THIS ANNOUNCEMENT CONTAINS INSIDE INFORMATION

PRESS RELEASE

12 March 2021

HAMMERSON plc – RESULTS FOR THE YEAR ENDED 31 DECEMBER 2020
2020 defined by Covid-19 disruption

Rita-Rose Gagné, Chief Executive of Hammerson, said:

"By any measure, 2020 was an unprecedented year with every business and household affected by Covid-19. Our teams have worked tirelessly and shown remarkable commitment throughout the pandemic to ensure that we continue to keep our colleagues, customers and communities safe.

"As our results show, Hammerson was hit hard. The retail sector, already in the grip of major structural change, has been significantly impacted by the restrictions imposed to tackle the pandemic, and we've also seen an increasing number of retail failures. Combined, this has resulted in the largest fall in net rental income and UK asset values in the Group's history.

"However, if this pandemic has highlighted anything, it is how much we all crave human contact as inherently social beings. As a business, Hammerson provides the places and social infrastructure where people want and need to be, and I am confident it will have a vital role in shaping neighbourhoods and communities in the future.

"Our immediate focus in 2021 is leading Hammerson through Covid-19 to safety. This means further disposals to strengthen the balance sheet, managing refinancing, and sharpening our operations to maximise income. We will then focus on realising the quality of our destinations to drive the business forward. We are currently working on a thorough strategic and organisational review that will map out a route to future growth to transform the business in the context of what will remain a tough economic and structural backdrop."

Financial Overview

- **IFRS loss: £1.7bn primarily due to property revaluation deficit (2019 IFRS loss of £781m)**
- **Net Rental Income: £158m (-41% on a like-for-like basis excluding premium outlets) impacted by Covid-19 closures, tenant restructuring and higher provisions for bad debt and tenant incentives**
- **Adjusted earnings and EPS: £36.5m (2019: £214.0m); EPS: 1.6p (2019: 12.8p restated for rights issue)**
- **Dividend: Final dividend proposed of 0.2p per share, with an enhanced scrip dividend alternative of 2.0p per share**
- **Portfolio valuations: Portfolio value £6,338m (2019:£8,327m) Group capital return of -20.9%: UK flagships -35.8%, France flagships -15.3%, Ireland flagships -17.5%, retail parks -23.3%, Value Retail –6.2%**
- **Net assets: EPRA Net Tangible Assets (NTA) of £3,317m (-26%) or £0.82 per share (2019: £1.16 restated for rights issue)**
- **Net debt: Net debt £2,234m reduced by £609m (21%) due principally to proceeds from the rights issue and disposal of substantially all of VIA Outlets**
- **Liquidity: £1,748m (2019: £1,210m), including cash of £503m**
- **Credit ratios: gearing 70%, unencumbered asset ratio of 1.89x, interest cover ratio 1.81x and fully proportionally consolidated LTV 46%**

Operational overview

- **Rights issue and disposals: £532m net proceeds from rights issue and net proceeds from disposals totalling £328m. In 2021, £73m from the sale of Brent South Shopping Park and exchange of the minority stakes in Espace Saint-Quentin and Nicetoile**
- **Occupancy: Group occupancy of 94.3% (2019: 97.2%)**
- **Rent collection: 76% of 2020 rent collected for the Group. During two main national lockdowns in 2020, average rental waiver of 1.4 months and deferral of 0.3 months**
- **Leasing: Leasing impacted during the pandemic, leasing activity was down 35% vs 2019**
- **Footfall: Severely impacted by Covid-19 closures and city centre locations of flagships. Delivered a measured recovery during periods of reopening**
- **Positive Places: Covid-19 closure of destinations significantly reduced utility demand; energy reduction of -18% and carbon emissions of -29%**

Board changes

- **Chair of the Board and CEO: Robert Noel joined as Chair of the Board in September; Rita-Rose Gagné as CEO in November**
- **Non-Executive Directors: Desmond (Des) de Beer joined the Board in June; Mike Butterworth joined in January 2021**
- **CFO: James Lenton announced in January 2021 he will step down as CFO and the search for his successor is ongoing**

Full Year 2020 results at a glance

12 months ended:	31 Dec 2020	31 Dec 2019[1]	Change
Net rental income [2]	£157.6m	£308.5m	- 48.9%
Adjusted profit	£36.5m	£214.0m	- 82.9%
Adjusted earnings per share	1.6p	12.8p restated	- 87.5%
IFRS loss [3]	£(1,734.8)m	£(781.2)m	-122.1%
Basic loss per share [3]	(76.9)p	(46.6)p restated	-65.0%
Final dividend per share	0.2p (2.0p enhanced scrip)	-	n/a
Full year dividend per share	0.4p (4.0p enhanced scrip)	5.1p restated	n/a

As at:	31 Dec 2020	31 Dec 2019	
Portfolio value [4]	£6,338m	£8,327m	- 23.9%
Equity shareholders' funds	£3,209m	£4,377m	- 26.7%
EPRA net tangible assets (NTA) per share	£0.82	£1.16	- 29.3%
Gearing [5]	70%	71%	-1p.p.
Loan to value - fully proportionally consolidated [5]	46%	45%	+1p.p.

1. 2019 per share metrics have been restated to reflect the impact of the share consolidation and rights issue in 2020.
2. Proportionally consolidated, excluding premium outlets. See page 16 of the Financial review for a description of the presentation of financial information.
3. Attributable to equity shareholders, includes portfolio non-cash revaluation losses of £1,596m (2019: £828m loss).
4. Proportionally consolidated, including premium outlets. See page 16 of the Financial review for a description of the presentation of financial information.
5. See Tables 22 and 23 on pages 85 and 86 for supporting calculations for gearing and loan to value.

Results presentation today

Hammerson will hold a virtual presentation (Friday 12th March) at 09.30am (GMT) for analysts and investors to present its full year financial results for the year end 31 December 2020 followed by a Q&A session. Please see the webcast link and dial-in details below:

Title:	Hammerson 2020 Full-year results presentation
Webcast link:	https://kvgo.com/IJLO/Hammerson_2020_Full_Year_Results
Dial-in details:	
London	+44 (0) 33 0551 0211
Paris	+33 (0) 1 7037 7167
New York	+1 646 843 4609
Amsterdam	+31 (0) 20 708 5074
Johannesburg	+27 (0) 11 589 8300
Dublin	+353 (0) 1 553 0196
Confirmation Code:	4081358#

Please join the call five minutes before the scheduled start time as it will start promptly. There will be an opportunity to participate in the Q&A session by submitting questions on the webcast page or via conference call. A playback of the webcast will be available after the presentation at www.hammerson.com

Financial calendar

Ex-dividend date (SA)	31 March 2021
Ex-dividend date (UK & Ireland)	1 April 2021
Record date	6 April 2021
Final dividend payable	13 May 2021

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

			Page
Income and operational – Year ended:	**31 December 2020**	**31 December 2019**	
Occupancy	94.3%	97.2%	7
Like-for-like NRI	–41.0%	–4.2%	6
Like-for-like NRI including premium outlets	-43.0%	+0.5%	6
Adjusted earnings per share (2019 restated for the rights issue)	1.6p	12.8p	6
Leasing activity	£14.6m	£22.6m	7
Leasing v ERV	-10%	-4%	7
Like-for-like ERV	-10.8%	-5.9%	14
Footfall – UK flagship destinations	-53.1%	+0.6%	9
Footfall – France flagship destinations	-33.3%	+1.9%	9
Cost ratio	54.9%	25.7%	19
Final dividend per share	0.2p (2.0p enhanced scrip)	-	21
Capital and financing – As at:	**31 December 2020**	**31 December 2019**	
Property portfolio value (including premium outlets)	£6.3bn	£8.3bn	12
Total property return (including premium outlets)	-18.3%	-5.6%	6
Capital return (including premium outlets)	-20.9%	-9.8%	15
Net debt	£2.2bn	£2.8bn	23
Gearing - headline	70%	71%	23
Loan to value (fully proportionally consolidated)	46%	45%	23
Liquidity	£1,748m	£1,210m	23
Weighted average interest rate	3.0%	2.6%	23
Interest cover	1.8 times	3.5 times	23
Net debt:EBITDA	14.1 times	8.9 times	23
Fixed rate debt	97%	86%	23
Portfolio currency hedge	73%	73%	23
Equity shareholders' funds	£3.2bn	£4.4bn	21
EPRA net tangible assets (NTA) per share (2019 restated for the rights issue)	£0.82	£1.16	21

Our colleagues

In March 2020, we established a dedicated working group to coordinate our response to Covid-19. This body regularly reports to the Group Executive Committee on coordinating our response across our portfolio and how we are caring for our colleagues.

At our flagship destinations, the majority of colleagues are working remotely to manage risk. Our office based colleagues in the UK, Ireland and France continue to work from home, in line with local Government guidance. During 2020, when restrictions lifted colleagues had the opportunity to return to our flagships and offices, and were provided with a 'welcome pack' which outlined new ways of working to ensure a safe working environment was maintained.

When government restrictions allowed, we continued to assist colleagues who wanted 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.

Our destinations

Since the onset of Covid-19, our teams have successfully managed the closure and reopening of over 1.6 million m^2 of retail space multiple times in the UK, France and Ireland and during the height of lockdown, supporting essential retail for the benefit of our customers and communities.

The health and wellbeing of our colleagues, customers, and partners is our priority. When fully open, we introduced a range of additional safety measures across the portfolio.

While the specifics have varied depending on the guidelines in each market, measures included:

- Clear signage throughout our destinations reminding consumers of the need to follow social distancing guidance, and to avoid shopping in large groups
- 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, and the introduction of queuing systems at entrances where required
- A new webtool introduced called Crowd Checker, which provides live update on how busy a centre is in real time. An industry first which is live across all our flagship destinations
- Updates on social media channels and destination websites on opening and measures in place

After emerging from numerous lockdowns, we recognised consumers' need for something different and a new way to be entertained in an era of social distancing. We delivered a range of initiatives in and around our destinations including a drive through cinema at Victoria Leeds, local musicians at flagships across the portfolio and at Westquay, Southampton and Highcross, Leicester we partnered with community artists on bespoke artwork in 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.

76% of 2020 Group rent has been collected. During the period of two national Covid-19 closures across the Group, an average rental waiver of 1.4 months and deferral of 0.3 months was provided. We continue to focus our efforts to reaching agreements on remaining outstanding balances.

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 provided free parking for NHS staff at our UK centres and this initiative ran during prolonged periods of lockdown.

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 destinations, 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 created the Giving Back Project, which involved working with local Community Foundations to distribute £180,000 to local organisations around our destinations.

Who we are

At Hammerson, we create vibrant, continually evolving spaces, in and around thriving cities, where people and brands want to be. We seek to deliver value for all our stakeholders and to create a positive and sustainable impact for generations to come. We own and operate high-quality flagship destinations and premium outlets in selected European countries.

Market themes

We operate in European markets where our strategy and opportunities are influenced by two key market themes: the health and dynamics of the retail landscape, and the ongoing success of thriving cities.

Retail landscape: The full extent and future impact of Covid-19 is unknown. However, it has accelerated many pre-existing trends – a further shift to online, more home working and changing travel patterns – resulting in fewer and more focussed destination trips. We can also expect to see further near-term increases in unemployment. On top of that, the GDP recovery to pre Covid-19, 2019 levels will not take place until the end of 2022 in UK, France and Ireland. We expect the retail market to lag broader macroeconomic recovery due to pre-existing structural challenges (changing consumer shopper behaviour, rising multichannel costs, price deflation), although cities will enliven as restrictions are lifted and workers return to offices on a regular basis, albeit with more flexible working practices.

Thriving cities: Despite current trends, we expect to see increased urbanisation of leading cities, with 89% of Northern Europeans living in cities by 2050. There will be a fall in inward EU migration, compensated for by growing non-EU inwards migration, and bigger cities will outperform economically (GDP growth 2020-30: London +32%, Birmingham +28%, Dublin +24%. EU Average +21%).

Our strategy

Our 2020 strategy was designed to meet the challenges and opportunities of the markets in which we operate. Covid-19 has severely hindered the delivery of this strategy, bringing new operational difficulties, exacerbating the impact of the structural shifts in retail and constraining investment markets. Following the rights issue and changes in senior leadership, a review of longer term strategy is underway to unlock value creation by transforming our portfolio. Our short-term focus has been, and will continue to be, on managing the business through the pandemic in the interests and safety of all stakeholders – strengthening the balance sheet, securing disposals and rigorous portfolio management.

- Capital efficiency: Reducing debt; disciplined capital expenditure and cost control
- Optimised portfolio: Pursuing further portfolio-wide disposals
- Operational excellence: Managing structural shift in retail and maintaining flagship vibrancy

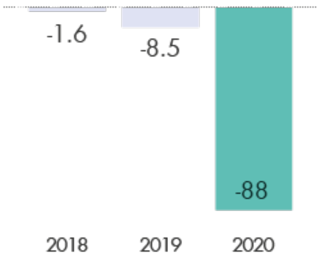
Net Positive

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 to become Net Positive by 2030 and we made good progress during 2020. Further details are found in the Sustainability review on page 11.

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

Financial KPIs

Changes in adjusted EPS(%)

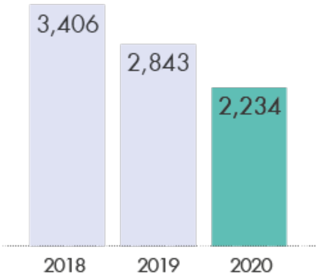


Adjusted earnings per share (EPS) is the Group's primary profit measure and reflects underlying profit divided by the average number of shares in issue and is calculated based on EPRA guidelines, factoring in some Company specific adjustments as explained on page 74.

Performance

In 2020, adjusted EPS reduced by 88% to 1.6 pence per share. This reflects the restatement of the 2019 EPS from 28.0 to 12.8 pence following the rights issue in the year. The most significant factors in the decline were reductions in the Group's net rental income and earnings from Value Retail as a consequence of Covid-19 and the intermittent closures across all properties since the pandemic.

Net debt (£m)[1]



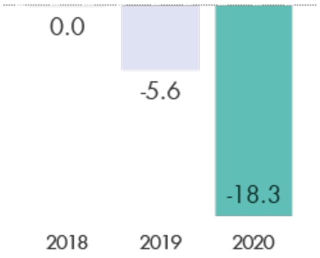
Net debt is the measure by which we monitor the indebtedness of our business, and comprises borrowings less cash and deposits.

Performance

The net proceeds of the rights issue and disposal of VIA Outlets, totalling £804 million, were the main drivers of the £609 million reduction in net debt during 2020. These were partially offset by capital expenditure, cash outflow from operations and foreign exchange movements. The Group's covenant metrics were all in line with or exceeded the Group's internal guidelines, with the exception of interest cover. This metric was significantly adversely impacted by the 41% like-for-like reduction in net rental income. The ratio will remain under pressure until the Covid-19 restrictions are lifted and the Group's net rental income levels begin to recover.

The Group continues to actively pursue disposals to reduce debt and further strengthen the balance sheet.

Total property return (%)



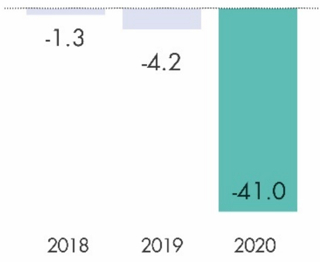
Total property return (TPR) measures the income and capital growth of our property portfolio. It is calculated on a monthly time-weighted basis consistent with MSCI methodology. We judge success in generating property returns by comparing our performance with a weighted MSCI All Retail benchmark which was 1.3% in 2018 and -8.0% in 2019. At the date of this report, our 2020 MSCI benchmark is not available.

Performance

During 2020, the Group's properties produced a total return of -18.3%. For the flagship assets, the total returns were -33.7% in the UK, -11.9% in France and -14.8% in Ireland. The premium outlets generated a total return of -7.5%.

Valuation changes were the predominant driver impacting returns, resulting in a capital return of -20.9%, with reduced income levels causing approximately half of the reduction and higher yields approximately 40%. Income returns reduced by 150 basis points to 3.2%.

Change in like-for-like NRI (%)[1]



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

Performance

Like-for-like NRI declined by 41% in 2020. All sectors suffered a decline due to the impacts of the Covid-19 pandemic on revenue streams coupled with increased provisioning against receivables due to lower collection rates and increased risk of further tenant failure.

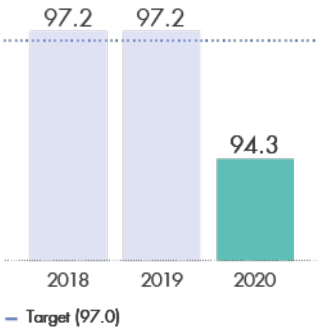
The UK was the worst affected, with UK flagships and retail parks suffering like-for-like declines of -51% and -42% respectively, compared to -18% in France and -30% in Ireland.

Consistent with our view of the business, as explained on page 16, NRI from premium outlets has been excluded from this metric as these are externally managed. Proportionally consolidating the premium outlets NRI decline of -47.6% would result in Group like-for-like NRI reduction of -43%.

[1] Proportionally consolidated, excluding premium outlets. See the Financial review on page 16 for further explanation.

Operational KPIs

Occupancy (%)[1]



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

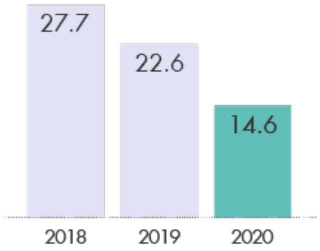
The occupancy ratio measures the amount of space which is currently let. The ratio is calculated in line with EPRA guidance using the estimated rental value (ERV) of occupied space.

Performance

Occupancy fell below our 97% target in 2020, with 94.3% of the portfolio occupied at the end of 2020, a 290 basis point reduction compared to 2019.

All sectors suffered a decline, with the UK flagships the most impacted. Year end occupancy across our flagships was 93.2% in the UK, 95.3% in France and 98.2% in Ireland.

Leasing activity (£m)[1]



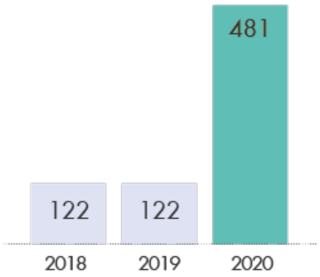
Our leasing strategy is designed to improve brand mix towards winning brands and categories, and differentiate our assets. This KPI shows the amount of income secured across the investment portfolio, including new lettings and lease renewals.

Performance

Leasing levels reduced by 35% to £14.6 million in 2020. £5.6 million of the decline was due to challenging leasing across the UK flagships, exacerbated by the ongoing closures as a result of the pandemic.

In total there were 274 lettings, compared to 361 in the prior year. For principal leases, the rent was 10% below December 2019 ERVs and 18% lower than the previous passing rent.

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



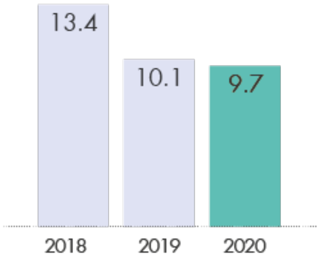
Reducing carbon emissions is a key sustainability target. This ratio measures the amount of emissions from our properties and facilities, including corporate offices. The denominator is adjusted profit before tax. This measure demonstrates our progress in decoupling business growth from increasing carbon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

Performance

GHG emissions fell by 29% in 2020 as energy demand declined. However, the ratio has increased substantially this year, reflecting the significant decrease in the profit denominator.

Our focus on energy efficiency and investment in renewables across the estate continues to underpin our long term strategy to minimise carbon emissions for the business.

Voluntary employee turnover (%)



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

Performance

Voluntary employee turnover across the Group fell marginally from 10.1% in 2019 to 9.7% in 2020. Voluntary turnover in the UK and Ireland increased from 9.7% to 10.4% year-on-year, offset by a reduction from 11.4% to 7.8% in France.

We continue to monitor leavers, retention rates and other employee metrics to ensure we are retaining talent within the organisation. Turnover remains low compared to the wider industry.

Since the impact of Covid-19 on the business was first felt in March 2020, we have responded quickly to ensure all our stakeholders are supported and we operate a resilient business.

Shareholders

While we were clear at the start of the financial year that disposals were a priority, activity in the investment markets slowed to a near standstill after the onset of the pandemic, which prevented us progressing deals.

Despite exchanging unconditional contracts on 20 February, in April 2020 Orion European Real Estate Fund V announced that it did not intend to complete on the sale of a portfolio of seven retail parks for £400 million. The £21 million deposit from the transaction was retained.

As the scale of the Covid-19 pandemic became clear, the Board took decisive action with two major transactions, a rights issue and the sale of substantially all of Hammerson's 50% interest in VIA Outlets to our existing joint venture partner, APG. In total these transactions raised net proceeds of £804 million and these proactive measures strengthened the Company's financial position.

In 2021, we will continue to target disposals to further strengthen the balance sheet and to date have sold three minority stakes in Brent South Shopping Park, London, Espace Saint-Quentin and Nicetoile, Nice for a total of £73 million. Our near-term focus will be to dispose of assets either in the most liquid markets or those that are not strategically relevant for Hammerson.

From an investment perspective, our two onsite Paris extensions at Les 3 Fontaines, Cergy-Pontoise and Italie Deux, Paris 13ème were progressed although the first Covid-19 lockdown in March resulted in work stopping on both schemes and further delays have meant the opening dates have been pushed back by six months until March 2022 and May 2021 respectively. Further details on these schemes can be found in the Property portfolio review on page 13.

The Group also has an enviable 100 acres land bank which provides multiple future opportunities. In 2020, we achieved a number of important milestones, firstly at Martineau Galleries, Birmingham where we were granted planning consent for a 7.5 acre mixed use masterplan in the city centre and also agreed the Section 106 agreement. In December, we received approval from the Mayor of London for Hammerson and Ballymore's plans to transform The Goodsyard, London on the edge of the City of London into an exemplary mixed-use urban quarter. This future scheme has the potential to help drive the recovery and growth of Shoreditch and the City of London over the next decade.

We also announced the appointment of a design team including architects Grafton, RKD and MOLA for our planned regeneration project in Dublin's northern inner-city, known as Dublin Central. We challenged these teams to deliver designs that respond to the rapidly evolving net zero carbon agenda and they have been pleased to step up to the task.

As we continue to analyse our future opportunities, City Quarters is a mindset that we are applying to all our destinations, to ensure they evolve so we can continue to create thriving destinations which meet the needs of today's consumer and tomorrow's climate.

Brands

Since the onset of the pandemic, we have recognised the need to support brands, particularly while destinations were closed. We worked hard to reach fair and reasonable agreements on rent during the initial lockdowns, and this enabled us to steadily increase rent collection rates, albeit from a low base, throughout the year. This involved a combination of rent deferrals, moving to monthly payments, and in some cases waivers, particularly for smaller and independent brands and F&B businesses. To prevent lengthy negotiations, we decided to offer rent free periods for half the duration of the second lockdown in November 2020 in the UK and Ireland, which was received positively. Across the Group, during the two main national lockdowns, the average rental waiver was 1.4 months with an average of 0.3 months deferral.

In spite of the proactive measures taken, rent collection was significantly below historic levels with 75% of rent due in 2020 collected across the Group to date. This resulted in trade receivables increasing from £61 million to £170 million during 2020. In the UK, 2020 collection rates were 74% and were significantly impacted by the rent moratorium introduced by the UK government. In France, a moratorium was put in place during the first lockdown with the government subsequently providing support for property owner and this resulted in 2020 rent collections of 79%.

We also reviewed our service charge budgets, delivering full year savings of approximately 20% in in the UK, 15% in Ireland and 5% in, France. These savings were supported by over £2m savings in utility costs and we continue to target savings in 2021.

Unsurprisingly, we saw an increased number of tenant failures, with many retailers pursuing CVAs to reduce their cost bases in the UK. Across the Since the end of 2017, across the Group this has impacted 432 stores resulting in an aggregate reduction in passing rent of £35 million at 31 December 2020. The UK was hardest hit, with 257 stores and a £20 million reduction in passing rent at 31 December 2020.

The above adverse factors severely impacted net rental income, which was down 41% on a like-for-like basis across the Group, excluding premium outlets. Like-for-like NRI at UK flagships was 51% lower, 18% lower in France, and 30% lower in Ireland, while NRI at retail parks reduced by 42%.

The onset of the pandemic led to many brands pausing expansion activity and as a result, on a cumulative basis, leasing activity was down 35% compared to 2019.

We worked hard to maintain occupancy, and while this was below our target level of 97%, it remained robust at 94%, with occupancy at UK flagships of 93%, France 95%, Ireland 98% and retail parks 93%.

Whilst the leasing environment is challenging, we made progress in reshaping our portfolio. Following its administration in the Spring, we proactively took back all but two Debenhams units in the UK, and have since introduced a new NEXT Beauty & Home concept at The Oracle, Reading and a NEXT Outlet store at Centrale, Croydon. In the retail park portfolio, we have replaced Debenhams with Flannels stores at Cyfarthfa Retail Park, Merthyr Tydfil and Ravenhead Retail Park, St.Helens.

In November 2020, we announced plans to bring forward a build-to-rent residential scheme in the former Debenhams units at Highcross, Leicester. The plans, which have been submitted to Leicester City Council were developed in association with private-rented-sector specialist Packaged Living.

The Company has also continued to innovate and introduce new concepts and uses across the portfolio. We proactively helped two online operators, MATE.Bike and Tea Palace, take pop up stores as part of our Hammerson Presents initiative at Bullring, Birmingham and Victoria Gate, Leeds. Both saw significant increases in sales conversion and online engagement in the local areas, and both are considering longer trials in other schemes and taking permanent space. At the end of the year, we leased car park space at Brent Cross, London to the Royal Mail to assist with their logistics operations and at the beginning of February 2021, we opened our first NHS Covid-19 vaccination centre at Centrale, Croydon.

We have continued to experiment with new leasing models particularly in the UK, the most challenged market. We have signed leases which include some of the experimental elements we talked about at the half year such as indexation, mutual lease breaks and more sustainable rents. Progress has inevitably been slowed by the ongoing Covid-19 disruption, but there is appetite from retailers. There is no one size fits all approach, and it is not just about rental levels but tenant affordability, the sustainability of that cash flow over the long term, and the right occupier mix.

Brands are also adapting to the changed environment we now operate in. The retail locations they choose to enable their brands to flourish and come together physically and digitally with consumers and communities are an essential part of their strategies. We are working closely with brands and other stakeholders to enable sustainable success and to add value to the relationships.

Consumers

Consumer confidence over the past year has been weak, which in turn has adversely impacted spending.

With the closure of non-essential retail, inevitably we have seen an increase in online shopping, particularly in the UK, where 25% of retail transactions took place online in the past year compared to 17% in 2019. Online penetration rates are lower in Ireland and France with 14% and 13% respectively, compared to 10%, and 11% in 2019. While these historically high levels will fall back somewhat when physical retail reopens, the floor will remain higher than before.

Footfall has been significantly below 2019 levels, with overall performance stronger in France, Ireland, and retail parks than in the UK flagships. Out-of-town locations, particularly destinations with significant outdoor space like retail parks, have outperformed city centre sites. This is partly due to more consumers working from home, and partly due to the perceived safety of these locations. Also, following strengthened Government guidance about social distancing and avoiding enclosed spaces, public transport use has declined significantly, and this severely impacted transport hubs and destinations reliant on the train network in particular.

These trends are shown in the footfall figures where year-on-year footfall was lower by -53% at UK flagships, -33% in France, -36% in Ireland and -23% at retail parks. The national benchmarks also reported lower footfall of -47% in the UK, -28% in France, -35% in Ireland and -23% at retail parks. Reported sales information was less comprehensive due to the disruption caused by the pandemic, however based on data received, sales were down 51% at UK flagships and -30% in France.

Offering an engaging experience is crucial for the future of physical retail, and core to the Hammerson Blueprint, and we have maintained our focus on that this year. During December 2020, we installed snow machines at five centres to guarantee our customers a white Christmas, and at Silverburn, Glasgow, we collaborated with a local artist with a huge cult following to design a new mural. We also successfully delivered two Covid-friendly cinema events at Brent Cross, London and Victoria Leeds and at the beginning of 2021 we partnered with the NHS to deliver a community base in Croydon for Covid-19 vaccinations. At Dundrum Town Centre, one of our pharmacy brands is also offering the vaccine.

We did see increases across our markets in the use of our Click & Collect facilities, particularly in the UK where Click & Collect was permitted during the November 2020 and January 2021 lockdowns.

To make our customers' lives easier, we leveraged our digital infrastructure 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 venue is in real time, so that they know when to visit to beat the crowds. The feature was rolled out across all our destinations in the summer.

Pure play online cannot replace physical retail in entirety, either as a point of sale, experiential brand window, or for fulfilment. Our destinations are in the right locations to ensure they offer the right mix of brands and experience.

Partners

As part of the work to safeguard the Company's future and build balance sheet strength, we took a number of treasury related actions as explained in the Financial review on page 16.

During 2020 we worked closely with our joint venture partners to ensure alignment when supporting tenants and managing our co-owned assets.

Following the disposal of substantially all of the Group's 50% interest in VIA Outlets, completed on 31 October 2020. The Group's premium outlets investment in Value Retail represented 30% of the Group's property value at 31 December 2020.

Covid-19 had a significant income impact on Value Retail, particularly when Villages were forced to close, due to the prevalence of turnover rents. The Group's share of net rental income at Value Retail fell by 48% on a like-for-like basis and resulted in an adjusted loss of £7 million compared with adjusted earnings of £31 million in 2019. Operational metrics were also significantly lower year-on-year, with brand sales 45% lower and footfall 44% lower than 2019. Following the spring lockdown there was a strong recovery, with monthly footfall at some Villages exceeding 90% of last year's levels during the summer.

Despite the challenging market environment, the Value Retail team maintained leasing momentum and in total signed 247 leases, compared with 245 in 2019, demonstrating the continued popularity and relevance of the premium outlets market. These included the opening of Soho House's first boutique outside of London at Bicester Village, Adidas signing in the remodelled area at La Roca Village, Barcelona and Prada opening a boutique at Wertheim Village, Frankfurt. In addition, Value Retail launched new initiatives in the areas of B2B partnerships, Clienteling and Virtual Shopping. These initiatives are already deriving positive results and are expected to be incremental revenue drivers going forward.

When Villages were open, the Value Retail team worked closely with brands to manage both safety and the customer experience. Brands offered a virtual queuing system where customers booked with a brand and received an SMS when it was their turn to enter a boutique. This helped maintain social distancing within the Villages whilst still providing a luxury shopping experience to customers.

While the premium outlets market has been impacted by the almost total cessation in global tourism, we expect it to begin to recover once Covid-19 restrictions are eased later in 2021, as demand among brands and consumers for these locations remains high.

We continue to work collaboratively with all our partners, and their support and counsel during what has been a very challenging period for the business have been extremely valuable.

Communities

Our destinations are vital components of their local communities, and in many cases part of a city's identity. We take this responsibility very seriously.

It became clear that the pandemic would challenge families, businesses, and community groups to an extent no one could have foreseen, so we moved quickly to provide support where we could.

This initially took the form of ad hoc donations. Thanks to our teams, we identified a need for toiletries at a hospice in Croydon, that Brent Cross, London could fulfil, and a Bristol care home desperate for sanitary equipment received some of the surplus stock from Cabot Circus.

Sadly, lockdown saw a spike in domestic violence incidents in many regions, and our French centres worked with partners to provide information and a range of support services to those affected. Building on this valuable work our team in Ireland arranged for Women's Aid to have access to our safe spaces, so that we could facilitate drop in counselling sessions, and support those in need of help.

We've also been doing our bit to support our healthcare workers, by providing free parking for NHS staff at our centres. Over 3,300 people benefited from this initiative.

In the second half of the year, we launched the Giving Back Project, a new scheme designed to support those groups that have been particularly badly impacted by the pandemic, such as food banks and charities that support the homeless. The Giving Back Project saw 88 groups receive grants of up to £2,000. Nine UK flagship destinations took part, distributing £180,000 in total.

While this has undoubtedly been a very challenging year, we have retained our focus on sustainability. Prior to the March 2020 lockdown, we completed the installation of photovoltaic (PV) arrays at Cabot Circus and Les Terrasses du Port, Marseille, providing clean electricity that is used on site. During 2020 3% of landlord electricity was supplied from our on site from solar PV arrays.

The government enforced lockdowns did however impact other areas of our sustainability investment programme. The benefits we were expecting to see from LED, further PV installations and other projects were delayed into 2021.

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 also significantly reduced our utility demand. Together, these factors contributed to a reduction in energy use of 18% and carbon emissions of 29%, and further information can be found in the Sustainability review on page 11.

Hammerson was the first major real estate firm globally to commit to becoming Net Positive by 2030. Our focus during 2021 is on climate risk resilience and developing pathways to net zero for major destinations.

We continue to push boundaries with our developments and City Quarters plans. Our sustainability team is 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.

Colleagues

2020 has been a demanding year for our colleagues both professionally and personally, and teams from across the Company have truly gone above and beyond.

This year more than ever, it has been important for us to consider the welfare of colleagues. In the interests of safety, the majority of colleagues have worked from home since March 2020, with those based at our destinations operating on a split team basis. This in itself has presented challenges, with colleagues isolated from friends, family, and each other.

Health and Safety

We have continued to embed a health, safety and security culture with consultation and participation from colleagues being essential. Throughout 2020, there has unsurprisingly been a significant focus on the health element of health and safety, and colleague wellbeing in particular as explained above. We are also working towards updating our health and safety management system to reflect the requirements of the new ISO 45001 standard and are targeting a transition date on June 2021. More details on this and our health and safety governance structure is available in our 2020 Sustainability Report.

Response to Covid-19

As the onset of Covid-19 became clear, the Group used its well-established risk based management systems to mitigate the risks and liabilities across its key stakeholder groups.

In March 2020, we activated our dedicated core crisis group to coordinate our response to Covid-19 and this group reported regularly to the Group Executive Committee on our response. We also created a dedicated taskforce to coordinate the reopening of our destinations across the Company. This cross-portfolio collaboration was imperative in ensuring a consistent approach, knowledge sharing and best practice. An external consultancy endorsed our approach after independently reviewing and verifying all flagship reopening plans. This ensured that we complied with country specific government guidelines, legal requirements and ensured best practice was met to operate safely in a Covid-19 environment.

Security

In late 2020 we rolled out a Security Management System that sits alongside the health and safety management system. This new security management system is fundamental to keeping our colleagues, visitors, contractor partners, tenants and flagships secure and is an essential cultural change ahead of the imminent Protect legislation in the UK, where more onus will be placed on companies to ensure the security of their properties.

The business was severely tested by the Covid-19 crisis during 2020 but this has not reduced our focus on sustainability. Climate risk and related environmental, social and governance issues continue to increase in importance as the consequences of the necessary transition to a zero carbon economy become ever clearer. Having had a robust sustainability strategy in place for some years enables us to respond positively to these challenges both for our existing assets and our development programme.

The immediate impact of Covid-19 and the temporary or partial closure of our centres across Europe was a significant reduction in utility demand. Year on year energy demand fell 18% and carbon emissions 29% for the EPRA like-for-like portfolio, against targets of 6% and 13% respectively. This supported energy cost reductions of approximately £1.7 million, benefiting both our customers and the business directly during this difficult period.

Renewable electricity is an important part of our strategy and we were very pleased to have been able to complete the installation of photovoltaic arrays at Cabot Circus, Bristol and Les Terrasses du Port, Marseille in Q1 2020, increasing our installed renewable capacity to 2.9MWp against a 2020 target of 3MWp. We generated over 2000 MWh of clean power during 2020, 3.2% of landlord electricity demand. Sale of this clean power produced £98,000 in income in 2020 (£56,000 at share). We expect this to increase in 2021 and beyond as further capacity is added.

The lockdown negatively impacted other areas of our sustainability investment programme, delaying the implementation of new projects until 2021; we do not expect to see the full benefits of these projects until 2022.

We continue to push boundaries with our developments and City Quarters plans. Having set ambitious sustainability targets for the Dundrum Town Centre and Dublin Central design teams, including achieving significant reductions in embodied carbon and resource use, the results have been impressive. The lessons from this approach are being applied to our other City Quarters projects. It is our view that real estate assets not designed to achieve net zero carbon standards will be exposed to stranding risk as the transition to a net zero carbon economy accelerates. Our early recognition of this has enabled us to significantly reduce the climate risk exposure of our projects, supporting their relevance for current and future investment markets.

