Hammerson

Thursday 6 August 2020

PRESS RELEASE

THIS ANNOUNCEMENT CONTAINS INSIDE INFORMATION FOR THE PURPOSES OF ARTICLE 7 OF THE MARKET ABUSE REGULATION (EC NO. 596/2014) ("MAR")

HAMMERSON plc – UNAUDITED HALF-YEAR 2020 RESULTS

Hammerson announces proposed rights issue combined with sale of VIA Outlets delivering £825m gross proceeds to recapitalise and further reposition the business

Prior to Covid-19, Hammerson was delivering against its strategy of reducing debt, progressing disposals, and making significant steps to shift the brand mix to better reflect customer demand. Covid-19 has had an adverse impact on the Group's operational and financial performance. The Board has taken the decision to undertake these significant transactions, enhancing Hammerson's strategic and financial flexibility, supporting the delivery of a more focused portfolio of flagship destinations and over the medium term its City Quarters development opportunities.

Half-year results

EPS & dividend: Adjusted EPS of 2.3p (-84% vs HY 2019). Expect to resume dividends in H2 2020 on completion of the transactions, initially in the form of scrip to maintain REIT compliance

NRI: Group performance of £87.3m (-27% on a like-for-like basis excluding premium outlets) impacted by Covid-19 forced closure of destinations, provisioning for reduced collections partly due to amended rental agreements and deferments, government intervention on rental payment and continued administrations. UK flagships -30.5%; France -30.0%; Ireland -16.9% and premium outlets -50.8%

Net assets & portfolio valuations: Equity shareholders' funds of £3.4bn (-23%), equivalent to EPRA Net Tangible Assets (NTA) per share of £4.58 (-21%). Group capital return of -11.7%; Flagships: UK -21.1%; France -9.4%; Ireland -9.9%; retail parks -13.3% and premium outlets -5.0%

Net debt: As at 30 June, net debt £3bn; liquidity of £1.2bn; gearing 98%; unencumbered asset ratio of 1.54x and fully proportionally consolidated LTV 51%

Key transaction details

Rights issue and disposal update

- Proposed rights issue (the "Rights Issue")to raise £551.7m with the two largest shareholders - APG c.20% and Lighthouse Capital c.15% - of current shareholding committing to vote in favour of the Rights Issue and take up their rights
- Disposal of substantially all of the 50% interest in VIA Outlets (the "Disposal") to existing JV partner APG has exchanged for estimated gross cash proceeds of c.€301m (c.£274m)
- Both transactions are subject to shareholder approval. The Disposal to APG is conditional on the Rights Issue proceeding, and is expected to complete in Q4 2020

Strengthened balance sheet and improved liquidity

- 30 June 2020 on a pro forma basis (adjusted for the Rights Issue and Disposal) net debt reduced by a quarter to £2.2bn
- All credit metrics comfortably within covenants on a pro forma basis: gearing 57%; unencumbered asset ratio of 2.19x
- Pro forma fully proportionally consolidated LTV 42%
- Focus remains on further disposals to reduce debt over the medium term

Further details of the Rights Issue and the Disposal are set out in a separate announcement at www.hammersontransaction.com.

New UK leasing approach

- Introduction of a new leasing approach, based on experiences with brands; current leases in Europe; and the more collaborative approach of premium outlets. This new approach will include: more flexible leases; rebased rents at more affordable levels; indexation replacing the existing rent-review system; and an omnichannel top-up element

David Atkins, Chief Executive of Hammerson, said:

"Today we have announced a series of transactions to recapitalise the business and reduce leverage by a quarter. This will help us to deal with these unprecedented conditions while enabling us to reposition Hammerson further. Looking forward, we will continue to dispose of assets and recycle capital from across the portfolio as we create a business focused on flagship destinations and mixed-use City Quarters over the medium term.

"The extraordinary disruption caused by Covid-19 on the retail property sector, the economy and society as a whole is reflected in these half year results, however, in recent weeks we have seen an encouraging increase in footfall as confidence begins to return amongst visitors to our flagship destinations.

"The pandemic has exacerbated structural shifts in retail, exerting further pressure on both property owners and brands, and provided further evidence that the UK's historic leasing model has served its time. It is outdated, inflexible and needs to change. We are introducing a new UK leasing approach - one that is simpler, reflects an omnichannel retail environment and rewards positive performance on both sides. It will deliver a sustainable, growing income stream and we are in initial discussions with retailers and anticipate introducing the first of the new leases later this year."

Stephen Delport, CEO of Lighthouse, said:

"Retail has been hit hard by the structural changes taking place in the sector which have been made worse by the impact of Covid-19. However, we have a firm belief, shared by many retailers, that best in class destinations will remain a key part of how and where consumers continue to spend their money. This is why we are supporting the transactions announced today."

Actions taken during Covid-19

Covenant headroom: Amendment negotiated to the covenants on existing private placement notes until 31 December 2021

Revolving Credit Facility: £400m drawn under the £1.2bn Revolving Credit Facility to provide surplus cash reserves, as at 30 June total liquidity stands at £1.2bn

CCFF: Approval from HM Treasury and the Bank of England's Covid Corporate Financing Facility for up to £300m; £75m has been issued in July and is being held in cash

Service charge savings: To support brands, savings generated in Q2 of 40% in the UK and Ireland and savings of 27% in H1 in France

Admin cost savings: Group admin costs reduced by 6.3% during H1 across property, administration and service charge savings

Disposals: In April, Orion European Real Estate Fund V announced that it did not intend to complete on the sale of a portfolio of seven retail parks, despite exchanging unconditional contracts on 20 February 2020. The £21 million deposit from the transaction was retained. Today the disposal of substantially all of 50% interest in VIA Outlets to existing JV partner APG has exchanged for estimated net cash proceeds of c.£269m and completion is expected in Q4 2020

Suspension of dividends: In March, during lockdown, the Board decided it was not appropriate to recommend the final dividend of 14.8 pence per share for the financial year ended 31 December 2019

Remuneration: The Board, including Executive Directors agreed to a 20% reduction in pay from April 2020-June 2020

Half year operational overview

Occupancy: Continued high level of Group occupancy at 94% (FY 2019: 97%); UK flagships 93%; French flagships 94%; Ireland flagships 96%; Premium outlets 93%

Rent collection: As at 31 July 2020, 72% of H1 2020 rent had been collected for the Group, with 34% of Q3 rent due collected. Average rental waiver of 1.1 months and deferral of 0.8 months during Covid-19 closures

Tenant restructuring: During the six months to the 30 June 2020, 36 of the Group's tenants have entered administration or undertaken a CVA affecting 88 units (out of 2,886 units across the Group) of which 49 continue to trade

Leasing: £6.5m of new income secured across the Group (-29% vs HY 2019). Key lease agreements during the period include Brown Thomas at Dundrum to replace House of Fraser, Haidilao at Bullring, taking its first restaurant outside of London and Slim Chickens at Westquay

Footfall: All three territories outperformed national footfall benchmarks in 2019 with continued outperformance in 2020, in the lead up to national lockdowns. Following reopening there has been a strong recovery in France and Ireland flagships and retail parks with footfall -18% vs July 2019 and all are currently in line with or outperforming national benchmarks. With UK flagships more weighted towards city centre venues, which are public transport and workforce orientated, initial reopening footfall was subdued (-73% for w/c 14 June). Strong sustained recovery is underway: +22% point improvement for July to -51%

City Quarters: Continued progress with Section 106 planning agreement signed for Martineau Galleries, Birmingham; architects appointed for Dublin Central scheme and planning committee date set for The Goodsyard, London in Q4 2020

Net Positive: Continued commitment to Net Positive strategy. Installation of photovoltaic arrays at Cabot Circus, Bristol and Les Terrasses du Port, Marseille providing clean electricity on-site. Covid-19 closure of destinations significantly reduced utility demand, contributing to a first half reduction in energy demand of 21% and carbon emissions of 27%

Board changes, as previously announced

Chair of the Board: Robert Noel to succeed David Tyler as Non-Executive Chair. He will join the Board and take over the position with effect from a date to be confirmed but no later than 1 October 2020

Non-Executive Director appointment: Desmond (Des) de Beer joined the Board in June as a non-executive director. He is a non-executive director of Lighthouse Capital, a shareholder in the Company

CEO succession planning: After nearly 11 years in the role, David Atkins will step down as chief executive. He will remain in position until spring 2021 at the latest and the Board is currently conducting a search for his successor

Half-year 2020 results at a glance

Six months ended:	30 June 2020	30 June 2019	Change
Net rental income [1]	**£87.3m**	£156.6m	–44%
Adjusted profit [2]	**£17.7m**	£107.4m	–84%
Adjusted earnings per share [2]	**2.3p**	14.0p	–84%
IFRS loss (including non-cash valuation changes) [3]	**£(1,088)m**	£(320)m	
Basic loss per share [3]	**(142.2)p**	(41.8)p	
Interim dividend per share	**n/a**	11.1p	
As at:	**30 June 2020**	31 December 2019	
Portfolio value [1]	**£7,692m**	£8,327m	–8%
Equity shareholders' funds	**£3,368m**	£4,377m	–23%
EPRA net tangible asset (NTA) value per share [2]	**£4.58**	£5.82	–21%
Gearing [4]	**98%**	71%	+27p.p.
Loan to value - headline [4]	**46%**	38%	+8p.p.
Loan to value - fully proportionally consolidated [4]	**51%**	45%	+6p.p.

(1) Proportionally consolidated, excluding premium outlets. See page 26 of the Financial review for a description of the presentation of financial information.
(2) Calculations for adjusted and EPRA figures are shown in note 8 to the financial statements on pages 65 to 69.
(3) Attributable to equity shareholders, includes portfolio non-cash revaluation losses of £939 million, including premium outlets (30 June 2019: £423 million).
(4) See Tables 21 and 20 on page 91 for supporting calculations for gearing and loan to value.

Results presentation today:

The results presentation will be broadcast via webcast at 9.30am BST today, Thursday 6 August 2020. The link to the webcast is as follows:
https://webcasting.brrmedia.co.uk/broadcast/5f2a805965023062edd7e915
At the end of the presentation you will be able to participate in a question and answer session by submitting your questions on the webcast. Just prior to the event starting the accompanying slides will be made available at www.hammersontransaction.com. A playback of the webcast will also be available at www.hammersontransaction.com.

The results presentation is not intended for persons located in the United States and no participants in press meetings conducted by telephone, video conferencing or webcast, or recipients of written press-related materials released in conjunction with such press meetings, may be physically located in the United States. The securities offered will not be or have not been registered under the U.S. Securities Act of 1933 (the "Securities Act") and may not be offered or sold in the United States absent registration or an applicable exemption from the registration requirement of the Securities Act

Enquiries:

David Atkins, Chief Executive Officer — Tel: +44 (0)20 7887 1000
James Lenton, Chief Financial Officer — Tel: +44 (0)20 7887 1000

Josh Warren, Head of Investor Relations — Tel: +44 (0)20 7887 1109 — josh.warren@hammerson.com
Catrin Sharp, Head of Corporate Communications — Tel: +44 (0)20 7887 1063 — catrin.sharp@hammerson.com
John Waples, Dido Laurimore and Richard Gotla, FTI Consulting — Tel: +44 (0)20 3727 1000

CONTENTS

INDEX TO KEY DATA

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

Income and operational – Six months ended:	30 June 2020	30 June 2019	Page
Like-for-like NRI growth	–27.0%	–4.4%	29
Like-for-like NRI growth (including premium outlets)	–35.0%	–0.1%	29
Adjusted earnings per share	2.3p	14.0p	28
Occupancy	94.2%	96.7%	82
Leasing activity	£6.5m	£9.2m	–
Leasing v ERV	–3%	0%	–
Leasing vs previous passing rent	–7%	–1%	1
Like-for-like ERV growth	–5.5%	–2.3%	25
Cost ratio	41.3%	23.7%	30
Interim dividend per share	n/a	11.1p	31
Capital and financing – As at:	**30 June 2020**	**31 December 2019**	
Property portfolio value (including premium outlets)	£7.7bn	£8.3bn	23
Total property return (including premium outlets)	–10.4%	–5.6%	25
Capital return (including premium outlets)	–11.7%	–9.8%	25
Net debt	£3.0bn	£2.8bn	35
Gearing	98%	71%	35
Unencumbered asset ratio	154%	186%	35
Loan to value – headline	46%	38%	35
Loan to value – fully proportionally consolidated	51%	45%	35
Liquidity	£1,166m	£1,210m	35
Interest cover	2.1 times	3.3 times	35
Net debt/EBITDA	12.2 times	8.9 times	35
Equity shareholders' funds	£3.4bn	£4.4bn	32
EPRA net tangible assets value per share	£4.58	£5.82	32

CORPORATE OVERVIEW

Who we are

At Hammerson, we create vibrant, continually evolving spaces, in and around major cities, where people and brands want to be.

We seek to deliver value for all our stakeholders and to create a positive and sustainable impact for generations to come. We own and operate high-quality flagship destinations and have investments in premium outlets in selected European countries and have a City Quarters strategy to evolve our portfolio beyond retail.

Our strategy

There are three elements to our strategy, which together seek to drive returns for shareholders and deliver for customers, brands and colleagues.

– Capital efficiency: Reducing debt; disciplined capital expenditure and cost control
– Optimised portfolio: Pursuing further portfolio-wide disposals and recycling capital
– Operational excellence: Managing the structural shift in retail, maintaining flagship vibrancy and diversifying towards City Quarters

The disposal programme remains a key element of the strategy and we will continue to pursue additional disposal opportunities including individual assets and portfolio options from across our geographies and sectors. The three elements of the strategy are all strengthened by the new leasing approach in the UK

Differentiated by the Hammerson Blueprint

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

The three objectives that drive the Blueprint are:

- Positive place makers – Delivering positive impacts economically, socially and environmentally
- Destination makers – Creating experience-led places to enjoy, shop, live and work
- Relationship makers – Collaborating with brands, partners and third party experts to deliver value

In 2017, we launched our sector-leading, comprehensive target to be Net Positive for carbon, water, resource-use and socio-economic impacts by 2030. We were the first real estate company globally to launch such ambitious targets and we reach the end of phase one at the close of 2020. Whilst the business has been tested by the Covid-19 crisis during the first half of 2020, this has not reduced our focus on sustainability. Further details are found in the Sustainability review on page 22.

Proposed rights issue, sale of VIA Outlets and new approach to UK leasing

Overview

- The Company has today announced proposals for a rights issue to raise gross proceeds of £551.7m and the disposal of substantially all of its 50% interest in VIA Outlets for c.€301m (c.£274m)
- The transactions will significantly strengthen the Company's financial position, and provide liquidity headroom and flexibility to advance its longer term strategy
- The transactions are subject to joint shareholder vote and if successful, are expected to provide financial flexibility to introduce a new leasing approach in the UK, supporting more sustainable shareholder returns in the future
- The Group is pro-actively taking measures to manage the material impact of continued structural change in retail that has been exacerbated by Covid-19

Disposal of VIA Outlets

- In addition to the rights issue, also announced today, the disposal of substantially all of the Company's 50% interest in VIA Outlets - a portfolio of 11 premium outlets across Europe to APG
- Subject to retention of a 7.26% stake in VIA Outlets Zweibrücken B.V. (representing c.4% of Hammerson's existing interest in VIA Outlets)
- Estimated gross cash proceeds of approximately c.€301m c.(£274m)
- Disposal represents a net initial yield of 6.5% and an 18.7% discount to gross asset value as at 30 June 2020.
- Lighthouse Capital has undertaken to vote in favour of the Disposal, which APG is not entitled to do as it is a related party for these purposes
- The Directors are confident that APG will receive the necessary regulatory approvals for the Disposal and expect completion in Q4 2020

New approach to UK leasing

It has become very clear that the UK leasing model is no longer fit for purpose. Current approaches are based around the Landlord and Tenant Act of 1954, and property landscape long before the internet even existed. Covid has particularly exposed the weakness of the UK system. The current model benefits neither property owners nor retailers, as rent levels are set according to historic market evidence rather than long-term affordability, and do not in any way take into account the role stores play in an omnichannel world. It also incentivises landlords to chase the highest rent payer for every unit, rather than considering the optimal brand mix and longer term performance for destinations.

We are introducing a new leasing approach in the UK, based on our experiences with brands: current leases in continental Europe; and the more collaborative approach of premium outlets. This new approach will include: more flexible leases; rebased rents at more affordable levels; indexation replacing the existing rent-review system, which is already a feature in French leases; and a top-up element based on appropriate omnichannel metrics. Leases already include some on these features, and they do work, including the recently signed Brown Thomas store at Dundrum, Dublin. To progress this approach further, we have already started a trial at Union Square in Aberdeen and this new approach will provide a sustainable, growing income stream, which in turn will stabilise capital values.

COVID-19 UPDATE

As a responsible business, we have put in place a series of measures aimed at minimising the impact of the current Coronavirus outbreak on our colleagues, destinations, customers and communities.

Our Colleagues

In March, we established a dedicated working group to coordinate our response to Covid-19. This body reports regularly to the Executive Committee on our response and on how we are caring for our colleagues. We also created a dedicated taskforce to coordinate the re-opening of our destinations across the UK, Ireland and France.

At our flagship destinations, we are currently operating on a split team basis to manage risk. This means that colleagues are divided into two teams, with only one team in a centre at any one time. The majority of our colleagues worked from home from March to June. In terms of our offices, in the UK and Ireland we continue to support colleagues working from home if they wish, but we recognise that this can be challenging for some. From early August we safely reopened our offices in London and Dublin for those who wish to return. Our colleagues in France are back in the office in line with national guidance. Returning colleagues have been provided with a 'welcome back' pack which outlines our new ways of working, in line with government guidance.

We continue to assist colleagues who wish to volunteer on national and local projects. We appreciate that this period has been a different way of working for teams and we are hugely grateful for the contribution our colleagues have already made to the business and our communities, in what have been extraordinary circumstances.

In this period of unprecedented disruption, the Board, including the Executive Directors decided to take a 20% reduction in pay from 1 April 2020 to 30 June 2020.

Our Destinations

Since the onset of Covid-19, our teams have successfully managed the closure and reopening of over 1.6 million m² of retail space in the UK, France and Ireland and during the height of lockdown, supported 372,000m² of essential retail for the benefit of our customers and communities. All of our destinations have now reopened. Across the UK flagship and retail parks portfolio, non-essential retail has been open in line with government guidelines since 15 June, with the exception of the Scottish assets which reopened on 13 July, and Highcross, which closed in line with the local lockdown from 30 June to 27 July. F&B brands began to trade for eat-in from 4 July in England and mid-July in Scotland. 88% of stores eligible to trade have reopened. Irish centres have also been fully open since 15 June, with F&B from 29 June and 89% of flagship occupiers in Ireland are now open. In France, half our flagship destinations reopened from 11-13 May, and all have been trading since 2 June and all occupiers are now open with the exception of the theatre and concert hall at Italie Deux, Paris.

Across premium outlets, Value Retail Villages were closed from 11 March at the earliest (Fidenza Village) to 15 June 2020 at the latest (Bicester Village and Kildare Village). VIA Centres were closed from 14 March at the earliest (Fashion Arena Prague Outlet and Wroclaw Fashion Outlet, Poland) to 15 June 2020 at the latest (Freeport Lisboa Fashion Outlet).

All destinations across the VIA and Value Retail premium outlets portfolios have also reopened, in line with the latest guidance from the respective national governments.

The health and wellbeing of colleagues, customers, and partners is our priority, and we have introduced a range of additional safety measures across the portfolio. While the specifics will vary depending on the guidelines in each market, these measures include:

- Clear signage throughout our destinations reminding consumers of the need to follow social distancing guidance
- Introduction of one-way systems where required
- Installation of hand sanitiser stations
- Enhanced cleaning procedures, and updated processes to ensure cleaning teams are clearly visible, to provide reassurance
- Live footfall monitoring to ensure destinations do not exceed revised capacity limits
- The introduction of queuing systems at entrances where required
- Working with retail technology partner Red Ant to launch a new feature on our destinations' websites to help customers plan their visits. 'Crowd Checker' provides shoppers with live updates on how popular a centre is in real time, so that they know the best time to visit. This feature is an industry first and is live across all our flagship destinations.

Emerging from lockdown, we recognised consumers' need for something different and their desire for new ways to be entertained, in a safe environment. We have delivered a range of initiatives, in and around our destinations, to create joyful moments and memorable experiences for our customers and communities:

- Drive-through cinema experiences at Brent Cross and Victoria Leeds including a UK-first premiere screening at Brent Cross
- Welcoming local musicians to Brent Cross, Cabot Circus, Highcross, The Oracle, Victoria Leeds, Westquay, Whitgift and Centrale
- Partnering with community artists in Westquay and Highcross on some bespoke artwork to brighten up our venues

Our Customers

Covid-19 has had an unprecedented impact on many businesses. Following the closure of our flagships (except for essential retail) we have supported our occupiers, particularly smaller and independent brands. All discussions with brands regarding rent deferrals, monthly payments, and waivers have been on a case-by-case basis, taking into account the business model, risk profile and ability of the occupier to pay, alongside the support made available by the relevant governments.

As at 31 July 2020, 72% of H1 2020 rent had been collected for the Group, whilst 34% of Q3 rent due had been collected. Average rental waiver of 1.1 months and deferral of 0.8 months during Covid-19 closures

We have reached agreement on 776 leases across the Group, where an average rent waiver of just over a month has been given, with deferrals averaging just under a month. We continue to focus our efforts to reach agreements on the remaining leases as soon as possible.

Our Communities

We understand the significant impact that Covid-19 is having on the communities which we are part of. In addition to our experience-led activities, we have also been continuing our efforts to help those needing extra support.

We have provided free parking for NHS staff at our UK centres over with over 2,000 people benefiting from this initiative, which ran until the end of July.

We have worked with brands to donate merchandise to local organisations across the portfolio, supporting homelessness charities and Women's Aid shelters. In our French centres, we continue to provide a range of support services to those affected by domestic violence and at Dundrum Town Centre, Ireland, Women's Aid has access to a safe space within the centre, to facilitate drop in counselling sessions, and best support those in need of help.

Our community team has also worked closely with our network of local partners to identify how we can most effectively support them, refocusing existing community programmes to respond to the crisis. We have allocated spend towards charity initiatives and will be working with local Community Foundations to select around 90 charity partners across the UK for community grants.

Directors' indemnity insurance

The Company's Annual Directors' and Officers' Liability Insurance cover is renewed annually on 31 July. The capacity available in the market has shrunk materially over the last year, and many companies have faced challenges in renewing their D&O on the same terms even at substantially increased premiums. Hammerson has secured a one month extension of this insurance to 31 August, and intends to resume conversations with insurers on its annual cover following this announcement when there is greater public disclosure about the shape of the Group's future financial position.

As a precaution, on 5 August 2020, the Company undertook that it would set up a trust (the "Trust") for the benefit of the existing Directors and the incoming Chair (the "Indemnified Persons"), with Crestbridge Corporate Nominees Limited as the trustee, into which it will pay £21.4 million on or before 28 August 2020, unless prior to that date the Company is able to procure director and officer liability insurance that the existing Directors and the incoming Chair consider satisfactory such that the Trust is not required. The funds in the Trust will be available to satisfy the Company's obligations under existing indemnities granted by the Company in favour of the Indemnified Persons under the Company's Articles of Association if such obligations are not satisfied by the Company or covered by director and officer liability insurance. This Trust is a smaller related party transaction under the Listing Rule 11.1.10.

Any remaining funds in the Trust will be repaid to the Company at the latest either after 75 months, or if at such point there is an outstanding claim against an Indemnified Person, once such claim is resolved. The Trust can be terminated earlier, and the funds returned to the Company, in the event that the Company is able to procure insurance that the existing Directors and the incoming Chair consider satisfactory such that the Trust is no longer required.

OPERATING REVIEW

This Operating review provides an overview of the performance of our portfolio sectors in the first half of 2020. Consistent with internal reporting as described on page 26 of the Financial review, the operational metrics in this section are presented on a proportionally consolidated basis reflecting the Group's ownership share. Further portfolio analysis is provided in the Additional disclosures section on pages 81 to 92.

FLAGSHIP DESTINATIONS

UK FLAGSHIPS

We invest in 11 flagship destinations in the UK, all of which are within, or close to, major city centres. At 30 June 2020, the assets represent 24% of the Group's portfolio by value and provide more than 830,000m^2 of lettable area. Over 1,000 tenants provide a diverse offer of retail, F&B, services and leisure and our destinations include Bullring, Birmingham; Cabot Circus, Bristol; and Westquay, Southampton.

Operational summary

Key metrics	Like-for-like NRI growth %	Occupancy %	Leasing activity £m	Leasing vs ERV %	Footfall growth %	Retail sales growth[2] %
30 June 2020	(30.5)	93.3	2.7	−8	−53.9	n/a
31 December 2019[1]	(6.7)	97.0	11.2	−8	+0.6	−1.8
30 June 2019	(6.8)	96.4	4.4	−4	+0.5	−2.0

1. 31 December figures are for the full year
2. Due to closures during the lockdown period, insufficient sales data has been collected to accurately calculate the 30 June 2020 figure for retail sales growth

Net rental income

Net rental income for the first six months of 2020 was £35.2 million, £31.1 million lower than in 2019. On a like-for-like basis, NRI was £20.2 million lower than the prior year, equivalent to a 30.5% like-for-like reduction. The like-for-like calculation is shown in Table 5 on page 83 of Additional disclosures and excludes a £5.5 million impairment for unamortised tenant incentives and a £5.4 million impairment for receivables where the income relates to the second half of the year. These two impairments are explained further on page 52.

The reduction in like-for-like NRI was principally due to a £7.3 million charge relating to the increase in the provision for outstanding trade receivables during the first half of the year, this is further explained below. £5.0 million of this charge related to tenants in administration or CVA, and when combined with rent concessions, the write-off of unamortised tenant incentives and vacancy costs, contributed toward a total year-on-year reduction in NRI due to tenant restructuring of £7.7 million. Other key factors included a reduction of £6.3 million in net car park and commercialisation income due to the effective closure of properties during lockdown, while stresses in the occupational and leasing markets led to weaker lease terms, lower turnover rent and increased vacancy which further reduced income by £3.5 million.

Collections and arrears

The closure of the vast majority of non-essential retail from 24 March until 15 June in England and 13 July in Scotland and the UK government's restrictions of the ability for landlords to enforce rent collection has meant collection rates have fallen significantly with less than half of Q2 rent collected by 30 June. This has resulted in an increase in tenant arrears, such that at 30 June 2020 gross trade receivables totalled £64.8 million, an increase of £49.8 million in 2020. After taking account of tenant deposits, guarantees and VAT we have recognised a provision of £14.8 million against the arrears balance resulting in the NRI charge of £7.3 million referred to in the Net rental income section above.

Collection rates have improved during July and the latest rent collection statistics for UK flagships are summarised in the table below:

As at 31 July 2020, excluding VAT	Original due dates	Total amount payable in the quarter	Amounts not yet due[1]	Total amount collected	Collected[2]
		£m	£m	£m	%
Q1 demands	25-Nov-19 to 31-Mar-20	30.6	-	29.6	96.7
Q2 demands	28-Feb-20 to 30-Jun-20	30.3	2.0	11.7	41.3
H1 total		60.9	2.0	41.3	70.1
Q3 demands	28-May-20 to 30-Sep-20	29.6	6.4	5.9	25.4
Total		90.5	8.4	47.2	57.5

1. Includes £2.6 million of rent formally deferred beyond Q3 2020
2. Represents total amounts collected as a proportion of the total amount payable in the quarter less amounts not yet due

We have undertaken extensive liaison with our tenants during the period since lockdown to collect outstanding monies due and have developed a risk-based framework to target support towards our most vulnerable tenants. Support options discussed with tenants range from moving from quarterly payments in advance to monthly payments, deferral of amounts due to later in 2020/21, or waiving a portion of outstanding balances. These discussions encompass other commercial topics including lease extensions, the removal of break options, the settlement of outstanding rent reviews and provision of sales or other information. At 31 July 2020, agreement had been reached on 459 leases, equivalent to £44.9 million, or 33%, of passing rent, resulting in an average rent waiver of 1.2 months and rent deferral of 0.8 months and discussions are ongoing on the remainder of leases.

The nature of these discussions confirms that the current UK leasing structure, principally governed by the Landlord and Tenant Act 1954, requires fundamental reform. Driven by changing customer trends, particularly online shopping, retailers are having to evolve by developing their omnichannel strategies which tend to focus on fewer physical stores in the strongest trading locations. Our flagship destinations are well positioned to support this retailing evolution as they attract high levels of footfall from large catchments. When compared to more secondary centres, they also offer superior customer experience, a higher quality brand mix and a broader offer. These themes inform a new leasing approach and further details are provided on page 6.

Occupancy, leasing and tenant restructuring

Occupancy at 30 June 2020 was 93.3%, 370bp lower than at the beginning of the year. This reduction, equivalent to additional vacant ERV of £4.3 million, represented 65 units and is due to tenants vacating upon lease expiry, administration or CVA.

Leasing volumes started the year strongly with rent secured by the end of March of £2.3 million, 77% higher than the prior year. However, the Covid-19 pandemic has severely affected leasing volumes in the second quarter of the year, with only £0.4 million of passing rent secured. In total, we signed 42 leases in the first half of the year, securing £2.7 million of passing rent which is £1.7 million, or 39%, lower than the prior half year performance.

For principal leases, which accounted for 61% of total leasing, the average rent secured was 8% below December 2019 ERVs and 9% below the previous passing rent. The average lease term was nine years with an average incentive package of eight months, an increase of five months compared with leasing in 2019. Whilst this reflects the weaker leasing market it is also due to lettings in the first half of 2020 with key brands such as Samsung and H&M.

During the first half of the year, 17% of leasing, by income, has been on a flexible basis, compared with 22% for the year ended 2019. Flexible leases allow us to enhance the tenant offer, trial new concepts and brands, generate short term income and mitigate void costs including business rates and service charge. However, rents tend to be significantly below ERV and previous passing rent. In the first half of the year, on average, flexible leases were 88% below the previous passing rent and 78% below the December 2019 ERV, adversely impacting the like-for-like NRI performance during 2020.

Covid-19 has caused significant stress on the retail market with a number of tenants undertaking some form of tenant restructuring, in the form of CVAs or administrations. During the first half of the year, 15 brands have undertaken restructuring affecting 33 units and £4.0 million of passing rent. Total passing rent from these units reduced by £1.4 million as just under half of the leases were terminated whilst other units suffered rent reductions. At 30 June 2020, 113 units are under a CVA or administration, of which 74 continue to trade with current passing rent of £9.9 million equivalent to 3.4% of Group passing rent.

Our leasing strategy continues to focus on reducing the amount of floor space occupied by challenged retail categories, particularly department stores and high street fashion, and replace them with exciting new aspirational fashion, leisure and F&B brands. Whilst this will broaden our offer and enhance the visitor experience, the speed of execution is hindered by existing lease structures. Nonetheless, during 2020, nearly 91% of new lettings have been to target categories.

We have progressed our plans to reconfigure the House of Fraser anchor store at The Oracle, Reading and received planning consent in March. We have secured lettings with bowling and indoor golf operators and are in discussions on the remainder of the space. The works, where the Group’s 50% share will cost approximately £13 million, are expected to start on site in early 2021 and complete in H1 2022 and currently 68% of the projected £1.2 million income is signed or in solicitors’ hands.

Footfall and sales

Footfall for the first half of 2020 was down 54%, predominantly due to the closure of most stores during the lockdown period. After the centres reopened on 15 June, Covid-19 restrictions, such as social distancing and the encouragement of home working, coupled with the later reopening of F&B outlets on 4 July, meant that footfall was significantly lower than normal levels. In the second half of June, footfall across the portfolio was 66% lower than the same period in 2019. This was 11% lower than the Shoppertrak benchmark which was 55% lower than the prior year.

Footfall has grown during July, averaging 51% below 2019 levels. Our centres are predominately located in city centres, and have been more adversely impacted by the office working restrictions, although as these are now being lifted, we expect footfall to continue to recover towards the prior year level over the remainder of 2020.

Whilst we do not have full sales information, sales reported to date have been outperforming footfall in the UK, with available sales data for July currently 31% lower than the prior year.

IRELAND FLAGSHIPS

Our Irish portfolio consists of three flagship destinations in Dublin: Dundrum Town Centre ('Dundrum') to the south of Dublin; the Ilac Centre in the city centre; and Pavilions in Swords, north Dublin. These assets represent 11% of the Group's portfolio by value and Dundrum, which is the country's pre-eminent retail and leisure destination, accounts for approximately three-quarters of this value. When combined, the portfolio provides almost 200,000m^2 of high quality space, with 310 tenants and annual footfall of 45 million in 2019.

We also own 30 acres of development land adjacent to the flagship venues. This provides the potential to expand and diversify the portfolio and is a key element of our City Quarters concept (see page 18).

Operational summary

Key metrics[1]	Like-for-like NRI growth %	Occupancy %	Leasing activity £m	Leasing vs ERV %	Footfall growth %
30 June 2020	**(16.9)**	**96.3**	**0.3**	**+21**	**−39.8**
31 December 2019[1]	(5.0)	99.6	2.1	−2	+1.8
30 June 2019	(7.4)	99.5	1.2	+4	+0.6

1. 31 December figures are for the full year

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

Net rental income

Net rental income for the first six months of 2020 was £14.9 million, £3.6 million lower than in 2019. On a like-for-like basis, NRI was £3.1 million lower than the prior year, equivalent to a 16.9% like-for-like NRI reduction. The calculation is shown in Table 5 on page 83 of Additional disclosures.

The like-for-like NRI reduction was principally due to a £2.4 million charge relating to the increase in the provision for outstanding trade receivables during the first half of the year, which is further explained below. Other key factors included a reduction of £0.9 million in net car park and commercialisation income and £0.6 million lower turnover rent, each of these due to the effective closure of centres during lockdown. New leasing and surrender premiums contributed £0.5 million to NRI

Collections and arrears

Apart from essential retail, our tenants had to close from 25 March until 15 June, with the latter date having been brought forward from 10 August at short notice by the Irish government. As with the UK, rent collection levels are significantly lower than usual, with less than half of Q2 rent collected by 30 June compared with 93% of Q1 rent. This has resulted in an increase in tenant arrears, such that at 30 June 2020 gross trade receivables totalled £11.6 million, an increase of £8.8 million in 2020. After taking account of tenant deposits, guarantees and VAT we have recognised a provision of £3.0 million against the arrears balance, resulting in the NRI charge of £2.4 million adversely affecting the like-for-like income in 2020.

Collection rates have improved during July and the latest rent collection statistics are summarised below:

As at 31 July 2020, excluding VAT	Original due dates	Total amount payable in the quarter	Amounts not yet due[1]	Total amount collected	Collected[2]
		£m	£m	£m	%
Q1 demands	1-Jan-20 to 31-Mar-20	8.9	-	8.3	93.3
Q2 demands	1-Apr-20 to 30-Jun-20	9.6	0.2	4.3	45.7
H1 total		18.5	0.2	12.6	68.9
Q3 demands	1-Jul-20 to 30-Sep-20	8.7	0.4	2.1	25.3
Total		27.2	0.6	14.7	55.3

[1] Includes £0.2 million of rent formally deferred beyond Q3 2020

[2] Represents total amounts collected as a proportion of the total amount payable in the quarter less amounts not yet due

We have liaised with our tenants during the period since lockdown to collect outstanding monies due and have adopted a similar risk-based framework as used in the UK (see page 9). The late notice of the centres reopening in mid-June, means that agreements are less progressed than in the UK, although have accelerated more recently. At 31 July 2020, agreement had been reached on 144 leases, equivalent to £13.3 million, or 33% of passing rent, resulting in an average rent waiver of 1.1 months and rent deferral of 0.1 months and discussions are ongoing on the remainder of leases.

Occupancy, leasing and tenant restructuring

Occupancy at 30 June 2020 was 96.3%, 330bp lower than at the beginning of the year. This reduction is equivalent to additional vacant ERV of £1.3 million or seven units and is due to tenants vacating upon lease expiry or administrations.

Leasing volumes have been subdued in 2020 with 10 leases signed in the first half of the year for passing rent of £0.3 million, compared to 29 leases for £1.2 million in the same period in 2019. There were three principal leases in 2020, which represented 30% of the total leasing volume and were 21% higher than December 2019 ERVs, albeit on a small volume of leasing deals.

In February, we secured Brown Thomas to take a 5,850m^2 store at Dundrum to replace House of Fraser on two floors of their anchor store and are in active discussions with potential occupiers of the remaining space. Having been slightly delayed due to Covid-19, works commenced in July 2020 at a cost of £14 million (50% share) and are targeted to complete in the summer of 2021. The project will deliver increased rent and enhance the overall brand and customer offer at the centre.

The lockdown also disrupted construction sites which were required to shut down for works to reconfigure the former Hamleys building and the new Pembroke Square. Work has recommenced on this mixed-use offer anchored by a penthouse office, an eight-lane Stella Bowl bowling alley and five new restaurants and is expected to complete on a phased basis over this summer.

The lockdown and social distancing requirements caused significant stress for the Irish retail market, although to date we have suffered fewer instances of tenant restructuring than in the UK. This is due to the different legal environment, which makes undertaking a CVA more challenging and the stronger underlying trading environment before Covid-19, with online retail penetration generally lower and brands operating under separate legal entities in Ireland which tends to isolate them from their UK groups. Nonetheless, during the first half of the year, six brands have undertaken restructuring affecting six units and £1.0 million of passing rent. Total passing rent from these units reduced by £0.9 million as all but one store is not trading. At 30 June 2020, five units are under tenant restructuring, representing current passing rent of £0.1 million, with discussions on short-term lettings progressing on all.

Footfall and sales

Footfall for the first half of 2020 was down 40%, predominantly due to the closure of most stores during the lockdown period. After the centres reopened on 15 June, footfall recovered better than in the UK and averaged 28% lower than 2019 during the second half of June and 19% lower in July. The July performance was 4% higher than the Shoppertrak benchmark which was 23% lower than the prior year.

