foreign currency borrowings or derivatives. At the end of 2014, 88% of the value of the Group's euro-denominated assets was hedged in this way.

Liquidity risk

Lenders have become more willing to lend during 2014, although continue to be selective in their choice of counterparty, and the corporate bond market is open to borrowers with an appropriate risk profile.

Alternatives to the traditional bank lending and bond markets, such as private placement, remain open to the Group.

Companies with short-term financing requirements may continue to find it difficult to secure sufficient funding, in particular from banks, at costs comparable with their existing facilities.

The high quality and diversification of our portfolio should help to protect values from the negative impacts which may arise from changes in the financial and property markets.

While credit conditions during 2014 have been favourable for debt issuers, there is a risk that this could change. The Group's recent funding strategy has therefore sought to raise new funds to refinance near-term maturities. This strategy was demonstrated in 2014 by the issue of an 8-year €500 million bond in July where the funds were partly used in December to redeem the outstanding €480 million 4.875% bond maturing in June 2015. At 31 December, the Group had liquidity of £648 million and an average debt maturity of 6.5 years.

Ownership structures

Joint ventures (JV)

We have reduced the number of JVs through the disposal of Queensgate and 10 Grosvenor Street and the acquisition of partner shares in Highcross and SQY Ouest.

The property market remains liquid with a number of JV stakes, such as Cabot Circus, having been successfully traded on the open market.

The Group has a diverse range of joint venture partners and an annual liquidity review is undertaken. At 31 December 2014, 43% of our properties are classified as being held within joint ventures or associated undertakings.

Premium outlets

We continue to have a productive working relationship with Value Retail which is a partner in VIA Outlets.

Our investment in VIA Outlet contains provisions to enable effective joint governance and control to protect the Group's position.

Tax and Regulatory

There have been no significant changes during 2014, although governments continue to seek to reduce fiscal deficits and regulators examine mechanisms which would make financial markets more resilient.

Increased taxation may be a risk for the broader business sector, but an asset-based industry such as real estate, which currently benefits from tax-efficient regimes throughout Europe, could become a specific target.

The real estate sector is sometimes perceived by regulators to be part of the financial services sector rather than as an operating business and the industry could be adversely affected by misdirected regulation designed to stabilise financial markets.

Business organisation and human resources

The recruitment market has become more active with rising demand for good people. This will put upward pressure on salaries for the best candidates.

We recognise the importance of motivating and developing our staff and have plans in action to help mitigate the impact of third party recruitment approaches.

Catastrophic event

The Group's operations or financial security are significantly affected by disruption to financial markets following a major event such as a power shortage, extreme weather, environmental incident, civil unrest or terrorist or cyber attack.

Whilst the overall risk of a major incident remains low, assessments for terrorist and cyber risks indicate a heightened risk status in both the UK and France. The Group has established continuity plans at both corporate and individual property levels.

Properties are reviewed for flood risk and to ensure appropriate defence measures and insurance cover is in place. A crisis management group has been established with predetermined processes and escalation, and we have physical security measures at properties.

Senior management, including the crisis management group, receive media training for crisis events.

Security threats are assessed regularly through links with security agencies, and insurance policies include terrorism cover.

Responsibility statement of the Directors on the Annual Report

The Responsibility Statement has been prepared in connection with the Company's full Annual Report for the year ended 31 December 2014. Certain parts of the Annual Report are not included in this announcement.

We confirm that to the best of our knowledge:

- The financial statements, prepared in accordance with the relevant financial reporting framework, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole;
- The Strategic Report includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face; and
- The Annual Report and financial statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Company's performance, business model and strategy.

By order of the Board

David Atkins
Chief Executive Officer
13 February 2015

Timon Drakesmith
Chief Financial Officer
13 February 2015

Consolidated Income Statement

For the year ended 31 December 2014

Continuing operations	Notes	2014 £m	Restated 2013 £m
Gross rental income	2	206.5	176.0
Operating profit before other net gains and share of results of joint ventures and associate	2	142.5	119.1
Other net gains	2	264.7	86.3
Share of results of joint ventures	10A	279.0	128.7
Share of results of associate	11A	109.9	101.5
Operating profit	2	796.1	435.6
Finance costs		(106.7)	(95.0)
Bond redemption – premium and costs		(8.7)	(3.9)
Change in fair value of derivatives		13.4	(16.8)
Finance income		9.0	6.4
Net finance costs	4	(93.0)	(109.3)
Profit before tax		703.1	326.3
Tax charge	5A	(1.0)	(0.7)
Profit from continuing operations		702.1	325.6
Profit from discontinued operations			
Group		–	5.4
Share of results of joint ventures		–	9.5
		–	14.9
Profit for the year		702.1	340.5
Attributable to:			
Equity shareholders		699.1	337.4
Non-controlling interests **		3.0	3.1
Profit for the year		702.1	340.5
Basic and diluted earnings per share			
Continuing operations		95.7p	45.3p
Discontinued operations		–	2.1p
Total	8A	95.7p	47.4p
Adjusted earnings per share	8A	23.9p	23.1p

* Comparative figures have been restated following the change in accounting policy resulting from the adoption of IFRS11 Joint Arrangements (see note 1 on page 32).

** Non-controlling interests relate to continuing operations.

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2014

Continuing and discontinued operations	2014 £m	2013 £m
Foreign exchange translation differences*	(136.4)	32.2
Net gain/(loss) on hedging activities*	103.8	(31.9)
Revaluation gains on owner-occupied property held in joint venture	–	3.2
Revaluation gains on participative loans within investment in associate	0.6	2.9
Net actuarial losses on pension schemes	(11.5)	(2.4)
Net (loss)/gain recognised directly in equity	(43.5)	4.0
Profit for the year from continuing operations	702.1	325.6
Profit for the year from discontinued operations	–	14.9
Profit for the year	702.1	340.5
Total comprehensive income for the year	658.6	344.5
Attributable to:		
Equity shareholders	660.9	339.6
Non-controlling interests	(2.3)	4.9
Total comprehensive income for the year	658.6	344.5

* Foreign exchange translation differences and net losses or gains on hedging activities would be recycled through the income statement in the event that foreign operations were disposed.

Consolidated Balance Sheet

As at 31 December 2014

	Notes	2014 £m	Restated 2013 £m
Non-current assets			
Investment and development properties	9	4,427.3	3,447.8
Interests in leasehold properties		33.2	35.1
Plant and equipment		5.0	6.3
Investment in joint ventures	10A	2,341.5	2,470.8
Investment in associate	11B	628.8	545.4
Other investments		1.4	1.4
Receivables	12	79.3	71.8
		7,516.5	6,578.6
Current assets			
Receivables	13	97.8	78.1
Cash and deposits	14	28.6	15.7
		126.4	93.8
Total assets		7,642.9	6,672.4
Current liabilities			
Payables	15	204.4	169.5
Tax	5C	0.3	1.0
Borrowings	16A	–	246.2
		204.7	416.7
Non-current liabilities			
Borrowings	16A	2,287.1	2,017.8
Deferred tax	5C	0.5	0.4
Obligations under finance leases		33.0	34.9
Payables	18	72.5	66.0
		2,393.1	2,119.1
Total liabilities		2,597.8	2,535.8
Net assets		5,045.1	4,136.6
Equity			
Share capital	19	196.1	178.2
Share premium		1,222.9	1,222.4
Translation reserve		239.0	370.1
Hedging reserve		(207.5)	(311.3)
Merger reserve		374.2	–
Other reserves		19.6	17.2
Retained earnings		3,136.2	2,588.2
Investment in own shares		(6.8)	(4.9)
Equity shareholders' funds		4,973.7	4,059.9
Non-controlling interests**		71.4	76.7
Total equity		5,045.1	4,136.6
Diluted net asset value per share	8B	£6.35	£5.70
EPRA net asset value per share	8B	£6.38	£5.73

* Comparative figures have been restated following the change in accounting policy resulting from the adoption of IFRS11 Joint Arrangements (see note 1 on page 32).

** Non-controlling interests relate to continuing operations.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2014

	Share capital £m	Share premium £m	Translation reserve £m	Hedging reserve £m	Merger reserve £m	Other reserves £m	Retained earnings £m	Investment in own shares** £m	Equity shareholders' funds £m	Non-controlling interests £m	Total equity £m
Balance at 1 January 2014 – restated*	178.2	1,222.4	370.1	(311.3)	–	17.2	2,588.2	(4.9)	4,059.9	76.7	4,136.6
Issue of shares	17.9	0.5	–	–	381.4	–	–	–	399.8	–	399.8
Share issue costs	–	–	–	–	(7.2)	–	–	–	(7.2)	–	(7.2)
Share-based employee remuneration	–	–	–	–	–	5.1	–	–	5.1	–	5.1
Cost of shares awarded to employees	–	–	–	–	–	(3.6)	–	3.6	–	–	–
Transfer on award of own shares to employees	–	–	–	–	–	0.9	(0.9)	–	–	–	–
Proceeds on award of own shares to employees	–	–	–	–	–	–	0.2	–	0.2	–	0.2
Purchase of own shares	–	–	–	–	–	–	–	(5.5)	(5.5)	–	(5.5)
Dividends	–	–	–	–	–	–	(139.5)	–	(139.5)	(3.0)	(142.5)
Foreign exchange translation differences	–	–	(131.1)	–	–	–	–	–	(131.1)	(5.3)	(136.4)
Net gain on hedging activities	–	–	–	103.8	–	–	–	–	103.8	–	103.8
Revaluation gains on participative loans within investment in associate	–	–	–	–	–	–	0.6	–	0.6	–	0.6
Net actuarial losses on pension schemes	–	–	–	–	–	–	(11.5)	–	(11.5)	–	(11.5)
Profit for the year attributable to equity shareholders	–	–	–	–	–	–	699.1	–	699.1	3.0	702.1
Total comprehensive income/(loss) for the year	–	–	(131.1)	103.8	–	–	688.2	–	660.9	(2.3)	658.6
Balance at 31 December 2014	196.1	1,222.9	239.0	(207.5)	374.2	19.6	3,136.2	(6.8)	4,973.7	71.4	5,045.1
Notes	19				19						

* Comparative figures have been restated following the change in accounting policy resulting from the adoption of IFRS11 Joint Arrangements (see note 1 on page 32). In addition, the balance of £7.2 million on the capital redemption reserve has been aggregated within other reserves.

** Investment in own shares is stated at cost.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2013

Restated*	Share capital £m	Share premium £m	Translation reserve £m	Hedging reserve £m	Other reserves £m	Retained earnings £m	Investment in own shares** £m	Equity shareholders' funds £m	Non-controlling interests £m	Total equity £m
Balance at 1 January 2013	178.2	1,222.3	339.7	(279.4)	18.1	2,378.3	(6.0)	3,851.2	74.5	3,925.7
Issue of shares	–	0.1	–	–	–	–	–	0.1	–	0.1
Share-based employee remuneration	–	–	–	–	3.9	–	–	3.9	–	3.9
Cost of shares awarded to employees	–	–	–	–	(6.0)	–	6.0	–	–	–
Transfer on award of own shares to employees	–	–	–	–	1.2	(1.2)	–	–	–	–
Proceeds on award of own shares to employees	–	–	–	–	–	0.1	–	0.1	–	0.1
Purchase of own shares	–	–	–	–	–	–	(4.9)	(4.9)	–	(4.9)
Dividends	–	–	–	–	–	(130.1)	–	(130.1)	(2.7)	(132.8)
Foreign exchange translation differences	–	–	30.4	–	–	–	–	30.4	1.8	32.2
Net loss on hedging activities	–	–	–	(31.9)	–	–	–	(31.9)	–	(31.9)
Revaluation gains on owner-occupied property held in joint venture	–	–	–	–	–	3.2	–	3.2	–	3.2
Revaluation gains on participative loans within investment in associate	–	–	–	–	–	2.9	–	2.9	–	2.9
Net actuarial losses on pension schemes	–	–	–	–	–	(2.4)	–	(2.4)	–	(2.4)
Profit for the year attributable to equity shareholders	–	–	–	–	–	337.4	–	337.4	3.1	340.5
Total comprehensive income/(loss) for the year	–	–	30.4	(31.9)	–	341.1	–	339.6	4.9	344.5
Balance at 31 December 2013	178.2	1,222.4	370.1	(311.3)	17.2	2,588.2	(4.9)	4,059.9	76.7	4,136.6
Notes	19									

* Comparative figures have been restated following the change in accounting policy resulting from the adoption of IFRS11 Joint Arrangements (see note 1 on page 32). In addition, the balance of £7.2 million on the capital redemption reserve has been aggregated within other reserves as at 1 January 2013.

