

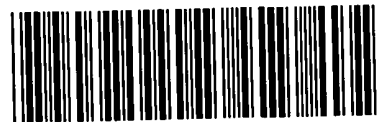
Company Number: 00298351

HAMMERSON UK PROPERTIES plc

ANNUAL REPORT AND FINANCIAL STATEMENTS

Year ended 31 December 2017

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HAMMERSON UK PROPERTIES plc

DIRECTORS' REPORT

Year ended 31 December 2017

1. PRINCIPAL ACTIVITIES

The principal activity of Hammerson UK Properties plc ("the Company") is property investments in the United Kingdom, both directly and through its investment in property owning subsidiaries. The Directors do not anticipate any significant change in the principal activity in the foreseeable future.

2. RESULTS AND DIVIDENDS

The profit for the year after tax was £33,234,000 (2016: £73,858,000). During the year the Directors resolved to pay a dividend of £550,000,000 to the immediate parent company (2016: £nil). The balance sheet for 2016 has been restated to correct an accounting error as explained in note 18 to the financial statements. This has no effect on the previously reported profit for the year. Further information relating to the business, its key risks and future prospects is provided in the Strategic Report on page 3.

3. DIRECTORS

- (a) Mr. D.J. Atkins, Mr. A.J. Berger-North, Ms. R.S. Booth, Mr. P.W.B Cole and Mr. N.T. Drakesmith were Directors of the Company throughout the year.
- (b) Mr. M.R. Bourgeois was appointed as Director of the Company on 17 March 2017.
- (c) Mr. M. Plocica resigned as a Director of the Company on 31 May 2017.
- (d) In accordance with the Articles of Association of the Company, the Directors are not required to retire by rotation.
- (e) No Director has any interest in contracts entered into by the Company.

4. SECRETARY

Hammerson Company Secretarial Limited was Secretary of the Company throughout the year.

5. GOING CONCERN

The Directors have considered the use of the going concern basis in the preparation of the financial statements in light of the net current liability position on the balance sheet as at 31 December 2017 and concluded that it was appropriate. More information is provided in note 1(b) to the financial statements.

6. INDEMNITY

The Company's ultimate parent company, Hammerson plc, has made qualifying third party indemnity provisions for the benefit of the Company's Directors which were in place throughout the year and which remain in place at the date of this report.

7. AUDITORS

PricewaterhouseCoopers LLP were appointed as auditors of the Company during the year and shall be deemed to be re-appointed as auditors for a further term under the provisions of section 487(2) of the Companies Act 2006.

PricewaterhouseCoopers LLP have indicated their willingness to continue in office.

HAMMERSON UK PROPERTIES plc

DIRECTORS' REPORT

Year ended 31 December 2017

8. STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

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

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

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 101, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006.

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

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

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

By order of the Board



B. Lees

For and on behalf of
Hammerson Company Secretarial Limited
acting as Secretary
Date: 28 June 2018

Registered Office:

Kings Place
90 York Way
London N1 9GE
Registered in England and Wales No. 00298351

HAMMERSON UK PROPERTIES plc

STRATEGIC REPORT

Year ended 31 December 2017

BUSINESS REVIEW AND FUTURE PROSPECTS

It is expected that the Company will continue to invest in properties and property owning subsidiaries for the foreseeable future. During the year the Company increased its investment in group entities by £2,070,000 (2016: £992,769,000), which was funded by intra-group debt. Further details of movements in investments are shown in note 9 to the financial statements.

The Directors have considered the use of the going concern basis in the preparation of the financial statements in light of the net current liability position on the balance sheet as at 31 December 2017, and have concluded that it is appropriate. More information is provided in note 1(b) to the financial statements.

The Directors consider the following measures to be the key performance indicators for the Company: investment income and net asset value.

During 2017, the Company's investment income for the year was £43,576,000 (2016: £57,131,000). At 31 December 2017, the Company had net assets of £1,559,463,000 (2016: £2,065,429,000 – as restated for a prior year adjustment, see note 18 for further details). The reduction of £505,966,000 comprises dividends of £550,000,000 offset by total recognised gains and losses for the year of £44,034,000. The dividends were settled through intra-group debt as shown in note 11.

The key risk to the Company relates to the value of its investments in property owning subsidiary undertakings. The key performance indicators for these subsidiaries are net rental income and property values and the key risks they face relate to tenant exposure and the strength of the UK property market. Tenants' covenants are monitored at the start of leasing agreements and on an ongoing basis and collection performance is closely monitored. The Directors monitor the UK property market through the analysis of market forecasts and the performance of the property assets is compared against target returns. Further risks are discussed in the Annual Report of the ultimate controlling party, Hammerson plc, which does not form part of this report.

Signed on behalf of the Board of Directors



N.T. Drakesmith

Director

Date: 28 June 2018

Report on the audit of the financial statements

Opinion

In our opinion, Hammerson UK Properties plc's financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2017 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the balance sheet as at 31 December 2017; the statement of comprehensive income, the statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you when:

- the Directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Company's ability to continue as a going concern.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The Directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the Disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

HAMMERSON UK PROPERTIES plc

INDEPENDENT AUDITORS' REPORT TO THE SOLE MEMBER OF HAMMERSON UK PROPERTIES plc (CONTINUED)

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 December 2017 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Directors' Report.