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

FRANCE FLAGSHIPS

We invest in and manage six high-quality flagship destinations in France which accommodate more than 750 tenants and attracted almost 70 million visitors in 2019. The portfolio represented 18% of the Group's portfolio value at 30 June 2020.

The assets are in urban locations in Paris, Marseille and Nice, and at 30 June 2020, the two wholly-owned centres, Les Terrasses du Port, Marseille and Les 3 Fontaines, Cergy, accounted for 78% of the value of the French portfolio.

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

In May 2020, we sold SQY Ouest (see page 30) and remain on-site with our extension schemes at Italie Deux and Les 3 Fontaines. Further details of these two projects are provided on page 19.

Operational summary

Key metrics	Like-for-like NRI growth %	Occupancy %	Leasing activity £m	Leasing vs ERV %	Footfall growth %	Retail sales growth[2] %
30 June 2020	(30.0)	94.2	1.4	+4	−39.5	n/a
31 December 2019[1]	2.1	97.0	6.0	+5	+1.9	+2.6
30 June 2019	0.1	97.0	2.8	+4	+0.5	+1.3

1. 31 December figures are for the full year
2. Due to closures during the lockdown period, insufficient sales data has been collected to accurately calculate the 30 June 2020 figure for retail sales growth

Net rental income

Net rental income for our French portfolio for the first six months of 2020 was £20.5 million, £15.8 million lower than in 2019.

The disposals of 75% of Italie Deux in December 2019 and SQY Ouest in May 2020 reduced year-on-year NRI by £8.2 million, whilst the provision for outstanding trade receivables at 30 June 2020 reduced NRI by £8.0 million. This latter charge was the principal cause of like-for-like NRI being 30.0% lower than the prior year. Net leasing, with expiries exceeding new leasing, resulted in increased vacancy and adversely affected like-for-like NRI in 2020 by £1.1 million.

Collections and arrears

The vast majority of stores were closed from 17 March under direction of the government in response to the Covid-19 pandemic. Three centres: Espace Saint-Quentin, Nicetoile and Les Terrasses du Port reopened in mid-May with the remaining centres opening at the start of June. All brands and F&B operators within the flagships are now trading with the exception of the theatre and concert hall at Italie Deux. As with the UK and Ireland, rent collection levels have fallen significantly, with 12% of Q2 rent collected by 30 June compared with 94% of Q1 rent.

These low collection rates increased trade arrears, such that at 30 June 2020 gross trade arrears totalled £63.3 million, an increase of £27.3 million in 2020. After taking account of tenant deposits, guarantees and sales tax we have recognised a provision of £18.6 million against the arrears balance, an increase of £8.2 million during the first half of the year.

During July we have continued to collect outstanding arrears and the latest collection statistics for our French centres are summarised in the table below:

As at 31 July 2020, excluding sales tax	Original due dates	Total amount payable in the quarter	Amounts not yet due[1]	Total amount collected	Collected[2]
		£m	£m	£m	%
Q1 demands	1-Jan-20	14.5	-	13.6	93.8
Q2 demands	1-Apr-20	16.3	6.6	4.0	41.2
H1 total		30.8	6.6	17.6	72.7
Q3 demands	1-Jul-20	15.6	-	7.1	45.5
Total		46.4	6.6	24.7	62.1

[1] Comprises rent formally deferred beyond Q3 2020

[2] Represents total amounts collected as a proportion of the total amount payable in the quarter less amounts not yet due

Consistent with our approach in the UK and Ireland, we have targeted financial support for our tenants through a risk-based approach. At 31 July 2020, agreement had been reached on 78 leases, equivalent to £5.1 million, or 8% of passing rent, resulting in an average rent waiver of 1.5 months and rent deferral period of 1.7 months and discussions are ongoing on the remainder of leases.

Occupancy, leasing and tenant restructuring

Occupancy at 30 June 2020 was 94.2%, 280bp lower than at the beginning of the year. This reduction is equivalent to additional vacant ERV of £1.8 million or 22 stores and has been driven by lease expiries and administrations in the period.

Leasing volumes started the year strongly with rent secured by the end of March of £1.1 million, compared to £0.4 million at the end of March 2019. However, only £0.3 million of rent was secured during Q2 resulting in leasing for the first half of 2020 being 50% lower than 2019.

For principal leases, which accounted for 91% of total leasing, the average rent secured was 4% above both December 2019 ERVs and the previous passing rent. The average lease term was ten years with an average incentive packages of one month and included leases with brands such as Mango, Petit Bateau, Snipes and The Kooples.

As demonstrated by the above leasing statistics, whilst in general the retail leasing market has been stronger than in the UK, Covid-19 has caused significant stress and forced a number of tenants to fail. During the first half of the year, 14 brands have undertaken restructuring affecting 35 units and £2.5 million of passing rent. At 30 June 2020, 49 units are under a CVA or administration, of which all continue to trade with current passing rent of £3.5 million equivalent to 1.2% of Group passing rent.

Footfall and sales

Footfall for the first half of 2020 was down 40%, predominantly due to the closure of most stores during the lockdown period. June trading performance saw footfall 28% below 2019 with a significant improvement in July with footfall being 17% below 2019.

We receive monthly sales information in France, and for June, retail sales, calculated on a same centre, like-for-like basis fell by 17%.

PREMIUM OUTLETS

Operational summary

	Value Retail[1]		VIA Outlets[1]	
	Six months ended 30 June 2020	Six months ended 30 June 2019	Six months ended 30 June 2020	Six months ended 30 June 2019
Brand sales (€m)	678	1,391	315	511
Brand sales growth/(reduction) (%)	-51	11	-38	10
Footfall growth/(reduction) (%)	-50	7	-45	8
Spend per visit (€)	77	79	39	35
Sales density growth/(reduction) (%)	-51	8	-32	7
Like-for-like NRI (%)[2]	-62	14	-18	4
Occupancy (%)	95	94	93	93

1. With the exception of like-for-like NRI growth, figures reflect overall portfolio performance, not Hammerson's ownership share. 2019 figures have been restated at 30 June 2020 exchange rates
2. Like-for-like NRI excludes the impact of extensions and reconfigurations.

Overview

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

Over recent years, the European outlets sector has seen both strong sales growth and increasing retailer demand. The market for discounted luxury and fashion items is attractive for international tourists, in particular from Greater China, Russia, South East Asia and the Middle East and are thus heavily impacted by international travel and tourism. However, the ongoing global pandemic has had a significant impact on the premium outlets sector due to government enforced closures, travel restrictions and social distancing measures.

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

Our portfolio

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

At 30 June 2020, we had interests in 20 centres in 14 European countries offering 453,000m^2 of retail space for international luxury and fashion brands. These investments represent 34% of the Group's total property portfolio value. Since 2014, a compound annual growth Rate (CAGR) of 19% in investment property values has been achieved, 41% of which has been driven by underlying revaluation growth, 38% by acquisitions and 16% by capital expenditure.

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

Since March 2020, 17 of our 20 premium outlets were subject to enforced closures due to the global pandemic which has severely affected H1 2020 results. As at 30 June 2020, all 20 Villages and fashion outlets were open and trading whilst adhering to each relevant jurisdiction's social distancing and health and safety guidelines.

VIA disposal

On 6 August 2020, the Company announced the disposal of substantially all of VIA Outlets, subject to the retention of a 7.3% interest in Zweibrücken Outlets B.V., shareholder approval and competition clearance. The sale is due to complete by Q4 2020 for estimated gross proceeds of €301 million (£274 million). More detail is provided in note 1B to the financial statements.

Value Retail (VR)

Portfolio overview

We hold our VR interests in the holding companies, as well as direct investments in the Villages, and have grown our economic interest in the net assets of VR by way of acquisitions from other investors and through VR's active asset and development management strategy. At 30 June 2020, the total property portfolio is valued at £5.3 billion of which the Group's share is £1.9 billion. Details of our investments are shown in note 11 to the financial statements.

VR owns and operates nine high-end Villages in the UK and Western Europe which provide 189,000m^2 of floor space across more than 1,000 stores. VR focuses on international fashion and luxury brands and attracts both tourists and domestic customers.

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

The Villages actively target the shopping-tourism market and attract footfall from their domestic catchments which are significantly bigger than the catchment associated with a shopping centre.

Income

Brand sales in H1 2020 have declined on a year-on-year basis by 51% due to the significant impact of the closures and restricted travel as a result of the global pandemic. Since reopening the absolute sales levels are lower than the prior year due to lower footfall as each Village adheres to the social distancing guidelines in their jurisdictions, limiting capacity. Villages were closed from 11 March 2020 at the earliest (Fidenza Village) to 15 June 2020 at the latest (Bicester Village and Kildare Village). Closure periods ranged from 54 days at the shortest (Maasmechelen Village and Ingolstadt Village) to 87 days at the longest (La Roca Village and Las Rozas Village). The Villages that were closed for the shortest period of time and/or have a smaller percentage of tourism related sales have seen the lowest reduction in sales growth, namely Maasmechelen Village, Fidenza Village, Wertheim Village, Ingolstadt Village and Kildare Village. However, in the majority of Villages the spend per visit upon reopening is higher than the prior year, demonstrating resilient customer demand. Historically tax-free sales have been a driver of growth at VR. However, due to travel restrictions that have been in place for much of the first half of 2020, tax-free sales were greatly reduced in the period.

Upon closure of each Village, VR offered all brands 100% rent waivers for the full period of closure which did not constitute a lease variation. This loss of income has been fully recognised at H1 2020, and has supported rent collections post reopening. This loss of income has been fully recognised at H1 2020. These abatements along with subdued sales performance resulted in a like-for-like NRI decline of 62%. However, VR sought to achieve significant cost savings (primarily third party operating costs and marketing) during closure and upon reopening, mitigating the impact to NRI.

Occupancy and leasing

VR adopts an active leasing and asset management strategy to enhance and refresh the Villages and maximise the customer experience. This strategy drives sales and footfall. During H1 2020, despite the Village closures, 113 leases were signed (H1 2019: 81 leases signed), with a total of 71 new brands introduced to the Villages, demonstrating the strong appeal that the Villages hold for brands, even during a period of crisis. Key brand openings included a number of temporary boutiques at Bicester Village such as an additional store for Burberry alongside a new boutique for Jo Malone. Christian Louboutin also opened a new boutique which is its first outlet store in Europe. At Maasmechelen Village, Prada completed its fit out during the closure period and commenced trading on the first day of reopening. Elsewhere, Karl Lagerfield opened in June 2020 at Fidenza Village; Hugo Boss delivered its first "HUGO" concept boutique at Ingolstadt Village targeted at a younger market; and Neom Organics opened a temporary boutique at Kildare Village, its first stand-alone store in Ireland.

The continuation of leasing throughout H1 2020 resulted in occupancy marginally improving in the period from 94% to 95%.

VR management continues to develop successful marketing strategies. Pre Covid-19 closures, VR collaborated with Camera Nazionale della Moda Italiana (CNMI) to support African emerging talent during Milan fashion week. As part of Paris fashion week, the Bicester Village Shopping Collection hosted a bespoke private dinner with a group of high net worth businesswomen who all visited La Valleé Village after dinner for a luxury shopping experience.

Since the global pandemic, VR has temporarily redirected its marketing strategy from investing in long-haul tourist markets to targeting high net worth individuals within the local catchment area, with flexibility built into the strategy to boost tourism marketing spend at the appropriate time. Following the reopening of Villages, VR has developed a virtual queuing system allowing guests entry to the boutiques of their choice, thus permitting social distancing within the Villages whilst still providing a luxury shopping experience.

Developments and extensions

In March 2019, construction commenced on a 2,600m^2 development and remodelling at La Roca Village, Barcelona with practical completion now targeted for Q1 2021. The development will provide a further 21 units and over 300 underground car parking spaces. The total development cost for VR is €50 million.

Construction works also commenced in Q1 2020 at Kildare Village, Dublin on a 5,500m^2 development, with practical completion now targeted for Q2 2021. The development will provide approximately 27 units and over 400 car parking spaces with a total development cost of €62 million including land.

VIA Outlets (VIA)

Portfolio overview

VIA is a joint venture formed in 2014 and held in a 50:50 partnership with APG.

At 30 June 2020, VIA operated 11 outlets in nine European countries, providing 264,000m^2 of floor space and over 1,130 stores. The centres include Batavia Stad Amsterdam Fashion Outlet, Freeport Lisboa Fashion Outlet and Zweibrücken Fashion Outlet on the Germany/France border.

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

At 30 June 2020, the total portfolio was valued at £1.4 billion of which the Group's 50% share was £716 million. VIA has become a leading premium outlet operator in Europe, with the third largest portfolio by area.

Income

Brand sales in H1 2020 have declined by 38%, and sales densities by 32% due to closures and restricted travel as a result of the global pandemic. Upon reopening, initially there was a decline in sales compared to prior year, primarily driven by lower footfall as social distancing measures restricted capacity. However, as consumer confidence has grown a number of centres such as Batavia Stad Fashion Outlet, Landquart Fashion Outlet and Oslo Fashion Outlet have seen growth in sales compared to the same week in 2019.

Centres were closed from 14 March 2020 at the earliest (Fashion Arena Prague Outlet and Wroclaw Fashion Outlet, Poland) to 15 June 2020 at the latest (Freeport Lisboa Fashion Outlet). Closure periods ranged from 32 days at the shortest (Zweibrücken Fashion Outlet, Germany) to 85 days at the longest (Freeport Lisboa Fashion Outlet). Batavia Stad Amsterdam Fashion Outlet, Hede Fashion Outlet and Oslo Fashion Outlet were not subject to government enforced closures. However, the schemes operated reduced trading hours and a significant number of brands closed their units at the peak of the pandemic.

The centres that were closed for the shortest period of time and those less reliant on tourism have seen the lowest reduction in sales. However, spend per visit has increased to €39 (H1 2019: €35) at H1 2020, demonstrating resilient customer demand to purchase goods through this channel.

Upon closure of each centre, VIA have undertaken extensive liaison with brands to offer support including include rent abatements and deferral of rent payments. These discussions also cover other commercial topics including lease extensions and the removal of break options. As a result of this support and the subdued sales performance in H1 2020, like-for-like NRI declined by 18%. However, VIA sought to achieve significant cost savings of £2.1 million (Hammerson share) during closure and upon reopening (primarily third party operating costs and marketing), mitigating the impact to NRI.

Gross trade arrears as at 30 June 2020 totalled £8.2m million (Hammerson share). 72% of this balance was not yet due or less than 30 days old primarily due to monthly billing for the majority of brands and rent deferral agreements that have been put in place. 41% has been fully provided for as at 30 June 2020.

Occupancy and leasing

Occupancy at premium outlets is often marginally lower than the Group's other sectors to support proactive asset management and occupancy of 93% within the portfolio in H1 2020 was in line with H1 2019.

During H1 2020, despite the centre closures, 112 leases were signed (H1 2019: 121 leases signed), including the introduction of 46 new brands to schemes.

Key leasing transactions included the introduction of new brands such as L'Oreal at Batavia Stad Amsterdam Fashion Outlet, the first in the VIA portfolio, L'Occitane at Oslo Fashion Outlet, Under Armour at Freeport Lisboa Fashion Outlet, Vila do Conde Porto Fashion Outlet and Hede Fashion Outlet, Michael Kors at Hede Fashion Outlet and Landquart Fashion Outlet and UGG Australia at Mallorca Fashion Outlet.

VIA have introduced a number of catering vans upon the reopening of centres, complementing VIA's F&B offer and improving overall guest experience by enabling outdoor dining.

Developments and extensions

Following their acquisition in 2016 and 2017, refurbishment works are continuing at Vila do Conde Porto Fashion Outlet and Oslo Fashion Outlet, with completion due in H2 2020 and H1 2021 respectively. Refurbishment works have completed at Sevilla Fashion Outlet and Zweibrücken Fashion Outlet and will play an important part in delivering an enhanced experience to guests and welcoming new brands.

VIA are also progressing feasibility and planning applications for extensions at Sevilla, Mallorca and Zweibrücken Fashion Outlets.

DEVELOPMENTS AND CITY QUARTERS

Overview

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

We are on-site with two Paris extension schemes and have a land bank of approximately 100 acres around our flagship destinations, located in major European cities and near to key transport links. With the evolution of the retail market, future developments will include a wider variety of uses, with less space dedicated to retail and with our Net Positive targets fully embedded within all new projects. This principle is at the core of our City Quarters concept explained below.

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

At 30 June 2020, the value of the Group's development portfolio was £563 million, representing 7% of the Group's total property portfolio. Over 80% of the value relates to five schemes: Les 3 Fontaines extension; the Whitgift Centre, Croydon; Dublin Central; Victoria Phase 2, Leeds; and The Goodsyard.

At 30 June 2020, the Group's committed capital expenditure was £117 million, an increase of £13 million during the year principally associated with the reconfiguration at Dundrum of the House of Fraser store following the letting to Brown Thomas (see page 11). The major items of committed expenditure relate to our two on-site Paris extension schemes and a future land drawdown at The Goodsyard.

CITY QUARTERS

Our City Quarters concept aims to leverage our existing land interests to develop a mix of uses including residential, workspace, hotel and leisure, deliver financial returns for the Group and complement our existing flagship destinations. This concept represents a significant opportunity and has the potential to deliver 6,600 residential units, 1,600 hotel rooms, 300,000m^2 of workspace and nine parks and public spaces. An overview of a number of the projects is set out in the table below.

Overview of City Quarters opportunities

	Area	Next planning submission	Earliest start on-site	Retail	F&B	Residential	Workspace	Leisure	Education	Culture	Hotel	Public spaces
Near term												
Les 3 Fontaines, Cergy	8,400m^2	n/a	Onsite		✓		✓	✓				
The Podium at Dundrum, Dublin	10,000m^2	n/a	H1 2021	✓		✓						
Victoria Hotel, Leeds	8,400m^2	n/a	H1 2021								✓	
Strategic												
Victoria Phase 2, Leeds	10 acres	2020		✓	✓	✓	✓	✓	✓	✓	✓	✓
Martineau Galleries, Birmingham	7 acres	2021		✓	✓	✓	✓				✓	✓
Callowhill Court, Bristol	9 acres	2022		✓	✓	✓	✓	✓	✓	✓	✓	✓
Dublin Central	6 acres	2021		✓	✓	✓	✓				✓	✓
Dundrum Phase 2, Dublin	6 acres	2021		✓	✓	✓						✓
Pavilions Phase 3, Swords	18 acres	2023		✓	✓	✓		✓				✓
Major developments												
Brent Cross	15 acres	n/a		✓	✓	✓	✓	✓		✓	✓	✓
Croydon	22 acres	n/a		✓	✓	✓	✓	✓			✓	✓
The Goodsyard, London	10 acres	In planning		✓	✓	✓	✓			✓	✓	✓

We intend to use our existing strong relationships with local authorities and landowners to bring forward these opportunities and build on our track record of great sustainable place-making and create truly integrated communities.

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

Expenditure during the early stages of these projects on workstreams including planning and scheme design is relatively modest. However, additional capital is required to fully capture the value of this opportunity which can transform the Group's portfolio towards a broader mix of uses in major European cities. The proposed equity raise and future disposals are therefore key to providing the capital to deliver this concept.

Whilst the Covid-19 lockdown has slowed our progress in bringing these projects forward during the first half of the year, we have achieved a number of important milestones including at Martineau Galleries, Birmingham where the Section 106 agreement was agreed and the planning consent for a 7.5 acre mixed use masterplan in the city centre was issued in June. We have also progressed two smaller schemes, a 205-bed hotel adjacent to Victoria Gate, Leeds and a residential scheme of over 100 apartments directly adjacent to Dundrum, such that both could be started on site in H1 2021.

At The Goodsyard, a 4.2ha site on the edge of the City of London, following the submission of revised plans for a major mixed-use scheme including workspace, retail and residential elements to the GLA in October 2019 we have worked with our joint venture partner, Ballymore to support the consent process. Unfortunately the complex planning process has been further delayed by both Covid-19 and the deferred London mayoral election, which was due to be held in May but has been postponed until 2021. The revised plans submitted last year included additional housing, a greater number of affordable homes and a larger public park. Following the provision of further detailed information in July and public consultation in August, the current programme assumes consideration by the Boroughs of Hackney and Tower Hamlets in the autumn and a hearing by the Mayor of London by the end of the year

We continue to work with our joint venture partners to review plans for the future major schemes at Brent Cross and Croydon. This is to ensure the developments address changing customer and occupier requirements and include a greater mixed-use element than originally planned. We remain in active discussions with local stakeholders to support the ongoing third-party regeneration around both existing interests, such as the new Brent Cross West Thameslink station and the mixed-use regeneration to the south of Brent Cross. Reviews of the schemes are being progressed, whilst ensuring we actively manage the existing flagship assets.

ON-SITE DEVELOPMENTS

Les 3 Fontaines extension

The Covid-19 lockdown imposed in Paris resulted in work stopping on the major extension of Les 3 Fontaines in mid-March. Work restarted across the scheme over the course of late April to early June and has resulted in some timetable changes as explained below. The extension project coincides with the wider city centre development of Cergy-Pontoise, in the suburbs of Paris and involves a number of phases:

- a 1,700 space car park which completed in late 2019;
- a new fully-let food hall opening in autumn 2020;
- the main extension, where the opening has been delayed from Q3 2021 until Q1 2022; and
- a leisure phase in the adjacent Cergy 3 which is expected to open in late-2023.

At 30 June 2020, costs to complete totalled €138 million (£125 million) and the project was valued at €210 million (£191 million). Due to outward yield shift and the revisions to the scheme, the development suffered a revaluation deficit of £16 million in the first half of the year. When fully complete and let, at current yields, the project is forecast to achieve an estimated additional revaluation uplift of £40 million and a yield on cost of 5%.

The project will extend the entire trading space to over 100,000m^2 and create one of the leading flagship destinations in the Paris region. As with the other French assets, leasing has been adversely impacted by Covid-19 and pre-letting remains at 49%, although discussions are ongoing to secure further brands during the second half of the year. Key tenants already secured include Adidas, Big Fernand, Fnac, Footlocker, JD Sports, Levis and Vapiano.

Italik extension

The 6,400m^2 extension of Italie Deux, Italik, is due to complete in December 2020, having been slightly delayed due to work stopping between mid-March and early May. The project will add new retail, F&B and leisure units to the central Paris scheme and create an attractive new façade for the existing centre. The scheme also involves space for a nursery, co-working and a retail incubator to allow start-ups to trial new concepts.

In March, the scheme was amended to include an Iconik food hall which has increased both the project cost and expected income. As at 30 June 2020, the total development cost is estimated at €54 million (£49 million), with €20 million (£18 million) of capital expenditure remaining. At 30 June 2020 the project was valued at €35 million (£32 million) and has been forward sold as part of the 2019 disposal of 75% of Italie Deux. The sale is due to complete in June 2022, 18 months after the extension opens and the contracted 75% sale price is forecast to be €44 million (£40 million), although the final price is dependent on the passing rent at the time of the sale. The price is based on the forecast passing rent of €2.9 million (£2.6 million), equivalent to a yield on cost of 5%. 88% of the forecast income has been pre-let to brands including Avril, M&S Foodhall, Prêt-à-Manger and Uniqlo.

UK RETAIL PARKS

At 30 June 2020, our portfolio comprised eight retail parks, representing 6% of the Group's portfolio by value. The portfolio provides 215,000m^2 of lettable space with more than 210 tenants. Our parks are located on the edge of town centres with ample free car parking and are let to a wide spectrum of retailers including supermarket, DIY, homewares, electrical goods and fashion.

In our July 2018 strategy review we announced our intention to exit this retail sector over the medium term and have since sold seven parks raising gross proceeds of £364 million, including in February 2020, Abbey Retail Park, Belfast for £33 million.

Also, in February 2020 we announced the disposal of a portfolio of seven retail parks for gross proceeds of £400 million to Orion European Real Estate Fund V ('Orion'). On 23 April 2020, Orion notified us that it did not intend to complete on the sale, despite having exchanged unconditional contracts, and on 6 May 2020 the contract was terminated and we received the £21 million contract deposit. We will continue to actively manage these properties whilst remaining committed to a future disposal.

Operational summary

Key metrics	Like-for-like NRI growth %	Occupancy %	Leasing activity £m	Leasing vs ERV %	Footfall growth %
30 June 2020	(21.2)	95.8	1.6	–6	-31.1
31 December 2019[1]	(1.4)	97.3	2.6	+1	+1.4
30 June 2019	1.0	96.7	0.6	+1	+0.6

1. 31 December figures are for the full year

Net rental income

Net rental income for the first six months of 2020 was £10.9 million, £14.7 million lower than in 2019. On a like-for-like basis, NRI was £3.9 million lower than the prior year, equivalent to a 21.2% like-for-like reduction. The like-for-like calculation is shown in Table 5 on page 83 of Additional disclosures and excludes the impact of disposals over the previous 12 months which reduced year-on-year NRI by
£6.9 million. Like-for-like NRI also excludes a £2.7 million impairment for unamortised tenant incentives and a £1.2 million impairment for receivables where the income relates to the second half of the year. These two impairments are explained further on page 52.

The like-for-like NRI reduction was principally due to a £1.5 million charge relating to the increase in the provision for outstanding trade receivables during the first half of the year, which is further explained below. Another key factor was the adverse NRI impact due to tenant restructuring, in the form of administrations and CVAs, which has recently been undertaken by tenants including Arcadia, Debenhams and Oak Furnitureland. This reduced year-on-year income by £3.2 million, including £0.6 million of the provision for outstanding trade receivables referred to above.

Collections and arrears

As with the UK flagships, the lockdown restrictions imposed on retail have resulted in significantly lower tenant collections, with 50% of Q2 rent and 23% of Q3 rent collected by 30 June. This has resulted in an increase in tenant arrears, such that at 30 June 2020 gross trade receivables totalled £13.8 million, an increase of £12.1 million in 2020. After taking account of tenant deposits, guarantees and VAT we have recognised a provision of £1.5 million against the arrears balance, resulting in the NRI charge of £1.5 million adversely affecting the like-for-like income in 2020.

Collection rates have improved during July and the latest rent collection statistics are summarised below:

As at 31 July 2020, excluding VAT	Original due dates	Total amount payable in the quarter	Amounts not yet due[1]	Total amount collected	Collected[2]
		£m	£m	£m	%
Q1 demands	25-Nov-19 to 31-Mar-20	9.9	-	9.8	99.0
Q2 demands	28-Feb-20 to 30-Jun-20	9.6	0.2	5.4	57.4
H1 total		19.5	0.2	15.2	78.8
Q3 demands	28-May-20 to 30-Sep-20	11.3	4.7	3.3	50.0
Total		30.8	4.9	18.5	71.4

[1] Includes £0.3 million of rent formally deferred beyond Q3 2020

[2] Represents total amounts collected as a proportion of the total amount payable in the quarter less amounts not yet due

As with the UK flagships we have undertaken extensive tenant liaison during the period since lockdown and have adopted the same risk-based framework (see page 9) to collect outstanding monies due and support our most vulnerable tenants. At 31 July 2020, agreement had been reached on 23 leases, equivalent to £5.4 million, or 13%, of passing rent, resulting in an average rent waiver of 0.7 months and a deferral period of 2.0 months and discussions are ongoing on the remainder of leases.

Occupancy, leasing and tenant restructuring

Occupancy at 30 June 2020 was 95.8%, 150bp lower than at the beginning of the year. This reduction is represented by one additional vacant store and equivalent to additional vacant ERV of £0.5 million.

As with the UK flagships, leasing volumes started the year strongly with rent secured by the end of March of £1.6 million, compared to £0.3 million at the end of March 2019. However, with the onset of Covid-19, only one letting has been completed during Q2, although additional renewal discussions are close to completion, and leasing over the first half of 2020 is £1.0 million higher than in the same period in 2019.

For principal leases, which accounted for 95% of total leasing, the average rent secured was 6% below December 2019 ERVs and 16% below the previous passing rent. The average lease term was eight years with an average incentive package of 11 months and included leases with tenants such as Currys PC World, Next and SportsDirect.com.

The stress of Covid-19 on the broader UK retail market has also impacted retail parks where there is an overlap in the tenant base with our UK flagship destinations. During the first half of the year, five brands have undertaken restructuring affecting 12 units and £1.7 million of passing rent. Total passing rent from these units reduced by £0.3 million. At 30 June 2020, 24 units are under a CVA or administration, of which 19 continue to trade with current passing rent of £3.2 million equivalent to 1.1% of Group passing rent.

Footfall and sales

Footfall for the first half of 2020 was down 31%, predominantly due to restrictions during the lockdown period. However, as our retail parks are out-of-town, open-air, primarily accessed by car and contain a higher proportion of 'essential' stores, trade has been less impacted than our UK flagship destinations with only one scheme closing fully during the lockdown period. Footfall for June was 35% lower than in 2019 but after non-essential retail reopened on 15 June, year-on-year weekly footfall has continued to improve to 19% lower than the prior year for July, outperforming the Springboard Retail Park Index by 1%.

SUSTAINABILITY REVIEW

Whilst the business has been tested by the Covid-19 crisis during the first half of 2020 this has not reduced our focus on sustainability. Ahead of the lockdown, we completed the installation of PV arrays at Cabot Circus and Terrasses du Port, providing clean electricity that is used on site. This brings installed renewable capacity to 2.9MW. We have generated over 1MWh of clean power during H1 2020.

The lockdown period has, however, impacted other areas of our sustainability investment programme, delaying the implementation of new projects. The benefits we were expecting to see from LED, further PV and other projects will now be delayed until 2021. However our continued focus on efficiency and our ability to closely monitor energy demand remotely has delivered results and strong cost reductions during this difficult period.

The temporary or partial closure of our centres across Europe significantly reduced our utility demand for April, May and June. This has contributed to a first half reduction in energy use of 21% and carbon emissions of 27% for the EPRA like-for-like portfolio. Our investment in smart metering proved helpful in providing our teams with the ability to monitor consumption daily, identifying unexplained demand and optimising reductions. As our assets return to normal operations, energy demand will increase again, but we continue to be vigilant in looking for opportunities to bring further cost savings to tenants and reduce carbon emissions.

We continue to push boundaries with our developments and City Quarters plans. We are working closely with the Dublin Central design team to ensure resource efficiency, climate risk and health and wellbeing considerations are embedded at the outset of the design process. Buildings that come to market over the next decade will need the strongest sustainability credentials to be credible in an increasingly sophisticated market. Our sustainability strategy ensures that we are well placed to deliver on these expectations.

Covid-19 has placed severe pressure on our local communities and we have been keen to find ways to support a loyal customer base through such difficult times. In addition to our on-site teams reaching out to local organisations, we worked with Inditex and The Entertainer to provide much needed home items and play equipment to local women's refuges in Birmingham. We have established a Community Grants programme and are working with local Community Foundations across the UK to make small grants available to local, grass roots organisations, providing much needed support to organisations which often fill critical local un-met or under-served needs.

2020 sustainability performance

EPRA like-for-like portfolio	Six months ended 30 June 2020	Six months ended 30 June 2019	Year-on-year reduction %	2019 target reduction %
Electricity demand (MWh)[1]	27,304	34,645	21	n/a
Natural gas demand (MWh)	6,562	9,617	32	n/a
Energy demand (mWh)[2]	36,777	48,292	24	4%
Carbon emissions (mtCO_2e)	7,301	9,934	27	13%
Water demand (m^3)	131,636	198,406	34	5%

[1] 94% of electricity purchased by Hammerson in the UK and Ireland was from REGO backed clean electricity contracts.

[2] Includes district heating and cooling systems

Our closer engagement with the VIA management team has enabled us to encourage greater focus on sustainability across the outlets portfolio too. This has led to the implementation of a sustainability strategy and a full climate risk review for the VIA assets.

The first phase of our Net Positive targets completes at the end of this year. We are currently tracking ahead of our projections on carbon reductions through efficiencies but behind on key projects which have been delayed through Covid-19. The business disruption this year will inevitably impact final year outcomes against target but we remain focused on achieving a Net Positive position.

PROPERTY PORTFOLIO REVIEW

Portfolio value analysis

The Group's total portfolio was valued at £7,692 million at 30 June 2020, £635 million or 8% lower than at the beginning of the year. This movement was due primarily to revaluation losses of £939 million, partially offset by exchange movements totalling £274 million. The movement in the first six months of the year is shown in the table below.

Movement in portfolio value

Proportionally consolidated, including premium outlets	Investment £m	Development £m	Total (excl.premium outlets) £m	Premium outlets[1] £m	Total Group £m
Value at 1 January 2020[2]	5,068	600	5,668	2,659	8,327
Revaluation losses on properties	(726)	(76)	(802)	(137)	(939)
Property additions					
Acquisitions	–	–	–	6	6
Capital expenditure	1	18	19	22	41
	1	18	19	28	47
Capitalised interest	–	2	2	–	2
Disposals	(41)	–	(41)	–	(41)
Reversal of impairment on reclassification from assets held for sale	24	(2)	22	–	22
Exchange	145	21	166	108	274
Value at 30 June 2020	4,471	563	5,034	2,658	7,692

[1] Includes investment in VIA Outlets reclassified to assets held for sale at 30 June 2020.

[2] Includes retail parks reclassified to assets held for sale at their impaired value at 31 December 2019.

Property additions

During the first half of 2020, property additions totalled £47 million. The table below shows the expenditure on a sector basis and also analyses the spend between the creation of additional area and creation of value through the enhancement of existing space.

Proportionally consolidated, including premium outlets	UK £m	France £m	Ireland £m	UK retail parks £m	Developments and UK other £m	Total (excl. premium outlets) £m	Premium outlets £m	Total Group £m
Acquisitions	–	–	–	–	–	–	6	6
Capital expenditure – creating area	–	3	3	–	15	21	4	25
Capital expenditure – no additional area	3	3	–	1	5	12	18	30
Tenant incentives	(7)	–	–	(7)	–	(14)	–	(14)
	(4)	6	3	(6)	20	19	28	47

Acquisition costs of £6 million during the period related to the Group subscribing to its pro rata stake in Value Retail's acquisition of additional land at Bicester.

Capital expenditure creating additional area of £25 million principally related to the two on-site extension projects in France at Les 3 Fontaines, Cergy and Italik, Paris and reconfiguration works at Pembroke Square, Dublin. Space accretive capital expenditure on the premium outlets totalled £4 million at on-site schemes at La Roca Village, Barcelona and Kildare Village, Dublin.

Capital expenditure where no additional area was created of £30 million included spend on the progression of development schemes at Croydon, the Goodsyard and Martineau Galleries totalling £2 million, with a further £10 million relating to asset management initiatives. Non-accretive capital expenditure on the premium outlets of £18 million primarily related to reconfiguration work at Zweibrücken, Vila do Conde, Porto and Oslo Fashion Outlets by VIA Outlets and Kildare Village by Value Retail. Tenant incentives includes a £9 million impairment against unamortised incentives as detailed on page 29 of the Financial review.

Disposals

On a cash basis, net disposal proceeds in the first half of the year totalled £54 million, comprising the sale of Abbey Retail Park in February 2020 for £33 million, SQY Ouest in May 2020 for £9 million and the retention of the exchange deposit in relation to the abortive sale of a portfolio of retail parks of £21 million, less £9 million of disposal costs.

Valuation change

The chart below analyses the sources of the valuation change for the Group's property portfolio, including premium outlets, during the first six months of 2020.

Components of valuation change (£m)

During the first half of 2020, the Group's portfolio suffered a total net revaluation deficit of £939 million. The above analysis incorporates revaluation movements on the retail parks portfolio from the 31 December 2019 formal valuation to 30 June 2020, totalling £70 million. This comprises £92 million recognised on the reclassification of the retail parks to assets held for sale at 31 December 2019, together with the subsequent reversal of £22 million of the loss recognised in 2020.

As detailed in note 1C, at 30 June 2020 the valuers, Cushman and Wakefield LLP (C&W), Jones Lang LaSalle (JLL) and CBRE Limited (CBRE), have reported the valuations subject to 'material valuation uncertainty', highlighting that less certainty, and a higher degree of caution, should be attached to the valuations than would ordinarily be the case. This does not mean that the valuations cannot be relied upon, but is intended to serve as a precaution in light of the current extraordinary circumstances.

The pandemic has served to accelerate the changes that were already emerging in the retail landscape, heightening uncertainty and further reducing occupational and investment demand. At 30 June 2020, the valuers, have incorporated a number of changes across all assets to reflect the impact of Covid-19, including a deduction for a minimum of three months of income relating to non-essential retail, an income deduction for vacancy and a widening of yields to reflect the presence of tenants deemed to present a greater risk of future failure.

UK flagship destinations suffered a revaluation deficit of £495 million, of which £229 million was attributable to outward yield shift which averaged 67 basis points across the portfolio. All centres suffered revaluation deficits in the period. The remaining £266 million was attributable to lower income.

The underlying value of the French portfolio fell by £124 million, largely due to yield expansion averaging 11 basis points across the portfolio and a 3.5% reduction in income.

In Ireland, a combination of outward yield movement averaging 28 basis points and a 5% ERV reduction, resulted in a valuation deficit of £88 million.

UK retail parks suffered a valuation deficit of £70 million, predominantly due to outward yield movement of £45 million. The largest deficits were at Elliott's Field, Rugby and Cyfarthfa Retail Park, Merthyr Tydfil, both of which were impacted by Debenhams' failure.

Valuations of the UK other portfolio declined by £18 million. The most significant deficits were at Centrale, Croydon and Bristol High Street properties, reflecting outward yield movements, partly offset by Martineau Galleries, Birmingham.

A £77 million deficit was recognised on the development portfolio, the key components being a reduction in the valuation of the development at Whitgift, Croydon and the on-site scheme at Les 3 Fontaines, Cergy, both due to outward yield movement reducing scheme profitability.

Premium outlets remained more resilient than other sectors, but also suffered a revaluation deficit totalling £137 million, predominantly due to lower sales growth.

Further valuation, returns and yield analysis is included in Tables 8 and 9 in the Additional disclosures on pages 85 and 86.