Covid-19 has had devastating consequences for many within our communities. Recognising the additional pressure this puts on community organisations, we launched The Giving Back Project across the UK, a £180,000 fund to support local charities, organisations and groups. Working with local Community Foundations and grants organisation Community Barnet, we invited organisations to apply for a grant towards the cost of projects supporting four key areas:

- Tackling food poverty
- Providing support services to people affected by domestic violence and abuse
- Supporting those who are homeless or rough sleeping
- Providing employment opportunities, enterprise or skills development.

In total, 88 third sector organisations secured Giving Back Project grants funding, benefitting over 38,000 people.

2020 sustainability performance

EPRA like-for-like portfolio	Year ended 31 December 2020	Year ended 31 December 2019	Year-on-year reduction %	2020 target reduction %
Electricity demand (MWh)[1]	57,505	68,802	-16	-6
Natural gas demand (MWh)	11,190	14,877	-25	-4
Energy demand (mWh)[2]	69,927	85,073	-18	-6
Carbon emissions (mtCO_2e)	13,152	18,438	-29	-13
Water demand (m^3)	281,885	401,760	-30	-6

[1] 92% of electricity purchased by Hammerson in the UK and Ireland was from REGO backed clean electricity contracts.

[2] Includes district heating and cooling systems

We continue to focus on our target to be Net Positive for carbon emissions, water, resource use and social impacts by 2030. We are now five years into these targets and, whilst not Net Positive, have made significant reductions in all areas. Three of our assets achieved a Net Positive position for water demand in 2020 through implementing a programme of water audits in both landlord and tenant spaces and fixing of leaks. Water demand was significantly reduced in 2020 but two of these assets would have achieved Net Positive measured against 2019 demand, a major accomplishment.

We have yet to achieve a Net Positive position for landlord carbon emissions but having such a clear and ambitious target has driven the business to reduce emissions by 66% on a proportionate basis against the 2015 baseline. We are implementing a revised energy procurement strategy that will reduce our remaining emissions significantly. This has been delayed due to Covid-19 but we expect it to be in place over the course of 2021.

Investment markets

During 2020, the retail investment market has been adversely impacted by the closure of non-essential shops, compounding the recent structural changes and accelerating the shift online, particularly in the UK. Investment market transaction levels have remained subdued, with limited debt available to support acquisitions, and investors favouring supermarkets and out of town retail or alternative property sectors such as logistics or private residential.

In the UK, shopping centre transaction volumes totalled £0.3 billion, compared to £0.5 billion in 2019, significantly lower than the ten year average of c. £3 billion (Source: JLL). UK retail yields for prime shopping centres moved out by 125 basis points on average during 2020 (Source: CBRE).

In France, the retail investment market remained more active, recording €4.3 billion of disposals during the year, the most significant being the sale by Unibail-Rodamco-Westfield of a portfolio of five shopping centres, completed in May (Source: JLL).

In the Irish investment market, yields softened by 25 to 50 basis points for prime shopping centres. Overseas investors accounted for approximately 75% of the investment activity. However, shopping centre transactions totalled just €141 million compared to €0.7 billion in 2019 (Source: C&W).

The UK retail park market has seen increased confidence across both the food and non-food sectors, tempered by investor concerns over exposure to fashion retailers. Transaction volumes were consistent with 2019 at £0.9 billion. Yield expansion ranged from 75 to 125 basis points, with the exception of traditional, convenience-led retail parks which saw a 25 basis point yield improvement (Source: C&W).

The Group's sale of substantially all of its investment in VIA Outlets for £277 million was the only significant outlets transaction during 2020, compared to total transaction volumes of €0.7 billion in the prior year, although there are a number of potential sales which have recently recommenced following a pause due to Covid-19. Demand remains for the best assets, driven by perceived resilience, potential rental growth and a lack of supply. Yields for prime European centres have moved out by 25 basis points since 2019, and now range from 4.75% to 5.75% (Source: C&W).

Portfolio valuation

In 2019, following the tender of the Group's valuation instruction, a recommendation was made to the Board to broaden the Group's external valuation instruction to include CBRE Limited (CBRE), Cushman & Wakefield LLP (C&W) and Jones Lang LaSalle Ltd (JLL). Consequently, for the year ended 31 December 2020, the UK flagship destinations have been valued by JLL and CBRE, the French portfolio by JLL, and the Irish portfolio, UK retail parks, premium outlets and Brent Cross have been valued by C&W. This diversification has broadened the valuation expertise across the Group.

At 31 December 2020, the Group's total portfolio including premium outlets, was valued at £6,338 million, a reduction of £1,989 million or 24% during the year. This movement was primarily due to revaluation losses of £1,596 million and disposals totalling £759 million, including £716 million relating to the Group's investment in VIA Outlets which was reclassified to assets held for sale on 30 June 2020. This has been partially offset by favourable exchange movements of £228 million. Movements in the portfolio valuation are shown in the table below.

Proportionally consolidated, including premium outlets	Investment £m	Development £m	**Total (excl. 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	**(1,280)**	**(159)**	**(1,439)**	**(157)**	**(1,596)**
Additions:					
Acquisitions	**–**	**–**	**–**	**6**	**6**
Capital expenditure	**20**	**47**	**67**	**38**	**105**
	20	**47**	**67**	**44**	**111**
Disposals[3]	**(43)**	**–**	**(43)**	**(716)**	**(759)**
Capitalised interest	**1**	**4**	**5**	**–**	**5**
Reversal of impairment on reclassification from assets held for sale	**24**	**(2)**	**22**	**–**	**22**
Exchange	**115**	**19**	**134**	**94**	**228**
Value at 31 December 2020	**3,905**	**509**	**4,414**	**1,924**	**6,338**

[1] Includes the Group's investment in VIA Outlets up to 30 June 2020 when it was reclassified to assets held for sale. See page 17 of the Financial review for further details.

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

[3] Includes £716 million relating to the transfer of VIA Outlets to assets held for sale on 30 June 2020 and subsequent disposal on 31 October 2020.

Property additions

In 2020, property additions totalled £111 million. The table below shows the expenditure on a sector basis and analyses spend between the creation of additional area and the creation of value through the enhancement of existing space.

Capital expenditure analysis

Proportionally consolidated, including premium outlets and discontinued operations	UK £m	France £m	Ireland £m	**Flagship destinations** **£m**	UK retail parks £m	Developments and UK other £m	**Total excl. Premium outlets** **£m**	Premium outlets £m	**Total Group** **£m**
Acquisitions	-	-	-	-	-	-	-	6	6
Capital expenditure – no additional area	10	6	1	17	1	7	25	24	49
Capital expenditure – creating area	-	10	7	17	-	40	57	15	72
Capital expenditure – tenant incentives	(11)	3	-	(8)	(8)	1	(15)	(1)	(16)
	(1)	19	8	26	(7)	48	67	44	111

Further analysis of capital expenditure between Reported Group and Share of Property Interests is provided in table 11 on page 80.

Acquisitions of £6 million during 2020 related to the Group share of land acquired by Value Retail, adjacent to Bicester Village.

Capital expenditure where no additional area was created of £49 million included the progression of development schemes at Croydon, Dublin Central, The Goodsyard and Martineau Galleries totalling £7 million, with a further £18 million relating to other asset management initiatives and cladding works in Birmingham and Bristol.

Non space-accretive capital expenditure on the premium outlets totalled £24 million, of which £8 million was the Group's share of expenditure at VIA Outlets, prior to its disposal, primarily on reconfiguration works at Zweibrücken, Vila do Conde, Porto and Oslo Fashion Outlets. The balance of £16 million was the Group's share of expenditure at Value Retail and principally related to asset management initiatives at Bicester Village, in addition to the impact of changes in the blended ownership of Wertheim and Kildare Villages.

Capital expenditure creating area of £72 million principally related to the two extension projects in France at Les 3 Fontaines, Cergy and Italik, Paris. These schemes were both delayed as a consequence of the Covid-19 pandemic. Italik is now expected to complete in May 2021 and at Les 3 Fontaines, Cergy, the main extension is expected to complete in March 2022, with the leisure phase in the adjacent Cergy 3 expected to open in December 2023.

During the year, revisions to the scheme at Les 3 Fontaines, coupled with outward valuation yield movements, resulted in the recognition of a revaluation loss of £45 million, and the scheme was valued at £182 million at 31 December 2020. Pre-letting is currently 49% and when fully complete and let, at current yields, the project is forecast to achieve an estimated additional revaluation uplift of £50 million and a yield on cost of 5%.

The Italik extension was amended in March 2020 to include an Iconik food hall, which has increased both the cost and the expected income. At 31 December 2020, the project was 88% pre-let and valued at €43 million (£38 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 and the contracted 75% sale price is forecast to be €44 million (£39 million), although the final price is dependent on the passing rent at the date of sale.

Space accretive capital expenditure on the premium outlets totalled £15 million, all at Value Retail in relation to the on-site schemes at La Roca Village, Barcelona and Kildare Village, Dublin.

Disposals

Disposals reduced the portfolio valuation by £759 million during the year, comprising:

- **The disposal of substantially all of the Group's investment in VIA Outlets on 31 October 2020 for net proceeds of £271 million, representing an 18% discount to the gross asset value at 31 December 2019 of €778 million (£696 million at 2020 closing exchange rate).**
- **The sale of Abbey Retail Park in February 2020 for £33 million and SQY Ouest in May 2020 for £9 million.**

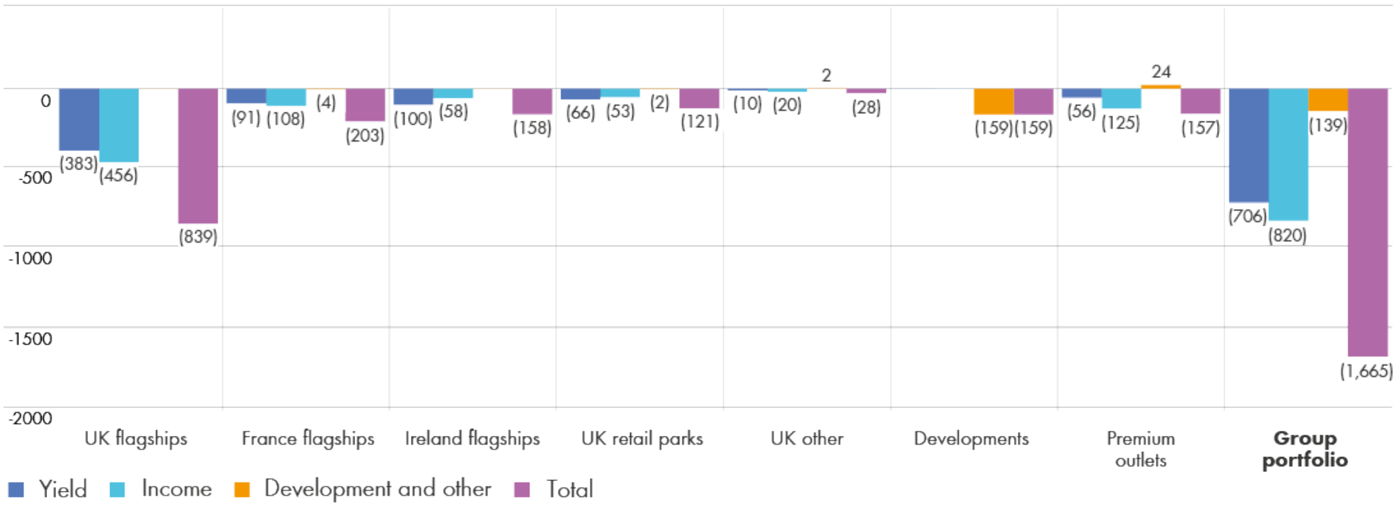
In 2021, three further properties have been sold in line with their 31 December 2020 valuations:

- **On 5 February, the Group sold its 41% joint venture stake in Brent South Retail Park for gross proceeds of £22 million.**
- **On 4 March, we exchanged contracts for the sale of the Group's 25% interest in Espace Saint-Quentin and 10% interest in Nicetoile, Nice to the existing partner, Allianz, for combined gross proceeds of £51 million.**

Valuation change

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

Components of valuation change (£m)



In 2020, the Group's portfolio suffered a net revaluation deficit of £1,665 million. In addition to the revaluation losses of £1,596 million, the above analysis includes a revaluation loss on the retail parks portfolio totalling £69 million. This comprises £91 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.

UK flagship destinations suffered a revaluation deficit of £839 million, of which £383 million was attributable to outward yield shift, averaging 132 basis points across the portfolio. All UK flagships suffered revaluation deficits in the year. The remaining £456 million was attributable to lower income.

The underlying value of the French portfolio fell by £203 million, with outward yield movements averaging 28 basis points accounting for £91 million of the reduction and lower income causing a further loss of £108 million. All assets were subject to yield expansion.

In Ireland, a combination of yield expansion averaging 41 basis points across the portfolio and a 7% reduction in ERVs, resulted in a valuation deficit of £158 million.

UK retail parks suffered a valuation deficit of £121 million, predominantly due to outward yield movement averaging 106 basis points. The largest deficits were at Elliott's Field, Rugby and Cyfarthfa Retail Park, Merthyr Tydfil, both of which have been impacted by the failure of Debenhams.

A deficit of £187 million was recognised on the Development and 'UK other' portfolio. This principally reflected the scheme revisions at Les 3 Fontaines, Cergy as explained on page 13 and reductions to the value of the Group's land holdings at Croydon, Dublin, Leeds and London.

At 31 December 2020 the Irish portfolio valuations, carried out by Cushman and Wakefield LLP (C&W), were reported 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. A 'material valuation uncertainty' has not been included by the valuers in respect of the valuation of the UK, French or premium outlets portfolios at 31 December 2020.

Further analysis is included in Tables 9 and 10 in the Additional disclosures on pages 79 and 80.

Change in ERV
Like-for-like ERV change

Proportionally consolidated, excluding premium outlets[1]	UK %	France %	Ireland %	**Flagship destinations %**	UK retail parks %	**Group investment portfolio %**
2020	**(14.3)**	**(4.9)**	**(6.5)**	**(10.6)**	**(10.9)**	**(10.8)**
2019	(8.6)	(1.9)	1.2	(5.5)	(6.7)	(5.9)

The 'UK other' portfolio is not shown above and reported a like-for-like ERV decline of -15.0% (2019: -11.4%).

Like-for-like ERVs at the Group's investment properties declined by 10.8% in 2020 compared to a reduction of 5.9% in 2019.

ERVs at UK flagships fell by 14.3% in 2020, compared with a decline of 8.6% in 2019. This was largely due to weak occupational demand and an over-supply of retail space due to CVAs and administrations and is consistent with 2020 leasing volumes being 50% lower than 2019. This was further exacerbated by closures during lockdown periods. The most significant reductions were at Victoria, Leeds and Westquay, Southampton, the latter incorporating a F&B and leisure complex which was particularly impacted by the closures.

ERVs in France reduced by 4.9%, following a 1.9% decline in 2019. Rental values were reduced at all properties with the most significant movement at Les 3 Fontaines, Cergy, where the ongoing extension work has increased the supply of space at the centre.

In Ireland, ERVs fell by 6.5% following ERV growth of 1.2% in 2019. Covid-19 closures have had an adverse impact on the occupational market.

ERVs at UK retail parks fell by 10.9%, compared with a 6.7% decline in the prior year, with the largest declines at Cyfarthfa Retail Park, Merthyr Tydfil and Elliott's Field Retail Park, Rugby, both impacted by the failure of Debenhams.

Returns

Property returns

Property returns analysis 2020

	UK	France	Ireland	Flagship destinations	UK retail parks	Developments	Premium outlets	Group
Proportionally consolidated, including premium outlets[1]	%	%	%	%	%	%	%	%
Income return	**3.2**	**3.9**	**3.2**	**3.5**	**4.8**	**1.1**	**2.8**	**3.2**
Capital return	**(35.8)**	**(15.3)**	**(17.5)**	**(26.2)**	**(23.3)**	**(24.2)**	**(10.0)**	**(20.9)**
Total return	**(33.7)**	**(11.9)**	**(14.8)**	**(23.6)**	**(19.5)**	**(23.3)**	**(7.5)**	**(18.3)**

[1] The 'UK other' portfolio is not shown above and produced an income return of 3.6%, a capital return of -19.8% and a total return of -16.8%. The combined total return for the UK portfolio was -31.3%, with a capital return of -33.7% and an income return of 3.5%.

The Group's property portfolio generated a total return of -18.3% in 2020, comprising a capital return of -20.9% and an income return of 3.2%. The capital return is consistent with the underlying valuation performance explained in the 'Valuation change' section on page 14 and an analysis of the capital and total returns by business segment is included in Table 9 in the Additional disclosures on page 79.

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

As the annual MSCI benchmarks are not available until after this Annual Report has been published, it is not yet possible to gauge the Group's comparative performance. The UK MSCI Annual All Retail Universe for 2020 is reported a total return for UK shopping centres of -27.3% , 640 basis points higher than the Group's UK flagship return of -33.7%, and a total return of -10.1% for UK retail parks, against a Hammerson total return of -19.5%.

In 2020, the Reported Group portfolio (see Financial review on page 16 for explanation) produced a total return of -18.2%, whilst properties held by our joint ventures and associates generated a total return of -18.4%.

Shareholder returns

Return	%	Benchmark	%
Total shareholder return over one year	**(82.2)**	**FTSE EPRA/NAREIT UK index over one year**	**(18.1)**
Total shareholder return over three years p.a.	**(51.2)**	**FTSE EPRA/NAREIT UK index over three years p.a.**	**(5.0)**
Total shareholder return over five years p.a.	**(35.1)**	**FTSE EPRA/NAREIT UK index over five years p.a.**	**(3.8)**

Hammerson's total shareholder return for 2020 was -82.2%, an underperformance compared with the FTSE EPRA/NAREIT UK index of 64.1 percentage points as the retail property sub-sector has been hit harder by the Covid-19 global pandemic than the wider property index. Over the last five years, the Group's average annual total shareholder return has been a reduction of 35.1%, compared to a decline of 3.8% for the FTSE EPRA/NAREIT UK index.

IFRS loss for the year[1]

£(1,735)m

(2019: £(781) million loss)

Shareholders' funds[1]

£3,209m

(2019: £4,377 million)

Net debt

£2,234m

(2019: £2,843 million)

Adjusted EPS[2]

1.6p

(2019: 12.8p)

EPRA NTA per share[3]

£0.82

(2019: £1.16)

Gearing

70%

(2019: 71%)

[1] Attributable to equity shareholders.
[2] See note 8B to the financial statements for calculation. Comparatives have been restated following the rights issue.
[3] See note 8E to the financial statements for calculation. Comparatives have been restated following the rights issue.

Presentation of financial information

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

The Group has property interests in a number of sectors and management reviews the performance of the Group's property interests in flagship destinations, retail parks, UK other properties and developments on a proportionally consolidated basis to reflect the Group's different ownership shares. Management does not proportionally consolidate the Group's premium outlet interests, which are externally managed by experienced outlet operators, are independently financed and have operating metrics which differ from the Group's other sectors. We review the performance of our premium outlet interests 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 87 to 89.

Going concern statement

To assess whether it is appropriate to prepare the Group's 2020 financial statements on a going concern basis, the Directors have undertaken a detailed review of the current and projected financial position of the Group.

Under the review, the Group has significant liquidity forecast over the going concern period, and the Directors have considered that it is reasonable to conclude that the Group will continue in operational existence and meet its liabilities as they fall due for at least the next 12 months. Therefore, these financial statements have been prepared on the going concern basis.

However, the Group is facing unprecedented levels of uncertainty, principally caused by the Covid-19 pandemic, and the Group's financial modelling is very sensitive to changes in the underlying assumptions. There are also risks associated with a number of the Group's secured debt facilities which benefit from temporary covenant waivers or amendments, or require refinancing within the going concern assessment period.

Given these circumstances, the Directors have concluded that attention should be drawn to the following factors as a material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern:

- the impact on income and property valuations associated with the terms and speed of future relaxations of Covid-19 restrictions and the strength and timeframe of the forecast recovery in the retail market and the broader economy. More adverse outcomes relative to those assumed in the scenario modelling, could result in breaches in the Group's unsecured gearing and interest cover ratio covenants, regardless of the outcome of the secured debt facilities negotiations.
- the ability to satisfactorily conclude lender discussions on a number of the Group's secured debt facilities by obtaining additional waivers or amendments, renegotiating terms, partly or fully prepaying facilities, or refinancing maturing loans. However, as these facilities are held in three of the Group's joint ventures and Value Retail, the outcome of the discussions with the third party lenders is not solely within the Group's control. In the highly unlikely event that lenders enforced their security interests to recover these loans and the Group were to lose the value of its equity investments, the Group would breach its unsecured gearing covenant in the Severe but plausible adverse scenario at 30 June 2022.

No adjustments have been made to the financial statements that would result if the Group were unable to continue as a going concern.

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, the Group announced a sale of a portfolio of seven retail parks to Orion European Real Estate Fund V (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 sale, despite unconditional contracts having been exchanged. The Group subsequently terminated the sale agreement in May 2020 and retained the £21 million deposit. Management concluded that whilst the Group remains committed to near term disposals, the retail parks no longer met the criteria of 'held for sale' as defined by IFRS 5 as a sale was no longer deemed to be highly probable. Consequently, the UK retail parks portfolio was reclassified from assets held for sale in May 2020. The valuation at 30 June 2020, prepared for the purposes of the interim results, was used as a materially reasonable approximation of the value upon reclassification in May 2020. At 31 December 2020, the 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 joint venture investment in VIA Outlets. At 30 June 2020, management completed its 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. A sale contract was subsequently exchanged in August, subject to the retention of a 7.3% stake in VIA Outlets Zweibrücken B.V., and the transaction completed on 31 October 2020 following shareholder approval and competition clearance for gross proceeds of £277 million. Consequently, the proportion of the investment to be sold was reclassified to assets held for sale at 30 June 2020 at its carrying value and re-measured at the lower of the carrying amount and fair value less costs of disposal, in accordance with IFRS 5. At the date of reclassification, equity accounting ceased and subsequent changes in the fair value less costs of disposal between 30 June 2020 and completion have been recognised as impairment movements. The initial re-measurement and subsequent fair value changes have resulted in a £103.8 million impairment loss being recognised in the year.

The residual investment in VIA Outlets Zweibrücken B.V., which is to be retained for the foreseeable future, continued to be held within investment in joint ventures until completion in October 2020, at which point it was reclassified to other investments as the Group no longer exercised joint control or significant influence over the investment. The carrying value of £9.7 million is based upon the Group's retained 7.3% share of the underlying net assets of VIA Outlets Zweibrücken B.V. .

Rights issue

On 6 August 2020, the Company announced its proposals for a rights issue. On 2 September 2020, the Group completed a capital reorganisation comprising the subdivision and subsequent consolidation of existing shares. On 25 September 2020, following shareholder and regulatory approval, the rights issue completed successfully, with 24 ordinary shares being offered for every one share at an offer price of 15 pence per share. This generated gross proceeds of £557 million, or net proceeds of £530 million after transaction costs, of which £2 million were accrued at the balance sheet date.

As detailed in note 8A to the financial statements, for the purposes of adjusted earnings and NAV metrics, comparative per share data has been restated to incorporate the impact of the rights issue on the number of shares.

Alternative Performance Measures (APMs)

The Group uses a number of APMs, being financial measures not specified under IFRS, to monitor the performance of the business. These include a number of the Group's Key Performance Indicators on pages 6 and 7. Many of these measures are based on the EPRA Best Practice Recommendations (BPR) reporting framework, which aims to improve the transparency, comparability and relevance of the published results of listed European real estate companies. The Group's key EPRA metrics are shown in Table 1 within the Additional disclosures section on page 74. For other APMs, the Financial review and Additional disclosures sections contain supporting information, including reconciliations to the IFRS financial statements. Definitions for APMs are also included in the Glossary on pages 89 to 91.

In 2020, the heightened risk environment has resulted in the Group revising its approach to determining the Expected Credit Loss (ECL) at 31 December 2020, and applied this to both trade receivables and unamortised tenant incentives. Consequently, two additional sources of impairment loss have been recognised within the consolidated income statement for the year ended 31 December 2020: a provision for the impairment of unamortised tenant incentives, included within property outgoings; and a provision for amounts not yet recognised in the income statement. For the year ended 31 December 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 believes 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 believes 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.

As outlined above, the reclassification of substantially all of the Group's investment in VIA Outlets to assets held for sale at 30 June 2020 resulted in the Group ceasing equity accounting from 30 June 2020, with any subsequent movements in the net assets of the investment between the date of reclassification and completion being incorporated within impairment movements. For the year ended 31 December 2020 and all subsequent reporting periods, the adjusted earnings from investments in joint ventures and associates from the date of reclassification to assets held for sale up to the completion date will be included within the Group's adjusted earnings metric. Management believes this provides more relevant and useful information to users of the financial statements by incorporating all of the adjusted earnings to which the Group is entitled. Supporting calculations are provided in note 15B to the financial statements.

At 31 December 2020, the Group has adopted the new EPRA Net Asset Value (NAV) metrics: Net Reinvestment Value (NRV); Net Tangible Assets (NTA); and Net Disposal Value (NDV). Full reconciliations from the previous metrics have been provided in note 8E to the financial statements. EPRA NTA is regarded as the most relevant net asset metric for the business.

Loss for the year

The Group's IFRS loss for the year, attributable to equity shareholders, was £1,735 million, compared to a loss of £781 million in the prior year. The largest component of the loss was the net revaluation deficit on the Group's property portfolio of £1,439 million compared with a loss of £1,028 million in 2019. Other contributing factors included: impairment losses on reclassification of VIA Outlets to assets held for sale of £104 million and impairment losses in relation to investments in associates and joint ventures totalling a further £104 million. On a proportionally consolidated basis, net rental income was £151 million lower than the prior year, of which £77 million related to increased provisioning, and the Group recognised a loss of £157 million in relation to its share of the property revaluation of premium outlets, compared to a gain of £200 million in the previous year. These movements were partially offset by a profit on disposal of £12 million compared to a loss of £92 million in 2019, and the unwinding of the impairment recognised on the reclassification of retail parks from assets held for sale during 2020, totalling £22 million.

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

Reconciliation of IFRS loss for the year to adjusted earnings for the year

Proportionally consolidated, including premium outlets	Year ended 31 December 2020 £m	Year ended 31 December 2019 £m
Loss for the year attributable to equity shareholders	**(1,734.8)**	**(781.2)**
Adjustments:		
Net revaluation losses on property portfolio*	**1,438.8**	**1,028.0**
Net revaluation losses/(gains) on premium outlets property portfolio	**157.3**	**(199.8)**
Impairment (gain)/loss on reclassification of UK retail parks (from)/to assets held for sale	**(22.4)**	**92.0**
Impairment loss relating to assets held for sale: VIA Outlets	**103.8**	–
Impairment of investments in joint ventures and associates	**103.9**	–
Recycling of net exchange gain on disposal of foreign operations	**(5.2)**	**(13.8)**
(Profit)/Loss on sale of properties	**(11.6)**	**91.7**
Change in fair value of derivatives*	**(11.8)**	**(3.6)**
Deferred tax on premium outlets	**(17.3)**	**6.4**
Change in provision for amounts not recognised in the income statement	**12.0**	–
Adjusted earnings from investment in VIA Outlets since reclassification to assets held for sale	**8.1**	–
Other adjustments (see note 8B)	**15.7**	**(5.7)**
Adjusted earnings for the year (note 8B)	**36.5**	**214.0**
Adjusted EPS, pence (comparative figure restated for the rights issue)	**1.6**	**12.8**

Proportionally consolidated, excluding premium outlets.

Analysis of the Group's IFRS income statement split between 'Adjusted' profit and 'Capital and other' profit is shown in note 2 of the financial statements on page 47 and further details of the EPRA adjustments are provided in note 8B of the financial statements on page 54.

Adjusted earnings

The Group's adjusted earnings for 2020 were £36.5 million, £177.5 million or 83% lower than in 2019. The table below bridges adjusted earnings and adjusted EPS between the two years. The movements in each line are shown at constant exchange rates with the impact of foreign exchange movements included in 'Foreign exchange and other'. Explanations of the movements are provided later in this Financial review.

Reconciliation of adjusted earnings for the year

Including premium outlets	Reported Group £m	Share of joint ventures £m	Share of associates £m	Adjusted earnings for the year £m	Adjusted EPS[1] pence
Adjusted earnings – Year ended 31 December 2019	**28.1**	**153.1**	**32.8**	**214.0**	**12.8**
Rights issue dilution	–	–	–	–	**(3.4)**
(Decrease)/Increase in net rental income[2]	**(81.0)**	**(63.4)**	**4.0**	**(140.4)**	**(6.2)**
Decrease in net administration expenses	**4.3**	**0.1**	–	**4.4**	**0.2**
Increase in net finance costs	**(5.2)**	**(0.6)**	–	**(5.8)**	**(0.2)**
Increase/(Decrease) in premium outlets earnings	–	**0.2**	**(38.2)**	**(38.0)**	**(1.7)**
Foreign exchange and other	**2.7**	**(0.2)**	**(0.2)**	**2.3**	**0.1**
Adjusted (loss)/earnings– Year ended 31 December 2020	**(51.1)**	**89.2**	**(1.6)**	**36.5**	**1.6**

[1] Restated following the rights issue.

[2] Excludes provision for amounts not yet recognised in the income statement as this does not constitute adjusted earnings as detailed on page 17.

Like-for-like NRI for the Reported Group was £42.6 million lower year-on-year. Like-for-like NRI relating to Share of joint ventures and associates, excluding premium outlets, fell by £58.8 million or -40.1% in 2020.

Net rental income

Analysis of net rental income

Proportionally consolidated, excluding premium outlets	Reported Group £m	Share of Property interests* £m	Year ended 31 December 2020 £m	Year ended 31 December 2019 £m	Change £m
Like-for-like investment properties	60.3	85.9	146.2	247.6	(101.4)
Disposals	0.1	(0.6)	(0.5)	29.0	(29.5)
Developments and other	18.3	5.6	23.9	33.4	(9.5)
Impairment provision relating to items not yet recognised in the income statement	(3.9)	(8.1)	(12.0)	–	(12.0)
Foreign exchange	–	–	–	(1.5)	1.5
Net rental income	74.9	82.7	157.6	308.5	(150.9)

In the year ended 31 December 2020, net rental income (NRI) fell by £150.9 million, or £152.4 million at constant exchange rates.

The like-for-like portfolio suffered reductions across all properties totalling £101.4 million, or 41%, comprising £67.0 million relating to the UK flagships, £15.0 million in UK retail parks and a further £19.4 million across France and Ireland. This was principally as a result of increased provisioning across the Group, totalling £64.8 million, due to the higher level of arrears and increased uncertainty as a consequence of the pandemic. In addition, a loss allowance provision of £14.8 million was recognised in respect of unamortised tenant incentives, £11.0 million of which was attributable to the like-for-like portfolio. Car park income, commercialisation income and turnover rents all fell due to the closure of the majority of stores in periods of Covid-19 lockdown during the year.

Disposals during 2019 and 2020 reduced net rental income by £29.5 million. The sale of four retail parks in 2019 and Abbey Retail Park in February 2020 accounted for £12.7 million of the reduction, £16.1 million related to the sale of 75% of Italie Deux in December 2019 and the remaining £0.7 million was attributable to the disposal of SQY Ouest in May 2020.

Developments and other factors reduced net rental income year-on-year by £9.5 million, principally due to lower car park income at the two Croydon properties and Leeds during lockdown periods, and increased provisioning consistent with the rest of the portfolio.

The Group also recognised an impairment provision of £12.0 million against trade receivables for which the corresponding income relates to the period from 1 January 2021 onward. This has been excluded from like-for-like and adjusted earnings metrics as this distorts these metrics by reflecting the cost and corresponding income in different periods.

Further analysis of net rental income is provided in Tables 2 and 6 of the Additional disclosures on pages 75 and 77.

Administration expenses

Proportionally consolidated, excluding premium outlets	Year ended 31 December 2020 £m	Year ended 31 December 2019 £m
Employee costs – excluding variable costs	39.6	40.5
Variable employee costs	3.8	10.1
Other corporate costs	24.4	22.3
Administration costs	67.8	72.9
Property fee income	(15.2)	(15.7)
Employee and corporate costs	52.6	57.2
Management fees receivable	(8.5)	(8.9)
Net administration expenses*	44.1	48.3

* In 2020, £0.4 million (2019: £0.5 million) of the Group's proportionally consolidated administration expenses related to the Group's Share of Property interests.

For the year ended 31 December 2020, net administration expenses reduced by £4.2 million, or £4.4 million at constant exchange rates, to £44.1 million. Variable employee costs reduced by £6.3 million in the year, largely due to a lower bonus payment in relation to 2020. During 2020, employee costs include £1.2 million received from government employee assistance programmes, including the furlough scheme in the UK. £0.5 million of this related to centre-based colleagues and reduced service charges for our tenants.

Other corporate costs increased by £2.1 million, with increases in insurance costs and professional fees being partially offset by lower travel expenses as a result of Covid-19.

Our accounting policy is to capitalise the cost of colleagues working directly on onsite development projects. In 2020, £2.2 million of employee costs were capitalised on this basis, compared with £1.8 million in 2019.

Cost ratio

The EPRA cost ratio for the year ended 31 December 2020 was 54.9%, compared to 25.7% for the previous year. The increase is principally due to the property costs component of the ratio, which has increased from 11.9% to 39.0%. This is driven by the increase in provisioning against trade receivables due to lower collection rates and heightened risk of tenant failure, the recognition of impairment provisions against tenant incentives, and disposals of retail parks in 2019 and 2020, which have a lower cost base. The administration expenses element of the ratio has increased by 210 basis points to 15.9% in spite of the overall reduction in administration costs due to the lower income denominator.

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

The Group had interests in 16 joint ventures (2019: 16) during the year and the share of the results of joint ventures under IFRS for the year ended 31 December 2020 was a loss of £882.7 million (2019: £429.1 million loss). Following the disposal of 75% of Italie Deux, Paris in December 2019, the remaining investment is now held as an associate, together with Value Retail (VR) and Nicetoile. The share of results from associates under IFRS for the year ended 31 December 2020 was a loss of £148.3 million (2019: £209.4 million profit). Further details are provided in notes 10 and 11 to the financial statements.

During the year, management undertook an impairment review of non-financial assets. As a result, impairments were recognised in relation to the Group's investments in VR and VIA of £94.3 million and £9.6 million respectively, equivalent to the goodwill previously reported as detailed in note 1D to the financial statements on page 43.

As explained at the beginning of the Financial review on page 16, for management reporting purposes we review the Group's property portfolio on a proportionally consolidated basis, to reflect the Group's different ownership shares. We do not proportionally consolidate the Group's premium outlet investments. These are externally managed by experienced outlet operators, independently financed and have operating metrics which differ from the Group's other properties. Due to the differing nature of the Group's control, VIA is accounted for as a joint venture and VR is accounted for as an associate. As detailed on page 41, the reclassification of substantially all of the Group's investment in VIA Outlets to assets held for sale at 30 June 2020 resulted in the Group ceasing equity accounting from 30 June 2020, with any subsequent movements in the net assets of the investment between the date of reclassification and completion being incorporated within impairment movements. For the year ended 31 December 2020 and all subsequent reporting periods, the adjusted earnings from investments in joint ventures and associates from the date of reclassification to assets held for sale up to the completion date will be included within the Group's adjusted earnings metric. The combined profit contribution from premium outlets is in Table 14 of the Additional disclosures on page 82.

The table below shows the contribution to the Group's adjusted earnings from joint ventures and associates, split between the proportionally consolidated properties, assets held for sale and the investments in premium outlets.