Responsibilities for the financial statements and the audit

Responsibilities of the Directors for the financial statements

As explained more fully in the Statement of Directors' Responsibilities, the Directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The Directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the Company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.



Sonia Copeland (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
Date: 28 June 2018

HAMMERSON UK PROPERTIES plc**INCOME STATEMENT****For the year ended 31 December 2017**

	Notes	2017 £'000	2016 £'000
Gross rental income		39	8
Rents payable and other property outgoings		(38)	(53)
Net rental income/(loss)		1	(45)
Administration expenses	2	(19,721)	(18,396)
Other operating income	3	10,034	9,885
Operating loss before other net gains		(9,686)	(8,556)
Other net gains	4	19,253	34,727
Operating profit		9,567	26,171
Investment income	5	43,576	57,131
Profit on ordinary activities before net finance costs		53,143	83,302
Net finance costs	6	(19,909)	(9,233)
Profit on ordinary activities before taxation		33,234	74,069
Taxation	7(a)	-	(211)
Profit for the year		33,234	73,858

All amounts relate to continuing activities.

HAMMERSON UK PROPERTIES plc**BALANCE SHEET**
As at 31 December 2017

	Notes	£'000	2017 £'000	£'000	Restated* 2016 £'000
Non-current fixed assets					
Investment properties	8(a)		10,126		10,126
Investments	9		<u>3,203,551</u>		<u>3,182,281</u>
			3,213,677		3,192,407
Current assets					
Receivables	10	34,352		82,591	
Cash and deposits		<u>21</u>		<u>22</u>	
Total current assets		34,373		82,613	
Current liabilities					
Payables	11	<u>(1,688,587)</u>		<u>(1,209,591)</u>	
Net current liabilities			(1,654,214)		(1,126,978)
Total assets less current liabilities			1,559,463		2,065,429
Net assets			1,559,463		2,065,429
Capital and reserves					
Called up share capital	12		507,875		507,875
Share premium account	13		54,043		54,043
Revaluation reserve	13		75,195		64,395
Retained earnings	13		<u>922,350</u>		<u>1,439,116</u>
Shareholders' equity			1,559,463		2,065,429

*The Company's investments and revaluation reserve have been restated in order to correct an accounting error. See note 18.

These financial statements were approved by the Board of Directors on 28 June 2018 and authorised for issue on 28 June 2018.

Signed on behalf of the Board of Directors



N.T. Drakesmith
Director
Company number: 00298351

HAMMERSON UK PROPERTIES plc**STATEMENT OF COMPREHENSIVE INCOME**
For the year ended 31 December 2017

	2017 £'000	Restated* 2016 £'000
Profit for the year	33,234	73,858
Items that may subsequently be recycled through the income statement		
Unrealised surplus on revaluation of investments (note 9)	10,800	13,200
Total recognised gains and losses for the year	44,034	87,058

*The unrealised surplus on revaluation of investments for 2016 has been restated in order to correct an accounting error. See note 18.

STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2017

	Called up share capital £'000	Share premium account £'000	Revaluation reserve £'000	Retained earnings £'000	Shareholder's equity £'000
Balance at 1 January 2016, as previously reported	507,875	54,043	138,695	1,365,258	2,065,871
Correction of error (see note 18)	-	-	(87,500)	-	(87,500)
Restated balance at 1 January 2016	507,875	54,043	51,195	1,365,258	1,978,371
Profit and other comprehensive income for the year (restated)	-	-	13,200	73,858	87,058
Balance at 31 December 2016	507,875	54,043	64,395	1,439,116	2,065,429
Dividends	-	-	-	(550,000)	(550,000)
Profit and other comprehensive income for the year	-	-	10,800	33,234	44,034
Balance at 31 December 2017	507,875	54,043	75,195	922,350	1,559,463

HAMMERSON UK PROPERTIES plc

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2017

1. ACCOUNTING POLICIES

The following principal accounting policies have been applied consistently throughout the current and preceding year.

(a) Basis of accounting

Basis of preparation

Hammerson UK Properties plc is a public company limited by shares incorporated in the United Kingdom under the Companies Act 2006. The nature of the Company's operations and its principal activities are set out on page 3. The address of the registered office is given on page 2.

These financial statements were prepared in accordance with Financial Reporting Standard 101 *Reduced Disclosure Framework* ("FRS 101") as issued by the Financial Reporting Council.

The presentation currency used is sterling and amounts have been presented in round thousands ("£000s"). The financial statements have been prepared on a historical cost basis, except for the revaluation of investment properties and other fixed asset investments. Historical cost is generally based on the fair value of the consideration given in exchange for the goods and services.

The preparation of financial statements in conformity with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 1(i).