ERV growth

Like-for-like ERV growth

Proportionally consolidated, excluding premium outlets	UK %	France %	Ireland %	Flagship destinations %	UK retail parks %	Group investment portfolio %
30 June 2020	(6.7)	(3.7)	(3.4)	(5.4)	(4.0)	(5.5)
31 December 2019[1]	(8.6)	(1.9)	1.2	(5.5)	(6.7)	(5.9)
30 June 2019	(2.5)	(0.3)	(0.1)	(1.5)	(6.3)	(2.3)

[1] 31 December figures are for the full year

Like-for-like ERV at the Group's investment properties declined by 5.5% in the six months to 30 June 2020.

UK flagships suffered the most significant reduction in ERVs at 6.7%. This was largely due to weak occupational demand, retailers rightsizing units and an over-supply of retail space due to CVAs and administrations. This was further exacerbated by closures during the lockdown period. The biggest declines were at Victoria, Leeds, and Westquay, Southampton, the latter incorporating an F&B and leisure complex.

In France, there was a 3.7% reduction in ERVs. Rental values were reduced at all properties with the most significant movement at Les 3 Fontaines, Cergy.

In Ireland, ERVs fell by 3.4% following ERV growth in the previous year. In the absence of new letting evidence and with a perceived weakening of the occupier market, the valuers applied a 5% reduction to all retail units.

Like-for-like ERVs at the UK retail parks fell by 4.0%.

Property returns

Property returns analysis

Proportionally consolidated, including premium outlets [1]	UK %	France %	Ireland %	Flagship destinations %	UK retail parks %	Developments %	Premium outlets %	Group %
Income return	1.6	1.6	1.8	1.7	2.1	0.6	1.0	1.4
Capital return	(21.1)	(9.4)	(9.9)	(15.4)	(13.3)	(12.3)	(5.0)	(11.7)
Total return	(19.7)	(7.9)	(8.3)	(14.0)	(11.4)	(11.8)	(4.0)	(10.4)

[1] The UK other portfolio is not shown above and produced an income return of 2.0%, a capital return of -13.2% and a total return of -11.4%.

During the first half of 2020, the Group's property portfolio, including premium outlets, generated a total return of -10.4%. This comprised an income return of 1.4% and a capital return of -11.7%. The capital return is consistent with the underlying valuation performance explained in the "Valuation change" section on page 24 and an analysis of the capital and total returns by business segment is included in Table 8 in the Additional disclosures on page 85.

We compare the performance of our properties against industry indices, principally an annual benchmark based on MSCI IPD All Retail indices for the UK and a bespoke MSCI IPD Europe Index, weighted on a 50:50 basis. At the date of this announcement these indices are not available.

The UK MSCI quarterly All Retail indices at 30 June reported a total return for UK shopping centres of -15.8%, 390 basis points higher than the UK flagships return of -19.7%, and a total return for UK retail parks of -8.9%, against the Hammerson total return of -11.4%.

FINANCIAL REVIEW

Presentation of financial information

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

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

The key financial metrics for our premium outlets are: income growth; earnings contribution; property valuations and returns. However, for a number of the Group's Alternative Performance Measures (APMs), we aggregate the premium outlets for enhanced disclosure. These include like-for-like net rental income, property valuations and returns and certain credit metrics.

Within the Financial review, the Group financial statements and the Additional disclosures, properties which are wholly owned or where the Group's share is in a joint operation, are defined as being held by the 'Reported Group', whilst those in joint ventures and associates are defined as 'Share of Property interests'. Further explanation of the accounting treatments of the Group's different types of ownership is provided in the Glossary on pages 93 and 94.

Going concern

During the period, the Group has undertaken a detailed going concern assessment, reviewing the current and projected financial position of the Group, including current assets and liabilities, debt maturity profile, future commitments and forecast cash flows. The downside scenario, outlining the impact of a severe but plausible adverse case, results in a breach of the Group's covenants within 12 months of approval of the interim financial statements.

The key mitigating action relates to the proposed equity raise, by way of a rights issue, to raise proceeds of £551.7 million and the disposal of substantially all of the Group's 50% interest in VIA Outlets ('VIA') for net proceeds of £269.1 million. The Directors are of the view that the equity raise is fully committed and underwritten, taking into account the APG irrevocable agreement, the Lighthouse Capital irrevocable agreement and the underwriting agreements. These two interconnected transactions "the Proposed Transactions", are subject to joint shareholder approval on 1 September 2020 and, if successfully completed, the Proposed Transactions will significantly strengthen the Group's financial position.

The VIA disposal contains a number of other conditions including obtaining merger control approvals in Germany, Spain and Portugal. Whilst the Directors are confident that these other conditions will be satisfied, for going concern purposes, the proceeds from the equity raise alone are sufficient to avoid the forecast covenant breaches in the severe but plausible adverse case for 12 months from the date of approval of these financial statements. This means that it is the outcome of the shareholder vote, and the successful completion of the equity raise that represents the material uncertainty within the Group's going concern basis of preparation.

The Directors do not expect the assumptions in the severe but plausible adverse case to materialise. Nonetheless, there is a material uncertainty in respect of the outcome of the shareholder vote on the Proposed Transactions and the successful completion of the equity raise. If the shareholders do not vote in favour of the Proposed Transactions or the equity raise does not successfully complete, the trading conditions envisaged in the severe but plausible adverse case eventuate and the Group is unable to take alternative mitigating actions such as those set out above, the Group will breach debt covenants at 30 June 2021. These conditions indicate a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern. This material uncertainty is referenced in the external auditors' Independent Review Report on page 42.

Notwithstanding the material uncertainty explained above, taking account of all the factors explained in this statement, the Directors have formed the judgement that it is appropriate to prepare the interim financial statements on the going concern basis

Presentation of UK retail parks

At 31 December 2019, the UK retail parks portfolio was being actively marketed with an expectation of transacting within 12 months of the balance sheet date. Consequently, this met the IFRS 5 criteria of 'held for sale' and the retail parks portfolio, together with associated assets and liabilities, were separately classified as assets and liabilities held for sale in the balance sheet and in February 2020, we announced a sale to Orion. As this constituted substantially the remainder of the segment, the results for 2018 and 2019 were reclassified as discontinued operations within the 2019 Annual Report.

In April 2020, Orion notified the Group that it no longer intended to complete on the portfolio sale of seven retail parks, despite unconditional contracts having been exchanged. Hammerson subsequently terminated the sale agreement in May 2020 and retained the £21 million deposit. Management has concluded that whilst the Group remains committed to the plan to dispose of the retail parks portfolio, this no longer meets the criteria of 'held for sale' as defined by IFRS 5 as the sale is no longer deemed to be highly probable. Consequently, the UK retail parks portfolio has been reclassified from assets held for sale in May 2020. The formal valuation at 30 June 2020 was used as a materially reasonable approximation of the value upon reclassification in May 2020. At 30 June 2020, results for the comparative periods have been re-presented to disclose the retail parks as part of continuing operations, whilst balance sheet comparatives at 31 December 2019 remain unchanged.

Presentation of the Group's investment in VIA Outlets (VIA)

In June 2020, the Group entered into negotiations for the sale of substantially all of its investment in VIA Outlets. At 30 June 2020, management completed their assessment and concluded that the proportion of investment in VIA Outlets identified for disposal met the IFRS 5 criteria for 'held for sale' at the balance sheet date as the investment was being actively marketed at a reasonable price with an expectation of transacting within a year. This was further evidenced by the exchange of contracts for the sale of substantially all of the investment in VIA Outlets, subject to a retention of a 7.3% stake in VIA Outlets Zweibrücken B.V. on 6 August 2020. Whilst completion is conditional on achieving shareholder approval, competition clearance and management remain confident that completion is highly probable within the 12-month period as prescribed under IFRS 5. Consequently, the proportion of the investment in joint venture to be sold was reclassified to assets held for sale at 30 June 2020 at its carrying value of £370.7 million and re-measured at the lower of the carrying amount and fair value less costs of disposal, in accordance with IFRS 5. The fair value is based upon the latest offer price. This re-measurement has resulted in a £101.6 million impairment loss being recognised in the period.

The residual investment in VIA Outlets Zweibrücken B.V., which is to be retained for the foreseeable future, continues to be held within investment in joint ventures as at 30 June 2020 although will be reclassified to fixed asset investments when the sale completes as the Group will no longer exercise joint control or significant influence over this investment. The carrying value of £15.3 million is based upon the Group's retained 7.3% share of the underlying net assets VIA Outlets Zweibrücken B.V.

Rights issue

On 6 August 2020, the Company announced its proposals for a rights issue to raise gross proceeds of £551.7 million. This transaction is subject to shareholder vote on 1 September and if successful, will significantly strengthen the Company's financial position, and ensure sufficient liquidity headroom and flexibility to advance its longer term strategy.

Alternative Performance Measures (APMs)

The Group uses a number of APMs, being financial measures not specified under IFRS, to monitor the performance of the business. Many of these measures are based on the EPRA Best Practice Recommendations (BPR) reporting framework which aims to improve the transparency, comparability and relevance of the published results of listed European real estate companies. Details on the EPRA BPR can be found on their website www.epra.com and the Group's key EPRA metrics are shown in Table 1 within the Additional disclosures section on page 81.

As explained in note 1A, the heightened risk environment has resulted in the Group revising its approach to determining the Expected Credit Loss (ECL) at 30 June 2020, and applied this to both trade receivables and unamortised tenant incentives. As a result of the current environment, two additional sources of impairment loss have been recognised within the Consolidated income statement for the six months ended 30 June 2020 – a provision for the impairment of unamortised tenant incentives and a provision for amounts not yet recognised in the income statement. Management have considered their impact on APMs and elected to exclude these from the like-for-like Net Rental Income (NRI) and cost ratio calculations as they are not deemed to be property outgoings. The provision for amounts not yet recognised in the income statement has also been excluded from the Group's adjusted profit metric as management believe this distorts earnings by reflecting the income and corresponding cost in different periods.

At 30 June 2020, the Group has adopted the new EPRA NAV metrics; Net Reinvestment Value (NRV), Net Tangible Assets (NTA) and Net Disposal Value (NDV). Full reconciliations from the previously applied metrics have been provided in note 8D to the financial statements. EPRA NTA is regarded as the most relevant metric for the business.

For other APMs, the Financial review and Additional disclosures sections contain supporting information, including reconciliations to the IFRS financial statements. Definitions for the Group's key APMs are also included in the Glossary.

INCOME STATEMENT

Loss for the period

The Group's IFRS loss for the period, attributable to equity shareholders, was £1,088.4 million, compared with a loss of £319.8 million in the prior period. The most significant variances were the net revaluation losses on the Group's property portfolio of £939.6 million in the first half of 2020, an increase of £516.2 million on the comparative period net deficit, impairment of investments in joint ventures and associates totalling £103.9 million as detailed on page 55, and the £101.6 million impairment on reclassification of VIA Outlets to assets held for sale as detailed on page 27.

Management principally reviews the Group's results on an adjusted basis to monitor underlying earnings as it excludes capital and non-recurring items such as revaluation movements, gains or losses on the disposal of properties and other one-off exceptional items. This approach is consistent with other property companies and we follow EPRA guidance to calculate adjusted figures. Any additional Company specific adjustments are detailed in note 8B to the financial statements. A reconciliation of IFRS loss to adjusted profit for the period is shown in the table below.

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

Proportionally consolidated, including premium outlets	Six months ended 30 June 2020 £m	Six months ended 30 June 2019 £m
IFRS loss for the period attributable to equity shareholders	(1,088.4)	(319.8)
Adjustments:		
Revaluation losses on property portfolio[1]	802.4	534.0
Revaluation losses/(gains) on premium outlets property portfolio	137.2	(110.6)
Reversal of impairment loss on reclassification of UK retail parks from assets held for sale	(22.4)	–
Impairment on reclassification of VIA Outlets to assets held for sale	101.6	–
Impairment of investments in joint ventures and associates	103.9	–
(Profit)/Loss on the sale of properties	(16.0)	2.1
Change in fair value of derivatives[1]	(4.1)	10.2
Deferred tax on premium outlets	(18.2)	(4.2)
Other adjustments	21.7	(4.3)
Adjusted profit for the period (note 8B)	17.7	107.4
Adjusted EPS, pence	2.3	14.0

[1] Proportionally consolidated, excluding premium outlets

The Group's income statement under IFRS, analysed between underlying "Adjusted" and "Capital and other", is shown in note 2 to the financial statements on pages 58 to 61 and further details of the EPRA adjustments are provided in note 8B on page 65 to the financial statements.

Adjusted profit

The Group's adjusted profit for the period in 2020 was £17.7 million, £89.7 million lower than in the first half of 2019. The table below bridges adjusted profit and adjusted EPS between the two periods and the movements are shown at constant exchange rates. Explanations of other movements are provided later in this Financial review.

Reconciliation of adjusted profit for the period

Movements at constant exchange rates

Including premium outlets	Adjusted profit for the period £m	Adjusted EPS pence
Adjusted profit – six months ended 30 June 2019	107.4	14.0
Decrease in net rental income[1]	(62.1)	(8.1)
Decrease in net administration expenses	0.9	0.1
Decrease in premium outlets earnings	(25.5)	(3.3)
Increase in net finance costs	(2.8)	(0.4)
Foreign exchange and other	(0.2)	–
Adjusted profit – six months ended 30 June 2020	17.7	2.3

[1] Net of £7.1 million (30 June 2019: £nil) adjustment relating to provision against amounts not yet recognised in the income statement. This has been excluded from adjusted profit as management believe this distorts earnings by reflecting the income and corresponding cost in different periods.

Net rental income

Analysis of net rental income

Proportionally consolidated, excluding premium outlets	Six months ended 30 June 2020 £m	Six months ended 30 June 2019 £m	Change £m
Like-for-like investment properties	90.2	123.7	(33.5)
Disposals	0.1	15.2	(15.1)
Developments and other	13.0	17.6	(4.6)
Impairment of lease incentives	(8.9)	–	(8.9)
Impairment provision relating to items not yet recognised in the income statement	(7.1)	–	(7.1)
Foreign exchange	–	0.1	(0.1)
Net rental income	87.3	156.6	(69.3)

In the first six months of 2020, net rental income, decreased by £69.3 million, or 44%, to £87.3 million. At constant exchange rates the decrease was £69.2 million.

Like-for-like net rental income fell by £33.5 million, or 27% compared with the six months ended June 2019. The most significant factors were the impact of tenant failures, significantly higher levels of arrears provisioning as detailed on pages 55 and 56, and a reduction in car park and turnover income as a result of the closure of properties during lockdown. These were partially offset by a reduction in operational costs during the closure period.

£20.2 million of the total like-for-like decline related to the UK flagship destinations, with a further £6.3 million from France, £3.1 million from Ireland and £3.9 million in relation to UK retail parks. Proportionally consolidating the premium outlets net rental income decline of 51% would result in a Group like-for-like decline of 35%.

Like-for-like NRI performance by sector is further explained in the Operating review on pages 9 to 21.

Disposals during 2019 and 2020 reduced net rental income for the period by £15.1 million. The sale of four retail parks in 2019 and Abbey Retail Park in February 2020 contributed to £6.9 million of the decline. £7.6 million related to the sale of 75% of Italie Deux, Paris in December 2019, with a further £0.6 million reduction as a result of the sale of SQY Ouest in May 2020.

Development and other factors reduced net rental income by £4.6 million, principally due to lower car park income at Whitgift, Croydon and Leeds during the closure period.

A charge of £8.9 million related to the impairment of unamortised tenant incentives. At 30 June 2020, tenant incentives, which are included within investment properties, have been adjusted for an impairment provision, reflecting the heightened risk of tenants vacating units earlier than anticipated. This represented 14% of the total tenant incentive balance of £65 million at 30 June 2020.

The Group recognised an impairment provision of £7.1 million against lease receivables during the first half of 2020 for which the corresponding income relates to the period from 1 July 2020 onwards. This has been excluded from adjusted profit as it results in a mismatch between the recognition of the provision in the current period and the recognition of the corresponding income in a future period.

Further analysis of net rental income is provided in Tables 2 and 5 of the Additional disclosures on pages 82 and 83.

Administration expenses

Administration expense analysis

Proportionally consolidated, excluding premium outlets	Six months ended 30 June 2020 £m	Six months ended 30 June 2019 £m
Employee costs – excluding variable costs	19.3	20.3
Variable employee costs	3.4	4.7
Other corporate costs	10.5	10.1
Property fee income	(7.7)	(7.9)
Employee and corporate costs	25.5	27.2
Management fees receivable	(4.2)	(5.0)
Net administration expenses	21.3	22.2

Net administration expenses of £21.3 million for the six months ended 30 June 2020 reflected a £0.9 million reduction against the prior period, or £0.8 million at constant exchange rates.

In the six months ended 30 June 2020, the Group recovered £0.5 million of staff costs by adopting the furlough scheme in the UK and a similar partial unemployment scheme in France.

Other corporate costs were £0.4 million higher than the comparative period. Additional investment in technology and innovation was partially offset by lower travel expenses as a result of Covid-19.

Cost ratio

The cost ratio for the six months ended 30 June 2020 was 41.3%, compared with 23.7% for the first half of 2019. The increase is principally due to the property costs element of the ratio, which has increased from 11.1% to 26.0%. The key components of the movement are an increase in provisioning against trade receivables due to lower collection rates and heightened risk of tenant failure, and further disposals of retails parks in 2019 and 2020, which have a lower cost base. The administration expense element of the ratio has increased by 270 basis points to 15.3% in spite of administration cost savings, due to the lower income denominator.

The calculation of the cost ratio is included as Table 7 of the Additional disclosures on page 84.

Profit on sale of properties

During the first half of 2020, the Group raised net proceeds of £54 million from disposals, relating to the sales of Abbey Retail Park, SQY Ouest, and the deposit relating to the abortive sale of a portfolio of retail parks as detailed on page 53. These disposals resulted in a profit of £16.0 million being recognised in the period, primarily due to retention of the retail parks deposit.

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

The Group has interests in 16 joint ventures and three associates. Following the disposal of 75% of Italie Deux, Paris in December 2019, the remaining 25% investment is held as an associate, together with Value Retail (VR) and Nicetoile.

During the period, management has concluded that the impact of Covid-19 was an indicator of potential impairment and accordingly, an impairment review of non-financial assets was undertaken. As a result, impairments were recognised in relation to the Group’s investments in VR and VIA Outlets of £94.3 million and £9.6 million respectively, equivalent to the goodwill previously reported.

At 30 June 2020, the Group reclassified £370.7 million of its investment in VIA Outlets to assets held for sale and subsequently impaired the asset to its fair value less costs of disposal in accordance with IFRS 5. The resultant £101.6 million impairment charge has been recognised within the Reported Group. The remaining £15.3 million investment in VIA, on which APG have a call option at NAV, is to be retained for the foreseeable future and continues to be recognised within investment in joint ventures at 30 June 2020, although it will be reclassified to fixed asset investments on completion.

Further details of the Group’s joint ventures and associates are provided in notes 10 and 11 to the financial statements respectively.

As explained at the beginning of the Financial review on page 26, for management reporting purposes we review the Group’s property portfolio on a proportionally consolidated basis, to reflect the Group’s different ownership shares. We do not proportionally consolidate the Group's investments in VR and VIA. These are externally managed by experienced outlet operators, independently financed and have operating metrics which differ from the Group’s other properties. Due to the differing nature of the Group’s control, VIA is accounted for as a joint venture and VR as an associate.

The table below shows the contribution to the Group’s adjusted profit from joint ventures and associates, split between the proportionally consolidated properties and the investments in premium outlets.

Contribution to adjusted profit

	Six months ended 30 June 2020			Six months ended 30 June 2019		
	Joint ventures (incl. VIA) £m	Associates (incl. VR) £m	Total £m	Joint ventures (incl. VIA) £m	Associates (incl. VR) £m	Total £m
Share of results – IFRS	(500.2)	(127.7)	(627.9)	(188.4)	121.1	(67.3)
Revaluation losses/(gains) on properties	548.1	116.9	665.0	256.0	(95.3)	160.7
Other adjustments	(1.7)	0.4	(1.3)	9.5	(14.0)	(4.5)
Total adjustments	546.4	117.3	663.7	265.5	(109.3)	156.2
Adjusted earnings contribution	46.2	(10.4)	35.8	77.1	11.8	88.9
Analysed as:						
Share of Property interests	40.6	2.6	43.2	70.4	0.7	71.1
Premium outlets	5.6	(13.0)	(7.4)	6.7	11.1	17.8

During the six months ended 30 June 2020, adjusted earnings from the Share of Property interests reduced by £27.9 million to £43.2 million. This was almost entirely due to a fall in NRI across all properties as a direct consequence of the Covid-19 pandemic. The key contributors were increased levels of provisioning and a reduction in net car park income of £5.0 million. As detailed within note 1C, the level of arrears at the balance sheet date, coupled with increased uncertainty and heightened risk of default, has resulted in the Group recognising a total bad debt charge of £9.1 million within Share of property interests. A further cost of £3.6 million was recognised in relation to the impairment of lease incentives, which are included within investment properties, reflecting the risk of tenants vacating units earlier than anticipated under the current smoothing and amortisation timeline.

On an adjusted basis, premium outlets reported a loss of £7.4 million, which was £25.2 million lower than the profit of £17.8 million reported in the first half of 2019, or £25.5 million lower at constant exchange rates. This was principally due to the reduction in earnings at VR of £24.1 million, where rent abatements granted to tenants during the Covid-19 closure period reduced rental income by £32.1 million. Due to the differing lease structure, rental abatements granted by VR have been recognised in the period to which they relate and not treated as a lease modification. The decline in GRI was partially offset by associated operational and administrative cost savings of £9.5 million.

The Group’s share of VIA earnings decreased by £1.1 million. The impact of rent abatements and increased provisioning against trade receivables was reduced by cost savings and a corporation tax rebate.

The operating performance of our investments in premium outlets is described in the Operating review on pages 15 to 17 and the combined profit contribution is shown in Table 13 of the Additional disclosures on page 88.

Finance costs

Net finance costs, calculated on a proportionally consolidated basis, totalled £43.3 million in 2020, compared with £54.4 million in the first half of 2019. £36.3 million related to the Reported Group and £7.0 million to the Share of Property interests as shown in note 2 to the financial statements.

Adjusted finance costs, which excludes items such as the change in fair value of derivatives and debt cancellation costs, totalled £47.4 million in 2020, an increase of £3.2 million, or £2.8 million at constant exchange rates compared with 2019. The supporting calculation is provided in Table 16 of the Additional disclosures on page 90.

The increase in interest costs in the first half of 2020 was predominantly due to a £5.1 million reduction in interest received on derivatives, following a reduction in the level of foreign exchange hedging in 2020, partially offset by £2.9 million interest savings on the Group's revolving credit facilities, due to lower utilisations and favourable underlying rate variances.

Tax and Dividends

Hammerson's tax charge remains low at £0.6 million in 2020, consistent with the prior period, as the Group benefits from being a UK REIT and a French SIIC. These tax regimes exempt the Group's property income and gains from corporate taxes subject to its activities meeting certain conditions including, but not limited to, distributing at least 90% of the Group's UK tax exempt profit as property income distributions. Following the cancellation of the 2019 final dividend, the Company has an outstanding PID obligation of approximately £70 million which, subject to the approval of the rights issue and the disposal of substantially all of the investment in VIA Outlets, it intends to settle by 31 December 2020 through a scrip dividend in H2 2020 to maintain its REIT status.

The residual businesses in both the UK and France are subject to corporate taxes as normal. The Irish assets are held in a QIAIF which provides similar tax benefits to those of a UK REIT, but subjects distributions from Ireland to the UK to a 20% withholding tax.

At the 2019 results announcement, the Company declared a final dividend of 14.8 pence per share, and provided guidance that the 2020 full year dividend would be 14.0 pence per share, a 46% reduction from 2019. In March 2020, the Company withdrew the 2019 final dividend as one of a number of measures being taken to preserve cash and liquidity. The Directors are not proposing a 2020 interim dividend payment.

NET ASSETS

During the first six months of 2020, equity shareholders' funds decreased by £1,009 million, or 23.1%, to £3,368 million at 30 June 2020. Net assets, calculated on an EPRA Net Tangible Assets (NTA) basis, were £3,511 million and on a per share basis reduced by 124 pence from the EPRA metric at 31 December 2019 to £4.58. The movement during the period is shown in the table below.

Movement in net assets

Proportionally consolidated, including premium outlets	Equity shareholders' funds £m	Adjustments[1] £m	EPRA net assets £m	EPRA NAV/NTA £ per share
31 December 2019 – EPRA NAV	4,377	222	4,599	6.01
Adjustment to new metrics[2]	–	(146)	(146)	(0.19)
31 December 2019 - EPRA NTA	4,377	76	4,453	5.82
Property revaluation				
Proportionally consolidated properties	(802)	–	(802)	(1.05)
Premium outlets properties	(137)	–	(137)	(0.18)
	(939)	–	(939)	(1.23)
Impairment on reclassification to assets held for sale	(102)	–	(102)	(0.13)
Impairment on reclassification from assets held for sale	22	–	22	0.03
Impairment of investment in joint ventures and associates	(104)	71	(33)	(0.04)
Adjusted profit for the period	18	–	18	0.02
Profit on sale of properties	16	–	16	0.02
Change in deferred tax	2	(2)	–	–
Foreign exchange and other movements	78	(2)	76	0.09
30 June 2020 – EPRA NTA	**3,368**	**143**	**3,511**	**4.58**

[1] Adjustments in accordance with EPRA best practice as shown in note 8D to the financial statements on pages 67 to 69.

[2] Following the changes to EPRA NAV metrics as outlined in note 8D on page 67, the EPRA NAV at 31 December 2019 has been re-presented as EPRA NTA for comparison purposes.

Investment and development properties

Detail of the Group's investment and development properties, including premium outlets, is provided in the Property portfolio review on pages 23 to 25.

Investment in joint ventures and associates, including premium outlets and joint ventures reclassified to assets held for sale

Details of the Group's joint ventures and associates are shown in notes 10 and 11 to the financial statements respectively. As outlined on page 53, substantially all of the investment in VIA Outlets was reclassified to assets held for sale at 30 June 2020. For comparison purposes, the investment has been included in the table below under 'Joint ventures held for sale'. Further details are shown in note 13. The table shows the Group's investment in joint ventures, associates and joint ventures held for sale at both dates on IFRS and Adjusted bases, split between the proportionally consolidated Share of Property interests and premium outlets.

Adjusted investment

	30 June 2020				31 December 2019		
	Joint ventures (incl. VIA) £m	Associates (incl. VR) £m	Joint ventures held for sale (VIA) £m	Total £m	Joint ventures (incl. VIA) £m	Associates (incl. VR) £m	Total £m
IFRS investment in joint ventures/associates	2,223	1,331	269	3,823	3,017	1,505	4,522
Adjustments (see notes 10D/11D/13B)	8	119	35	162	70	150	220
Adjusted investment [1]	2,231	1,450	304	3,985	3,087	1,655	4,742
Analysed as:							
Share of Property interests	2,214	152	–	2,366	2,642	149	2,791
Premium outlets	17	1,298	304	1,619	445	1,506	1,951

[1] The adjusted investment at 31 December 2019 has been prepared in accordance with the EPRA NAV metric. EPRA NTA has been adopted as at 30 June 2020.

In the six months ended 30 June 2020, the total adjusted investment in the Group's Share of Property interests reduced by £425 million, driven by revaluation losses of £528 million, partially offset by adjusted earnings of £43 million and foreign exchange movements of £45 million.

The Group's total adjusted investment in premium outlets reduced by £332 million during the period. The most significant movements were revaluation losses of £137 million, impairment losses of £104 million (net impact of £33 million as £71 million had historically been deducted from the IFRS investment amount in relation to goodwill relating to deferred tax), an impairment loss on reclassification to asset held for sale of £102 million and adjusted losses of £7 million. The adoption of EPRA NTA at 30 June 2020 as the primary adjusted NAV metric as detailed in note 8D reduced the adjusted investment in premium outlets by a further £134 million as the new metric retains 50% of the deferred tax liabilities, whilst the previous NAV measure included a full exclusion of deferred tax liabilities. Foreign exchange movements in the period increased the adjusted investment value by £69 million.

Analysis of the Group's combined net investment in premium outlets is shown in Table 14 in the Additional disclosures on page 88.

Trade receivables

As detailed in note 1A, the Group has applied the simplified approach under IFRS 9 and adopted a provisioning matrix to determine the Expected Credit Loss (ECL), grouping receivables dependent on the risk level, taking into account historic default rates, future expectations, credit ratings and the anticipated impact of Covid-19, and applying an appropriate provision percentage after taking account of rent deposits and personal or corporate guarantees held. Where information is available to suggest that a higher level of provisioning is required, provision is made against 100% of the trade receivable.

Trade receivables at 30 June 2020, on a proportionally consolidated basis, totalled £164 million, compared to £61 million at 31 December 2019. The closure of the vast majority of non-essential retail across all regions as a result of the global pandemic, coupled with government restrictions on landlords' ability to enforce collection has resulted in a significant decline in collection rates and consequently, an increase in the level of trade receivables.

On a proportionally consolidated basis, after taking account of tenant deposits, guarantees and VAT, a total provision of £45 million was recognised at 30 June 2020, compared to £17 million at 31 December 2019, equivalent to a 27% provision against gross receivables.

The table below analyses the total provision by region against the respective trade receivable balances, and splits the provision between amounts recognised before 30 June 2020 and those for which the corresponding credit to the income statement has been deferred.

Proportionally consolidated, including premium outlets	30 June 2020				31 December 2019	
	Trade receivables £m	Provision for amounts recognised in the income statement £m	Provision for amounts not yet recognised in the income statement £m	Total provision £m	Trade receivables £m	Total provision £m
UK	89	16	7	23	22	7
France	63	19	–	19	36	10
Ireland	12	3	–	3	3	–
Property portfolio	164	38	7	45	61	17
Less Share of Property interests	(73)	(16)	(5)	(21)	(19)	(7)
Reported Group	91	22	2	24	42	10

Assets held for sale

Retail parks

At 31 December 2019, the Group's retail parks portfolio met the IFRS 5 criteria for reclassification to 'held for sale' as these were being actively marketed at a reasonable price with completion highly probable. Consequently, all assets and liabilities associated with the retail parks were reclassified to assets held for sale at 31 December 2019. On transfer to 'held for sale', the property portfolio was re-measured at the lower of the carrying amount and fair value less costs to sell, in accordance with IFRS 5, resulting in a £92 million impairment loss being recognised in 2019. As this formed substantially the remainder of the UK retail parks segment, the criteria for reclassification to discontinued operations were also met.

In April 2020, Orion notified the Group that it no longer intended to complete on the portfolio sale of seven retail parks, despite unconditional contracts having been exchanged. Hammerson subsequently terminated the sale agreement in May 2020, retaining the £21 million deposit, which has been recognised, net of costs, within 'profit on sale of properties' in the period.

In May 2020, management concluded that whilst the Group remains committed to the plan to dispose of the retail parks portfolio, this no longer meets the criteria of 'held for sale' as defined by IFRS 5 as the properties were not being actively marketed and it was not anticipated that completion would be reached within the prescribed 12 month period. Therefore the UK retail parks portfolio has been reclassified from assets held for sale in May 2020, and £22 million of the aforementioned £92 million impairment has been reversed, reflecting the reversal of the portfolio discount applied at 31 December 2019, resulting in a net revaluation deficit from the formal valuation at 31 December 2019 of £70 million. The formal valuation at 30 June 2020 was used as a materially reasonable approximation of the value upon reclassification in May 2020. Results for the comparative periods have been re-presented to disclose the retail parks as part of continuing operations, whilst balance sheet comparatives at 31 December 2019 remain unchanged.

Investment in VIA Outlets

In June 2020, the Group entered into negotiations for the sale of substantially all of its investment in VIA Outlets. At 30 June 2020, management completed its assessment and concluded that this proportion of the investment in VIA Outlets met the IFRS 5 criteria for 'held for sale' at the balance sheet date as the investment was being actively marketed at a reasonable price with completion within 12 months highly probable. Consequently, the investment, which had a carrying value of £370.7 million, was reclassified to assets held for sale at 30 June 2020 and re-measured at the lower of carrying amount and fair value less costs of disposal, in accordance with IFRS 5. This re-measurement has resulted in a £101.6 million impairment loss being recognised in the year.

The investment in VIA Outlets has not been treated as discontinued operations in either the current or prior periods as this forms only part of the wider premium outlets segment of the business.

The residual investment in VIA Outlets, which is to be retained for the foreseeable future continues to be held within investment in joint ventures as at 30 June 2020 although will be reclassified to fixed asset investments when the sale completes, as the Group will no longer exercise joint control or significant influence over this investment. The carrying value of £15.3 million is based upon the Group's retained 7.3% share of the underlying net assets of Via Outlets Zweibrücken B.V.

Post balance sheet events

On 6 August 2020, the Company announced its proposal for a rights issue, raising gross proceeds of £551.7 million, subject to shareholder approval on 1 September 2020. The Rights issue is fully committed and underwritten, taking into account the APG irrevocable, the Lighthouse irrevocable and the underwriting agreement. The Company has received irrevocable undertakings from its two largest shareholders, APG and Lighthouse Capital, to vote in favour of the rights issue and to take up their rights.

Each of the Directors who is a shareholder, has irrevocably undertaken to take up in full their rights to subscribe for new shares under the rights issue and/or sell a sufficient number of their nil paid rights during the nil paid dealing period to meet the costs of taking up the balance of their entitlement to new shares.

On 6 August 2020, the Company also announced the disposal of substantially all of its 50% interest in VIA Outlets for net proceeds of £269.1 million. This is subject to retention of a 7.3% stake in VIA Outlets Zweibrücken B.V. to mitigate the risk of triggering a German real estate transfer tax otherwise payable on disposal. As detailed in note 1B, this investment was reclassified to assets held for sale at 30 June 2020 and impaired to its fair value, based on the offer price of €301 million (£274 million) less €5 million (£5 million) of costs.

The Directors are confident that APG will receive the necessary regulatory approvals for the disposal and expect the sale to complete by the end of 2020.

These transactions will significantly strengthen the Company's financial position, providing liquidity, headroom and flexibility to advance its longer term strategy.

As is customary, the Company has maintained Director and Officer (D&O) liability insurance over an extended number of years. The capacity available in the market has shrunk materially over the last year, and many companies have faced challenges in renewing their D&O on the same terms even at substantially increased premiums. Hammerson has secured a one month extension of this insurance to 31 August, and intends to resume conversations with insurers on its annual cover following this announcement when there is greater public disclosure about the shape of the Group's future financial position

On 5 August 2020, the Company undertook that it would set up a trust for the benefit of the existing Directors and into which it will pay £21.4 million on or before 28 August 2020, unless prior to that date the Company is able to procure insurance that the existing Directors consider satisfactory such that the Trust is not required. Further details are provided on page 7.

On 18 June 2020, the Group received approval under HM Treasury and the Bank of England's CCFF with a limit of £300 million. The Group issued £75 million under the scheme on 6 July. The facility carries no covenants, a margin of 40 basis points and matures within a year.

FINANCING AND CASHFLOW

Financing strategy

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

Derivative financial instruments are used to manage exposure to fluctuations in foreign currency exchange rates and interest rates, but are not employed for speculative purposes.

The Board regularly reviews the Group's financing strategy and approves financing guidelines against which it monitors the Group's financial structure. These guidelines, together with the relevant metrics, are summarised in the table below. Valuation falls during the period, exacerbated by Covid-19, have resulted in the credit metrics being in excess of the Group's internal guidelines. The proposed rights issue and sale of VIA Outlets will strengthen the Group's balance sheet and bring these metrics back within the Group's guidelines.

Key financing metrics

Proportionally consolidated, excluding premium outlets

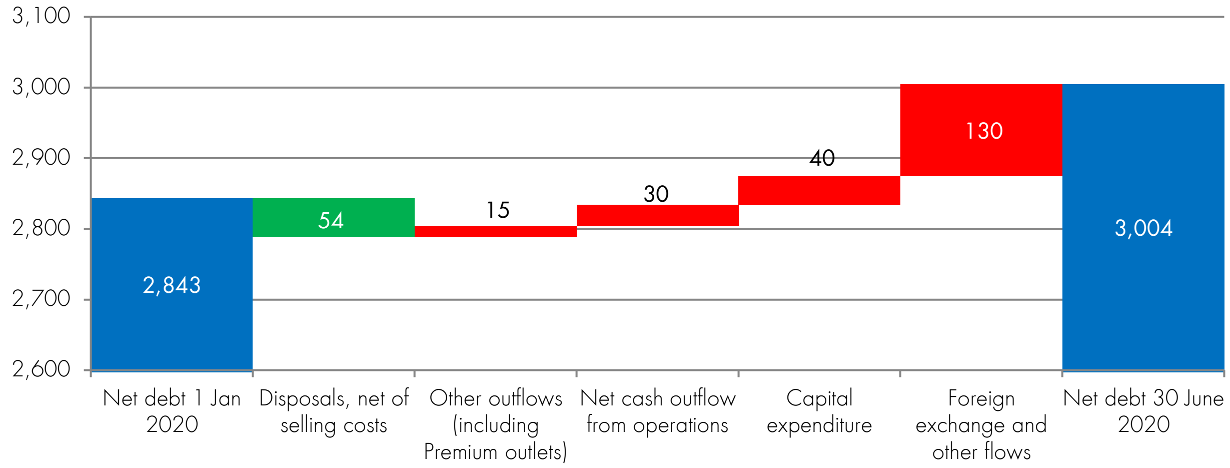
	Guideline[1]	30 June 2020	31 December 2019
Net debt (£m)[2]		3,004	2,843
Gearing (%)[3]	Maximum 85%	98	71
Loan to value (%)[4] – headline	No more than 40%	46	38
Loan to value (%)[4] – fully proportionally consolidated	No more than 45%	51	45
Unencumbered asset ratio[5] (times)	At least 1.75 times	1.5	1.9
Secured borrowings/equity shareholders' funds (%)		21	15
Liquidity (£m)		1,166	1,210
Weighted average interest rate (%)		3.0	2.6
Weighted average maturity of debt (years)		3.9	4.7
Interest cover (times)	At least 2.0 times	2.1	3.5
Net debt:EBITDA (times)[6]	Less than 10.0 times	12.2	8.9
FX hedging (%)	70-90%	80	73
Debt fixed (%)	At least 50%	83	86

1. Guidelines should not be exceeded for an extended period of time.
2. See Table 17 in the Additional disclosures.
3. See Table 21 in the Additional disclosures.
4. See Table 20 in the Additional disclosures for supporting calculation and treatment of premium outlets.
5. See Table 22 in the Additional disclosures for supporting calculation.
6. See Table 19 in the Additional disclosures for supporting calculation.

