Hammerson

Thursday 5 August 2021

PRESS RELEASE

THIS ANNOUNCEMENT CONTAINS INSIDE INFORMATION

HAMMERSON plc – UNAUDITED HALF-YEAR 2021 RESULTS

Update on strategy: focus on value creation potential and core urban estates

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

"We have continued to respond to the changing landscape during the first half of 2021, which again was impacted by Covid-19. As we emerge from a unique moment in time, I see a pathway to create sustainable value as we transform the business to become more agile and able to anticipate and respond to this change. We own flagship destinations around which we can curate and reshape entire neighbourhoods and city centre spaces for generations to come.

"To realise this opportunity we are focused on continuing to de-lever the balance sheet through disposals of non-core assets, creating a leaner and more agile organisation, driving value in our destinations and accelerating our longer term developments."

Summary Financial and Operating Performance:

- Like-for-like NRI flat YoY, adjusted NRI down 8%
- Adjusted earnings up 14% to £20.1m (2020:£17.7m) benefitting from recovery in Value Retail and lower net finance costs
- IFRS loss: £376m (2020: £1,088m loss) due to £361m Group portfolio deficit
- Group portfolio value of £5.5bn, total capital return -6.4% (FY 2020 -20.9%)
  - Managed portfolio value of £3.6bn; capital return -9.0%
  - Value Retail portfolio £1.9bn; capital return -0.4%
- EPRA net tangible assets (NTA) per share reduced 16%, or 13p, to 69p; of which 3p was due to enhanced scrip dividend

Strengthened balance sheet and capital structure

- Net debt reduced by 16% to £1.9bn with ample liquidity of £1.5bn[1] in undrawn committed facilities and cash
- £403m gross proceeds from disposals including exit of UK retail parks sector
- Refinanced near term debt maturities with the issuance of €700m 1.75% sustainability-linked bond
  - repaid €500m 2022, and 53% of €500m 2023 bonds, and £297m of private placement notes
- No significant unsecured refinancing required until 2025

Encouraging re-opening and operational performance

- Footfall across our cities is currently averaging 80% of 2019 level
- Group rent collection for FY20 now at 90%, H1 2021 71% and Q3 at 65%
- Flagship leasing: recovery in volume to £9.8m, up 123% on H1 2020; up 17% on H1 2019
- Occupancy: Group occupancy of 93% (FY20 94%)
- ERV: managed portfolio -4.1% on a like-for-like basis

Sustainability

- Issued €700m sustainability-linked bond, the first in the European real estate sector
- Connected Les Terrasses du Port to the Thassalia geothermal system to further reduce carbon emissions
- Committed to Net Positive targets for carbon, water, resource use and socio-economic impacts by 2030

Board and leadership team changes

- CFO, Himanshu Raja joined in April and Chief Development and Asset Re-positioning Officer, Harry Badham joined in June
- Non-Executive Director changes: Mike Butterworth succeeds Pierre Bouchut, who stepped down from the Board in May, as Chair of Audit Committee and Habib Annous joined the Board in May

Dividend

- The Board remains committed to meeting its UK REIT and French SIIC obligations. As previously announced, until December 2022, we expect to satisfy these by way of an enhanced scrip dividend alternative. The Board has declared a cash dividend of 0.2 pence per share. Subject to shareholder approval the Board intends to pay an enhanced scrip dividend alternative of 2 pence per share as a normal (non PID) dividend

Strategy update

The future of Hammerson is as an owner, operator, and developer of focused, prime, urban estates. Execution will be based on four key building blocks:

Delivering a sustainable capital structure:

- A disciplined disposals programme, focusing the Group on a core portfolio of urban estates, reducing indebtedness and generating capital for redeployment into core assets and adjacent developments
- The Board see maintaining an investment grade credit rating as an important element of our strategy

Creating an agile platform:

- Transform the organisation to a flatter, more asset and customer-centric structure, with centralised core functions
- Increased digitalisation and automation to improve efficiency
- Build skill sets and consider strategic partnerships for a mixed-use future with a customer first culture
- Target net admin cost reduction of 15-20% by FY23

Reinvigorating our assets:

- Maximise income through optimising use of space including the repurposing of department stores and redeveloping underutilised space to alternative uses where appropriate
- Attracting new brands and services and curating new and engaging spaces

Accelerating our development pipeline

- Disciplined recycling of capital to scale and accelerate development opportunities across a range of uses