Contribution to adjusted earnings

	Joint ventures (incl. VIA) £m	Assets held for sale – VIA £m	Associates (Incl. VR) £m	Year ended 31 December 2020 Total £m	Joint ventures (incl. VIA) £m	Associates (incl. VR) £m	Year ended 31 December 2019 Total £m
Share of results – IFRS	(882.7)	7.1	(148.3)	(1,023.9)	(429.1)	209.4	(219.7)
Revaluation losses/(gains) on properties	957.9	-	144.7	1,102.6	569.8	(167.9)	401.9
Other adjustments (notes 10B/11B/11B)	5.9	1.0	2.1	9.0	12.4	(8.7)	3.7
Total adjustments	963.8	1.0	146.8	1,111.6	582.2	(176.6)	405.6
Adjusted earnings/(loss) contribution	81.1	8.1	(1.5)	87.7	153.1	32.8	185.9
Analysed as:							
Share of Property interests	75.2	-	5.6	80.8	138.5	1.6	140.1
Premium outlets	5.9	8.1	(7.1)	6.9	14.6	31.2	45.8

Adjusted earnings from the Share of Property interests reduced by £59.3 million during 2020. This decline was almost entirely due to a reduction in NRI as a direct consequence of the Covid-19 pandemic, the most significant factor being the increase in provisioning. As detailed on page 43, the level of trade receivables at the balance sheet date and increased uncertainty have resulted in a heightened risk of default, resulting in the Group recognising a loss allowance of £30.8 million within Share of property interests. Additionally, a further £5.3 million was recognised relating to the impairment of unamortised lease incentives, included within investment properties, reflecting the risk of the associated rental income stream ending earlier than anticipated under the current smoothing and amortisation timelines. In addition to the increased provisioning levels, base and turnover rents, net of smoothing, fell by £11.0 million and there was an £11.3 million decline in car park income due to reduced footfall during government enforced closure periods.

On an adjusted basis, including earnings from VIA up to the date of sale on 31 October 2020, premium outlets reported a profit of £6.9 million in 2020, £38.9 million lower than the prior year. This was largely due to a reduction in earnings from VR of £38.3 million, where rent abatements granted to tenants during the Covid-19 closure period reduced gross rental income by £64.0 million. Due to the differing lease structures, rental waivers granted by VR have not been treated as a lease modification and have therefore been recognised in the period to which they relate. The decline in GRI was partially offset by operational and administrative cost savings of £25.1 million.

Despite the sale at the end of October 2020, the Group's share of VIA's adjusted earnings fell by just £0.6 million in the year. VIA's premium outlets suffered fewer closures than the Group's other properties and 2020 earnings were enhanced by operational cost savings and a corporation tax rebate.

Finance costs

Net finance costs, calculated on a proportionally consolidated basis, totalled £83.6 million in 2020, £2.6 million lower than the prior year £72.2 million related to the Reported Group and £11.4 million to the Share of Property interests as shown in note 2 to the financial statements.

Adjusted finance costs, which excludes the change in fair value of derivatives, debt cancellation costs and other non-recurring items, totalled £95.4 million for the year ended 31 December 2020, compared to £89.8 million in 2019. The increase in finance costs is due to lower interest received from foreign currency and interest rate swaps that matured during the year, being partially offset by reduced interest cost on the Group's Revolving Credit Facilities due to lower drawings and interest rates.

Capitalised interest on our two Paris development schemes at Italie Deux and Les 3 Fontaines, Cergy totalled £5.0 million in 2020, compared with £2.8 million in 2019.

The supporting calculation for adjusted finance costs is shown in Table 17 of the Additional disclosures on page 84.

Tax and dividends

The Group's tax charge was £0.6 million in 2020, or £0.5 million on a Reported Group basis, compared to £2.2 million in the prior year. The Group is 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 (PID). The Irish assets are held in a QIAIF which provides a similar tax treatment to a UK REIT, but subjects distributions from Ireland to the UK to a 20% withholding tax. The residual businesses in the UK, France and Ireland are subject to corporate taxes as normal.

In order to satisfy the REIT conditions, it is necessary for the Company, on an annual basis, to pass certain business tests. In respect of the year ended 31 December 2020, based on preliminary calculations, the Company has marginally breached the interest cover test and, in these circumstances, HMRC is able to impose a charge equivalent to corporation tax on the excessive finance cost. The Company estimates this charge would be £0.1 million. In view of the significant and unexpected impact of Covid-19 during the year, HMRC has agreed that no charge will be assessed on the Company.

We publish guidance explaining the Group's tax strategy annually. 'Hammerson's Approach to Tax' is available on the Group's website www.hammerson.com

Following the cancellation of the 2019 final dividend in March 2020, the Company had an outstanding PID obligation of approximately £70 million to pay before the end of 2020. On 11 November 2020, the Company declared a 2020 interim dividend of 0.2 pence per share in cash with an enhanced scrip dividend alternative of 2.0 pence per share. As detailed in note 7 to the financial statements, the total dividend of £71.5 million was paid on 18 December 2020 as a PID, net of withholding tax where appropriate, satisfying the outstanding PID obligation.

A final dividend of 0.2 pence per share in cash has been proposed by the Board, to be paid entirely as a PID, net of withholding tax where applicable. The Company will again be offering an enhanced PID scrip dividend alternative of 2.0 pence per share.

Net assets

During 2020, equity shareholders' funds decreased by £1,168 million, or 27%, to £3,209 million. Net assets, calculated on an EPRA Net Tangible Assets (NTA) basis, were £3,317 million and on a per share basis, restating the 2019 figure for the 2020 rights issue, reduced by 34 pence to 82 pence. The movement during the year is shown in the table below.

Movement in net assets

Proportionally consolidated, including premium outlets	Equity shareholders' funds £m	Adjustments[1] £m	EPRA net assets £m	EPRA NAV/NTA pence per share
31 December 2019 – EPRA NAV	4,377	222	4,599	601
Adjustment to new metrics[2]	–	(146)	(146)	(19)
31 December 2019 – EPRA NTA	4,377	76	4,453	582
Rights issue – adjustment to number of shares	–	–	–	(466)
31 December 2019 – restated EPRA NTA	4,377	76	4,453	116
Property revaluation				
Proportionally consolidated property portfolio	(1,439)	–	(1,439)	(35)
Premium outlet properties	(157)	–	(157)	(4)
	(1,596)	–	(1,596)	(39)
Impairment relating to assets held for sale: VIA Outlets	(104)	–	(104)	(3)
Impairment on reclassification from assets held for sale: Retail parks	22	–	22	1
Impairment of investments in joint ventures and associates	(104)	98	(6)	–
Adjusted earnings for the year	37	–	37	1
Profit on sale of properties	12	–	12	–
Change in deferred tax[3]	4	(37)	(33)	(1)
Rights issue	530	–	530	13
Dividends	(13)	–	(13)	(6)
Foreign exchange and other movements	44	(29)	15	–
31 December 2020	3,209	108	3,317	82

[1] Adjustments in accordance with EPRA best practice shown in note 8E to the financial statements on page 56.
[2] Following the changes to EPRA NAV metrics as outlined in note 8E on page 56, the EPRA NAV at 31 December 2019 has been represented as EPRA NTA for comparison purposes.
[3] The EPRA deferred tax adjustment principally relates to the de-recognition of 50% of the deferred tax balances of VIA Outlets following the disposal.

The reduction in EPRA net assets was primarily the result of net property revaluation losses, totalling £1,596 million as explained in the Property portfolio review on page 14 and impairment losses on the reclassification of VIA Outlets to assets held for sale and subsequent disposal. These were partially offset by net proceeds from the rights issue of £530 million.

Investment and development properties

The valuation of investment and development properties in the Reported Group at 31 December 2020 was £2,153 million, £54 million higher than the prior year. The movement primarily related to the reclassification of retail parks from assets held for sale of £416 million, favourable foreign exchange of £80 million and capital expenditure of £57 million, largely offset by revaluation losses of £494 million. The movement in investment and development properties is shown in note 9 to the financial statements.

The Group's property portfolio valuation calculated on a proportionally consolidated basis plus the Group's premium outlets is provided in note 3B to the financial statements on page 51.

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

Details of the Group's joint ventures and associates are shown in notes 10 and 11 to the financial statements. The table below shows the Group's investment in joint ventures and associates on both IFRS and adjusted bases, split between the proportionally consolidated Share of Property interests and investments in premium outlets.

Adjusted investment in joint ventures and associates

	31 December 2020			31 December 2019		
	Joint ventures £m	Associates (incl. VR) £m	Total £m	Joint ventures (incl. VIA) £m	Associates (incl. VR) £m	Total £m
IFRS investment in joint ventures/associates	1,814	1,299	3,113	3,017	1,505	4,522
Adjustments (see notes 10C/11D)	6	116	122	70	150	220
Adjusted investment in joint ventures/associates	1,820	1,415	3,235	3,087	1,655	4,742
Analysed as:						
Share of Property interests	1,820	144	1,964	2,642	149	2,791
Premium outlets	–	1,271	1,271	445	1,506	1,951

The total adjusted investment in the Group's Share of Property interests reduced by £827 million to £1,964 million during 2020. The most significant movement was net revaluation losses totalling £945 million, partially offset by adjusted earnings of £81 million.

During 2020, the Group's total adjusted investment in premium outlets reduced by £680 million to £1,271 million. This was largely due to the disposal of substantially all of the Group's investment in VIA Outlets during the year, with the remaining investment in Zweibrücken B.V. transferred to other investments. On a standalone basis, the Group's adjusted investment in Value Retail reduced by £235 million due to revaluation losses of £127 million and the Group's recognition of an impairment loss of £94 million against its investment, equivalent to the notional goodwill.

An analysis of the Group's combined investment in premium outlets is shown in Table 15 in the Additional disclosures on page 82.

Receivables

For the year ended 31 December 2020, the Group has applied the simplified approach under IFRS 9 and adopted a provisioning matrix to determine the Expected Credit Loss (ECL). This involves grouping receivables dependent on the risk level, taking into account historic default rates, credit ratings, ageing, future expectations and the ongoing impact of Covid-19, and applying an appropriate provision percentage after taking account of rent deposits and personal or corporate guarantees held.

At 31 December 2020, trade receivables totalled £170 million on a proportionally consolidated basis, compared to £61 million at 31 December 2019. The intermittent closures of the vast majority of non-essential retail across all regions in 2020 as a result of the 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 £80 million was recognised at 31 December 2020, compared to £17 million at 31 December 2019, equating to a 64% provision against net trade receivables.

The table below analyses the total provision by region against the respective trade receivable balances, and splits this between the provision relating to amounts recognised in the income statement prior to 31 December and the component for which the corresponding credit to the income statement has been deferred.

Trade receivables and provisioning

	31 December 2020					31 December 2019	
Proportionally consolidated excluding premium outlets	Trade receivables £m	Trade receivables net of deposits and VAT £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	101	82	41	12	53	22	7
France	51	28	19	–	19	36	10
Ireland	18	15	8	–	8	3	–
Property portfolio	170	125	68	12	80	61	17
Less Share of Property interests	(87)	(67)	(36)	(8)	(44)	(19)	(7)
Reported Group	83	58	32	4	36	42	10

Financing

Our financing strategy is to borrow predominantly on an unsecured basis under the Group's standard financial covenants to maintain flexibility at a low operational cost. Secured borrowings are occasionally used, mainly in conjunction with joint venture partners. Value Retail also predominantly uses secured debt in its financing strategy, although this is independent of the rest of the Group.

The Group's 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 comprises the Group's fixed rate unsecured bonds, private placement senior notes and secured borrowings within three of the Group's 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 which shows the Group's strong financial position at 31 December 2020.

Key financing metrics

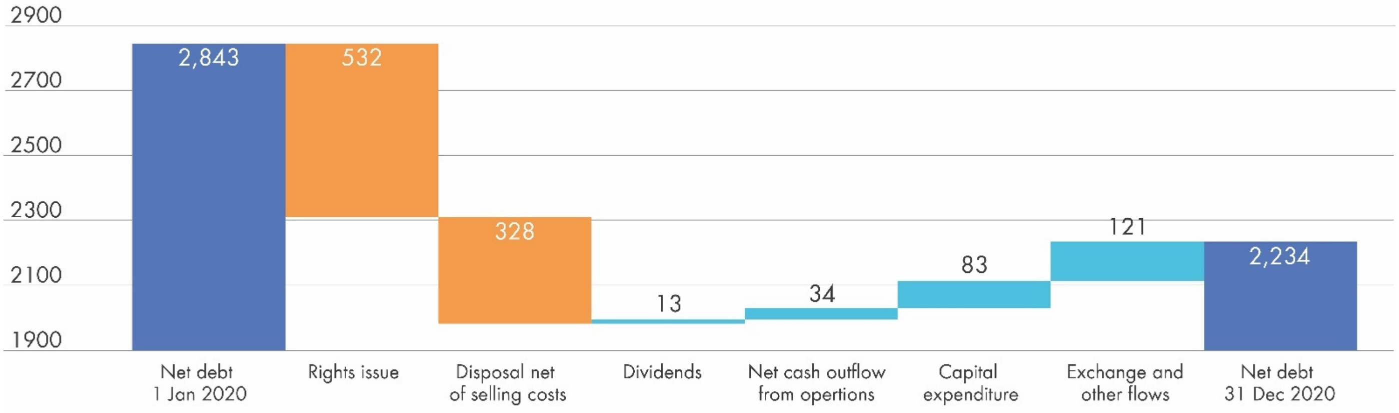
Proportionally consolidated, excluding premium outlets	Guideline[1]	31 December 2020	31 December 2019
Net debt (£m)		**2,234**	**2,843**
Gearing (%)[2,3]	**Maximum 85%**	**70**	**71**
Loan to value – headline (%)[3]	**No more than 40%**	**40**	**38**
Loan to value (%) – fully proportionally consolidated[3]	**No more than 45%**	**46**	**45**
Unencumbered asset ratio (times)[2,4]	**At least 1.75 times**	**1.89**	**1.86**
Secured borrowings/equity shareholders' funds (%)[2]		**13**	**15**
Liquidity (£m)		**1,748**	**1,210**
Weighted average interest rate (%)		**3.0**	**2.6**
Weighted average maturity of debt (years)		**3.5**	**4.7**
Interest cover (times)[2]	**At least 2.0 times**	**1.81**	**3.49**
Net debt/EBITDA (times)[5]	**Less than 10.0**	**14.1**	**8.9**
FX hedging (%)	**70-90%**	**73**	**73**
Debt fixed (%)	**At least 50%**	**97**	**86**

[1] **Guidelines should not be exceeded for an extended period.**
[2] **Included in borrowing covenants as detailed on page 24.**
[3] **See Table 22 on page 85 for supporting calculation.**
[4] **See Table 24 on page 86 for supporting calculation.**
[5] **See Table 20 on page 85 for supporting calculation.**

Net debt

Movement in proportionally consolidated net debt (£m)

Proportionally consolidated, excluding premium outlets



On a proportionally consolidated basis, in 2020 net debt reduced by £609 million to £2,234 million at 31 December 2020. This comprised loans of £2,666 million and the fair value of currency swaps of £71 million, less cash and deposits of £503 million.

The Group's weighted average interest rate was 3.0% for 2020, 40 basis points higher than the 2.6% average rate in 2019.

In the first half of the year, the Group applied to HM Treasury and the Bank of England's Covid Corporate Financing Facility (CCFF) and in June 2020 received approval with a limit of £300 million. The facility carried no covenants, a margin of 40 basis points and matured within a year. The Group issued £75 million under the scheme on 6 July with a maturity in May 2021. This was repaid in December 2020 following receipt of proceeds from the rights issue and disposal of substantially all of the Group's investment in VIA Outlets.

The Group's liquidity at 31 December 2020, comprising cash and undrawn committed facilities, was £1,748 million, £538 million higher than at the beginning of the year. The Group's weighted average maturity of debt reduced to 3.5 years (2019: 4.7 years).

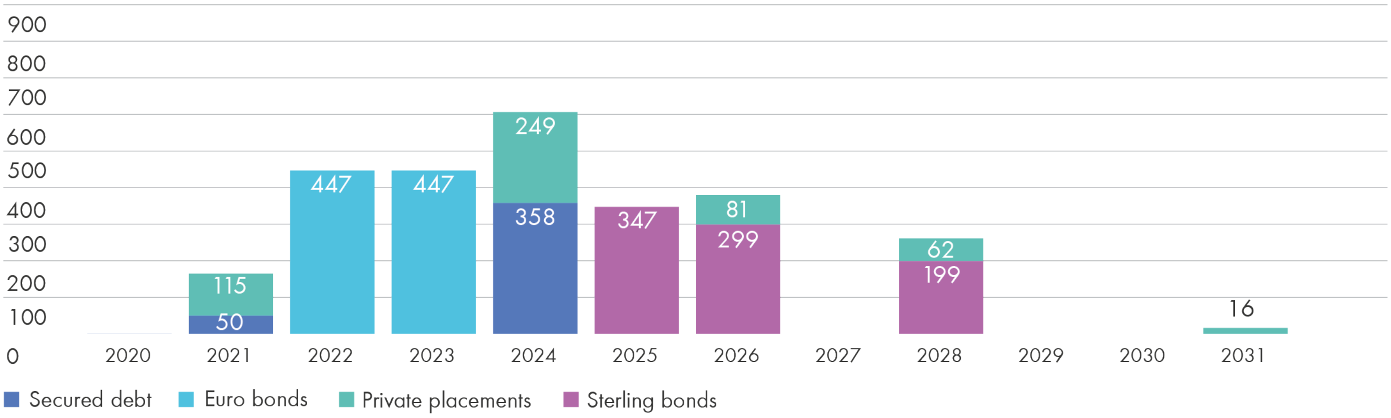
Leverage

At 31 December 2020, the Group's gearing ratio was 70% (2019: 71%) and headline loan to value ratio was 40% (2019: 38%). Supporting calculations are in Tables 23 and 22 in the Additional disclosures on pages 86 and 85.

At 31 December 2020, the Group's share of net debt in premium outlets totalled £689 million (2019: £897 million), relating solely to Value Retail (VR) following the sale of substantially all of the investment in VIA Outlets during the year. Proportionally consolidating this net debt with the Group's share of net debt and including property values held by VR, the Group's fully proportionally consolidated loan to value is 46% (2019: 45%).

Debt maturity profile at 31 December 2020 (£m)

Proportionally consolidated, excluding premium outlets



Excludes unamortised fees of £3 million relating to revolving credit facilities.

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 notes: Gearing, secured borrowings, unencumbered assets and interest cover

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

As shown on page 23, the Group's covenant metrics all exceeded the Board's internal guidelines, with the exception of interest cover. This metric was significantly adversely affected by the 41% like-for-like reduction in net rental income in 2020 principally caused by the Covid-19 pandemic as explained on page 19. The ratio will remain under pressure until the Covid-19 restrictions are lifted and the Group's net rental income levels begin to recover.

In response to pressures exacerbated by Covid-19, on 30 June 2020, the Group agreed an amendment to one of the covenants on its existing private placement notes, which increased 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 30 June 2020 test period 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. 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 Company and private placement noteholders also agreed that in the period to 31 December 2021 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 raising in excess of £50 million as part of the paydown of debt. Accordingly, following completion of the rights issue in September and the disposal of substantially all of the Group's investment in VIA Outlets in October (gross combined proceeds of £834 million) offers of prepayment at par were made for a total of £226 million, for which acceptances totalled £169 million. Prepayment, including closing out of related cross currency swaps, was made in December and will save approximately £4 million of interest cost on an annualised basis. 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.

From a stress test perspective, the valuation of the Group's property portfolio at 31 December 2020, would have to fall by 34%, or 57% for the UK portfolio only, to breach the unencumbered asset covenant in the private placement notes. Valuations would have to fall by 27% (UK only 77%) to breach the Group's tightest gearing covenant. Net rental income would need to fall by 31% compared to 2020 levels in order to breach the interest cover covenant in the Group's bank facilities and private placement notes.

Compliance with covenants is a key consideration for the going concern assessment as detailed on page 16 and in note 1E to the financial statements.

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

The covenants for secured debt facilities are generally tested quarterly and include specific covenants, typically loan to value and interest cover. During the year, where deemed necessary to address the adverse financial effect of Covid-19 due to lower collection rates or property valuations, short term covenant waivers or amendments were obtained in relation to a number of these debt facilities to ensure they remain in compliance with their covenants. All facilities were in compliance with their covenants at 31 December 2020.

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, changing the outlook from stable to negative due to pressures on rents and valuations. There is a one notch uplift from the corporate BBB rating for the senior unsecured BBB+ rating of the Group's bonds, private placement notes and unsecured bank facilities. On 6 August 2020, Fitch re-affirmed these ratings stating that the rights issue and disposal of substantially all of the Group's investment in VIA Outlets "provides immediate relief to its ratings".

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 consolidated basis in addition to the previous method 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." On 26 October 2020, Moody's concluded the rating review and re-affirmed Hammerson's Baa3 rating with a negative outlook, stating that the rights issue and sale of substantially all of the Group's investment in VIA Outlets "are sufficient interim steps to protect the Company's balance sheet and help it manage the business disruption that was triggered by the coronavirus outbreak".

Managing foreign exchange exposure

The Group's exposure to foreign exchange translation differences on euro-denominated assets is managed through a combination of euro borrowings and derivatives. At 31 December 2020, the value of euro-denominated liabilities as a proportion of the value of euro-denominated assets was 73%, the same as at the beginning of the year. Interest on euro debt also acts as a partial hedge against exchange differences arising on net income from our overseas operations. Sterling strengthened against the euro during the year by 5%, which resulted in a modest reduction in net asset value but a marginal improvement to adjusted earnings in 2020.

Since the year end, following the UK and EU agreeing a trade and co-operation agreement, we have increased the level of euro-denominated liabilities as a proportion of the value of euro-denominated assets to approximately 90% to provide greater protection to the Group's net assets from foreign exchange volatility.

Overview

2020 has been a year of unprecedented uncertainty and disruption, principally due to the Covid-19 pandemic. The restrictions introduced to fight the pandemic have severely affected the macro economy and wider society. The closure of non-essential retail has adversely impacted the vast majority of our brands. Footfall and sales were significantly lower than the prior year and this has led to valuation reductions, reduced rent collections and increased tenant failure.

Against this backdrop, effective risk management is critical to protect the Group's income, assets and reputation, underpin our business model and support the delivery of our strategy. Covid-19 has impacted the majority of our principal risks and illustrates the complex inter-dependencies of risk management.

The Board is responsible for determining the Group's risk appetite. This reflects its combined attitude to market, financial, operational and reputational risks. While 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. Risks are also factored into the Group's forecasting and business planning process.

Risk review process

To support the risk management process, the Group uses a number of key documents. The main risk document is the Risk Management Framework (RMF) which includes the Group's key risks including 10 principal risks and also includes mitigating factors or actions and management responsibility. These are risks which have the potential to significantly affect the Group's strategic objectives, operations or financial performance. The risks are also split between "external" risks, where market factors are the main influence on change, and "operational" risks which, whilst subject to external influence, are more in the control of management. The framework helps the Board to assess the level of residual risk relative to its risk appetite. Where residual risk levels are deemed too high, additional mitigating actions are agreed.

Risk assessment during 2020

Covid-19

2020 was dominated by the Covid-19 pandemic. This adversely impacted the majority of the Group's principal risks with five of the Group's principal risks being deemed to exceed the Group's risk appetite as explained:

- "Macroeconomic" – the pandemic has resulted in a record downturn in economic activity in the countries in which the Group operates with recovery not forecast to start until later in 2021
- "Retail market" – Covid-19 has caused significant financial distress for the Group's tenants. It has accelerated the structural changes associated with omnichannel retailing and shrinking physical store portfolios. This has resulted in higher vacancy levels, increased tenant failures and significantly reduced collections rates, as struggling occupiers closed stores and withheld rent payments
- "Property investment" – the ongoing retail market operational and financial challenges have acted to reduce investor demand for retail venues resulting in significant valuation reductions in the year
- "Catastrophic event" – this reflects the direct operational challenges of Covid-19 for retail destinations due to government restrictions. These act to limit footfall and have closed non-essential stores for significant periods over the past 12 months
- "Treasury" – the challenges caused by the pandemic to the retail market and associated property valuation reductions have adversely affected the Group's balance sheet and credit metrics. Temporary covenant waivers have also been required to avoid covenant breaches in a number of the Group's secured debt facilities

To address the impact of the pandemic, the Group implemented a number of mitigating actions. These included withdrawing the recommendation for the final 2019 dividend; raising £860 million from the rights issue and disposals; providing financial support for our tenants; improved health and safety procedures at our venues; and introducing new working practices and enhanced communications to support our colleagues. Further details of these mitigation actions are on page 4.

Brexit

The uncertainty associated with the UK's future relationship with the EU remained high during 2020 until the UK-EU Trade and Co-operation Agreement was approved in late December.

During the year, we continued to assess the potential impact of Brexit on the Group. Where necessary we took mitigation actions to address a number of potential corporate and operational risks including the secondary listing in Ireland and increasing stocks of replacement operational parts. However, as the Group does not directly rely on imports or exports, we are largely protected from the near term impact of the UK's exit from the EU. Nonetheless, changes associated with "Tax and regulation" will be closely monitored and assessed.

Our tenants, particularly those who rely on imports and exports, or those who employ EU nationals, face greater challenges under the new trading arrangements. Overall, it will take time for the full impact of Brexit from a macroeconomic, foreign investment, trading and individual perspective to emerge.

Climate risk

ESG is a key area of focus for our stakeholders with climate-related risks continuing to be an area of evolving practice. The Group's portfolio-wide physical climate risk review indicates a very limited short term exposure. However, the Group's strategy to be Net Positive by 2030 is driving our medium term risk mitigation plans. Actions to deliver these stretching environment targets are embedded in asset plans with longer term risks being reflected in future project design.

Short and medium term transitional risks are also mitigated by our Net Positive strategy, while longer term risk will be reviewed through our climate scenario analysis which is due to be completed in 2021. Further information can be found on the Group's separate Sustainability website, www.sustainability.hammerson.com.

Future outlook

External factors are key to recovering from the pandemic, with the effective delivery of vaccination programmes the main focus. Nonetheless, the retail and investment markets will take time to recover as restrictions are lifted. The Group is committed to moving quickly and decisively as conditions change to ensure the longer term success and viability of the business for the benefit of all stakeholders.

Risk overview

A summary of the Group's 10 principal risks, key mitigating factors or actions and an explanation of the changes in residual risk assessment during the year are summarised in the table below. A more comprehensive explanation of the Group's approach to risk management is included in the 2020 Annual Report.

Risk and impact	Key mitigating factors/actions	Change during 2020 and outlook
External risks		
1. Macroeconomic (Residual risk assessment: In excess of risk appetite)		**Impact ↑ Probability ↑**
Our financial performance is directly impacted by the macroeconomic environment 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 volatility Major events such as the Covid-19 pandemic and the UK's exit from the EU create heightened macroeconomic and property market uncertainty, adversely impacting the Group's performance	– 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 outlook incorporated into annual Business Plan – Brexit assessment undertaken and ongoing monitoring of post agreement impact	Covid-19 has caused a severe economic shock across Europe. The pandemic has also resulted in significant increases in government borrowing, higher unemployment and business failure, with the retail and F&B sectors particularly badly affected. The elongated Brexit negotiations during 2020 also increased uncertainty until an agreement was reached in late December. The roll-out of vaccination programmes across Europe has provided optimism over future economic recovery in 2021. However, the recovery from the pandemic will take a number of years and any significant re-emergence of Covid-19 or new variants thereof could also result in the imposition of restrictions and further economic damage.
2. Retail market (Residual risk assessment: In excess of risk appetite)		**Impact ↑ Probability ↑**
We own and operate property in a rapidly evolving retail marketplace. Failure to anticipate and address structural changes in consumer and occupational markets, such as omnichannel retailing and digital technology, will impair future performance Retailer profitability, particularly in the UK, has been under significant pressure due to increased costs, such as business rates and employment costs, and the erosion of margins from channel shift. These challenges have been severely exacerbated by the lockdowns and restrictions associated with Covid-19 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 failures and shrinking store portfolios, causing an oversupply of physical retail space and falling rents	– Flagship destinations in the heart of major European cities – Premium outlets in affluent catchments with strong tourist appeal – Diverse mix of retail categories and tenants – Disposals to focus on key markets and provide capital for repurposing space away from challenged retail categories – Deep retailer insight and relationships – Dynamic, diverse and multi-skilled internal team – Digital innovation strategy to provide detailed consumer insight and communication with our shoppers – Ambitious Net Positive sustainability strategy	The onset of the pandemic has accelerated the structural changes associated with the shift from physical stores to online sales and shrinking store portfolios. Covid-19 restrictions, including the closure of non-essential retail, have caused severe financial stress for much of the retail market and caused record tenant failures in the UK. We have agreed rental concessions to support our tenants; however, the moratorium on evictions has meant a significant number of tenants have withheld lease payments with only 76% of 2020 rent currently collected. The uncertain trading environment has also impeded leasing, with leasing volumes 35% lower during 2020. The current lockdowns and vaccination programmes have had a positive impact on infection and transmission levels and should allow Covid-19 restrictions to be lifted from Spring. This will support the recovery of the retail market. However, the retail market recovery is likely to be slow with further tenant failures predicted. Over the longer term we expect brands to focus their store portfolios on prime, high footfall locations which can support omnichannel retailing and offer consumers a differentiated experience.

Risk and impact	Key mitigating factors/actions	Change during 2020 and outlook
3. Property investment (Residual risk assessment: In excess of risk appetite)		**Impact ↑ Probability ↑**
Retail property valuations continue to fall, adversely affecting the delivery of future strategic plans and the Group's financial position, particularly debt covenants (see Treasury risk) Opportunities to divest properties are missed, or are limited by market conditions, which reduces financial returns and adversely affects the Group's credit metrics and funding strategy Poor investment decisions involving acquisitions and disposals result in sub-optimal returns	– Diversified portfolio limits impact of downturn or liquidity squeeze in a single market – Board approval for all significant investment decisions with additional oversight from the Investment and Disposal Committee – Twice yearly external valuations with new roster of valuers introduced in 2020 – Business planning incorporates valuation forecasts with downside scenarios and stress tests	With the heightened retail market uncertainty in 2020, there have been few sizeable transactions in retail property investment markets across Europe during the year (see page 12). The weak investor demand and sentiment has resulted in the Group's properties falling in value by an average of 21% in 2020, which includes a reduction in UK flagship values of 36%. While the retail market remains fragile, we expect further downward pressure on property values until there is broader recovery from Covid-19 and as the rental outlook stabilises. We also expect demand to vary across the Group's portfolio during 2021, with stronger investor demand for French flagship assets and UK retail parks. Over the longer term we expect our strategy of rebasing rents to sustainable levels, repurposing space and optimising tenant mix will result in improved tenant and investor demand for our flagship venues. Disposals will also enable us to optimise our portfolio to generate improved returns.
4. Catastrophic event (Residual risk assessment: In excess of risk appetite)		**Impact ↑ Probability ↑**
Restrictions to contain pandemic disease, such as Covid-19, adversely impact our operations due to the closure of stores, reduced footfall and additional health and safety procedures Our operations, shopper safety, reputation or financial performance could be adversely affected by a major event such as a terrorist attack, flood, power shortage, civil unrest or pandemic disease The increasing reliance on and use of digital technology heighten the risks associated with IT and cyber security. Risks are continually evolving and we must design, implement and monitor effective controls to protect the Group from cyber attack or major IT failure	– Coronavirus operational changes enacted (see page 4) – Continuity plans at both corporate and individual property levels – Core crisis group for dealing with major incidents with regular training and mock incidents to test processes and procedures – Physical security measures implemented and regularly reviewed – 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	The Group's operations have been severely impacted by the Covid-19 pandemic. Our Core Crisis Group co-ordinated the Group's operational response to the pandemic, including managing communications with colleagues and brands and implementing enhanced health and safety procedures. This included managing the various lockdown restrictions which closed non-essential stores across the portfolio. Terrorism, social unrest and cyber security all remain a threat. Health, safety and security training was completed by all UK staff during the year and the IT team implemented a number of cyber security improvements. While non-essential retail was again closed at the majority of our venues at the beginning of 2021, Covid-19 restrictions are due to begin being lifted shortly. This will enable our destinations to recover as workers and shoppers return to city centres and brands focus their store portfolios toward high-footfall flagships venues.

Risk and impact	Key mitigating factors/actions	Change during 2020 and outlook
5. Tax and regulatory (Residual risk assessment: Medium)		**Impact ↓ Probability ↓**
Governments have borrowed heavily to provide financial support during the Covid-19 pandemic. This debt will need to be repaid through increased taxes which could hinder future recovery The real estate and physical retail sectors have suffered rising costs over recent years through higher business rates, living wage, stamp duty etc. These adversely impact the profitability of our tenants and the Group's financial performance There is an increasing burden from compliance and regulatory requirements which can impede operational and financial performance The UK's exit from the EU creates uncertainty over the future tax and regulatory environment	– Maintenance of the Group's low-risk tax status – Regular meetings with key officials, including from HMRC and government – Regular tax compliance reviews and audits – Advance planning for future regulatory and tax changes – Participation in policy consultations and in industry-led dialogue with policy makers through bodies such as REVO, BPF, EPRA – Brexit assessment undertaken with ongoing monitoring of future regulation changes	In 2020, the tax and regulatory regimes under which the Group operates remained largely unchanged. However, uncertainty levels did reduce following the UK's trade agreement with the EU in December. Governments have provided retail with various types of support during the pandemic, including employment subsidies, provision of loans, tax relief and protection from eviction. Despite lobbying, property owners have had significantly less support resulting in a severe adverse financial impact. It is vital that governments continue to support the economic recovery from Covid-19 and act fairly and thoughtfully when raising future taxes to reduce the increased debt burdens. We support the growing demands for a reform of the UK business rates regime to more fairly reflect the reality of modern omnichannel retailing.
6. Climate (Residual risk assessment: Low)		**Impact ↑ Probability ↑**
Physical climate risk – impact of extreme weather events and other physical manifestations of climate change on our assets Transitional climate risk – impact of climate-change focused corporate and public policies on our operations Reputational risk – Failure to establish and communicate a strategy that properly addresses ESG risk including the setting and meeting of appropriate targets could adversely impact the Group's reputation, financial performance and investor demand Compliance risk – Emerging environmental regulations and legislation, including local climate-related initiatives, will increase reporting and compliance requirements and potential for non-compliance if not effectively managed	– Physical risk review completed and exposure identified as low. Mitigation and management measures within business plans – Transitional risks addressed within our sustainability strategy and will be the subject of climate scenario work in 2021. Senior management and Board provided with TCFD training – Experienced sustainability team designs and implements our ESG strategy in collaboration with the wider business – Established ESG governance structure from asset to Board level, monitors key sustainability metrics, including performance and management of climate-related legislative and regulatory risk – Dedicated Sustainability Report produced to communicate ESG performance with external assurance of environmental reporting – Regular engagement with investors on ESG – Strong industry-wide engagement on ESG	2020 has seen significant increase in focus on climate risk and rising ESG expectations from investors. Our long term sustainability strategy positions us well to respond to this and our 2020 sustainability performance is explained on page 11. Climate-related risks continue to attract increasing external attention and this is expected to continue. National Carbon Budgets have been set that focus attention on the need for real assets to reduce carbon emissions significantly within the next ten years, as do investors' Net Zero Carbon portfolio targets. We are reviewing the implications for our assets. We have plans in place to enable us to operate on a Net Positive basis for our scope 1 and 2 carbon emissions. Our Net Positive strategy will ensure we maintain the focus on material ESG matters from both an operational and a corporate perspective.