Net debt position

Movement in proportionally consolidated net debt (£m)

Proportionally consolidated, excluding premium outlets



On a proportionally consolidated basis, net debt increased by £161 million to £3,004 million at 30 June 2020. This comprised loans of £3,461 million and the fair value of currency swaps of £32 million, less cash and deposits of £489 million.

The Group's weighted average interest rate was 3.0% for the six months to June 2020, 40 basis points higher than the 2.6% average rate for the whole of 2019.

The Group's liquidity at 30 June 2020, comprising cash and undrawn committed facilities, was £1,166 million, £44 million lower than at the beginning of the year. The Group's weighted average maturity of debt reduced to 3.9 years (2019: 4.7 years).

The Group drew £300 million in June under its total £1.2 billion Revolving Credit Facilities to provide further cash reserves. This is in addition to the £100 million drawing announced on 25 March 2020.

In addition, the Group applied to HM Treasury and the Bank of England's CCFF and on 18 June received approval with a limit of £300 million. The Group issued £75 million under the scheme on 6 July. Issuance under this scheme would increase liquidity to £1.5bn. The facility carries no covenants, a margin of 40 basis points and matures within a year.

On a pro forma basis, based on the balance sheet as at 30 June 2020 and incorporating the sale of VIA and the rights issue, net debt reduces by a quarter to £2.2 billion.

Leverage

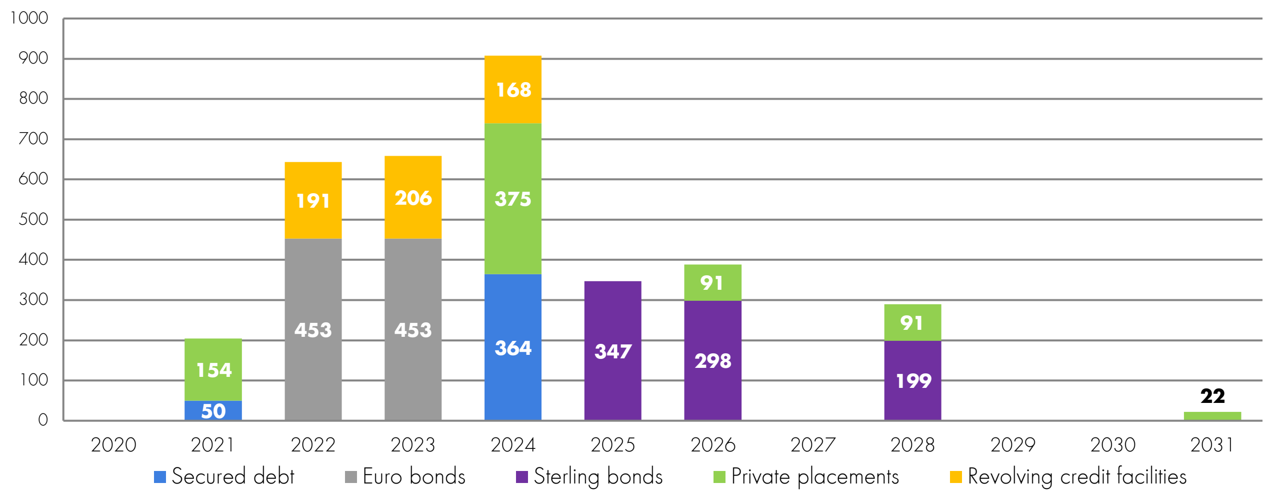
At 30 June 2020, the Group's headline loan to value ratio was 46% (2019: 38%) and gearing was 98% (2019: 71%). Supporting calculations are in Tables 20 and 21 respectively in Additional disclosures on page 91.

At 30 June 2020, the Group's share of net debt in VR and VIA totalled £956 million (31 December 2019: £897 million). Proportionally consolidating this net debt with the Group's share of net debt and including property values held by VR and VIA, the loan to value would be 51% (31 December 2019: 45%).

On a pro forma basis, based on the balance sheet at 30 June 2020, and incorporating the sale of VIA and the rights issue, the Group's loan to value ratio on a headline basis would be 36% and on a fully proportionally consolidated basis, 42%.

Debt maturity profile at 30 June 2020 (£m)

Proportionally consolidated, excluding premium outlets



Unsecured borrowings and covenants

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

Bonds: Gearing and secured borrowings

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

Bank facilities: Gearing, secured borrowings and interest cover

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

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

- Gearing should not exceed 150%, secured borrowings should not exceed 50% of equity shareholders' funds, unencumbered assets should not be less than 125% of net unsecured borrowings (subject to the amendments described below) and interest cover should be not less than 1.25 times

At 30 June 2020, the Group's financial ratios were fully compliant with these covenants.

In response to pressures exacerbated by Covid-19, on 30 June 2020, the Group agreed an amendment to the covenants on its existing private placement notes, which increases the headroom available on the unencumbered asset ratio covenant until 31 December 2021. The covenant states that unencumbered assets should not be less than 150% of net unsecured borrowing. As at 30 June 2020 the ratio stood at 154%. The amendment relaxes this covenant to 125% for the test period ending on 30 June 2020 and the next two test periods (December 2020 and June 2021) and 140% at a new test date of 31 October 2021. The amendment period expires on 31 December 2021 unless terminated early by the Company. Conditions of the amendment include a temporary financial covenant, which requires the Company to maintain a 12 month forward liquidity of more than £100 million of cash and available facilities over and above the total amount of: debt maturities within one year, committed capital expenditure and declared dividends payable in cash within the covenant relief period. This covenant will be tested quarterly and only remain during the period of the amendment to 31 December 2021, unless terminated early by the Company. The Company and private placement noteholders also agreed that the Company will make an offer of pre-payment at par (i.e. not including a make-whole amount) for 30% of any applicable proceeds from disposals or capital raisings in excess of £50 million as part of the paydown of debt. The amendment period can be terminated after 31 December 2020 if the unencumbered asset ratio is above 175% or 150% after 30 June 2021. The other pre-existing covenants on the private placement notes remain unchanged namely: gearing should not exceed 150%; secured borrowings should not exceed 50% of equity shareholders' funds; and interest cover should be not less than 1.25 times.

The valuation of the Group's property portfolio at 30 June 2020 would have to fall by 19% to breach the newly negotiated unencumbered asset covenant of 125% in the private placement senior notes or by 15% to breach the Group's tightest gearing covenant. Net rental income would need to fall by 42% in order to breach the interest cover covenant in the Group's bank facilities and private placement notes.

The covenants for secured debt facilities held within some joint ventures and associates are generally tested quarterly and include specific covenants, typically loan to value and interest cover. Covenant waivers have been obtained in relation to a number of these debt facilities to ensure they remain in compliance with their interest cover covenants for 12 months from the date of approval of these financial statements. These were necessary to address the immediate cash flow impact associated with Covid-19 due to reduced rent collection rates.

Credit ratings

Fitch and Moody's rate Hammerson's unsecured credit as BBB+ and Baa3 respectively.

On 15 May 2020, Fitch reconfirmed the Group's BBB corporate rating following completion of their annual review but changed the outlook from stable to negative due to pressures on rents and valuations. The outlook indicates the potential for a rating downgrade in the next 18 to 24 months. They also retained the one notch senior unsecured uplift to BBB+ for the rating of the Group's bonds, private placement and unsecured bank facilities.

On 8 April 2020, Moody's placed Hammerson's Baa1 rating on "review for downgrade", changing the outlook from "negative" to "rating under review". On 13 May 2020 Moody's downgraded Hammerson from Baa1 (rating under review) to Baa2 (rating under review). This was following the announcement that the Retail Parks disposal to Orion would not complete and therefore Hammerson would have higher leverage than expected. Moody's also changed their methodology for measurement of leverage to recognise LTV on a fully proportionally consolidate basis as well as the previous method, consistent with our headline loan to value, which equity accounted for our investments in Premium outlets. Further, on 16 July 2020, Moody's downgraded Hammerson from Baa2 (rating under review) to Baa3 (rating under review) stating this "reflects continued strain of the coronavirus pandemic on the retail sector and Moody's expectation of prolonged downward pressure on rents and values."

Managing foreign exchange exposure

The Group's exposure to foreign exchange translation differences on euro-denominated assets is managed through a combination of euro borrowings and derivatives. At 30 June 2020, the value of euro-denominated liabilities as a proportion of the value of euro-denominated assets was 80%, compared with 73% at the beginning of the year. Interest on euro debt also acts as a partial hedge against exchange differences arising on net income from our overseas operations. Sterling weakened against the euro during the year by 7%, which resulted in modest increases to net asset value and earnings, although this devaluation adversely impacted net debt and the Group's credit ratios.

PRINCIPAL RISKS AND UNCERTAINTIES

Multiple risks affect our business and are often interrelated, so effective risk management is key to support the delivery of our strategy. The Board is responsible for determining the Group's risk appetite which reflects its combined attitude to market, financial, operational and reputational risks. Whilst the responsibility for risk management ultimately rests with the Board, effective risk management can only occur if it is integrated throughout the business and embedded within the Group's culture and values.

Covid-19

The Covid-19 outbreak and associated government policies and actions have resulted in a significant heightening in the general risk environment in which the Group operates during 2020. The imposition of lockdowns and other restrictive measures across Europe to contain the disease, including the closure of non-essential retail, has directly resulted in a significant macro-economic downturn, a deterioration in the retail investment market, financial stress for our tenants and customers and uncertainty over the speed and form of the future recovery. Covid-19 is an overarching risk rather than a single principal risk and the Group's existing key principal risks most significantly adversely affected by the pandemic are: Macro-economic, Retail market, Property investment, Treasury and Catastrophic event.

The heightened risk environment and deterioration in economic and retail market outlook are key factors considered as part of the Group's going concern assessment which is explained on page 56. The severe but plausible adverse case modelled as part of the assessment, results in a forecast breach of the Group's financial covenants in June 2021. The key action taken by the Group to mitigate this potential breach is the proposed rights issue and disposal of substantially all of VIA Outlets ('the Proposed Transactions') to raise gross proceeds of £825 million as explained on page 5. Whilst the Proposed Transactions, if successful, will significantly strengthen the Group's balance sheet and provide additional covenant headroom they are subject to shareholder approval on 1 September 2020, the outcome of which represents a material uncertainty for the Group's ability to continue as a going concern.

To manage the immediate impact of the pandemic, the Group invoked its business continuity plans and has operated on the principle of following government advice. In addition to the Proposed Transactions, other key steps taken to mitigate the effect of Covid-19 on the Group and its stakeholders include:

Operational

- Established a core continuity team to manage the closure of non-essential stores across our portfolio whilst ensuring that customers could continue to access essential stores
- Implemented arrangements to enable effective home working for all of our employees who were not required on-site
- Participated in the UK furlough and French partial unemployment schemes, with all employees continuing to receive full pay. This resulted in approximately one-third of the UK employees being furloughed from April to June, whilst approximately 20% of staff were involved in the French scheme in April and May. We decided not to participate in the Irish Temporary Covid-19 Wage Subsidy Scheme.
- Maintained regular liaison with our tenants and other key stakeholders since the imposition of the lockdown
- Offered NHS workers free parking at our UK car parks
- Reviewed our service charge budgets delivering savings of approximately 40% for the period of the lockdown in the UK and Ireland, whilst in France we delivered savings of approximately 27% in the first half of the year
- Prepared and implemented a comprehensive plan to enable the reopening of stores in accordance with government restrictions. This meant that our French centres effectively reopened from mid-May to early June; English and Irish properties from 15 June and Scottish assets from 13 July. The reopening involved introducing arrangements to support social distancing, enhanced cleaning processes, installation of hand sanitiser stations, the live monitoring of footfall and the launch of an on-line 'Crowd Checker' website feature to help customers plan their visit to our venues
- Undertaken regular communication with our colleagues and produced new policies and procedures to enable the imminent reopening of our corporate offices

Financial

- Withdrawn the Board's recommendation for the final 2019 dividend payment of 14.8 pence per share
- For all Directors, cancelled the proposed annual salary and fee increases and temporarily reduced base pay by 20% for Q2 2020
- Negotiated an amendment to the covenants on the private placement notes, which increases the headroom available on the unencumbered asset ratio covenant until 31 December 2021
- Received approval for issuance of up to £300 million under the Covid Corporate Financing Facility (CCFF) and issued £75 million of commercial paper on 6 July 2020
- Increased cash reserves by drawing £400 million under the Group's £1.245 billion revolving credit facilities

Brexit

In January 2020, the UK formally left the EU and has now entered a transition period until the end of 2020 and must negotiate its future trading relationship with the EU. Whilst these developments have provided some clarity, there remains significant uncertainty over the future impact of Brexit on a number of the Group's principal risks. From a risk perspective, the main impact of Brexit is on Macroeconomic, Retail market, Property investment and Tax and regulatory risks. The absolute impact will be dependent on the terms of the UK's relationship with the EU. Any significant change, such as the inability to reach a trade agreement, resulting in the application of WTO rules, is likely to have an adverse impact on the Group and exacerbate the principal risks noted above.

Principal risk summary

The Board set out the principal risks and uncertainties facing the Group in detail on pages 58 to 64 of the 2019 Annual Report which is available on the Group's website www.hammerson.com. As explained above, Covid-19 has had a severe impact on the Group and the economies in which it operates and has adversely impacted the majority of the Group's principal risks as shown in the table below:

Risk and impact	Key mitigating factors/actions	Change in risk during 2020
1. Macroconomic (Residual risk assessment: Very high)		
• Our financial performance is directly impacted by the macroeconomic performance in the countries in which we operate. Key factors affecting our tenants and shoppers are GDP, disposable income changes, employment levels, inflation, business and consumer confidence, interest rates and foreign exchange movements. • The precise terms of the UK's future relationship with the EU are yet to be agreed. This creates macroeconomic and property market uncertainty, adversely impacting the Group's performance.	• The Proposed Transactions will significantly strengthen balance sheet and credit metrics • Diversified portfolio (sectors, geography and tenants) • Flagship destinations in the heart of major European cities • Premium outlets in affluent catchments with strong tourist appeal • Monitoring of macroeconomic research • Economic review at annual Board Strategy Day • Business Plan projections stress-tested • Brexit assessment undertaken and ongoing monitoring of relationship negotiations	↑
2. Retail market (Residual risk assessment: Very high)		
• We own and operate property in an evolving retail marketplace. Failure to anticipate and address developments and trends in consumer and occupational markets, such as omnichannel retailing and digital technology, will impair future performance. • Retailer profitability, particularly in the UK, is challenged due to increased costs, such as business rates and employment costs, and the erosion of margins from channel shift. Retailers have also been significantly impacted by the Covid-19 pandemic. This adversely affects landlords through tenant restructuring (in the form of administrations and CVAs), lower occupancy, demands for rent concessions and weaker lease negotiations. • Changing consumer shopping habits, including channel shift, are adversely affecting certain retail categories, such as high street fashion and traditional department stores. This has resulted in tenant restructuring and shrinking store portfolios, causing an oversupply of physical retail space. This hinders our leasing negotiations and there has been an increase in flexible leases.	• High quality portfolio of flagship destinations in major European city centres • Premium outlets in affluent catchments with strong tourist appeal • Diverse mix of retail categories and tenants • Planned disposals to focus on key markets and provide capital for investment into mixed-use City Quarters concepts to reduce retail exposure • Rental framework, associated with Covid-19 lockdown, developed to target support towards most vulnerable tenants • Introduction of new UK leasing approach to move away from legacy of Landlord and Tenant Act 1954 • Bespoke leasing strategies to repurpose space away from challenged retail categories • Deep retailer insight and relationships • Focus on experience with tailored F&B, leisure and events offers • Dynamic, diverse and multi-skilled internal team • Digital innovation strategy to provide detailed consumer insight and enable communication with our shoppers • Ambitious Net Positive strategy	↑
3. Property investment (Residual risk assessment: Very high)		
• Retail property valuations continue to fall, with Covid-19 uncertainty further weakening investment markets, adversely affecting the Group's financial position and delivery of future strategic plans. • Opportunities to divest properties are missed, or are limited by market conditions, which reduce financial returns and adversely affect the Group's credit metrics and funding strategy. • Poor investment decisions involving acquisitions and disposals result in suboptimal returns.	• Proposed Transactions strengthens balance sheet and include disposal of substantially all of VIA Outlets • Pursuing further disposals from across diversify portfolio • City Quarters reinvestment will introduce broader mix of uses within portfolio • Diversified portfolio limits impact of downturn or liquidity squeeze in a single market • Board approval required for all significant investment decisions • Thorough due diligence, research and risk assessment to support investment decisions • Twice yearly external valuations • Business planning incorporates valuation forecasts and impact on Group's financial metrics and covenants	↑

Risk and impact	Key mitigating factors/actions	Change in risk during 2020
4. Property development (Residual risk assessment: Medium)		
• Property development is complex and inherently risky. Major projects have long delivery times with multiple milestones, including planning and leasing, this latter area having become more challenging following Covid-19. Unsuccessful projects result in adverse financial and reputational outcomes. • Over-exposure to developments increases the potential financial impact of adverse valuation, cost inflation or other market factors which could overstretch the Group's financial capacity. • Projects require appropriate resource and can be management intensive.	• Proven track record of developing successful iconic destinations • Only two on-site projects with Group capital commitments of £117 million at 30 June 2020 • Development plans and exposure included in annual Business Plan • Board approves all major commitments and formally reviews twice-yearly • Clear project ownership, resourcing plans and milestones including pre-letting to de-risk projects • Projects typically use fixed price contracts and have appropriate contingencies • City Quarters concept focused on broad mix of uses and initially requires low levels of expenditure to deliver planning approvals and secure valuation uplifts	↑
5. Treasury (Residual risk assessment: High)		
• Poor treasury planning or external factors, including failures in the banking market, leads to the Group having insufficient liquidity. • The Group's financial position is unable to support the delivery of our strategy. • Deterioration in our financial position due to property valuation declines could result in a breach of borrowing covenants or credit ratings downgrades. • Significant fluctuations in sterling or euro exchange rates, or a significant increase in interest rates, could result in financial losses.	• Whilst credit metrics have worsened during 2020, the Proposed Transactions will significantly strengthen balance sheet and credit metrics and support future ratings assessments • Proactive treasury planning to ensure adequate liquidity levels are maintained relative to debt maturities. At 30 June 2020 the Group had £1.2 billion of liquidity with £204 million of debt maturing before the end of 2021 • Board approves and monitors key financing guidelines and metrics • Annual Business Plan includes financing plan, downside scenario modelling and stress tests • Capital provided by a diverse range of counterparties (banks, investors and JV partners) • Interest rate and currency hedging used to mitigate market volatility with hedging of 80% at 30 June 2020	↑
6. Partnerships (Residual risk assessment: Medium)		
• A significant proportion of the Group's properties are held in conjunction with third parties. These structures can limit the Group's control and reduce liquidity. • Operational effectiveness may also be adversely impacted if partners are not strategically aligned. • Our premium outlet investments are externally managed and this reduces control and transparency over performance and governance. They also contain pre-emption rights in favour of the Group and other owners in the event of transactions in the interests of the two investments.	• Proven track record of working effectively with diverse range of partners • Contracts provide liquidity for partners whilst protecting Group interests • Annual joint venture business plans ensure operational and strategic alignment • Proposed sale of externally managed VIA Outlets reduces proportion of properties owned with third-parties • The Group has governance rights and Board representation for both its premium outlet investments • Value Retail and VIA Outlets are both subject to local external audit. The properties are valued by Cushman & Wakefield LLP and are subject to review by the Audit Committee and the Group's external auditor	↔
7. Tax and regulatory (Residual risk assessment: Medium/High)		
• There is an increasing burden from compliance and regulatory requirements which can impede operational and financial performance. • The real estate and physical retail sector has suffered rising costs through recent increases in business rates, living wage, stamp duty etc. These adversely affect the profitability of our tenants and our financial performance. • The UK's future relationship with the EU creates uncertainty over the future tax and regulatory environment.	• Maintenance of our low-risk tax status • Meetings with key officials, including from HMRC and government • Regular tax compliance reviews and audits • Advance planning for future regulatory and tax changes • Participation in policy consultations and in industry-led dialogue with policy makers through bodies such as REVO, BPF and EPRA • Brexit assessment undertaken and monitoring of future relationship terms ongoing	↔

Risk and impact	Key mitigating factors/actions	Change in risk during 2020
8. Catastrophic event (Residual risk assessment: Very high)		
• Covid-19, or similar pandemic disease, results in property closure (either local or national) significantly adversely impacting the Group in the form of lost revenue, heightened risk of tenant failure, downward pressure on rents and investment market uncertainty. • Our operations, shopper safety, reputation or financial performance could be significantly affected by a major event such as a terrorist attack, flood, power shortage, civil unrest or pandemic disease. • The wider use of digital technology across the Group increases the risks associated with cyber security. Risks in this area are continually evolving and internal teams must design, implement and monitor best practice controls to protect the Group from a cyber attack.	• 2020 coronavirus mitigation actions undertaken (see page 38) • Continuity plans at both corporate and individual property levels • Core crisis group for dealing with major incidents and mock role play incidents to test internal processes and plans • Dialogue with security agencies to assess threat levels and best practice • Flood defences in place and regularly reviewed (see Climate risk) • Insurance cover for terrorism and property damage • Third-party support and regular testing for IT security	↑
9. People (Residual risk assessment: Medium)		
• The Group has a relatively small headcount which could hinder the achievement of strategic objectives, particularly in times of significant activity. • A failure to recruit and retain key management and other employees with appropriate skills could adversely affect performance. • Market uncertainty adversely impacts staff morale, retention and external recruitment.	• New Chair appointed and leading search for new CEO • Annual Business Plan includes human resources plan covering team structures, training and talent management initiatives • Succession planning undertaken across the senior management team and direct reports • Annual employee appraisal process • Annual 'Great Places to Work' survey to record engagement and capture staff feedback • Internal diversity and inclusion programme increases awareness and fosters engagement • Regular colleague communication, increased during lockdown to maintain morale and address challenges of home-working	↑
10. Climate (Residual risk assessment: Low/Medium)		
• The Group's operations could be adversely affected by a climate related incident such as extreme weather, flooding or energy supply issues. • The Group's reputation and financial performance could be adversely impacted by the failure to achieve our Net Positive targets or other environmental objectives. • Emerging environmental regulations and legislation, including amended legislation following Brexit or local climate-related initiatives, may increase costs or make properties obsolete.	• Experienced sustainability team designs and implements our environmental and corporate responsibility strategy in collaboration with the wider business • Management committees monitor key sustainability metrics, including progress towards our Net Positive targets • Detailed climate risk framework maintained • Electricity sourced through green energy contracts • Core crisis group for dealing with major incidents • Annual Board review of sustainability performance and strategy • External assurance obtained for environmental reporting • Increasing engagement with investors on ESG • Assessment by external benchmarks such as GRESB and MSCI	↔

Independent review report to Hammerson plc

Report on the condensed set of financial statements

Our conclusion

We have reviewed Hammerson plc's condensed set of financial statements (the 'interim financial statements') in the Half-year Report of Hammerson plc for the 6 month period ended 30 June 2020. Based on our review, nothing has come to our attention that causes us to believe that the interim financial statements are not prepared, in all material respects, in accordance with International Accounting Standard 34, 'Interim Financial Reporting', as adopted by the European Union and the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority.

Emphasis of matter – Going concern

Without modifying our conclusion on the interim financial statements, in forming our conclusion on the interim financial statements we have considered the adequacy of the disclosures made in note 1D to the interim financial statements concerning the Group's ability to continue as a going concern. Under a base case scenario the Group is forecast to comply with its debt covenants for 12 months from the date of these interim financial statements. However under a severe but plausible adverse scenario the Group is forecast to breach its gearing and unencumbered assets covenants within 12 months from the date of these interim financial statements. The Directors' key mitigating actions to resolve these breaches, namely an equity raise and the disposal of substantially all of its investment in VIA Outlets, are still subject to a joint shareholder vote as at the date of approval of these interim financial statements. In addition the resolution of the breaches is subject to the successful completion of the equity raise and therefore the associated proceeds cannot be regarded as secured at this time. These conditions, along with the other matters explained in note 1D to the interim financial statements, indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern. The interim financial statements do not include the adjustments that would result if the Group was unable to continue as a going concern.

Emphasis of matter - Significant estimation uncertainty in investment and development properties' valuation

Without modifying our conclusion on the interim financial statements, in forming our conclusion on the interim financial statements we have considered the adequacy of the disclosures made in note 1C (significant estimates) to the interim financial statements. This note explains that there is significant estimation uncertainty in relation to the valuation of investment properties totalling £7,692m which are included across the investment and development properties, investment in joint ventures, investment in associates and assets held for sale line items in the Consolidated Balance Sheet as at 30 June 2020. The third party valuers engaged by management have each included a material valuation uncertainty clause in their reports. This clause highlights that less certainty, and consequently a higher degree of caution, should be attached to the valuation as a result of the COVID-19 pandemic.

What we have reviewed

The interim financial statements comprise:

- the Consolidated Balance Sheet as at 30 June 2020;
- the Consolidated Income Statement and Consolidated Statement of Comprehensive Income for the period then ended;
- the Consolidated Cash Flow Statement for the period then ended;
- the Consolidated Statement of Changes in Equity for the period then ended; and
- the explanatory notes to the interim financial statements.

The interim financial statements included in the Half-year Report have been prepared in accordance with International Accounting Standard 34, 'Interim Financial Reporting', as adopted by the European Union and the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority.

As disclosed in note 1A to the interim financial statements, the financial reporting framework that has been applied in the preparation of the full annual financial statements of the Group is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

Responsibilities for the interim financial statements and the review

Our responsibilities and those of the Directors

The Half-year Report, including the interim financial statements, is the responsibility of, and has been approved by, the Directors. The Directors are responsible for preparing the Half-year Report in accordance with the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority.

Our responsibility is to express a conclusion on the interim financial statements in the Half-year Report based on our review. This report, including the conclusion, has been prepared for and only for the Company for the purpose of complying with the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority and for no other purpose. We do not, in giving this conclusion, 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.

What a review of interim financial statements involves

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures.

A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and, consequently, does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

We have read the other information contained in the Half-year Report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the interim financial statements.

PricewaterhouseCoopers LLP
Chartered Accountants
London
6 August 2020

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors' confirm that this condensed set of financial statements included in the Half-year Report have been prepared in accordance with IAS 34 'Interim Financial Reporting', as adopted by the European Union and that the Interim Management Report includes a fair review of the information required by Disclosure and Transparency Rules (DTR) 4.2.7 and 4.2.8, namely:

The interim financial statements comprise:

- An indication of important events that have occurred during the first six months of the financial year and their impact on the condensed set of financial statements, and a description of the principal risks and uncertainties for the remaining six months of the financial year; and
- Material related-party transactions in the first six months of the financial year and any material changes in the related-party transactions described in the last Annual Report.

A list of the current Directors is maintained on the Hammerson plc website: www.hammerson.com. The maintenance and integrity of the Hammerson website is the responsibility of the Directors.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Signed on behalf of the Board on 6 August 2020

David Atkins
Director

James Lenton
Director

CONSOLIDATED INCOME STATEMENT

Year ended 31 December 2019[1] Audited £m		Notes	Six months ended 30 June 2020 Unaudited £m	Six months ended 30 June 2019 Unaudited £m
246.2	**Revenue**	4	**93.0**	124.8
111.0	**Operating profit before other net losses and share of results of joint ventures and associates[2,3]**	2	**18.2**	59.1
(105.8)	Profit/(Loss) on sale of properties		16.0	(2.1)
13.8	Net exchange (loss)/gain previously recognised in equity, recycled on disposal of foreign operations		(0.1)	–
(412.2)	Revaluation losses on properties		(274.6)	(262.7)
(91.6)	Impairment recognised on reclassification to assets held for sale	1B,13A	(101.6)	–
–	Reversal of impairment on reclassification from assets held for sale	1B,13D	22.4	–
(595.8)	Other net losses	2	(337.9)	(264.8)
(429.1)	Share of results of joint ventures	10A	(500.2)	(188.4)
–	Impairment of investment in joint ventures	1	(9.6)	–
209.4	Share of results of associates	11A	(127.7)	121.1
–	Impairment of investment in associates	1	(94.3)	–
(704.5)	**Operating loss**	2	**(1,051.5)**	(273.0)
(102.5)	Finance costs		(49.1)	(51.3)
6.2	Change in fair value of derivatives		6.5	(6.2)
21.5	Finance income		6.3	11.3
(74.8)	Net finance costs	5	(36.3)	(46.2)
(779.3)	**Loss before tax**		**(1,087.8)**	(319.2)
(1.9)	Tax charge	6	(0.6)	(0.6)
(781.2)	**Loss for the period attributable to equity shareholders**		**(1,088.4)**	(319.8)
(102.1)p	**Basic loss per share**	8B	**(142.2)p**	(41.8)p
(102.1)p	**Diluted loss per share**	8B	**(142.2)p**	(41.8)p

1. Retail parks operations presented as discontinued for the year ended 31 December 2019 have been re-presented as continuing operations as the IFRS 5 criteria ceased to be met in the period as detailed in note 1B.

2. Included within 'Operating profit before other net losses and share of results of joint ventures and associates' is a provision charge against trade receivables totalling £12.8 million, comprising £10.6 million in relation to income recognised up to 30 June 2020 (included in other property outgoings in note 2) and £2.2 million relating to amounts not yet recognised in the consolidated income statement (separately identified in note 2). The provision charge for the year ended 31 December 2019 was £1.4 million and £0.8 million for the six months ended 30 June 2019. In both the comparative periods this all related to income for the period. Refer to note 1C for further details.

3. Included within 'Operating profit before other net losses and share of results of joint ventures and associates' is a £5.3 million provision for impairment of lease incentives (year ended 31 December 2019 and six months ended 30 June 2019: £nil). Refer to note 1C for further details.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2019 Audited £m		Six months ended 30 June 2020 Unaudited £m	Six months ended 30 June 2019 Unaudited £m
	Items recycled through the consolidated income statement on disposal of foreign operations		
(69.1)	Exchange loss/(gain) previously recognised in the translation reserve	0.7	-
55.3	Exchange (gain)/loss previously recognised in the net investment hedge reserve	(0.6)	-
(13.8)	Net exchange loss/(gain) relating to equity shareholders	0.1	-
	Items that may subsequently be recycled through the consolidated income statement		
(204.4)	Foreign exchange translation differences	210.1	(13.1)
138.6	(Loss)/Gain on net investment hedge	(127.9)	6.6
6.8	Net gain on cash flow hedge	10.4	6.1
(4.0)	Share of other comprehensive loss of associates	-	(2.8)
(63.0)		92.6	(3.2)
	Items that may not subsequently be recycled through the consolidated income statement		
(1.5)	Net actuarial losses on pension schemes	(15.3)	(5.1)
(78.3)	Total other comprehensive income/(loss)	77.4	(8.3)
(781.2)	Loss for the period	(1,088.4)	(319.8)
(859.5)	**Total comprehensive loss for the period**	(1,011.0)	(328.1)
	Attributable to:		
(859.4)	Equity shareholders	(1,011.0)	(328.1)
(0.1)	Non-controlling interests	-	-
(859.5)	**Total comprehensive loss for the period**	(1,011.0)	(328.1)

CONSOLIDATED BALANCE SHEET

31 December 2019 Audited £m		Notes	30 June 2020 Unaudited £m	30 June 2019 Unaudited £m
	Non-current assets			
2,098.7	Investment and development properties	9	2,354.4	3,568.9
34.3	Interests in leasehold properties		39.4	39.5
10.1	Right-of-use assets		8.5	12.0
3.2	Plant and equipment		2.8	3.9
3,017.1	Investment in joint ventures	10C	2,222.5	3,365.6
1,504.5	Investment in associates	11C	1,330.5	1,338.3
31.6	Derivative financial instruments	12B	20.5	27.3
3.4	Receivables		3.6	3.6
6,702.9			5,982.2	8,359.1
	Current assets			
96.3	Receivables		131.9	96.1
0.8	Derivative financial instruments	12B	23.0	2.3
21.5	Restricted monetary assets		25.6	27.9
28.2	Cash and deposits		417.6	65.5
146.8			598.1	191.8
465.7	Assets held for sale	1B,13	269.1	–
612.5			867.2	191.8
7,315.4	**Total assets**		6,849.4	8,550.9
	Current liabilities			
–	Loans	12A	(153.9)	–
(193.5)	Payables		(198.4)	(214.2)
(1.5)	Tax		(0.8)	(0.3)
(4.1)	Derivative financial instruments	12B	(2.4)	(6.0)
(199.1)			(355.5)	(220.5)
(19.7)	Liabilities associated with assets held for sale	1B	–	–
(218.8)			(355.5)	(220.5)
	Non-current liabilities			
(2,504.9)	Loans	12A	(2,892.0)	(3,094.8)
(0.4)	Deferred tax		(0.4)	(0.5)
(70.7)	Derivative financial instruments	12B	(73.1)	(106.0)
(36.9)	Obligations under head leases		(42.4)	(41.9)
(106.5)	Payables		(118.3)	(93.3)
(2,719.4)			(3,126.2)	(3,336.5)
(2,938.2)	**Total liabilities**		(3,481.7)	(3,557.0)
4,377.2	**Net assets**		3,367.7	4,993.9
	Equity			
191.6	Share capital		191.6	191.6
1,266.0	Share premium		1,266.0	1,266.0
520.9	Translation reserve		731.7	781.2
(430.8)	Net investment hedge reserve		(559.3)	(618.1)
(1.4)	Cash flow hedge reserve		9.0	(2.1)
374.1	Merger reserve		374.1	374.1
25.6	Other reserves		22.7	25.2
2,433.2	Retained earnings		1,332.0	2,976.6
(2.2)	Investment in own shares		(0.3)	(0.9)
4,377.0	**Equity shareholders' funds**		3,367.5	4,993.6
0.2	Non-controlling interests		0.2	0.3
4,377.2	**Total equity**		3,367.7	4,993.9
£5.82	**EPRA net tangible assets value per share**	8D	£4.58	£6.66

The Half-year Report was approved by the Board on 6 August 2020.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2020

Unaudited	Share capital £m	Share premium £m	Translation reserve £m	Net investment hedge reserve £m	Cash flow hedge reserve £m	Merger reserve £m	Other reserves[1] £m	Retained earnings £m	Investment in own shares[2] £m	Equity shareholders' funds £m	Non-controlling interests £m	Total equity £m
Balance at 1 January 2020	191.6	1,266.0	520.9	(430.8)	(1.4)	374.1	25.6	2,433.2	(2.2)	4,377.0	0.2	4,377.2
Share-based employee remuneration	–	–	–	–	–	–	1.4	–	–	1.4	–	1.4
Cost of shares awarded to employees	–	–	–	–	–	–	(1.9)	–	1.9	–	–	–
Transfer on award of own shares to employees	–	–	–	–	–	–	(2.4)	2.4	–	–	–	–
Proceeds on award of own shares to employees	–	–	–	–	–	–	–	0.1	–	0.1	–	0.1
Exchange loss/(gain) previously recognised in equity recycled on disposal of foreign operations	–	–	0.7	(0.6)	–	–	–	–	–	0.1	–	0.1
Foreign exchange translation differences	–	–	210.1	–	–	–	–	–	–	210.1	–	210.1
Loss on net investment hedge	–	–	–	(127.9)	–	–	–	–	–	(127.9)	–	(127.9)
Gain on cash flow hedge	–	–	–	–	38.5	–	–	–	–	38.5	–	38.5
Gain on cash flow hedge recycled to net finance costs	–	–	–	–	(28.1)	–	–	–	–	(28.1)	–	(28.1)
Net actuarial losses on pension schemes	–	–	–	–	–	–	–	(15.3)	–	(15.3)	–	(15.3)
Loss for the period	–	–	–	–	–	–	–	(1,088.4)	–	(1,088.4)	–	(1,088.4)
Total comprehensive income/(loss) for the period	–	–	210.8	(128.5)	10.4	–	–	(1,103.7)	–	(1,011.0)	–	(1,011.0)
Balance at 30 June 2020	191.6	1,266.0	731.7	(559.3)	9.0	374.1	22.7	1,332.0	(0.3)	3,367.5	0.2	3,367.7

1. Other reserves at 30 June 2020 comprise a capital redemption reserve of £14.3 million relating to share buybacks and £8.4 million relating to share-based employee remuneration.