Disclosure exemptions adopted

In preparing these financial statements the Company has taken advantage of all disclosure exemptions conferred by FRS 101. Therefore these financial statements do not include:

- IFRS 7, 'Financial Instruments; Disclosures';
- Paragraphs 91 to 99 of IFRS 13 'Fair value measurement' disclosure of valuation techniques and inputs used for fair value measurement of assets and liabilities';
- Paragraph 38 of IAS1, 'Presentation of financial statements' – comparative information in respect of:
 - paragraph 79(a)(iv) of IAS 1;
 - paragraph 73(e) of IAS 16, 'Property, plant and equipment'; and
 - paragraph 118(e) of IAS 38, 'Intangible assets' (reconciliations between the carrying amount at the beginning and end of the period);
- The following paragraphs of IAS 1, 'Presentation of financial statements':
 - 10(d) (statement of cash flows);
 - 16 (statement of compliance with all IFRS);
 - 38A (requirements for minimum of two primary statements, including cash flow statements);
 - 38B-D (additional comparative information)
 - 111 (cash flow statement information); and
 - 134 – 136 (capital management disclosures);
- IAS 7, 'Statement of cash flows';

HAMMERSON UK PROPERTIES plc

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2017

1. ACCOUNTING POLICIES (Continued)

(a) Basis of accounting (continued)

- Paragraphs 30 and 31 of IAS 8 'Accounting policies, changes in accounting estimates and errors' (requirement for the disclosure of information when an entity has not applied a new IFRS what has been issued but is not yet effective);
- Paragraph 17 of IAS 24, 'Related party disclosures' (key management compensation); and
- The requirements in IAS 24, 'Related party disclosures', to disclose related party transactions entered into between two or more members of a group.

The above disclosure exemptions have been adopted because equivalent disclosures are included in the consolidated financial statements of Hammerson plc into which the Company is consolidated. The financial statements of Hammerson plc can be obtained as described in note 17. Group financial statements have not been prepared on the basis that the Company is included in the consolidated financial statements of Hammerson plc.

(b) Going concern

The financial position of the Company is as set out in the balance sheet. The Company has net current liabilities as at 31 December 2017 and is reliant on the support of its ultimate parent company, Hammerson plc, to be able to meet its liabilities as they fall due. These liabilities relate primarily to amounts due to fellow subsidiary and group undertakings. The Directors consider that the Company is an integral part of Hammerson plc's structure and strategy and this is evidenced by a letter of support from Hammerson plc, which states its intent to provide the necessary financial support to ensure that the Company is a going concern for at least twelve months from the date of signing of these financial statements. After making enquiries and taking account of the factors noted above, the Directors have a reasonable expectation that the Company will have access to adequate resources to continue in existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

(c) Net rental income

Rental income from investment property leased out under an operating lease is recognised in the income statement on a straight-line basis over the lease term. Contingent rents, such as turnover rents, rent reviews and indexation are recorded as income in the periods in which they are earned. Rent reviews are recognised when such reviews have been agreed with tenants.

Lease incentives and costs associated with entering into tenant leases are added to the costs of property and are amortised over the lease term or, if the probability that the break option will be exercised is considered high, over the period to the first break option.

Property operating expenses are expensed as incurred and any property operating expenditure not recovered from tenants through service charges is charged to the income statement.

(d) Net finance costs

Net finance costs include interest payable on borrowings and interest payable to group undertakings net of interest receivable on funds invested.

HAMMERSON UK PROPERTIES plc

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2017

1. ACCOUNTING POLICIES (continued)

(e) Taxation

Current tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Deferred tax is measured using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date that are expected to apply to the reversal of the timing difference.

(f) Investment properties

The Company applies the fair value accounting model to investment properties, being market value determined by professionally qualified external valuers. Changes in fair value are recognised in profit or loss. All costs directly associated with the purchase and construction of a property are capitalised.

(g) Investments

Investments in the Company's subsidiaries are stated at cost less provision for impairment. Other fixed asset investments are valued at the balance sheet date at market value and are classified as available for sale financial assets. Available for sale financial assets are investments in unlisted shares that are not traded in an active market but that are classified as available for sale and stated at fair value. Gains and losses arising from changes in fair value are recognised in other comprehensive income and accumulated in the revaluation reserve. Where the investment is disposed or is determined to be impaired, the cumulative gain or loss previously recognised in the investment revaluation reserve is reclassified to profit and loss.

(h) Financial instruments

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the instrument. All financial assets and liabilities are initially measured at transaction price (including transaction costs). Financial assets and liabilities are subsequently carried at amortised cost using the effective interest method. Financial assets and liabilities are only offset in the balance sheet when, and only when there exists a legally enforceable right to set off the recognised amounts and the Company intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously. Financial assets are derecognised when and only when a) the contractual rights to the cash flows from the financial asset expire or are settled, b) the Company transfers to another party substantially all of the risks and rewards of ownership of the financial asset, or c) the Company, despite having retained some, but not all, significant risks and rewards of ownership, has transferred control of the asset to another party. Financial liabilities are derecognised only when the obligation specified in the contract is discharged, cancelled or expires.