** Investment in own shares is stated at cost.

Consolidated Cash Flow Statement

For the year ended 31 December 2014

	Notes	2014 £m	Restated 2013 £m
Operating activities			
Operating profit before other net gains and share of results of joint ventures and associate			
– continuing operations	2	142.5	119.1
– discontinued operations	6	–	4.6
		142.5	123.7
Increase in receivables		(21.1)	(6.0)
Increase/(Decrease)in payables		23.5	(23.3)
Adjustment for non-cash items	21	12.2	6.1
Cash generated from operations		157.1	100.5
Interest paid		(122.2)	(106.6)
Interest received		9.1	6.4
Tax paid	5C	(1.5)	(1.0)
Distributions and other receivables from property joint ventures		85.6	98.7
Cash flows from operating activities		128.1	98.0
Investing activities			
Property acquisitions		(302.7)	–
Development and major refurbishments		(164.0)	(165.8)
Other capital expenditure		(39.8)	(9.1)
Sale of properties		5.8	174.5
Acquisition of interest in associate		–	(54.7)
Distribution received from associate		11.5	45.0
Investment in joint ventures		(110.8)	(245.1)
Sale of interests in joint ventures		149.6	76.3
Increase in loans to joint ventures		(8.1)	(2.1)
Decrease/(Increase) in non-current receivables		0.9	(20.7)
Cash flows from investing activities		(457.6)	(201.7)
Financing activities			
Issue of shares		392.6	0.2
Proceeds from award of own shares		0.2	0.1
Purchase of own shares		(5.5)	(4.9)
Bond redemption premium and costs paid	4	(8.7)	(3.9)
Increase in non-current borrowings		340.7	146.0
(Decrease)/Increase in current borrowings		(234.3)	86.9
Dividends paid to non-controlling interests		(3.0)	(2.7)
Equity dividends paid	7	(139.1)	(129.4)
Cash flows from financing activities		342.9	92.3
Net increase/(decrease) in cash and deposits		13.4	(11.4)
Opening cash and deposits		15.7	26.8
Exchange translation movement		(0.5)	0.3
Closing cash and deposits	14	28.6	15.7

* Comparative figures have been restated following the change in accounting policy resulting from the adoption of IFRS 11 Joint Arrangements (see note 1 on page 32). The cash flows for 2013 above relate to continuing and discontinued operations.

Analysis of Movement in Net Debt

For the year ended 31 December 2014

	Short-term deposits £m	Cash at bank £m	Current borrowings including currency swaps £m	Non-current borrowings £m	Net debt £m
At 1 January 2014 – restated*	–	15.7	(246.2)	(2,017.8)	(2,248.3)
Cash flow	0.1	13.3	234.3	(340.7)	(93.0)
Exchange	–	(0.5)	17.0	71.4	87.9
Balance at 31 December 2014	0.1	28.5	5.1	(2,287.1)	(2,253.4)

Restated ¹	Short-term deposits £m	Cash at bank £m	Current borrowings including currency swaps £m	Non-current borrowings £m	Net debt £m
At 1 January 2013	14.4	12.4	(158.0)	(1,836.4)	(1,967.6)
Cash flow	(14.4)	3.0	(86.9)	(146.0)	(244.3)
Exchange	–	0.3	(1.3)	(35.4)	(36.4)
Balance at 31 December 2013	–	15.7	(246.2)	(2,017.8)	(2,248.3)

* Comparative figures have been restated following the change in accounting policy resulting from the adoption of IFRS 11 Joint Arrangements (see note 1 on page 32).

NOTES TO THE ACCOUNTS

1: Financial Information

The financial information contained in this announcement has been prepared on the basis of the accounting policies set out in the financial statements for the year ended 31 December 2014. Whilst the financial information included in this announcement has been computed in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union, this announcement does not itself contain sufficient information to comply with IFRS. The financial information does not constitute the Company's financial statements for the years ended 31 December 2014 or 2013, but is derived from those financial statements. Those accounts give a true and fair view of the assets, liabilities, financial position and profit and loss of the Company and the undertakings included in the consolidation taken as a whole. Financial statements for 2013 have been delivered to the Registrar of Companies and those for 2014 will be delivered following the Company's Annual General Meeting. The auditor's reports on both the 2014 and 2013 financial statements were unqualified; did not draw attention to any matters by way of emphasis; and did not contain statements under s498(2) or (3) of the Companies Act 2006 or preceding legislation.

In the 2014 financial statements, the Group has adopted IFRS 11 Joint Arrangements which is effective for accounting periods beginning on or after 1 January 2014. Under IFRS 11, joint arrangements are classified as either joint operations or joint ventures, depending on the Company's rights to the assets and obligations for the liabilities of the arrangements. The new standard amendments requires joint ventures to be accounted for under the equity method and joint operations to be reported on a proportionally consolidated basis recognising the Company's share of assets, liabilities, revenues and expenses.

The classification of the Group's joint arrangements has been evaluated and it has been concluded that the joint arrangements fall within the definition of joint ventures. As a result the Group's interests, which were previously proportionally consolidated have been presented on an equity accounted rather than a proportionally consolidated basis. The consolidated income statement reflects the Group's share of its joint ventures' post-tax profit as 'Share of results of joint ventures' and the consolidated balance sheet reflects the Group's share of its joint ventures' net assets as 'Investments in joint ventures'. The Group's profit for the year and equity shareholders' funds are unaffected by the change, but other income statement and balance sheet items in the consolidated financial statements, such as net rental income and investment and development properties have decreased reflecting the reclassification from those line items of the amounts relating to joint ventures.

The comparative figures have been restated to reflect the change in accounting policy. The impact of these changes on the income statement has been reflected in notes 2, 3 and 4. The impact on the balance sheet and net debt are shown in note 20. The share of results from joint ventures is separately disclosed in note 10. Previously reported cash flows have been reclassified within the cash flow statement, and the cumulative gains on owner-occupied property of £21.2 million, which was held in a joint venture, have been reclassified from the 'Revaluation reserve' to 'Retained earnings' within the statement of changes in equity.

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

Other than IFRS 11 discussed above, other new standards including IFRS 10 'Consolidated Financial Statements' and IFRS12 'Disclosure of Interests in Other Entities', and amendments to existing standards which came into effect during 2014, have not had a significant impact on the accounting policies, method of computation or presentation of the condensed financial statements.

The principal exchange rate used to translate foreign currency denominated amounts in the balance sheet is the rate at the end of the year, £1 = €1.289 (2013: £1 = €1.202). The principal exchange rate used for the income statement is the average rate, £1 = €1.241 (2013: £1 = €1.178).

Going Concern

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

The Directors have reviewed the current and projected financial position of the Group, making reasonable assumptions about future trading performance. As part of the review, the Directors considered the Group's cash balances, its debt maturity profile, including undrawn facilities, and the long-term nature of tenant leases. After making enquiries, the Directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the Annual Report.

2: Profit for the year

As a result of the change in accounting policy resulting from the adoption of IFRS 11 referred to in note 1 on page 32, the Reported Group results, as presented in column A in the following tables, have been amended to show the share of results from joint ventures on a separate line. To show the impact of this change on the current and previously reported figures, the total share of results from Property joint ventures has been shown separately in column B, and reallocated to the relevant financial statement lines. The Group's share of results arising from its interest in premium outlets have not been reallocated as management does not review these interests on a proportionally consolidated basis (see note 3). The Group's share of results in column C, aggregates these elements on a proportionally consolidated basis, which is then allocated between 'Adjusted' and 'Capital and other' for the purposes of calculating figures in accordance with EPRA best practice.

	Notes					2014	
		Reported Group £m	Share of Property joint ventures £m	Total £m	Total		
					Adjusted £m	Capital and other £m	
A	B	C	D	D			
Gross rental income	3A	206.5	137.6	344.1	344.1	–	
Ground and equity rents payable		(0.6)	(1.3)	(1.9)	(1.9)	–	
Gross rental income, after rents payable		205.9	136.3	342.2	342.2	–	
Service charge income		34.6	25.1	59.7	59.7	–	
Service charge expenses		(40.0)	(30.1)	(70.1)	(70.1)	–	
Net service charge expenses		(5.4)	(5.0)	(10.4)	(10.4)	–	
Other property outgoings		(12.4)	(13.8)	(26.2)	(26.2)	–	
Property outgoings		(17.8)	(18.8)	(36.6)	(36.6)	–	
Net rental income	3A	188.1	117.5	305.6	305.6	–	
Management fees receivable/(payable)		6.3	(0.7)	5.6	5.6	–	
Employee and corporate costs		(48.9)	(0.2)	(49.1)	(49.1)	–	
Net one-off restructuring costs		(3.0)	–	(3.0)	–	(3.0)	
Administration expenses		(45.6)	(0.9)	(46.5)	(43.5)	(3.0)	
Operating profit before other net gains/(losses) and share of results of joint ventures and associate		142.5	116.6	259.1	262.1	(3.0)	
Profit on the sale of properties		0.6	–	0.6	–	0.6	
Loss on the sale of joint ventures		(4.0)	–	(4.0)	–	(4.0)	
Joint venture formation costs written off		(3.1)	–	(3.1)	–	(3.1)	
Revaluation gains on properties		271.2	165.6	436.8	–	436.8	
Other net gains		264.7	165.6	430.3	–	430.3	
Share of results of joint ventures	10A	279.0	(280.1)	(1.1)	0.9	(2.0)	
Share of results of associate	11A	109.9	–	109.9	16.0	93.9	
Operating profit		796.1	2.1	798.2	279.0	519.2	
Net finance (costs)/income	4	(93.0)	(2.1)	(95.1)	(100.1)	5.0	
Profit before tax		703.1	–	703.1	178.9	524.2	
Current tax charge	5A	(0.9)	–	(0.9)	(0.9)	–	
Deferred tax charge	5A	(0.1)	–	(0.1)	–	(0.1)	
Profit for the year		702.1	–	702.1	178.0	524.1	
Non-controlling interests		(3.0)	–	(3.0)	(3.7)	0.7	
Profit for the year attributable to equity shareholders	8A	699.1	–	699.1	174.3	524.8	

Notes

A Reported Group results as shown in the consolidated income statement on page 25.

B Share of results of Property joint ventures as shown in note 10A.

C Aggregated results on a proportionally consolidated basis showing Reported Group together with share of Property joint ventures.

D Aggregated results on a proportionally consolidated basis allocated between 'Adjusted' and 'Capital and other' for the purposes of calculating EPRA earnings per share as shown in note 8A.