2. Investment in own shares is stated at cost.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2019

Unaudited	Share capital £m	Share premium £m	Translation reserve £m	Net investment hedge reserve £m	Cash flow hedge reserve £m	Merger reserve £m	Other reserves[1] £m	Retained earnings £m	Investment in own shares[2] £m	Equity shareholders' funds £m	Non-controlling interests £m	Total equity £m
Balance at 1 January 2019	191.6	1,266.0	794.3	(624.7)	(8.2)	374.1	27.2	3,415.3	(3.0)	5,432.6	0.3	5,432.9
Share buyback – release of 2018 cost accrual	–	–	–	–	–	–	–	0.8	–	0.8	–	0.8
Share-based employee remuneration	–	–	–	–	–	–	1.7	–	–	1.7	–	1.7
Cost of shares awarded to employees	–	–	–	–	–	–	(2.1)	–	2.1	–	–	–
Transfer on award of own shares to employees	–	–	–	–	–	–	(1.6)	1.6	–	–	–	–
Proceeds on award of own shares to employees	–	–	–	–	–	–	–	0.1	–	0.1	–	0.1
Dividends (note 7)	–	–	–	–	–	–	–	(113.5)	–	(113.5)	–	(113.5)
Foreign exchange translation differences	–	–	(13.1)	–	–	–	–	–	–	(13.1)	–	(13.1)
Gain on net investment hedge	–	–	–	6.6	–	–	–	–	–	6.6	–	6.6
Gain on cash flow hedge	–	–	–	–	6.7	–	–	–	–	6.7	–	6.7
Gain on cash flow hedge recycled to net finance costs	–	–	–	–	(0.6)	–	–	–	–	(0.6)	–	(0.6)
Share of other comprehensive loss of associates (note 11E)	–	–	–	–	–	–	–	(2.8)	–	(2.8)	–	(2.8)
Net actuarial losses on pension schemes	–	–	–	–	–	–	–	(5.1)	–	(5.1)	–	(5.1)
Loss for the period	–	–	–	–	–	–	–	(319.8)	–	(319.8)	–	(319.8)
Total comprehensive (loss)/income for the period	–	–	(13.1)	6.6	6.1	–	–	(327.7)	–	(328.1)	–	(328.1)
Balance at 30 June 2019	191.6	1,266.0	781.2	(618.1)	(2.1)	374.1	25.2	2,976.6	(0.9)	4,993.6	0.3	4,993.9

1. Other reserves at 30 June 2019 comprise a capital redemption reserve of £14.3 million relating to share buybacks and £10.9 million relating to share-based employee remuneration.

2. Investment in own shares is stated at cost.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2019

Audited	Share capital £m	Share premium £m	Translation reserve £m	Net investment hedge reserve £m	Cash flow hedge reserve £m	Merger reserve £m	Other reserves[1] £m	Retained earnings £m	Investment in own shares[2] £m	Equity shareholders' funds £m	Non-controlling interests £m	Total equity £m
Balance at 1 January 2019	191.6	1,266.0	794.3	(624.7)	(8.2)	374.1	27.2	3,415.3	(3.0)	5,432.6	0.3	5,432.9
Share buyback – release of 2018 accrual	–	–	–	–	–	–	–	0.8	–	0.8	–	0.8
Share-based employee remuneration	–	–	–	–	–	–	3.0	–	–	3.0	–	3.0
Cost of shares awarded to employees	–	–	–	–	–	–	(2.6)	–	2.6	–	–	–
Transfer on award of own shares to employees	–	–	–	–	–	–	(2.0)	2.0	–	–	–	–
Proceeds on award of own shares to employees	–	–	–	–	–	–	–	0.2	–	0.2	–	0.2
Purchase of own shares	–	–	–	–	–	–	–	–	(1.8)	(1.8)	–	(1.8)
Dividends (note 7)	–	–	–	–	–	–	–	(198.4)	–	(198.4)	–	(198.4)
Exchange (gain)/loss previously recognised in equity recycled on disposal of foreign operations	–	–	(69.1)	55.3	–	–	–	–	–	(13.8)	–	(13.8)
Foreign exchange translation differences	–	–	(204.3)	–	–	–	–	–	–	(204.3)	(0.1)	(204.4)
Gain on net investment hedge	–	–	–	138.6	–	–	–	–	–	138.6	–	138.6
Loss on cash flow hedge	–	–	–	–	(8.4)	–	–	–	–	(8.4)	–	(8.4)
Loss on cash flow hedge recycled to net finance costs	–	–	–	–	15.2	–	–	–	–	15.2	–	15.2
Share of other comprehensive loss of associates (note 11E)	–	–	–	–	–	–	–	(4.0)	–	(4.0)	–	(4.0)
Net actuarial losses on pension schemes	–	–	–	–	–	–	–	(1.5)	–	(1.5)	–	(1.5)
Loss for the year	–	–	–	–	–	–	–	(781.2)	–	(781.2)	–	(781.2)
Total comprehensive (loss)/income for the year	–	–	(273.4)	193.9	6.8	–	–	(786.7)	–	(859.4)	(0.1)	(859.5)
Balance at 31 December 2019	191.6	1,266.0	520.9	(430.8)	(1.4)	374.1	25.6	2,433.2	(2.2)	4,377.0	0.2	4,377.2

1. Other reserves at 31 December 2019 comprise a capital redemption reserve of £14.3 million relating to share buybacks and £11.3 million relating to share-based employee remuneration.

2. Investment in own shares is stated at cost.

CONSOLIDATED CASH FLOW STATEMENT

Year ended 31 December 2019 Audited £m		Notes	Six months ended 30 June 2020 Unaudited £m	Six months ended 30 June 2019 Unaudited £m
	Operating activities			
111.0	Operating profit before other net losses and share of results of joint ventures and associates	2	18.2	59.1
(0.1)	(Increase)/Decrease in receivables		(48.8)	2.8
(0.2)	Increase in restricted monetary assets		(1.1)	(3.9)
(8.3)	Increase/(Decrease) in payables		3.5	(6.9)
8.9	Adjustment for non-cash items[1]		24.0	3.1
111.3	**Cash (utilised)/generated from operations**		(4.2)	54.2
21.4	Interest received		9.4	13.7
(102.9)	Interest paid		(58.2)	(58.0)
(1.9)	Tax paid		(0.6)	(1.2)
139.2	Distributions and other receivables from joint ventures		10.7	58.1
167.1	**Cash flows from operating activities**		(42.9)	66.8
	Investing activities			
(0.7)	Property acquisitions		–	–
(40.2)	Developments and major refurbishments		(17.7)	(19.3)
(39.7)	Other capital expenditure		(11.9)	(3.8)
536.1	Sale of properties		54.0	22.4
(29.1)	Advances to joint ventures		(9.5)	(9.6)
(29.0)	Acquisition of interest in joint venture		–	–
(1.3)	Acquisition of interest in associates		–	(1.4)
30.5	Distributions received from associates		6.0	13.0
426.6	**Cash flows from investing activities**		20.9	1.3
	Financing activities			
0.2	Proceeds from award of own shares		0.1	0.1
(1.8)	Purchase of own shares		–	–
(1.5)	Share buyback		–	(1.5)
48.2	Proceeds from new borrowings		436.0	85.8
(439.9)	Repayment of borrowings		(16.0)	–
(391.7)	Net increase/(decrease) in borrowings		420.0	85.8
(198.9)	Equity dividends paid	7	(12.2)	(118.1)
(593.7)	**Cash flows from financing activities**		407.9	(33.7)
–	**Net increase in cash and deposits**		385.9	34.4
31.2	Opening cash and deposits		28.2	31.2
–	Cash and deposits reclassified from assets held for sale		1.6	–
(1.4)	Exchange translation movement		1.9	(0.1)
29.8	**Closing cash and deposits**		417.6	65.5
(1.6)	Less: cash and deposits classified as held for sale		–	–
28.2	**Closing cash and deposits as stated on balance sheet[2]**		417.6	65.5

1. In the six months ended 30 June 2020, the adjustment for non-cash items has increased due to increased provisioning against trade receivables and impairment provisions recognised against capitalised lease incentives, totalling £18.1 million (year ended 31 December 2019: £1.4 million, six months ended 30 June 2019: £0.8 million)

2. An analysis of the movement in net debt is provided in note 15 on page 79.

NOTES TO THE INTERIM FINANCIAL STATEMENTS

1. FINANCIAL INFORMATION

A. BASIS OF PREPARATION

The financial information for the year ended 31 December 2019 included in this condensed set of financial statements does not constitute statutory accounts as defined in section 434 of the Companies Act 2006. A copy of the statutory accounts for that year has been delivered to the Registrar of Companies. The auditors' report on those accounts was not qualified, did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying the report and did not contain statements under section 498(2) or (3) of the Companies Act 2006. The annual financial statements of Hammerson plc were prepared in accordance with IFRSs as adopted by the European Union. The condensed set of financial statements included in this Half-year Report has been prepared in accordance with the Disclosure and Transparency Rules of the Financial Conduct Authority and with IAS 34 Interim Financial Reporting, as adopted by the European Union, as well as the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee.

The same accounting policies and methods of computation are followed in the condensed set of financial statements as were applied in Hammerson's latest annual audited financial statements, with the exception of two additional line items included within note 2:"Loss for the period" as detailed below:

Impairment provisioning

As detailed within the Principal Risks and Uncertainties section on page 38, the Group is operating in an environment of heightened uncertainty and consequently additional scrutiny and judgement is required in assessing revenue recognition and the potential impairment of financial assets. For the six months ended 30 June 2020, the Group has applied the simplified approach under IFRS 9 and adopted a provisioning matrix to determine the Expected Credit Loss (ECL), incorporating historic default information, latest credit metrics and expectations for future losses. This approach has been applied to both trade receivables and unamortised tenant incentives, which are presented within investment property. As disclosed in the 2018 and 2019 Annual Reports, up to and including 31 December 2019, the Group's collection rates were high, and therefore specific provision was made against trade receivables based on risk characteristics and ageing, with the effectiveness of this approach being measured retrospectively by comparing the actual loss experienced against provision estimates in prior periods. Historically, as previously disclosed, this approach provided an outcome which was consistent with the Expected Credit Loss (ECL) model and was IFRS 9 compliant, but the current uncertain operating environment has meant this approach is no longer valid given the increased risk profile.

As a result of the current environment, two additional sources of impairment loss have been recognised within the consolidated income statement for the six months ended 30 June 2020:

- Provision for impairment of unamortised tenant incentives: The movement in the loss allowance provision in the period against unamortised tenant incentives held within investment properties, including cash incentives and rent free periods. Tenant incentive amortisation will continue to be recognised within revenue.
- Provision for amounts not yet recognised in the income statement: The movement in the loss allowance provision in the period against receivables at the balance sheet date which relate to a future reporting period and where the corresponding liability is classified within payables, including rent and service charge arrears. This principally relates to quarterly demands in advance in the UK which were due on 24 June 2020. Bad debt expense relating to amounts recognised in the income statement in the period will continue to be recorded within other property outgoings.

As these items are not deemed to be direct property operating expenses, they have not been included within property outgoings as defined in the Glossary on page 94, they have been included as separate line items within net rental income in note 2: Loss for the period on page 59.

Analysis of the application of the provisioning matrix is provided in note 1C on page 55, together with an allocation of the provision on arrears between those amounts recognised within net rental income in the income statement for the current reporting period, and those where the income recognition is deferred.

Alternative Performance Measures (APMs)

For the six months ended 30 June 2020 and all subsequent reporting periods, the Group's adjusted earnings metric will include an adjustment for the "provision for amounts not yet recognised in the income statement" as management believe this distorts earnings by reflecting the income and corresponding cost in different periods. Recognition of the provision on deferred income in one period, with recognition of the associated income in the following period would otherwise lead to ongoing timing differences which a reader of the financial statements may find challenging to reconcile. Management believe this will present more relevant and useful information to users of financial statements by aligning the impairment cost with the period in which the revenue has been recognised.

1. FINANCIAL INFORMATION (continued)

B. SIGNIFICANT JUDGEMENTS

The preparation of the financial statements requires management to exercise judgement in applying the Group's accounting policies. Detailed below are the areas where significant judgements were made, requiring assumptions about future events.

Accounting for assets held for sale and discontinued operations – retail parks

In July 2018, the Group announced its intention to dispose of the retail parks portfolio over the medium-term. For properties identified for disposal at the balance sheet date, management must assess whether the property should be classified as 'held for sale' and excluded from investment and development properties. This judgement is based on criteria outlined in IFRS 5 which states that: assets should be available for sale in their present condition; management must be committed to a plan to sell; an active programme must be in place to locate a buyer; they must be being actively marketed at a reasonable price; significant changes to the plan are unlikely and that completion of the sale is expected within a year.

Prior to 31 December 2019, the portfolio had not been reclassified to 'held for sale' as, despite the strategic intention to sell, the properties were not being actively marketed and it was not sufficiently certain that completion would be reached within the prescribed 12-month period.

At 31 December 2019, management completed their assessment and concluded that the retail parks met the IFRS 5 criteria for 'held for sale' at the balance sheet date as a portfolio of retail parks was being actively marketed at a reasonable price with an expectation of transacting within a year. This was further evidenced by the exchange of contracts for the disposal of a portfolio of seven properties to Orion European Real Estate Fund V ("Orion") in February 2020. Consequently, all assets and liabilities associated with the retail parks were reclassified to assets held for sale at 31 December 2019. On transfer to 'assets held for sale', the retail parks property portfolio was re-measured at the lower of the carrying amount and fair value less costs to sell, in accordance with IFRS 5, resulting in a £92 million impairment loss being recognised in 2019, predominantly a reflection of the portfolio discount.

Additionally, as the sale of the UK retail parks represented an identifiable segment of the business and formed part of a co-ordinated disposal plan, the entire segment was treated as a discontinued operation for the year ended 31 December 2019 and the results for the year and the comparatives were disclosed separately from the rest of the business.

In April 2020, Orion notified the Group that it no longer intended to complete on the portfolio sale, despite unconditional contracts having been exchanged. Hammerson subsequently terminated the SPA in May 2020, retaining the £21 million non-refundable deposit held by solicitors on exchange, which has been recognised within "profit/(loss) on sale of properties" in the period as detailed in note 2.

Consequently, in May 2020, management concluded that whilst the Group remains committed to the plan to dispose of the retail parks portfolio, this no longer meets the criteria of 'held for sale' as defined by IFRS 5 as the properties were not being actively marketed and it was not anticipated that completion would be reached within the prescribed 12-month period. Therefore the UK retail parks portfolio has been reclassified from assets held for sale in May 2020, and £22 million of the aforementioned £92 million impairment has been reversed, reflecting the reversal of the portfolio discount applied at 31 December 2019, resulting in a net revaluation deficit from the formal valuation at 31 December 2019 of £70 million. The formal valuation by Cushman and Wakefield LLP at 30 June 2020 was used as a materially reasonable approximation of the value upon reclassification in May 2020. Results for the comparative periods have been re-presented to disclose the retail parks portfolio as part of continuing operations, whilst balance sheet comparatives at 31 December 2019 remain unchanged.

Accounting for assets held for sale – investment in VIA Outlets

In June 2020, the Group entered into negotiations for the sale of substantially all of its investment in VIA Outlets, subject to retention of a 7.3% stake in VIA Outlets Zweibrücken B.V. At 30 June 2020, management completed their assessment and concluded that the proportion of investment in VIA Outlets identified for disposal met the IFRS 5 criteria for 'held for sale' at the balance sheet date as the investment was being actively marketed at a reasonable price with an expectation of transacting within a year. This was further evidenced by the exchange of contracts for the sale of the investment on 6 August 2020. Whilst completion is conditional on achieving shareholder approval and competition clearance, management remain confident that completion is highly probable within the 12-month period as prescribed under IFRS 5. Consequently, the proportion of the investment in joint venture to be sold was reclassified to assets held for sale at 30 June 2020 at its carrying value of £371 million and re-measured at the lower of the carrying amount and fair value less costs of disposal, in accordance with IFRS 5. The fair value is based upon the latest offer price. This re-measurement has resulted in a £102 million impairment loss being recognised in the period.

The investment in VIA Outlets has not been treated as discontinued operations in either the current or prior period as this only forms part of the wider premium outlets segment of the business and is not a separate segment in its own right.

The residual investment in VIA Outlets Zweibrücken B.V., which is to be retained for the foreseeable future, continues to be held within investment in joint ventures as at 30 June 2020 although will be reclassified to fixed asset investments when the sale completes as the Group will no longer exercise joint control or significant influence over this investment. The carrying value of £15.3 million is based upon the Group's retained 7.3% share of the underlying net assets of VIA Outlets Zweibrücken B.V. At the balance sheet date, this continues to be owned within the 50:50 joint venture structure and therefore does not require reclassification.

1. FINANCIAL INFORMATION (continued)

C. SIGNIFICANT ESTIMATES

Property valuations

The valuation of the Group's properties, which are carried in the balance sheet at fair value, totalling £7,692 million, on a proportionally consolidated basis, is the most material area of estimation due to its inherent subjectivity, reliance on assumptions and sensitivity to market fluctuations. The retail market has experienced significant challenges in 2020 due to tenant failures, the Covid-19 pandemic and continued structural challenges to the sector which have impacted the valuation of the Group's properties. The valuation of the portfolio is further complicated by a lack of transactional evidence, as valuers are faced with an unprecedented set of circumstances on which to base their assumptions.

As detailed in note 9, following the tender of the Group's valuation instruction in late 2019, the valuation of the portfolio has been split between Cushman and Wakefield (C&W), CBRE Limited (CBRE) and Jones Lang LaSalle Limited (JLL). All three valuers have stated that it has been necessary to make significant judgements at the balance sheet date in the context of the rapidly changing market conditions caused by Covid-19 and consequently have reported the valuation of the property portfolio at 30 June 2020 on the basis of 'material valuation uncertainty' as per VPS2 and VPGA 10 of the RICS Red Book Global, citing a lack of transactional evidence, an increased level of tenant restructuring (CVAs and administrations) and reduced rent collections levels. It should be noted that this does not mean that the valuation cannot be relied upon, but that it has been included to ensure transparency of the fact that in the current unprecedented circumstances, less certainty can be attached to the valuation than would otherwise be the case. Consequently, there is a higher likelihood that the assumptions upon which the external valuers have based their valuations prove to be inaccurate.

As a result of this uncertainty, the sensitivity analysis below has been prepared, illustrating the impact on valuations of changes in yields and market rental income as detailed in the table below, widening the variables to a yield movement of 100 basis points and an estimated rental value (ERV) change of 10%.

Key unobservable inputs sensitivity analysis	Investment properties valuation £m	Impact on valuation of 100 bp change in nominal equivalent yield Decrease £m	Impact on valuation of 100 bp change in nominal equivalent yield Increase £m	Impact on valuation of 10% change in estimated rental value (ERV) Increase £m	Impact on valuation of 10% change in estimated rental value (ERV) Decrease £m
UK	1,852	329	(243)	185	(185)
France	1,229	331	(215)	123	(123)
Ireland	834	223	(145)	83	(83)
UK retail parks	438	63	(49)	44	(44)
UK other	118	16	(12)	12	(12)
Premium outlets (excluding held for sale)	1,964	331	(230)	n/a	n/a
Total Group (excluding held for sale and developments)	6,435	1,293	(894)	447	(447)

Investment properties, excluding properties held for development, are valued by adopting the 'investment method' of valuation. This approach involves applying capitalisation yields to estimated future rental income streams reflecting contracted income reverting to ERVs with appropriate adjustments for income voids arising from vacancies, lease expiries or rent-free periods. These capitalisation yields and future income streams are derived from comparable property and leasing transactions and are considered to be the key inputs to the valuations. At 30 June 2020, the valuers have also incorporated a number of changes across all assets to reflect the impact of Covid-19, including a deduction for a minimum of three months of income from non-essential retailers, reduced income due to vacancy, and a widening of yields to reflect the presence of tenants deemed to present a greater risk of future failure. Other factors that are taken into account include, but are not limited to, the location and physical attributes of the property, tenure, tenancy details and environmental and structural conditions.

A tailored approach is taken to the valuation of the Group's developments due to their unique nature. In the case of 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 project, together with a further allowance for remaining risk and developers' profit.

Properties held for future development are generally valued by adopting the higher of the residual method of valuation allowing for all associated risks, and the investment method of valuation for the existing asset.

Valuations of the Group's investment in properties within the premium outlets are calculated on a discounted cash flow basis, utilising key assumptions such as net operating income, exit yield, discount rate and forecast sales density growth.

Inputs to the valuations, some of which are 'unobservable' as defined by IFRS 13, include capitalisation yields (nominal equivalent yield) and market rental income (ERV). These inputs to the valuations are analysed by segment in the rental and valuation data tables on pages 82 and 85 and the valuation change analysis in the Property portfolio review on page 24. All other factors remaining constant, an increase in rental income would increase valuations, whilst increases in capitalisation yields and discount rates would result in a fall in values and vice versa. However, there are interrelationships between unobservable inputs as they are determined by market conditions. The existence of an increase of more than one unobservable input would augment the impact on valuation. The impact on the valuation would be mitigated by the interrelationship between unobservable inputs moving in opposite directions. For example, an increase in rents may be offset by an increase in yield, resulting in no net impact on the valuation.

1. FINANCIAL INFORMATION (continued)

The Directors have satisfied themselves that the valuation process is sufficiently rigorous and supports the carrying value of the Group's properties in the financial statements. The appointment of a wider pool of valuers has provided an increased breadth of expertise across the portfolio and enabled comparison of their approaches and assumptions. Analysis against peers and latest MSCI data gives further comfort that the formal valuations are aligned with the wider market.

Impairment of non-financial assets and liabilities

Most of the Group's non-financial assets are investment and development properties and are already carried at their fair value under IAS 40. Investments in joint ventures and associates fall within the scope of IAS 28 and are therefore only assessed for impairment where indicators of impairment exist as a result of one or more events that occurred after the initial recognition of the original investment.

Management have concluded that the impact of Covid-19 is evidence of potential impairment and accordingly, an impairment review of non-financial assets has been undertaken, assessing whether the carrying value of these investments exceeded the higher of fair value less cost of disposal and the value in use.

Joint ventures and associates, excluding premium outlets, are accounted for under the equity method, which in this case, equates to Hammerson's share of the entity's Net Asset Value (NAV). NAV is based on the fair value of the financial assets and liabilities. As the Group's investment in these joint ventures and associates already equals the Group's share of the underlying net assets of the relevant investee, all of which are carried at fair value, these investments are already held at their recoverable amount and no impairment is required.

Within the Group's investments in premium outlets, notional goodwill has arisen historically as the acquisition price has exceeded the fair value of the net assets acquired, principally associated with deferred tax liabilities. As a consequence of recognising notional goodwill, the carrying value of the investment in premium outlets exceeds the Group's share of the underlying net assets. Given the recent uncertainty and challenging investment markets following the pandemic, management no longer believe it is appropriate to maintain a carrying value in excess of the underlying net assets of the investee. The future cash flows of both investments have been captured by the property valuations. Consequently, the investments in VIA Outlets and Value Retail have been impaired by £9.6 million and £94.3 million respectively in the six months ended 30 June 2020, equivalent to the notional goodwill, as detailed in notes 13A and 11C.

Impairment of trade receivables and tenant incentives

The estimation of expected credit losses requires a degree of estimation about future events and is therefore inherently subjective.

As detailed in note 1A, the Group has applied the simplified approach under IFRS 9 and adopted a provisioning matrix to determine the Expected Credit Loss (ECL), grouping receivables dependent on the risk level, taking into account historic default rates, future expectations, credit ratings and the anticipated impact of Covid-19, and applying an appropriate provision percentage after taking account of rent deposits and personal or corporate guarantees held. Where information is available to suggest that a higher level of provisioning is required, provision is made against 100% of the trade receivable.

The closure of the vast majority of non-essential retail across all regions as a result of the global pandemic, coupled with government restrictions in the UK and France on landlords' ability to enforce rent collection has resulted in a significant decline in rent collection rates and consequently, an increase in the level of trade receivables from £61.3 million at 31 December 2019 to £164.5 million at 30 June 2020 on a proportionally consolidated basis.

On a proportionally consolidated basis, after taking account of tenant deposits, guarantees and VAT, a total provision of £44.7 million was recognised at 30 June 2020, compared to £16.9 million at 31 December 2019, equivalent to a 27% provision against gross receivables.

The table below analyses the total provision by region against the respective trade receivable balances, and splits the provision between amounts recognised before 30 June 2020 and those for which the corresponding credit to the income statement has yet to be recognised.

	30 June 2020					31 December 2019	
	Trade receivables £m	Provision for amounts recognised in the income statement £m	Provision for amounts not yet recognised in the income statement £m	Total provision £m	Total provision %	Trade receivables £m	Total provision[1] £m
UK	89.6	16.0	7.1	23.1	26	22.5	6.0
France	63.3	18.6	–	18.6	29	36.0	10.4
Ireland	11.6	3.0	–	3.0	26	2.8	0.5
Property portfolio	164.5	37.6	7.1	44.7	27	61.3	16.9
Less Share of Property interests	(73.2)	(15.8)	(4.9)	(20.7)	28	(19.3)	(7.0)
Reported Group	91.3	21.8	2.2	24.0	26	42.0	9.9

1. No provision for amounts not yet recognised in the income statement was recognised at 31 December 2019.

1. FINANCIAL INFORMATION (continued)

The Expected Credit Loss (ECL) approach has also been applied to tenant incentives, by grouping unamortised incentives dependent on the risk level, taking into account historic default rates, future expectations, credit ratings and the anticipated impact of Covid-19, and applying an appropriate provision percentage. Unamortised lease incentives at 30 June 2020 totalled £64.6 million on a proportionally consolidated basis, excluding premium outlets, against which a provision of £8.9 million has been recognised. The table below analyses the provision across the regions between the proportionally consolidated portfolio and Share of Property interests.

			30 June 2020
	Unamortised tenant incentives £m	Total provision £m	Total provision %
UK	59.0	8.3	14
France	3.4	0.3	9
Ireland	2.2	0.3	14
Property portfolio	64.6	8.9	14
Less Share of Property interests	(24.0)	(3.6)	15
Reported Group	40.6	5.3	13

Finally, the expected credit loss of the Group's remaining financial assets, including loans to joint ventures and associates, has also been considered under the requirements of IFRS 9. No material expected credit losses are expected to arise and therefore no provision has been recognised

D. GOING CONCERN

Introduction

The Directors have performed a detailed going concern review assessing the current and projected financial position of the Group, including current assets and liabilities, its debt maturity profile, future commitments and forecast cash flows.

The Directors have prepared two forecast scenarios: a base case and a severe but plausible adverse case. The underlying forecast assumptions take into account the Group's principal risks and uncertainties, as explained on page 38, which reflect the heightened uncertainty caused by the Covid-19 pandemic and the ongoing challenges in the Group's retail occupational and investment markets.

The scenarios consider the macro-economic and retail market outlook and incorporate assumptions in respect of property valuation, net rental income including collections, outgoings in the form of operating and capital expenditure, financing and dividends. The forecasts also assess the impact of the scenarios on the Group's borrowings and financial facilities and related covenants, including those held within joint ventures and associates.

Assessment outcome

Retail occupational and investment markets have been increasingly challenging over recent years, particularly in the UK. The Covid-19 pandemic has caused a further adverse impact with reduced rent collections; an increased level of tenant restructuring, in the form of CVAs and administrations; and downward pressure on both rents and property valuations.

At 30 June 2020, the Group was in compliance with all its borrowing covenants and had liquidity of £1,166 million. The Group's borrowings contain covenants requiring the Group to maintain specified financial ratios and comply with certain other financial restrictions and these are explained on pages 36 and 37 of the Financial review. For the Group's bank facilities and private placement senior notes, these financial covenants are generally tested semi-annually, whilst the covenants under the Group's bonds are tested annually.

The covenants for secured debt facilities held within some joint ventures and associates are generally tested quarterly and include specific covenants, typically loan to value and interest cover. Covenant waivers have been obtained in relation to a number of these debt facilities to ensure they remain in compliance with their interest cover covenants for 12 months from the date of approval of these financial statements. These were necessary to address the immediate cash flow impact associated with Covid-19 due to reduced rent collection rates.

As explained above, the two scenarios prepared reflect a base case and a severe but plausible adverse case. The key assumptions adopted in the latter case are as follows:

- disease containment measures will need to remain in place into 2021, resulting in a more severe impact to the economy, with GDP and consumer spending suffering a reduction in excess of 10% by the end of 2021 and a significant increase in unemployment, as compared to the start of 2020.
- further property valuation weakness over the period from 30 June 2020 to 31 December 2021, with capital returns of approximately -32% for UK flagships, approximately -25% for French and Irish flagships, approximately -26% for UK retail parks and approximately -15% for premium outlets.
- significant rental income reductions over the two year period ending 31 December 2021 (as compared to the year ended 31 December 2019), with net rental income, on a like-for-like basis, for the Group, excluding premium outlets, being 33% lower, including reductions of 37% in the United Kingdom, 30% in France and 19% in Ireland.

The outcome of the projections is that under both scenarios the Group has sufficient liquidity to continue in operational existence and meet its liabilities as they fall due for at least the next 12 months and in the base case is compliant with its financial covenants over this period.

1. FINANCIAL INFORMATION (continued)

However, under the severe but plausible adverse case, at 30 June 2021 the Group is forecast to breach the gearing covenant in its bank facilities and private placement senior notes and the unencumbered asset ratio covenant in the private placement senior notes. Also under the severe but plausible adverse case there are minor unwaived forecast loan to value covenant breaches in a number of the joint venture secured debt facilities. For forecasting purposes these breaches have been assumed to be cash cured utilising less than £10 million of the Group's liquidity, thus mitigating the breaches.

Material uncertainty – key mitigating action

The Directors have reviewed mitigating actions available to the Group to avoid the unsecured borrowing covenant breaches forecast in the severe but plausible adverse case within the going concern period.

The key mitigating action relates to the proposed equity raise, by way of a rights issue, to raise proceeds of £551.7 million and the disposal of substantially all of the Group's 50% interest in VIA Outlets ('VIA') for net proceeds of £269.1 million. The Directors are of the view that the equity raise is fully committed and underwritten, taking into account the APG irrevocable agreement, the Lighthouse Capital irrevocable agreement and the underwriting agreements. These two interconnected transactions "the Proposed Transactions", are subject to joint shareholder approval on 1 September 2020 and, if successfully completed, the Proposed Transactions will significantly strengthen the Group's financial position.

The VIA disposal contains a number of other conditions including obtaining merger control approvals in Germany, Spain and Portugal. Whilst the Directors are confident that these other conditions will be satisfied, for going concern purposes, the proceeds from the equity raise alone are sufficient to avoid the forecast covenant breaches in the severe but plausible adverse case for 12 months from the date of approval of these financial statements. This means that it is the outcome of the shareholder vote, and the successful completion of the equity raise that represents the material uncertainty within the Group's going concern basis of preparation.

Alternative mitigating actions

Whilst noting the existence of the material uncertainty associated with the outcome of the shareholder vote on the Proposed Transactions and the successful completion of the equity raise, the Directors remain satisfied the going concern basis of preparation is appropriate. This is on the basis that, if shareholders do not vote in favour of the Proposed Transactions or if the equity raise does not successfully complete, the Directors believe that disposals could provide sufficient liquidity to avoid the forecast breaches in the severe but plausible adverse case.

Even in challenging markets, the Group has raised proceeds of £1.0 billion over the last 24 months and the diversity of the Group's portfolio, in terms of location and sector, provides access to a range of investment markets. The precise quantum of disposals to avoid the forecast breaches would be dependent on the properties sold and the price relative to book value. However, the required disposal proceeds would be expected to be relatively small, compared with the Group's £7.7 billion portfolio valuation at 30 June 2020.

Conclusion

The Directors do not expect the assumptions in the severe but plausible adverse case to materialise. Nonetheless, there is a material uncertainty in respect of the outcome of the shareholder vote on the Proposed Transactions and the successful completion of the equity raise. If the shareholders do not vote in favour of the Proposed Transactions or the equity raise does not successfully complete, the trading conditions envisaged in the severe but plausible adverse case eventuate and the Group is unable to take alternative mitigating actions such as those set out above, the Group will breach debt covenants at 30 June 2021. These conditions indicate a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern. This material uncertainty is referenced in the external auditors' Independent Review Report on page 42.

Notwithstanding the material uncertainty explained above, taking account of all the factors explained in this statement, the Directors have formed the judgement that it is appropriate to prepare the interim financial statements on the going concern basis.

1. FINANCIAL INFORMATION (continued)

E. OTHER FINANCIAL INFORMATION

Accounting Standards

The following new and revised Standards and Interpretations have been issued and adopted. These have no material impact on the interim financial statements:

Issued, endorsed by the European Union, and effective

- Amendments to IFRS 3 Business Combinations; amendments to assess whether a transaction meets the definition of a business combination; effective for periods beginning on or after 1 January 2020
- Amendments to IAS 1, 'Presentation of financial statements', and IAS 8, 'Accounting policies, changes in accounting estimates and errors' – definition of material issued, effective for periods beginning on or after 1 January 2020
- Amendments to IFRS 9, IAS 39 and IFRS 17: – Interest rate benchmark reform, effective for periods beginning on or after 1 January 2020

Issued, not endorsed by the European Union, not yet effective

The following has not been adopted for the interim financial statements:

- Amendments to IAS 1, 'Presentation of financial statements', on classification of liabilities, effective for periods beginning on or after 1 January 2022

Other relevant information

Transactions with joint ventures including distributions, interest and management fees are eliminated on a proportionate basis. The Group's financial performance is not materially impacted by seasonality. There have been no material related party transactions in the period. There have been no changes in estimates of amounts reported in prior periods which have a material impact on the current half-year period.

Capital commitments

Capital commitments for the Reported Group were £71 million at 31 December 2019 and 30 June 2020. The Group's share of capital commitments arising within joint ventures has increased from £34 million at 31 December 2019 to £46 million at 30 June 2020. Further details of Developments are provided on pages 18 and 19. There have been no material changes in contingent liabilities since 31 December 2019. Details of the Group's principal risks and uncertainties are set out on pages 38 to 41.

Exchange rates

The principal exchange rates used to translate foreign currency denominated amounts are:
Consolidated balance sheet: £1 = €1.101 (30 June 2019: £1 = €1.118; 31 December 2019: £1 = €1.180)
Consolidated income statement: £1 = €1.127 (Quarter 1 2020), £1 = €1.161 (Quarter 2 2020); (2019: £1 = €1.147 (Quarter 1 2019), £1 = €1.144 (Quarter 2 2019), £1 = €1.109 (Quarter 3 2019), £1 = €1.163 (Quarter 4 2019).

2. LOSS FOR THE PERIOD

As stated in the Financial review on page 26 and in note 3, management reviews the performance of the Group's property portfolio on a proportionally consolidated basis. Management does not proportionally consolidate the Group's premium outlet investments in Value Retail and VIA Outlets, and reviews the performance of these investments separately from the rest of the proportionally consolidated portfolio.

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

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

The Group's proportionally consolidated (loss)/profit for the period in column C is then allocated between 'Adjusted' and 'Capital and other' for the purposes of calculating figures in accordance with EPRA best practice. Company specific adjustments which differ from EPRA guidelines are detailed in note 8B.

As detailed in note 1B, the retail parks operations presented as discontinued for the year ended 31 December 2019 have been re-presented as continuing operations as the IFRS 5 criteria ceased to be met in May 2020.

2. LOSS FOR THE PERIOD (continued)

					Six months ended 30 June 2020	
					Proportionally consolidated	
	Notes	Reported Group £m	Share of Property interests £m	Proportionally consolidated £m	Adjusted £m	Capital and other £m
Notes (see page 61)		A	B	C	D	D
Gross rental income[E]	3A, 4	65.4	78.9	144.3	144.3	–
Ground and equity rents payable		(0.6)	(0.7)	(1.3)	(1.3)	–
Gross rental income, after rents payable		64.8	78.2	143.0	143.0	–
- Service charge income		15.7	16.6	32.3	32.3	–
- Service charge expenses		(16.9)	(18.9)	(35.8)	(35.8)	–
- Net service charge expenses		(1.2)	(2.3)	(3.5)	(3.5)	–
- Inclusive lease costs recovered through rent		(1.7)	(1.7)	(3.4)	(3.4)	–
- Other property outgoings		(15.1)	(17.7)	(32.8)	(32.8)	–
Property outgoings		(18.0)	(21.7)	(39.7)	(39.7)	–
Change in the provision for impairment of unamortised tenant incentives	1C	(5.3)	(3.6)	(8.9)	(8.9)	–
Change in the provision for amounts not yet recognised in the income statement[1]	1C	(2.2)	(4.9)	(7.1)	–	(7.1)
Net rental income	3A	39.3	48.0	87.3	94.4	(7.1)
Administration costs		(33.0)	(0.2)	(33.2)	(33.2)	–
Property fee income		7.7	–	7.7	7.7	–
Employee and corporate costs		(25.3)	(0.2)	(25.5)	(25.5)	–
Joint venture and associate management fees		4.2	–	4.2	4.2	–
Net administration expenses		(21.1)	(0.2)	(21.3)	(21.3)	–
Operating profit before other net losses and share of results of joint ventures and associates		18.2	47.8	66.0	73.1	(7.1)
Profit on sale of properties[2]		16.0	–	16.0	–	16.0
Net exchange loss previously recognised in equity, recycled on disposal of foreign operations		(0.1)	–	(0.1)	–	(0.1)
Revaluation losses on properties	3B	(274.6)	(527.8)	(802.4)	–	(802.4)
Impairment recognised on reclassification to assets held for sale	13A	(101.6)	–	(101.6)	–	(101.6)
Reversal of impairment on reclassification from assets held for sale	13C	22.4	–	22.4	–	22.4
Other net losses		(337.9)	(527.8)	(865.7)	–	(865.7)
					–	
Share of results of joint ventures	10A, 10B	(500.2)	479.3	(20.9)	5.6	(26.5)
Impairment of investment in joint ventures	10E	(9.6)	–	(9.6)	–	(9.6)
Share of results of associates	11A, 11B	(127.7)	7.7	(120.0)	(13.0)	(107.0)
Impairment of investment in associates	11E	(94.3)	–	(94.3)	–	(94.3)
Operating (loss)/profit		(1,051.5)	7.0	(1,044.5)	65.7	(1,110.2)
Net finance costs[F]	5	(36.3)	(7.0)	(43.3)	(47.4)	4.1
(Loss)/Profit before tax		(1,087.8)	–	(1,087.8)	18.3	(1,106.1)
Tax charge	6	(0.6)	–	(0.6)	(0.6)	–
(Loss)/Profit for the period attributable to equity shareholders	8B	(1,088.4)	–	(1,088.4)	17.7	(1,106.1)

1. Relates to the impairment of trade receivables relating to the period after 1 July 2020 where the corresponding deferred income balance is classified as an other payables <1yr.