Operational risks		
Risk and impact	Key mitigating factors/actions	Change during 2020 and outlook
7. Treasury (Residual risk assessment: In excess of risk appetite)		Impact ↑ Probability ↑
Reductions in valuations or income could result in a breach of debt covenants, relating to both secured and unsecured borrowings Due to the adverse impact of Covid-19, temporary covenant waivers or amendments are required to avoid breaching covenants Poor treasury planning or external factors, including failures in the banking market, ratings agency downgrades, or lack of access to capital on attractive terms, leads to the Group having insufficient liquidity to enable the delivery of our strategy objectives Major fluctuations in sterling or euro exchange rates, or a significant increase in interest rates, could result in financial losses	– Annual Business Plan includes a financing plan, scenario modelling and covenant stress tests – Proactive treasury planning to monitor covenant levels forecasts; where necessary, negotiate waivers and amendments; and ensure adequate liquidity is maintained relative to debt maturities – Board approves and monitors key financing guidelines and metrics and all major investment approvals supported by a financing plan – Interest rate and currency hedging programmes used to mitigate market volatility	The severe impact from Covid-19, particularly on the occupational and investment retail markets, caused a significant weakening of the Group's financial position. The rights issue and VIA disposal, which raised net proceeds of £804 million, strengthened the Group's position and key credit metrics and covenant headroom, at 31 December 2020, are disclosed on page 23. Due to lower collections and valuations, short-term covenant relaxation was arranged for the unencumbered asset ratio covenant in the Group's private placement notes and for a number of the secured debt facilities in joint ventures and Value Retail. As explained in the "Property investment" principal risk above, retail property valuations are forecast to fall until there is a sustained economic and market recovery. This will reduce covenant headroom and increase the risk of a credit rating downgrade. We are targeting near term disposals to protect and strengthen the balance sheet and support refinancing of maturing debt. Discussions are also ongoing in relation to secured debt facilities to avoid covenant breaches and we expect these to be satisfactorily concluded. However, the outcome of these discussions is not certain and, given the continued challenges caused by Covid-19 to future income and valuations, these represent a material uncertainty in the Group's going concern assessment.
8. Property development (Residual risk assessment: Medium)		Impact ↑ Probability ↑
Property development is inherently risky due to its complexity and uncertain outcomes over the life of a project. Unsuccessful projects result in adverse financial and reputational outcomes Major schemes have long delivery times with multiple milestones, including planning and leasing 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 and are challenging to amend or stop once onsite	– Expertise and track record of developing iconic destinations – Group capital commitments at 31 December 2020 of £95 million (2019: £104 million) – Development plans and exposure included in annual business planning process – Board approves all major commitments and performs formal development reviews twice-yearly – Clear project ownership, resourcing plans and risk registers – Projects typically use fixed price contracts and appraisals contain appropriate contingencies – Group's land holdings provide flexible future delivery options and require limited near term expenditure to progress	The Group's development exposure is low with only two onsite projects. However, the pandemic delayed both schemes and resulting in revised delivery timescales and financial forecasts. See page 8 for further details. For the Group's longer term schemes, planning consents were secured on Martineau Galleries and The Goodsyard. Risk levels are forecast to reduce when the two Paris schemes complete over the next 12 months. However, further leasing is required ahead of these dates to deliver the forecast income and financial returns. Expenditure on longer term projects will be tightly controlled until the Group's financial position is strengthened through disposals and certainty over project viability improves. However, limited expenditure is required to progress these schemes to enhance value and provide flexible delivery options.

Risk and impact	Key mitigating factors/actions	Change during 2020 and outlook
9. People (Residual risk assessment: Low/medium)		Impact ↔ Probability ↔
A failure to retain or recruit key management and other employees to provide diverse and skilled teams could adversely impact operational and corporate performance Weaker financial performance and market uncertainty adversely impact employee morale, retention and external recruitment The Group's organisational structure may hinder the achievement of strategic objectives, particularly in times of significant activity	– Annual Business Plan includes human resources plan covering team structures, training and talent management initiatives – Succession planning undertaken across the senior management team and direct reports – Board approval required for significant people-related changes – Training and development programmes and twice-yearly formal colleague appraisal process – Annual 'Great Place to Work' survey to record engagement and capture colleague feedback – Internal diversity and inclusion programme increases awareness and fosters engagement – Group Employee Forum established to enable formal Board engagement with feedback incorporated in management plans	Covid-19 has placed enormous pressure on our people and a number of steps were taken to enhance internal communication and support the well-being of all colleagues as explained on page 10. There were also a number of senior management changes during 2020, with a new Chair of the Board, Chief Executive and Chief Operating Officer and detailed induction programmes were undertaken. Against this backdrop, the Group's voluntary employee turnover has remained stable and the engagement score in the recent 'Great Places to Work' survey improved. Following the changes in senior management, an organisational review is underway to transform the Group's teams, operational activities and systems to improve the delivery of the Group's strategic objectives.
10. Partnership (Residual risk assessment: Medium/High)		Impact ↑ Probability ↑
A significant proportion of the Group's properties are held in conjunction with third parties. These structures limit the Group's control and can reduce liquidity Operational effectiveness and financing strategies may also be adversely impacted if partners are not strategically aligned A number of joint ventures and Value Retail contain secured debt facilities which due to the impact of Covid-19 on collections and valuation have required temporary covenant waivers Our Value Retail investment is externally managed and this reduces control and transparency over performance and governance. The interests also contain transaction pre-emption rights in favour of the Group and other investors and limit the liquidity and investor appetite for this investment	– Track record of working effectively with diverse range of partners – Agreements provide liquidity for partners while protecting the Group's interests – Annual joint venture business plans ensure operational and strategic alignment – Proactive covenant monitoring and negotiations with secured lenders to manage covenant stress and breaches – The Group operates significant influence through governance rights and Board representation for its Value Retail investments – Value Retail subject to local external audit and valuations, with oversight by the Audit Committee and the Group's external auditor	At 31 December 2020, 69% (2019: 72%) of the Group's portfolio, including premium outlets, is held with third parties. The weighting fell slightly in 2020 following the sale of substantially all of the Group's 50% interest in VIA Outlets. We are targeting near term disposals, these may include properties held by joint ventures and associates which would simplify the Group's structure. A disposal of the Group's interests in Value Retail would be a major transaction and significantly strengthen the balance sheet. However, its complex structure and lack of control rights are likely to adversely affect both pricing and liquidity. Future partnership risk is also dependent on the ability to satisfactorily conclude the ongoing secured debt facilities discussions described in the Treasury risk.

Directors’ responsibilities in respect of the preparation of the financial statements

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the Group financial statements in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006, and Company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 ‘Reduced Disclosure Framework’, and applicable law). Additionally, the Financial Conduct Authority’s Disclosure Guidance and Transparency Rules require the Directors to prepare the Group financial statements in accordance with international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union (IFRS adopted by the European Union as at 31 December 2020). Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Company and of the profit or loss of the Group and Company for that period. In preparing the financial statements, the Directors are required to:

- Select suitable accounting policies and then apply them consistently
- State whether international accounting standards in conformity with the requirements of the Companies Act 2006 and international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union (IFRS adopted by the European Union as at 31 December 2020) have been followed for the Group financial statements, and United Kingdom Accounting Standards, comprising FRS 101, have been followed for the Company financial statements, subject to any material departures disclosed and explained in the financial statements
- Make judgements and accounting estimates that are reasonable and prudent
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and Company will continue in business

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

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

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

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

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

- The Company financial statements, which have been prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 ‘Reduced Disclosure Framework’, and applicable law), give a true and fair view of the assets, liabilities, financial position and loss of the Company
- The Group financial statements, which have been prepared in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006 and International Financial Reporting Standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union, give a true and fair view of the assets, liabilities, financial position and loss of the Group
- The Strategic report includes a fair review of the development and performance of the business and the position of the Group and Company, together with a description of the principal risks and uncertainties that they face

In the case of each Director in office at the date the Directors’ report is approved:

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

By order of the Board

Rita-Rose Gagné
Chief Executive

James Lenton
Chief Financial Officer

11 March 2021

Consolidated income statement
for the year ended 31 December 2020

	Notes	2020 £m	2019[1] £m
Revenue	4	182.9	246.2
Operating profit before other net losses and share of results of joint ventures and associates[2,3]	2	31.2	111.0
Profit/(Loss) on sale of properties		11.6	(105.8)
Net exchange gain previously recognised in equity, recycled on disposal of foreign operations		5.2	13.8
Revaluation losses on properties		(493.5)	(412.2)
Impairment relating to assets held for sale: VIA Outlets[4]		(103.8)	–
Impairment recognised on reclassification to assets held for sale: Retail parks		–	(91.6)
Reversal of impairment on reclassification from assets held for sale: Retail parks		22.4	–
Other losses[5]		(0.4)	–
Other net losses	2	(558.5)	(595.8)
Share of results of joint ventures	10A	(882.7)	(429.1)
Impairment of investment in joint ventures	10D	(9.6)	–
Share of results of associates	11A	(148.3)	209.4
Impairment of investment in associates	11E	(94.3)	–
Operating loss	2	(1,662.2)	(704.5)
Finance costs		(95.5)	(102.5)
Change in fair value of derivatives		13.7	6.2
Finance income		9.6	21.5
Net finance costs	5	(72.2)	(74.8)
Loss before tax		(1,734.4)	(779.3)
Tax charge	6A	(0.5)	(1.9)
Loss for the year		(1,734.9)	(781.2)
Attributable to:			
Equity shareholders		(1,734.8)	(781.2)
Non-controlling interests		(0.1)	–
Loss for the year		(1,734.9)	(781.2)
Basic loss per share[6]	8B	(76.9)p	(46.6)p
Diluted loss for share[6]	8B	(76.9)p	(46.6)p

[1] Retail parks 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 2020 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 loss allowance provision charge against trade receivables totalling £25.2 million, comprising £21.3 million in relation to income recognised up to 31 December 2020 (included in other property outgoings in note 2) and £3.9 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 which all related to income for the year. Refer to note 1D for further details.

[3] Included within 'Operating profit before other net losses and share of results of joint ventures and associates' is a £9.5 million provision for impairment of lease incentives (2019: £nil). Refer to note 1D for further details.

[4] The Group reclassified substantially all of its investment in VIA Outlets to assets held for sale on 30 June 2020, recognising an impairment loss of £103.8 million. This investment was subsequently sold on 31 October 2020 for net proceeds of £270.7 million. Refer to note 15A for further details.

[5] Other losses comprise £0.3 million relating to indirect costs of the rights issue and £0.1 million change in fair value of other investments.

[6] The 2019 comparative per share data has been restated in accordance with IAS 33 following the share consolidation and rights issue in September 2020. Refer to note 8D for further details.

Consolidated statement of comprehensive income
for the year ended 31 December 2020

	2020 £m	2019 £m
Items recycled through the consolidated income statement on disposal of foreign operations		
Exchange gain previously recognised in the translation reserve	(26.0)	(69.1)
Exchange loss previously recognised in the net investment hedge reserve	20.8	55.3
Net exchange gain relating to equity shareholders*	(5.2)	(13.8)
Items that may subsequently be recycled through the consolidated income statement		
Foreign exchange translation differences	171.1	(204.4)
(Loss)/Gain on net investment hedge	(109.2)	138.6
Net gain on cash flow hedge	4.8	6.8
Share of other comprehensive loss of associates	(1.0)	(4.0)
	65.7	(63.0)
Items that may not subsequently be recycled through the consolidated income statement		
Net actuarial losses on pension schemes	(12.8)	(1.5)
Total other comprehensive income/(loss)	47.7	(78.3)
Loss for the year	(1,734.9)	(781.2)
Total comprehensive loss for the year	(1,687.2)	(859.5)
Attributable to:		
Equity shareholders	(1,687.1)	(859.4)
Non-controlling interests	(0.1)	(0.1)
Total comprehensive loss for the year	(1,687.2)	(859.5)

* Relates to the sale of substantially all of the Group's investment in VIA Outlets in 2020 and a 75% interest in Italie Deux, Paris in 2019.

Consolidated balance sheet

for the year ended 31 December 2020

		2020	2019
	Notes	£m	£m
Non-current assets			
Investment and development properties	9	2,152.8	2,098.7
Interests in leasehold properties		38.6	34.3
Right-of-use assets		6.7	10.1
Plant and equipment		2.3	3.2
Investment in joint ventures	10A	1,813.6	3,017.1
Investment in associates	11C	1,298.4	1,504.5
Other investments	15A	9.7	–
Derivative financial instruments	18A	6.6	31.6
Restricted monetary assets	13	21.4	–
Receivables		3.4	3.4
		5,353.5	6,702.9
Current assets			
Receivables	12	105.9	96.3
Derivative financial instruments	18A	9.1	0.8
Restricted monetary assets	13	28.3	21.5
Cash and deposits	14	409.5	28.2
		552.8	146.8
Assets held for sale	15C	–	465.7
		552.8	612.5
Total assets		5,906.3	7,315.4
Current liabilities			
Loans	17	(115.0)	–
Payables	16	(205.0)	(193.5)
Tax		(1.3)	(1.5)
Derivative financial instruments	18A	(2.3)	(4.1)
		(323.6)	(199.1)
Liabilities associated with assets held for sale	15C	–	(19.7)
		(323.6)	(218.8)
Non-current liabilities			
Loans	17	(2,143.7)	(2,504.9)
Deferred tax		(0.4)	(0.4)
Derivative financial instruments	18A	(84.7)	(70.7)
Obligations under head leases		(41.8)	(36.9)
Payables	19	(103.2)	(106.5)
		(2,373.8)	(2,719.4)
Total liabilities		(2,697.4)	(2,938.2)
Net assets		3,208.9	4,377.2
Equity			
Share capital	20	202.9	191.6
Share premium		1,611.9	1,266.0
Translation reserve		666.0	520.9
Net investment hedge reserve		(519.2)	(430.8)
Cash flow hedge reserve		3.4	(1.4)
Merger reserve		374.1	374.1
Other reserves		207.1	25.6
Retained earnings		663.0	2,433.2
Investment in own shares		(0.4)	(2.2)
Equity shareholders' funds		3,208.8	4,377.0
Non-controlling interests	24	0.1	0.2
Total equity		3,208.9	4,377.2
EPRA net tangible assets value per share	8E	£0.82	£1.16*

* Restated as a result of the rights issue. For more information refer to note 8F.

These financial statements were approved by the Board of Directors on 11 March 2021. Signed on behalf of the Board:

Rita-Rose Gagné
Director

James Lenton
Director

Registered in England No. 360632

Consolidated statement of changes in equity

for the year ended 31 December 2020

	Share capital £m	Share premium £m	Translation reserve £m	Net investment hedge reserve £m	Cash flow hedge reserve £m	Merger reserve £m	Other reserves[3] £m	Retained earnings £m	Investment in own shares[4] £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**
Capital reorganisation[1]	(183.9)	–	–	–	–	–	183.9	–	–	–	–	–
Rights issue[1]	183.9	372.7	–	–	–	–	–	–	–	556.6	–	556.6
Rights issue expenses[2]	–	(26.8)	–	–	–	–	–	–	–	(26.8)	–	(26.8)
Share-based employee remuneration	–	–	–	–	–	–	2.2	–	–	2.2	–	2.2
Cost of shares awarded to employees	–	–	–	–	–	–	(2.0)	–	2.0	–	–	–
Transfer on award of own shares to employees	–	–	–	–	–	–	(2.6)	2.6	–	–	–	–
Proceeds on award of own shares to employees	–	–	–	–	–	–	–	0.2	–	0.2	–	0.2
Purchase of own shares	–	–	–	–	–	–	–	–	(0.2)	(0.2)	–	(0.2)
Dividends (note 7)	–	–	–	–	–	–	–	(71.5)	–	(71.5)	–	(71.5)
Scrip dividend related share issue (note 7)	11.3	–	–	–	–	–	–	47.1	–	58.4	–	58.4
Exchange (gain)/loss previously recognised in equity recycled on disposal of foreign operations	–	–	(26.0)	20.8	–	–	–	–	–	(5.2)	–	(5.2)
Foreign exchange translation differences	–	–	171.1	–	–	–	–	–	–	171.1	–	171.1
Loss on net investment hedge	–	–	–	(109.2)	–	–	–	–	–	(109.2)	–	(109.2)
Loss on cash flow hedge	–	–	–	–	(3.4)	–	–	–	–	(3.4)	–	(3.4)
Loss on cash flow hedge recycled to net finance costs	–	–	–	–	8.2	–	–	–	–	8.2	–	8.2
Share of other comprehensive loss of associates (note 11E)	–	–	–	–	–	–	–	(1.0)	–	(1.0)	–	(1.0)
Net actuarial losses on pension schemes	–	–	–	–	–	–	–	(12.8)	–	(12.8)	–	(12.8)
Loss for the year	–	–	–	–	–	–	–	(1,734.8)	–	(1,734.8)	(0.1)	(1,734.9)
Total comprehensive income/(loss) for the year	–	–	145.1	(88.4)	4.8	–	–	(1,748.6)	–	(1,687.1)	(0.1)	(1,687.2)
Balance at 31 December 2020	**202.9**	**1,611.9**	**666.0**	**(519.2)**	**3.4**	**374.1**	**207.1**	**663.0**	**(0.4)**	**3,208.8**	**0.1**	**3,208.9**

1. During the year the Company completed a capital reorganisation and rights issue. For further information see note 20.
2. Only costs directly related to the rights issue have been recognised in the share premium account. A further £0.3 million of indirect costs have been recognised in the consolidated income statement.
3. Other reserves comprise capital redemption reserves of £198.2 million (2019: £14.3 million) and share-based employee remuneration reserves of £8.9 million (2019: £11.3 million). Capital redemption reserves comprise £14.3 million (2019: £14.3 million) relating to share buybacks and £183.9 million (2019: £nil) resulting from the cancellation of the Company's shares as part of the reorganisation of share capital in 2020. See note 20 for further details.
4. Investment in own shares is stated at cost.

	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 comprise a capital redemption reserve of £14.3 million (2018: £14.3 million) relating to share buybacks and £11.3 million (2018: £12.9 million) relating to share-based employee remuneration.

[2] Investment in own shares is stated at cost.

Consolidated cash flow statement

for the year ended 31 December 2020

	Notes	2020 £m	2019 £m
Operating activities			
Operating profit before other net losses and share of results of joint ventures and associates	2	31.2	111.0
Increase in receivables		(44.9)	(0.1)
Increase in restricted monetary assets		(25.2)	(0.2)
Decrease in payables[1]		(17.5)	(8.3)
Adjustment for non-cash items[2]	22	41.4	8.9
Cash (incurred)/generated from operations		(15.0)	111.3
Interest received		19.6	21.4
Interest paid		(101.8)	(102.9)
Tax paid		(0.8)	(1.9)
Distributions and other income from joint ventures		15.6	139.2
Cash flows from operating activities		(82.4)	167.1
Investing activities			
Property acquisitions		(0.2)	(0.7)
Developments and major refurbishments		(49.6)	(40.2)
Other capital expenditure		(18.5)	(39.7)
Sale of properties		56.4	536.1
Sale of investment in VIA Outlets	1C	272.0	–
Advances to joint ventures	10D	(13.1)	(29.1)
Acquisition of interest in joint venture		–	(29.0)
Acquisition of interest in associates		–	(1.3)
Distributions received from associates		6.1	30.5
Cash flows from investing activities		253.1	426.6
Financing activities			
Proceeds from rights issue		556.6	–
Rights issue expenses		(24.9)	–
Proceeds from award of own shares		0.2	0.2
Purchase of own shares		(0.2)	(1.8)
Share buyback		–	(1.5)
Proceeds from new borrowings		75.0	48.2
Repayment of borrowings		(385.8)	(439.9)
Net decrease in borrowings	21	(310.8)	(391.7)
Equity dividends paid	7	(13.4)	(198.9)
Cash flows from financing activities		207.5	(593.7)
Net increase in cash and deposits		378.2	–
Opening cash and deposits		28.2	31.2
Cash and deposits reclassified from assets held for sale		1.6	–
Exchange translation movement		1.5	(1.4)
Closing cash and deposits		409.5	29.8
Less: cash and deposits classified as held for sale		–	(1.6)
Closing cash and deposits as stated on balance sheet[3]	14	409.5	28.2

1. £24.4 million (2019: £4.7 million) of the decrease in payables related to employer contributions and net benefits paid relating to the pension scheme.
2. In 2020 the adjustment for non-cash items has increased due to additional loss allowance provisioning against trade receivables and impairment provisions recognised against lease incentives, totalling £34.7 million (2019: £1.4 million).
3. An analysis of the movement in net debt is provided in Table 19 to the Additional disclosures on page 84.

1: Significant accounting policies

A. Statement of compliance

The financial information contained in this announcement has been prepared on the basis of the accounting policies set out in the financial statements for the year ended 31 December 2020. Whilst the financial information included in this announcement has been computed in accordance with both international accounting standards in conformity with the requirements of the Companies Act 2006 and International Financial Reporting Standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union, (IFRS adopted by the European Union as at 31 December 2020), as well as SAICA Financial Reporting Guides as issued by the Accounting Practices committee.

This announcement does not itself contain sufficient information to comply with IFRS. The financial information does not constitute the Company's financial statements for the years ended 31 December 2020 or 2019, but is derived from those financial statements. Those financial statements give a true and fair view of the assets, liabilities, financial position and profit and loss of the Company and the undertakings included in the consolidation taken as a whole. Financial statements for 2019 have been delivered to the Registrar of Companies and those for 2020 will be delivered following the Company's Annual General Meeting. The auditors' reports on both the 2020 and 2019 financial statements were unqualified. The auditors' report for the year ended 31 December 2020 included an emphasis of matter in relation to the going concern material uncertainty as detailed in note 1E on page 45. The auditors' report did not contain statements under s498(2) or (3) of the Companies Act 2006 or preceding legislation in the current or prior year.

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

The following new and revised Standards and Interpretations have been issued:

Issued, and effective:

- Definition of Material – amendments to IAS 1 and IAS 8
- Definition of a Business – amendments to IFRS 3
- Interest Rate Benchmark Reform – amendments to IFRS 9, IAS 39 and IFRS 7
- Revised Conceptual Framework for Financial Reporting

None of the above standards has had a material impact on the Group's financial statements for the year ended 31 December 2020.

The Group also elected to adopt the following amendments early, although there is no material impact as this only applies to lessees:

- Covid-19-Related Rent Concessions – amendments to IFRS 16

B. Basis of preparation

The accounting policies adopted in the financial statements for the year ended 31 December 2020 have been applied consistently year on year. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period. If the revision affects both current and future periods, the change is recognised over those periods.

The methods of computation of the results have been applied consistently with the following exceptions:

- The inclusion of two additional line items relating to provisioning within note 2 as detailed in "Impairment provisioning" below;
- The restatement of comparative earnings per share and NAV per share to adjust for the impact of the rights issue in the year as detailed in note 8, to enable meaningful comparison year on year;
- The restatement to the new EPRA net asset value metrics, effective from 1 January 2020, for 2019 to enable meaningful comparison year on year; and
- Re-presentation of the retail parks as continuing operations as detailed in note 1C.

Impairment provisioning

As detailed in Risks and uncertainties section on page 27, the Group is operating in an environment of heightened uncertainty caused by Covid-19 and consequently additional scrutiny and judgement is required in assessing revenue recognition and the potential impairment of financial assets.

For the year ended 31 December 2020, the Group has applied the simplified approach under IFRS 9 and adopted a loss allowance 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 ECL model and was IFRS 9 compliant. However, the current uncertain operating environment has meant this approach is no longer valid given the increased risk profile. This does not constitute a change in accounting policy nor a change in estimate, but is a revision to methodology to incorporate recent market developments.

As a result of the current environment, two additional sources of impairment loss have been recognised within the consolidated income statement for the year ended 31 December 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, included within other property outgoings. 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 trade 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 25 December 2020. This cost is not deemed to be a direct property operating expense, as it is not attributable to income recognised in the financial period and has therefore been excluded from property outgoings as defined in the Glossary on page 90, but included as a separate line item within net rental income in note 2: Loss for the year on page 48. Bad debt expense relating to amounts recognised in the income statement in the period will continue to be recorded within other property outgoings.

Analysis of the application of the provisioning matrix is provided in note 1D on page 43, together with an allocation of the loss allowance 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 year ended 31 December 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 believes this distorts earnings by reflecting the cost and corresponding income 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 believes the treatment adopted 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.

Under IFRS 5, equity accounting ceases from the date of reclassification of investments in associates and joint ventures to assets held for sale. For the year ended 31 December 2020 and subsequent reporting periods, the adjusted earnings from investments in joint ventures and associates from the date of reclassification to assets held for sale up to the completion date will be included within the Group's adjusted earnings metric. Management believes this provides more relevant and useful information to users of the financial statements by incorporating all of the adjusted earnings to which the Group is entitled and is consistent with the income from investments in joint ventures and associates which are sold without first being reclassified to assets held for sale. Supporting calculations are provided in note 15B to the financial statements.

C. Significant judgements

The preparation of the financial statements requires management to exercise judgement in applying the Group's accounting policies and may affect the reported amounts of assets, liabilities, income and expenses. These judgements are considered each year by the Audit Committee.

Accounting for assets held for sale, previously recognised as 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 UK 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 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 £91.6 million impairment loss (£92.0 million on a proportionally consolidated basis) 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. The Group subsequently terminated the Sale and Purchase Agreement in May 2020, retaining the £21.0 million non-refundable deposit held by solicitors on exchange, which has been recognised within "profit on sale of properties" in the year as detailed in note 2.

Consequently, in May 2020, management concluded that whilst the Group remained committed to near-term disposals, this no longer met 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 was reclassified from assets held for sale in May 2020, and £22.4 million of the aforementioned £91.6 million impairment was 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 £69.2 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. From May 2020 the retail park portfolio has been treated as a continuing operation in the consolidated income statement, and as part of investment and development properties in the balance sheet.

Accounting for the sale of substantially all of the Group’s investment in VIA Outlets and retained interest in Zweibrücken

In June 2020, the Group entered into negotiations for the sale of substantially all of its investment in VIA Outlets (VIA), 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 identified for disposal met the IFRS 5 criteria for ‘held for sale’ at 30 June 2020 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. 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 £376.3 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 was based upon the transaction price, which is in turn linked to the net asset value of VIA, and resulted in a £103.8 million impairment loss being recognised in the year ended 31 December 2020. Movements in the fair value of the Group’s investment in VIA since initial reclassification include changes to retained earnings and foreign exchange from 1 July 2020 to completion on 31 October, specific price adjustments as agreed in the sale contract, and amendments to selling costs.

Following reclassification to assets held for sale equity accounting ceased and consequently, the Group’s share of results from VIA Outlets from 1 July 2020 to 31 October 2020 have been included within the movement in impairment, as these drive the underlying net asset value of the investment and therefore the transaction price and fair value.

The investment in VIA Outlets has not been treated as discontinued operations in either the current or prior period as this investment 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, was reclassified from investments in joint ventures to other investments when the sale of the majority stake in VIA completed on 31 October 2020, as the Group no longer exercises joint control or significant influence over this investment. The transfer to other investments was recognised at its fair value on 31 October 2020 of £9.8 million, based on the Group’s retained 7.3% share of the underlying net assets of VIA Outlets Zweibrücken B.V., and subsequent changes in fair value have been recognised through the profit and loss account, resulting in a £0.1 million change in fair value of other investments being recognised in the year as detailed in note 2.

D. Significant estimates

Property valuations

The property portfolio is valued six-monthly by external valuers in accordance with RICS Valuation – Global Standards.

Valuation backdrop

The valuation of the Group's properties, which are carried in the consolidated balance sheet at fair value, is the most material area of estimation due to its inherent subjectivity, reliance on assumptions and sensitivity to market fluctuations. The outbreak of Covid-19 has impacted many aspects of the global economy, with some real estate markets, particularly the retail sector, having experienced lower levels of transaction activity and liquidity. Travel restrictions have been implemented by most countries and "lockdowns" applied to varying degrees resulting in restrictions to trading hours or closures. Local and national lockdowns may continue to be deployed as necessary across the Group's locations and the emergence of significant further outbreaks is possible. The pandemic and measures taken to tackle Covid-19 continue to affect economies and real estate markets globally, impacting both the investment and occupier markets. Furthermore, the longer-term impacts of Britain's exit from the EU on 31 January 2020 and the subsequent conclusion of the trade deal in December 2020 are as yet unknown.

The valuation of the portfolio is further complicated by both a lack of transactional evidence to support yields, and a lack of rental evidence to support estimated rental values (ERVs), compared to prior years. Consequently, valuers are faced with an unprecedented set of circumstances on which to base their assumptions and significantly greater estimation uncertainty. Key areas of judgement highlighted in the valuation reports included estimation of ERVs based on limited data points, the consideration of appropriate levels of void costs and rent-free periods, the impact of non-payment of rent as a consequence of Covid-19 and the basis of yield assumptions given the lack of relevant transactions of scale.

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 LLP (C&W), CBRE Limited (CBRE) and Jones Lang LaSalle Limited (JLL). At 30 June 2020, all three valuers stated that it had 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 reported the valuation of the property portfolio at 30 June 2020 on the basis of 'material valuation uncertainty' as per VPS3 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.

At 31 December 2020, C&W have stated that in respect of £860.5 million of the Irish property portfolio only, the valuations remain subject to 'material valuation uncertainty' as set out in VPS 3 and VPGA 10 of the RICS Valuation – Global Standards and a higher degree of caution should therefore be attached to these valuations than would normally be the case. It should be noted that this does not mean that these valuations cannot be relied upon, but is intended to ensure transparency and to provide further insight as to the market context under which the valuation opinion was prepared, recognising the potential for market conditions to move rapidly in response to changes in the control or future spread of Covid-19, and the uncertain impact of the Brexit agreement. There is therefore a higher likelihood that the assumptions upon which the external valuers have based their valuations may prove to be inaccurate. Consequently, there is a wider acceptable range for the Irish valuations as at 31 December 2020, and therefore the inputs to the sensitivity analysis on page 43 have been widened, relative to the rest of the portfolio, to reflect a 150 basis point yield movement and a 15% change in ERVs. C&W have, however, highlighted that on 18 January 2021, the Society of Chartered Surveyors Ireland made a recommendation that the material valuation uncertainty clause may no longer be appropriate for inclusion in valuation reports relating to retail property and that whilst the material valuation uncertainty clause remains in place at 31 December 2020, it would not be in place for valuation dates after 18 January 2021.

A material valuation uncertainty clause was not included in the valuation reports for the remainder of the property portfolio at 31 December 2020. The approach across countries differs due to the Irish market being smaller and therefore taking longer for clarity on sentiment to emerge.

Valuation methodology

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 ERV 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. Where comparable evidence of yield movement is lacking, valuers are reliant on sentiment or the movement of less comparable assets. At 31 December 2020, the valuers have also incorporated a number of changes across all assets to reflect the impact of Covid-19, including deductions to rent of up to six months for non-essential retailers, reduced income due to vacancy and a widening of yields to reflect the greater risk of tenant 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, local taxes 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 development, together with a further allowance for remaining risk and developers' profit. Properties held for future development are valued using the highest and best use method, by adopting the higher of the residual method of valuation allowing for all associated risks, and the investment method of valuation for the existing asset.

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

Inputs to the valuations, some of which are 'unobservable' as defined by IFRS 13, include capitalisation yields (nominal equivalent yield) and market rental income (ERV). These inputs to the valuations are analysed by segment in the rental and valuation data tables on pages 75 and 79 and the valuation change analysis in the Property portfolio review on page 14. All other factors remaining constant, an increase in rental income would increase valuations, whilst increases in capitalisation yields and discount rates would result in a fall in values and vice versa. However, there are interrelationships between unobservable inputs as they are determined by market conditions. The existence of an increase of more than one unobservable input would augment the impact on valuation. The impact on the valuation would be mitigated by the interrelationship between unobservable inputs moving in opposite directions. For example, an increase in rents may be offset by an increase in yield, resulting in no net impact on the valuation.

The Directors have satisfied themselves that the valuation process is sufficiently rigorous and supports the carrying value of the Group's properties in the financial statements.

A sensitivity analysis showing the impact on valuations of changes in yields and market rental income is detailed in the table below.

		Impact on valuation of change in nominal equivalent yield			Impact on valuation of change in ERV		
Key unobservable inputs sensitivity analysis – 31 December 2020	Investment properties valuation £m	Yield change bp	Decrease £m	Increase £m	ERV change %	Increase £m	Decrease £m
UK flagships	1,511	100	241	(183)	10	151	(151)
France flagships	1,147	100	295	(195)	10	115	(115)
Ireland flagships	757	150	325	(175)	15	114	(114)
UK retail parks	384	100	52	(41)	10	38	(38)
UK other	106	100	13	(10)	10	11	(11)
Premium outlets (Value Retail)	1,924	100	318	(221)	10	52	(52)
Total Group (excluding developments)	**5,829**		**1,244**	**(825)**		**481**	**(481)**

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 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.

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, at 30 June 2020, management concluded it was no longer appropriate to maintain a carrying value in excess of the underlying net assets of the investee. The recoverable amount was determined by reference to the value in use of the underlying investment, the future cash flows of both investments having been captured by the formal property valuations. Consequently, the investments in VIA Outlets and Value Retail were impaired by £9.6 million and £94.3 million respectively in 2020 (2019: £nil), equivalent to the notional goodwill, as detailed in notes 10D and 11E. At 31 December 2020, management has reassessed the carrying value of its investment in Value Retail by reference to the value in use, and concluded that this impairment is still appropriate. No further impairment has been necessary as the underlying properties are carried at fair value.

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

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.

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, ageing, and the anticipated impact of Covid-19, and applying an appropriate provision percentage after taking account of VAT, rent deposits and personal or corporate guarantees held. Where information is available to suggest that a higher level of provisioning is required due to tenant failure or restructuring, a loss allowance provision is made against 100% of the trade receivable or tenant incentive.

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 £170.3 million at 31 December 2020 on a proportionally consolidated basis, excluding premium outlets.

On a proportionally consolidated basis, after taking account of tenant deposits, guarantees and VAT, all of which are fully recoverable, a total loss allowance of £79.8 million was recognised at 31 December 2020, compared to £16.9 million at 31 December 2019, equivalent to a 64% provision against net receivables. On a Reported Group basis, a total loss allowance of £35.8 million was recognised, representing 62% of net receivables.

The table below analyses the total loss allowance by region against the respective trade receivable balances, allocating the provision between amounts recognised before 31 December 2020 and those for which the corresponding credit to the consolidated income statement has yet to be recognised. On a proportionally consolidated basis, a 10 percentage point increase in the loss allowance rate, to 74%, would reduce earnings by £12.5 million, or £10.6 million on an adjusted basis. On a Reported Group basis, increasing the provision rate by 10 percentage points to 72% would reduce earnings by £5.8 million, or £5.2 million on an adjusted basis.

	31 December 2020						31 December 2019	
Proportionally consolidated, excluding premium outlets	Trade receivables £m	Trade receivables net of deposits and VAT £m	Loss allowance provision for amounts recognised in the income statement £m	Loss allowance provision for amounts not yet recognised in the income statement £m	Total loss allowance provision £m	Total loss allowance provision (net) %	Trade receivables £m	Total loss allowance provision[1] £m
UK	101.4	82.1	41.2	11.9	53.1	65	22.5	6.0
France	51.3	28.6	18.9	–	18.9	66	36.0	10.4
Ireland	17.6	14.7	7.7	0.1	7.8	53	2.8	0.5
Property portfolio	170.3	125.4	67.8	12.0	79.8	64	61.3	16.9
Less Share of Property interests	(87.5)	(67.2)	(35.9)	(8.1)	(44.0)	65	(19.3)	(7.0)
Reported Group	82.8	58.2	31.9	3.9	35.8	62	42.0	9.9

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

The table below groups trade receivables and the associated provision for loss allowance by the level of credit risk, based on the ECL matrix approach adopted at 31 December 2020, shown on both a proportionally consolidated and Reported Group basis.

	Proportionally consolidated			Reported Group		
31 December 2020	Trade receivables £m	Loss allowance £m	Net receivable £m	Trade receivable £m	Loss allowance £m	Net receivable £m
Credit risk						
Low	52.7	(12.1)	40.6	25.4	(4.4)	21.0
Medium	18.7	(4.4)	14.3	12.3	(2.9)	9.4
High	34.0	(16.1)	17.9	16.0	(7.0)	9.0
Very high	64.9	(47.2)	17.7	29.1	(21.5)	7.6
Total	170.3	(79.8)	90.5	82.8	(35.8)	47.0

Tenant incentives

The 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 31 December 2020 totalled £68.0 million on a proportionally consolidated basis, excluding premium outlets, against which a provision of £14.8 million has been recognised.

The table below analyses the provision across the regions between the proportionally consolidated portfolio and Share of Property interests. Provisioning rates against unamortised tenant incentives are lower than those against trade receivables as the credit risk of tenants not paying rent for future periods, and hence unamortised tenant incentives not being recovered, is lower than the credit risk on trade receivables currently overdue as a result of the pandemic. A 10 percentage point increase in the impairment provision rate would increase the total impairment charge by £6.8 million on a proportionally consolidated basis, or £4.4 million on a Reported Group basis.

	31 December 2020		
	Unamortised tenant incentives £m	Total loss allowance provision £m	Total loss allowance provision %
UK	56.6	12.8	23
France	8.2	1.1	13
Ireland	3.2	0.9	28
Property portfolio	68.0	14.8	22
Less Share of Property interests	(23.7)	(5.3)	22
Reported Group	44.3	9.5	21

E. Going concern

Introduction

To ascertain whether it was appropriate to prepare the financial statements on a going concern basis, the Directors have performed a detailed review of the current and projected financial position of the Group.