	Notes	2013				
		Restated Reported Group £m	Share of Property joint ventures £m	Total £m	Total	
					Adjusted £m	Capital and other £m
A	B	C	D	D		
Notes (see page 33)		A	B	C	D	D
Gross rental income	3A	176.0	145.2	321.2	321.2	–
Ground and equity rents payable		(0.5)	(1.4)	(1.9)	(1.9)	–
Gross rental income, after rents payable		175.5	143.8	319.3	319.3	–
Service charge income		28.7	29.4	58.1	58.1	–
Service charge expenses		(33.4)	(34.6)	(68.0)	(68.0)	–
Net service charge expenses		(4.7)	(5.2)	(9.9)	(9.9)	–
Other property outgoings		(10.6)	(16.0)	(26.6)	(26.6)	–
Property outgoings		(15.3)	(21.2)	(36.5)	(36.5)	–
Net rental income	3A	160.2	122.6	282.8	282.8	–
Management fees receivable/(payable)		7.5	(0.8)	6.7	6.7	–
Employee and corporate costs		(48.6)	(0.2)	(48.8)	(48.8)	–
Administration expenses		(41.1)	(1.0)	(42.1)	(42.1)	–
Operating profit before other net gains and share of results of joint ventures and associate		119.1	121.6	240.7	240.7	–
Gain on the sale of properties		2.6	1.6	4.2	–	4.2
Revaluation gains on properties		83.7	5.1	88.8	–	88.8
Other net gains		86.3	6.7	93.0	–	93.0
Share of results of joint ventures	10A	128.7	(128.7)	–	–	–
Share of results of associate	11A	101.5	–	101.5	13.4	88.1
Operating profit/(loss)		435.6	(0.4)	435.2	254.1	181.1
Net finance (costs)/income	4	(109.3)	0.4	(108.9)	(90.5)	(18.4)
Profit before tax		326.3	–	326.3	163.6	162.7
Current tax charge	5A	(0.8)	–	(0.8)	(0.8)	–
Deferred tax credit	5A	0.1	–	0.1	–	0.1
Profit from continuing operations		325.6	–	325.6	162.8	162.8
Profit from discontinued operations		5.4	9.5	14.9	5.3	9.6
Share of results of joint ventures	10A	9.5	(9.5)	–	–	–
Profit for the year		340.5	–	340.5	168.1	172.4
Non-controlling interests – continuing operations		(3.1)	–	(3.1)	(3.6)	0.5
Profit for the year attributable to equity shareholders	8A	337.4	–	337.4	164.5	172.9
Profit for the year attributable to equity shareholders						
Continuing operations	8A	322.5	–	322.5	159.2	163.3
Discontinued operations	8A	14.9	–	14.9	5.3	9.6
		337.4	–	337.4	164.5	172.9

Included in gross rental income on a proportionally consolidated basis is £6.9 million (2013: £8.0 million) of contingent rents calculated by reference to tenants' turnover.

3: Segmental analysis

The factors used to determine the Group's reportable segments are the geographic locations, UK and France, and sectors in which it operates, which are generally managed by separate teams and are the basis on which performance is assessed and resources allocated. Gross rental income represents the Group's revenue from its 'customers', or tenants. Net rental income is the principal profit measure 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.

As stated in the Financial Review on page 16, management reviews the business principally on a proportionally consolidated basis, except for its interests in premium outlets held through its investments in Value Retail and VIA Outlets, where the Group has less day-to-day involvement in the financial performance and which have different operational characteristics compared with the Group's property portfolio. The segmental analysis has been prepared on the basis that management uses to review the business, rather than on a statutory basis. For reconciliation purposes the Reported Group figures are shown in the following tables.

A: Revenue and profit by segment

	2014			2013		
	Gross rental income £m	Net rental income £m	Non-cash items within net rental income £m	Gross rental income £m	Net rental income £m	Non-cash items within net rental income £m
United Kingdom						
Shopping centres	149.4	127.9	(4.2)	145.1	124.3	(7.5)
Retail parks	86.2	83.0	1.1	86.6	82.1	0.2
Other	14.5	11.3	(0.1)	14.9	12.1	(0.1)
Total	250.1	222.2	(3.2)	246.6	218.5	(7.4)
France	91.8	82.4	2.5	71.6	63.2	(0.1)
Total investment portfolio	341.9	304.6	(0.7)	318.2	281.7	(7.5)
Developments	2.2	1.0	–	3.0	1.1	–
Total property portfolio - continuing operations	344.1	305.6	(0.7)	321.2	282.8	(7.5)
Discontinued operations						
Offices	–	–	–	7.4	7.4	(0.8)
Total property portfolio	344.1	305.6	(0.7)	328.6	290.2	(8.3)
Less share of Property joint ventures	(137.6)	(117.5)	2.3	(148.0)	(125.4)	5.6
Reported Group – total	206.5	188.1	1.6	180.6	164.8	(2.7)
Reported Group:						
Continuing operations	206.5	188.1	1.6	176.0	160.2	(2.7)
Discontinued operations	–	–	–	4.6	4.6	–
Reported Group – total	206.5	188.1	1.6	180.6	164.8	(2.7)

The non-cash items included within net rental income relate to the amortisation of lease incentives and other costs and movements in accrued rents receivable.

B: Investment and development property assets by segment

	2014			2013		
	Property valuation £m	Capital expenditure £m	Revaluation gains £m	Property valuation £m	Capital expenditure £m	Revaluation gains/(losses) £m
United Kingdom						
Shopping centres	2,930.8	249.3	236.4	2,534.4	169.7	54.4
Retail parks	1,653.5	43.7	136.8	1,478.5	24.3	26.1
Other	288.0	26.7	9.4	280.8	56.0	(25.7)
Total	4,872.3	319.7	382.6	4,293.7	250.0	54.8
France	1,834.2	246.6	54.2	1,637.5	138.6	34.0
Total non-current assets	6,706.5	566.3	436.8	5,931.2	388.6	88.8
Assets held for sale	–	–	–	–	(0.6)	1.5
Total property assets	6,706.5	566.3	436.8	5,931.2	388.0	90.3
Less share of Property joint ventures	(2,279.2)	(40.1)	(165.6)	(2,483.4)	(212.8)	(5.1)
Reported Group – total	4,427.3	526.2	271.2	3,447.8	175.2	85.2

C: Analysis of non-current assets

	Non-current assets employed	
	2014 £m	2013 £m
United Kingdom	4,895.0	4,336.4
Continental Europe	2,621.5	2,242.2
	7,516.5	6,578.6

Included in the above table are investments in joint ventures of £2,341.5 million (2013: £2,470.8 million), which are further analysed in note 10 on pages 41 to 46. Hammerson's share of the property valuations held within Property joint ventures of £2,279.2 million (2013: £2,483.4 million) has been included in note 3B, of which £2,134.9 million (2013: £2,317.7 million) relates to the United Kingdom and £144.3 million (2013: £165.7 million) relates to Continental Europe.

4: Net finance costs

	2014 £m	2013 £m
Interest on bank loans and overdrafts	9.5	11.8
Interest on other borrowings	103.3	94.8
Interest on obligations under finance leases	1.1	–
Other interest payable	1.6	1.5
Gross interest costs	115.5	108.1
Less: Interest capitalised	(8.8)	(13.1)
Finance costs	106.7	95.0
Bond redemption – premium and costs	8.7	3.9
Change in fair value of interest rate swaps	(13.1)	16.8
Change in fair value of currency swaps outside hedge accounting designation	(0.3)	–
Change in fair value of derivatives	(13.4)	16.8
Finance income	(9.0)	(6.4)
Net finance costs	93.0	109.3
Underlying finance costs		
Gross interest costs	115.5	108.1
Finance income	(9.0)	(6.4)
Net underlying finance costs	106.5	101.7

5: Tax

A: Tax charge

	2014 £m	2013 £m
UK current tax	0.1	0.3
Foreign current tax	0.8	0.5
Current tax charge	0.9	0.8
Deferred tax charge/(credit)	0.1	(0.1)
Tax charge	1.0	0.7

Current tax is reduced by the UK REIT and French SIIC tax exemptions.

B: Tax charge reconciliation

	Notes	2014 £m	2013 £m
Profit before tax – continuing operations	2	703.1	326.3
Profit before tax – discontinued operations	6	–	14.9
Profit before tax		703.1	341.2
Less: Profit after tax of joint ventures	10A	(279.0)	(138.2)
Less: Profit after tax of associate	11A	(109.9)	(101.5)
Profit on ordinary activities before tax		314.2	101.5
Profit multiplied by the UK corporation tax rate of 21.5% (2013: 23.25%)		67.6	23.6
UK REIT tax exemption		(42.8)	(1.2)
French SIIC tax exemption		(24.0)	(23.8)
Non-deductible and other items		0.2	2.1
Tax charge		1.0	0.7

C: Current and deferred tax movements

	1 January 2014 £m	Recognised in income £m	Tax paid £m	31 December 2014 £m
Current tax	0.8	0.9	(1.5)	0.2
Deferred tax	0.4	0.1	–	0.5
	1.2	1.0	(1.5)	0.7
Analysed as:				
Current assets: Corporation tax	(0.2)			(0.1)
Current liabilities: Tax	1.0			0.3
Non-current liabilities: Deferred tax	0.4			0.5
	1.2			0.7

D: Unrecognised deferred tax

At 31 December 2014, the Group had unrecognised deferred tax assets calculated at a tax rate of 20% (2013: 20%) of £64 million (2013: £68 million) for surplus UK revenue tax losses carried forward and £90 million (2013: £90 million) for UK capital losses.

Deferred tax is not provided on potential gains on investments in subsidiaries and joint ventures when the Group can control whether gains crystallise and it is probable that gains will not arise in the foreseeable future. At 31 December 2014 the total of such gains was £250 million (2013: £235 million) and the potential tax effect before the offset of losses was £50 million (2013: £47 million). If a UK REIT sells a property within three years of completion of development, the REIT exemption will not apply. There were no such properties at 31 December 2013 or 2014.

E: UK REIT status

The Group elected to be treated as a UK REIT with effect from 1 January 2007. The UK REIT rules exempt the profits of the Group's UK property rental business from corporation tax. Gains on UK properties are also exempt from tax, provided they are not held for trading or sold in the three years after completion of development. The Group is otherwise subject to UK corporation tax.

As a REIT, Hammerson plc is required to pay Property Income Distributions equal to at least 90% of the Group's exempted net income. To remain a UK REIT there are a number of conditions to be met in respect of the principal company of the Group, the Group's qualifying activity and its balance of business. The Group continues to meet these conditions.

F: French SIIC status

Hammerson plc has been a French SIIC since 1 January 2004 and all the major French properties are covered by the SIIC tax-exempt regime. Income and gains are exempted from French tax but the French subsidiaries are required to distribute a proportion of their profits to Hammerson plc, which then designates UK dividends paid to its shareholders as SIIC distributions. Dividend obligations will arise principally after property disposals but for the Hammerson Group there will be a period of around four years after a disposal for dividends to be paid to shareholders.

Outstanding SIIC dividend obligations arising on disposals and earnings prior to 31 December 2014 amount to £26 million (2013: £30 million) and are expected to be settled within dividends paid by Hammerson plc over the following four years. A further £400 million (2013: £300 million) of dividends would be payable if the properties were realised at their 31 December 2014 values. Since 1 July 2009, qualifying foreign dividends have been exempt from UK tax and therefore no deferred tax provision is recognised. To remain a SIIC, at least 80% of assets must be employed in property investment and, with limited temporary exceptions, no shareholder may hold 60% or more of the shares. The Group continues to meet these conditions.