2. Includes £17.4 million relating to the non-refundable deposit of £21.0 million received on the aborted sale of the retail parks, less associated fees.

2. LOSS FOR THE PERIOD (continued)

	Notes	Reported Group £m	Share of Property interests £m	Proportionally consolidated £m	Six months ended 30 June 2019 Proportionally consolidated Adjusted £m	Capital and other £m
Notes (see page 61)		A	B	C	D	D
Gross rental income[E]	3A, 4	92.6	88.8	181.4	181.4	–
Ground and equity rents payable		(0.7)	(0.9)	(1.6)	(1.6)	–
Gross rental income, after rents payable		91.9	87.9	179.8	179.8	
- Service charge income		19.3	16.2	35.5	35.5	–
- Service charge expenses		(20.8)	(17.9)	(38.7)	(38.7)	–
- Net service charge expenses		(1.5)	(1.7)	(3.2)	(3.2)	–
- Inclusive lease costs recovered through rent		(2.2)	(1.4)	(3.6)	(3.6)	–
- Other property outgoings		(7.1)	(9.3)	(16.4)	(16.4)	–
Property outgoings		(10.8)	(12.4)	(23.2)	(23.2)	–
Net rental income	3A	81.1	75.5	156.6	156.6	–
Administration costs		(34.9)	(0.2)	(35.1)	(35.1)	–
Property fee income		7.9	–	7.9	7.9	–
Employee and corporate costs		(27.0)	(0.2)	(27.2)	(27.2)	–
Joint venture and associate management fees		5.0	–	5.0	5.0	–
Net administration expenses		(22.0)	(0.2)	(22.2)	(22.2)	–
Operating profit before other net losses and share of results of joint ventures and associates		59.1	75.3	134.4	134.4	–
Loss on sale of properties		(2.1)	–	(2.1)	–	(2.1)
Revaluation losses on properties	3B	(262.7)	(271.3)	(534.0)	–	(534.0)
Other net losses		(264.8)	(271.3)	(536.1)	–	(536.1)
Share of results of joint ventures	10A, 10B	(188.4)	204.7	16.3	6.7	9.6
Share of results of associates	11A, 11B	121.1	(0.5)	120.6	11.1	109.5
Operating (loss)/profit		(273.0)	8.2	(264.8)	152.2	(417.0)
Net finance costs[F]	5	(46.2)	(8.2)	(54.4)	(44.2)	(10.2)
(Loss)/Profit before tax		(319.2)	–	(319.2)	108.0	(427.2)
Tax charge	6	(0.6)	–	(0.6)	(0.6)	–
(Loss)/Profit for the period attributable to equity shareholders	8B	(319.8)	–	(319.8)	107.4	(427.2)

2. LOSS PROFIT FOR THE PERIOD (continued)

		Year ended 31 December 2019				
					Proportionally consolidated	
	Notes	Reported Group £m	Share of Property interests £m	Proportionally consolidated £m	Adjusted £m	Capital and other £m
Notes		A	B	C	D	D
Gross rental income[E]	3A, 4	182.1	178.9	361.0	361.0	–
Ground and equity rents payable		(1.4)	(1.8)	(3.2)	(3.2)	–
Gross rental income , after rents payable		180.7	177.1	357.8	357.8	
- Service charge income		39.5	32.7	72.2	72.2	–
- Service charge expenses		(43.5)	(37.6)	(81.1)	(81.1)	–
- Net service charge expenses		(4.0)	(4.9)	(8.9)	(8.9)	–
- Inclusive lease costs recovered through rent		(4.7)	(2.9)	(7.6)	(7.6)	–
- Other property outgoings		(13.2)	(19.6)	(32.8)	(32.8)	–
Property outgoings		(21.9)	(27.4)	(49.3)	(49.3)	–
Net rental income	3A	158.8	149.7	308.5	308.5	–
Administration costs		(72.4)	(0.5)	(72.9)	(72.9)	–
Property fee income		15.7	–	15.7	15.7	–
Employee and corporate costs		(56.7)	(0.5)	(57.2)	(57.2)	–
Joint venture and associate management fees		8.9	–	8.9	8.9	–
Net administration expenses		(47.8)	(0.5)	(48.3)	(48.3)	–
Operating profit before other net losses and share of results of joint ventures and associates		111.0	149.2	260.2	260.2	–
(Loss)/Profit on sale of properties[G]		(105.8)	14.1	(91.7)	–	(91.7)
Net exchange gain previously recognised in equity, recycled on disposal of foreign operations		13.8	–	13.8	–	13.8
Revaluation losses on properties[G]	3B	(412.2)	(615.8)	(1,028.0)	–	(1,028.0)
Impairment recognised on reclassification to assets held for sale		(91.6)	(0.4)	(92.0)	–	(92.0)
Other net losses		(595.8)	(602.1)	(1,197.9)	–	(1,197.9)
Share of results of joint ventures	10A, 10B	(429.1)	463.4	34.3	14.6	19.7
Share of results of associates	11A, 11B	209.4	1.2	210.6	31.2	179.4
Operating (loss)/profit		(704.5)	11.7	(692.8)	306.0	(998.8)
Net finance costs[F]	5	(74.8)	(11.4)	(86.2)	(89.8)	3.6
(Loss)/Profit before tax		(779.3)	0.3	(779.0)	216.2	(995.2)
Tax charge	6	(1.9)	(0.3)	(2.2)	(2.2)	–
(Loss)/Profit for the year attributable to equity shareholders	8B	(781.2)	–	(781.2)	214.0	(995.2)

Notes

A. Reported Group results as shown in the consolidated income statement on page 45.

B. Share of Property interests reflect the Group's share of results of Property joint ventures as shown in note 10A and Nicetoile and Italie Deux as included within note 11A.

C. Aggregated results on a proportionally consolidated basis showing Reported Group together with Share of Property interests.

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

E. Included in gross rental income on a proportionally consolidated basis in column C is £1.3 million (30 June 2019: £3.9 million; 31 December 2019: £8.5 million) of contingent rents calculated by reference to tenants' turnover.

F. Adjusted finance costs presented on a proportionally consolidated basis are shown in Table 16 on page 90.

G. Reclassification of £14.1 million between '(Loss)/Profit on sale of properties' and 'Revaluation losses on properties' in column B, to present the sale of the 75% interest in Italie Deux on a proportionally consolidated basis.

3. SEGMENTAL ANALYSIS

The factors used to determine the Group's reportable segments are the sectors in which it operates and geographic locations. These are generally managed by separate teams and are the basis on which performance is assessed and resources allocated. As stated in the Financial review on page 26, the Group has property interests in a number of sectors and management reviews the performance of the Group's property interests in flagship destinations, retail parks, other UK properties and developments on a proportionally consolidated basis to reflect the Group's different ownership shares. Management does not proportionally consolidate the Group's premium outlet investments in Value Retail and VIA Outlets, which are externally managed by experienced outlet operators, independently financed and have operating metrics which differ from the Group's other sectors. We review the performance of our premium outlet investments separately from the proportionally consolidated portfolio. The key financial metrics for our premium outlet investments are: income growth; earnings contribution; property valuations and returns; and capital growth. However, for a number of the Group's APM's we aggregate the premium outlets for enhanced disclosure. These include like-for-like net rental income, LTV ratios, property valuations and returns.

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

The Group's primary income measures for its property income are Gross rental income and Net rental income. Total assets are not monitored by segment and resource allocation is based on the distribution of property assets between segments.

A. Income and profit by segment

Year ended 31 December 2019			Six months ended 30 June 2020		Six months ended 30 June 2019	
Gross rental income £m	Net rental income £m		Gross rental income £m	Net rental income £m	Gross rental income £m	Net rental income £m
		Flagship destinations				
158.2	130.7	UK	65.4	35.2	78.9	66.3
82.1	72.0	France	31.3	20.5	40.8	36.3
41.8	38.0	Ireland	19.1	14.9	20.4	18.5
282.1	240.7		115.8	70.6	140.1	121.1
52.5	49.1	UK retail parks	17.3	10.9	27.5	25.6
11.3	8.2	UK other	4.9	2.5	5.8	4.2
345.9	298.0	**Investment portfolio**	138.0	84.0	173.4	150.9
15.1	10.5	Developments	6.3	3.3	8.0	5.7
361.0	308.5	**Property portfolio**	144.3	87.3	181.4	156.6
(178.9)	(149.7)	Less Share of Property interests*	(78.9)	(48.0)	(88.8)	(75.5)
182.1	158.8	**Reported Group**	65.4	39.3	92.6	81.1

* For the year ended 31 December 2019, the results of the UK retail parks were separately identified as discontinued operations. At 30 June 2020, the UK retail parks no longer met the criteria of IFRS 5 as detailed in note 1B, consequently the results for the UK retail parks have not been separately identified as discontinued operations in the current period and the results for the comparative periods have been re-presented as continuing operations. Gross rental income of £1.8 million and net rental income of £1.7 million relating to Brent South, which were previously included within discontinued operations, have been reclassified to 'share of property interests'.

3. SEGMENTAL ANALYSIS (continued)

B. Investment and development property assets by segment

31 December 2019 Property valuation £m	31 December 2019 Property additions £m	31 December 2019 Revaluation (losses)/ gains £m		30 June 2020 Property valuation £m	30 June 2020 Property additions £m	30 June 2020 Revaluation losses £m	30 June 2019 Property valuation £m	30 June 2019 Property additions £m	30 June 2019 Revaluation (losses)/ gains £m
			Flagship destinations						
2,351.3	12.3	(581.8)	UK	1,851.8	(4.4)	(495.0)	2,655.5	1.1	(266.4)
1,269.0	22.8	(130.6)	France	1,229.1	6.0	(123.9)	1,819.2	10.9	(70.6)
860.0	5.2	(71.6)	Ireland	833.7	3.5	(88.2)	947.3	1.7	(29.7)
4,480.3	40.3	(784.0)		3,914.6	5.1	(707.1)	5,422.0	13.7	(366.7)
453.3	4.1	(124.9)	UK retail parks[2]	438.2	(5.6)	(68.3)	752.6	0.8	(93.4)
134.5	2.4	(41.2)	UK other	117.7	1.0	(17.9)	153.4	0.9	(20.9)
5,068.1	46.8	(950.1)	**Investment portfolio**	4,470.5	0.5	(793.3)	6,328.0	15.4	(481.0)
599.6	50.9	(77.9)	Developments	563.3	18.3	(78.2)	623.5	28.6	(53.0)
5,667.7	97.7	(1,028.0)	**Property portfolio – excluding premium outlets**	5,033.8	18.8	(871.5)	6,951.5	44.0	(534.0)
2,659.1	88.0	199.8	Premium outlets	2,658.3	28.2	(137.2)	2,590.0	22.5	110.6
8,326.8	185.7	(828.2)	**Total Group**	7,692.1	47.0	(1,008.7)	9,541.5	66.5	(423.4)
(2,659.1)	(88.0)	(199.8)	Less premium outlets[1]	(1,963.6)	(28.2)	137.2	(2,590.0)	(22.5)	(110.6)
(3,112.5)	(19.8)	615.8	Less share of Property interests	(2,679.4)	(4.1)	527.8	(3,382.6)	(8.2)	271.3
(456.5)	(4.2)	–	Less assets held for sale[1,2]	(694.7)	5.7	69.1	–	–	–
2,098.7	73.7	(412.2)	**Reported Group**	2,354.4	20.4	(274.6)	3,568.9	35.8	(262.7)

1. On 30 June 2020, a proportion of the Group's investment in VIA Outlets was reclassified as assets held for sale. See note 13A for further details.

2. At 31 December 2019 the Group's retail park portfolio was reclassified as assets held for sale. Included in the £453.3 million retail parks property valuation at 31 December 2019 is £24.9 million relating to Brent South which is held within investment in joint ventures. In May 2020, the remaining retail parks were reclassified out of assets held for sale. Further details of the movements are provided in note 13. Revaluation losses for the six months ended 30 June 2020 include £69.1 million comprising the impairment loss recognised on reclassification to assets held for sale at 31 December 2019 and the subsequent reversal on reclassification from assets held for sale.

4. REVENUE

Year ended 31 December 2019[1] £m		Notes	Six months ended 30 June 2020 £m	Six months ended 30 June 2019 £m
161.0	Base rent		62.3	82.8
4.0	Turnover rent		0.3	1.8
14.7	Car park income[2]		4.4	6.9
(3.3)	Lease incentive recognition		(3.8)	(2.0)
5.7	Other rental income		2.2	3.1
182.1	Gross rental income	2	65.4	92.6
39.5	Service charge income[2]	2	15.7	19.3
15.7	Property fee income[2]	2	7.7	7.9
8.9	Joint venture and associate management fees[2]	2	4.2	5.0
246.2	**Revenue**		93.0	124.8

1. Comparatives for the year ended 31 December 2019 have been re-presented to recognise revenue relating to retail parks within continuing operations. See note 1B.

2. The above income streams reflect revenue recognised under IFRS15 Revenue from Contracts with Customers and total £32.0 million in the six months ended 30 June 2020 (30 June 2019: £39.1 million; 31 December 2019: £78.8 million). All other revenue streams relate to income recognised under IFRS16 Leases.

5. NET FINANCE COSTS

Year ended 31 December 2019* £m		Six months ended 30 June 2020 £m	Six months ended 30 June 2019 £m
15.1	Interest on bank loans and overdrafts	4.9	7.2
86.2	Interest on other borrowings	44.9	43.4
2.2	Interest on obligations under head leases	1.1	1.1
0.2	Interest on other lease obligations	0.1	0.1
1.6	Other interest payable	0.6	0.8
105.3	Gross interest costs	51.6	52.6
(2.8)	Less: Interest capitalised	(2.5)	(1.3)
102.5	Finance costs	49.1	51.3
(6.2)	Change in fair value of derivatives	(6.5)	6.2
(21.5)	Finance income	(6.3)	(11.3)
74.8	Net finance costs	36.3	46.2

* Comparatives for the year ended 31December 2019 have been re-presented to recognise finance costs relating to retail parks within continuing operations.

6. TAX CHARGE

Year ended 31 December 2019 £m		Six months ended 30 June 2020 £m	Six months ended 30 June 2019 £m
0.1	UK current tax	–	–
1.8	Foreign current tax	0.6	0.6
1.9	Tax charge	0.6	0.6

Current tax is low as substantially all of the Group's rental income and property gains are exempt from tax.

As a UK REIT, the Company is obliged to pay to shareholders 90% of its tax-exempt property profits as Property Income Distributions (PID). In respect of the 2019 PID requirement, following the withdrawal of the 2019 final dividend, the Company has an outstanding PID obligation of approximately £70 million which should be settled by 31 December 2020. The Company is committed to remaining in the REIT regime.

7. DIVIDENDS

No dividend was declared for the six months ended 30 June 2020 (30 June 2019: 11.1 pence per share).

				Equity dividends		
	PID pence per share	Non-PID pence per share	Total pence per share	Six months ended 30 June 2020 £m	Year ended 31 December 2019 £m	Six months ended 30 June 2019 £m
Prior periods						
2019 interim dividend	11.1	–	11.1	–	84.9	–
2018 final dividend				–	113.5	113.5
Dividends as reported in the consolidated statement of changes in equity				–	198.4	113.5
2018 interim dividend withholding tax (paid 2019)				–	12.7	12.7
2018 final dividend withholding tax (paid 2019)				–	–	(8.1)
2019 interim dividend withholding tax (paid 2020)				12.2	(12.2)	–
Dividends paid as reported in the consolidated cash flow statement				12.2	198.9	118.1

8. (LOSS)/EARNINGS PER SHARE AND NET ASSET VALUE PER SHARE

The European Public Real Estate Association (EPRA) has issued recommended bases for the calculation of certain per share information and these are included in notes 8B and 8D. From 1 January 2020 there are new metrics in place for EPRA net assets and the Company has chosen to also apply the new bases of calculation to prior period results for comparison purposes. See note 8D for further details on the new metrics. Commentary on (loss)/earnings and net asset value per share is provided in the Financial review on pages 26 to 37. Headline earnings per share has been calculated and presented in note 8C as required by the Johannesburg Stock Exchange listing requirements.

8. (LOSS)/EARNINGS PER SHARE AND NET ASSET VALUE PER SHARE (continued)

A. Number of shares for per share calculations

Year ended 31 December 2019 Shares million		Six months ended 30 June 2020 Shares million	Six months ended 30 June 2019 Shares million
765.3	Basic, Diluted, EPRA and Adjusted	765.6	765.1

The calculations for (loss)/earnings per share use the weighted average number of shares, which excludes those shares held in the Hammerson Employee Share Ownership Plan, which are treated as cancelled. For all three periods presented, there is no difference in the weighted average number of shares used for the calculation of basic and diluted loss per share as the effect of all potentially dilutive shares outstanding is anti-dilutive.

B. Earnings per share

Year ended 31 December 2019 (Loss)/ Earnings £m	Year ended 31 December 2019 Pence per share			Notes	Six months ended 30 June 2020 (Loss)/ Earnings £m	Six months ended 30 June 2020 Pence per share	Six months ended 30 June 2019 (Loss)/ Earnings £m	Six months ended 30 June 2019 Pence per share
(781.2)	(102.1)	Basic and Diluted		2	(1,088.4)	(142.2)	(319.8)	(41.8)
		Adjustments:						
412.2	53.9	Revaluation losses on properties:	Reported Group	2	274.6	35.9	262.7	34.3
615.8	80.4		Share of Property interests	2	527.8	68.9	271.3	35.5
1,028.0	134.3				802.4	104.8	534.0	69.8
105.8	13.8	(Profit)/Loss on sale of properties:	Reported Group	2	(16.0)	(2.1)	2.1	0.3
(14.1)	(1.8)		Share of Property interests	2	–	–	–	–
91.7	12.0				(16.0)	(2.1)	2.1	0.3
(13.8)	(1.8)	Net exchange loss/(gain) previously recognised in equity, recycled on disposal of foreign operations:	Reported Group	2	0.1	–	–	–
91.6	12.0	Impairment recognised on reclassification to assets held for sale: retail parks	Reported Group	2	–	–	–	–
0.4	–		Share of Property interests	2	–	–	–	–
–	–	Reversal of impairment on reclassification from assets held for sale: retail parks	Reported Group	2	(22.4)	(2.9)	–	–
92.0	12.0				(22.4)	(2.9)	–	–
–	–	Impairment on reclassification to assets held for sale: VIA Outlets	Reported Group	2	101.6	13.3	–	–
–	–	Impairment of investments	Reported Group	1C, 2	103.9	13.6	–	–
(6.2)	(0.8)	Change in fair value of derivatives:	Reported Group	5	(6.5)	(0.8)	6.2	0.8
2.6	0.4		Share of Property interests	10B	2.4	0.3	4.0	0.5
(3.6)	(0.4)				(4.1)	(0.5)	10.2	1.3
(199.8)	(26.1)	Premium outlets:	Revaluation losses/(gains) on properties	10B, 11B	137.2	17.9	(110.6)	(14.5)
(5.1)	(0.7)		Change in fair value of derivatives	10B, 11B	14.0	1.8	(4.0)	(0.5)
6.4	0.8		Deferred tax (credit)/charge	10B, 11B	(18.2)	(2.4)	(4.2)	(0.6)
(0.3)	–		Other adjustments	10B, 11B	–	–	–	–
(198.8)	(26.0)				133.0	17.3	(118.8)	(15.6)
995.5	130.1	Total adjustments			1,098.5	143.5	427.5	55.8
214.3	28.0	EPRA			10.1	1.3	107.7	14.0
(0.3)	–	Other adjustments	Translation movement on intragroup funding loan: Premium outlets	10B	0.5	0.1	(0.3)	–
–	–	Other adjustments	Change in provision for amounts not yet recognised in the income statement	1C, 2	7.1	0.9	–	–
214.0	28.0	Adjusted			17.7	2.3	107.4	14.0

8. (LOSS)/EARNINGS PER SHARE AND NET ASSET VALUE PER SHARE (continued)

C. Headline earnings per share

Year ended 31 December 2019 (Loss)/Earnings £m		Notes	Six months ended 30 June 2020 (Loss)/Earnings £m	Six months ended 30 June 2019 (Loss)/Earnings £m
(781.2)	Loss for the period attributable to equity shareholders	2	(1,088.4)	(319.8)
	Revaluation losses on properties:			
1,028.0	Reported Group and Share of Property interests	8B	802.4	534.0
	Loss on sale of properties:			
91.7	Reported Group and Share of Property interests	8B	(16.0)	2.1
(13.8)	Net exchange loss/(gain) previously recognised in equity, recycled on disposal of foreign operations: Reported Group	8B	0.1	–
92.0	Impairment recognised on reclassification to assets held for sale – retail parks: Reported Group and Share of Property interests	8B	–	–
–	Reversal of impairment on reclassification from assets held for sale – retail parks: Reported Group	8B	(22.4)	–
–	Impairment recognised on reclassification to assets held for sale – VIA Outlets: Reported Group	8B	101.6	–
–	Impairment of investments	8B	103.9	–
(199.8)	Revaluation losses/(gains) on properties: Premium outlets	8B	137.2	(110.6)
6.4	Deferred tax (credit)/charge: Premium outlets	8B	(18.2)	(4.2)
(0.3)	Translation movements on intragroup funding loan: Premium outlets	8B	0.5	(0.3)
223.0	Headline earnings		0.7	101.2
29.1p	Basic headline earnings per share (pence)		0.1p	13.2p
29.1p	Diluted headline earnings per share (pence)		0.1p	13.2p

	Reconciliation of headline earnings to adjusted earnings			
223.0	Headline earnings as above		0.7	101.2
	Change in fair value of derivatives:			
(3.6)	Reported Group and Share of Property interests	8B	(4.1)	10.2
29.4	Change in fair value of derivatives: Premium outlets	10B,11B	0.7	27.6
(34.5)	Change in fair value of participative loans – revaluation movement: Premium outlets	11B	13.3	(31.6)
(0.3)	Change in fair value of financial assets: Premium outlets		–	–
–	Change in provision for amounts not yet recognised in the income statement	8B	7.1	–
214.0	Adjusted earnings		17.7	107.4

8. (LOSS)/EARNINGS PER SHARE AND NET ASSET VALUE PER SHARE (continued)

D. Net asset value per share

In October 2019 EPRA published new best practice recommendations for financial disclosures by public real estate companies. Three new net assets value metrics were introduced:

- EPRA Net Reinvestment Value (NRV)
- EPRA Net Tangible Assets (NTA)
- EPRA Net Disposal Value (NDV)

The Group has adopted these new metrics for accounting periods beginning 1 January 2020 and included the previously reported EPRA NAV metrics for comparative purposes. NAV metrics for the comparative periods have also been re-calculated on the new bases to further aid comparison. EPRA NTA is regarded as the most relevant metric for the business as this focuses on reflecting a company's tangible assets.

		Previously reported metrics				New metrics
30 June 2020	Notes	NAV £m	NNNAV £m	NRV £m	NTA £m	NDV £m
Basic and diluted NAV		3,367.5	3,367.5	3,367.5	3,367.5	3,367.5
Exclude: Deferred tax[1]						
- Reported Group		0.4	-	0.4	0.2	-
- Share of Property Interests	10D	0.1	-	0.1	0.1	-
- Premium outlets	10D, 11D	201.9	-	201.9	100.9	-
- Assets held for sale	13B	65.4	-	65.4	32.7	-
		267.8	-	267.8	133.9	-
Fair value of interest rate swaps						
- Share of Property Interests	10D	6.4	-	6.4	6.4	-
- Premium outlets	10D, 11D	19.9	-	19.9	19.9	-
- Assets held for sale	13B	2.3		2.3	2.3	
		28.6	-	28.6	28.6	-
Include: Purchasers' costs[2]		-	-	509.2	-	-
Fair value of currency swaps as a result of interest rates - Reported Group[3]		-	-	(18.8)	(18.8)	-
Fair value of borrowings						
- Reported Group	14	-	80.9	-	-	80.9
- Share of Property Interests		-	(2.2)	-	-	(2.2)
		-	78.7	-	-	78.7
NAV metrics		3,663.9	3,446.2	4,154.3	3,511.2	3,446.2
Number of shares for per share calculations (millions)		766.3	766.3	766.3	766.3	766.3
Diluted NAV per share		£4.78	£4.50	£5.42	£4.58	£4.50

1. For the purposes of the NTA metric, the Group has applied the EPRA guidance in excluding 50% of deferred taxes. Previously reported NAV and the new NRV metrics exclude all deferred tax balances.

2. In line with EPRA guidance this represents property transfer taxes and fees payable should the Group's property portfolio (including premium outlets), be acquired at period end market values.

3. The fair value adjustment to currency swaps as a result of interest rates and ignoring the impact of foreign exchange rates.

During the six months ended 30 June 2020, investments in associates and joint ventures were impaired to their recoverable amount, resulting in the recognition of an impairment charge of £103.9 million in the income statement, equivalent to the carrying value of the notional goodwill. For the purposes of the adjusted NAV calculations above, no adjustment has been recognised for the notional goodwill, as it is deemed fully impaired.

8. (LOSS)/EARNINGS PER SHARE AND NET ASSET VALUE PER SHARE (continued)

D. Net asset value per share (continued)

30 June 2019 Notes (see page 67)		Notes	Previously reported metrics NAV £m	NNNAV £m	New metrics NRV £m	NTA £m	NDV £m
Basic NAV			4,993.6	4,993.6	4,993.6	4,993.6	4,993.6
Dilutive share schemes			2.1	2.1	2.1	2.1	2.1
Diluted NAV			4,995.7	4,995.7	4,995.7	4,995.7	4,995.7
Exclude:	Deferred tax[1]						
	- Reported Group		0.5	–	0.5	0.3	–
	- Premium outlets		293.6	–	293.6	146.8	–
			294.1	–	294.1	147.1	–
	Fair value of interest rate swaps						
	- Reported Group		(1.9)	–	(1.9)	(1.9)	–
	- Share of Property Interests		5.4	–	5.4	5.4	–
	- Premium outlets		19.3	–	19.3	19.3	–
			22.8	–	22.8	22.8	–
	Goodwill as a result of deferred tax:						
	- Premium outlets		(66.8)	–	(66.8)	(66.8)	–
Include:	Purchasers' costs[2]		–	–	635.5	–	–
	Fair value of currency swaps as a result of interest rates - Reported Group[3]		–	–	30.1	30.1	–
	Other goodwill per IFRS balance sheet						
	- Premium outlets		–	–	–	(29.9)	(96.7)
	Fair value of borrowings						
	- Reported Group	14	–	(185.3)	–	–	(185.3)
	- Share of Property Interests		–	(2.9)	–	–	(2.9)
			–	(188.2)	–	–	(188.2)
NAV metrics			5,245.8	4,807.5	5,911.4	5,099.0	4,710.8
Number of shares for per share calculations (millions)			765.4	765.4	765.4	765.4	765.4
Diluted NAV per share			£6.85	£6.28	£7.72	£6.66	£6.15

8. (LOSS)/EARNINGS PER SHARE AND NET ASSET VALUE PER SHARE (continued)

D. Net asset value per share (continued)

31 December 2019 Notes see page 67		Notes	Previously reported metrics NAV £m	NNNAV £m	New metrics NRV £m	NTA £m	NDV £m
Basic NAV			4,377.0	4,377.0	4,377.0	4,377.0	4,377.0
Dilutive share schemes			1.6	1.6	1.6	1.6	1.6
Diluted NAV			4,378.6	4,378.6	4,378.6	4,378.6	4,378.6
Exclude:	Deferred tax[1]						
	- Reported Group		0.4	–	0.4	0.2	–
	- Share of Property Interests		0.1	–	0.1	0.1	–
	- Premium outlets		270.2	–	270.2	135.1	–
			270.7	–	270.7	135.4	–
	Fair value of interest rate swaps						
	- Reported Group		(0.7)	–	(0.7)	(0.7)	–
	- Share of Property Interests		3.9	–	3.9	3.9	–
	- Premium outlets		16.7	–	16.7	16.7	–
			19.9	–	19.9	19.9	–
	Goodwill as a result of deferred tax						
	- Premium outlets		(70.6)	–	(70.6)	(70.6)	–
Include:	Purchasers' costs[2]		–	–	555.4	–	–
	Fair value of currency swaps as a result of interest rates - Reported Group[3]		–	–	17.0	17.0	–
	Other goodwill per IFRS balance sheet						
	- Premium outlets		–	–	–	(27.6)	(98.2)
	Fair value of borrowings						
	- Reported Group	14	–	(180.9)	–	–	(180.9)
	- Share of Property Interests		–	(2.4)	–	–	(2.4)
			–	(183.3)	–	–	(183.3)
NAV metrics			4,598.6	4,195.3	5,171.0	4,452.7	4,097.1
Number of shares for per share calculations (millions)			765.6	765.6	765.6	765.6	765.6
Diluted NAV per share			£6.01	£5.48	£6.75	£5.82	£5.35

9. INVESTMENT AND DEVELOPMENT PROPERTIES

	Investment properties Valuation £m	Development properties Valuation £m	Total Valuation £m
Balance at 1 January 2020	1,747.2	351.5	2,098.7
Exchange adjustment	80.6	19.7	100.3
Capital expenditure	3.9	16.5	20.4
Transfer from assets held for sale*	414.5	1.2	415.7
Disposals	(8.6)	–	(8.6)
Capitalised interest	0.4	2.1	2.5
Revaluation losses	(228.1)	(46.5)	(274.6)
Balance at 30 June 2020	**2,009.9**	**344.5**	**2,354.4**

* On 31 December 2019, properties valued at £523.2 million included within the Reported Group were transferred to assets held for sale and subsequently impaired by £91.6 million, resulting in a carrying value of £431.6 million. As detailed in note 1B, with the exception of the disposal of Abbey Retail Park which completed in February 2020, the remaining properties were transferred from assets held for sale to investment properties in May 2020 as the criteria of IFRS 5 were no longer met, resulting in a £22.4 million reversal of the impairment. See note 13D for an analysis of the movements in the period.

Properties are stated at fair value as at 30 June 2020, valued by professionally qualified external valuers in accordance with RICS Valuation – Global Standards based on certain assumptions as set out in note 1C. Following the decision to tender the Group's valuation instruction during 2019, valuations at 30 June 2020 have been performed by the following:

Cushman and Wakefield LLP (C&W)	Brent Cross, Irish portfolio, UK retail parks and outlets
CBRE Limited (CBRE)	UK flagships and other
Jones Lang LaSalle Ltd (JLL)	UK flagships and other, French portfolio

As detailed in note 1C, real estate valuations are complex, derived from data that is not widely publicly available and involve a degree of judgement. For these reasons, and consistent with EPRA's guidance, the valuations are classified as Level 3 in the fair value hierarchy as defined by IFRS 13.

Joint operations

At 30 June 2020, investment properties included two properties with a value of £189.9 million (31 December 2019: £199.5 million) held within joint operations which are jointly controlled and proportionally consolidated.

The joint operations are a 50% interest in the Ilac Centre, Dublin and a 50% interest in Pavilions Swords, Dublin, both held in co-ownership with Irish Life Assurance plc.

10. INVESTMENT IN JOINT VENTURES

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

As explained in the Financial review on page 26, management reviews the business principally on a proportionally consolidated basis, except for its premium outlet investments. The Group's share of assets and liabilities of joint ventures is split between Property joint ventures, being joint ventures which are proportionally consolidated, and VIA Outlets, a premium outlets investment, which is not proportionally consolidated.

A. Share of results of joint ventures

Year ended 31 December 2019				Six months ended 30 June 2020			Six months ended 30 June 2019		
Property joint ventures* £m	VIA Outlets £m	Total £m		Property joint ventures £m	VIA Outlets £m	Total £m	Property joint ventures £m	VIA Outlets £m	Total £m
177.1	45.6	222.7	Gross rental income	75.4	19.6	95.0	88.0	20.5	108.5
148.1	31.8	179.9	Net rental income	45.4	12.6	58.0	74.8	15.8	90.6
(0.5)	(6.5)	(7.0)	Administration expenses	(0.2)	(3.3)	(3.5)	(0.2)	(3.7)	(3.9)
147.6	25.3	172.9	Operating profit before other net (losses)/gains	45.2	9.3	54.5	74.6	12.1	86.7
(598.9)	29.1	(569.8)	Revaluation (losses)/gains on properties	(517.5)	(30.6)	(548.1)	(271.1)	15.1	(256.0)
(0.4)	–	(0.4)	Impairment recognised on reclassification to held for sale	–	–	–	–	–	–
(599.3)	29.1	(570.2)	Other net (losses)/gains	(517.5)	(30.6)	(548.1)	(271.1)	15.1	(256.0)
(451.7)	54.4	(397.3)	Operating (loss)/profit	(472.3)	(21.3)	(493.6)	(196.5)	27.2	(169.3)
(2.6)	(0.9)	(3.5)	Change in fair value of derivatives	(2.4)	(0.2)	(2.6)	(4.0)	(1.3)	(5.3)
–	0.3	0.3	Translation movement on intragroup funding loan	–	(0.5)	(0.5)	–	0.3	0.3
(8.8)	(8.2)	(17.0)	Other finance costs	(4.6)	(4.6)	(9.2)	(4.2)	(4.0)	(8.2)
(11.4)	(8.8)	(20.2)	Net finance costs	(7.0)	(5.3)	(12.3)	(8.2)	(5.0)	(13.2)
(463.1)	45.6	(417.5)	(Loss)/Profit before tax	(479.3)	(26.6)	(505.9)	(204.7)	22.2	(182.5)
(0.3)	(2.5)	(2.8)	Current tax credit/(charge)	–	0.9	0.9	–	(1.4)	(1.4)
–	(8.8)	(8.8)	Deferred tax credit/(charge)	–	4.8	4.8	–	(4.5)	(4.5)
(463.4)	34.3	(429.1)	(Loss)/Profit for the period	(479.3)	(20.9)	(500.2)	(204.7)	16.3	(188.4)

* For the year ended 31 December 2019, Brent South was included in the Reported Group as part of 'loss on discontinued operations'. As the recognition criteria for IFRS 5 'assets held for sale and discontinued operations' have ceased to be met in 2020, comparative figures for the year ended 31 December 2019 have now been re-presented to include Brent South as a joint venture.

B. Reconciliation to adjusted earnings

Year ended 31 December 2019				Six months ended 30 June 2020			Six months ended 30 June 2019		
Property joint ventures £m	VIA Outlets £m	Total £m		Property joint ventures £m	VIA Outlets £m	Total £m	Property joint ventures £m	VIA Outlets £m	Total £m
(463.4)	34.3	(429.1)	(Loss)/Profit for the period	(479.3)	(20.9)	(500.2)	(204.7)	16.3	(188.4)
598.9	(29.1)	569.8	Revaluation losses/(gains)	517.5	30.6	548.1	271.1	(15.1)	256.0
0.4	–	0.4	Impairment recognised on reclassification to held for sale	–	–	–	–	–	–
2.6	0.9	3.5	Change in fair value of derivatives	2.4	0.2	2.6	4.0	1.3	5.3
–	(0.3)	(0.3)	Translation movement on intragroup funding loan*	–	0.5	0.5	–	(0.3)	(0.3)
–	8.8	8.8	Deferred tax (credit)/charge	–	(4.8)	(4.8)	–	4.5	4.5
601.9	(19.7)	582.2	Total adjustments	519.9	26.5	546.4	275.1	(9.6)	265.5
138.5	14.6	153.1	Adjusted earnings	40.6	5.6	46.2	70.4	6.7	77.1

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

10. INVESTMENT IN JOINT VENTURES (continued)

C. Share of assets and liabilities of joint ventures

31 December 2019				30 June 2020			30 June 2019		
Property joint ventures £m	VIA Outlets £m	Total £m		Property joint ventures £m	VIA Outlets[1] £m	Total £m	Property joint ventures £m	VIA Outlets £m	Total £m
			Non-current assets						
2,964.6	693.5	3,658.1	Investment and development properties	2,531.5	21.5	2,553.0	3,353.5	659.3	4,012.8
–	8.9	8.9	Goodwill	–	–	–	–	3.6	3.6
18.2	6.0	24.2	Other non-current assets	18.1	–	18.1	16.0	5.8	21.8
2,982.8	708.4	3,691.2		2,549.6	21.5	2,571.1	3,369.5	668.7	4,038.2
			Current assets						
78.0	11.1	89.1	Other current assets	109.5	6.1	115.6	71.6	13.1	84.7
65.3	29.7	95.0	Cash and deposits	68.1	0.7	68.8	74.9	35.1	110.0
143.3	40.8	184.1		177.6	6.8	184.4	146.5	48.2	194.7
			Current liabilities						
(69.0)	(23.6)	(92.6)	Other payables	(75.5)	(0.2)	(75.7)	(66.9)	(21.4)	(88.3)
–	(4.8)	(4.8)	Borrowings[2]	–	–	–	–	(3.2)	(3.2)
(69.0)	(28.4)	(97.4)		(75.5)	(0.2)	(75.7)	(66.9)	(24.6)	(91.5)
			Non-current liabilities						
(391.9)	(263.9)	(655.8)	Loans – secured	(414.5)	(9.9)	(424.4)	(408.8)	(265.5)	(674.3)
(3.9)	(4.0)	(7.9)	Derivative financial instruments	(6.4)	(0.3)	(6.7)	(5.4)	(4.4)	(9.8)
(15.8)	–	(15.8)	Obligations under head leases	(15.8)	–	(15.8)	(15.8)	–	(15.8)
(7.3)	(4.7)	(12.0)	Other payables	(7.7)	–	(7.7)	(5.6)	(5.5)	(11.1)
(0.1)	(69.2)	(69.3)	Deferred tax	(0.1)	(2.6)	(2.7)	–	(64.8)	(64.8)
(419.0)	(341.8)	(760.8)		(444.5)	(12.8)	(457.3)	(435.6)	(340.2)	(775.8)
2,638.1	379.0	3,017.1	**Net assets**	2,207.2	15.3	2,222.5	3,013.5	352.1	3,365.6

1. On 30 June 2020, the majority of the investment in VIA Outlets was deemed to meet the criteria of IFRS 5 and was accordingly reclassified to assets held for sale. For further information and the detailed balance sheet refer to note 13A. The share of assets and liabilities in VIA Outlets detailed above relates to the component which will be retained for the foreseeable future.