This involved preparing two forecast scenarios: a Base case and a Severe but plausible adverse case. The scenarios take into account the current and near term assessment of the Group's principal risks and uncertainties, which are explained on pages 27 to 31, and where five of the Group's principal risks currently exceed the Board's risk appetite. The underlying assumptions therefore reflect the unprecedented levels of uncertainty caused by the Covid-19 pandemic and the ongoing challenges from a macroeconomic perspective, and in the Group's retail and property investment markets.

Both scenarios consider the market outlook and incorporate assumptions from an accounting and cash flow perspective in respect of:

- property valuations and capital expenditure
- net rental income including collection rates, concessions and the impact of tenant restructuring
- net administration expenses
- interest rates and financing, including debt maturities

The scenarios assess the Group's cash flow and liquidity position and projections for the financial covenants within the Group's borrowing facilities, including those held within joint ventures and associates.

As the Directors have to make the going concern assessment over at least a 12 month period from the date of signing the financial statements, the scenario modelling has been undertaken over the period to 30 June 2022. This period has been chosen as it captures the six monthly, 30 June 2022, covenant test date for the Group's unsecured borrowing facilities.

Financing overview

As explained on page 22 of the Financial Review, the Group predominantly borrows on an unsecured basis, although a number of joint ventures and associates have secured debt facilities. These borrowings contain covenants that require specified financial ratios to be maintained and compliance with certain other financial restrictions.

At 31 December 2020, the Group complied with all applicable borrowing covenants, within both unsecured and secured facilities, and had substantial liquidity of £1,748 million.

i.Unsecured borrowings

The Group's unsecured borrowings are in the form of bonds, bank facilities and private placement notes and totalled £2,259 million at 31 December 2020. These contain a number of financial covenants, which are explained on page 24. Covenants on the bank facilities and private placement notes are tested semi-annually in June and December, while covenants under the Group's unsecured bonds are tested annually in December.

ii.Secured borrowings

At 31 December 2020, the Group's joint ventures and associates had £3,012 million of secured facilities, of which the Group's proportionate share was £1,174 million. These relate to loans secured against three properties owned by joint ventures: Dundrum, Highcross and O'Parinor, and loans held by Value Retail, which is an associate. £623 million (Group's share £160 million) of these facilities mature over the period to 30 June 2022. These facilities are non-recourse to the Group and a covenant breach or acceleration of any of these facilities would not cause a cross-default under any of the Group's unsecured borrowings or any of the secured facilities of other joint ventures or associates.

The covenants for secured debt facilities are generally tested quarterly and include specific covenants typically, loan to value and interest cover. During 2020, where deemed necessary to address the adverse financial effect of Covid-19 due to lower collection rates or property valuations, covenant waivers or amendments have been obtained. As at 31 December 2020, £2,262 million (Group's share £965 million) of secured facilities benefited from interest cover covenant waivers or amendments, with one joint venture loan also benefiting from a loan to value waiver, such that as at 31 December 2020 all applicable borrowing requirements were complied with.

Taking into account extensions to a number of interest cover covenant waivers or amendments obtained in early 2021, these waivers or amendments expire at various dates through to 31 December 2021. If further covenant waivers or amendments are not obtained, terms appropriately renegotiated or maturing loans refinanced, there is a risk that the Group and its partners may need to part or fully repay a number of these facilities to prevent the lenders enforcing their security interests on the property assets. This risk is a critical consideration in this going concern assessment.

Scenario assumptions

Retail occupational and investment markets have been increasingly challenging over recent years, particularly in the UK. The Covid-19 pandemic has significantly adversely affected the Group's operations with the imposition of restrictions including limiting footfall at our venues and the closure of non-essential retail; reduced collections; and an increased level of tenant concessions and restructuring. These factors have resulted, and are expected to continue to result, in further downward pressure on both rents and property valuations. The Group's scenario modelling has been undertaken against this backdrop and the key assumptions adopted for the scenarios are as follows:

i.Base case scenario

- a gradual relaxation of Covid-19 restrictions from April 2021 onwards. This scenario is consistent with the 'best case' timing of the opening of non-essential retail in England and Wales on 12 April 2021, as included in the 'Roadmap out of lockdown' announced by the UK Prime Minister on 22 February 2021;
- a slow, but sustained, recovery in sales and footfall;
- a challenging retail occupational and investment market, particularly in the UK, with further tenant restructuring and concessions to support weaker brands; and falling property valuations, principally in 2021; and
- a resumption and slow recovery of international travel and tourism.

ii.Severe but plausible adverse scenario

Assumptions are as per the Base case scenario with the following additional adverse assumptions:

- a slower relaxation of Covid-19 restrictions, with non-essential retail remaining closed until the end of May 2021 and a weaker economic and consumer recovery thereafter including the re-imposition of some restrictions in the second half of 2021;
- a further deterioration in the occupational retail market, with additional tenant restructuring, the provision of concessions to support brands, and the impairment and write-off of outstanding arrears. Also, lower levels of international travel and tourism. This results in lower income projections, with Group net rental income, excluding Value Retail, on a like-for-like basis being approximately 50% lower in 2021 than in 2019; and
- more severe property valuation reductions, principally in 2021, with a Group capital return over the period from 1 January 2021 to 30 June 2022 of -22%. This includes capital returns of -30% for UK flagships, -22% for French flagships,-25% for Irish flagships, -13% for UK retail parks and -14% for Value Retail's premium outlets.

Scenario outcome

The scenario outcomes, particularly in terms of the impact on the Group's unsecured borrowings covenants, are significantly affected by the risk of covenant breaches and refinancing requirements in the non-recourse secured debt facilities held by three of the Group's joint ventures and Value Retail. For this reason, the outcome of the scenarios are explained, both excluding and including the secured debt risks.

i.Scenario outcomes excluding secured debt risks

Excluding the risks associated with the Group's secured debt facilities, under both the Base case and Severe but plausible adverse scenarios the Group retains significant liquidity over the going concern period.

In the Base case scenario, the Group remains compliant with all its unsecured borrowing covenants. The forecast valuation reductions act to reduce the headroom under the gearing and unencumbered asset ratio covenants, the latter covenant only relating to the Group's private placement notes. While the gearing ratio remains <100% (covenant limit <150%), there is minimal headroom under the unencumbered asset ratio covenant at 31 December 2021 and 30 June 2022.

Also, in the Base case scenario, due to the adverse impact on the Group's net rental income caused by the current lockdown, the net rental income headroom under the interest cover ratio covenant, in the Group's unsecured bank facilities and private placement notes, falls to approximately 20% at 30 June 2021, compared with 31% at 31 December 2020.

In the Severe but plausible adverse scenario, covenant stress is increased. The more adverse valuation reductions in this scenario result in only minimal headroom under the unsecured gearing covenants at 31 December 2021 and 30 June 2022 and the unencumbered asset ratio covenant in the private placement notes is projected to breach at 31 December 2021. This latter covenant breach can be mitigated as the Group is forecast to have sufficient liquidity to exercise its rights to redeem these notes ahead of their maturities for the outstanding value of the notes plus a make-whole amount.

In addition, under the Severe but plausible scenario, due to the prolonged lockdown and weaker recovery assumptions in this scenario, there is only minimal net rental income headroom projected under the interest cover ratio covenant in the Group's unsecured bank facilities and private placement notes at the 30 June 2021 test date. Headroom is projected to improve for the 31 December 2021 and 30 June 2022 test dates.

Given the heightened uncertainty associated with the Covid-19 pandemic, the above covenant assessments are very sensitive to downside risks associated with lower valuations, collections, increased tenant concessions and the adverse impact of tenant restructuring.

ii.Scenario outcomes including secured debt risks

As explained in the Financing overview section above, the Group's secured borrowings are held by three of its joint ventures and in Value Retail. At 31 December 2020, £965 million of these facilities benefited from temporary interest cover waivers or amendments, with one joint venture loan also having a short-term loan to value waiver. In addition, £623 million (Group's share £160 million) of secured facilities mature over the period to 30 June 2022.

For the interest cover ratio covenants in the secured facilities, when the waivers or amendments expire over the course of 2021, if income levels have not recovered sufficiently or further waivers or amendment are not agreed, the loans would breach. In these circumstances, the lenders could demand repayment of these facilities. This would also apply to loans which mature over the period to 30 June 2022, if refinancing cannot be arranged and to loan to value breaches if further covenant waivers or amendments are not obtained and the Group and its partners do not part prepay facilities to comply with covenants.

If the loans were not repaid, the lenders could enforce their security interests over the properties. This could result in the Group's net assets reducing by the difference between the book value of the property (and other applicable security interests) and the loan balance, increasing the Group's gearing ratio.

The Directors believe this outcome to be highly unlikely. Nonetheless, in the Severe but plausible adverse scenario, if lenders were to enforce their security over the properties and the Group lost the full value of its equity investment, the Group's gearing ratio on its unsecured bank and private placement notes would breach the 150% covenant limit at 30 June 2022.

Mitigating actions

There are two principal mitigating actions available to the Group to improve the outcomes forecast in the scenario modelling, and avoid the unsecured borrowing covenant breaches:

i.Lender and partner negotiations

Negotiations are currently underway in relation to the secured debt facilities which currently benefit from covenant relaxations. The discussions are to obtain additional waivers, renegotiate terms, part prepay, or fully refinance maturing facilities. If, as the Directors expect, these discussions conclude satisfactorily, this would significantly improve the scenario outcomes.

However, as these negotiations are between third party lenders and the Group's joint ventures and Value Retail, the outcome of these negotiations is not solely within the Group's control.

Also, if a breach of the Group's unsecured borrowing covenants was deemed likely, the Group would negotiate with its lenders to seek to obtain covenant waivers or renegotiate terms to avoid breaches. This approach was demonstrated in the first half of 2020 when the Group agreed a short-term amendment to reduce the unencumbered asset ratio covenant in the private placement notes over the period to 31 December 2021, further details are on page 24.

ii.Disposals

As explained on page 13, the Group is committed to near term disposals to strengthen the Group's financial position. Even in challenging markets, the Group has raised disposal proceeds of £1.0 billion over the last 24 months, including £73 million already in 2021, and the diversity of the Group's portfolio, in terms of location and sector, provides access to a range of investment markets.

The precise impact of disposals on the financial projections would be dependent on the timing of a sale, the level of proceeds relative to book value, the ownership structure and whether any debt is secured against the properties sold.

Conclusion

Having undertaken the assessment described above, given the significant liquidity forecast over the going concern period, the Directors have considered that it is reasonable to conclude that the Group will continue in operational existence and meet its liabilities as they fall due for at least the next 12 months. Therefore, these financial statements have been prepared on the going concern basis.

However, as explained in the Introduction section of this assessment, the Group is facing unprecedented levels of uncertainty, principally caused by the Covid-19 pandemic, and the Group's financial modelling is very sensitive to changes in the underlying assumptions. Depending on the outcome of ongoing secured debt discussions, the Severe but plausible adverse scenario projects a potential breach in the Group's unsecured gearing covenant and minimal interest cover covenant headroom. Given these circumstances, the Directors have concluded that attention should be drawn to the following factors as a material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern:

- the impact on income and property valuations associated with the terms and speed of future relaxations of Covid-19 restrictions and the strength and timeframe of the forecast recovery in the retail market and the broader economy. More adverse outcomes relative to those assumed in the scenario modelling could result in breaches in the Group's unsecured gearing and interest cover ratio covenants, regardless of the outcome of the secured debt facilities negotiations.
- the ability to satisfactorily conclude lender discussions on a number of the Group's secured debt facilities by obtaining additional waivers or amendments, renegotiating terms, partly or fully prepaying facilities, or refinancing maturing loans. However, as these facilities are held in three of the Group's joint ventures and Value Retail, the outcome of the discussions with the third party lenders is not solely within the Group's control. In the highly unlikely event that lenders enforced their security interests to recover these loans and the Group were to lose the value of its equity investments, the Group would breach its unsecured gearing covenant in the Severe but plausible adverse scenario at 30 June 2022.

No adjustments have been made to the financial statements that would result if the Group were unable to continue as a going concern.

F. Other financial information

The principal exchange rate used to translate foreign currency-denominated amounts in the consolidated balance sheet is the rate at the end of the year, £1 = €1.117 (2019: £1 = €1.18). The principal exchange rates used for the consolidated income statement are the following quarterly average rates:

	2020	2019
Quarter 1	£1 = €1.161	£1 = €1.147
Quarter 2	£1 = €1.127	£1 = €1.144
Quarter 3	£1 = €1.105	£1 = €1.109
Quarter 4	£1 = €1.108	£1 = €1.163

Net investment in foreign operations

Exchange differences arising from the translation of the net investment in foreign operations are taken to the translation reserve. They are released to the consolidated income statement upon disposal of the foreign operation.

2: Loss for the year

As stated in the Financial review on page 16 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 (up to its sale in October 2020), and reviews the performance of these investments separately from the rest of the proportionally consolidated portfolio.

The following tables have been prepared on a basis consistent with how management reviews the performance of the business and show the Group's loss for the year on a proportionally consolidated basis in column 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. Further analysis of Share of Property interests is in table 12 of the Additional disclosures.

The Group's share of results arising from its interests in premium outlets has not been proportionally consolidated and hence has 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 for the year in column C is then allocated between 'Adjusted' and 'Capital and other' for the purposes of calculating figures in accordance with EPRA best practice. Company specific adjustments which differ from EPRA guidelines are detailed in note 11B. As detailed in note 1C, 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.

					2020	
					Proportionally consolidated	
Notes (see page 49)	Notes	Reported Group £m	Share of Property interests £m	Proportionally consolidated £m	Adjusted £m	Capital and other £m
		A	B	C	D	D
Gross rental income[E]	3A	131.5	155.4	286.9	286.9	–
Ground and equity rents payable		(1.3)	(1.0)	(2.3)	(2.3)	–
Gross rental income, after rents payable		130.2	154.4	284.6	284.6	–
Service charge income		27.7	28.6	56.3	56.3	–
Service charge expenses		(31.7)	(34.2)	(65.9)	(65.9)	–
Net service charge expenses		(4.0)	(5.6)	(9.6)	(9.6)	–
Inclusive lease costs recovered through rent		(3.0)	(3.4)	(6.4)	(6.4)	–
Other property outgoings		(44.4)	(54.6)	(99.0)	(99.0)	–
Property outgoings		(51.4)	(63.6)	(115.0)	(115.0)	–
Change in the provision for amounts not yet recognised in the income statement[1]	1D	(3.9)	(8.1)	(12.0)	–	(12.0)
Net rental income	3A	74.9	82.7	157.6	169.6	(12.0)
Administration costs		(67.4)	(0.4)	(67.8)	(67.8)	–
Property fee income		15.2	–	15.2	15.2	–
Employee and corporate costs		(52.2)	(0.4)	(52.6)	(52.6)	–
Joint venture and associate management fees		8.5	–	8.5	8.5	–
Net administration expenses		(43.7)	(0.4)	(44.1)	(44.1)	–
Operating profit/(loss) before other net losses and share of results of joint ventures and associates		31.2	82.3	113.5	125.5	(12.0)
Profit on sale of properties[2]		11.6	–	11.6	–	11.6
Net exchange gain previously recognised in equity, recycled on disposal of foreign operations		5.2	–	5.2	–	5.2
Revaluation losses on properties		(493.5)	(945.3)	(1,438.8)	–	(1,438.8)
Impairment relating to assets held for sale: VIA Outlets	1C, 15A	(103.8)	–	(103.8)	8.1	(111.9)
Reversal of impairment on reclassification from assets held for sale: Retail parks	1C, 15C	22.4	–	22.4	–	22.4
Indirect costs of rights issue		(0.3)	–	(0.3)	–	(0.3)
Change in fair value of other investments	1C, 15A	(0.1)	–	(0.1)	–	(0.1)
Other net (losses)/gains		(558.5)	(945.3)	(1,503.8)	8.1	(1,511.9)
Share of results of joint ventures	10A, 10B	(882.7)	862.0	(20.7)	5.9	(26.6)
Impairment of investment in joint ventures	10D	(9.6)	–	(9.6)	–	(9.6)
Share of results of associates	11A, 11B	(148.3)	12.5	(135.8)	(7.1)	(128.7)
Impairment of investment in associates	11E	(94.3)	–	(94.3)	–	(94.3)
Operating (loss)/profit		(1,662.2)	11.5	(1,650.7)	132.4	(1,783.1)
Net finance (costs)/income[F]	5	(72.2)	(11.4)	(83.6)	(95.4)	11.8
(Loss)/Profit before tax		(1,734.4)	0.1	(1,734.3)	37.0	(1,771.3)
Tax charge	6A	(0.5)	(0.1)	(0.6)	(0.6)	–
(Loss)/Profit for the year		(1,734.9)	–	(1,734.9)	36.4	(1,771.3)
Non-controlling interests	24	0.1	–	0.1	0.1	–
(Loss)/Profit for the year attributable to equity shareholders	8B	(1,734.8)	–	(1,734.8)	36.5	(1,771.3)

1. Relates to the impairment of trade receivables relating to the period after 1 January 2021 where the corresponding deferred income balance is classified as an other payable <1yr.
2. Includes £17.4 million relating to the non-refundable deposit of £21.0 million received on the abortive sale of the retail parks portfolio, less associated fees.

						2019
					Proportionally consolidated	
	Notes	Reported Group £m	Share of Property interests £m	Proportionally consolidated £m	Adjusted £m	Capital and other £m
		A	B	C	D	D
Gross rental income[E]	3A	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]		(412.2)	(615.8)	(1,028.0)	–	(1,028.0)
Impairment recognised on reclassification to held for sale: Retail parks	1C	(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)/income[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	6A	(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 33.

B. Property interests reflect the Group's share of results of Property joint ventures as shown in note 10A plus the Group's share of 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 £3.8 million (2019: £8.9 million) of contingent rents calculated by reference to tenants' turnover.

F. Adjusted net finance costs presented on a proportionally consolidated basis are shown in Table 17 on page 84.

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 16, 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 (substantially all of which was sold in October 2020), 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, 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.

Gross rental income represents the Group's revenue from its tenants and customers. As stated in the Key Performance Indicators section on page 6, net rental income is the Group's primary revenue measure and is used to determine the performance of each sector. Total assets are not monitored by segment and resource allocation is based on the distribution of property assets between segments.

A: Income and profit by segment

	2020		2019	
	Gross rental income £m	Net rental income £m	Gross rental income £m	Net rental income £m
Flagship destinations				
UK	128.0	53.7	158.2	130.7
France	63.1	47.8	82.1	72.0
Ireland	37.7	26.4	41.8	38.0
	228.8	127.9	282.1	240.7
UK retail parks	35.4	19.8	52.5	49.1
UK other	9.7	3.8	11.3	8.2
Investment portfolio	273.9	151.5	345.9	298.0
Developments	13.0	6.1	15.1	10.5
Property portfolio	286.9	157.6	361.0	308.5
Less share of Property interests*	(155.4)	(82.7)	(178.9)	(149.7)
Reported Group	131.5	74.9	182.1	158.8

* For the year ended 31 December 2019, the results of the UK retail parks were separately identified as discontinued operations. At 31 December 2020, the UK retail parks no longer met the criteria of IFRS 5 as detailed in note 1C, consequently the results for the UK retail parks have not been separately identified as discontinued operations in the current year and the results for the comparative year 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 Shopping Park, which were previously included within discontinued operations, have been reclassified to 'share of property interests'.

B: Investment and development property assets by segment

	2020			2019		
	Property valuation £m	Property additions £m	Revaluation losses £m	Property valuation £m	Property additions £m	Revaluation (losses)/gains £m
Flagship destinations						
UK	1,511.2	(1.5)	(838.6)	2,351.3	12.3	(581.8)
France	1,146.9	19.4	(202.7)	1,269.0	22.8	(130.6)
Ireland	757.1	8.0	(158.0)	860.0	5.2	(71.6)
	3,415.2	25.9	(1,199.3)	4,480.3	40.3	(784.0)
UK retail parks[1,2]	384.0	(6.6)	(121.6)	453.3	4.1	(124.9)
UK other	106.2	0.8	(27.8)	134.5	2.4	(41.2)
Investment portfolio	3,905.4	20.1	(1,348.7)	5,068.1	46.8	(950.1)
Developments	508.4	47.4	(159.3)	599.6	50.9	(77.9)
Property portfolio – excluding premium outlets	4,413.8	67.5	(1,508.0)	5,667.7	97.7	(1,028.0)
Premium outlets	1,924.2	43.9	(157.3)	2,659.1	88.0	199.8
Total Group	6,338.0	111.4	(1,665.3)	8,326.8	185.7	(828.2)
Less premium outlets	(1,924.2)	(43.9)	157.3	(2,659.1)	(88.0)	(199.8)
Less share of Property interests	(2,261.0)	(15.9)	945.3	(3,112.5)	(19.8)	615.8
Less assets held for sale[1]	–	5.7	69.2	(456.5)	(4.2)	–
Reported Group –property portfolio	2,152.8	57.3	(493.5)	2,098.7	73.7	(412.2)

1. At 31 December 2019, the Group's UK retail parks portfolio was reclassified to assets held for sale and impaired to the anticipated transaction price less selling costs . In May 2020, following the termination of the sale agreement, the remaining retail parks were reclassified out of assets held for sale. Further details of the movements are provided in note 15D. For the purposes of segmental reporting for the "Total Group" detailed above, revaluation (losses)/gains and additions exclude the accounting impact of the reclassification to assets held for sale, which has then been added back to reach the Reported Group position under IFRS. Accordingly, revaluation losses of £121.6 million for 2020 include £69.2 million comprising the impairment loss of £91.6 million recognised on reclassification to assets held for sale at 31 December 2019 and the subsequent reversal on reclassification from assets held for sale of £22.4 million as detailed in note 2. Similarly, property additions from 1 January 2020 until the date of reclassification out of assets held for sale totalling £(5.7) million, principally in relation to the amortisation of tenant incentives, have been included within the total UK retail parks additions of £(6.6) million.
2. Included in the £453.3 million retail parks property valuation at 31 December 2019 is £24.9 million relating to Brent South Shopping Park which was held in investment in joint ventures.

C: Analysis of non-current assets employed

	Non-current assets employed	
	2020 £m	2019 £m
UK	2,172.0	3,013.0
Continental Europe	2,569.6	2,943.8
Ireland	611.9	746.1
	5,353.5	6,702.9

Included in the above table are investments in joint ventures of £1,813.6 million (2019: £3,017.1 million), which are further analysed in note 10 on pages 59 to 64. The Group's share of the property valuations held within Property interests of £2,261.0 million (2019: £3,112.5 million) has been included in note 3B above, of which £1,427.8 million (2019: £2,145.5 million) relates to the UK, £229.9 million (2019: £281.6 million) relates to Continental Europe and £603.3 million (2019: £685.4 million) relates to Ireland.

4: Revenue

	2020 £m	2019[1] £m
Base rent	114.2	161.0
Turnover rent	1.4	4.0
Car park income[2]	9.6	14.7
Lease incentive recognition	2.8	(3.3)
Other rental income	3.5	5.7
Gross rental income	131.5	182.1
Service charge income[2]	27.7	39.5
Property fee income[2]	15.2	15.7
Joint venture and associate management fees[2]	8.5	8.9
Revenue	182.9	246.2

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 1C.
2. The above income streams reflect revenue recognised under IFRS 15 Revenue from Contracts with Customers and total £61.0 million (2019: £78.8 million). All other revenue streams relate to income recognised under IFRS 16 Leases.

5: Net finance costs

	2020 £m	2019* £m
Interest on bank loans and overdrafts	9.1	15.1
Interest on other borrowings	87.7	86.2
Interest on obligations under head leases	2.3	2.2
Interest on other lease obligations	0.1	0.2
Other interest payable	1.3	1.6
Gross interest costs	100.5	105.3
Less: Interest capitalised	(5.0)	(2.8)
Finance costs	95.5	102.5
Change in fair value of derivatives	(13.7)	(6.2)
Finance income	(9.6)	(21.5)
Reported Group – total	72.2	74.8

* Comparatives for the year ended 31 December 2019 have been re-presented to recognise finance costs of £0.2 million relating to retail parks within continuing operations. See note 1C.

6: Tax

A: Tax charge

	2020 £m	2019 £m
UK current tax	0.1	0.1
Foreign current tax	0.4	1.8
Tax charge	0.5	1.9

The Group's tax charge remains low because it has tax exempt status in its principal operating countries. In the UK, the Group has been a REIT since 2007 and a SIIC in France since 2004. These tax regimes exempt the Group's property income and gains from corporate taxes provided a number of conditions in relation to the Group's activities are met including, but not limited to, distributing at least 90% of the Group's UK tax-exempt profit as property income distributions (PID). The residual businesses in both the UK and France are subject to corporation tax as normal. The Irish properties are held in a QIAIF which provides similar tax benefits to those of a UK REIT but which subjects distributions and, since 2019, certain excessive interest payments from Ireland to the UK to a 20% withholding tax.

In order to satisfy the REIT conditions, it is necessary for the Company, on an annual basis, to pass certain business tests. In respect of the year ended 31 December 2020, based on preliminary calculations, the Company has marginally breached the interest cover test and, in these circumstances, HMRC is able to impose a charge equivalent to corporation tax on the excessive finance cost. The Company estimates this charge would be £0.1 million.
In view of the significant and unexpected impact of Covid-19 during the year, HMRC has agreed that no charge will be assessed on the Company.

B: Tax charge reconciliation

	Notes	2020 £m	2019 £m
Loss before tax	2	(1,734.4)	(779.3)
Less: Loss after tax of joint ventures	10A	882.7	429.1
Less: Loss/(Profit) after tax of associates	11A	148.3	(209.4)
Loss on ordinary activities before tax		(703.4)	(559.6)
Loss multiplied by the UK corporation tax rate of 19% (2019: 19%)		(133.6)	(106.3)
UK REIT tax exemption		61.1	68.1
French SIIC tax exemption		27.6	30.9
Irish QIAIF tax exemption		12.9	5.9
Losses for the year not utilised		28.8	2.0
Non-deductible and other items		3.7	1.3
Tax charge		0.5	1.9

C: Unrecognised deferred tax

A deferred tax asset is not recognised for UK revenue losses or capital losses where their future utilisation is uncertain. At 31 December 2020, the total of such losses was £524 million (2019: £490 million) and £489 million (2019: £505 million) respectively, and the potential tax effect of these was £99 million (2019: £84 million) and £92 million (2019: £86 million) respectively.

Deferred tax is not provided on potential gains on investments in subsidiaries when the Group can control whether gains crystallise and it is probable that gains will not arise in the foreseeable future. At 31 December 2020, the total of such gains was £290 million (2019: £272 million) and the potential tax effect before the offset of losses was £55 million (2019: £46 million).

If a UK REIT sells a property within three years of completion of development, the REIT exemption will not apply. At 31 December 2020, the value of such completed properties was £62 million (2019: £212 million). If these properties were to be sold without the benefit of the tax exemption, the tax arising would be £nil (2019: £nil) due to the availability of capital losses.

7: Dividends

The proposed final dividend of 0.2 pence per share, was recommended by the Board on 11 March 2021 and, subject to approval by shareholders, is payable on 13 May 2021 to shareholders on the register at the close of business on 6 April 2021. The dividend will be paid entirely as a PID, net of withholding tax at the basic rate (currently 20%).

As an alternative to a cash dividend, the Company has offered an enhanced scrip dividend of 2 pence per share. The REIT rules require that for a scrip dividend, a cash alternative must be offered to shareholders. The Company received clearance from HMRC that the cash alternative may be set at a different level to the scrip dividend thereby permitting, following shareholder approval, the 2020 interim dividend to be paid as an enhanced scrip dividend. This clearance also applies to the proposed 2020 final dividend.

The aggregate amount of the 2020 final dividend is £81.1 million, assuming all shareholders elect to receive the scrip alternative. This has been calculated using the total number of eligible shares outstanding, at 31 December 2020, at their estimated market value.

The interim dividend of 0.2 pence per share in cash, or 2 pence per share as an enhanced scrip alternative, was paid on 18 December 2020 as a PID, net of withholding tax where appropriate.

In February 2020, the Board proposed a final dividend of 14.8 pence per share for approval at the Annual General Meeting in April 2020. In March 2020, the Company announced that given the significant uncertainty around the duration of the Covid-19 pandemic and the resultant impact on cash and liquidity, the Board had withdrawn the dividend resolution.

	Pence per share	Equity dividends 2020 £m	Equity dividends 2019 £m
Current year			
2020 final dividend	0.2 (enhanced scrip 2.0)	–	–
2020 interim dividend	0.2 (enhanced scrip 2.0)	71.5	–
	0.4 (enhanced scrip 4.0)		
Prior years			
2019 interim dividend[1]	5.1	–	84.9
2018 final dividend		–	113.5
Dividends as reported in the consolidated statement of changes in equity[2]		71.5	198.4
Less: settled as a scrip dividend[3]		(47.1)	–
Dividends impact on retained earnings		24.4	198.4
Less: settled as a scrip dividend – increase in share capital[4]		(11.3)	–
Dividends payable in cash		13.1	198.4
2018 interim dividend withholding tax (paid 2019)		–	12.7
2019 interim dividend withholding tax (paid 2020)		12.2	(12.2)
2020 interim dividend withholding tax (payable 2021)		(11.9)	–
Dividends paid as reported in the consolidated cash flow statement		13.4	198.9

[1] The comparative per share data has been restated following the capital reorganisation and rights issue in September 2020. Per note 8 below, the rights issue adjustment factor relating to the post-consolidation number of shares is stated as 10.95. As the 'per share' information for 2019 above relates to pre-consolidation share numbers, the rights issue adjustment factor applied to the 2019 interim dividend is 2.19, as the consolidation was done on a 1 for 5 basis.

[2] Equity dividends are shown at the market value of the shares issued to satisfy the scrip dividend, in addition to cash dividends payable.

[3] Represents the difference between the market value and nominal value of scrip dividends settled in shares.

[4] Represents the nominal value of shares issued as a result of the scrip dividend.

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 the following tables B and E. Commentary on (loss)/earnings and net asset value per share is provided in the Financial review on pages 16 to 25. Headline earnings per share has been calculated and presented in note 8C as required by the Johannesburg Stock Exchange listing requirements.

In September 2020, following a 1 for 5 share consolidation, the Company issued 3,678,209,328 new ordinary shares through a rights issue. Further details are provided in note 20. To reflect the rights issue, the number of shares previously used to calculate the 'per share' data, has been amended as per the table in note 8A below. An adjustment factor of 10.95 has been applied to the post-consolidation number of shares. This is based on the ratio of the Company's share price of £2.806 per share on 23 September 2020, the day before the Record Date for the rights issue, and the theoretical ex-rights price at that date of 25.6p per share. For a summary of the restated metrics refer to note 8D.

A: Number of shares for per share calculations

	2020[2]		2019 restated[1, 2]	
	Basic, EPRA and adjusted	Diluted	Basic, EPRA and adjusted	Diluted
Shares (million)	2,257.3	2,257.3	1,676.2	1,676.2

[1] The number of shares in 2019 has been restated from 765.3 million shares to 1,676.2 million shares, as a result of the rights issue detailed above.

[2] In 2020 and 2019, there was no difference in the weighted average number of shares used for the calculation of basic and diluted loss per share as the effect of all potentially dilutive shares outstanding was anti-dilutive. The total number of shares including potentially dilutive shares at 31 December 2020 was 2,263.0 million (2019: 1,677.3 million).

The calculations for (loss)/earnings per share use the weighted average number of shares, which excludes those shares held in the Hammerson Employee Share Ownership Plan, which are treated as cancelled. The calculations for net asset value per share use the number of shares in issue at 31 December as shown in note 8E.

8: (Loss)/Earnings per share and net asset value per share (continued)

B: (Loss)/Earnings per share

			2020		2019 restated[1]	
		Notes	(Loss)/ Earnings £m	Pence per share	(Loss)/ Earnings £m	Pence per share
Basic and diluted			**(1,734.8)**	**(76.9)**	**(781.2)**	**(46.6)**
Adjustments:						
Revaluation losses on properties:	**Reported Group**	2	493.5	21.9	412.2	24.6
	Share of Property interests[2]	2	945.3	41.8	615.8	36.7
			1,438.8	63.7	1,028.0	61.3
(Profit)/Loss on sale of properties:	**Reported Group**	2	(11.6)	(0.5)	105.8	6.3
	Share of Property interests[2]	2	–	–	(14.1)	(0.8)
			(11.6)	(0.5)	91.7	5.5
Net exchange gain previously recognised in equity, recycled on disposal of foreign operations:	**Reported Group**	2	(5.2)	(0.2)	(13.8)	(0.8)
Impairment recognised/(reversed) on reclassification to/(from) held for sale:						
Retail parks	**Reported Group**	2	(22.4)	(1.0)	91.6	5.5
	Share of Property interests	2	–	–	0.4	–
			(22.4)	(1.0)	92.0	5.5
Impairment recognised on assets held for sale:						
VIA Outlets	**Reported Group**	2	103.8	4.6	–	–
Impairment of investments in joint ventures and associates	**Reported Group**	1D	103.9	4.6	–	–
Change in fair value of derivatives	**Reported Group**	5	(13.7)	(0.6)	(6.2)	(0.4)
	Share of Property interests	10B	1.9	0.1	2.6	0.2
			(11.8)	(0.5)	(3.6)	(0.2)
Other adjustments	**Reported Group**					
	Change in fair value of other investments	2	0.1	–	–	–
	Indirect costs of rights issue		0.3	–	–	–
			0.4	–	–	–
Premium outlets	**Revaluation losses/(gains) on properties**	10B, 11B	157.3	7.0	(199.8)	(11.9)
	Change in fair value of derivatives	10B, 11B	14.7	0.7	(5.1)	(0.3)
	Deferred tax	10B, 11B	(17.3)	(0.8)	6.4	0.3
	Other adjustments	10B, 11B	0.1	–	(0.3)	–
			154.8	6.9	(198.8)	(11.9)
Total adjustments			1,750.7	77.6	995.5	59.4
EPRA			15.9	0.7	214.3	12.8
Other adjustments	**Translation movement on intragroup funding loan: VIA Outlets**	10B	0.5	–	(0.3)	–
	Change in provision for amounts not recognised in the income statement	1D, 2	12.0	0.5	–	–
	Adjusted earnings from investment in VIA Outlets since reclassification to assets held for sale	15B	8.1	0.4	–	–
Adjusted			36.5	1.6	214.0	12.8

1. The number of shares in note 8A, and consequently the (loss)/earnings per share figures presented above, have been restated following the rights issue. For further information refer to note 20.
2. The revaluation losses on properties relating to the Share of Property interests includes: £927.2 million (2019: £598.9 million) in respect of Property joint ventures (note 10B), £18.1 million (2019: £2.8 million) in respect of associates (note 11B) and the reclassification of £nil (2019: £14.1 million) from 'loss on sale of properties', referred to in footnote G of note 2, to reflect the sale of a 75% interest in Italie Deux.

C: Headline earnings per share

	Notes	2020 Earnings £m	2019 Earnings £m
Loss for the year attributable to equity shareholders		(1,734.8)	(781.2)
Revaluation losses on properties: Reported Group and Share of Property interests	8B	1,438.8	1,028.0
(Profit)/Loss on sale of properties: Reported Group and Share of Property interests	8B	(11.6)	91.7
Net exchange gain previously recognised in equity, recycled on disposal of foreign operations: Reported Group	8B	(5.2)	(13.8)
Impairment recognised on reclassification to held for sale –Retail parks: Reported Group	8B	–	92.0
Reversal of impairment recognised on reclassification to assets held for sale: Retail parks: Reported Group	8B	(22.4)	–
Impairment of assets held for sale: VIA Outlets: Reported Group	8B	103.8	–
Impairment of investments: Reported Group	8B	103.9	–
Indirect costs of rights issue	8B	0.3	–
Revaluation losses/(gains) on properties: Premium outlets	8B	157.3	(199.8)
Deferred tax: Premium outlets	8B	(17.3)	6.4
Translation movements on intragroup funding loan: Premium outlets	10B	0.5	(0.3)
Headline earnings		13.3	223.0
Basic headline earnings per share (pence)		0.6p	13.3p*
Diluted headline earnings per share (pence)		0.6p	13.3p*

Reconciliation of headline earnings to adjusted earnings		2020 Earnings £m	2019 Earnings £m
Headline earnings as above		13.3	223.0
Change in fair value of derivatives: Reported Group and Share of Property interests	8B	(11.8)	(3.6)
Change in fair value of other investments	8B	0.1	–
Change in fair value of derivatives: Premium outlets	8B	14.7	(5.1)
Change in fair value of financial assets: Premium outlets	11B	0.1	(0.3)
Change in provision for amounts not yet recognised in the income statement	11B	12.0	–
Adjusted earnings from investment in VIA Outlets since reclassification to assets held for sale	15B	8.1	–
Adjusted earnings		36.5	214.0

* Restated as a result of the rights issue. For more information refer to note 20.