HAMMERSON UK PROPERTIES plc

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2017

1. ACCOUNTING POLICIES (continued)

(i) Critical accounting policies and estimation uncertainties

In the application of the Company's accounting policies, the Directors are required to make judgements, estimates and assumptions about the carrying value of assets and liabilities. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from those estimates. Estimates and the underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both the current and future periods.

The Company's critical judgements and area of estimation uncertainty is in respect of the following:

- (a) Shares in group entities. The Company has interests in group entities which are carried in the balance sheet at historical cost less provision for impairment, valued by the Directors based upon the net assets of the entities. The principal assets of these entities are investment properties which are valued six-monthly by professionally qualified external valuers. The Directors must ensure that they are satisfied that the Company's investment in the group entities is appropriate for the financial statements. The basis of valuation of the group entities' investment properties is set out in the notes to the financial statements of those entities for the year ended 31 December 2017.
- (b) Other fixed asset investments. The Company's other fixed asset investments comprise predominantly of investments in external entities which are carried in the balance sheet at valuation. The carrying values are based upon the net assets of the investee entities which consist mainly of investment properties valued by professionally qualified external valuers. The Directors must ensure that they are satisfied that the valuation of these investments is appropriate for the financial statements.
- (c) Investment properties. The Company's investment properties, which are carried in the balance sheet at fair value, are valued six-monthly by professionally qualified external valuers and the Directors must ensure that they are satisfied that the valuation of the Company's property is appropriate for the financial statements. Investment properties, excluding properties held for development, are valued by adopting the 'investment method' of valuation. This approach involves applying capitalisation yields to future rental income streams with appropriate adjustments for income voids arising from vacancies or rent-free periods. These capitalisation yields and future income streams are derived from comparable property and leasing transactions and are considered to be the key inputs in the valuations. Other factors that are taken into account in the valuations include the tenure of the property, tenancy details and ground and structural conditions.

In the case of on-site developments, the approach applied is the 'residual method' of valuation, which is the investment method of valuation as described above with a deduction for all costs necessary to complete the development, together with a further allowance for remaining risk, developers' profit and purchasers' costs. Properties held for future development are generally valued by adopting the higher of the residual method of valuation allowing for all associated risks, or the investment method of valuation for the existing assets.

HAMMERSON UK PROPERTIES plc**NOTES TO THE FINANCIAL STATEMENTS**Year ended 31 December 2017**2. ADMINISTRATION EXPENSES**

	2017 £'000	2016 £'000
Management fee payable to fellow group undertaking	19,721	18,346
Other administration expenses	-	50
	<u>19,721</u>	<u>18,396</u>

The average number of employees during the year, excluding Directors, was nil (2016: nil).

The Directors did not receive any remuneration for their services from the Company in the year (2016: £nil), having been paid by other group undertakings. It is deemed impractical to allocate their remuneration between group undertakings for the purposes of disclosure.

Another group company has paid the auditors' fees for the audit of the Company's annual financial statements in both the current and preceding financial year. Fees for the audit of the Company were £6,000 (2016: £7,575).

3. OTHER OPERATING INCOME

	2017 £'000	2016 £'000
Management fees receivable from joint arrangements (note 15)	8,534	8,361
Management fees receivable from group undertakings	1,500	1,524
	<u>10,034</u>	<u>9,885</u>

4. OTHER NET GAINS

	2017 £'000	2016 £'000
Consideration received for prior year property disposals in companies that have been sold	1,645	1,769
(Loss)/Profit on sale of shares in group entities	(5,795)	11
Decrease in impairment of investments (see note 9)	23,400	32,947
Decrease in impairment provision against loans to subsidiary undertakings (note 10)	3	-
	<u>19,253</u>	<u>34,727</u>

5. INVESTMENT INCOME

	2017 £'000	2016 £'000
Dividends received from subsidiary undertakings	21,893	55,723
Distributions receivable from Limited Partnership and unit trust investments	21,683	1,408
	<u>43,576</u>	<u>57,131</u>

HAMMERSON UK PROPERTIES plc

NOTES TO THE FINANCIAL STATEMENTS Year ended 31 December 2017

6. NET FINANCE COSTS

	2017 £'000	2016 £'000
Interest payable to ultimate parent company	(20,763)	(10,299)
Interest receivable from joint venture entities	-	1,061
Other interest receivable	854	5
	<u>(19,909)</u>	<u>(9,233)</u>

7. TAXATION

(a) Tax charge

	2017 £'000	2016 £'000
UK corporation tax		
Current year charge	-	91
Charge in respect of prior year	-	120
Total	<u>-</u>	<u>211</u>

(b) Factors affecting total tax charge

The tax assessed on the profit for the year is different from the standard rate of corporation tax of 19.25% (2016: 20.00%). The differences are reconciled below:

	2017 £'000	2016 £'000
Profit on ordinary activities before tax	<u>33,234</u>	<u>74,069</u>
Profit at UK corporation tax rate of 19.25% (2016: 20.00%)	6,398	14,813
Effects of:		
Tax-exempt losses (UK REIT)	678	369
Profit on sale of investment properties	(309)	(354)
Loss on sale of fixed asset investments	1,108	(2)
Release of impairment of investments	(4,505)	(6,589)
Release of impairment of subsidiary loans	(1)	-
Distribution income not taxable	(8,388)	(11,426)
Tax losses surrendered as group relief	5,019	3,189
Non-relievable profits of CFCs	-	91
Adjustments in relation to prior periods	-	120
Total tax charge for the year	<u>-</u>	<u>211</u>

(c) Unrecognised deferred tax

A deferred tax asset is not recognised for UK revenue tax losses and UK capital losses where their future utilisation is uncertain. At 31 December 2017, the total of such losses was £158 million (2016: £158 million) and £390 million (2016: £358 million) respectively, and the potential tax effect of these was £27 million (2016: £28 million) and £66 million (2016: £71 million) respectively.

HAMMERSON UK PROPERTIES plc

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2017

8. INVESTMENT PROPERTIES

(a)

	Freehold £'000	Long leasehold £'000	2017 Total £'000	Freehold £'000	Long leasehold £'000	2016 Total £'000
At 1 January and 31 December	9,746	380	10,126	9,746	380	10,126

(b) Properties are stated at market value at 31 December 2017, valued by professionally qualified external valuers, Cushman & Wakefield Debenham Tie Leung, Chartered Surveyors. The valuations have been prepared in accordance with the RICS Valuation – Professional Standards 2014 based on certain assumptions as set out in note 1(i).

(c) The historical cost of investment properties at 31 December 2017 was £16,330,000 (2016: £16,330,000).

9. INVESTMENTS

	Shares in group entities at cost less provision for impairment £'000	Other fixed asset investments at valuation £'000	Total £'000
At 1 January 2016*	2,064,029	82,835	2,146,864
Additions at cost	992,769	-	992,769
Disposals	(3,499)	-	(3,499)
Movement in impairment of investments	32,947	-	32,947
Surplus arising on revaluation*	-	13,200	13,200
At 31 December 2016/1 January 2017*	3,086,246	96,035	3,182,281
Additions at cost	2,070	-	2,070
Disposals	(15,000)	-	(15,000)
Movement in impairment of investments	23,400	-	23,400
Surplus arising on revaluation	-	10,800	10,800
At 31 December 2017	3,096,716	106,835	3,203,551

*Restated for the correction of an accounting error. See note 18.

Disposals of £15,000,000 relate to the Company's investment in Hammerson (Thanet) Limited. During 2017 the Company's fixed asset investments impairment reduced by £23,400,000 (2016: £32,947,000). This reflected increases in the underlying valuation of these investments primarily due to the increase in value of the properties held within a number of subsidiaries for which previous impairments had been recognised. However, the Company does not revalue its investments in subsidiaries above original cost. At 31 December 2017, the unrecognised underlying valuation surplus of the Company's investments in subsidiaries was £1,680,753,000 (2016: £1,619,067,000).

In the opinion of the Directors, the aggregate value of investments in subsidiary undertakings at 31 December 2017 is not less than their carrying value in the balance sheet. Further details of investments in subsidiaries are shown in note 14.

Other fixed asset investments as at 31 December 2017 relate primarily to investments in Value Retail plc and related companies. The surplus arising on revaluation has been transferred to the revaluation reserve.

HAMMERSON UK PROPERTIES plc

NOTES TO THE FINANCIAL STATEMENTS Year ended 31 December 2017

10. RECEIVABLES: CURRENT ASSETS

	2017 £'000	2016 £'000
Amounts owed by subsidiary undertakings	26,697	65,201
Amounts owed by fellow group undertakings	2,062	13,262
Other receivables	5,593	4,128
	34,352	82,591

All amounts shown under receivables fall due for payment within one year and are repayable on demand. Amounts owed by subsidiary undertakings and fellow group undertakings are non-interest bearing and unsecured. At 31 December 2017 there was no impairment of amounts owed by subsidiary undertakings (2016: £3,000).

11. PAYABLES: CURRENT LIABILITIES

	2017 £'000	2016 £'000
Amounts owed to ultimate parent company	1,655,909	1,168,801
Amounts owed to subsidiary undertakings	16,293	16,584
Amounts owed to fellow group undertakings	15,233	16,348
Other payables	772	7,244
Accruals	380	614
	1,688,587	1,209,591

Amounts owed to the ultimate parent company are repayable on demand and bear interest at variable rates based on LIBOR. Amounts owed to subsidiary undertakings and fellow group undertakings are repayable on demand and are non-interest bearing.