2. At 31 December 2019, borrowings comprised £3.3 million of secured loans and £1.5 million of currency swaps (30 June 2019: £3.2 million of secured loans).

D. Reconciliation to adjusted investment in joint ventures

31 December 2019				30 June 2020			30 June 2019		
Property joint ventures £m	VIA Outlets £m	Total £m		Property joint ventures £m	VIA Outlets £m	Total £m	Property joint ventures £m	VIA Outlets £m	Total £m
2,638.1	379.0	3,017.1	Investment in joint ventures	2,207.2	15.3	2,222.5	3,013.5	352.1	3,365.6
3.9	4.0	7.9	Fair value of derivatives	6.4	0.2	6.6	5.4	4.4	9.8
0.1	69.2	69.3	Deferred tax*	0.1	1.3	1.4	–	64.8	64.8
–	(7.4)	(7.4)	Goodwill as a result of deferred tax	–	–	–	–	(3.6)	(3.6)
4.0	65.8	69.8	Total adjustments	6.5	1.5	8.0	5.4	65.6	71.0
2,642.1	444.8	3,086.9	**Adjusted investment**	2,213.7	16.8	2,230.5	3,018.9	417.7	3,436.6

* Per note 8D, the Group has adopted the Net Tangible Assets (NTA) metric for measuring EPRA net asset value per share. The adjusted figures in the above table at 30 June 2020 are prepared on an NTA basis and the Group has chosen to exclude 50% of deferred tax balances in accordance with EPRA guidance. Comparative figures in the above table have not been restated.

10. INVESTMENT IN JOINT VENTURES (continued)

E. Reconciliation of movements in investment in joint ventures

31 December 2019				30 June 2020			30 June 2019		
Property joint ventures £m	VIA Outlets £m	Total £m		Property joint ventures £m	VIA Outlets £m	Total £m	Property joint ventures £m	VIA Outlets £m	Total £m
3,278.2	326.3	3,604.5	Balance at beginning of period	2,638.1	379.0	3,017.1	3,278.2	326.3	3,604.5
(463.4)	34.3	(429.1)	Share of results of joint ventures	(479.3)	(20.9)	(500.2)	(204.7)	16.3	(188.4)
-	-	-	Impairment of investment in joint ventures	-	(9.6)	(9.6)	-	-	-
-	29.0	29.0	Acquisition	-	-	-	-	-	-
19.7	9.4	29.1	Advances	0.6	12.6	13.2	0.2	9.4	9.6
(139.2)	-	(139.2)	Distributions and other receivables	(12.1)	-	(12.1)	(58.1)	-	(58.1)
(25.1)	-	(25.1)	Transfer from/(to) assets held for sale – retail parks	25.0	-	25.0	-	-	-
-	-	-	Transfer to assets held for sale	-	(370.7)	(370.7)	-	-	-
(32.1)	(20.0)	(52.1)	Exchange and other movements	34.9	24.9	59.8	(2.1)	0.1	(2.0)
2,638.1	379.0	3,017.1	Balance at end of period	2,207.2	15.3	2,222.5	3,013.5	352.1	3,365.6

11. INVESTMENT IN ASSOCIATES

At 30 June 2020, the Group had three associates: Value Retail PLC and its group entities ('VR'), a 25% interest in Italie Deux and a 10% interest in Nicetoile. Hammerson is the asset manager for both Italie Deux and Nicetoile. On 11 December 2019, the Group disposed of a 75% share in Italie Deux. Prior to this, the results of Italie Deux were consolidated into the Reported Group figures. All three investments are equity accounted under IFRS, although the share of results of Italie Deux and Nicetoile are included within the Group's Share of Property interests when presenting figures on a proportionally consolidated basis. Further details are provided in the Financial review on pages 32 and 33.

Summaries of aggregated income and investment for the interest in premium outlets, which include VR and the Group's investment in VIA Outlets, which is accounted for as a joint venture (see notes 10 and 13), are provided in Tables 13 and 14 of the Additional disclosures on page 88.

The figures presented below show the Group's share of results, assets and liabilities for these investments.

A. Share of results of associates

Year ended 31 December 2019					Six months ended 30 June 2020				Six months ended 30 June 2019		
VR £m	Nicetoile £m	Italie Deux £m	Total £m		VR £m	Nicetoile £m	Italie Deux £m	Total £m	VR £m	Nicetoile £m	Total £m
135.7	1.5	0.3	137.5	Gross rental income	27.6	0.7	2.8	31.1	59.7	0.8	60.5
95.1	1.3	0.3	96.7	Net rental income	14.5	0.5	2.1	17.1	41.6	0.7	42.3
(44.4)	-	-	(44.4)	Administration expenses	(16.7)	-	-	(16.7)	(21.2)	-	(21.2)
50.7	1.3	0.3	52.3	Operating (loss)/profit before other net (losses)/gains	(2.2)	0.5	2.1	0.4	20.4	0.7	21.1
170.7	(2.3)	(0.5)	167.9	Revaluation (losses)/gains on properties	(106.6)	(2.2)	(8.1)	(116.9)	95.5	(0.2)	95.3
170.7	(2.3)	(0.5)	167.9	Other net (losses)/gains	(106.6)	(2.2)	(8.1)	(116.9)	95.5	(0.2)	95.3
221.4	(1.0)	(0.2)	220.2	Operating (loss)/profit	(108.8)	(1.7)	(6.0)	(116.5)	115.9	0.5	116.4
(28.5)	-	-	(28.5)	Change in fair value of derivatives	(0.5)	-	-	(0.5)	(26.3)	-	(26.3)
34.5	-	-	34.5	Change in fair value of participative loans – revaluation movement	(13.3)	-	-	(13.3)	31.6	-	31.6
5.1	-	-	5.1	Change in fair value of participative loans – other movement	(0.8)	-	-	(0.8)	2.7	-	2.7
(21.0)	-	-	(21.0)	Other finance costs	(9.6)	-	-	(9.6)	(10.7)	-	(10.7)
(9.9)	-	-	(9.9)	Net finance costs	(24.2)	-	-	(24.2)	(2.7)	-	(2.7)
211.5	(1.0)	(0.2)	210.3	(Loss)/Profit before tax	(133.0)	(1.7)	(6.0)	(140.7)	113.2	0.5	113.7
(3.3)	-	-	(3.3)	Current tax charge	(0.4)	-	-	(0.4)	(1.3)	-	(1.3)
2.4	-	-	2.4	Deferred tax credit	13.4	-	-	13.4	8.7	-	8.7
210.6	(1.0)	(0.2)	209.4	(Loss)/Profit for the period	(120.0)	(1.7)	(6.0)	(127.7)	120.6	0.5	121.1

11. INVESTMENT IN ASSOCIATES (continued)

B. Reconciliation to adjusted earnings

Year ended 31 December 2019					Six months ended 30 June 2020				Six months ended 30 June 2019		
VR £m	Nicetoile £m	Italie Deux £m	Total £m		VR £m	Nicetoile £m	Italie Deux £m	Total £m	VR £m	Nicetoile £m	Total £m
210.6	(1.0)	(0.2)	209.4	(Loss)/Profit for the period	(120.0)	(1.7)	(6.0)	(127.7)	120.6	0.5	121.1
(170.7)	2.3	0.5	(167.9)	Revaluation losses/(gains) on properties	106.6	2.2	8.1	116.9	(95.5)	0.2	(95.3)
28.5	–	–	28.5	Change in fair value of derivatives	0.5	–	–	0.5	26.3	–	26.3
(34.5)	–	–	(34.5)	Change in fair value of participative loans – revaluation movement	13.3	–	–	13.3	(31.6)	–	(31.6)
(0.3)	–	–	(0.3)	Change in fair value of financial assets	–	–	–	–	–	–	–
(2.4)	–	–	(2.4)	Deferred tax credit	(13.4)	–	–	(13.4)	(8.7)	–	(8.7)
(179.4)	2.3	0.5	(176.6)	Total adjustments	107.0	2.2	8.1	117.3	(109.5)	0.2	(109.3)
31.2	1.3	0.3	32.8	Adjusted earnings of associates	(13.0)	0.5	2.1	(10.4)	11.1	0.7	11.8

When aggregated, the Group's share of VR's adjusted earnings for the six months ended 30 June 2020 amounted to 32% (30 June 2019: 59%; 31 December 2019: 52%). This figure is dependent on the relative profitability of the component Villages in which the Group has differing ownership shares.

C. Share of assets and liabilities of associates

31 December 2019					30 June 2020				30 June 2019		
VR £m	Nicetoile £m	Italie Deux £m	Total £m		VR £m	Nicetoile £m	Italie Deux £m	Total £m	VR £m	Nicetoile £m	Total £m
				Non-current assets							
89.3	–	–	89.3	Goodwill on acquisition[1]	94.3	–	–	94.3	93.1	–	93.1
1,965.6	26.2	121.7	2,113.5	Investment properties	1,942.1	25.7	122.2	2,090.0	1,930.7	29.1	1,959.8
71.1	–	–	71.1	Other non-current assets	68.9	–	–	68.9	69.6	–	69.6
2,126.0	26.2	121.7	2,273.9		2,105.3	25.7	122.2	2,253.2	2,093.4	29.1	2,122.5
				Current assets							
32.5	–	1.2	33.7	Other current assets	25.3	0.1	3.7	29.1	28.6	0.4	29.0
61.4	1.0	1.3	63.7	Cash and deposits	73.0	1.2	1.8	76.0	69.0	0.5	69.5
93.9	1.0	2.5	97.4		98.3	1.3	5.5	105.1	97.6	0.9	98.5
				Current liabilities							
(55.5)	(0.4)	(0.6)	(56.5)	Other payables	(63.9)	(0.4)	(2.0)	(66.3)	(50.9)	(0.3)	(51.2)
–	–	–	–	Loans	(15.7)	–	–	(15.7)	–	–	–
(55.5)	(0.4)	(0.6)	(56.5)		(79.6)	(0.4)	(2.0)	(82.0)	(50.9)	(0.3)	(51.2)
				Non-current liabilities							
(719.6)	–	–	(719.6)	Loans	(753.6)	–	–	(753.6)	(736.2)	–	(736.2)
(12.7)	–	–	(12.7)	Derivative financial instruments	(19.7)	–	–	(19.7)	(14.9)	–	(14.9)
(14.5)	(0.2)	(1.0)	(15.7)	Other payables	(15.4)	(0.2)	(0.6)	(16.2)	(14.7)	(0.2)	(14.9)
(90.6)	–	–	(90.6)	Participative loan liabilities	(90.6)	–	–	(90.6)	(91.2)	–	(91.2)
(166.9)	–	–	(166.9)	Deferred tax	(166.2)	–	–	(166.2)	(170.3)	–	(170.3)
(1,004.3)	(0.2)	(1.0)	(1,005.5)		(1,045.5)	(0.2)	(0.6)	(1,046.3)	(1,027.3)	(0.2)	(1,027.5)
1,160.1	26.6	122.6	1,309.3	Net assets	1,078.5	26.4	125.1	1,230.0	1,112.8	29.5	1,142.3
195.2	–	–	195.2	Participative loans	194.8	–	–	194.8	196.0	–	196.0
–	–	–	–	Impairment of investment[1]	(94.3)	–	–	(94.3)	–	–	–
1,355.3	26.6	122.6	1,504.5	Investment in associates	1,179.0	26.4	125.1	1,330.5	1,308.8	29.5	1,338.3

1. During the six months ended 30 June 2020, management performed a review of the carrying value of its investments in associates and concluded that an impairment was required. This impairment is equivalent to the notional goodwill on the investment in VR. Further details are provided in note 1C.

2. The analysis in the tables above excludes liabilities in respect of distributions received in advance from VR amounting to £25.8 million (31 December 2019: £24.1 million; 30 June 2019: £19.8 million) which are included within non-current liabilities in the Group's consolidated balance sheet.

3. In addition to the above investments, non-current receivables of the Group include loans totalling €2.0 million (£1.8 million) (31 December 2019 : €2.0 million (£1.7 million); 30 June 2019: €2.0 million (£1.8 million)) secured against a number of VR assets and maturing on 30 November 2043.

4. At 30 June 2020, Hammerson's economic interest in VR, is calculated as 40% (31 December 2019: 40%; 30 June 2019: 40%) after adjusting for the Participative Loans which are included in non-current liabilities.

11. INVESTMENT IN ASSOCIATES (continued)

D. Reconciliation to adjusted investment in associates

31 December 2019 VR £m	31 December 2019 Nicetoile £m	31 December 2019 Italie Deux £m	31 December 2019 Total £m		30 June 2020 VR £m	30 June 2020 Nicetoile £m	30 June 2020 Italie Deux £m	30 June 2020 Total £m	30 June 2019 VR £m	30 June 2019 Nicetoile £m	30 June 2019 Total £m
1,355.3	26.6	122.6	1,504.5	Investment in associates	1,179.0	26.4	125.1	1,330.5	1,308.8	29.5	1,338.3
12.7	–	–	12.7	Fair value of derivatives	19.7	–	–	19.7	14.9	–	14.9
166.7	–	–	166.7	Deferred tax*	82.7	–	–	82.7	170.3	–	170.3
34.3	–	–	34.3	Deferred tax within participative loans*	16.9	–	–	16.9	58.5	–	58.5
(63.2)	–	–	(63.2)	Goodwill as a result of deferred tax (see 11C)	–	–	–	–	(63.2)	–	(63.2)
150.5	–	–	150.5	Total adjustments	119.3	–	–	119.3	180.5	–	180.5
1,505.8	26.6	122.6	1,655.0	Adjusted investment in associates	1,298.3	26.4	125.1	1,449.8	1,489.3	29.5	1,518.8

* Per note 8D, the Group has adopted the Net Tangible Assets (NTA) metric for measuring EPRA net asset value per share. The adjusted figures in the above table at 30 June 2020 are prepared on an NTA basis and the Group has chosen to exclude 50% of deferred tax balances in accordance with EPRA guidance. Comparative figures in the above table have not been restated on an NTA basis.

E. Reconciliation of movements in investment in associates

31 December 2019 VR £m	31 December 2019 Nicetoile £m	31 December 2019 Italie Deux £m	31 December 2019 Total £m		30 June 2020 VR £m	30 June 2020 Nicetoile £m	30 June 2020 Italie Deux £m	30 June 2020 Total £m	30 June 2019 VR £m	30 June 2019 Nicetoile £m	30 June 2019 Total £m
1,211.1	30.4	–	1,241.5	Balance at beginning of period	1,355.3	26.6	122.6	1,504.5	1,211.1	30.4	1,241.5
1.4	–	–	1.4	Acquisitions	–	–	–	–	1.4	–	1.4
210.6	(1.0)	(0.2)	209.4	Share of results of associates	(120.0)	(1.7)	(6.0)	(127.7)	120.6	0.5	121.1
–	–	–	–	Impairment of investment in associate	(94.3)	–	–	(94.3)	–	–	–
(30.9)	(0.6)	–	(31.5)	Distributions	(5.9)	–	(0.1)	(6.0)	(20.3)	(1.4)	(21.7)
–	–	121.1	121.1	Transfer of investment property from Reported Group	–	–	–	–	–	–	–
(4.0)	–	–	(4.0)	Share of other comprehensive loss of associate[1]	–	–	–	–	(2.8)	–	(2.8)
(32.9)	(2.2)	1.7	(33.4)	Exchange and other movements	43.9	1.5	8.6	54.0	(1.2)	–	(1.2)
1,355.3	26.6	122.6	1,504.5	Balance at end of period	1,179.0	26.4	125.1	1,330.5	1,308.8	29.5	1,338.3

1. Relates to the change in fair value of derivative financial instruments in an effective hedge relationship within Value Retail.

12. LOANS

A. Analysis

31 December 2019 £m		30 June 2020 £m	30 June 2019 £m
	Unsecured		
198.6	£200 million 7.25% sterling bonds due 2028	198.6	198.5
298.4	£300 million 6% sterling bonds due 2026	298.5	298.3
346.7	£350 million 3.5% sterling bonds due 2025	347.0	346.5
422.3	€500 million 1.75% euro bonds due 2023	452.8	445.5
422.0	€500 million 2% euro bonds due 2022	452.6	445.0
127.6	Sterling bank loans and overdrafts	564.3	644.9
20.3	Senior notes due 2031[1]	21.8	21.4
88.1	Senior notes due 2028[1]	90.9	90.3
84.8	Senior notes due 2026[1]	90.8	88.3
352.4	Senior notes due 2024[1]	374.7	366.9
143.7	Senior notes due 2021[1]	153.9	149.2
2,504.9		3,045.9	3,094.8
	Analysed as:		
–	Current liabilities	153.9	–
2,504.9	Non-current liabilities	2,892.0	3,094.8
2,504.9		3,045.9	3,094.8

1. Senior notes comprise £421.8 million (31 December 2019: £393.5 million; 30 June 2019: £410.8 million) denominated in US dollars, £215.3 million (31 December 2019: £200.8 million; 30 June 2019: £210.3 million) in euro and £95.0 million (31 December 2019: £95.0 million; 30 June 2019: £95.0 million) in sterling.

B. Financing strategy

The Financial review on page 35 provides details of the Group's financing strategy.

The Reported Group's borrowings position at 30 June 2020 is summarised below:

31 December 2019 Total £m		Derivative financial instruments Current assets £m	Non-current assets £m	Current Liabilities £m	Non-current Liabilities £m	Loans < 1 year £m	Loans > 1 year £m	30 June 2020 Total £m	30 June 2019 Total £m
1,688.0	Bonds	–	–	–	–	–	1,749.5	1,749.5	1,733.8
127.6	Bank loans and overdrafts	–	–	–	–	–	564.3	564.3	644.9
689.3	Senior notes	–	–	–	–	153.9	578.2	732.1	716.1
2,504.9	Loans	–	–	–	–	153.9	2,892.0	3,045.9	3,094.8
43.1	Fair value of currency swaps	(23.0)	(20.5)	2.4	73.1	–	–	32.0	84.3
2,548.0	Borrowings	(23.0)	(20.5)	2.4	73.1	153.9	2,892.0	3,077.9	3,179.1
(0.7)	Fair value of interest rate swaps	–	–	–	–	–	–	–	(1.9)
2,547.3	Loans and derivative financial instruments	(23.0)	(20.5)	2.4	73.1	153.9	2,892.0	3,077.9	3,177.2

C. Undrawn committed facilities

31 December 2019 £m	Expiry	30 June 2020 £m	30 June 2019 £m
1,113.0	Within two to five years	677.0	595.0

On 18 June 2020, the Group received approval under HM Treasury and the Bank of England's CCFF with a limit of £300 million. The Group issued £75 million under the scheme on 6 July. The facility carries no covenants, a margin of 40 basis points and matures within a year.

13. ASSETS AND LIABILITIES CLASSIFIED AS HELD FOR SALE

A. Assets held for sale – VIA Outlets

On 30 June 2020, a proportion of the Group's investment in VIA Outlets was reclassified as assets held for sale, and subsequently impaired to its fair value less costs of disposal. Further explanation surrounding the judgements reached in relation to the reclassification is provided in note 1B.

31 December 2019 £m		30 June 2020 £m	30 June 2019 £m
	Non-current assets		
–	Investment and development properties	694.7	–
–	Goodwill[2]	9.6	–
–	Deferred tax	1.8	–
–	Derivative financial instruments	0.1	–
–	Receivables	5.8	–
–		712.0	–
	Current assets		
–	Receivables	8.8	–
–	Cash and deposits	23.5	–
–		32.3	–
–	**Total assets**	744.3	–
	Current liabilities		
–	Payables	(14.5)	–
–	Borrowings[1]	(7.3)	–
–		(21.8)	–
	Non-current liabilities		
–	Loans – secured	(266.3)	–
–	Deferred tax	(67.1)	–
–	Derivative financial instruments	(2.3)	–
–	Payables	(6.5)	–
–		(342.2)	–
–	**Total liabilities**	(364.0)	–
–	**Net assets**	380.3	–
–	Impairment of investment in joint venture[2]	(9.6)	–
–	**Net assets prior to reclassification to assets held for sale**	370.7	–
–	Impairment on reclassification to assets held for sale[3]	(101.6)	–
–	**Assets held for sale**	269.1	–

1. Comprises secured loans of £5.4 million and currency swaps of £1.9 million.
2. During the six months ended 30 June 2020, management performed a review of the carrying value of its investments in joint ventures and concluded that an impairment was required. This impairment is equivalent to the notional goodwill on the investment in VIA Outlets. Further details are provided in note 1C.
3. Re-measured at the lower of carrying amount and fair value less costs of disposal, in accordance with IFRS 5. See note 1B for further details.

B. Reconciliation to adjusted assets held for sale – VIA Outlets

31 December 2019 £m		30 June 2020 £m	30 June 2019 £m
–	Assets held for sale	269.1	–
–	Fair value of derivatives	2.3	–
–	Deferred tax*	32.7	–
–	Total adjustments	35.0	–
–	**Adjusted assets held for sale**	304.1	–

* Per note 8D, the Group has adopted the Net Tangible Assets (NTA) metric for measuring EPRA net asset value per share. The adjusted figures in the above table are prepared on an NTA basis and the Group has chosen to exclude 50% of deferred tax balances in accordance with EPRA guidance.

13. ASSETS AND LIABILITIES CLASSIFIED AS HELD FOR SALE (continued)

C. Assets held for sale – retail parks

At 31 December 2019, the retail parks portfolio was reclassified to assets held for sale and impaired to the fair value less anticipated selling costs, totalling £446.0 million. Following the cancellation of the sale of a portfolio of retail parks in May 2020, management concluded that the retail parks portfolio no longer met the criteria of IFRS 5. Therefore, the UK retail parks portfolio, including all assets and liabilities, has been reclassified from assets held for sale and the impairment reversed to the fair value at 30 June 2020, being a materially reasonable approximation of the value at date of reclassification. This resulted in a £22.4 million credit to the income statement in the period in relation to the reversal of the impairment. Further explanation surrounding the judgements reached is provided in note 1B.

31 December 2019 £m		30 June 2020 £m	30 June 2019 £m
431.6	Investment properties*	–	–
3.0	Interests in leasehold properties	–	–
24.7	Investment in joint ventures	–	–
3.0	Current receivables	–	–
1.8	Restricted monetary assets	–	–
1.6	Cash and deposits	–	–
465.7	Assets held for sale	–	–
(3.0)	Obligation under head leases	–	–
(16.6)	Current payables	–	–
(0.1)	Non-current payables	–	–
(19.7)	Liabilities associated with assets held for sale	–	–
446.0	Net assets associated with assets held for sale	–	–

* Upon transfer to held for sale, investment properties were remeasured at their fair value less anticipated selling costs. This resulted in an impairment loss of £92.0 million, of which £91.6 million related to Reported Group and £0.4 million related to Share of Property interests.

D. Movement in assets held for sale – retail parks

	Investment properties £m	Other assets and liabilities £m	Net assets held for sale £m
Net assets associated with assets held for sale – 1 January 2020	431.6	14.4	446.0
Disposal[1]	(32.6)	32.6	–
Other movements	(5.7)	–	(5.7)
Reversal of impairment on reclassification from assets held for sale (note 1B)	22.4	–	22.4
Reclassification from assets held for sale	(415.7)	(47.0)	(462.7)
Assets held for sale: retail parks – 30 June 2020	–	–	–

1. On 12 February 2020, the Group exchanged and completed contracts for the sale of Hammerson (Abbey) Limited which owned Abbey Retail Park, Belfast.

14. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

31 December 2019					30 June 2020			30 June 2019		
Book value £m	Fair value £m	Variance £m		Hierarchy level	Book value £m	Fair value £m	Variance £m	Book value £m	Fair value £m	Variance £m
1,688.0	1,847.2	159.2	Unsecured bonds	1	1,749.5	1,625.2	(124.3)	1,733.8	1,895.1	161.3
689.3	706.6	17.3	Senior notes	2	732.1	771.8	39.7	716.1	735.0	18.9
127.6	132.0	4.4	Unsecured bank loans and overdrafts	2	564.3	568.0	3.7	644.9	650.0	5.1
43.1	43.1	–	Fair value of currency swaps	2	32.0	32.0	–	84.3	84.3	–
2,548.0	2,728.9	180.9	Borrowings		3,077.9	2,997.0	(80.9)	3,179.1	3,364.4	185.3
(0.7)	(0.7)	–	Fair value of interest rate swaps*	2	–	–	–	(1.9)	(1.9)	–
195.2	195.2	–	Participative loans to associates	3	194.8	194.8	–	196.0	196.0	–

* Interest rate swaps are included within current derivative financial instruments on the consolidated balance sheet (see note 12B) at 31 December 2019 and 30 June 2019.

The valuation techniques set out below, have been applied to determine the fair values of borrowings, interest rate swaps and participative loans. These techniques are the same as were applied in the Group's latest annual audited financial statements.

14. FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

Valuation technique	Financial instrument
Quoted market prices	Unsecured bonds
Calculating present value of cash flows using appropriate market discount rates	Senior notes, unsecured bank loans and overdrafts, fair value of currency swaps and fair value of interest rate swaps
Calculation based on the underlying net asset values of the Villages in which the Reported Group holds interests; the assets of the Villages mainly comprise of properties held at professional valuation (see note 11C)	Participative loans to associates

An analysis of the movements in Level 3 financial instruments is provided below:

31 December 2019 £m	Participative loans within investment in associates (Note 11C)		30 June 2020 £m	30 June 2019 £m
169.4	Balance at beginning of period		195.2	169.4
39.6	Total (losses)/gains	- in share of results of associates	(14.1)	33.9
(9.9)		- in other comprehensive income	13.7	0.2
0.9	Other movements	- acquisitions	-	0.9
(4.8)		- movement in repayments	-	(8.4)
195.2	Balance at end of period		194.8	196.0

15. ANALYSIS OF MOVEMENT IN NET DEBT

31 December 2019				30 June 2020			30 June 2019		
Cash and deposits £m	Borrowings £m	Net debt £m		Cash and deposits £m	Borrowings £m	Net debt £m	Cash and deposits £m	Borrowings £m	Net debt £m
31.2	(3,098.8)	(3,067.6)	Balance at beginning of period	28.2	(2,548.0)	(2,519.8)	31.2	(3,098.8)	(3,067.6)
-	391.7	391.7	Cash flow	385.9	(420.0)	(34.1)	34.4	(85.8)	(51.4)
-	10.7	10.7	Change in fair value of currency swaps	-	35.9	35.9	-	(2.4)	(2.4)
(1.4)	148.4	147.0	Exchange	1.9	(145.8)	(143.9)	(0.1)	7.9	7.8
31.2	(2,548.0)	(2,518.2)	Balance at end of period	416.0	(3,077.9)	(2,661.9)	65.5	(3,179.1)	(3,113.6)
(1.6)	-	(1.6)	Cash and deposits reclassified from/(to) assets held for sale	1.6	-	1.6	-	-	-
28.2	(2,548.0)	(2,519.8)		417.6	(3,077.9)	(2,660.3)	65.5	(3,179.1)	(3,113.6)

16. POST BALANCE SHEET EVENTS

On 6 August 2020, the Company announced its proposal for a rights issue, raising gross proceeds of £551.7 million, subject to shareholder approval on 1 September 2020. The Rights issue is fully committed and underwritten, taking into account the APG irrevocable, the Lighthouse irrevocable and the underwriting agreement. The Company has received irrevocable undertakings from its two largest shareholders, APG and Lighthouse Capital, to vote in favour of the rights issue and to take up their rights.

Each of the Directors who is a shareholder, has irrevocably undertaken to take up in full their rights to subscribe for new shares under the rights issue and/or sell a sufficient number of their nil paid rights during the nil paid dealing period to meet the costs of taking up the balance of their entitlement to new shares.

On 6 August 2020, the Company also announced the disposal of substantially all of its 50% interest in VIA Outlets for net proceeds of £269 million. This is subject to retention of a 7.3% stake in VIA Outlets Zweibrücken B.V. to mitigate the risk of triggering a German real estate transfer tax otherwise payable on disposal. As detailed in note 1B, this investment was reclassified to assets held for sale at 30 June 2020 and impaired to its fair value, based on the offer price of €301 million (£274 million) less €5 million (£5 million) of costs.

The Directors are confident that APG will receive the necessary regulatory approvals for the disposal and expect the sale to complete by the end of 2020.

These transactions, if successful, will significantly strengthen the Company's financial position, providing liquidity, headroom and flexibility to advance its longer term strategy.

As is customary, the Company has maintained Director and Officer (D&O) liability insurance over an extended number of years. The capacity available in the market has shrunk materially over the last year, and many companies have faced challenges in renewing their D&O on the same terms even at substantially increased premiums. Hammerson has secured a one month extension of this insurance to 31 August, and intends to resume conversations with insurers on its annual cover following this announcement when there is greater public disclosure about the shape of the Group's future financial position

16. POST BALANCE SHEET EVENTS (Continued)

On 5 August 2020, the Company undertook that it would set up a trust for the benefit of the existing Directors and into which it will pay £21.4 million on or before 28 August 2020, unless prior to that date the Company is able to procure insurance that the existing Directors consider satisfactory such that the Trust is not required. Further details are provided on page 7.

On 18 June 2020, the Group received approval under HM Treasury and the Bank of England's CCFF with a limit of £300 million. The Group issued £75 million under the scheme on 6 July. The facility carries no covenants, a margin of 40 basis points and matures within a year.

ADDITIONAL DISCLOSURES

EXCLUDED FROM INDEPENDENT REVIEW AND UNAUDITED

EPRA MEASURES

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

As with other real estate companies, we have adopted the EPRA Best Practice Recommendations (BPR). Further information on EPRA and the EPRA BPR can be found on their website www.epra.com. Details of our key EPRA metrics are shown in Table 1.

TABLE 1: EPRA PERFORMANCE MEASURES

Performance measure	30 June 2020	31 December 2019	30 June 2019	Definition and commentary	Page
Earnings	£10.1m	£214.3m	£107.7m	Recurring earnings from core operational activities. In both 2020 and 2019, EPRA earnings differed marginally from the Group's adjusted earnings due to the inclusion of a "Company specific adjustment" in relation to translation movements on an intragroup funding loan in VIA Outlets (see note 8B of the financial statements) which management believes distorts the underlying earnings of the Group. In 2020, EPRA earnings also differed from the Group's adjusted earnings due to the inclusion of an impairment provision on items not yet recognised in the income statement which management believes distorts the earnings by creating a mismatch between income and impairment recognition.	65
Earnings per share (EPS)	1.3p	28.0p	14.0p	EPRA earnings divided by the weighted average number of shares in issue during the period. Due to the Company specific adjustments referred to above, the EPRA EPS differs from the Group's adjusted EPS of 2.3p for the six months ended 30 June 2020. There is no difference in respect of either comparative for 2019.	65
Net Reinvestment Value (NRV) per share[1]	£5.42	N/A	N/A	Equity shareholders' funds excluding the fair values of certain financial derivatives, deferred tax balances, and any associated goodwill. In addition an allowance is made for potential purchasers' costs payable in the event that the Group's property portfolio, including premium outlets, were to be repurchased at market values. The sum total of the above is then divided by the diluted number of shares in issue.	67
Net Tangible Assets value (NTA) per share[1,2]	£4.58	N/A	N/A	Equity shareholders' funds excluding the fair values of certain financial derivatives, deferred tax balances which are expected to crystallise in the future, and goodwill balances, divided by the diluted number of shares in issue.	67
Net Disposal Value (NDV) per share[1]	£4.50	N/A	N/A	Equity shareholders' funds including the fair value of borrowings and excluding goodwill balances, divided by the diluted number of shares in issue.	67
Net asset value (NAV) per share	N/A	£6.01	£6.85	Equity shareholders' funds excluding the fair values of certain financial derivatives, deferred tax balances and any associated goodwill, divided by the diluted number of shares in issue.	67
Triple net asset value (NNNAV) per share	N/A	£5.48	£6.28	Equity shareholders' funds adjusted to include the fair values of borrowings.	67
Net Initial Yield (NIY)	5.4%	5.1%	4.8%	Annual cash rents receivable, less head and equity rents and any non-recoverable property operating expenses, as a percentage of the gross market value of the property, including estimated purchasers' costs, as provided by the Group's external valuers.	86
Topped-up NIY	5.5%	5.2%	4.9%	EPRA NIY adjusted for the expiry of rent-free periods and future rent on signed leases.	86
Vacancy rate	5.8%	2.8%	3.3%	The estimated market rental value (ERV) of vacant space divided by the ERV of the lettable area. Occupancy is the inverse of vacancy.	82
Cost ratio (incl. net service charge expenses – vacancy)	52.7%	25.7%	23.7%	Total operating costs as a percentage of gross rental income, after rents payable. Both operating costs and gross rental income are adjusted for costs associated with inclusive leases.	84
Cost ratio (excl. net service charge expenses – vacancy)	50.2%	23.3%	21.3%	Total operating costs as a percentage of gross rental income, after rents payable. Both operating costs and gross rental income are adjusted for costs associated with inclusive leases. This metric excludes service charges in relation to vacancy.	84

1. From 1 January 2020, three new net asset value metrics replaced EPRA NAV and NNNAV. For comparison purposes, the new metrics and previously reported metrics for the current and comparative reporting periods are disclosed in note 8D on pages 67 to 69.

2. The Group has chosen to exclude 50% of deferred tax balances in accordance with EPRA guidance.

PORTFOLIO ANALYSIS

TABLE 2: RENTAL INFORMATION

Rental data for the six months ended 30 June 2020

Proportionally consolidated excluding premium outlets	Gross rental income £m	Net rental income £m	Vacancy rate[1] %	ERV of vacant space £m	Average rents passing[2] £/m	Rents passing[3] £m	Estimated rental value[4] £m	Reversion/ (over-rented) %
UK	65.4	35.2	6.7	8.3	475	136.5	144.2	(0.4)
France	31.3	20.5	5.8	3.8	510	60.9	64.7	0.1
Ireland	19.1	14.9	3.7	1.4	525	40.8	42.0	(0.5)
Flagship destinations	**115.8**	**70.6**	**5.9**	**13.5**	**490**	**238.2**	**250.9**	**(0.3)**
UK retail parks	17.3	10.9	4.2	1.6	225	40.7	38.2	(10.9)
UK other	4.9	2.5	8.0	0.8	145	9.5	10.2	(1.4)
Investment portfolio	**138.0**	**84.0**	**5.8**	**15.9**	**415**	**288.4**	**299.3**	**(1.7)**
Developments[5]	6.3	3.3						
Property portfolio (note 2)	**144.3**	**87.3**						
Selected data for the year ended 31 December 2019								
UK	158.2	130.7	3.0	4.0	490	145.9	154.5	3.0
France	82.1	72.0	3.0	2.0	455	60.2	65.1	4.9
Ireland	41.8	38.0	0.4	0.1	500	39.6	42.2	6.3
Flagship destinations	282.1	240.7	2.5	6.1	480	245.7	261.8	4.0
UK retail parks	52.5	49.1	2.7	1.1	220	44.5	42.5	(7.5)
UK other	11.3	8.2	7.5	0.9	150	10.6	12.0	3.8
Investment portfolio	345.9	298.0	2.8	8.1	405	300.8	316.3	2.4
Developments	15.1	10.5						
Property portfolio (note 2)	361.0	308.5						

Notes
1. More information on vacancy is provided in the Operating review on page 10.
2. Average rents passing at the period end before deducting head and equity rents and excluding rents passing from anchor units and car parks.
3. Passing rents is the annual rental income receivable from an investment property, after any rent-free periods and after deducting head and equity rents and car parking and commercialisation running costs.
4. The estimated market rental value at the period end calculated by the Group's valuers. ERVs in the above table are included within the unobservable inputs to the portfolio valuations as defined by IFRS 13.
5. Rental income for developments is principally in relation to the Whitgift Centre, Croydon; Dublin Central and ancillary properties associated with future City Quarters projects in Dublin and Leeds.

TABLE 3: RENT REVIEWS

Rent reviews as at 30 June 2020

	Rents passing subject to review in[1]					Current ERV of leases subject to review in[2]				
Proportionally consolidated excluding premium outlets	Outstanding £m	2020[3] £m	2021 £m	2022 £m	Total £m	Outstanding £m	2020[3] £m	2021 £m	2022 £m	Total £m
UK	22.5	6.4	13.8	11.7	54.4	21.6	5.4	10.4	10.0	47.4
Ireland	16.5	2.6	4.2	3.1	26.4	16.8	2.3	3.5	2.6	25.2
Flagship destinations	**39.0**	**9.0**	**18.0**	**14.8**	**80.8**	**38.4**	**7.7**	**13.9**	**12.6**	**72.6**
UK retail parks	9.6	6.4	5.3	4.2	25.5	8.9	5.6	4.5	3.9	22.9
UK other	1.3	0.6	0.5	0.6	3.0	1.2	0.5	0.4	0.5	2.6
Investment portfolio[4]	**49.9**	**16.0**	**23.8**	**19.6**	**109.3**	**48.5**	**13.8**	**18.8**	**17.0**	**98.1**

Notes
1. The amount of rental income, based on rents passing at 30 June 2020, for leases which are subject to review in each year.
2. Projected rental income for leases that are subject to review in each year, based on the higher of the current rental income and the ERV at 30 June 2020.
3. 2020 reflects rent reviews due in the second half of the year only.
4. Leases in France are not subject to rent reviews but are adjusted annually based on French indexation indices.