D: Restatement of prior year (loss)/earnings per share*

	Notes	2019 Previously stated (pence)	2019 Restated (pence)
Basic and diluted earnings per share	8B	(102.1)	(46.6)
EPRA earnings per share	8B	28.0	12.8
Adjusted earnings per share	8B	28.0	12.8
Basic and diluted headline earnings per share	8C	29.1	13.3

* The purpose of the table above is to show the effect of the rights issue on (loss)/earnings per share as was previously stated in the 2019 Annual Report.

8: (Loss)/Earnings per share and net asset value per share (continued)

E: 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 asset 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 basis 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.

In addition to the above changes, in September 2020, the Company completed a share consolidation followed by a rights issue which increased the number of issued shares. The comparative NAV metrics have been restated as a result, and note 8F summarises the restated NAV metrics after taking account of the rights issue. This ensures a fair comparison of the metrics across periods.

		Previously reported metrics				New metrics
31 December 2020	Notes	NAV £m	NNNAV £m	**NRV £m**	**NTA £m**	**NDV £**
Basic and diluted NAV		**3,208.8**	**3,208.8**	**3,208.8**	**3,208.8**	**3,208.8**
Exclude: Deferred tax[1]						
– Reported Group		0.4	–	0.4	0.2	–
– Share of Property interests	10C	0.1	–	0.1	–	–
– Premium outlets	11D	197.3	–	197.3	98.7	–
		197.8	–	197.8	98.9	–
Fair value of interest rate swaps						
– Share of Property interests	10C	5.9	–	5.9	5.9	–
– Premium outlets	11D	17.7	–	17.7	17.7	–
		23.6	–	23.6	23.6	–
Include: Purchasers' costs[2]		–	–	415.9	–	–
Fair value of currency swaps as a result of interest rates – Reported Group[3]		–	–	(14.4)	(14.4)	–
Fair value of borrowings						
– Reported Group	18B	–	(55.8)	–	–	(55.8)
– Share of Property interests		–	(1.8)	–	–	(1.8)
		–	(57.6)	–	–	(57.6)
NAV metrics		**3,430.2**	**3,151.2**	**3,831.7**	**3,316.9**	**3,151.2**
Number of shares for per share calculations (millions)		**4,057.3**	**4,057.3**	**4,057.3**	**4,057.3**	**4,057.3**
NAV per share metrics		**£0.85**	**£0.78**	**£0.94**	**£0.82**	**£0.78**

[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 after ignoring the impact of foreign exchange rates.

In 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.

See page 56 for footnotes

			Previously reported metrics			New metrics
		NAV	NNNAV	NRV	NTA	NDV
31 December 2019	Notes	£m	£m	£m	£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		**(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	**17B**	**–**	**(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**
NAV per share metrics		**£6.01**	**£5.48**	**£6.75**	**£5.82**	**£5.35**

F: NAV metrics restated to take account of the rights issue

	Notes	2019 Previously stated (£)	2019 Restated (£)
Basic NAV		**5.71**	**1.14**
Diluted NAV		**5.72**	**1.14**
EPRA NNNAV	**8B**	**5.48**	**1.10**
EPRA NAV	**8B**	**6.01**	**1.20**
EPRA NRV	**8B**	**6.75**	**1.35**
EPRA NTA	**8B**	**5.82**	**1.16**
EPRA NDV	**8B**	**5.35**	**1.07**

As disclosed in note 8E, the 2019 NAV 'per share' metrics have been restated to take account of the rights issue. Further information on the rights issue can be found in note 20.

9: Investment and development properties

			2020			2019
	Investment properties £m	Development properties £m	Total £m	Investment properties £m	Development properties £m	Total £m
Valuation at 1 January	1,747.2	351.5	2,098.7	3,440.7	389.7	3,830.4
Exchange adjustment	64.5	15.7	80.2	(95.6)	(17.3)	(112.9)
Additions – Asset acquisitions	0.2	–	0.2	–	0.9	0.9
– Capital expenditure	13.1	44.0	57.1	29.9	47.1	77.0
	13.3	44.0	57.3	29.9	48.0	77.9
Transfer from assets held for sale – Retail parks*	414.5	1.2	415.7	–	–	–
Transfer to investments in associates	–	–	–	(121.1)	–	(121.1)
Disposals	(10.1)	(0.5)	(10.6)	(637.5)	(5.5)	(643.0)
Capitalised interest	0.8	4.2	5.0	0.5	2.3	2.8
Revaluation losses	(398.6)	(94.9)	(493.5)	(349.7)	(62.5)	(412.2)
Valuation at 31 December – total portfolio	1,831.6	321.2	2,152.8	2,267.2	354.7	2,621.9
Less: transfer to assets held for sale*	–	–	–	(520.0)	(3.2)	(523.2)
Valuation at 31 December	1,831.6	321.2	2,152.8	1,747.2	351.5	2,098.7

* 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 disclosed in note 15C. As detailed in note 1C, with the exception of Abbey Retail Park whose sale completed in February 2020, the remaining properties were transferred from assets held for sale to investment properties in May 2020 as the criteria for IFRS 5 were no longer met, resulting in a £22.4 million reversal of the impairment. See note 15D for an analysis of the movements during the year.

Analysis of properties by tenure	Freehold £m	Long leasehold £m	Total £m
Valuation at 31 December 2020	1,231.4	921.4	2,152.8
Valuation at 31 December 2019	1,151.4	947.3	2,098.7

Properties are stated at fair value as at 31 December 2020, valued by professionally qualified external valuers, in accordance with RICS Valuation – Global Standards, and based on certain assumptions as set out in note 1D. Following the decision to tender the Group's valuation instruction during 2019, valuations at 31 December 2020 have been performed by the following:

Cushman and Wakefield LLP (C&W)	Brent Cross, Irish portfolio, UK retail parks and premium outlets (as included in note 11)
CBRE Limited (CBRE)	UK flagships and UK other
Jones Lang LaSalle Ltd (JLL)	UK flagships and UK other, French portfolio

Valuation fees are based on a fixed amount agreed between the Group and the valuers and are independent of the portfolio value. A summary of the valuers' reports is available on the Company's website: www.hammerson.com.

In the case of leasehold properties, valuations are net of any obligation to freeholders or superior leaseholders. To comply with IAS 40 and IFRS 16 these obligations and the related leasehold assets are shown separately in the balance sheet within 'Obligations under head leases' and 'Interests in leasehold properties' respectively.

As noted in note 1D on page 42, real estate valuations are complex, derived from data which is not widely publicly available and involve a significant degree of estimation. For these reasons, and consistent with EPRA's guidance, we have classified the valuations of our property portfolio as Level 3 as defined by IFRS 13. The potential impact on property valuations of changes in the underlying input assumptions has been outlined in the sensitivity analysis in note 1D on page 43.

At 31 December 2020, C&W have stated that in respect of the Irish properties only, the valuations remain subject to 'material valuation uncertainty' as set out in VPS 3 and VPGA 10 of the RICS Valuation – Global Standards and a higher degree of caution should therefore be attached to these valuations than would normally be the case. For further details refer to note 1D on page 42.

The total amount of interest included in development properties at 31 December 2020 was £8.0 million (2019: £3.8 million). Capitalised interest is calculated using the cost of secured debt or the Group's weighted average cost of borrowings, as appropriate, and the effective rate applied in 2020 was 3.0% (2019: 2.6%). At 31 December 2020, the historical cost of investment and development properties was £2,660.9 million (2019: £2,698.6 million) including properties classified as assets held for sale and included in note 15C).

Included within investment properties at 31 December 2020 is £38.5 million relating to the onsite extension of Italie Deux, called Italik, on which contracts have been exchanged for a forward sale in June 2022.

Joint operations

At 31 December 2020, investment properties included a 50% interest in the Ilac Centre, Dublin and a 50% interest in Swords Pavilions, Dublin, totalling £175.3 million (2019: £199.5 million). These properties are both held within joint operations which are jointly controlled and proportionally consolidated.

10: Investment in joint ventures

The Group has investments in a number of jointly controlled property and corporate interests, which have been equity accounted under IFRS in the consolidated financial statements.

As explained in the Financial review on page 16, management reviews the business principally on a proportionally consolidated basis, except for its premium outlet investments. Prior to the disposal of substantially all of the Group's investment in VIA Outlets, as explained below, the Group's share of assets and liabilities of joint ventures is split between Property joint ventures, being joint ventures which are proportionally consolidated, and VIA Outlets, a premium outlets investment, which is not proportionally consolidated. The Group's significant joint venture interests are set out in the table below.

At 30 June 2020, substantially all of the Group's investment in VIA Outlets, held through its investments in VIA Limited Partnership, VIA Outlets B.V and VIA Germany B.V., was transferred to assets held for sale and impaired to the selling price less costs of disposal. The sale to APG completed on 31 October 2020. Following reclassification to assets held for sale, equity accounting ceased and the Group's share of profit from VIA Outlets for the period from 1 July 2020 to the completion date has been included within the movement in impairment, as these drive the underlying net asset value of the investment and therefore the transaction price and fair value. Accordingly, note 10A comprises the results of VIA Outlets up to 30 June 2020 when the investment was reclassified to assets held for sale and the results of the residual investment in Zweibrücken B.V up to 31 October 2020 when the sale completed, following which this investment was reclassified to other investments. As detailed in note 15B, the adjusted earnings for this period have been incorporated into the Group's adjusted earnings metric. The 7.3% retained stake in Zweibrücken B.V. has been included in 'other investments' on the consolidated balance sheet.

	Partner	Principal property[1]	Group share %
United Kingdom			
Bishopsgate Goodsyard Regeneration Limited	Ballymore Properties	The Goodsyard	50
Brent Cross Partnership	Aberdeen Standard Investments	Brent Cross	41
Brent South Shopping Park[2,4]	Aberdeen Standard Investments	Brent South	41
Bristol Alliance Limited Partnership	AXA Real Estate	Cabot Circus	50
Croydon Limited Partnership/Whitgift Limited Partnership	Unibail-Rodamco-Westfield	Centrale/Whitgift	50
Grand Central Limited Partnership	CPPIB	Grand Central	50
Highcross Leicester Limited Partnership	Asian investor introduced by M&G Real Estate	Highcross	50
Silverburn Unit Trust[3]	CPPIB	Silverburn	50
The Bull Ring Limited Partnership	Nuveen, CPPIB	Bullring	50
The Oracle Limited Partnership	ADIA	The Oracle	50
The West Quay Limited Partnership	GIC	Westquay	50
Ireland			
Dundrum Retail Limited Partnership / Dundrum Car Park Limited Partnership	Allianz	Dundrum	50
France			
SCI ESQ [5]	Allianz	Espace Saint-Quentin	25
SCI RC Aulnay 1 and SCI RC Aulnay 2	Client of Rockspring Property Investment Managers	O'Parinor	25

1. The names of the principal properties operated by each partnership have been used in the summary income statements and balance sheets in note 10A. The two Dundrum partnerships are presented together as 'Dundrum'. The Goodsyard, Espace Saint-Quentin and O'Parinor are presented together as 'Other'.
2. At 31 December 2019, the Group's investment in Brent South Shopping Park was reclassified as 'assets held for sale' as detailed in note 15C and its results for 2019 were classified as discontinued operations. In 2020, following the termination of the sale agreement, the Group's investment was reclassified to investment in joint ventures and its results for 2019 and 2020 are included within continuing operations.
3. Registered in Jersey.
4. On 5 February 2021, the Group completed the sale of Brent South Shopping Park for £22 million as detailed in note 25 to the financial statements.
5. On 4 March 2021, the Group exchanged contracts to sell its 25% interest in Espace Saint-Quentin for £28.0 million as detailed in note 25.

The Reported Group's investment in joint ventures at 31 December 2020 was £1,813.6 million (2019: £3,017.1 million). An analysis of the movements in the year is provided in note 10D on page 64. The figures in the summarised income statements and balance sheets in note 10A, which show 100% of the results, assets and liabilities of joint ventures, have been restated to the Group's accounting policies where applicable and exclude all balances which are eliminated on consolidation.

10: Investment in joint ventures (continued)

A. Summary financial statements of joint ventures
Share of results of joint ventures for the year ended 31 December 2020

	Brent Cross £m	Cabot Circus £m	Bullring £m	Grand Central £m	The Oracle £m	Westquay £m
Ownership (%)	41	50	50	50	50	50
Gross rental income	35.9	29.6	45.2	10.2	24.9	28.5
Net rental income	23.5	12.2	24.5	4.2	9.2	12.5
Net administration expenses	(0.1)	–	–	(0.1)	–	–
Operating profit before other net losses	23.4	12.2	24.5	4.1	9.2	12.5
Revaluation losses	(252.6)	(152.7)	(335.7)	(76.6)	(173.5)	(198.2)
Operating loss	(229.2)	(140.5)	(311.2)	(72.5)	(164.3)	(185.7)
Change in fair value of derivatives	–	–	–	–	–	–
Translation movement on intragroup funding loan	–	–	–	–	–	–
Other finance (costs)/income	(0.4)	(0.8)	–	(0.1)	–	(0.4)
Net finance (costs)/income	(0.4)	(0.8)	–	(0.1)	–	(0.4)
Loss before tax	(229.6)	(141.3)	(311.2)	(72.6)	(164.3)	(186.1)
Current tax (charge)/credit	–	–	–	–	(0.1)	–
Deferred tax credit	–	–	–	–	–	–
Loss for the year	(229.6)	(141.3)	(311.2)	(72.6)	(164.4)	(186.1)
Hammerson share of loss for the year	(93.2)	(70.7)	(155.6)	(36.3)	(82.2)	(93.0)
Hammerson share of distributions payable[1]	4.7	–	2.4	–	–	–

Share of assets and liabilities of joint ventures as at 31 December 2020

	Brent Cross £m	Cabot Circus £m	Bullring £m	Grand Central £m	The Oracle £m	Westquay £m
Non-current assets						
Investment and development properties	561.6	321.6	627.8	128.6	279.1	332.4
Other non-current assets[2]	12.8	14.0	–	2.7	–	4.2
	574.4	335.6	627.8	131.3	279.1	336.6
Current assets						
Other current assets[3]	15.4	10.5	17.0	8.4	9.6	10.4
Cash and deposits[4]	17.3	21.3	29.2	8.8	13.6	14.5
	32.7	31.8	46.2	17.2	23.2	24.9
Current liabilities						
Other payables	(19.0)	(15.0)	(24.5)	(7.5)	(11.2)	(12.1)
Loans – secured	–	–	–	–	–	–
	(19.0)	(15.0)	(24.5)	(7.5)	(11.2)	(12.1)
Non-current liabilities						
Loans – secured	–	–	–	–	–	–
Derivative financial instruments	–	–	–	–	–	–
Obligations under head leases	(12.8)	(14.1)	–	(2.8)	–	(4.2)
Other payables	(1.0)	(1.1)	(2.0)	(0.8)	(2.3)	(698.2)
Deferred tax	–	–	–	–	(0.2)	–
	(13.8)	(15.2)	(2.0)	(3.6)	(2.5)	(702.4)
Net assets/(liabilities)	574.3	337.2	647.5	137.4	288.6	(353.0)
Hammerson share of net assets	233.2	168.6	323.8	68.7	144.3	–
Balance due to Hammerson[5,6]	–	–	–	–	–	171.7
Total investment in joint ventures	233.2	168.6	323.8	68.7	144.3	171.7

1. In addition to the distributions payable, the Group received interest from its joint ventures of £1.5 million (2019: £12.3 million). See note 25A.
2. Other non-current assets include interests in leasehold properties.
3. Included within the 100% other current assets figures are restricted monetary assets totalling £30.9 million (2019: £30.8 million) and £5.2 million (2019: £nil) in respect of Croydon and Dundrum, which relate to cash held in escrow for specified development costs and restricted cash as a condition of the loan covenant waiver, respectively.
4. Included within the 100% cash and deposits figures are balances of £2.7 million (2019: £5.0 million) and £8.0 million (2019: £7.2 million) in respect of Highcross and Dundrum respectively, which are classed as 'restricted' under the terms of the loan agreements.
5. The Group and its partners invest in joint ventures principally by way of equity investment. To provide further clarity of this investment, those balances which are not equity have been included within other payables as a liability of the joint venture, and the Group's interest has been shown separately.
6. The Group's policy is to initially recognise its share of the losses in joint ventures against its equity investment. Once the Group's equity investment is nil, its share of the losses of joint ventures are recognised against other long term interests. In accordance with this policy the Group's equity investment in the Westquay joint venture is nil as at 31 December 2020, with the Group's share of losses for the year recognised against the long term loan due to Hammerson, which has a closing carrying value of £171.7 million at 31 December 2020. In the prior year financial statements the Group's share of cumulative Westquay losses were incorrectly presented against the Group's equity interest rather than against the long term loan, resulting in the equity investment being negative. Accordingly the Group's investment in Westquay at 31 December 2019 has been re-presented to present the Group's equity investment in the Westquay joint venture as nil and the Group's loan to the Westquay joint venture as £264.9m as at 31 December 2019.

						100%			Hammerson share
Silverburn £m	Croydon £m	Highcross £m	Dundrum £m	VIA Outlets £m	Other £m	Total 2020 £m	Property joint ventures £m	VIA Outlets £m	Total 2020 £m
50	50	50	50	50	Various				
19.5	16.7	22.1	55.1	44.8	31.4	363.9	148.4	20.0	168.4
10.2	4.3	8.0	37.9	30.9	24.4	201.8	77.1	12.9	90.0
(0.1)	(0.1)	(0.1)	(0.3)	(6.7)	(0.1)	(7.6)	(0.4)	(3.3)	(3.7)
10.1	4.2	7.9	37.6	24.2	24.3	194.2	76.7	9.6	86.3
(80.3)	(134.1)	(145.0)	(254.0)	(62.7)	(201.0)	(2,066.4)	(927.2)	(30.7)	(957.9)
(70.2)	(129.9)	(137.1)	(216.4)	(38.5)	(176.7)	(1,872.2)	(850.5)	(21.1)	(871.6)
–	–	(3.1)	(0.7)	(0.2)	–	(4.0)	(1.9)	(0.1)	(2.0)
–	–	–	–	(1.0)	–	(1.0)	–	(0.5)	(0.5)
–	0.2	(5.1)	(10.9)	(9.9)	(3.0)	(30.4)	(9.5)	(4.6)	(14.1)
–	0.2	(8.2)	(11.6)	(11.1)	(3.0)	(35.4)	(11.4)	(5.2)	(16.6)
(70.2)	(129.7)	(145.3)	(228.0)	(49.6)	(179.7)	(1,907.6)	(861.9)	(26.3)	(888.2)
–	(0.2)	–	–	1.3	(0.1)	0.9	(0.1)	0.9	0.8
–	–	–	–	9.4	–	9.4	–	4.7	4.7
(70.2)	(129.9)	(145.3)	(228.0)	(38.9)	(179.8)	(1,897.3)			
(35.1)	(65.0)	(72.6)	(114.0)	(20.7)	(44.3)	(882.7)	(862.0)	(20.7)	(882.7)
–	–	1.9	0.9	–	0.7	10.6			

						100%			Hammerson share
Silverburn £m	Croydon £m	Highcross £m	Dundrum £m	VIA Outlets £m	Other £m	Total 2020 £m	Property joint ventures £m	VIA Outlets £m	Total 2020 £m
158.0	188.6	248.2	1,206.7	–	482.1	4,534.7	2,122.8	–	2,122.8
0.2	–	–	0.4	–	–	34.3	18.1	–	18.1
158.2	188.6	248.2	1,207.1	–	482.1	4,569.0	2,140.9	–	2,140.9
8.1	93.0	8.8	24.7	–	20.9	226.8	99.7	–	99.7
15.8	14.8	6.6	26.8	–	20.2	188.9	87.8	–	87.8
23.9	107.8	15.4	51.5	–	41.1	415.7	187.5	–	187.5
(8.8)	(23.5)	(13.2)	(13.7)	–	(15.7)	(164.2)	(76.6)	–	(76.6)
–	–	–	–	–	(197.9)	(197.9)	(49.5)	–	(49.5)
(8.8)	(23.5)	(13.2)	(13.7)	–	(213.6)	(362.1)	(126.1)	–	(126.1)
–	–	(158.3)	(557.0)	–	–	(715.3)	(357.6)	–	(357.6)
–	–	(7.1)	(4.7)	–	–	(11.8)	(5.9)	–	(5.9)
–	–	–	–	–	–	(33.9)	(15.8)	–	(15.8)
(0.4)	(66.8)	(0.6)	(1.3)	–	(184.7)	(959.2)	(9.3)	–	(9.3)
–	–	–	–	–	–	(0.2)	(0.1)	–	(0.1)
(0.4)	(66.8)	(166.0)	(563.0)	–	(184.7)	(1,720.4)	(388.7)	–	(388.7)
172.9	206.1	84.4	681.9	–	124.9	2,902.2			
86.5	103.0	42.2	341.0	–	40.9	1,552.2			
–	25.0	–	–	–	64.7	261.4			
86.5	128.0	42.2	341.0	–	105.6	1,813.6	1,813.6	–	1,813.6

10: Investment in joint ventures (continued)

A. Summary financial statements of joint ventures

Share of results of joint ventures for the year ended 31 December 2019

See page 60 for footnotes.

	Brent Cross £m	Cabot Circus £m	Bullring £m	Grand Central £m	The Oracle £m	Westquay[6] £m
Ownership (%)	**41**	**50**	**50**	**50**	**50**	**50**
Gross rental income	**43.7**	**35.5**	**55.0**	**11.3**	**33.1**	**34.6**
Net rental income	**40.2**	**29.9**	**46.1**	**9.1**	**28.0**	**26.8**
Net administration expenses	**(0.1)**	**–**	**–**	**(0.1)**	**–**	**–**
Operating profit before other net (losses)/gains	**40.1**	**29.9**	**46.1**	**9.0**	**28.0**	**26.8**
Revaluation (losses)/gains on properties	**(214.4)**	**(107.1)**	**(189.0)**	**(83.1)**	**(120.1)**	**(124.8)**
Impairment recognised on reclassification to assets held for sale	**(1.0)**	**–**	**–**	**–**	**–**	**–**
Operating (loss)/profit	**(175.3)**	**(77.2)**	**(142.9)**	**(74.1)**	**(92.1)**	**(98.0)**
Change in fair value of derivatives	**–**	**–**	**–**	**–**	**–**	**–**
Translation movement on intragroup funding loan	**–**	**–**	**–**	**–**	**–**	**–**
Other finance (costs)/income	**(0.4)**	**(0.7)**	**–**	**(0.1)**	**–**	**(0.3)**
Net finance (costs)/income	**(0.4)**	**(0.7)**	**–**	**(0.1)**	**–**	**(0.3)**
(Loss)/Profit before tax	**(175.7)**	**(77.9)**	**(142.9)**	**(74.2)**	**(92.1)**	**(98.3)**
Current tax charge	**–**	**–**	**–**	**–**	**(0.2)**	**–**
Deferred tax charge	**–**	**–**	**–**	**–**	**–**	**–**
(Loss)/Profit for the year	**(175.7)**	**(77.9)**	**(142.9)**	**(74.2)**	**(92.3)**	**(98.3)**
Hammerson share of (loss)/profit for the year	**(71.4)**	**(38.9)**	**(71.4)**	**(37.1)**	**(46.1)**	**(49.1)**
Hammerson share of distributions payable[1]	**16.7**	**21.6**	**24.0**	**5.1**	**14.9**	**5.3**

Share of assets and liabilities of joint ventures as at 31 December 2019

	Brent Cross £m	Cabot Circus £m	Bullring £m	Grand Central £m	The Oracle £m	Westquay £m
Non-current assets						
Investment and development properties	**754.4**	**470.2**	**961.2**	**203.8**	**454.1**	**530.6**
Goodwill	**–**	**–**	**–**	**–**	**–**	**–**
Other non-current assets[2]	**12.8**	**13.8**	**–**	**2.7**	**–**	**4.2**
	767.2	**484.0**	**961.2**	**206.5**	**454.1**	**534.8**
Current assets						
Other current assets[3]	**8.7**	**6.7**	**16.4**	**5.0**	**7.3**	**6.7**
Cash and deposits[4]	**9.4**	**15.9**	**12.7**	**9.1**	**4.1**	**4.8**
	18.1	**22.6**	**29.1**	**14.1**	**11.4**	**11.5**
Current liabilities						
Other payables	**(15.2)**	**(13.4)**	**(24.4)**	**(7.0)**	**(10.7)**	**(11.3)**
Loans – secured	**–**	**–**	**–**	**–**	**–**	**–**
	(15.2)	**(13.4)**	**(24.4)**	**(7.0)**	**(10.7)**	**(11.3)**
Non-current liabilities						
Loans – secured	**–**	**–**	**–**	**–**	**–**	**–**
Derivative financial instruments	**–**	**–**	**–**	**–**	**–**	**–**
Obligations under head leases	**(12.8)**	**(14.1)**	**–**	**(2.8)**	**–**	**(4.2)**
Other payables	**(0.4)**	**(0.7)**	**(1.5)**	**(0.7)**	**(1.4)**	**(697.5)**
Deferred tax	**–**	**–**	**–**	**–**	**(0.2)**	**–**
	(13.2)	**(14.8)**	**(1.5)**	**(3.5)**	**(1.6)**	**(701.7)**
Net assets/(liabilities)	**756.9**	**478.4**	**964.4**	**210.1**	**453.2**	**(166.7)**
Hammerson share of net assets	**307.4**	**239.2**	**482.2**	**105.0**	**226.6**	**–**
Balance due to Hammerson[5]	**–**	**–**	**–**	**–**	**–**	**264.9**
Total investment in joint ventures	**307.4**	**239.2**	**482.2**	**105.0**	**226.6**	**264.9**

						100%			Hammerson share
						Total	Property joint		Total
Silverburn	Croydon	Highcross	Dundrum	VIA Outlets	Other	2019	ventures	VIA Outlets	2019
£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
50	50	50	50	50	various				
21.1	21.1	28.9	61.6	94.9	32.6	473.4	177.1	45.6	222.7
19.0	13.0	22.6	54.5	66.4	28.9	384.5	148.1	31.8	179.9
(0.1)	(0.1)	(0.1)	(0.4)	(13.6)	(0.1)	(14.6)	(0.5)	(6.5)	(7.0)
18.9	12.9	22.5	54.1	52.8	28.8	369.9	147.6	25.3	172.9
(80.1)	(57.2)	(81.2)	(134.5)	60.3	(92.4)	(1,223.6)	(598.9)	29.1	(569.8)
–	–	–	–	–	–	(1.0)	(0.4)	–	(0.4)
(61.2)	(44.3)	(58.7)	(80.4)	113.1	(63.6)	(854.7)	(451.7)	54.4	(397.3)
–	–	(2.6)	(2.5)	(2.0)	–	(7.1)	(2.6)	(0.9)	(3.5)
–	–	–	–	0.6	–	0.6	–	0.3	0.3
–	0.2	(5.1)	(10.7)	(17.2)	(2.9)	(37.2)	(8.8)	(8.2)	(17.0)
–	0.2	(7.7)	(13.2)	(18.6)	(2.9)	(43.7)	(11.4)	(8.8)	(20.2)
(61.2)	(44.1)	(66.4)	(93.6)	94.5	(66.5)	(898.4)	(463.1)	45.6	(417.5)
–	(0.4)	–	–	(5.3)	(0.1)	(6.0)	(0.3)	(2.5)	(2.8)
–	–	–	–	(18.2)	–	(18.2)	–	(8.8)	(8.8)
(61.2)	(44.5)	(66.4)	(93.6)	71.0	(66.6)	(922.6)			
(30.6)	(22.2)	(33.2)	(46.8)	34.3	(16.6)	(429.1)	(463.4)	34.3	(429.1)
6.2	–	4.6	18.0	–	0.5	116.9			

						100%			Hammerson share
						Total	Property joint		Total
Silverburn	Croydon	Highcross	Dundrum	VIA Outlets	Other	2019	ventures	VIA Outlets	2019
£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
238.8	316.8	391.8	1,370.8	1,386.9	645.9	7,725.3	2,964.6	693.5	3,658.1
–	–	–	–	–	–	–	–	8.9	8.9
–	–	–	0.8	11.9	–	46.2	18.2	6.0	24.2
238.8	316.8	391.8	1,371.6	1,398.8	645.9	7,771.5	2,982.8	708.4	3,691.2
6.3	82.4	8.7	17.2	29.7	11.2	206.3	78.0	11.1	89.1
5.9	20.9	13.9	26.4	59.4	18.5	201.0	65.3	29.7	95.0
12.2	103.3	22.6	43.6	89.1	29.7	407.3	143.3	40.8	184.1
(7.4)	(15.1)	(12.5)	(16.4)	(47.2)	(9.5)	(190.1)	(69.0)	(23.6)	(92.6)
–	–	–	–	(6.6)	–	(6.6)	–	(3.3)	(3.3)
(7.4)	(15.1)	(12.5)	(16.4)	(53.8)	(9.5)	(196.7)	(69.0)	(26.9)	(95.9)
–	–	(163.9)	(526.6)	(527.9)	(186.7)	(1,405.1)	(391.9)	(263.9)	(655.8)
–	–	(4.0)	(3.8)	(8.0)	–	(15.8)	(3.9)	(4.0)	(7.9)
–	–	–	–	–	–	(33.9)	(15.8)	–	(15.8)
(0.2)	(68.1)	(2.1)	(14.1)	(12.3)	(179.7)	(978.7)	(7.3)	(6.2)	(13.5)
–	–	–	–	(138.4)	–	(138.6)	(0.1)	(69.2)	(69.3)
(0.2)	(68.1)	(170.0)	(544.5)	(686.6)	(366.4)	(2,572.1)	(419.0)	(343.3)	(762.3)
243.4	336.9	231.9	854.3	747.5	299.7	5,410.0			
121.7	168.4	115.9	427.1	379.0	84.2	2,656.7			
–	26.0	–	6.6	–	62.9	360.4			
121.7	194.4	115.9	433.7	379.0	147.1	3,017.1	2,638.1	379.0	3,017.1

10: Investment in joint ventures (continued)

B. Reconciliation to adjusted earnings

	Property			Property		
	joint	**VIA**	**Total**	joint	VIA	Total
	ventures	**Outlets[3]**	**2020**	ventures[1]	Outlets	2019
	£m	**£m**	**£m**	£m	£m	£m
(Loss)/Profit for the year	(862.0)	(20.7)	(882.7)	(463.4)	34.3	(429.1)
Revaluation losses/(gains) on properties	927.2	30.7	957.9	598.9	(29.1)	569.8
Impairment recognised on reclassification to assets held for sale	–	–	–	0.4	–	0.4
Change in the provision for amounts not yet recognised in the income statement	8.1	–	8.1	–	–	–
Change in fair value of derivatives	1.9	0.1	2.0	2.6	0.9	3.5
Translation movements on intragroup funding loan[2]	–	0.5	0.5	–	(0.3)	(0.3)
Deferred tax (credit)/charge	–	(4.7)	(4.7)	–	8.8	8.8
Total adjustments	937.2	26.6	963.8	601.9	(19.7)	582.2
Adjusted earnings	75.2	5.9	81.1	138.5	14.6	153.1

[1] Comparatives for 2019 have been re-presented to show Brent South Shopping Park as part of continuing operations. See note 1C.

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

[3] Comprises results of VIA Outlets up to 30 June 2020 when this was reclassified to assets held for sale and the results of the Group's investment in Zweibrücken B.V. up to 31 October 2020 when it was transferred to other investments upon completion of the sale of substantially all of VIA Outlets.

C. Reconciliation to adjusted investment in joint ventures

	Property		Property		
	joint	**Total**	joint	VIA	Total
	ventures	**2020**	ventures	Outlets	2019
	£m	**£m**	£m	£m	£m
Investment in joint ventures	1,813.6	1,813.6	2,638.1	379.0	3,017.1
Fair value of derivatives	5.9	5.9	3.9	4.0	7.9
Deferred tax*	–	–	0.1	34.6	34.7
Goodwill as a result of deferred tax	–	–	–	(7.4)	(7.4)
Other goodwill per IFRS balance sheet	–	–	–	(1.5)	(1.5)
Total adjustments	5.9	5.9	4.0	29.7	33.7
Adjusted investment	1,819.5	1,819.5	2,642.1	408.7	3,050.8

* Per note 8E, 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.

D. Reconciliation of movements in investment in joint ventures

	Property			Property		
	joint	**VIA**	**Total**	joint	VIA	Total
	ventures	**Outlets**	**2020**	ventures	Outlets	2019
	£m	**£m**	**£m**	£m	£m	£m
Balance at 1 January	2,638.1	379.0	3,017.1	3,278.2	326.3	3,604.5
Share of results of joint ventures	(862.0)	(20.7)	(882.7)	(463.4)	34.3	(429.1)
Impairment of investment in joint ventures	–	(9.6)	(9.6)	–	–	–
Acquisition	–	–	–	–	29.0	29.0
Advances	0.5	12.6	13.1	19.7	9.4	29.1
Distributions and other receivables	(16.5)	–	(16.5)	(139.2)	–	(139.2)
Transfer from/(to) assets held for sale	25.1	(376.3)	(351.2)	(25.1)	–	(25.1)
Transfer to other investments	–	(9.8)	(9.8)	–	–	–
Exchange and other movements	28.4	24.8	53.2	(32.1)	(20.0)	(52.1)
Balance at 31 December	1,813.6	–	1,813.6	2,638.1	379.0	3,017.1

11: Investment in associates

At 31 December 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. The three investments are equity accounted under IFRS, although the share of results in Italie Deux and Nicetoile are included with the Group's Share of Property interests when presenting figures on a proportionally consolidated basis. Further details are provided in the Financial review on page 16.

Summaries of aggregated income and investment for the interest in premium outlets, which includes VR and the Group's investment in VIA Outlets which was accounted for as a joint venture up to its reclassification to assets held for sale on 30 June 2020 (see note 15), are provided in Tables 14 and 15 of the Additional disclosures on page 82.