6: Discontinued operations

As part of the Group's strategy to focus on the retail sector, a number of office properties, and related entities, were disposed of between July 2012 and June 2013. The income and expenditure was classified as discontinued operations in 2012 and 2013, and the summarised income statement for 2013 allocated between 'Adjusted' and 'Capital and other' for the purposes of calculating figures in accordance with EPRA best practice is shown below.

Profit for 2013

	Note	Reported Group £m	Share of Property joint ventures £m	Total £m	2013	
					Adjusted £m	Total Capital and other £m
Gross rental income		4.6	2.8	7.4	7.4	–
Net rental income		4.6	2.8	7.4	7.4	–
Administration expenses		–	(0.2)	(0.2)	(0.2)	–
Operating profit before other net gains		4.6	2.6	7.2	7.2	–
Gain on the sale of properties		–	7.5	7.5	–	7.5
Revaluation gains on properties		1.5	–	1.5	–	1.5
Other net gains		1.5	7.5	9.0	–	9.0
Net finance costs		(0.7)	(0.6)	(1.3)	(1.9)	0.6
Profit for the year	2	5.4	9.5	14.9	5.3	9.6

7: Dividends

The proposed final dividend of 11.6 pence per share was recommended by the Board on 13 February 2015 and, subject to approval by shareholders, is payable on 24 April 2015 to shareholders on the register at the close of business on 13 March 2015. 2.0 pence per share will be paid as a PID, net of withholding tax at the basic rate (currently 20%) if applicable, and the remainder of 9.6 pence per share will be paid as a normal dividend. There will be no scrip alternative. The aggregate amount of the 2014 final dividend is £91.0 million. This has been calculated using the total number of eligible shares outstanding at 31 December 2014.

The interim dividend of 8.8 pence per share was paid on 2 October 2014, as a PID, net of withholding tax where appropriate.

The total dividend for the year ended 31 December 2014 would be 20.4 pence per share (2013: 19.1 pence per share).

	PID pence per share	Non-PID pence per share	Total pence per share	Equity dividends 2014 £m	Equity dividends 2013 £m
Current year					
2014 final dividend	2.0	9.6	11.6	–	–
2014 interim dividend	8.8	–	8.8	62.6	–
	10.8	9.6	20.4		
Prior years					
2013 final dividend	3.6	7.2	10.8	76.9	–
2013 interim dividend	8.3	–	8.3	–	59.0
	11.9	7.2	19.1		
2012 final dividend	4.0	6.0	10.0	–	71.1
Dividends as reported in the consolidated statement of changes in equity				139.5	130.1
2012 interim dividend withholding tax (paid January 2013)				–	8.7
2013 interim dividend withholding tax (paid January 2014)				9.4	(9.4)
2014 interim dividend withholding tax (paid January 2015)				(9.8)	–
Dividends paid as reported in the consolidated cash flow statement				139.1	129.4

8: 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 A and B.

A: Earnings per share

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

		2014			2013		
		Earnings £m	Shares million	Pence per share	Earnings £m	Shares million	Pence per share
	Notes						
Basic – continuing operations	2	699.1	730.6	95.7	322.5	711.8	45.3
Basic – discontinued operations	2	–	–	–	14.9	–	2.1
Basic – total	2	699.1	730.6	95.7	337.4	712.0	47.4
Dilutive share options		–	0.2	–	–	0.2	–
Diluted		699.1	730.8	95.7	337.4	712.0	47.4
Adjustments*:							
Revaluation gains	Reported Group	2	(271.2)	(37.1)	(83.7)	–	(11.8)
on properties:	Joint ventures	10B	(164.3)	(22.5)	(5.1)	–	(0.7)
	Associate	11A	(111.1)	(15.2)	(85.5)	–	(12.0)
			(546.6)	(74.8)	(174.3)	–	(24.5)
Change in fair	Reported Group	4	(13.1)	(1.8)	16.8	–	2.3
value of	Joint ventures	10B	(0.3)	–	(2.3)	–	(0.3)
derivatives:	Joint ventures – discontinued operations	10B	–	–	(0.6)	–	(0.1)
	Associate	11A	9.9	1.3	(5.0)	–	(0.7)
			(3.5)	(0.5)	8.9	–	1.2
Deferred tax:	Reported Group	2	0.1	–	(0.1)	–	–
	Joint ventures	10B	0.4	0.1	–	–	–
	Associate	11A	11.9	1.6	9.0	–	1.3
			12.4	1.7	8.9	–	1.3
Other adjustments:							
Reported Group:	Gain on sale of properties	2	(0.6)	(0.1)	(2.6)	–	(0.4)
	Gain on sale of properties - discontinued operations	6	–	–	(1.5)	–	(0.2)
	Loss on sale of joint ventures	2	4.0	0.5	–	–	–
	Joint venture formation costs written off	2	3.1	0.4	–	–	–
	Non-controlling interests	2	(0.7)	(0.1)	(0.5)	–	(0.1)
	Bond redemption – premium and costs	4	8.7	1.2	3.9	–	0.5
Joint ventures:	Gain on sale of properties	10B	–	–	(1.6)	–	(0.2)
	Gain on sale of properties – discontinued operations	10B	–	–	(7.5)	–	(1.0)
Associate:	Changes in fair value of participative loans	11A	(4.6)	(0.6)	(7.1)	–	(1.0)
	Capitalised loan finance fees written off	11A	–	–	0.5	–	0.1
			9.9	1.3	(16.4)	–	(2.3)
Total adjustments			(527.8)	(72.3)	(172.9)	–	(24.3)
EPRA			171.3	730.8	23.4	164.5	23.1
Net one-off restructuring charge			3.0	0.5	–	–	–
Adjusted earnings			174.3	730.8	23.9	164.5	23.1

* Adjustments relate to continuing operations unless otherwise stated.

See page 18 for further details of the restructuring charge of £3.0 million incurred in 2014.

B: Net asset value per share

	Notes	2014			2013		
		Equity shareholders' funds £m	Shares million	Net asset value per share £	Equity shareholders' funds £m	Shares million	Net asset value per share £
Basic		4,973.7	784.3	6.34	4,059.9	712.9	5.70
Company's own shares held in Employee Share Ownership Plan		–	(1.2)	n/a	–	(1.0)	n/a
Unexercised share options		1.9	0.4	n/a	2.3	0.5	n/a
Diluted		4,975.6	783.5	6.35	4,062.2	712.4	5.70
Fair value adjustment to borrowings ¹	17	(306.3)		(0.39)	(210.9)		(0.29)
EPRA triple net		4,669.3		5.96	3,851.3		5.41
Fair value of derivatives ¹	17	(13.1)		(0.02)	0.8		–
Fair value adjustment to borrowings ¹	17	306.3		0.39	210.9		0.29
Adjustment for associate	11B	31.9		0.04	19.7		0.03
Adjustment for joint venture	10C	4.0		0.01	–		–
Deferred tax	5C	0.5		–	0.4		–
EPRA		4,998.9	783.5	6.38	4,083.1	712.4	5.73

Note

1. Adjustments include amounts relating to the Group's share of joint ventures.

Commentary on earnings and net asset value per share is provided in the Financial Review on pages 16 to 20.

9: Investment and development properties

	Investment properties Valuation £m	Development properties Valuation £m	Total Valuation £m
Balance at 1 January 2014	2,988.7	459.1	3,447.8
Exchange adjustment	(72.1)	(27.1)	(99.2)
Additions			
– capital expenditure	70.0	153.5	223.5
– asset acquisitions	302.7	–	302.7
	372.7	153.5	526.2
Transfer from investment in joint venture	279.1	–	279.1
Disposals	(6.6)	–	(6.6)
Transfers	453.4	(453.4)	–
Capitalised interest	0.5	8.3	8.8
Revaluation	257.5	13.7	271.2
Balance at 31 December 2014	4,273.2	154.1	4,427.3

Properties are stated at fair value as at 31 December 2014, valued by professionally qualified external valuers, DTZ Debenham Tie Leung, Chartered Surveyors. The valuations have been prepared in accordance with the RICS Valuation – Professional Standards 2014. Valuation fees are based on a fixed amount agreed between the Group and the valuers and are independent of the portfolio value.

The total amount of interest included in development properties at 31 December 2014 was £2.4 million (2013: £24.6 million). Capitalised interest is calculated using the cost of secured debt or the Group's average cost of borrowings, as appropriate, and the effective rate applied in 2014 was 4.7% (2013: 4.8%). At 31 December 2014 the historic cost of investment and development properties was £3,930.1 million (2013: £3,124.7 million).

	2014 £m	2013 £m
Capital commitments	237.1	142.1

10: Investment in joint ventures

As at 31 December 2014 certain property and corporate interests, being jointly controlled entities, have been equity accounted, and the significant interests are set out in the following table:

	Partner	Property interest ¹	Group share %
United Kingdom			
Bishopsgate Goodsyards Regeneration Limited	Ballymore Properties	The Goodsyards	50
Brent Cross Shopping Centre	Standard Life	Brent Cross	41.2
Brent South Shopping Park	Standard Life	Brent Cross	40.6
Bristol Alliance Limited Partnership	AXA Real Estate	Cabot Circus	50
Croydon Limited Partnership/Whitgift Limited Partnership	Westfield	Centrale/Whitgift	50
Retail Property Holdings Limited	CPPIB	Silverburn	50
The Bull Ring Limited Partnership	TH Real Estate, CPPIB	Bullring	50
The Martineau Galleries Limited Partnership	Land Securities, Phoenix Group	Martineau Galleries	33.33
The Oracle Limited Partnership	ADIA	The Oracle	50
The West Quay Limited Partnership	GIC	WestQuay	50
VIA Limited Partnership	APG, Meyer Bergman, Value Retail	Various European Outlet Centres	47
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

In July 2014 the Group acquired a 47% interest in VIA Outlets.

In September 2014, the Group acquired an additional 40% stake in The Highcross Limited Partnership, and an additional 50% stake in SCI Espace Plus, a Company which owns SQY Ouest, increasing Hammerson's interest in both partnerships to 100%. The revaluation gains during the year up to the date the Group acquired the additional stakes in these entities totalled £5.0 million, which has been treated as a property revaluation gain within other net gains/(losses) shown in the summarised income statement on page 43.

The Group sold its 50% interests in Queensgate Limited Partnership and The Grosvenor Street Limited Partnership in January 2014 and September 2014 respectively.

1. The name of the principal property operated by each partnership has been used in the summary income statements and balance sheets on pages 42 to 45. The results for Highcross and Queensgate for the period until disposal have been classified as 'Other' in 2014.

10: Investment in joint ventures (continued)

A. Summary financial statements of joint ventures

The summarised income statements and balance sheets below and on the adjacent page show 100% of the results, assets and liabilities of joint ventures, and where necessary has been restated to the Group's accounting policies and exclude all balances which are eliminated on consolidation.

Hammerson's total proportional share of joint ventures is split between Property joint ventures and VIA Outlets as the Property joint ventures are included in the Group's management reporting on a proportional consolidated basis. As explained in note 3, management reviews the business principally on a proportionally consolidated basis, except for its premium outlet investments in Value Retail and VIA Outlets.

Share of results of joint ventures for the year ended 31 December 2014

See page 44 for notes.