12. SHARE CAPITAL

	2017 £'000	2016 £'000
Authorised:		
2,042,000,000 ordinary shares of 25p each	510,500	510,500
Allotted, called up and fully paid:		
2,031,500,000 ordinary shares of 25p each	507,875	507,875

HAMMERSON UK PROPERTIES plc

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2017

13. RESERVES

The following describes the nature and purpose of each reserve within equity:

<u>Reserve</u>	<u>Description and purpose</u>
Share capital	Nominal value of share capital subscribed for
Share premium	Premium and costs on issue of shares
Revaluation reserve	Revaluation movements on other fixed asset investments
Retained earnings	Cumulative profits and losses less any dividends paid

14. SUBSIDIARIES AND OTHER RELATED UNDERTAKINGS

The Company's subsidiaries and other related undertakings at 31 December 2017 are listed below.

Direct subsidiaries

Unless otherwise shown, the Company has a 100% interest in the ordinary share capital of the following entities, which are registered/operate in the countries as shown:

England & Wales

Registered office: Kings Place, 90 York Way, London N1 9GE

280 Bishopsgate Investments Limited	Hammerson (Leicester GP) Limited
Abbey Retail Park Limited (Northern Ireland) ¹	Hammerson (Lichfield) Limited
Christchurch UK Limited	Hammerson (Merthyr) Limited
Cricklewood Regeneration Limited (50% direct, 50% indirect)	Hammerson (Milton Keynes) Limited
Hammerson (60 Threadneedle Street) Limited	Hammerson (Moor House) Properties Limited
Hammerson (9-13 Grosvenor Street) Limited	Hammerson (Newcastle) Limited
Hammerson (Abbey) Limited	Hammerson (Newtownabbey) Limited
Hammerson (Bicester No. 2) Limited	Hammerson (Oldbury) Limited
Hammerson (Brent Cross) Limited	Hammerson (Paddington) Limited
Hammerson (Brent South) Limited	Hammerson (Parc Tawe 1) Limited
Hammerson (Bristol Investments) Limited	Hammerson (Renfrew) Limited
Hammerson (Bristol) Limited	Hammerson (Rugby) Limited
Hammerson (Cardiff) Limited	Hammerson (Silverburn) Limited (Isle of Man) ²
Hammerson (Centurion) Limited	Hammerson (Staines) Limited
Hammerson (Coventry) Limited	Hammerson (Telford) Limited
Hammerson (Cramlington I) Limited	Hammerson (Value Retail Investments) Limited
Hammerson (Cricklewood) Limited	Hammerson (Victoria Gate) Limited
Hammerson (Croydon) Limited	Hammerson (Victoria Investments) Limited
Hammerson (Didcot) Limited	Hammerson (Victoria Quarter) Limited
Hammerson (Didcot II) Limited	Hammerson (Watermark) Limited
Hammerson (Euston Square) Limited (25% direct, 75% indirect)	Hammerson (Whitgift) Limited
Hammerson (Exeter II) Limited	Hammerson Birmingham Properties Limited
Hammerson (Folkestone) Limited	Hammerson Bull Ring Limited
Hammerson (Grosvenor Street) Limited	Hammerson Croydon (GP1) Limited
Hammerson (Kington) Limited	Hammerson Croydon (GP2) Limited
Hammerson (Kirkcaldy) Limited	Hammerson Investments (No 12) Limited
Hammerson (Leeds Developments) Limited	Hammerson Investments (No.13) Limited
Hammerson (Leeds GP) Limited	Hammerson Investments (No.16) Limited
Hammerson (Leeds Investments) Limited	Hammerson Investments (No.23) Limited
Hammerson (Leeds) Limited	Hammerson Investments (No.35) Limited
Hammerson (Leicester) Limited	Hammerson Investments (No.36) Limited

HAMMERSON UK PROPERTIES plc

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2017

14. SUBSIDIARIES AND OTHER RELATED UNDERTAKINGS (continued)

England & Wales

Registered office: Kings Place, 90 York Way, London N1 9GE

Hammerson Investments (No.37) Limited	Hammerson Retail Parks Holdings Limited
Hammerson Investments Limited	Hammerson Sheffield (NRQ) Limited
Hammerson Junction (No 3) Limited	Hammerson Shelf Co 7 Limited
Hammerson Junction (No 4) Limited	Hammerson Shelf Co 9 Limited
Hammerson Martineau Galleries Limited	Hammerson Shelf Co 10 Limited
Hammerson MGLP Limited	Highcross Leicester (GP) Limited
Hammerson MGLP 2 Limited	Highcross Shopping Centre Limited
Hammerson MLP Limited	LWP Limited Partnership ⁴
Hammerson Moor House (LP) Limited	Monesan Limited (Northern Ireland) ¹
Hammerson Operations Limited	New Southgate Limited
Hammerson Oracle Investments Limited	RT Group Developments Limited
Hammerson Oracle Properties Limited	RT Group Property Investments Limited
Hammerson Peterborough (GP) Limited	Union Square Developments Limited (Scotland) ³
Hammerson Peterborough (No 1) Limited	West Quay (No.1) Limited
Hammerson Peterborough (No 2) Limited	West Quay (No.2) Limited
Hammerson Project Management Limited	West Quay Shopping Centre Limited
Hammerson Ravenhead Limited	

Registered offices: (1) Cleaver Fulton Rankin, 50 Bedford Street, Belfast, BT2 7FW; (2) Fort Anne, Douglas, IM1 5PD; (3) 1 George Square, Glasgow, G2 1AL. (4) No shares in issue for Limited Partnerships.