A: Share of results of associates

								2020
		Value Retail		Nicetoile		Italie Deux		Total
	100% £m	Hammerson share £m	100% £m	Hammerson share £m	100% £m	Hammerson share £m	100% £m	Hammerson share £m
Gross rental income	**232.4**	**71.7**	**14.0**	**1.4**	**22.3**	**5.6**	**268.7**	**78.7**
Net rental income	**143.1**	**45.7**	**11.0**	**1.1**	**18.2**	**4.5**	**172.3**	**51.3**
Net administration expenses	**(118.2)**	**(33.9)**	**(0.1)**	**–**	**(0.2)**	**–**	**(118.5)**	**(33.9)**
Operating profit before other net losses	**24.9**	**11.8**	**10.9**	**1.1**	**18.0**	**4.5**	**53.8**	**17.4**
Revaluation losses on properties	**(331.8)**	**(126.6)**	**(49.9)**	**(5.0)**	**(52.2)**	**(13.1)**	**(433.9)**	**(144.7)**
Operating loss	**(306.9)**	**(114.8)**	**(39.0)**	**(3.9)**	**(34.2)**	**(8.6)**	**(380.1)**	**(127.3)**
Change in fair value of derivatives	**18.8**	**3.0**	**–**	**–**	**–**	**–**	**18.8**	**3.0**
Change in fair value of participative loans – revaluation movement	**–**	**(17.6)**	**–**	**–**	**–**	**–**	**–**	**(17.6)**
Change in fair value of participative loans – other movement	**–**	**1.1**	**–**	**–**	**–**	**–**	**–**	**1.1**
Other net finance costs	**(52.9)**	**(19.4)**	**–**	**–**	**–**	**–**	**(52.9)**	**(19.4)**
Net finance costs	**(34.1)**	**(32.9)**	**–**	**–**	**–**	**–**	**(34.1)**	**(32.9)**
Loss before tax	**(341.0)**	**(147.7)**	**(39.0)**	**(3.9)**	**(34.2)**	**(8.6)**	**(414.2)**	**(160.2)**
Current tax charge	**(3.3)**	**(0.7)**	**(0.1)**	**–**	**–**	**–**	**(3.4)**	**(0.7)**
Deferred tax credit	**50.3**	**12.6**	**–**	**–**	**–**	**–**	**50.3**	**12.6**
Loss for the year	**(294.0)**	**(135.8)**	**(39.1)**	**(3.9)**	**(34.2)**	**(8.6)**	**(367.3)**	**(148.3)**

								2019
		Value Retail		Nicetoile		Italie Deux		Total
	100% £m	Hammerson share £m	100% £m	Hammerson share £m	100% £m	Hammerson share £m	100% £m	Hammerson share £m
Gross rental income	404.4	135.7	15.3	1.5	1.2	0.3	420.9	137.5
Net rental income	277.7	95.1	13.5	1.3	1.2	0.3	292.4	96.7
Net administration expenses	(140.0)	(44.4)	–	–	–	–	(140.0)	(44.4)
Operating profit before other net gains/(losses)	137.7	50.7	13.5	1.3	1.2	0.3	152.4	52.3
Revaluation gains/(losses) on properties	444.4	170.7	(22.9)	(2.3)	(2.0)	(0.5)	419.5	167.9
Operating profit/(loss)	582.1	221.4	(9.4)	(1.0)	(0.8)	(0.2)	571.9	220.2
Change in fair value of derivatives	(107.8)	(28.5)	–	–	–	–	(107.8)	(28.5)
Change in fair value of participative loans – revaluation movement	–	34.5	–	–	–	–	–	34.5
Change in fair value of participative loans – other movement	–	5.1	–	–	–	–	–	5.1
Other net finance costs	(59.5)	(21.0)	–	–	–	–	(59.5)	(21.0)
Net finance costs	(167.3)	(9.9)	–	–	–	–	(167.3)	(9.9)
Profit/(Loss) before tax	414.8	211.5	(9.4)	(1.0)	(0.8)	(0.2)	404.6	210.3
Current tax charge	(15.6)	(3.3)	(0.1)	–	–	–	(15.7)	(3.3)
Deferred tax credit	6.8	2.4	–	–	–	–	6.8	2.4
Profit/(Loss) for the year	406.0	210.6	(9.5)	(1.0)	(0.8)	(0.2)	395.7	209.4

B: Reconciliation to adjusted earnings

	Value Retail £m	Nicetoile £m	Italie Deux £m	Total 2020 £m	Value Retail £m	Nicetoile £m	Italie Deux £m	Total 2019 £m
Loss/(Profit) for the year	(135.8)	(3.9)	(8.6)	(148.3)	210.6	(1.0)	(0.2)	209.4
Revaluation losses/(gains) on properties	126.6	5.0	13.1	144.7	(170.7)	2.3	0.5	(167.9)
Change in fair value of derivatives	(3.0)	–	–	(3.0)	28.5	–	–	28.5
Change in fair value of participative loans – revaluation movement	17.6	–	–	17.6	(34.5)	–	–	(34.5)
Change in fair value of financial assets	0.1	–	–	0.1	(0.3)	–	–	(0.3)
Deferred tax credit	(12.6)	–	–	(12.6)	(2.4)	–	–	(2.4)
Total adjustments	128.7	5.0	13.1	146.8	(179.4)	2.3	0.5	(176.6)
Adjusted (losses)/earnings of associates	(7.1)	1.1	4.5	(1.5)	31.2	1.3	0.3	32.8

When aggregated, the Group's share of Value Retail's adjusted earnings for the year ended 31 December 2020 amounted to 23% (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

								2020
	Value Retail		Nicetoile		Italie Deux		Total	
	100% £m	Hammerson share £m	100% £m	Hammerson share £m	100% £m	Hammerson share £m	100% £m	Hammerson share £m
Goodwill on acquisition[1]	–	94.3	–	–	–	–	–	94.3
Investment properties	5,263.1	1,924.2	221.6	22.2	463.9	116.0	5,948.6	2,062.4
Other non-current assets	232.2	61.5	–	–	–	–	232.2	61.5
Non-current assets	5,495.3	2,080.0	221.6	22.2	463.9	116.0	6,180.8	2,218.2
Other current assets	61.9	27.7	7.2	0.7	15.7	3.9	84.8	32.3
Cash and deposits	238.8	77.4	15.3	1.5	16.8	4.2	270.9	83.1
Current assets	300.7	105.1	22.5	2.2	32.5	8.1	355.7	115.4
Total assets	5,796.0	2,185.1	244.1	24.4	496.4	124.1	6,536.5	2,333.6
Other payables	(98.3)	(73.6)	(4.6)	(0.5)	(11.5)	(2.9)	(114.4)	(77.0)
Loans	(129.8)	(32.1)	–	–	–	–	(129.8)	(32.1)
Current liabilities	(228.1)	(105.7)	(4.6)	(0.5)	(11.5)	(2.9)	(244.2)	(109.1)
Loans	(1,968.5)	(734.6)	–	–	–	–	(1,968.5)	(734.6)
Derivative financial instruments	(50.3)	(17.7)	–	–	–	–	(50.3)	(17.7)
Other payables	(40.0)	(15.4)	(1.4)	(0.1)	(2.9)	(0.7)	(44.3)	(16.2)
Participative loan liabilities	(357.8)	(88.4)	–	–	–	–	(357.8)	(88.4)
Deferred tax	(602.6)	(164.8)	–	–	–	–	(602.6)	(164.8)
Non-current liabilities	(3,019.2)	(1,020.9)	(1.4)	(0.1)	(2.9)	(0.7)	(3,023.5)	(1,021.7)
Total liabilities	(3,247.3)	(1,126.6)	(6.0)	(0.6)	(14.4)	(3.6)	(3,267.7)	(1,130.8)
Net assets	2,548.7	1,058.5	238.1	23.8	482.0	120.5	3,268.8	1,202.8
Participative loans	357.8	189.9	–	–	–	–	357.8	189.9
Impairment of investment*	–	(94.3)	–	–	–	–	–	(94.3)
Investment in associates	2,906.5	1,154.1	238.1	23.8	482.0	120.5	3,626.6	1,298.4

* In 2020, management performed a review of the carrying value of its investments in associates and concluded that an impairment was required. The impairment is equivalent to the notional goodwill on the investment in Value Retail. Further details are provided in note 1D.

The analysis in the tables above excludes liabilities in respect of distributions received in advance from Value Retail amounting to £25.4 million (2019: £24.1 million) which are included within payables – non-current liabilities in note 19.

In addition to the above investments, non-current receivables of the Group include loans to Value Retail European Holdings BV, totalling €2.0 million (£1.8 million), (2019: €2.0 million, £1.7 million) secured against a number of VR assets and maturing on 30 November 2043.

At 31 December 2020, Hammerson's economic interest in Value Retail is calculated as 40% (2019: 40%) adjusting for the participative loans, which are included within non-current liabilities.

								2019
		Value Retail		Nicetoile		Italie Deux		Total
	100% £m	Hammerson share £m	100% £m	Hammerson share £m	100% £m	Hammerson share £m	100% £m	Hammerson share £m
Goodwill	–	89.3	–	–	–	–	–	89.3
Investment properties	5,364.5	1,965.6	262.0	26.2	486.7	121.7	6,113.2	2,113.5
Other non-current assets	260.8	71.1	–	–	–	–	260.8	71.1
Non-current assets	5,625.3	2,126.0	262.0	26.2	486.7	121.7	6,374.0	2,273.9
Other current assets	80.6	32.5	–	–	4.9	1.2	85.5	33.7
Cash and deposits	201.6	61.4	10.3	1.0	5.4	1.3	217.3	63.7
Current assets	282.2	93.9	10.3	1.0	10.3	2.5	302.8	97.4
Total assets	5,907.5	2,219.9	272.3	27.2	497.0	124.2	6,676.8	2,371.3
Other payables	(90.3)	(55.5)	(4.6)	(0.4)	(2.6)	(0.6)	(97.5)	(56.5)
Current liabilities	(90.3)	(55.5)	(4.6)	(0.4)	(2.6)	(0.6)	(97.5)	(56.5)
Loans	(1,971.6)	(719.6)	–	–	–	–	(1,971.6)	(719.6)
Derivative financial instruments	(38.7)	(12.7)	–	–	–	–	(38.7)	(12.7)
Other payables	(36.7)	(14.5)	(1.6)	(0.2)	(3.9)	(1.0)	(42.2)	(15.7)
Participative loan liabilities	(366.6)	(90.6)	–	–	–	–	(366.6)	(90.6)
Deferred tax	(616.8)	(166.9)	–	–	–	–	(616.8)	(166.9)
Non-current liabilities	(3,030.4)	(1,004.3)	(1.6)	(0.2)	(3.9)	(1.0)	(3,035.9)	(1,005.5)
Total liabilities	(3,120.7)	(1,059.8)	(6.2)	(0.6)	(6.5)	(1.6)	(3,133.4)	(1,062.0)
Net assets	2,786.8	1,160.1	266.1	26.6	490.5	122.6	3,543.4	1,309.3
Participative loans	–	195.2	–	–	–	–	–	195.2
Investment in associates	2,786.8	1,355.3	266.1	26.6	490.5	122.6	3,543.4	1,504.5

D: Reconciliation to adjusted investment in associates

	Value Retail **£m**	**Nicetoile** **£m**	**Italie Deux** **£m**	**Total** **2020** **£m**	Value Retail £m	Nicetoile £m	Italie Deux £m	Total 2019 £m
Investment in associates	1,154.1	23.8	120.5	1,298.4	1,355.3	26.6	122.6	1,504.5
Fair value of derivatives	17.7	–	–	17.7	12.7	–	–	12.7
Deferred tax[1,2]	82.1	–	–	82.1	83.4	–	–	83.4
Deferred tax within participative loans[1]	16.6	–	–	16.6	17.1	–	–	17.1
Goodwill as a result of deferred tax[3]	–	–	–	–	(63.2)	–	–	(63.2)
Other goodwill per IFRS balance sheet	–	–	–	–	(26.1)	–	–	(26.1)
Total adjustments	116.4	–	–	116.4	23.9	–	–	23.9
Adjusted investment	1,270.5	23.8	120.5	1,414.8	1,379.2	26.6	122.6	1,528.4

1. Per note 8E, 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 have been prepared on an NTA basis and the Group has chosen to exclude 50% of deferred tax balances in accordance with EPRA guidance.
2. Shown net of a deferred tax asset of £0.7 million (2019: £0.2 million), which is included in non-current assets in note 11C.
3. An adjustment for goodwill has not been included in 2020 following the impairment of an amount equal to notional goodwill as detailed in note 11C.

E: Reconciliation of movements in investment in associates

	Value Retail **£m**	**Nicetoile** **£m**	**Italie Deux** **£m**	**Total** **2020** **£m**	Value Retail £m	Nicetoile £m	Italie Deux £m	Total 2019 £m
Balance at 1 January	1,355.3	26.6	122.6	1,504.5	1,211.1	30.4	–	1,241.5
Share of results of associates	(135.8)	(3.9)	(8.6)	(148.3)	210.6	(1.0)	(0.2)	209.4
Impairment of investment in associates	(94.3)	–	–	(94.3)	–	–	–	–
Acquisitions	–	–	–	–	1.4	–	–	1.4
Distributions	(5.9)	(0.1)	(0.1)	(6.1)	(30.9)	(0.6)	–	(31.5)
Transfer of investment property from Reported Group	–	–	–	–	–	–	121.1	121.1
Share of other comprehensive loss of associate*	(1.0)	–	–	(1.0)	(4.0)	–	–	(4.0)
Exchange and other movements	35.8	1.2	6.6	43.6	(32.9)	(2.2)	1.7	(33.4)
Balance at 31 December	1,154.1	23.8	120.5	1,298.4	1,355.3	26.6	122.6	1,504.5

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

12: Receivables: current assets

	2020 £m	2019 £m
Trade receivables	47.0	32.1
Other receivables	51.4	60.4
Corporation tax	0.8	0.7
Prepayments	6.7	3.1
	105.9	96.3

Trade receivables are shown after deducting a loss allowance provision of £35.8 million (2019: £9.9 million), as set out in the table below. Further details of the methodology applied, together with analysis of the provisioning rates, are provided in note 1D.

Other receivables are shown after deducting a loss allowance provision of £2.8 million (2019: £nil).

			2020			2019
	Gross receivable £m	Loss allowance £m	Net receivable £m	Gross receivable £m	Loss allowance £m	Net receivable £m
Not yet due	7.9	(0.7)	7.2	18.6	–	18.6
1-30 days overdue	7.1	(3.2)	3.9	3.2	–	3.2
31-60 days overdue	4.7	(2.0)	2.7	–	–	–
61-90 days overdue	1.0	(0.6)	0.4	0.8	–	0.8
91-120 days overdue	10.2	(4.8)	5.4	4.0	(0.6)	3.4
More than 120 days overdue	51.9	(24.5)	27.4	15.4	(9.3)	6.1
	82.8	(35.8)	47.0	42.0	(9.9)	32.1

13: Restricted monetary assets

	2020 £m	2019 £m
Cash held by managing agents	28.3	21.5
Cash held in escrow	21.4	–
	49.7	21.5
Analysed as:		
Non-current assets*	21.4	–
Current assets	28.3	21.5
	49.7	21.5

Non-current restricted monetary assets relate to funds held in escrow which are available to satisfy the Company's obligations under indemnities granted by the Company in favour of indemnified persons under the Company's Articles of Association, if such obligations are not satisfied by the Company or covered by Directors' and Officers' liability insurance. Unless suitable insurance can be procured, the funds will remain in trust until the later of December 2026, or, if there are outstanding claims at that date, the date on which all claims are resolved.

Current restricted monetary assets relate to cash held by managing agents on behalf of Group's tenants and co-owners to meet future service charge costs and related expenditure, and amounts held in escrow accounts for a specified purpose. The cash has restricted use and, as such, does not meet the definition of cash and cash equivalents as defined in IAS 7 Statement of Cash Flows.

14: Cash and deposits

	2020 £m	2019* £m
Cash at bank	409.5	28.2
Currency profile		
Sterling	376.0	1.7
Euro	33.5	26.5
	409.5	28.2

* At 31 December 2019, £1.6 million of cash was reclassified to assets held for sale. See note 15C.

15: Assets and liabilities classified as held for sale

A: Assets held for sale: VIA Outlets

At 30 June 2020, substantially all of the Group's investment in VIA Outlets was reclassified from investments in joint ventures to assets held for sale and subsequently impaired to its fair value less costs of disposal. On 31 October 2020, the Group completed the sale of this investment. Further information is provided in note 1C. An analysis of the movements during the current year between investments in joint ventures, other investments and assets held for sale is provided in the table below:

	Investment in joint ventures £m	Other investments £m	Assets held for sale £m	Total £m
Balance at 1 January 2020	379.0	–	–	379.0
Share of results to 30 June 2020	(20.9)	–	–	(20.9)
Impairment of investment	(9.6)	–	–	(9.6)
Advances	12.6	–	–	12.6
Exchange and other movements to 30 June 2020	24.8	–	–	24.8
Reclassification to assets held for sale	(376.3)	–	376.3	–
Share of results of Zweibrücken B.V. from 1 July to 31 October 2020	0.2	–	–	0.2
Reclassification to other investments	(9.8)	9.8	–	–
Exchange movements	–	–	(1.8)	(1.8)
Share of results from 1 July 2020 to 31 October 2020 (note 15B)	–	–	7.1	7.1
Transaction price adjustments from 1 July 2020 to 31 October 2020	–	–	(1.6)	(1.6)
Remainder of the impairment	–	–	(109.3)	(109.3)
Impairment relating to assets held for sale: VIA Outlets	–	–	(103.8)	(103.8)
Disposal at transaction price less selling costs	–	–	(270.7)	(270.7)
Fair value movement on other investments	–	(0.1)	–	(0.1)
Investment in VIA Outlets – 31 December 2020	–	9.7	–	9.7

B: Adjusted earnings from assets held for sale: VIA Outlets – 1 July 2020 to 31 October 2020

In accordance with IFRS 5, equity accounting ceased from the date of reclassification from investment in joint ventures to assets held for sale, and therefore subsequent movements in earnings, where these impacted the final transaction price and therefore the fair value, are reflected in the impairment movement. However, for the purposes of calculating the Group's adjusted earnings metric, the Group's share of profit from assets held for sale for the period from 1 July 2020 to the completion date as shown in the table below have been included as the Group remained entitled to its 50% share for that period. Management believes this provides more relevant and useful information to users of the financial statements by incorporating all of the adjusted earnings to which the Group is entitled. A summary of adjusted earnings from assets held for sale is detailed below.

	Total 2020 £m
Profit for the period *	7.1
Change in fair value of derivatives	(0.2)
Translation movements on intragroup funding loan	1.2
Total adjustments	1.0
Adjusted earnings	8.1

*Excludes revaluation and deferred tax movements in the period as these were fixed at 30 June 2020 values in accordance with the sale agreement. These would, however, have been excluded for the purposes of calculating adjusted earnings.

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 its 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 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 consolidated income statement in the year in relation to the reversal of the impairment. Further explanation surrounding the judgements reached is provided in note 1C

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

15: Assets and liabilities classified as held for sale (continued)

D: Movements 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: Retail parks – 1 January 2020[1]	431.6	14.4	446.0
Disposal[2]	(32.6)	32.6	–
Other movements	(5.7)	–	(5.7)
Reversal of impairment on reclassification from assets held for sale (note 1C)	22.4	–	22.4
Reclassification from assets held for sale – transfer to Reported Group	(415.7)	(47.0)	(462.7)
Assets held for sale: Retail parks – 31 December 2020	–	–	–

1. Included within assets held for sale at 1 January 2020 was £24.7 million relating to Brent South Shopping Park which was transferred to assets held for sale on 31 December 2019 at its carrying value of £25.1 million and subsequently impaired by £0.4 million. In May 2020, the impairment was reversed by £0.4 million and Brent South Shopping Park was transferred from assets held for sale to joint ventures at £25.1 million as detailed in note 10D.
2. On 12 February 2020, the Group exchanged and completed contracts for the sale of Hammerson (Abbey) Limited which owned Abbey Retail Park, Belfast.

16: Payables: current liabilities

	2020 £m	2019 £m
Trade payables	19.2	13.1
Net pension liability	0.9	0.9
Withholding tax on interim dividends (note 7)	11.9	12.2
Capital expenditure payables	22.5	24.1
Other payables*	63.9	57.6
Accruals	76.4	78.1
Deferred income	10.2	7.5
	205.0	193.5

* Other payables include lease liabilities of £3.2 million (2019: £3.5 million) in relation to the Group's offices in London, Reading, Dublin and Paris. The non-current portion is included in note 19.

17: Loans

	2020 £m	2019 £m
Unsecured[1]		
£200 million 7.25% sterling bonds due April 2028	198.7	198.6
£300 million 6% sterling bonds due February 2026	298.6	298.4
£350 million 3.5% sterling bonds due October 2025	347.2	346.7
€500 million 1.75% euro bonds due March 2023	446.5	422.3
€500 million 2% euro bonds due July 2022	446.5	422.0
Sterling bank loans and overdrafts[2]	(2.9)	127.6
Senior notes due January 2031[3]	16.4	20.3
Senior notes due January 2028[3]	62.1	88.1
Senior notes due June 2026[3]	81.2	84.8
Senior notes due January and June 2024[3]	249.4	352.4
Senior notes due June 2021[3]	115.0	143.7
	2,258.7	2,504.9
Analysed as:		
Current liabilities	115.0	–
Non-current liabilities	2,143.7	2,504.9
	2,258.7	2,504.9

1. During the year, the Group secured a 'Covid Corporate Financing Facility' (CCFF) in conjunction with HM Treasury and the Bank of England. The £300 million facility, is repayable within 12 months, bears interest at LIBOR plus a margin of forty basis points, is unsecured and has no covenants. In July 2020, £75 million was drawn down on the facility and repaid in full in December 2020.
2. The debit balance of £2.9 million in 2020 relates to unamortised fees in relation to the Revolving Credit Facility (RCF) against which no funds had been drawn at 31 December 2020.
3. During the year, £169.1 million of senior notes were repaid at par, comprising £29.6 million denominated in Sterling, £39.8 million denominated in Euro and £99.7 million denominated in US dollar.

At 31 December 2020 and 2019, no loans were repayable by instalments.

18: Financial instruments and risk management

A: Financing strategy

The Group borrows predominantly on an unsecured basis under its standard financial covenants in order to maintain operational flexibility at a low operational cost. Borrowings are arranged to maintain short term liquidity and ensure an appropriate maturity profile. Acquisitions may be financed initially using short term funds before being refinanced for the longer term when market conditions are appropriate. Long term debt mainly comprises the Group's fixed rate unsecured bonds and private placement senior notes. Short term funding is raised principally through syndicated revolving credit facilities from a range of banks and financial institutions with which the Group maintains strong working relationships. An analysis of the maturity of the undrawn element of these revolving credit facilities is shown in note 18C.

The Group's borrowing position at 31 December 2020 is summarised below:

	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	2020 Total £m
Note					17	17	
Bonds	–	–	–	–	–	1,737.5	1,737.5
Bank loans and overdrafts	–	–	–	–	–	(2.9)	(2.9)
Senior notes	–	–	–	–	115.0	409.1	524.1
Fair value of currency swaps	(9.1)	(6.6)	2.3	84.7	–	–	71.3
Borrowings, loans and derivative financial instruments	(9.1)	(6.6)	2.3	84.7	115.0	2,143.7	2,330.0

The Group's borrowing position at 31 December 2019 is summarised below:

	Derivative financial instruments					
	Current assets £m	Non-current assets £m	Current liabilities £m	Non-current liabilities £m	Loans > 1 year £m	2019 Total £m
Note					17	
Bonds	–	–	–	–	1,688.0	1,688.0
Bank loans and overdrafts	–	–	–	–	127.6	127.6
Senior notes	–	–	–	–	689.3	689.3
Fair value of currency swaps	(0.1)	(31.6)	4.1	70.7	–	43.1
Borrowings	(0.1)	(31.6)	4.1	70.7	2,504.9	2,548.0
Fair value of interest rate swaps	(0.7)	–	–	–	–	(0.7)
Loans and derivative financial instruments	(0.8)	(31.6)	4.1	70.7	2,504.9	2,547.3

B: Fair values of financial instruments

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

		2020			2019		
	Hierarchy level	Book value £m	Fair value £m	Variance £m	Book value £m	Fair value £m	Variance £m
Unsecured bonds	1	1,737.6	1,765.4	27.8	1,688.0	1,847.2	159.2
Senior notes	2	524.0	549.1	25.1	689.3	706.6	17.3
Unsecured bank loans and overdrafts	2	(2.9)	–	2.9	127.6	132.0	4.4
Fair value of currency swaps	2	71.3	71.3	–	43.1	43.1	–
Borrowings		2,330.0	2,385.8	55.8	2,548.0	2,728.9	180.9
Fair value of interest rate swaps	2	–	–	–	(0.7)	(0.7)	–
Fair value of other investments	3	9.7	9.7	–	–	–	–
Participative loans to associates	3	189.9	189.9	–	195.2	195.2	–

C: Undrawn committed facilities

The maturity analysis of the undrawn element of the revolving credit facilities at 31 December 2020 is summarised below:

	2020 £m	2019 £m
Expiry		
Within one to two years	425.0	–
Within two to five years	820.0	1,113.0
	1,245.0	1,113.0

19: Payables: non-current liabilities

	2020 £m	2019 £m
Net pension liability	33.6	44.4
Other payables*	69.6	62.1
	103.2	106.5

* Other payables include lease liabilities of £3.6 million (2019: £6.7 million) which are payable as follows: £2.1 million (2019: £3.1 million) from one to two years, £1.5 million (2019: £3.5 million) from two to five years and £nil (2019: £0.1 million) from five to 25 years.

20: Share capital

Called up, allotted and fully paid	2020 £m	2019 £m
Ordinary shares of 5p each (2019: 25p each)	202.9	191.6

The authorised share capital was removed from the Company's Articles of Association in 2010.

	Number
Movements in number of shares in issue	
Number of shares in issue at 1 January 2020	766,293,613
Share consolidation	(613,034,891)
Issued in respect of rights issue	3,678,209,328
Issued in respect of scrip dividend	225,830,124
Number of shares in issue at 31 December 2020	4,057,298,174

On 2 September 2020, the Company completed a capital reorganisation whereby each ordinary share of 25 pence in nominal value was subdivided into one ordinary share of 1 pence and one deferred share of 24 pence. The ordinary shares were then consolidated on the basis of one ordinary share of 5 pence for every five ordinary shares of 1 pence. Thereafter the deferred shares were cancelled and the ordinary shares of 5 pence each in nominal value, remain.

On 25 September 2020, following shareholder and regulatory approval, the rights issue of 24 ordinary shares for every one share, at an offer price of 15 pence per share, was completed and 3,678,209,328 ordinary shares were issued at a nominal value of 5 pence each.

21: Analysis of movement in net debt

			2020			2019
	Cash and deposits £m	Borrowings £m	Net debt £m	Cash and deposits £m	Borrowings £m	Net debt £m
Notes	14	18A		14	18A	
At 1 January	28.2	(2,548.0)	(2,519.8)	31.2	(3,098.8)	(3,067.6)
Cash and deposits transferred from assets held for sale	1.6	–	1.6	–	–	–
Cash flow	378.2	310.8	689.0	–	391.7	391.7
Change in fair value of currency swaps	–	23.9	23.9	–	10.7	10.7
Exchange	1.5	(116.7)	(115.2)	(1.4)	148.4	147.0
At 31 December	409.5	(2,330.0)	(1,920.5)	29.8	(2,548.0)	(2,518.2)
Cash and deposits reclassified as assets held for sale	–	–	–	(1.6)	–	(1.6)
At 31 December – excluding assets held for sale	409.5	(2,330.0)	(1,920.5)	28.2	(2,548.0)	(2,519.8)

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

	2020 £m	2019 £m
Amortisation of lease incentives and other costs	7.7	6.2
Increase in loss allowance provision	25.2	1.4
Increase in impairment of unamortised tenant incentives	9.5	–
Increase in accrued rents receivable	(6.7)	(1.3)
Depreciation	4.9	5.1
Share-based employee remuneration	2.2	3.0
Other	(1.4)	(5.5)
	41.4	8.9

23: Contingent liabilities and capital commitments

There are contingent liabilities of £103.9 million (2019: £159.2 million) relating to guarantees given by the Reported Group and a further £58.3 million (2019: £60.4 million) relating to claims against the Reported Group arising in the normal course of business, which are considered to be unlikely to crystallise. In addition, the Group's share of contingent liabilities arising within joint ventures is £6.8 million (2019: £18.8 million). Contingent liabilities have decreased during the year mainly as a result of the settlement of invoices where payment for works on the Group's properties was guaranteed.

The Reported Group also had capital commitments of £56.6 million (2019: £70.6 million) in relation to future capital expenditure on investment and development properties. The Group's share of the capital commitments arising within joint ventures is £38.8 million (2019: £33.2 million).

The risks and uncertainties facing the Group are detailed on pages 26 to 31.

24: Non-controlling interests

The Group's non-controlling interest represents a 35.5% interest held by Assurbail in a French entity which owned Place des Halles, Strasbourg. The entity disposed of its interest in this property in December 2017 and has incurred post-disposal costs of £0.4 million to 31 December 2020.

As a result of income statement movements of £0.1 million during the year, at 31 December 2020, non-controlling interests in the consolidated balance sheet were £0.1 million (2019: £0.2 million). No distributions were paid to Assurbail in the current or prior year.

25: Post balance sheet events

On 5 February 2021, the Group sold its 41% interest in Brent South Shopping Park for gross proceeds of £22.3 million. This was included within investments in joint ventures at 31 December 2020 at its carrying value of £21.4 million. Whilst management concluded that the criteria for reclassification to assets held for sale had been met at the balance sheet date, the reclassification is immaterial and adds complexity to the financial statements and was therefore not recognised at the balance sheet date.

On 4 March 2021, contracts were exchanged for the sale of the Group's 25% interest in Espace Saint-Quentin, Paris and 10% interest in Nicetoile, Nice to the existing partner, Allianz, for combined gross proceeds of £50.4 million, equal to the book value at 31 December 2020. At the balance sheet date, these assets did not meet the criteria for reclassification to assets held for sale under IFRS 5 as they were not being actively marketed and substantive terms had yet to be agreed. Consequently, they have been included within investments in joint ventures and associates at their respective carrying values of £28.0 million and £22.4 million at 31 December 2020.

Additional disclosures

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) and were again awarded an EPRA Gold Award for compliance with the EPRA BPR and sustainability BPR for our 2019 Annual Report. Further information on EPRA and the EPRA BPR can be found on their website www.epra.com. Details of our key EPRA metrics are shown in Table 1.

Table 1

EPRA performance measures

Performance measure	2020	2019	Definition and commentary	Page
Earnings	£15.9m	£214.3m	Recurring earnings from core operational activities. In 2020, EPRA earnings were £20.6 million lower (2019: £0.3 million higher) than the Group's adjusted earnings due to the inclusion of 'Company specific' adjustments. For 2020, these principally related to the removal of the provision for amounts not yet recognised in the income statement of £12.0 million and earnings from VIA Outlets of £8.1 million following its reclassification at 30 June as an "asset held for sale" until its disposal in October. Management believes these adjustments better reflect the underlying earnings of the Group and are shown in note 11B of the financial statements.	54
Earnings per share (EPS)[1]	0.7p	12.8p	EPRA earnings divided by the weighted average number of shares in issue during the period. Due to the "Company specific" adjustments explained above, EPRA EPS is 0.9p lower than adjusted EPS (2019: no change).	54
Net Reinvestment Value (NRV) per share[1,2]	£0.94	£1.35	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. This total is then divided by the diluted number of shares in issue.	56
Net Tangible Assets value (NTA) per share[1,2,3]	£0.82	£1.16	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.	56
Net Disposal Value (NDV) per share[1,2]	£0.78	£1.07	Equity shareholders' funds including the fair value of borrowings and excluding goodwill balances, divided by the diluted number of shares in issue.	56
Net Initial Yield (NIY)	5.7%	5.1%	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.	79
Topped-up NIY	5.8%	5.2%	EPRA NIY adjusted for the expiry of rent-free periods and future rent on signed leases.	79
Vacancy rate	5.7%	2.8%	The estimated market rental value (ERV) of vacant space divided by the ERV of the lettable area. Occupancy is the inverse of vacancy.	75
Cost ratio (incl. net service charge expenses – vacancy)	54.9%	25.7%	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.	78
Cost ratio (excl. net service charge expenses – vacancy)	51.7%	23.3%	Calculated as per the above metric, except this metric excludes net service charges in relation to vacancy.	78

Sustainability (LFL annual change)[4]

Electricity	-16%	-12%	Annual electricity consumption of the EPRA like-for-like portfolio.
Fuels	-25%	-15%	Annual gas consumption of the EPRA like-for-like portfolio.
Greenhouse Gas (GHG) Direct	-31%	-11%	Greenhouse gas emissions emitted from onsite combustion of energy.
GHG Indirect	-28%	-13%	Annual greenhouse gas emissions emitted from offsite combustion (purchased electricity and heat).

1. 2019 per share metric restated for rights issue.
2. 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 8E on pages 56 to 57.
3. The Group has chosen to exclude 50% of deferred tax balances when calculating NTA in accordance with EPRA guidance.
4. Further details of the Group's Positive Places sustainability strategy can be found on our website www.hammerson.com.

Portfolio analysis

Rental information

Table 2

Rental data for the year ended 31 December 2020

Proportionally consolidated excluding premium outlets	Gross rental income £m	Net rental income £m	Average rents passing[1] £/m	Rents passing[2] £m	Estimated rental value (ERV)[3] £m	Reversion/ (over-rented) %
UK	128.0	53.7	395	128.2	132.4	(2.5)
France	63.1	47.8	490	58.6	62.9	2.1
Ireland	37.7	26.4	485	38.8	39.0	(1.0)
Flagship destinations	228.8	127.9	435	225.6	234.3	(1.0)
UK retail parks	35.4	19.8	200	35.2	35.4	(6.5)
UK other	9.7	3.8	120	8.9	10.0	1.3
Investment portfolio	273.9	151.5	365	269.7	279.7	(1.6)
Developments[4]	13.0	6.1				
Property portfolio	286.9	157.6				

Data for the year ended 31 December 2019						
UK	158.2	130.7	490	145.9	154.5	3.0
France	82.1	72.0	455	60.2	65.1	4.9
Ireland	41.8	38.0	500	39.6	42.2	6.3
Flagship destinations	282.1	240.7	480	245.7	261.8	4.0
UK retail parks	52.5	49.1	220	44.5	42.5	(7.5)
UK other	11.3	8.2	150	10.6	12.0	3.8
Investment portfolio	345.9	298.0	405	300.8	316.3	2.4
Developments[4]	15.1	10.5				
Property portfolio	361.0	308.5				

1. Average rents passing at the year end before deducting head and equity rents and excluding rents passing from anchor units and car parks.
2. 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.
3. The estimated market rental value at the year end calculated by the Group's valuers. ERVs in the above table are included within the unobservable inputs to the portfolio valuations as defined by IFRS 13. This information has been subject to audit. The total ERV for the Reported Group at 31 December 2020 was £125.3 million (2019: £141.3 million).
4. Rental income for developments is principally in relation to the Whitgift Centre, Croydon, Dublin Central and ancillary properties associated with land holdings in Dublin and Leeds.

Vacancy

Table 3

Vacancy data as at 31 December 2020

	31 December 2020 £m			31 December 2019 £m		
Proportionally consolidated excluding premium outlets	ERV of vacant space £m	Total ERV for vacancy[1] £m	Vacancy rate %	ERV of vacant space £m	Total ERV for vacancy[1] £m	Vacancy rate %
UK	7.6	111.9	6.8	4.0	134.4	3.0
France	3.0	64.3	4.7	2.0	66.2	3.0
Ireland	0.6	35.1	1.8	0.1	38.5	0.4
Flagship destinations	11.2	211.3	5.3	6.1	239.1	2.5
UK retail parks	2.5	35.8	7.0	1.1	42.9	2.7
UK other	0.9	9.8	9.0	0.9	11.6	7.5
Investment portfolio	14.6	256.9	5.7	8.1	54.5	2.8

1. Total ERV differs from Table 2 due to the exclusion of car park ERV, which distorts the vacancy metric, and the inclusion of head and equity rents.

Rent reviews

Table 4

Rent reviews as at 31 December 2020

	Rents passing subject to review in[1]					Current ERV of leases subject to review in[2]				
Proportionally consolidated excluding premium outlets	Outstanding £m	2021 £m	2022 £m	2023 £m	Total £m	Outstanding £m	2021 £m	2022 £m	2023 £m	Total £m
UK	**19.4**	**13.3**	**12.9**	**10.9**	**56.5**	**19.8**	**13.4**	**13.0**	**11.6**	**57.8**
Ireland	**16.6**	**4.1**	**3.0**	**3.6**	**27.3**	**18.4**	**4.3**	**3.2**	**3.6**	**29.5**
Flagship destinations	**36.0**	**17.4**	**15.9**	**14.5**	**83.8**	**38.2**	**17.7**	**16.2**	**15.2**	**87.3**
UK retail parks	**8.4**	**4.1**	**4.1**	**2.7**	**19.3**	**8.5**	**4.1**	**4.1**	**2.8**	**19.5**
UK other	**1.8**	**0.6**	**0.6**	**0.8**	**3.8**	**1.9**	**0.6**	**0.6**	**0.8**	**3.9**
Investment portfolio[3]	**46.2**	**22.1**	**20.6**	**18.0**	**106.9**	**48.6**	**22.4**	**20.9**	**18.8**	**110.7**

1. The amount of rental income, based on rents passing at 31 December 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 31 December 2020.
3. Leases in France are not subject to rent reviews but are adjusted annually based on French indexation indices.