	Brent Cross ¹ £m	Cabot Circus £m	Bullring £m	The Oracle £m	WestQuay £m
<i>Ownership (%)</i>	41.2	50	50	50	50
Gross rental income	47.5	37.7	56.5	31.4	31.3
Net rental income	43.9	32.0	50.3	26.2	25.2
Administration expenses	–	(0.7)	(0.2)	–	–
Operating profit before other net gains/(losses)	43.9	31.3	50.1	26.2	25.2
Other net gains/(losses)	43.6	39.5	125.7	55.3	25.2
Net finance costs	–	(0.8)	–	–	(0.4)
Tax charge	–	–	–	–	–
Profit for the year	87.5	70.0	175.8	81.5	50.0
Hammerson share of profit for the year	36.1	35.0	87.9	40.7	25.0
Hammerson share of distributions payable	–	15.8	23.0	5.9	0.6

Share of assets and liabilities of joint ventures as at 31 December 2014

	Brent Cross ¹ £m	Cabot Circus £m	Bullring £m	The Oracle £m	WestQuay £m
Non-current assets					
Investment and development properties at valuation	967.2	575.6	1,085.0	612.6	532.7
Goodwill	–	–	–	–	–
Interests in leasehold properties	–	14.6	–	–	4.2
Receivables	–	–	–	–	–
	967.2	590.2	1,085.0	612.6	536.9
Current assets					
Receivables	33.2	5.7	4.2	7.2	4.2
Cash and deposits	4.0	9.6	18.9	5.7	5.0
	37.2	15.3	23.1	12.9	9.2
Current liabilities					
Payables	(47.6)	(13.3)	(14.9)	(13.5)	(10.4)
Non-current liabilities					
Borrowings - secured	–	–	–	–	–
Obligations under finance leases	–	(14.6)	–	–	(4.2)
Payables	(2.4)	(0.5)	(1.1)	(0.4)	(0.8)
Deferred tax	–	–	–	–	–
	(2.4)	(15.1)	(1.1)	(0.4)	(5.0)
Net assets	954.4	577.1	1,092.1	611.6	530.7
Hammerson share of net assets³	393.2	288.6	546.0	305.8	265.4

10: Investment in joint ventures (continued)

	Silverburn £m	Centrale/ Whitgift £m	O'Parinor £m	Other £m	Total 2014 £m	Hammerson share		
						Property joint ventures £m	VIA Outlets £m	Total £m
<i>Ownership (%)</i>	50	50	25	n/a		47		
Gross rental income	20.8	12.4	19.0	56.0	312.6	137.6	4.4	142.0
Net rental income	18.5	8.3	17.9	39.7	262.0	117.5	2.7	120.2
Administration expenses	(0.1)	(0.6)	(0.1)	(3.0)	(4.7)	(0.9)	(0.6)	(1.5)
Operating profit before other net gains/(losses)	18.4	7.7	17.8	36.7	257.3	116.6	2.1	118.7
Other net gains/(losses)	8.4	1.8	3.6	17.4	320.5	165.6	(1.3)	164.3
Net finance costs	–	–	(5.5)	(7.2)	(13.9)	(2.1)	(1.4)	(3.5)
Tax charge	–	–	–	(1.1)	(1.1)	–	(0.5)	(0.5)
Profit for the year	26.8	9.5	15.9	45.8	562.8			
Hammerson share of profit for the year	13.4	4.8	4.0	32.1	279.0	280.1	(1.1)	279.0
Hammerson share of distributions payable	–	–	–	13.9	59.2			

	Silverburn £m	Centrale/ Whitgift £m	O'Parinor £m	Other £m	Total 2014 £m	Hammerson share		
						Property joint ventures £m	VIA Outlets £m	Total £m
Non-current assets								
Investment and development properties	379.3	183.0	356.9	726.9	5,419.2	2,279.2	142.9	2,422.1
Goodwill	–	–	–	–	–	–	3.1	3.1
Interests in leasehold properties	–	–	–	1.2	20.0	9.8	–	9.8
Receivables	–	–	–	0.1	0.1	–	0.1	0.1
	379.3	183.0	356.9	728.2	5,439.3	2,289.0	146.1	2,435.1
Current assets								
Receivables	6.0	21.9	11.0	7.3	100.7	42.1	1.4	43.5
Cash and deposits	6.1	9.0	2.9	23.8	85.0	30.8	7.0	37.8
	12.1	30.9	13.9	31.1	185.7	72.9	8.4	81.3
Current liabilities								
Payables	(9.5)	(25.8)	(7.7)	(18.1)	(160.8)	(66.5)	(5.1)	(71.6)
Non-current liabilities								
Borrowings - secured	–	–	(168.7)	(102.3)	(271.0)	(42.2)	(37.2)	(79.4)
Obligations under finance leases	–	–	–	(1.2)	(20.0)	(9.8)	–	(9.8)
Payables	–	–	(11.9)	(13.6)	(30.7)	(6.1)	(4.0)	(10.1)
Deferred tax	–	–	–	(11.1)	(11.1)	–	(4.0)	(4.0)
	–	–	(180.6)	(128.2)	(332.8)	(58.1)	(45.2)	(103.3)
Net assets	381.9	188.1	182.5	613.0	5,131.4			
Hammerson share of net assets³	190.9	94.1	45.6	211.9	2,341.5	2,237.3	104.2	2,341.5

10: Investment in joint ventures (continued)

Share of results of joint ventures for the year ended 31 December 2013

	Brent Cross ¹ £m	Cabot Circus £m	Bullring ² £m	The Oracle £m	Queensgate £m
<i>Ownership (%)</i>	41.2	50	50	50	50
Gross rental income	49.2	34.4	53.7	31.8	16.3
Net rental income	45.6	29.1	48.1	26.6	12.5
Administration expenses	–	(0.8)	–	–	(0.2)
Operating profit before other net gains/(losses)	45.6	28.3	48.1	26.6	12.3
Other net gains/(losses)	(2.2)	3.8	32.6	19.4	(18.4)
Net finance costs	–	(0.8)	–	–	–
Profit before and after tax – continuing operations	43.4	31.3	80.7	46.0	(6.1)
Profit before and after tax – discontinued operations	–	–	–	–	–
Profit before and after tax	43.4	31.3	80.7	46.0	(6.1)
Hammerson share of profit	17.9	15.6	38.3	23.0	(3.1)
Hammerson share of distributions payable	–	16.8	20.4	7.1	7.3

Share of assets and liabilities of joint ventures as at 31 December 2013

	Brent Cross ¹ £m	Cabot Circus £m	Bullring ² £m	The Oracle £m	Queensgate £m
Non-current assets					
Investment and development properties	889.6	538.4	955.1	552.1	202.1
Interests in leasehold properties	–	14.6	–	–	–
Owner-occupied property	–	–	–	–	–
Receivables	–	–	–	0.1	–
	889.6	553.0	955.1	552.2	202.1
Current assets					
Receivables	26.9	3.4	6.2	3.0	3.5
Cash and deposits	1.6	11.3	15.6	7.8	5.0
	28.5	14.7	21.8	10.8	8.5
Current liabilities					
Payables	(52.0)	(15.0)	(17.6)	(9.2)	(5.8)
Non-current liabilities					
Borrowings – secured	–	–	–	–	–
Obligations under finance leases	–	(14.6)	–	–	–
Payables	(0.5)	(0.3)	(0.8)	(0.3)	(0.2)
	(0.5)	(14.9)	(0.8)	(0.3)	(0.2)
Net assets	865.6	537.8	958.5	553.5	204.6
Hammerson share of net assets³	356.1	269.0	479.3	276.8	102.3

1. Includes the results of Brent South Shopping Park in which Hammerson has a 40.6% interest.

2. Reflects the Group's acquisition in May 2013 of an additional 16.7% stake in The Bull Ring Limited Partnership, increasing Hammerson's interest to 50%.

3. The joint ventures are generally funded by loans from the Company and the relevant partners and this funding has been excluded as it is proportionally eliminated upon consolidation. 'Other net gains/(losses)' principally represent valuation changes on investment properties.

10: Investment in joint ventures (continued)

	Highcross £m	WestQuay £m	Silverburn £m	Centrale/ Whitgift £m	O'Parinor £m	Other £m	Total 2013 £m	Hammerson share 2013 £m
<i>Ownership (%)</i>	60	50	50	50	25	n/a		
Gross rental income	28.4	29.1	19.8	11.8	20.4	21.9	316.8	145.2
Net rental income	22.2	24.6	18.0	8.0	18.2	15.9	268.8	122.6
Administration expenses	–	–	(0.1)	(0.8)	(0.1)	(0.2)	(2.2)	(1.0)
Operating profit before other net gains/(losses)	22.2	24.6	17.9	7.2	18.1	15.7	266.6	121.6
Other net gains/(losses)	(5.6)	17.4	9.1	(24.0)	(21.3)	(9.5)	1.3	6.7
Net finance costs	–	(0.4)	–	–	3.7	0.2	2.7	0.4
Profit before and after tax – continuing operations	16.6	41.6	27.0	(16.8)	0.5	6.4	270.6	128.7
Profit before and after tax – discontinued operations	–	–	–	–	–	19.0	19.0	9.5
Profit before and after tax	16.6	41.6	27.0	(16.8)	0.5	25.4	289.6	
Hammerson share of profit	10.0	20.8	13.5	(8.4)	0.2	10.4	138.2	138.2
Hammerson share of distributions payable	6.0	0.6	–	–	–	2.7	60.9	

	Highcross £m	WestQuay £m	Silverburn £m	Centrale/ Whitgift £m	O'Parinor £m	Other £m	Total 2013 £m	Hammerson share 2013 £m
Non-current assets								
Investment and development properties	432.4	506.5	352.7	168.0	368.2	382.8	5,347.9	2,483.4
Interests in leasehold properties	–	4.2	–	–	–	1.2	20.0	9.8
Owner-occupied property	–	–	–	–	–	66.4	66.4	33.2
Receivables	0.9	–	0.1	–	–	–	1.1	0.5
	433.3	510.7	352.8	168.0	368.2	450.4	5,435.4	2,526.9
Current assets								
Receivables	4.7	3.8	4.5	2.1	11.9	11.9	81.9	35.0
Cash and deposits	9.0	9.8	6.5	6.3	7.4	5.5	85.8	41.0
	13.7	13.6	11.0	8.4	19.3	17.4	167.7	76.0
Current liabilities								
Payables	(9.9)	(9.9)	(7.9)	(8.1)	(6.6)	(12.6)	(154.6)	(71.0)
Non-current liabilities								
Borrowings – secured	–	–	–	–	(180.2)	–	(180.2)	(45.0)
Obligations under finance leases	–	(4.2)	–	–	–	(1.2)	(20.0)	(9.8)
Payables	(0.2)	(0.6)	–	–	(15.6)	(3.4)	(21.9)	(6.3)
	(0.2)	(4.8)	–	–	(195.8)	(4.6)	(222.1)	(61.1)
Net assets	436.9	509.6	355.9	168.3	185.1	450.6	5,226.4	
Hammerson share of net assets³	262.2	254.8	178.0	84.1	46.3	161.9	2,470.8	2,470.8

10: Investment in joint ventures (continued)

B. Reconciliation to EPRA adjusted earnings

	Property joint ventures £m	VIA Outlets £m	Total 2014 £m	Total 2013 £m
Profit for the year	280.1	(1.1)	279.0	138.2
Other net (gains)/losses				
Continuing operations	(165.6)	1.3	(164.3)	(6.7)
Discontinued operations	–	–	–	(7.5)
	(165.6)	1.3	(164.3)	(14.2)
Change in fair value of derivatives				
Continuing operations	(0.6)	0.3	(0.3)	(2.3)
Discontinued operations	–	–	–	(0.6)
	(0.6)	0.3	(0.3)	(2.9)
Deferred tax	–	0.4	0.4	–
Total adjustments	(166.2)	2.0	(164.2)	(17.1)
EPRA adjusted earnings of joint ventures	113.9	0.9	114.8	121.1

C. Reconciliation to EPRA adjusted investment in joint ventures

	2014 £m	2013 £m
Investment in joint ventures	2,341.5	2,470.8
Fair value of derivatives	3.1	–
Deferred tax	4.0	–
Goodwill as a result of deferred tax	(3.1)	–
EPRA adjustments	4.0	–
EPRA adjusted investment in joint ventures	2,345.5	2,470.8

D. Reconciliation of movements in investment in joint ventures

	2014 £m	2013 £m
Balance at 1 January	2,470.8	2,250.9
Acquisitions	110.8	245.1
Joint venture formation costs written off	(3.2)	–
Transfer of investment property on acquisition by Reported Group	(279.1)	–
Disposals	(151.8)	(76.3)
Share of results of joint ventures	279.0	138.2
Distributions and other receivables	(100.4)	(103.4)
Revaluation gains on owner-occupied property	–	3.2
Other movements	26.0	9.9
Foreign exchange translation differences	(10.6)	3.2
Balance at 31 December	2,341.5	2,470.8

11: Investment in associate

The Group has significant influence over Value Retail PLC and associated entities ("VR") and equity accounts for its investment.