Jersey

Registered office: 47 Esplanade, St. Helier, JE1 0BD, Jersey

Hammerson Birmingham Investments Limited ¹	Hammerson Junction (No 2) Limited
Hammerson Bull Ring (Jersey) Limited	Hammerson VIA (Jersey) Limited
Hammerson Croydon Investments Limited	Hammerson VRC (Jersey) Limited
Hammerson Highcross Investments Limited	Hammerson Whitgift Investments Limited
Hammerson Junction (No 1) Limited	

(1) Registered office: 44 Esplanade, St Helier, Jersey, JE4 9WG.

Indirect subsidiaries and other wholly-owned entities

Unless otherwise shown the Company has an indirect 100% interest in the ordinary share capital of the following entities, which are registered/operate in the countries as shown:

England & Wales

Registered office: Kings Place, 90 York Way, London N1 9GE

Governeffect Limited	Precis (1474) Limited (Ordinary & Deferred)
Hammerson Wrekin LLP ¹	SEVCO 5025 Limited
Highcross (GP) Limited	Spitalfields Developments Limited
Highcross Residential (Nominees 1) Limited	Spitalfields Holdings Limited (Ordinary & Preference)
Highcross Residential (Nominees 2) Limited	The Highcross Limited Partnership ¹
Highcross Residential Properties Limited	The Junction (General Partner) Limited
Junction Nominee 1 Limited	The Junction (Thurrock Shareholder GP) Limited
Junction Nominee 2 Limited	The Junction Limited Partnership ¹
Leeds (GP1) Limited	The Junction Thurrock (General Partner) Limited
Leeds (GP2) Limited	The Junction Thurrock Limited Partnership ¹
Martineau Galleries (GP) Limited	The Martineau Galleries Limited Partnership ¹
Martineau Galleries No. 1 Limited	Thurrock Shares 1 Limited
Martineau Galleries No. 2 Limited	Thurrock Shares 2 Limited
Mentboost Limited	

(1) No shares in issue for Limited Partnerships.

HAMMERSON UK PROPERTIES plc

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2017

14. SUBSIDIARIES AND OTHER RELATED UNDERTAKINGS (continued)

Indirect subsidiaries and other wholly-owned entities (continued)

Jersey

Registered office: 47 Esplanade, St. Helier, JE1 0BD, Jersey

Hammerson 60 TNS Unit Trust ¹	Highcross Leicester Limited
Hammerson Leeds Unit Trust ¹	The Hammerson Victoria Quarter Unit Trust ¹
Hammerson Victoria Gate Unit Trust ¹	The Junction Thurrock Unit Trust ¹
Highcross (No.1) Limited	The Junction Unit Trust ¹
Highcross (No.2) Limited	The Telford Forge Retail Park Unit Trust ¹

(1) No shares in issue for Unit Trusts.

Indirectly held joint venture entities

	Country of registration or operation	Class of share held	Ownership %
Bishopsgate Goodsyrd Regeneration Limited	England & Wales ¹	Ordinary	50
Bristol Alliance (GP) Limited	England & Wales ¹	Ordinary	50
Bristol Alliance Limited Partnership	England & Wales ¹	N/A	50
Bristol Alliance Nominee No.1 Limited	England & Wales ¹	Ordinary	50
Bristol Alliance Nominee No.2 Limited	England & Wales ¹	Ordinary	50
BRLP Rotunda Limited	England & Wales ¹	Ordinary	50
Bull Ring (GP) Limited	England & Wales ¹	Ordinary	50
Bull Ring (GP2) Limited	England & Wales ¹	Ordinary	50
Bull Ring No.1 Limited	England & Wales ¹	Ordinary	50
Bull Ring No.2 Limited	England & Wales ¹	Ordinary	50
Croydon (GP1) Limited	England & Wales ¹	Ordinary	50
Croydon (GP2) Limited	England & Wales ¹	Ordinary	50
Croydon Car Park Limited	England & Wales ¹	Ordinary	50
Croydon Limited Partnership	England & Wales ¹	N/A	50
Croydon Management Services Limited	England & Wales ¹	Ordinary	50
Croydon Property Investments Limited	England & Wales ¹	Ordinary	50
Grand Central (GP) Limited	England & Wales ¹	Ordinary	50
Grand Central Limited Partnership ¹	England & Wales ¹	N/A	50
Grand Central No 1 Limited	England & Wales ¹	Ordinary	50
Grand Central No 2 Limited	England & Wales ¹	Ordinary	50
Moor House General Partner Limited	England & Wales ¹	Ordinary	67
Oracle Nominees (No. 1) Limited	England & Wales ¹	Ordinary	50
Oracle Nominees (No. 2) Limited	England & Wales ¹	Ordinary	50
Oracle Nominees Limited	England & Wales ¹	Ordinary	50
Oracle Shopping Centre Limited	England & Wales ¹	Ordinary	50
Reading Residential Properties Limited	England & Wales ¹	Ordinary	50
Silverburn Investment Advisor Limited	England & Wales ¹	Ordinary	50
The Bull Ring Limited Partnership	England & Wales ¹	N/A	50
The Moor House Limited Partnership	England & Wales ¹	N/A	67
The Oracle Limited Partnership	England & Wales ¹	N/A	50
The West Quay Limited Partnership	England & Wales ¹	N/A	50
Whitgift Limited Partnership	England & Wales ¹	N/A	50
Retail Property Holdings (SE) Limited	Guernsey ²	Ordinary	50
Retail Property Holdings Limited	Isle of Man ³	Ordinary	50
Bull Ring Joint Venture Trust	Jersey ⁴	N/A	50
Croydon Jersey Unit Trust	Jersey ⁴	N/A	50