Lease expiries and breaks

Table 5

	Rents passing that expire/break in[1]					ERV of leases that expire/break in[2]					Weighted average unexpired lease term	
Proportionally consolidated excluding premium outlets	Outstanding £m	2021 £m	2022 £m	2023 £m	Total £m	Outstanding £m	2021 £m	2022 £m	2023 £m	Total £m	to break years	to expiry years
UK	**9.0**	**15.2**	**16.0**	**17.0**	**57.2**	**9.9**	**14.9**	**13.7**	**14.2**	**52.7**	**5.9**	**11.8**
France	**5.7**	**1.7**	**2.5**	**6.6**	**16.5**	**5.2**	**2.2**	**2.2**	**6.3**	**15.9**	**2.1**	**4.3**
Ireland	**1.5**	**3.8**	**1.8**	**2.1**	**9.2**	**2.0**	**4.1**	**2.1**	**1.9**	**10.1**	**6.4**	**8.7**
Flagship destinations	**16.2**	**20.7**	**20.3**	**25.7**	**82.9**	**17.1**	**21.2**	**18.0**	**22.4**	**78.7**	**4.9**	**9.0**
UK retail parks	**2.6**	**3.6**	**3.0**	**1.7**	**10.9**	**2.1**	**3.4**	**2.6**	**1.8**	**9.9**	**5.8**	**7.2**
UK other	**1.2**	**1.9**	**1.2**	**0.5**	**4.8**	**1.3**	**1.8**	**1.1**	**0.4**	**4.6**	**6.9**	**9.1**
Investment portfolio	**20.0**	**26.2**	**24.5**	**27.9**	**98.6**	**20.5**	**26.4**	**21.7**	**24.6**	**93.2**	**5.1**	**8.8**

1. The amount of rental income, based on rents passing at 31 December 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 31 December 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.

Net rental income

Table 6

Like-for-like net rental income (NRI) is calculated as the percentage change in NRI for investment properties owned throughout both the current and prior year, after taking account of exchange translation movements. Properties undergoing a significant extension project are excluded from this calculation during the period of the works.

Net rental income for the year ended 31 December 2020

Proportionally consolidated excluding premium outlets	Properties owned throughout 2019/20 £m	Decrease for properties owned throughout 2019/20 %	Disposals £m	Developments and other[3] £m	Total £m
UK	**63.7**	**(51.3)**	–	**(10.0)**	**53.7**
France	**34.6**	**(18.1)**	**(0.7)**	**14.9**	**48.8**
Ireland	**26.8**	**(30.3)**	–	**1.8**	**28.6**
Flagship destinations	**125.1**	**(40.8)**	**(0.7)**	**6.7**	**131.1**
UK retail parks	**21.1**	**(41.7)**	**0.2**	**(1.5)**	**19.8**
UK other	–	–	–	**6.7**	**6.7**
Property portfolio[1,2]	**146.2**	**(41.0)**	**(0.5)**	**11.9**	**157.6**

Net rental income for the year ended 31 December 2019

Proportionally consolidated excluding premium outlets	Properties owned throughout 2019/20 £m	Exchange £m	Disposals £m	Developments and other £m	Total £m
UK	**130.7**	–	–	–	**130.7**
France	**42.3**	**(1.0)**	**16.0**	**15.9**	**73.2**
Ireland	**38.5**	**(0.5)**	–	**3.4**	**41.4**
Flagship destinations	**211.5**	**(1.5)**	**16.0**	**19.3**	**245.3**
UK retail parks	**36.1**	–	**13.0**	–	**49.1**
UK other	–	–	–	**14.1**	**14.1**
Property portfolio[1,2]	**247.6**	**(1.5)**	**29.0**	**33.4**	**308.5**

[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 £3,541.5 million as at 31 December 2020 (2019:£4,619.8 million)**

[3] **Includes impairment of income in advance of £12.0 million in 2020 (2019:£nil)**

Top ten tenants
Table 7

Ranked by passing rent at 31 December 2020

Proportionally consolidated, excluding premium outlets	Passing rent £m	% of total passing rent
Inditex	**8.8**	**3.3**
H&M	**8.3**	**3.1**
Next	**7.0**	**2.6**
Marks & Spencer	**5.9**	**2.2**
Frasers Group	**5.4**	**2.0**
Boots	**5.3**	**2.0**
TK Maxx	**4.5**	**1.7**
JD Sports	**3.8**	**1.4**
CK Hutchison Holdings	**3.7**	**1.4**
River Island Clothing Company	**3.6**	**1.3**
Total	**56.3**	**21.0**

Cost ratio
Table 8

EPRA cost ratio

Proportionally consolidated excluding premium outlets	Year ended 31 December 2020 £m	Year ended 31 December 2019 £m
Net service charge expenses – non-vacancy	**7.1**	**8.0**
Net service charge expenses – vacancy (A)	**8.9**	**8.5**
Net service charge expenses – total	**16.0**	**16.5**
Other property outgoings	**99.0**	**32.8**
Less inclusive lease costs recovered through rent	**(6.4)**	**(7.6)**
Total property costs	**108.6**	**41.7**
Employee and corporate costs	**52.6**	**57.2**
Management fees receivable	**(8.5)**	**(8.9)**
Total operating costs (B)	**152.7**	**90.0**
Gross rental income	**286.9**	**361.0**
Ground and equity rents payable	**(2.3)**	**(3.2)**
Less inclusive lease costs recovered through rent	**(6.4)**	**(7.6)**
Gross rental income (C)	**278.2**	**350.2**
EPRA cost ratio including net service charge expenses – vacancy (%) – (B/C)	**54.9**	**25.7**
EPRA cost ratio excluding net service charge expenses – vacancy (%) – ((B-A)/C)	**51.7**	**23.3**

Our business model for developments is to use a combination of in-house resource and external advisors. The cost of external advisors is capitalised to the cost of developments. The cost of staff working on developments is generally expensed, but capitalised subject to meeting certain criteria related to the degree of time spent on and the stage of progress of specific projects. During the year ended 31 December 2020, staff costs of £2.2 million (2019: £1.8 million) were capitalised as development costs and are not included within 'Employee and corporate costs'.

Valuation analysis at 31 December 2020

Proportionally consolidated including premium outlets	Properties at valuation[1] £m	Revaluation in the year £m	Capital return %	Total return %	Initial yield %	True equivalent yield %	Nominal equivalent yield[2] %
UK	1,511.2	(838.6)	(35.8)	(33.7)	6.6	7.6	7.3
France	1,146.9	(202.7)	(15.3)	(11.9)	4.4	5.0	4.9
Ireland	757.1	(158.0)	(17.5)	(14.8)	4.6	5.2	5.0
Flagship destinations	3,415.2	(1,199.3)	(26.2)	(23.6)	5.4	6.2	6.0
UK retail parks[3]	384.0	(121.6)	(23.3)	(19.5)	7.9	8.8	8.3
UK other	106.2	(27.8)	(19.8)	(16.8)	6.2	9.6	9.0
Investment portfolio	3,905.4	(1,348.7)	(25.8)	(23.1)	5.7	6.5	6.3
Developments	508.4	(159.3)	(24.2)	(23.3)			
Property portfolio – excluding premium outlets	4,413.8	(1,508.0)	(25.6)	(23.1)			
Premium outlets[4]	1,924.2	(157.3)	(10.0)	(7.5)			
Total Group[5]	6,338.0	(1,665.3)	(20.9)	(18.3)			
Data for the year ended 31 December 2019							
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[4]	2,659.1	199.8	8.2	13.6			
Total Group[5]	8,326.8	(828.2)	(9.8)	(5.6)			

[1] Includes impairment of £91.6 million at 31 December 2019, following reclassification of the UK retail parks to assets held for sale. Valuation movements, returns and yields for 2019 have been calculated excluding this impairment loss.

[2] Nominal equivalent yields are included within the unobservable inputs to the portfolio valuations as defined by IFRS 13. This information has been subject to audit. The nominal equivalent yield for the Reported Group at 31 December 2020 was 6.3% (2019: 5.8%).

[3] Revaluation in the year includes £69.2 million relating to the impairment recognised following reclassification of the UK retail parks to assets held for sale of £91.6 million and its subsequent reversal, totalling £22.4 million, in 2020, consistent with the basis upon which returns and yields have been calculated.

[4] Represents the Group's share of premium outlets through its investments in Value Retail and VIA Outlets. Substantially all of the Group's investment in VIA Outlets was sold on 31 October 2020.

[5] Further analysis of capital expenditure between Reported Group and Share of Property interests is included in note 3B on page 51.

EPRA Net Initial Yield (NIY)

Table 10

Investment portfolio as at 31 December 2020

Proportionally consolidated excluding premium outlets		2020 £m	2019 £m
Property portfolio – excluding premium outlets – wholly owned	Note 3B	2,152.8	2,098.7
Property portfolio – excluding premium outlets – share of property interests	Note 3B	2,261.0	3,112.5
Property portfolio – excluding premium outlets – assets held for sale/discontinued operations	Note 3B	–	456.5
Net investment portfolio valuation on a proportionally consolidated basis	Note 3B	4,413.8	5,667.7
Less: Developments	Note 3B	(508.4)	(599.6)
Completed investment portfolio		3,905.4	5,068.1
Add: Impairment recognised on reclassification to held for sale		–	92.0
Purchasers' costs[1]		272.1	353.7
Grossed up completed investment portfolio (A)		4,177.5	5,513.8
Annualised cash passing rental income		269.7	299.5
Non recoverable costs		(26.1)	(11.6)
Rents payable		(4.5)	(4.5)
Annualised net rent (B)		239.1	283.4
Add:			
Notional rent expiration of rent free periods[2]		3.0	4.8
Future rent on signed leases		1.5	1.0
Topped-up annualised net rent (C)		243.6	289.2
Add back: Non recoverable costs		26.1	11.6
Passing rents[3]		269.7	300.8
EPRA net initial yield (B/A)		5.7%	5.1%
EPRA 'topped-up' net initial yield (C/A)		5.8%	5.2%

1. Purchasers' costs equate to 7.0% (2019: 6.9%) of the net portfolio value prior to impairment.
2. The weighted average remaining rent-free period is 0.5 years (2019: 0.4 years)
3. Passing rents are the annual rental income receivable from an investment property, after any rent-free periods and after deducting head and equity rents and car parking and commercialisation running costs

EPRA – capital expenditure

Table 11

	2020			2019		
Proportionally consolidated excluding premium outlets	Reported Group £m	Share of Property interests £m	Proportionally consolidated £m	Reported Group £m	Share of Property interests £m	Proportionally consolidated £m
Acquisitions	–	–	–	1	–	1
Developments	44	3	47	48	3	51
Capital expenditure – creating area	10	7	17	13	3	16
Capital expenditure – no additional area	8	10	18	14	10	24
Tenant incentives	(10)	(5)	(15)	3	3	6
Total capital expenditure	52	15	67	79	19	98
Conversion from accruals to cash basis	16	–	16	2	10	12
Total capital expenditure on cash basis (Table 19)	68	15	83	81	29	110

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 13.

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 59 to 64 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 65 to 67.

Income statement
Table 12

	2020			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
Gross rental income	**148.4**	**7.0**	**155.4**	**177.1**	**1.8**	**178.9**
Net rental income	**77.1**	**5.6**	**82.7**	**148.1**	**1.6**	**149.7**
Administration expenses	**(0.4)**	**–**	**(0.4)**	**(0.5)**	**–**	**(0.5)**
Operating profit before other net losses	**76.7**	**5.6**	**82.3**	**147.6**	**1.6**	**149.2**
Revaluation losses on properties	**(927.2)**	**(18.1)**	**(945.3)**	**(598.9)**	**(2.8)**	**(602.1)**
Operating loss	**(850.5)**	**(12.5)**	**(863.0)**	**(451.7)**	**(1.2)**	**(452.9)**
Change in fair value of derivatives	**(1.9)**	**–**	**(1.9)**	**(2.6)**	**–**	**(2.6)**
Other finance costs	**(9.5)**	**–**	**(9.5)**	**(8.8)**	**–**	**(8.8)**
Net finance costs	**(11.4)**	**–**	**(11.4)**	**(11.4)**	**–**	**(11.4)**
Loss before tax	**(861.9)**	**(12.5)**	**(874.4)**	**(463.1)**	**(1.2)**	**(464.3)**
Current tax charge	**(0.1)**	**–**	**(0.1)**	**(0.3)**	**–**	**(0.3)**
Loss for the year	**(862.0)**	**(12.5)**	**(874.5)**	**(463.4)**	**(1.2)**	**(464.6)**

Balance sheet
Table 13

	2020			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	**2,122.8**	**138.2**	**2,261.0**	**2,964.6**	**147.9**	**3,112.5**
Other non-current assets	**18.1**	**–**	**18.1**	**18.2**	**–**	**18.2**
	2,140.9	**138.2**	**2,279.1**	**2,982.8**	**147.9**	**3,130.7**
Current assets						
Other current assets	**99.7**	**4.6**	**104.3**	**78.0**	**1.2**	**79.2**
Cash and deposits	**87.8**	**5.7**	**93.5**	**65.3**	**2.3**	**67.6**
	187.5	**10.3**	**197.8**	**143.3**	**3.5**	**146.8**
Total assets	**2,328.4**	**148.5**	**2,476.9**	**3,126.1**	**151.4**	**3,277.5**
Current liabilities						
Loans - secured	**(49.5)**	**–**	**(49.5)**	**–**	**–**	**–**
Other payables	**(76.6)**	**(3.4)**	**(80.0)**	**(69.0)**	**(1.0)**	**(70.0)**
	(126.1)	**(3.4)**	**(129.5)**	**(69.0)**	**(1.0)**	**(70.0)**
Non-current liabilities						
Loans - secured	**(357.6)**	**–**	**(357.6)**	**(391.9)**	**–**	**(391.9)**
Derivative financial instruments	**(5.9)**	**–**	**(5.9)**	**(3.9)**	**–**	**(3.9)**
Obligations under head leases	**(15.8)**	**–**	**(15.8)**	**(15.8)**	**–**	**(15.8)**
Other payables	**(9.3)**	**(0.8)**	**(10.1)**	**(7.3)**	**(1.2)**	**(8.5)**
Deferred tax	**(0.1)**	**–**	**(0.1)**	**(0.1)**	**–**	**(0.1)**
	(388.7)	**(0.8)**	**(389.5)**	**(419.0)**	**(1.2)**	**(420.2)**
Total liabilities	**(514.8)**	**(4.2)**	**(519.0)**	**(488.0)**	**(2.2)**	**(490.2)**
Net assets	**1,813.6**	**144.3**	**1,957.9**	**2,638.1**	**149.2**	**2,787.3**

Premium outlets

At 31 December 2020, the Group's investment in premium outlets is through its interest in Value Retail, following the disposal of substantially all of its investment in VIA Outlets on 31 October 2020. The Group's adjusted earnings from VIA Outlets for the year ended 31 December 2020 comprise it share of adjusted earnings up to 30 June 2020, when the investment was reclassified to assets held for sale, and separately its share of results from 1 July 2020 to the sale date of 31 October 2020. Refer to note 18 to the financial statements for further details.

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 was accounted for as a joint venture. Tables 14 and 15 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 14 to the financial statements on pages 65 to 67 and for VIA Outlets in note 13 to the financial statements on pages 59 to 64.

Income statement

Table 14

Aggregated premium outlets income summary

	2020				2019		
	Value Retail £m	VIA Outlets £m	AHFS – VIA Outlets £m	Total £m	Value Retail £m	VIA Outlets £m	Total £m
Gross rental income	71.7	20.0	14.7	106.4	135.7	45.6	181.3
Net rental income	45.7	12.9	13.2	71.8	95.1	31.8	126.9
Administration expenses	(33.9)	(3.3)	(2.0)	(39.2)	(44.4)	(6.5)	(50.9)
Operating profit before other net (losses)/ gains	11.8	9.6	11.2	32.6	50.7	25.3	76.0
Revaluation (losses)/gains on properties	(126.6)	(30.7)	-	(157.3)	170.7	29.1	199.8
Operating (loss)/profit	(114.8)	(21.1)	11.2	(124.7)	221.4	54.4	275.8
Change in fair value of derivatives	3.0	(0.1)	0.2	3.1	(28.5)	(0.9)	(29.4)
Change in fair value of participative loans	(16.5)	–	–	(16.5)	39.6	–	39.6
Other net finance costs	(19.4)	(5.1)	(3.7)	(28.2)	(21.0)	(7.9)	(28.9)
(Loss)/Profit before tax	(147.7)	(26.3)	7.7	(166.3)	211.5	45.6	257.1
Current tax charge	(0.7)	0.9	(0.6)	(0.4)	(3.3)	(2.5)	(5.8)
Deferred tax credit/(charge)	12.6	4.7	–	17.3	2.4	(8.8)	(6.4)
Share of results (IFRS)	(135.8)	(20.7)	7.1	(149.4)	210.6	34.3	244.9
Less earnings adjustments: (note 11B)							
Revaluation (losses)/gains on properties	126.6	30.7	-	157.3	(170.7)	(29.1)	(199.8)
Change in fair value of derivatives	(3.0)	0.1	(0.2)	(3.1)	28.5	0.9	29.4
Change in fair value of financial assets	0.1	–	–	0.1	(0.3)	–	(0.3)
Deferred tax (credit)/charge	(12.6)	(4.7)	-	(17.3)	(2.4)	8.8	6.4
Other adjustments	17.6	0.5	1.2	19.3	(34.5)	(0.3)	(34.8)
	128.7	26.6	1.0	156.3	(179.4)	(19.7)	(199.1)
Adjusted earnings of premium outlets	(7.1)	5.9	8.1	6.9	31.2	14.6	45.8

Balance sheet

Table 15

Aggregated premium outlets investment summary

	2020	2019		
	Value Retail[1] £m	Value Retail £m	VIA Outlets £m	Total £m
Investment properties	1,924.2	1,965.6	693.5	2,659.1
Net debt	(689.3)	(658.2)	(239.0)	(897.2)
Other net assets/(liabilities)	(80.8)	47.9	(75.5)	(27.6)
Share of net assets (IFRS)	1,154.1	1,355.3	379.0	1,734.3
Less adjustments: (note 11E)				
Fair value of derivatives	17.7	12.7	4.0	16.7
Deferred tax (50%)	98.7	100.5	34.6	135.1
Goodwill as a result of deferred tax	–	(63.2)	(7.4)	(70.6)
	116.4	50.0	31.2	81.2
Adjusted investment	1,270.5	1,405.3	410.2	1,815.5

[1] On 31 October 2020, the Group disposed of substantially all of its investment in VIA Outlets. The residual investment in Zweibrücken B.V. was transferred to Other investments and is excluded from the analysis above.

In addition to the above figures, at 31 December 2020 the Group had provided loans of £1.8 million (2019: £1.7 million) to Value Retail for which the Group received interest of £0.1 million in 2020 (2019: £0.1 million) which is included within finance income in note 5 to the financial statements on page 52.

Proportionally consolidated information

Note 2 to the financial statements on pages 47 to 49 shows the Group's proportionally consolidated income statement. The Group's proportionally consolidated balance sheet, adjusted finance costs and net debt are shown in Tables 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 59 to 64 and Italie Deux and Nicetoile as shown in note 11 to the financial statements on pages 65 to 67. Column C shows the Group's proportionally consolidated figures by aggregating the Reported Group and Share of Property interests figures. As explained on page 16 of the Financial review, the Group's interests in premium outlets are not proportionally consolidated as management does not review these interests on this basis.

Balance sheet

Table 16

Balance sheet as at 31 December 2020

	2020			2019		
	Reported Group £m	Share of Property interests £m	Proportionally consolidated £m	Reported Group £m	Share of Property interests £m	Proportionally consolidated £m
	A	B	C	A	B	C
Non-current assets						
Investment and development properties	**2,152.8**	**2,261.0**	**4,413.8**	**2,098.7**	**3,112.5**	**5,211.2**
Interests in leasehold properties	**38.6**	**15.5**	**54.1**	**34.3**	**15.6**	**49.9**
Right of use assets	**6.7**	–	**6.7**	**10.1**	–	**10.1**
Plant and equipment	**2.3**	–	**2.3**	**3.2**	–	**3.2**
Investment in joint ventures	**1,813.6**	**(1,813.6)**	–	**3,017.1**	**(2,638.1)**	**379.0**
Investment in associates	**1,298.4**	**(144.3)**	**1,154.1**	**1,504.5**	**(149.2)**	**1,355.3**
Other investments	**9.7**	–	**9.7**	–	–	–
Derivative financial instruments	**6.6**	–	**6.6**	**31.6**	–	**31.6**
Restricted monetary assets	**21.4**	–	**21.4**	–	–	–
Receivables	**3.4**	**2.6**	**6.0**	**3.4**	**2.6**	**6.0**
	5,353.5	**321.2**	**5,674.7**	**6,702.9**	**343.4**	**7,046.3**
Current assets						
Receivables	**105.9**	**62.7**	**168.6**	**96.3**	**30.5**	**126.8**
Derivative financial instruments	**9.1**	–	**9.1**	**0.8**	–	**0.8**
Restricted monetary assets	**28.3**	**41.6**	**69.9**	**21.5**	**48.7**	**70.2**
Cash and deposits	**409.5**	**93.5**	**503.0**	**28.2**	**67.6**	**95.8**
	552.8	**197.8**	**750.6**	**146.8**	**146.8**	**293.6**
Assets held for sale	–	–	–	**465.7**	**1.3**	**467.0**
	552.8	**197.8**	**750.6**	**612.5**	**148.1**	**760.6**
Total assets	**5,906.3**	**519.0**	**6,425.3**	**7,315.4**	**491.5**	**7,806.9**
Current liabilities						
Loans	**(115.0)**	**(49.5)**	**(164.5)**	–	–	–
Payables	**(205.0)**	**(80.0)**	**(285.0)**	**(193.5)**	**(70.0)**	**(263.5)**
Tax	**(1.3)**	–	**(1.3)**	**(1.5)**	–	**(1.5)**
Derivative financial instruments	**(2.3)**	–	**(2.3)**	**(4.1)**	–	**(4.1)**
	(323.6)	**(129.5)**	**(453.1)**	**(199.1)**	**(70.0)**	**(269.1)**
Liabilities associated with assets held for sale	–	–	–	**(19.7)**	**(1.3)**	**(21.0)**
	(323.6)	**(129.5)**	**(453.1)**	**(218.8)**	**(71.3)**	**(290.1)**
Non-current liabilities						
Loans	**(2,143.7)**	**(357.6)**	**(2,501.3)**	**(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	**(84.7)**	**(5.9)**	**(90.6)**	**(70.7)**	**(3.9)**	**(74.6)**
Obligations under head leases	**(41.8)**	**(15.8)**	**(57.6)**	**(36.9)**	**(15.8)**	**(52.7)**
Payables	**(103.2)**	**(10.1)**	**(113.3)**	**(106.5)**	**(8.5)**	**(115.0)**
	(2,373.8)	**(389.5)**	**(2,763.3)**	**(2,719.4)**	**(420.2)**	**(3,139.6)**
Total liabilities	**(2,697.4)**	**(519.0)**	**(3,216.4)**	**(2,938.2)**	**(491.5)**	**(3,429.7)**
Net assets	**3,208.9**	–	**3,208.9**	**4,377.2**	–	**4,377.2**

Adjusted finance costs
Table 17

Adjusted finance costs for the year ended 31 December 2020

	2020			2019		
	Reported Group £m	Share of Property interests £m	Total £m	Reported Group £m	Share of Property interests £m	Total £m
Notes (see page 83)	A	B	C	A	B	C
Gross finance costs	**100.5**	**9.7**	**110.2**	**105.3**	**9.0**	**114.3**
Less: Interest capitalised	**(5.0)**	**–**	**(5.0)**	**(2.8)**	**–**	**(2.8)**
Finance costs	**95.5**	**9.7**	**105.2**	**102.5**	**9.0**	**111.5**
Finance income	**(9.6)**	**(0.2)**	**(9.8)**	**(21.5)**	**(0.2)**	**(21.7)**
Adjusted finance costs	**85.9**	**9.5**	**95.4**	**81.0**	**8.8**	**89.8**

Net debt
Table 18

Net debt as at 31 December 2020

	2020			2019		
	Reported Group £m	Share of Property interests £m	Total £m	Reported Group £m	Share of Property interests £m	Total £m
Notes (see page 83)	A	B	C	A	B	C
Cash and deposits[1]	**409.5**	**93.5**	**503.0**	**29.8**	**67.6**	**97.4**
Fair value of currency swaps	**(71.3)**	**–**	**(71.3)**	**(43.1)**	**–**	**(43.1)**
Loans	**(2,258.7)**	**(407.1)**	**(2,665.8)**	**(2,504.9)**	**(391.9)**	**(2,896.8)**
Net debt	**(1,920.5)**	**(313.6)**	**(2,234.1)**	**(2,518.2)**	**(324.3)**	**(2,842.5)**

[1] **Included within net debt for the Reported Group at 31 December 2019 was £1.6 million of cash and deposits relating to assets held for sale.**

Movement in net debt
Table 19

Movement in net debt for the year ended 31 December 2020

	Year ended 31 December 2020 £m	Year ended 31 December 2019 £m
Opening net debt	**(2,842.5)**	**(3,405.7)**
Operating profit before other net losses	**113.5**	**260.2**
Increase in receivables and restricted monetary assets	**(127.5)**	**(3.9)**
Decrease in payables	**(15.8)**	**(1.6)**
Adjustment for non-cash items	**82.1**	**9.9**
Cash generated from operations	**52.3**	**264.6**
Interest received	**18.2**	**20.6**
Interest paid	**(109.3)**	**(109.3)**
Tax paid	**(1.0)**	**(2.1)**
Operating distributions received from Value Retail	**5.9**	**24.3**
Cash flows from operating activities	**(33.9)**	**198.1**
Acquisitions and capital expenditure	**(83.5)**	**(110.3)**
Sale of properties	**56.4**	**536.1**
Sale of investment in VIA Outlets	**272.0**	**–**
Advances to VIA Outlets	**(12.6)**	**(9.4)**
Funds from financing transferred from Value Retail	**–**	**5.5**
Acquisition of interest in premium outlets	**–**	**(30.4)**
Cash flows from investing activities	**232.3**	**391.5**
Net proceeds from rights issue	**531.7**	**–**
Purchase of own shares	**(0.2)**	**(1.8)**
Proceeds from award of own shares	**0.2**	**0.2**
Share buyback	**–**	**(1.5)**
Equity dividends paid	**(13.4)**	**(198.9)**
Cash flows from financing activities	**518.3**	**(202.0)**
Exchange translation movement	**(108.3)**	**175.6**
Closing net debt	**(2,234.1)**	**(2,842.5)**

Net debt:EBITDA

Table 20

Net debt:EBITDA for the year ended 31 December 2020

		2020 £m	2019 £m
Adjusted operating profit	Note 2	132.4	306.0
Amortisation of tenant incentives and other items within net rental income		19.0	6.4
Share-based remuneration		2.2	3.0
Depreciation		4.9	5.1
EBITDA		158.5	320.5
Net debt	Table 18	2,234.1	2,842.5
Net debt:EBITDA (times)		14.1	8.9

Interest cover

Table 21

Interest cover for the year ended 31 December 2020

		2020 £m	2019 £m
Net rental income	Note 2	157.6	308.5
Less:			
Net rental income in associates: Italie Deux and Nicetoile	Note 11A	(5.6)	(1.6)
Add:			
Change in provision for amounts not yet recognised in the income statement	Note 2	12.0	–
Net rental income for VIA Outlets while classified as a joint venture	Note 10A	12.9	31.8
Net rental income for VIA Outlets while classified as an asset held for sale	Table 14	13.2	–
Net rental income for interest cover		190.1	338.7
Net finance costs	Note 2	95.4	89.8
Less:			
Interest on lease obligations and pensions interest		(4.0)	(3.5)
Add:			
Capitalised interest		5.0	2.8
Net finance cost for VIA Outlets while classified as a joint venture	Note 10A	5.1	7.9
Net finance cost for VIA Outlets while classified as an asset held for sale	Table 14	3.7	–
Net finance cost for interest cover		105.2	97.0
Interest cover (times)		181	349

Loan to value

Table 22

Loan to value as at 31 December 2020

		2020 £m	2019 £m
Net debt – 'Loan' (A)	Table 18	2,234.1	2,842.5
Property portfolio – excluding premium outlets (B)	Note 3B	4,413.8	5,667.7
Investment in VIA Outlets	Note 10A	–	379.0
Investment in Value Retail	Note 11C	1,154.1	1,355.3
'Value' (C)		5,567.9	7,402.0
Loan to value – headline (%) – (A/C)		40.1	38.4
Net debt – premium outlets (D)	Table 15	689.3	895.7
Property portfolio – premium outlets (E)	Table 15	1,924.2	2,659.1
Loan to value – fully proportionally consolidated (%) – ((A+D)/(B+E))		46.1	44.9

Gearing

Table 23

Gearing as at 31 December 2020

		2020 £m	2019 £m
Net debt	Table 18	**2,234.1**	**2,842.5**
Add:			
VIA Outlets net debt	Note 10A	–	**239.0**
Less:			
Unamortised borrowing costs – Group		**13.6**	**17.8**
Unamortised borrowing costs – VIA Outlets		–	**2.2**
Cash held within investments in associates: Italie Deux and Nicetoile	Note 11C	**5.7**	**2.3**
Net debt for gearing		**2,253.4**	**3,103.8**
Equity shareholders' funds		**3,208.8**	**4,377.0**
Less:			
Goodwill – VIA Outlets	Note 10A	–	**(8.9)**
Consolidated net tangible worth		**3,208.8**	**4,368.1**
Gearing (%)		**70.2**	**71.1**

Unencumbered asset ratio

Table 24

Unencumbered asset ratio as at 31 December 2020

		2020 £m	2019 £m
Property portfolio – excluding premium outlets	Note 3B	**4,413.8**	**5,667.7**
Property value – VIA Outlets	Note 10A	–	**693.5**
Less: properties held in associates: Italie Deux and Nicetoile	Note 11C	**(138.2)**	**(147.9)**
Less: encumbered assets[1]		**(759.9)**	**(1,607.0)**
Total unencumbered assets		**3,515.7**	**4,606.3**
Net debt – proportionally consolidated	Table 18	**2,234.1**	**2,842.5**
Less: cash held in investments in associates: Italie Deux and Nicetoile	Note 11C	**5.7**	**2.3**
Less: cash held in investments in encumbered joint ventures		**17.8**	**20.9**
Add: VIA cash with no security interests		–	**(6.8)**
Less: unamortised borrowing costs – Group		**13.6**	**17.8**
Less: encumbered debt[1]		**(408.9)**	**(394.3)**
Total unsecured debt		**1,862.3**	**2,482.4**
Unencumbered asset ratio (times)		**1.89**	**1.86**

[1] **Encumbered assets and debt relate to 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 (WAIR) The cost of finance expressed as a percentage of the weighted average debt during the period.

BREEAM An environmental rating assessed under the Building Research Establishment's Environmental Assessment Method.

Capital return The change in property value during the period after taking account of capital expenditure, calculated on a monthly time-weighted and constant currency basis.

Cost ratio (or EPRA 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 as shown in in table

Consumer Price Index (CPI) A measure of inflation based on the weighted average of prices of consumer goods and services.

Compulsory Voluntary Arrangement (CVA) A legally binding agreement with a company's creditors to restructure its liabilities, including future lease liabilities.

Deferred Bonus Share Scheme (DBSS) The deferred element of the AIP, payable in shares, two years after the awards date.

Dividend cover Adjusted earnings per share divided by dividend per share.

Earnings/(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, as shown in Table 8 on page 78.

EPRA The European Public Real Estate Association, a real estate industry body, of which the Company is a member. This organisation has issued Best Practice Recommendations with the intention of improving the transparency, comparability and relevance of the published results of listed real estate companies in Europe.

Equivalent yield (true and nominal) The capitalisation rate applied to future cash flows to calculate the gross property value. The cash flows reflect future rents resulting from lettings, lease renewals and rent reviews based on current ERVs. The true equivalent yield (TEY) assumes rents are received quarterly in advance, while the nominal equivalent yield (NEY) assumes rents are received annually in arrears. These 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 calculated as per the covenant definition in the Group's unsecured bank facilities and private placement senior notes. See table 23 on page 86.

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, under which the rent includes 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 Gross rental income less rents payable and property outgoings, divided by net cost of finance before exceptional finance costs, capitalised interest and change in fair value of derivatives, calculated as per the covenants in the Group's unsecured 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 rents payable and property outgoings for investment properties owned throughout both current and prior periods, calculated on a constant currency basis. 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 this metric.

Loan to value (LTV) Net debt expressed as a percentage of property portfolio value. See Tables 22 on page 85.

Medium Sized Unit (MSU) Retail unit of between 10,000ft^2 (929m^2) and 50,000ft^2 (4,645m^2)

MSCI Property market benchmark indices produced by MSCI, rebranded from IPD in 2018.

Net asset value (NAV) per share Equity shareholders' funds divided by the number of shares in issue at the balance sheet date as set out in note 11 to the financial statements.

Net rental income (NRI) Gross rental income less head and equity rents payable, property outgoings, and amounts not yet recognised in the income statement. The latter balance is excluded when calculating "adjusted" NRI.

Occupancy rate The ERV of the area in a property or portfolio, excluding developments, which is let, expressed as a percentage of the total ERV of that property or portfolio.

Over-rented The amount, or percentage, by which the ERV falls short of rents passing, together with the ERV of vacant space.

Passing rents or rents passing The annual rental income receivable from an investment property, after: rent-free periods; head and equity rents; car park costs; and commercialisation costs. This may be more or less than the ERV (see over-rented and reversionary or under-rented).

Pre-let A lease signed with a tenant prior to the completion of a development or other major project.

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 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 excluding the Group's interests in the VIA Outlets joint venture, which was sold in 2020.

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 Nicetoile and Italie Deux as shown in note 11 to the financial statements.

Property outgoings The direct operational costs and expenses incurred by the landlord relating to 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 in the income statement, impairment of tenant incentives and other direct irrecoverable property expenses. These costs are included within the Group's calculation of like-for-like NRI and the cost ratio.

QIAIF Qualifying Investor Alternative Investment Fund. A regulated tax regime in the Republic of Ireland which exempts participants from Irish tax on property income and chargeable gains subject to certain requirements.

REIT Real Estate Investment Trust. A tax regime which in the UK exempts participants from corporation tax both on UK rental income and gains arising on UK investment property sales, subject to certain requirements.

Reported Group The financial results as presented under IFRS which represent the Group's 100% owned properties and share of joint operations, transactions and balances and equity accounted Group's interests in joint ventures and associates.

Return on shareholders' equity (ROE) Capital growth and profit for the period expressed as a percentage of equity shareholders' funds at the beginning of the year, all excluding deferred tax and certain non-recurring items.

Reversionary or under-rented The amount, or percentage, by which the ERV exceeds the rents passing, together with the estimated rental value of vacant space.

Scope 1 emissions Direct emissions from owned or controlled sources.

Scope 2 emissions Indirect emissions from the generation of purchased energy.

Scope 3 emissions All indirect emissions (not included in scope 2) that occur in the value chain of the reporting company, including both upstream and downstream emissions.

SIIC Sociétés d'Investissements Immobiliers Côtées. A tax regime in France which exempts participants from the French tax on property income and gains subject to certain requirements.

Task Force for Climate-related Financial Disclosures (TCFD) An organisation established with the goal of developing a set of voluntary climate-related financial risk disclosures to be adopted by companies to inform investors and the public about the risks they face relating to climate change.

Tenant restructuring CVAs and administrations.

Total development cost All capital expenditure on a development or other major project, including capitalised interest.

Total property return (TPR) (or total return)	NRI, excluding the change in provision for amounts not yet recognised in the income statement, and capital growth expressed as a percentage of the opening book value of property adjusted for capital expenditure, calculated on a monthly time-weighted and constant currency basis.
Total shareholder return (TSR)	Dividends and capital growth in a Company's share price, expressed as a percentage of the share price at the beginning of the year.
Transitional risk	Business risk posed by regulatory and policy changes implemented to tackle climate change.
Turnover rent	Rental income which is related to an occupier's turnover.
UK other (portfolio)	High street and other properties held for strategic purposes.
Vacancy rate	The ERV of the area in a property, or portfolio, excluding developments, which is currently available for letting, expressed as a percentage of the ERV of that property or portfolio.
Yield on cost	Passing rents expressed as a percentage of the total development cost of a property.

Disclaimer

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