A: Share of results of associate

	2014		2013	
	100% £m	Hammerson share £m	100% £m	Hammerson share £m
Gross rental income	243.1	75.1	227.6	65.4
Net rental income	157.3	49.6	147.1	43.5
Administration and other expenses	(73.1)	(20.0)	(71.1)	(17.8)
Operating profit before other net gains	84.2	29.6	76.0	25.7
Revaluation gains on properties	314.2	111.1	273.6	85.5
Operating profit	398.4	140.7	349.6	111.2
Net finance costs	(39.2)	(14.0)	(44.2)	(12.0)
Change in fair value of financial instruments	(34.8)	(9.9)	8.3	5.0
Change in fair value of participative loans – revaluation movement	–	4.6	–	7.1
Change in fair value of participative loans – other movement	–	2.1	–	0.8
Profit before tax	324.4	123.5	313.7	112.1
Current tax charge	(7.4)	(1.7)	(7.3)	(1.6)
Deferred tax charge	(47.4)	(11.9)	(43.8)	(9.0)
Profit for the year	269.6	109.9	262.6	101.5
Foreign exchange translation differences	(49.7)	(15.7)	8.6	(0.4)
Total comprehensive income	219.9	94.2	271.2	101.1
Reconciliation to EPRA adjusted earnings				
Profit for the year	269.6	109.9	262.6	101.5
Revaluation gains on properties	(314.2)	(111.1)	(273.6)	(85.5)
Change in fair value of financial instruments	34.8	9.9	(8.3)	(5.0)
Change in fair value of participate loans – revaluation movement	–	(4.6)	–	(7.1)
Capitalised loan finance fees written off	–	–	1.2	0.5
Deferred tax charge	47.4	11.9	43.8	9.0
EPRA adjustments	(232.0)	(93.9)	(236.9)	(88.1)
EPRA adjusted earnings of associate	37.6	16.0	25.7	13.4

When aggregated, the Group's share of VR's operating profit before other net gains amounted to 35.2% for the year ended 31 December 2014 (33.8% for the year ended 31 December 2013).

B: Share of assets and liabilities of associate

	2014		2013	
	100% £m	Hammerson share £m	100% £m	Hammerson share £m
Goodwill on acquisition of associate	–	65.7	–	65.7
Investment properties	2,702.6	884.7	2,462.8	787.9
Other non-current assets	81.1	18.6	84.0	19.6
Non-current assets	2,783.7	969.0	2,546.8	873.2
Other current assets	164.8	30.2	169.6	33.4
Cash and deposits	103.9	28.4	110.3	30.0
Current assets	268.7	58.6	279.9	63.4
Total assets	3,052.4	1,027.6	2,826.7	936.6
Current liabilities	(214.1)	(52.0)	(132.5)	(32.7)
Borrowings	(789.5)	(253.6)	(912.6)	(281.4)
Other liabilities	(226.9)	(83.6)	(190.8)	(73.1)
Deferred tax	(346.6)	(80.8)	(322.6)	(75.0)
Non-current liabilities	(1,363.0)	(418.0)	(1,426.0)	(429.5)
Total liabilities	(1,577.1)	(470.0)	(1,558.5)	(462.2)
Net assets	1,475.3	557.6	1,268.2	474.4
Participative loans*		71.2		71.0
Investment in associate		628.8		545.4

The analysis in the table above excludes liabilities in respect of distributions received in advance from VR amounting to £12.6 million (2013: £13.4 million) which are included within non-current liabilities in note 18.

Hammerson's investment in associate excluding goodwill, as a proportion of VR's net assets is 38.2% at 31 December 2014 (2013: 37.8%).

* The Group's total investment in associate includes long-term debt which in substance forms part of the Group's investment. These participative loans are not repayable in the foreseeable future.

Reconciliation to EPRA adjusted investment in associate

	2014 Hammerson share £m	2013 Hammerson share £m
Investment in associate	628.8	545.4
Fair value of derivatives	(1.9)	(8.3)
Deferred tax	80.8	75.0
Goodwill as a result of deferred tax	(47.0)	(47.0)
EPRA adjustments	31.9	19.7
EPRA adjusted investment in associate	660.7	565.1

C: Reconciliation of movements in investment in associate

	Note	2014 £m	2013 £m
Balance at 1 January		545.4	428.4
Acquisitions		–	59.4
Share of results of associate		109.9	101.5
Distributions		(11.5)	(46.4)
Revaluation movement on participative loans		0.6	2.9
Foreign exchange translation differences		(15.6)	(0.4)
Balance at 31 December	11B	628.8	545.4

12: Receivables: non-current assets

	2014 £m	2013 £m
Loans receivable	63.5	68.7
Other receivables	0.8	1.1
Fair value of interest rate swaps	15.0	2.0
	79.3	71.8

Loans receivable includes a loan of €58.0 million (£45.0 million) (2013: €58.0 million, £48.2 million) to Value Retail European Holdings BV bearing interest at 10% and maturing on 11 September 2016, except a residual €2 million tranche which matures on 30 November 2043.

Loans receivable also includes a loan to VR Milan S.R.L. of €25.0 million granted on 30 July 2013 bearing interest at Euribor plus a 5% margin and maturing on 13 December 2017. This loan is repayable in quarterly instalments and the balance outstanding at 31 December 2014 is €23.9 million (£18.5 million) (2013: €24.6 million, £20.5 million). Both loans are classified as available for sale and held at fair value.

13: Receivables: current assets

	2014 £m	2013 £m
Trade receivables	47.7	24.9
Other receivables	41.1	50.9
Corporation tax	0.1	0.2
Prepayments	3.8	2.1
Fair value of currency swaps	5.1	–
	97.8	78.1

Trade receivables are shown after deducting a provision for bad and doubtful debts of £11.6 million (2013: £8.5 million). The movement in the provision during the year was recognised entirely in income.

14: Cash and deposits

	2014 £m	2013 £m
Cash at bank	28.5	15.7
Short-term deposits	0.1	–
	28.6	15.7
Currency profile		
Sterling	10.1	8.8
Euro	18.5	6.9
	28.6	15.7

15: Payables: current liabilities

	2014 £m	2013 £m
Trade payables	18.3	11.0
Other payables	133.4	118.4
Accruals	27.5	19.4
Deferred income	25.2	20.7
	204.4	169.5

16: Borrowings

A: Maturity

	Bank loans and overdrafts £m	Other borrowings £m	Total 2014 £m	Bank loans and overdrafts £m	Other borrowings £m	Total 2013 £m
After five years	–	1,399.0	1,399.0	–	1,160.1	1,160.1
From two to five years	72.9	384.8	457.7	165.8	292.8	458.6
From one to two years	164.6	265.8	430.4	–	399.1	399.1
Due after more than one year	237.5	2,049.6	2,287.1	165.8	1,852.0	2,017.8
Due within one year	–	–	–	249.9	(3.7)	246.2
	237.5	2,049.6	2,287.1	415.7	1,848.3	2,264.0
Current assets: Fair value of currency swaps	–	(5.1)	(5.1)	–	–	–
	237.5	2,044.5	2,282.0	415.7	1,848.3	2,264.0

At 31 December 2014, the fair value of currency swaps was an asset of £16.1 million of which £5.1 million is due within one year and is included in current receivables (see note 13). At 31 December 2013, the fair value of currency swaps was a liability of £22.6 million.

B: Analysis

	2014 £m	2013 £m
Unsecured		
£200 million 7.25% sterling bonds due 2028	198.0	197.9
£300 million 6% sterling bonds due 2026	297.4	297.2
€500 million 2% euro bonds due 2022	383.4	–
£250 million 6.875% sterling bonds due 2020	248.4	248.2
€500 million 2.75% euro bonds due 2019	384.8	412.2
£272 million 5.25% sterling bonds due 2016	271.5	271.1
€480 million 4.875% euro bonds due 2015	–	399.1
Bank loans and overdrafts	237.5	415.7
Senior notes due 2026	23.2	–
Senior notes due 2024	131.1	–
Senior notes due 2021	122.8	–
	2,298.1	2,241.4
Fair value of currency swaps	(16.1)	22.6
	2,282.0	2,264.0

Financing activities during the year are detailed in the Business Review on page 14. Senior notes comprise £185.6 million denominated in US dollars, £46.5 million in euro and £45.0 million in sterling.

C: Undrawn committed facilities

Expiry	2014 £m	2013 £m
Within two to five years	250.0	659.0
Within one to two years	339.0	–
	589.0	659.0

17. Fair value of financial instruments

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

Reported Group

	2014		2013	
	Book value £m	Fair value £m	Book value £m	Fair value £m
Borrowings, excluding currency swaps	2,298.1	2,604.1	2,241.4	2,451.7
Currency swaps	(16.1)	(16.1)	22.6	22.6
Total	2,282.0	2,588.0	2,264.0	2,474.3
Interest rate swaps	(15.0)	(15.0)	(2.0)	(2.0)

Reported Group including share of Property joint ventures

	2014		2013	
	Book value £m	Fair value £m	Book value £m	Fair value £m
Borrowings, excluding currency swaps	2,340.3	2,646.6	2,286.4	2,497.3
Currency swaps	(16.1)	(16.1)	22.6	22.6
Total	2,324.2	2,630.5	2,309.0	2,519.9
Interest rate swaps	(13.1)	(13.1)	0.8	0.8

At 31 December 2014, the fair value of financial instruments including the Group's share of Property joint ventures exceeded their book value by £306.3 million (2013: £210.9 million), equivalent to 39 pence per share (2013: 29 pence per share) on an EPRA net asset value per share basis.