HAMMERSON UK PROPERTIES plc

NOTES TO THE FINANCIAL STATEMENTS Year ended 31 December 2017

14. SUBSIDIARIES AND OTHER RELATED UNDERTAKINGS (continued)

Indirectly held joint ventures (continued)

	<i>Country of registration or operation</i>	<i>Class of share held</i>	<i>Ownership %</i>
Grand Central Unit Trust	Jersey ⁴	N/A	50
Silverburn Unit Trust	Jersey ⁴	N/A	50
VIA Limited Partnership	Jersey ⁴	N/A	47

Registered offices: (1) Kings Place, 90 York Way, London, N1 9GE; (2) Firman house, St. George's Place, St. Peter Port, GY1 2BH; (3) Fort Anne, Douglas, IM1 5PD; (4) 47 Esplanade, St. Helier, JE1 0BD, Jersey.

Indirectly held other fixed asset investments

	<i>Country of registration or operation</i>	<i>Class of share held</i>	<i>Ownership %</i>
VR Maasmechelen Tourist Outlets			
Comm. VA	Belgium ¹	B-shares	25
Bicester Investors Limited Partnership	Bermuda ²	N/A	25
Bicester Investors II Limited Partnership	Bermuda ²	N/A	25
Value Retail Investors Limited Partnership	Bermuda ²	N/A	71
Value Retail Investors II Limited Partnership	Bermuda ²	N/A	80
VR Franconia GmbH	Germany ³	Ordinary	15
Master Holding BV	Netherlands ⁴	Ordinary	12
VR Ireland BV	Netherlands ⁴	Ordinary	12
Value Retail PLC	UK ⁵	Ordinary	24
US Paris LLC	USA ⁶	N/A	42

Registered offices: (1) Zetellan 100, 3630 Maasmechelen, Belgium; (2) Victoria Place, 31 Victoria Street, Hamilton, HM10, Bermuda; (3) Almosenberg, 97877, Wertheim, Germany; (4) TMF, Luna Arena, Herikerbergweg 238, 1101 CM Amsterdam, Netherlands; (5) 19 Berkley street, London, W1J 8ED; (6) 35 Mason Street, Greenwich CT 06830 USA.

15. RELATED PARTY TRANSACTIONS

During the year, the Company received £8,534,000 (2016: £8,361,000) in project and asset management fees relating to joint arrangements.

At 31 December 2017 amounts due from these joint arrangements to the Company was £322,000 (2016: £1,895,000). In the opinion of the Directors there are no other related party transactions to be disclosed in the current or preceding financial year.

16. ADVANCES, CREDIT AND GUARANTEES

The Company did not grant any credits, advances or guarantees of any kind to its Directors during the year. The Company has provided guarantees in respect of certain subsidiaries which arise in the normal course of business.

HAMMERSON UK PROPERTIES plc

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2017

17. ULTIMATE PARENT COMPANY AND CONTROLLING PARTY

At 31 December 2017, the Company's ultimate parent company was Hammerson plc, which is registered in England and Wales and is the largest and smallest group to consolidate the financial statements. At 31 December 2017, the Company's immediate parent company was Hammerson International Holdings Limited.

The consolidated financial statements of the ultimate parent company, Hammerson plc, are available from that company's registered office, Kings Place, 90 York Way, London N1 9GE.

18. CORRECTION OF ERROR

During 2017 the Company identified that the valuation of investments in Value Retail plc and related companies, as disclosed in 'other fixed asset investments' in note 9, had been overstated. As a consequence the following balances and totals have been restated:

Balance Sheet

31 December 2016			
	As previously reported £'000	Adjustments £'000	As restated £'000
Investments (see note 9)	3,380,281	(198,000)	3,182,281
Revaluation reserve	262,395	(198,000)	64,395

1 January 2016			
	As previously reported £'000	Adjustments £'000	As restated £'000
Investments (see note 9)	2,234,364	(87,500)	2,146,864
Revaluation reserve	138,695	(87,500)	51,195

Statement of Comprehensive Income

For the year ended 31 December 2016			
	As previously reported £'000	Adjustments £'000	As restated £'000
Total recognised gains for the year	123,700	(110,500)	13,200

The accounting error had no effect on the prior year income statement.