TABLE 4: LEASE EXPIRIES AND BREAKS

Lease expiries and breaks as at 30 June 2020

Proportionally consolidated excluding premium outlets	Outstanding £m	Rents passing that expire/break in[1] 2020 £m	2021 £m	2022 £m	Total £m	Outstanding £m	ERV of leases that expire/break in[2] 2020 £m	2021 £m	2022 £m	Total £m	Weighted average unexpired lease term to break years	to expiry years
UK	7.6	6.0	14.9	15.2	43.7	8.9	7.4	13.3	13.3	42.9	6.0	11.4
France	5.2	1.2	1.8	3.4	11.6	5.1	1.1	1.8	2.5	10.5	2.0	4.5
Ireland	2.9	1.6	3.0	1.5	9.0	2.9	1.9	3.0	1.5	9.3	6.5	9.1
Flagship destinations	**15.7**	**8.8**	**19.7**	**20.1**	**64.3**	**16.9**	**10.4**	**18.1**	**17.3**	**62.7**	**5.0**	**9.1**
UK retail parks	2.9	2.2	4.2	2.9	12.2	2.6	1.7	3.6	2.6	10.5	6.0	7.4
UK other	1.4	0.7	1.7	0.8	4.6	1.6	0.6	1.7	0.7	4.6	6.9	8.9
Investment portfolio	**20.0**	**11.7**	**25.6**	**23.8**	**81.1**	**21.1**	**12.7**	**23.4**	**20.6**	**77.8**	**5.2**	**8.8**

Notes
1. The amount of rental income, based on rents passing at 30 June 2020, for leases which expire or, for the UK and Ireland only, are subject to tenant break options, which fall due in each year.
2. The ERV at 30 June 2020 for leases that expire or, for the UK and Ireland only, are subject to tenant break options which fall due in each year and ignoring the impact of rental growth and any rent-free periods.

TABLE 5: NET RENTAL INCOME

Net rental income for the six months ended 30 June 2020

Proportionally consolidated excluding premium outlets	Properties owned throughout 2019/20 £m	Increase/ (Decrease) for properties owned throughout 2019/20 %	Disposals £m	Developments and other[3] £m	Total £m
UK	46.1	(30.5)	–	(10.9)	35.2
France	14.5	(30.0)	(0.4)	6.5	20.6
Ireland	15.3	(16.9)	–	0.6	15.9
Flagship destinations	**75.9**	**(28.0)**	**(0.4)**	**(3.8)**	**71.7**
UK retail parks	14.3	(21.2)	0.5	(3.9)	10.9
UK other	–	–	–	4.7	4.7
Property portfolio[1,2]	**90.2**	**(27.0)**	**0.1**	**(3.0)**	**87.3**

Net rental income for the six months ended 30 June 2019

Proportionally consolidated excluding premium outlets	Properties owned throughout 2018/19 £m	Exchange £m	Disposals £m	Developments and other £m	Total £m
UK	66.3	–	–	–	66.3
France	20.8	0.1	7.8	8.4	37.1
Ireland	18.4	–	–	1.7	20.1
Flagship destinations	105.5	0.1	7.8	10.1	123.5
UK retail parks	18.2	–	7.4	–	25.6
UK other	–	–	–	7.5	7.5
Property portfolio[1,2]	123.7	0.1	15.2	17.6	156.6

Notes
1. The above portfolios include both investment and development properties for each sector/segment.
2. The Property portfolio value on which LFL growth is based was £4,004 million as at 30 June 2020 (30 June 2019: £5,178 million).
3. Includes impairment of tenant incentives and income in advance.

TABLE 6: TOP TEN TENANTS

Ranked by passing rent at 30 June 2020

Proportionally consolidated excluding premium outlets	Passing rent £m	% of total passing rent
H&M	8.5	2.9
Inditex	8.2	2.8
Next	7.0	2.4
Marks & Spencer	5.7	2.0
Boots	5.3	1.8
TK Maxx	4.6	1.6
Dixons Carphone	4.0	1.4
Frasers Group	4.0	1.4
River Island Clothing Co	3.6	1.4
JD Sports	3.5	1.2
Total	**54.4**	**18.9**

TABLE 7: COST RATIO

EPRA cost ratio

Proportionally consolidated excluding premium outlets	Six months ended 30 June 2020 £m	Six months ended 30 June 2019 £m	Year ended 31 December 2019 £m
Net service charge expenses – non-vacancy	3.4	3.8	8.0
Net service charge expenses – vacancy	3.5	4.2	8.5
Net service charge expenses – total	6.9	8.0	16.5
Other property outgoings	32.8	15.2	32.8
Change in provision for impairment of unamortised tenant incentives	8.9	–	–
Change in provision for amounts not yet recognised in the income statement	7.1	–	–
Less inclusive lease costs recovered through rent	(3.4)	(3.6)	(7.6)
Total property costs (for EPRA cost ratio)	52.3	19.6	41.7
Employee and corporate costs[1]	25.5	27.2	57.2
Management fees receivable	(4.2)	(5.0)	(8.9)
Total operating costs (for EPRA cost ratio)	73.6	41.8	90.0
Gross rental income	144.3	181.4	361.0
Ground and equity rents payable	(1.3)	(1.6)	(3.2)
Less inclusive lease costs recovered through rent	(3.4)	(3.6)	(7.6)
Gross rental income (for cost ratio)	139.6	176.2	350.2
EPRA cost ratio including net service charge expenses – vacancy (%)	52.7	23.7	25.7
EPRA cost ratio excluding net service charge expenses – vacancy (%)	50.2	21.3	23.3
Cost ratio including net service charge expenses – vacancy (%)[2]	41.3	23.7	25.7
Cost ratio excluding net service charge expenses – vacancy (%)[2]	38.8	21.3	23.3

Notes

1. Our business model for developments is to use a combination of in-house staff and external advisers. The cost of external advisers is capitalised to the cost of developments. The cost of staff working on developments is generally expensed, but is capitalised subject to meeting certain criteria related to the degree of time spent on and the stage of progress of specific projects. During the six months ended 30 June 2020, staff costs amounting to £1.2 million (31 December 2019: £1.8 million;30 June 2019: £0.9 million) were capitalised as development costs and are not included within "Employee and corporate costs".

2. Excludes the change in provision for impairment of tenant incentives and amounts not recognised in the income statement.

TABLE 8: VALUATION ANALYSIS

Valuation analysis at 30 June 2020

Proportionally consolidated including premium outlets	Properties at valuation £m	Revaluation in the period £m	Capital return %	Total return %	Initial yield %	True equivalent yield %	Nominal equivalent yield[1] %
UK	1,851.8	(495.0)	(21.1)	(19.7)	5.9	6.9	6.6
France	1,229.1	(123.9)	(9.4)	(7.9)	4.3	4.8	4.7
Ireland	833.7	(88.2)	(9.9)	(8.3)	4.6	4.9	4.7
Flagship destinations	**3,914.6**	**(707.1)**	**(15.4)**	**(14.0)**	**5.1**	**5.8**	**5.6**
UK retail parks	438.2	(68.3)	(13.3)	(11.4)	7.9	8.4	8.0
UK other	117.7	(17.9)	(13.2)	(11.4)	5.9	9.1	8.6
Investment portfolio	**4,470.5**	**(793.3)**	**(15.1)**	**(13.6)**	**5.4**	**6.2**	**5.9**
Developments	563.3	(78.2)	(12.3)	(11.8)			
Property portfolio – excluding premium outlets	**5,033.8**	**(871.5)**	**(14.8)**	**(13.4)**			
Premium outlets[2]	2,658.3	(137.2)	(5.0)	(4.0)			
Total Group[3]	**7,692.1**	**(1,008.7)**	**(11.7)**	**(10.4)**			

Data for the year ended 31 December 2019	Properties at valuation £m	Revaluation in the period £m	Capital return %	Total return %	Initial yield %	True equivalent yield %	Nominal equivalent yield[1] %
UK	2,351.3	(581.8)	(19.9)	(15.8)	5.5	6.2	6.0
France	1,269.0	(130.6)	(10.2)	(6.5)	4.1	4.7	4.6
Ireland	860.0	(71.6)	(7.5)	(3.6)	4.1	4.7	4.6
Flagship destinations	4,480.3	(784.0)	(14.8)	(10.8)	4.8	5.5	5.3
UK retail parks	453.3	(124.9)	(19.5)	(14.0)	7.3	7.6	7.3
UK other	134.5	(41.2)	(23.6)	(19.3)	7.4	9.4	8.8
Investment portfolio	5,068.1	(950.1)	(15.6)	(11.5)	5.1	5.8	5.6
Developments	599.6	(77.9)	(10.7)	(9.2)			
Property portfolio – excluding premium outlets	5,667.7	(1,028.0)	(15.8)	(11.9)			
Premium outlets[2]	2,659.1	199.8	8.2	13.6			
Total Group	8,326.8	(828.2)	(9.8)	(5.6)			

Notes
1. Nominal equivalent yields are included within the unobservable inputs to the portfolio valuations as defined by IFRS 13.
2. Represents the Group's share of premium outlets through its investments in Value Retail and VIA Outlets.
3. Includes revaluation losses on retail parks recognised as impairment (losses)/gains on reclassification (to)/from assets held for sale as detailed in note 13.
4. Further analysis of capital expenditure between Reported Group and Share of Property interests is included in note 3B on page 63

TABLE 9: EPRA NET INITIAL YIELD (NIY)

Investment portfolio Proportionally consolidated excluding premium outlets	30 June 2020 £m	31 December 2019 £m
Portfolio value – excluding premium outlets – wholly owned	2,354.4	2,098.7
Portfolio value – excluding premium outlets – share of Property interests	2,679.4	3,112.5
Portfolio value – excluding premium outlets – assets held for sale/discontinued operations	–	456.5
Net investment portfolio valuation on a proportionally consolidated basis	**5,033.8**	5,667.7
Less: Developments	(563.3)	(599.6)
Completed investment portfolio	**4,470.5**	5,068.1
Add: Impairment recognised on reclassification to held for sale	–	92.0
Purchasers' costs[1]	311.5	353.7
Grossed up completed investment portfolio (A)	**4,782.0**	5,513.8
Annualised cash passing rental income	289.4	299.5
Non-recoverable costs	(24.0)	(11.6)
Rents payable	(5.1)	(4.5)
Annualised net rent (B)	**260.3**	283.4
Add:		
Notional rent expiration of rent free periods[2]	3.1	4.8
Future rent on signed leases	1.0	1.0
Topped up annualised net rent (C)	**264.4**	289.2
Add back: Non-recoverable costs	24.0	11.6
Passing rents (Table 2)	**288.4**	300.8
EPRA net initial yield (B/A)	**5.4%**	5.1%
EPRA 'topped up' net initial yield (C/A)	**5.5%**	5.2%

Notes
1. Purchasers' costs equate to 7.0% (31 December 2019: 6.9%) of the net portfolio value.
2. The weighted average remaining rent-free period is 0.4 years.

TABLE 10: EPRA CAPITAL EXPENDITURE

Excludes Premium outlets	Six months ended 30 June 2020			Six months ended 30 June 2019		
	Reported Group £m	Share of Property interests £m	Proportionally consolidated £m	Reported Group £m	Share of property interests £m	Proportionally consolidated £m
Developments	16	2	18	25	4	29
Capital expenditure – creating area	3	3	6	5	–	5
Capital expenditure – no additional area	5	4	9	7	4	11
Tenant incentives	(9)	(5)	(14)	–	(1)	(1)
Total capital expenditure	**15**	**4**	**19**	37	7	44
Deduct: UK retail parks classified as held for sale[1]	6	–	6	–	–	–
Conversion from accruals to cash basis	9	6	15	(14)	5	(9)
Total capital expenditure on cash basis	**30**	**10**	**40**	23	12	35

1. The UK retail parks were held as 'assets held for sale' until early May 2020 and the capital expenditure for the period captured within 'assets held for sale' movements

Further analysis of capital expenditure between the creation of additional area and the creation of value through enhancement of existing space is provided in the Property portfolio review on page 23. There were no acquisitions in either the current or comparative period.

SHARE OF PROPERTY INTERESTS

The Group's Share of Property interests reflects the Group's Property joint ventures as shown in note 10 to the financial statements on pages 71 to 73 and the Group's interests in Italie Deux and Nicetoile, which are accounted for as associates, as shown in note 11 to the financial statements on pages 73 to 75.

TABLE 11: INCOME STATEMENT

	Six months ended 30 June 2020			Six months ended 30 June 2019		
	Property joint ventures £m	Italie Deux and Nicetoile £m	Share of Property interests £m	Property joint ventures £m	Nicetoile £m	Share of Property interests £m
Gross rental income	75.4	3.5	78.9	88.0	0.8	88.8
Net rental income	45.4	2.6	48.0	74.8	0.7	75.5
Administration expenses	(0.2)	–	(0.2)	(0.2)	–	(0.2)
Operating profit before other net losses	45.2	2.6	47.8	74.6	0.7	75.3
Revaluation losses on properties	(517.5)	(10.3)	(527.8)	(271.1)	(0.2)	(271.3)
Operating (loss)/profit	(472.3)	(7.7)	(480.0)	(196.5)	0.5	(196.0)
Change in fair value of derivatives	(2.4)	–	(2.4)	(4.0)	–	(4.0)
Other finance costs	(4.6)	–	(4.6)	(4.2)	–	(4.2)
Net finance costs	(7.0)	–	(7.0)	(8.2)	–	(8.2)
(Loss)/Profit for the period	(479.3)	(7.7)	(487.0)	(204.7)	0.5	(204.2)

TABLE 12: BALANCE SHEET

	30 June 2020			31 December 2019		
	Property joint ventures £m	Italie Deux and Nicetoile £m	Share of Property interests £m	Property joint ventures £m	Italie Deux and Nicetoile £m	Share of Property interests £m
Non-current assets						
Investment and development properties	2,531.5	147.9	2,679.4	2,964.6	147.9	3,112.5
Interests in leasehold properties	15.5	–	15.5	15.6	–	15.6
Other non-current assets	2.6	–	2.6	2.6	–	2.6
	2,549.6	147.9	2,697.5	2,982.8	147.9	3,130.7
Current assets						
Other current assets	109.5	3.8	113.3	78.0	1.2	79.2
Cash and deposits	68.1	3.0	71.1	65.3	2.3	67.6
	177.6	6.8	184.4	143.3	3.5	146.8
Total assets	2,727.2	154.7	2,881.9	3,126.1	151.4	3,277.5
Current liabilities						
Other payables	(75.5)	(2.4)	(77.9)	(69.0)	(1.0)	(70.0)
Non-current liabilities						
Loans	(414.5)	–	(414.5)	(391.9)	–	(391.9)
Derivative financial instruments	(6.4)	–	(6.4)	(3.9)	–	(3.9)
Obligations under head leases	(15.8)	–	(15.8)	(15.8)	–	(15.8)
Other payables	(7.7)	(0.8)	(8.5)	(7.3)	(1.2)	(8.5)
Deferred tax	(0.1)	–	(0.1)	(0.1)	–	(0.1)
	(444.5)	(0.8)	(445.3)	(419.0)	(1.2)	(420.2)
Total liabilities	(520.0)	(3.2)	(523.2)	(488.0)	(2.2)	(490.2)
Net assets	2,207.2	151.5	2,358.7	2,638.1	149.2	2,787.3

PREMIUM OUTLETS

The Group's investment in premium outlets is through interests in Value Retail and VIA Outlets. Due to the nature of the Group's control over these externally managed investments, Value Retail is accounted for as an associate and VIA Outlets as a joint venture. Tables 13 and 14 provide analysis of the impact of the two premium outlet investments on the Group's financial statements. Further information on Value Retail is provided in note 11 to the financial statements on pages 73 to 75 and for VIA Outlets in notes 10 and 13 to the financial statements on pages 71 to 73 and 77 to 78.

TABLE 13: INCOME STATEMENT

Aggregated premium outlets income summary

	Six months ended 30 June 2020			Six months ended 30 June 2019		
	Value Retail £m	VIA Outlets £m	Total £m	Value Retail £m	VIA Outlets £m	Total £m
Gross rental income	27.6	19.6	47.2	59.7	20.5	80.2
Net rental income	14.5	12.6	27.1	41.6	15.8	57.4
Administration expenses	(16.7)	(3.3)	(20.0)	(21.2)	(3.7)	(24.9)
Operating (loss)/profit before other net (losses)/gains	(2.2)	9.3	7.1	20.4	12.1	32.5
Revaluation (losses)/gains on properties	(106.6)	(30.6)	(137.2)	95.5	15.1	110.6
Operating (loss)/profit	(108.8)	(21.3)	(130.1)	115.9	27.2	143.1
Other finance costs	(9.6)	(5.1)	(14.7)	(10.7)	(3.7)	(14.4)
Change in fair value of derivatives	(0.5)	(0.2)	(0.7)	(26.3)	(1.3)	(27.6)
Change in fair value of participative loans	(14.1)	–	(14.1)	34.3	–	34.3
(Loss)/Profit before tax	(133.0)	(26.6)	(159.6)	113.2	22.2	135.4
Current tax (charge)/credit	(0.4)	0.9	0.5	(1.3)	(1.4)	(2.7)
Deferred tax credit/(charge)	13.4	4.8	18.2	8.7	(4.5)	4.2
Share of results (IFRS)	(120.0)	(20.9)	(140.9)	120.6	16.3	136.9
Adjustments:						
Revaluation losses/(gains) on properties	106.6	30.6	137.2	(95.5)	(15.1)	(110.6)
Change in fair value of derivatives	0.5	0.2	0.7	26.3	1.3	27.6
Deferred tax (credit)/charge	(13.4)	(4.8)	(18.2)	(8.7)	4.5	(4.2)
Other adjustments	13.3	0.5	13.8	(31.6)	(0.3)	(31.9)
	107.0	26.5	133.5	(109.5)	(9.6)	(119.1)
Adjusted (loss)/earnings of premium outlets	(13.0)	5.6	(7.4)	11.1	6.7	17.8

TABLE 14: BALANCE SHEET

Aggregated premium outlets investment summary

	30 June 2020					31 December 2019		
	Value Retail £m	VIA Outlets £m	Total premium outlets £m	Deduct assets held for sale £m	Total £m	Value Retail £m	VIA Outlets £m	Total £m
Investment properties	1,942.1	716.2	2,658.3	(694.7)	1,963.6	1,965.6	693.5	2,659.1
Net debt	(696.3)	(259.3)	(955.6)	250.1	(705.5)	(658.2)	(239.0)	(897.2)
Other net assets/(liabilities)	(66.8)	(172.5)	(239.3)	175.5	(63.8)	47.9	(75.5)	(27.6)
Share of net assets (IFRS)	1,179.0	284.4	1,463.4	(269.1)	1,194.3	1,355.3	379.0	1,734.3
Adjustments:								
Fair value of derivatives	19.7	2.5	22.2	(2.3)	19.9	12.7	4.0	16.7
Deferred tax	99.6	34.0	133.6	(32.7)	100.9	201.0	69.2	270.2
Goodwill as a result of deferred tax	–	–	–	-	-	(63.2)	(7.4)	(70.6)
	119.3	36.5	155.8	(35.0)	120.8	150.5	65.8	216.3
Adjusted investment	1,298.3	320.9	1,619.2	(304.1)	1,315.1	1,505.8	444.8	1,950.6

In addition to the above figures, at 30 June 2020 the Group provided loans of £1.8 million (31 December 2019: £1.7 million, 30 June 2019: £1.8 million) to Value Retail for which the Group received interest of £0.1million during the first half of 2020 (31 December 2019 and 30 June 2019: £0.1 million), which is included within finance income in note 5 to the financial statements on page 64.

PROPORTIONALLY CONSOLIDATED INFORMATION

Note 2 to the financial statements on pages 59 to 61 shows the proportionally consolidated income statement. The proportionally consolidated balance sheet, adjusted finance costs, net debt and movements in net debt are shown in Tables 15, 16, 17 and 18 respectively.

In each of the tables, column A represents the Reported Group figures as shown in the financial statements; column B shows the Group's Share of Property interests being the Group's Property joint ventures as shown in note 10 to the financial statements on pages 71 and 72 and Italie Deux and Nicetoile as shown in note 11 to the financial statements on pages 73 and 74. Column C shows the Group's proportionally consolidated figures by aggregating the Reported Group and Share of Property interests figures. As explained on page 26 of the Financial review, the Group's interests in premium outlets are not proportionally consolidated as management does not review these interests on this basis.

TABLE 15: BALANCE SHEET

	30 June 2020			31 December 2019		
	Reported Group £m	Share of Property interests £m	Proportionally consolidated £m	Reported Group £m	Share of Property interests £m	Proportionally consolidated £m
Notes (see above)	A	B	C	A	B	C
Non-current assets						
Investment and development properties	2,354.4	2,679.4	5,033.8	2,098.7	3,112.5	5,211.2
Interests in leasehold properties	39.4	15.5	54.9	34.3	15.6	49.9
Right-of-use assets	8.5	–	8.5	10.1	–	10.1
Plant and equipment	2.8	–	2.8	3.2	–	3.2
Investment in joint ventures	2,222.5	(2,207.2)	15.3	3,017.1	(2,638.1)	379.0
Investment in associates	1,330.5	(151.5)	1,179.0	1,504.5	(149.2)	1,355.3
Derivative financial instruments	20.5	–	20.5	31.6	–	31.6
Receivables	3.6	2.6	6.2	3.4	2.6	6.0
	5,982.2	338.8	6,321.0	6,702.9	343.4	7,046.3
Current assets						
Receivables	131.9	72.7	204.6	96.3	30.5	126.8
Derivative financial instruments	23.0	–	23.0	0.8	–	0.8
Restricted monetary assets	25.6	40.6	66.2	21.5	48.7	70.2
Cash and deposits	417.6	71.1	488.7	28.2	67.6	95.8
	598.1	184.4	782.5	146.8	146.8	293.6
Assets held for sale	269.1	–	269.1	465.7	1.3	467.0
	867.2	184.4	1,051.6	612.5	148.1	760.6
Total assets	6,849.4	523.2	7,372.6	7,315.4	491.5	7,806.9
Current liabilities						
Loans	(153.9)	–	(153.9)	–	–	–
Payables	(198.4)	(77.9)	(276.3)	(193.5)	(70.0)	(263.5)
Tax	(0.8)	–	(0.8)	(1.5)	–	(1.5)
Derivative financial instruments	(2.4)	–	(2.4)	(4.1)	–	(4.1)
	(355.5)	(77.9)	(433.4)	(199.1)	(70.0)	(269.1)
Liabilities associated with assets held for sale	–	–	–	(19.7)	(1.3)	(21.0)
	(355.5)	(77.9)	(433.4)	(218.8)	(71.3)	(290.1)
Non-current liabilities						
Loans	(2,892.0)	(414.5)	(3,306.5)	(2,504.9)	(391.9)	(2,896.8)
Deferred tax	(0.4)	(0.1)	(0.5)	(0.4)	(0.1)	(0.5)
Derivative financial instruments	(73.1)	(6.4)	(79.5)	(70.7)	(3.9)	(74.6)
Obligations under head leases	(42.4)	(15.8)	(58.2)	(36.9)	(15.8)	(52.7)
Payables	(118.3)	(8.5)	(126.8)	(106.5)	(8.5)	(115.0)
	(3,126.2)	(445.3)	(3,571.5)	(2,719.4)	(420.2)	(3,139.6)
Total liabilities	(3,481.7)	(523.2)	(4,004.9)	(2,938.2)	(491.5)	(3,429.7)
Net assets	3,367.7	–	3,367.7	4,377.2	–	4,377.2

TABLE 16: ADJUSTED FINANCE COSTS

	Six months ended 30 June 2020			Six months ended 30 June 2019		
	Reported Group £m	Share of Property interests £m	Total £m	Reported Group £m	Share of Property interests £m	Total £m
Notes (see page 89)	A	B	C	A	B	C
Gross finance costs	51.6	4.6	56.2	52.6	4.2	56.8
Less: Interest capitalised	(2.5)	–	(2.5)	(1.3)	–	(1.3)
Finance costs	49.1	4.6	53.7	51.3	4.2	55.5
Finance income	(6.3)	–	(6.3)	(11.3)	–	(11.3)
Adjusted finance costs (note 2)	42.8	4.6	47.4	40.0	4.2	44.2

TABLE 17: NET DEBT

	30 June 2020			31 December 2019		
	Reported Group £m	Share of Property interests £m	Total £m	Reported Group £m	Share of Property interests £m	Total £m
Notes (see page 89)	A	B	C	A	B	C
Cash and deposits	417.6	71.1	488.7	29.8	67.6	97.4
Fair value of currency swaps	(32.0)	–	(32.0)	(43.1)	–	(43.1)
Loans	(3,045.9)	(414.5)	(3,460.4)	(2,504.9)	(391.9)	(2,896.8)
Net debt	(2,660.3)	(343.4)	(3,003.7)	(2,518.2)	(324.3)	(2,842.5)

Included within net debt at 30 June 2020 is £nil (31 December 2019: £1.6 million) of cash and deposits relating to assets held for sale.

TABLE 18: MOVEMENT IN NET DEBT

Year ended 31 December 2019 £m		Six months ended 30 June 2020 £m	Six months ended 30 June 2019 £m
(3,405.7)	Opening net debt	(2,842.5)	(3,405.7)
260.2	Operating profit before other net losses	66.0	134.4
(3.9)	(Increase)/Decrease in receivables and restricted monetary assets	(93.1)	3.6
(1.6)	Increase/(Decrease) in payables	7.5	(10.8)
9.9	Adjustment for non-cash items	43.5	3.3
264.6	Cash generated from operations	23.9	130.5
20.6	Interest received	8.9	13.5
(109.3)	Interest paid	(61.8)	(59.9)
(2.1)	Tax paid	(0.6)	(1.2)
24.3	Operating distributions received from premium outlets	5.9	11.8
198.1	Cash flows from operating activities	(23.7)	94.7
(110.3)	Acquisitions and capital expenditure	(40.3)	(34.7)
536.1	Sale of properties	54.0	22.4
(9.4)	Advances to premium outlets	(8.9)	(9.4)
5.5	Funds from financing transferred from premium outlets	–	–
(30.4)	Acquisition of interest in premium outlets	–	(1.4)
391.5	Cash flows from investing activities	4.8	(23.1)
(1.6)	Issue/(Purchase) of shares	0.1	0.1
(1.5)	Share buyback	–	(1.5)
(198.9)	Equity dividends paid	(12.2)	(118.1)
(202.0)	Cash flows from financing activities	(12.1)	(119.5)
175.6	Exchange translation movement	(130.2)	6.6
(2,842.5)	Closing net debt	(3,003.7)	(3,447.0)

TABLE 19: NET DEBT: EBITDA

		Six months ended 30 June 2020 £m	Year ended 31 December 2019 £m
Adjusted operating profit		219.5	306.0
Tenant incentive amortisation		18.7	6.4
Share-based remuneration		2.7	3.0
Depreciation		5.0	5.1
EBITDA*		245.9	320.5
Net debt	Table 17	3,003.7	2,842.5
Net debt: EBITDA (times)		12.2	8.9

* EBITDA is calculated on a 12 months rolling basis to calculate the above ratio at 30 June 2020.

TABLE 20: LOAN TO VALUE

		30 June 2020 £m	31 December 2019 £m
Net debt – "Loan" (A)	Table 17	3,003.7	2,842.5
Property portfolio – excluding premium outlets (B)	Table 8	5,033.8	5,667.7
Investment in VIA Outlets - IFRS	Table 14	284.4	379.0
Investment in Value Retail - IFRS	Table 14	1,179.0	1,355.3
"Value" (C)		6,497.2	7,402.0
Loan to value – headline (%) – (A/C)		46.2	38.4
Net debt – premium outlets (D)	Table 14	955.6	895.7
Property portfolio – premium outlets (E)	Table 14	2,658.3	2,659.1
Loan to value – fully proportionally consolidated (%) – ((A + D)/(B + E))		51.5	44.9

TABLE 21: GEARING

		30 June 2020 £m	31 December 2019 £m
Net debt	Table 17	3,003.7	2,842.5
Add:			
VIA net debt – included in assets held for sale		250.1	221.8
VIA net debt – included in investment in joint ventures		9.2	17.2
VIA net debt – total	Table 14	259.3	239.0
Less:			
Unamortised borrowing costs - Group		15.9	17.8
Unamortised borrowing costs - VIA		1.9	2.2
Cash held within investments in associates: Italie Deux and Nicetoile	Note 11C	3.0	2.3
Net debt for gearing calculation (A)		3,283.8	3,103.8
Equity shareholders' funds		3,367.5	4,377.0
Less:			
VIA goodwill	Note 10C	–	(8.9)
Net debt for gearing calculation (B)		3,367.5	4,368.1
Gearing (%) – (A/B)		97.5	71.1

The gearing calculation has been aligned with the gearing ratio as per the covenant calculation basis in the Group's unsecured bank facilities and private placement senior notes. Gearing as at 31 December 2019 has been re-presented from 64.9%, as this was previously calculated as net debt divided by equity shareholders' funds.

TABLE 22: UNENCUMBERED ASSET RATIO

		30 June 2020 £m	31 December 2019 £m
Property portfolio – excluding premium outlets	Table 8	5,033.8	5,667.7
Property value - VIA Outlets	Table 14	716.2	693.5
Less: properties held in associates: Italie Deux and Nicetoile	Table 12	(147.9)	(147.9)
Less: encumbered assets[1]		(1,568.6)	(1,607.0)
Total unencumbered assets (A)		4,033.5	4,606.3
Net debt – proportionally consolidated	Table 17	3,003.7	2,842.5
Less: cash held in investments in associates: Italie Deux and Nicetoile	Note 11C	3.0	2.3
Less: cash held in investments in encumbered joint ventures		20.7	20.9
Add: VIA cash with no security interests		(3.8)	(6.8)
Less: unamortised borrowing costs - Group		15.9	17.8
Less: encumbered debt		(416.7)	(394.3)
Total unsecured debt (B)		2,622.8	2,482.4
Unencumbered asset ratio (times) (A)/(B)		1.54	1.86

The unencumbered asset ratio has been aligned with the basis used for the covenant calculation in the Group's unsecured bank facilities and private placement senior notes. As a result, at 31 December 2019 the unencumbered asset ratio has been re-presented from 1.9 times to 1.86 times.

1. Encumbered assets – Dundrum, Highcross and O'Parinor.

GLOSSARY

Adjusted figures (per share)	Reported amounts adjusted in accordance with EPRA guidelines to exclude certain items as set out in note 8 to the financial statements.
Annual Incentive Plan (AIP)	The annual bonus plan for all employees, including Executive Directors.
Average cost of debt or weighted average interest rate	The cost of finance expressed as a percentage of the weighted average of debt during the period.
BREEAM	An environmental rating assessed under the Building Research Establishment's Environmental Assessment Method.
Capital return	The change in property value during the period after taking account of capital expenditure, calculated on a monthly time-weighted basis on a constant currency basis as presented in the calculation in Table 8 on page 85.
Cost ratio	Total operating costs (being property outgoings, administration costs less management fees) as a percentage of gross rental income, after rents payable. Both property outgoings and gross rental income are adjusted for costs associated with inclusive leases.
Compulsory Voluntary Arrangement (CVA)	A legally binding agreement with a company's creditors to restructure its liabilities, including future lease liabilities.
Dividend cover	Adjusted earnings per share divided by dividend per share.
Earnings/(Loss) per share (EPS)	Profit/(Loss) attributable to equity shareholders divided by the average number of shares in issue during the period.
EBITDA	Earnings before interest, tax, depreciation and amortisation. See Table 19 on page 91.
EPRA	The European Public Real Estate Association, a real estate industry body. This organisation has issued Best Practice Recommendations with the intention of improving the transparency, comparability and relevance of the published results of listed real estate companies in Europe.
Equivalent yield (true and nominal)	The capitalisation rate applied to future cash flows to calculate the gross property value. The cash flows reflect future rents resulting from lettings, lease renewals and rent reviews based on current ERVs. The true equivalent yield (TEY) assumes rents are received quarterly in advance. The nominal equivalent yield (NEY) assumes rents are received annually in arrears. The property true and nominal equivalent yields are determined by the Group's external valuers.
ERV	The estimated market rental value of the total lettable space in a property calculated by the Group's external valuers. It is calculated after deducting head and equity rents, and car parking and commercialisation running costs.
ESG	Using environmental, social and government factors to evaluate companies and countries on how far advanced they are with sustainability.
F&B	Food and beverage ranging from "grab and go" to fine dining.
Flexible lettings	Leases of less than three years, which often contain break options to provide flexibility for landlords and tenants.
Gearing	Net debt expressed as a percentage of equity shareholders' funds. See Table 21 on page 91.
Gross property value or Gross asset value (GAV)	Property value before deduction of purchasers' costs, as provided by the Group's external valuers.
Gross rental income (GRI)	Income from rents, car parks and commercialisation income, after accounting for the effect of the amortisation of lease incentives.
IAS/IFRS	International Accounting Standard/International Financial Reporting Standard.
Inclusive lease	A lease, often for a short period of time, under which the rent is inclusive of costs such as service charge, rates and utilities. Instead, the landlord incurs these costs as part of the overall commercial arrangement.
Income return	The income derived from a property as a percentage of the property value, taking account of capital expenditure, on a constant currency basis, calculated on a monthly time-weighted basis.
Initial yield (or Net initial yield (NIY))	Annual cash rents receivable (net of head and equity rents and the cost of vacancy, and, in the case of France, net of an allowance for costs of approximately 5%, primarily for management fees), as a percentage of gross property value, as provided by the Group's external valuers. Rents receivable following the expiry of rent-free periods are not included. Rent reviews are assumed to have been settled at the contractual review date at ERV.
Interest cover	Net rental income divided by net cost of finance before exceptional finance costs, capitalised interest and change in fair value of derivatives. Calculated as per covenants in the Group's unsecured facilities and private placement notes. Calcuated as per covenants in the Group's unsecured bank facilities and private placement notes.
Interest rate or currency swap (or derivatives)	An agreement with another party to exchange an interest or currency rate obligation for a pre-determined period.
Joint venture and associate management fees	Fees charged to joint ventures and associates for accounting, secretarial, asset and development management services.
Like-for-like (LFL) NRI	The percentage change in gross rental income less property outgoings for investment properties owned throughout both current and prior periods, after taking account of exchange translation movements. Properties undergoing a significant extension project are excluded from this calculation during the period of the works. For interim reporting periods properties sold between the balance sheet date and the date of the announcement are also excluded from LFL NRI.
Loan to value (LTV)	Net debt expressed as a percentage of the property portfolio value.
Medium Sized Unit (MSU)	Retail unit of between 10,000ft^2 (929m^2) and 50,000ft^2 (4,645m^2)

GLOSSARY

MSCI	Property market benchmark indices produced by MSCI, rebranded from IPD in 2018.
Net asset value (NAV) per share	Equity shareholders' funds divided by the number of shares in issue at the balance sheet date.
Net rental income (NRI)	Gross rental income less head and equity rents payable and property outgoings.
Occupancy rate	The ERV of the area in a property, or portfolio, excluding developments, which is let, expressed as a percentage of the total ERV of that property or portfolio.
Occupational cost ratio (OCR)	The proportion of retailer's sales compared with the total cost of occupation including rent, business rates and service charge. Calculated excluding department stores.
Over-rented	The amount, or percentage, by which the ERV falls short of rents passing, together with the ERV of vacant space.
Passing rents or rents passing	The annual rental income receivable from an investment property after: any rent-free periods; head and equity rents; car park costs and commercialisation costs. This may be more or less than the ERV (see over-rented and reversionary or under-rented).
Pre-let	A lease signed with a tenant prior to the completion of a development.
Principal lease	A lease signed with a tenant with a secure term of greater than three years and where the unit is not significantly reconfigured. This enables letting metrics to be stated on a comparable basis.
Property fee income	Amounts recharged to tenants or co-owners for property management services.
Property Income Distribution (PID)	A dividend, generally subject to withholding tax, that a UK REIT is required to pay from its tax-exempt property rental business and which is taxable for UK-resident shareholders at their marginal tax rate.
Property interests (Share of)	The Group's non-wholly owned properties which management proportionally consolidate when reviewing the performance of the business. These exclude the Group's premium outlets interests in Value Retail and VIA Outlets which are not proportionally consolidated.
Property joint ventures (Share of)	The Group's joint ventures which management proportionally consolidate when reviewing the performance of the business, but exclude the Group's interests in the VIA Outlets joint venture.
Property outgoings	The direct operational costs and expenses incurred by the landlord in connection with property ownership and management. This typically comprises void costs, net service charge expenses, letting related costs, marketing expenditure, repairs and maintenance, bad debt expense relating to items recognised within the income statement, and other direct irrecoverable property expenses. These costs are included within the Group's calculation of like-for-like NRI and the Cost ratio.
Proportional consolidation	The aggregation of the financial results of the Reported Group together with the Group's Share of Property interests being the Group's Share of Property joint ventures as shown in note 10, and Italie Deux and Nicetoile as shown in note 11.
QIAIF	Qualifying Investor Alternative Investment Fund. A regulated tax regime in the Republic of Ireland which exempts participants from Irish tax on property income and chargeable gains subject to certain requirements.
REIT	Real Estate Investment Trust. A tax regime which in the UK exempts participants from corporation tax both on UK rental income and gains arising on UK investment property sales, subject to certain requirements.
Reported Group	The financial results as presented under IFRS which represent the Group's 100% owned properties and share of joint operations, transactions and balances and equity accounted Group's interests in joint ventures and associates.
Reversionary or under-rented	The amount, or percentage, by which the ERV exceeds the rents passing, together with the estimated rental value of vacant space.
SIIC	Sociétés d'Investissements Immobiliers Côtées. A tax regime in France which exempts participants from the French tax on property income and gains subject to certain requirements.
Tenant restructuring	CVAs and administrations.
Total development cost (TDC)	All capital expenditure on a development project, including capitalised interest.
Total property return (TPR)	NRI and capital growth expressed as a percentage of the opening book value of property adjusted for capital expenditure, calculated on a monthly time-weighted and constant currency basis.
Turnover rent	Rental income which is related to an occupier's turnover.
UK other	High street and other properties held for strategic properties.
Vacancy rate	The ERV of the area in a property, or portfolio, excluding developments, which is currently available for letting, expressed as a percentage of the ERV of that property or portfolio.
Yield on cost	Passing rents expressed as a percentage of the total development cost of a property.