18: Payables: non-current liabilities

	2014 £m	2013 £m
Net pension liability	39.0	32.2
Other payables	33.5	33.8
	72.5	66.0

19: Share capital

	Called up, allotted and fully paid	
	2014 £m	2013 £m
Ordinary shares of 25p each	196.1	178.2

	Number
Movements in number of shares in issue	
Number of shares in issue at 1 January 2014	712,876,870
Issue of shares	71,297,452
Share options exercised – Executive Share Option Scheme	40,708
Share options exercised – Savings-related Share Option Scheme	80,218
Number of shares in issue at 31 December 2014	784,295,248

On 25 September 2014, the Company completed a placing of shares which resulted in the issue of 71,297,452 new ordinary shares of 25 pence each at a price of 560 pence per placing share, raising proceeds of approximately £399.3 million (before expenses). The placing of shares was effected by way of a cashbox placing. The proceeds of the placing were used to acquire the remaining 40% interest in The Highcross Shopping Centre in Leicester, make further investments in the fast-growing premium outlet sector and provide additional capital for our development pipeline. The merger reserve comprises the premium on the share placing.

20: Impact of change in accounting policy

Following the adoption of IFRS 11 Joint Arrangements with effect from 1 January 2014, the Group's interests in joint ventures are presented on an equity accounting rather than a proportionally consolidated basis. Comparative figures have been restated to reflect the change in accounting policy. The impact of these changes on the balance sheet and net debt are shown in the tables below. Further details of the impact of adopting IFRS 11 are set out in note 1 on page 32.

A. Balance sheet

Notes	2014			2013		
	Reported Group £m	Adjustment £m	Proportionally consolidated basis £m	Reported Group £m	Adjustment £m	Proportionally consolidated basis £m
	A	B	C	A	B	D
Non-current assets						
Investment and development properties	4,427.3	2,279.2	6,706.5	3,447.8	2,483.4	5,931.2
Interests in leasehold properties	33.2	9.8	43.0	35.1	9.8	44.9
Plant, equipment and owner-occupied property	5.0	–	5.0	6.3	33.2	39.5
Investment in joint ventures						
Property joint ventures	2,237.3	(2,237.3)	–	2,470.8	(2,470.8)	–
VIA Outlets	104.2	–	104.2	–	–	–
	2,341.5	(2,237.3)	104.2	2,470.8	(2,470.8)	–
Investment in associate	628.8	–	628.8	545.4	–	545.4
Other non-current assets	80.7	–	80.7	73.2	0.5	73.7
	7,516.5	51.7	7,568.2	6,578.6	56.1	6,634.7
Current assets						
Receivables	97.8	42.1	139.9	78.1	35.0	113.1
Cash and deposits	28.6	30.8	59.4	15.7	41.0	56.7
	126.4	72.9	199.3	93.8	76.0	169.8
Total assets	7,642.9	124.6	7,767.5	6,672.4	132.1	6,804.5
Current liabilities						
Payables	204.4	66.5	270.9	169.5	71.0	240.5
Tax	0.3	–	0.3	1.0	–	1.0
Borrowings	–	–	–	246.2	–	246.2
	204.7	66.5	271.2	416.7	71.0	487.7
Non-current liabilities						
Borrowings	2,287.1	42.2	2,329.3	2,017.8	45.0	2,062.8
Deferred tax	0.5	–	0.5	0.4	–	0.4
Obligations under finance leases	33.0	9.8	42.8	34.9	9.8	44.7
Payables	72.5	6.1	78.6	66.0	6.3	72.3
	2,393.1	58.1	2,451.2	2,119.1	61.1	2,180.2
Total liabilities	2,597.8	124.6	2,722.4	2,535.8	132.1	2,667.9
Net assets	5,045.1	–	5,045.1	4,136.6	–	4,136.6

Notes

A Reported Group results as shown in the consolidated balance sheet on page 27.

B Adjustment required to present the results on a proportionally consolidated basis.

C 2014 results presented on a proportionally consolidated basis, with the exception of the presentation of the investment in VIA Outlets.

D 2013 results previously reported on a proportionally consolidated basis.

B. Net debt

	2014			2013		
	Reported Group £m	Adjustment £m	Total £m	Reported Group £m	Adjustment £m	Total £m
Notes (See page 52)	A	B	C	A	B	D
Cash at bank	28.5	27.7	56.2	15.7	29.8	45.5
Short-term deposits	0.1	3.1	3.2	–	11.2	11.2
Cash and deposits	28.6	30.8	59.4	15.7	41.0	56.7
Current borrowings including currency swaps	5.1	–	5.1	(246.2)	–	(246.2)
Non-current borrowings	(2,287.1)	(42.2)	(2,329.3)	(2,017.8)	(45.0)	(2,062.8)
Net debt	(2,253.4)	(11.4)	(2,264.8)	(2,248.3)	(4.0)	(2,252.3)

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

	2014 £m	2013 £m
Amortisation of lease incentives and other costs	4.7	5.4
Increase in accrued rents receivable	(6.3)	(2.7)
Non-cash items included within net rental income	(1.6)	2.7
Depreciation	1.4	1.5
Share-based employee remuneration	5.1	3.9
Exchange and other items	7.3	(2.0)
	12.2	6.1

22: Contingent liabilities

There are contingent liabilities of £31.6 million (2013: £31.1 million) relating to guarantees given by the Group and a further £12.3 million (2013: £10.5 million) relating to claims against the Group arising in the normal course of business, which are considered to be unlikely to crystallise.

In addition, Hammerson's share of contingent liabilities arising within Property joint ventures, which is not included in the figures shown above, is £16.2 million (2013: £17.0 million). Principal risks and uncertainties facing the Group are detailed on pages 22 and 23.

PORTFOLIO ANALYSIS

Our portfolio provides a secure income stream, with a weighted average unexpired lease term of eight years, and opportunities for growth. The portfolio was 3.6% reversionary at 31 December 2014, with reversion at the UK and French portfolios of 1.2% and 10.0% respectively. Assuming that leases are renewed or re-let and rent reviews are agreed at current ERVs, an estimated £17.0 million of additional annual income could be secured from the portfolio by the end of 2017.

As explained in the Financial Review on page 16, management reviews the performance of the business including the Group's share of joint ventures on a proportionally consolidated basis, but excludes the Group's interest in premium outlets through investments in Value Retail and VIA Outlets. This is because the Group has less day-to-day involvement and the outlets centre sector has different operational characteristics compared with the Group's property portfolio. The information in the following tables has been prepared on this basis.

Table 1

Investment portfolio – Rental information

Rental data for the year ended 31 December 2014

Proportionally consolidated excluding premium outlets	Gross rental income £m	Net rental income £m	Vacancy rate %	Average rents passing £/m ²	Rents passing £m	Estimated rental value £m	Reversion/ (over-rented) %
Notes			1	2	3	4	5
United Kingdom							
Shopping centres	149.4	127.9	1.9	535	154.2	160.8	2.6
Retail parks	86.2	83.0	1.5	190	86.8	87.4	(0.9)
Other	14.5	11.3	8.7	180	12.4	13.4	(0.4)
Total	250.1	222.2	2.1	335	253.4	261.6	1.2
France	91.8	82.4	3.4	360	93.5	107.0	10.0
Total investment portfolio	341.9	304.6	2.5	340	346.9	368.6	3.6
Developments	2.2	1.0					
Total property portfolio	344.1	305.6					

Selected data for the year ended 31 December 2013
(continuing portfolio only)

Group							
UK	246.6	218.5	2.2	330	250.3	258.2	1.0
France	71.6	63.2	2.6	335	69.7	75.1	4.9
Total investment portfolio	318.2	281.7	2.3	330	320.0	333.3	1.8

Notes

1. 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.
2. Average rents passing at 31 December before deducting head and equity rents and excluding rents passing from anchor units and car parks.
3. The annual rental income receivable from an investment property at 31 December, after any rent-free periods and after deducting head and equity rents.
4. The estimated market rental value of the total lettable space in a property at 31 December, after deducting head and equity rents, 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.
5. The percentage by which the ERV exceeds, or falls short of, rents passing together with the estimated rental value of vacant space, all at 31 December.

Table 2

Lease expiries and breaks as at 31 December 2014

Proportionally consolidated excluding premium outlets

	Rents passing that expire/break in			ERV of leases that expire/break in			Weighted average unexpired lease term	
	2015 £m	2016 £m	2017 £m	2015 £m	2016 £m	2017 £m	to break years	to expiry years
Notes	1	1	1	2	2	2		
United Kingdom								
Shopping centres	21.8	7.9	8.9	26.9	7.5	9.1	6.5	8.2
Retail parks	7.7	1.0	2.0	8.1	1.1	1.9	8.8	9.8
Other	3.4	0.7	0.9	4.2	0.6	0.9	7.0	8.3
Total	32.9	9.6	11.8	39.2	9.2	11.9	7.4	8.8
France	13.8	4.4	5.5	14.9	4.4	5.8	3.8	6.4
Total investment portfolio	46.7	14.0	17.3	54.1	13.6	17.7	6.3	8.1

Notes

1. The amount by which rental income, based on rents passing at 31 December 2014, could fall in the event that occupational leases due to expire are not renewed or replaced by new leases. For the UK, it includes tenants' break options. For France, it is based on the date of lease expiry.

2. The ERV at 31 December 2014 for leases that expire or break in each year and ignoring the impact of rental growth and any rent-free periods.

Table 3

Rent reviews as at 31 December 2014

Proportionally consolidated excluding premium outlets

	Rents passing subject to review in				Projected rents at current ERV of leases subject to review in			
	Outstanding £m	2015 £m	2016 £m	2017 £m	Outstanding £m	2015 £m	2016 £m	2017 £m
Notes	1	1	1	1	2	2	2	2
United Kingdom								
Shopping centres	37.9	9.4	9.2	13.2	41.8	10.3	10.4	14.1
Retail parks	23.6	23.0	15.4	11.8	24.5	23.7	15.9	12.1
Other	3.0	2.1	0.8	0.8	3.2	2.2	0.8	0.8
Total	64.5	34.5	25.4	25.8	69.5	36.2	27.1	27.0

Notes

1. Rents passing at 31 December 2014, after deducting head and equity rents, which are subject to review in each year.

2. Projected rents for space that are subject to review in each year, based on the higher of the current rental income and the ERV as at 31 December 2014 and ignoring the impact of changes in rental values before the review date.

Table 4

Net rental income

Net rental income for the year ended 31 December 2014

Proportionally consolidated excluding premium outlets	Properties owned throughout 2013/14 £m	Increase/ (Decrease) for properties owned throughout 2013/14 %	Acquisitions £m	Disposals £m	Developments £m	Total net rental income £m
United Kingdom						
Shopping centres	115.0	2.2	10.5	0.3	2.1	127.9
Retail parks	80.1	2.4	–	1.0	1.9	83.0
Other	9.3	(1.2)	0.9	0.7	1.3	12.2
Total	204.4	2.1	11.4	2.0	5.3	223.1
France						
	62.0	2.0	4.9	–	15.6	82.5
Total property portfolio	266.4	2.1	16.3	2.0	20.9	305.6

Table 5

Net rental income

Net rental income for the year ended 31 December 2013

Proportionally consolidated excluding premium outlets	Properties owned throughout 2013/14 £m	Exchange £m	Acquisitions £m	Disposals £m	Developments £m	Total net rental income £m
United Kingdom						
Shopping centres	112.6	–	5.5	6.2	0.4	124.7
Retail parks	78.2	–	–	1.5	2.4	82.1
Other	9.5	–	1.1	2.2	1.2	14.0
Total	200.3	–	6.6	9.9	4.0	220.8
France						
	60.7	3.2	(1.1)	0.1	(0.2)	62.7
Total property portfolio – continuing operations	261.0	3.2	5.5	10.0	3.8	283.5
Discontinued operations	–	–	–	6.7	–	6.7
Total property portfolio	261.0	3.2	5.5	16.7	3.8	290.2

Table 6

Cost ratio

Proportionally consolidated excluding premium outlets	Notes	Year ended 31 December 2014 £m	Year ended 31 December 2013 £m
Net service charge expenses – non-vacancy		3.0	2.0
Net service charge expenses – vacancy		7.4	7.9
Net service charge expenses – total	2	10.4	9.9
Other property outgoings	2	26.2	26.6
Employee and corporate costs	2	52.1	48.8
Management fees receivable	2	(5.6)	(6.7)
Net one-off restructuring charge	2	(3.0)	–
Total operating costs		80.1	78.6
Gross rental income, after rents payable	2	342.2	319.3
Cost ratio including net service charge expenses – vacancy (%)		23.4	24.6
Cost ratio excluding net service charge expenses – vacancy (%)		21.2	22.1

2013 figures are for continuing operations only

Staff costs amounting to £1.5 million (2013: £1.5 million) have been capitalised as development costs and are excluded from the table above. Our business model for developments is to use a combination of in-house staff and external advisers. The cost of external advisers is capitalised to the cost of developments. The cost of staff working on developments is generally expensed, but may be capitalised subject to meeting certain criteria related to the degree of time spent on and the stage of progress of specific projects.

Including the net one-off restructuring charge of £3.0 million shown above as operating costs increases the cost ratio to 24.3%. Further details on the restructuring charge are in the Financial Review on page 18.

Table 7

Top Ten Tenants

Tenants ranked by passing rents at 31 December 2014

Proportionally consolidated excluding premium outlets	Passing rent £m	% of total passing rent
B&Q	12.1	3.5
Next	7.1	2.0
Dixons Carphone	6.7	1.9
H&M	6.7	1.9
Inditex	6.6	1.9
Arcadia	6.0	1.8
Home Retail Group	6.0	1.8
Boots	5.2	1.5
New Look	5.0	1.4
Debenhams	4.5	1.3
Total	65.9	19.0

Table 8

Valuation analysis

Valuation data for investment portfolio for the year ended 31 December 2014

Proportionally consolidated	Properties at valuation £m	Revaluation in the year £m	Capital return %	Total return %	Initial yield %	True equivalent yield %	Nominal equivalent yield %
Notes					1	2	3
United Kingdom							
Shopping centres	2,863.9	237.4	9.6	15.0	4.7	5.4	5.2
Retail parks	1,644.1	134.9	9.0	15.0	4.8	5.6	5.4
Other	192.7	5.1	3.4	8.9	6.1	7.2	7.1
Total	4,700.7	377.4	9.0	14.7	4.8	5.6	5.4
France	1,797.7	41.1	2.4	7.7	4.6	5.3	5.1
Total investment portfolio	6,498.4	418.5	7.4	13.1	4.7	5.5	5.3
Developments	208.1	18.3	9.1	9.8			
Total property portfolio	6,706.5	436.8	7.4	12.7			
Premium outlets ⁴	1,027.6	109.8	12.8	19.9			
Total Group	7,734.1	546.6	8.0	13.6			

Notes

- Annual cash rents receivable, net of head and equity rents and the cost of vacancy, 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.
- The capitalisation rate applied to future cash flows to calculate the gross property value. The cash flows reflect the timing of future rents resulting from lettings, lease renewals and rent reviews based on current ERVs and assuming rents are received quarterly in advance. The property true equivalent yields are determined by the Group's external valuers.
- Nominal equivalent yields, which are similar to the true equivalent yields but assume rents are received annually in arrears, are included within the unobservable inputs to the portfolio valuations as defined by IFRS 13.
- Represents the returns for the Group's share of premium outlets through its interests in Value Retail and VIA Outlets.
- The weighted average remaining rent-free period is 0.5 years.

Table 9

Yield analysis

Investment portfolio at 31 December 2014

Proportionally consolidated excluding premium outlets	Income £m	Gross value £m	Net book value £m
Portfolio value (net of cost to complete)		6,849	6,849
Purchasers' costs ¹			(350)
Net investment portfolio valuation as reported in the financial statements			6,499
Income and yields			
Rent for valuers' initial yield (equivalent to EPRA Net Initial Yield)	323.4	4.7%	5.0%
Rent-free periods (including pre-lets)	13.3	0.2%	0.2%
Rent for 'topped-up' initial yield ²	336.7	4.9%	5.2%
Non-recoverable costs (net of outstanding rent reviews)	10.2	0.2%	0.2%
Passing rents	346.9	5.1%	5.4%
ERV of vacant space	8.8	0.1%	0.1%
Reversions	12.9	0.2%	0.2%
Total ERV/Reversionary yield	368.6	5.4%	5.7%
True equivalent yield		5.5%	
Nominal equivalent yield		5.3%	

Notes

- Purchasers' costs equate to 5.4% of the net portfolio value.
- The yield of 4.9% based on passing rents and the gross portfolio value is equivalent to EPRA's 'topped-up' Net Initial Yield.

SHAREHOLDER INFORMATION

Key contact details

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Auditor: Deloitte LLP
Solicitor: Herbert Smith Freehills LLP

Joint Brokers and Financial Advisors: J. P. Morgan Cazenove and Deutsche Bank AG
Financial Advisor: Lazard Ltd

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.capitashareportal.com or by calling Capita Asset Services on 0871 664 0381 (from the UK calls cost 10p per minute plus network extras) or +44 (0) 20 8639 3402 (from overseas) email: shares@capita.co.uk

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 25 days before the dividend payment date.

The DRIP will continue to be available to those 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.

Website

The Annual Report and other information that shareholders may find useful are available on the Company's website: www.hammerson.com. The Company operates a service whereby all registered users can choose to receive via email notice of all Company announcements which can also be viewed on the website.

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 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.

Financial calendar

Annual General Meeting

The Annual General Meeting will be held at 11.00 am on 22 April 2015 at 10 Grosvenor Street, London, W1K 4BJ.

Full-year results announced		16 February 2015
Recommended final dividend	Ex-dividend date	12 March 2015
	Record date	13 March 2015
	Election (or cancellation) date for Dividend Reinvestment Plan	5:00 pm on 30 March 2015
	Payable on	24 April 2015
Annual General Meeting		22 April 2015
Anticipated 2015 interim dividend		October 2015

Discontinuation of Interim Management Statements

Following recent changes to EU regulation on financial disclosure, the Financial Conduct Authority has removed its requirement for UK companies to publish Interim Management Statements (IMs). As a result, and reflecting the long term nature of Hammerson's business, the Board has taken the decision to cease publication of formal IMs in April and November. The Group remains committed to full and transparent disclosure and will continue with full-year and half-year announcements as well as a comprehensive capital markets event in the autumn.

GLOSSARY

Adjusted figures (per share)	Reported amounts adjusted to exclude certain items as set out in note 8 to the accounts.
Anchor store	A major store, usually a department, variety or DIY store or supermarket, occupying a large unit within a shopping centre or retail park, which serves as a draw to other retailers and consumers.
Average cost of borrowing	The cost of finance expressed as a percentage of the weighted average of borrowings during the period.
BREEAM	Building Research Establishment's Environmental Assessment Method.
Capital return	The change in property value during the period after taking account of capital expenditure and exchange translation movements, calculated on a monthly time-weighted basis.
DTR	Disclosure and Transparency Rules, issued by the United Kingdom Listing Authority.
Dividend cover	Adjusted earnings per share divided by dividend per share.
Earnings per share (EPS)	Profit for the period attributable to equity shareholders divided by the average number of shares in issue during the period.
EBITDA	Earnings before interest, tax, depreciation and amortisation.
EPRA	The European Public Real Estate Association, a real estate industry body. This organisation has issued Best Practice Recommendations with the intention of improving the transparency, comparability and relevance of the published results of listed real estate companies in Europe.
Equivalent yield (true and nominal)	The capitalisation rate applied to future cash flows to calculate the gross property value. The cash flows reflect the timing of future rents resulting from lettings, lease renewals and rent reviews based on current ERVs. The true equivalent yield assumes rents are received quarterly in advance. The nominal equivalent yield 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, after deducting head and equity rents, calculated by the Group's external valuers.
Gearing	Net debt expressed as a percentage of equity shareholders' funds.
Gross property value or Gross Asset Value (GAV)	Property value before deduction of purchaser's costs, as provided by the Group's external valuers.
Gross rental income	Income from rents, car parks and commercial income, after accounting for the net effect of the amortisation of lease incentives.
IAS	International Accounting Standard.
IASB	International Accounting Standards Board.
IFRS	International Financial Reporting Standard.
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 5.2% 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 capitalised interest and change in fair value of derivatives.
Interest rate or currency swap (or derivatives)	An agreement with another party to exchange an interest or currency rate obligation for a pre-determined period of time.
IPD	Investment Property Databank. An organisation supplying independent market indices and portfolio benchmarks to the property industry.

Joint venture	An entity in which the Group holds an interest and which is jointly controlled by the Group and one or more partners under a contractual arrangement whereby decisions on the key financial and operating policies of that entity require each partner's consent.
Like-for-like/underlying net rental income	The percentage change in net rental income for completed investment properties owned throughout both current and prior periods, after taking account of exchange translation movements.
Loan to value ratio (LTV)	Net debt expressed as a percentage of the total value of investment and development properties.
Net asset value (NAV) per share	Equity shareholders' funds divided by the number of shares in issue at the balance sheet date.
Net rental income (NRI)	Income from rents, car parks and commercial income, after deducting head and equity rents payable, and other property related costs.
Occupancy rate	The ERV of the area in a property or portfolio, excluding developments, which is let, expressed as a percentage of the total ERV of that property or portfolio.
Over-rented	The amount by which ERV falls short of rents passing, together with the estimated rental value of vacant space.
Passing rents or rents passing	The annual rental income receivable from an investment property, after any rent-free periods and after deducting head and equity rents. This may be more or less than the ERV (see over-rented and reversionary or under-rented).
Pre-let	A lease signed with a tenant prior to completion of a development.
Property Income Distribution (PID)	A dividend, generally subject to withholding tax, that a UK REIT is required to pay from its tax-exempt property rental business and which is taxable for UK-resident shareholders at their marginal tax rate.
Property joint ventures	The Group's shopping centre and retail park joint ventures which management proportionally consolidate when reviewing the performance of the business. These exclude the Group's interest in the VIA Outlets joint venture.
REIT	Real Estate Investment Trust. A tax regime that 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.
Return on shareholders' equity (ROE)	Capital growth and profit for the year 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 by which the ERV exceeds the rents passing, together with the estimated rental value of vacant space.
Scrip dividend	A dividend received in the form of shares.
SIIC	Sociétés d'Investissements Immobiliers Côtées. A tax regime in France which exempts participants from French tax on property income and gains subject to certain requirements.
Total development cost (TDC)	All capital expenditure on a development project, including capitalised interest.
Total property return (TPR) (or total return)	Net rental income and capital return expressed as a percentage of the opening book value of property adjusted for capital expenditure and exchange translation movements, calculated on a monthly time-weighted basis.
Total shareholder return (TSR)	Dividends and capital growth in the share price, expressed as a percentage of the share price at the beginning of the year.
Turnover rent	Rental income that is related to an occupier's turnover.
UK GAAP	United Kingdom Generally Accepted Accounting Practice.
Vacancy rate	The ERV of the area in a property, or portfolio, excluding developments, which is currently available for letting, expressed as a percentage of the ERV of that property or portfolio.

Value Retail (VR)	Owner and operator of luxury outlet Villages in Europe in which Hammerson has an investment.
VIA Outlets (VIA)	A premium outlets joint venture, in which the Group has an investment. VIA owns and operates premium outlet centres in Europe.
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.