Half-year 2021 results at a glance

Six months ended:	**30 June 2021**	30 June 2020	Change
Adjusted net rental income (Hammerson share) (2)	**£87.2m**	£94.4m	–8%
Like-for-like net rental income (3)	**£67.7m**	£67.6m	–
Adjusted profit (4)	**£20.1m**	£17.7m	+14%
Adjusted earnings per share (4)(6)	**0.5p**	1.0p	–50%
IFRS loss (including non-cash valuation changes) (5)	**£(376)m**	£(1,088)m	+65%
Basic loss per share (5)(6)	**(9.2)p**	(64.9)p	+86%
Interim dividend per share	**0.2p (2.0p enhanced scrip)**	n/a	n/a
As at:	**30 June 2021**	31 December 2020	
Managed portfolio value (Hammerson share) (2)	**£3,596m**	£4,414m	–19%
Value Retail - portfolio value (Hammerson share) - net asset value (Hammerson share)	**£1,902m** **£1,130m**	£1,924m £1,154m	–1% –2%
Equity shareholders' funds	**£2,803m**	£3,209m	–13%
EPRA net tangible asset (NTA) value per share (4)(6)	**69p**	82p	–16%
Gearing (7)	**68%**	70%	–3%
Loan to value – with Value Retail net asset value (7)	**40%**	40%	No change
Loan to value – fully proportionally consolidated (7)	**47%**	46%	+1p.p

(1) Pro-forma liquidity following final €190 million repayment of €500m 2022 bonds and €2 million partial repayment of O'Parinor JV debt in July 2021.
(2) Proportionally consolidated, excluding premium outlets. See page 9 of the Financial review for a description of the presentation of financial information.
(3) Managed portfolio only. Calculated in accordance with EPRA guidance. See Table 6 in the Additional disclosures for further details.
(4) Calculations for adjusted and EPRA figures are shown in note 9 to the financial statements on pages 47 to 48
(5) Attributable to equity shareholders, includes Group portfolio, including Premium outlets, non-cash revaluation losses of £361 million (30 June 2020: £940 million)
(6) 2020 comparative per share data has been restated following the share consolidation and rights issue in September 2020.
(7) See tables 22 and 23 on pages 72 and 73 for supporting calculations for gearing and loan to value

Results presentation today:

Hammerson will hold a virtual presentation for analysts and investors to present its half year financial results for the six months ended 30 June 2021, followed by a Q&A session.

- Date & time: Thursday 5 August at 09:30 am (BST)
- Webcast link: https://kvgo.com/IJLO/Hammerson_2021_Half_Year_Results
- Conference call: Quote Hammerson when prompted by the operator

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The presentation and press release will be available on:
www.hammerson.com/investors/reports-results-presentations/2021-half-year-results on the morning of results.

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Chief Executive Review

During the first six months, we have continued to respond to the changing Covid-19 landscape, whilst also making progress against the priorities I set out on 12 March; we continued to strengthen our balance sheet and capital structure, maintained our operational focus and progressed our strategic review.

Our strategy update recognises the unique position that Hammerson has in city locations where we see opportunities to leverage our experience and capabilities to create thriving mixed-use estates, serving customers and communities, whilst generating sustainable total returns for shareholders.

Continuing Response to Covid-19

Managed portfolio

The first half of the year was impacted by further Covid-19 lockdowns, with restrictions easing during the Spring, ahead of wider lifting of restrictions in England on19 July. During this period, we have supported brands during what has been a challenging period across the UK, Ireland and France as trading was affected. Like-for-like net rental income was flat, with adjusted net rental income down 8%. As in previous lockdowns, to ensure the safety of customers as they returned to our destinations, we implemented a range of measures including Crowd Checker, which helps customers plan their visit by providing live updates on footfall in real-time on centre websites; one-way systems; fixed hand sanitiser stations; and clear signage to remind shoppers of the need to socially distance.

In the run up to restrictions lifting, the teams at our flagship destinations curated a range of innovative events and installations to enhance the customer experience and drive responsible footfall. These drew on the needs of the local catchment with themes which spanned the arts, sport and culture, whilst also being shareable and impactful for social media.

Footfall in all territories has yet to recover and is currently averaging at around 75% of 2019 levels. This follows an initial spike on reopening, with inner-city footfall still down on pre-pandemic levels ahead of a wider return to offices. Many retailers continue to report high sales and conversion rates as visitors shop with purpose.

Categories across the Group which have performed strongly during the period include jewellery, footwear and homeware. The pandemic also created a noticeable lifestyle shift with a demand for outdoor entertainment and facilities, a trend we expect to continue in the long term.

Value Retail

The restrictions associated with Covid-19, particularly when Villages were forced to close, again had a significant adverse impact on Value Retail in the first half of 2021. This is due to a greater proportion of revenue being directly linked to turnover. In the first half of the year, we recorded a £2.0 million adjusted loss from our investment in Value Retail this compares to a £13.0 million loss for the same period in 2020. This improvement was driven by both higher income and operating cost savings.

This was due to the Villages being able to operate for longer periods and saw stronger footfall and sales from the domestic audience, and high rent collection rates. It was also lifted by an increasing contribution from new initiatives like Virtual Shopping. We continue to expect this sector to recover strongly, particularly as international travel returns.

Value Retail continue to enhance their visitor offer and have signed 167 contracts across the Villages so far this year, of which 65 were new brands including Jil Sander and Isabel Marant at Bicester. At Fidenza Village, a fully refitted flagship boutique for Dolce and Gabbana opened in April 2021. La Roca Village, Barcelona opened an additional sales area in March featuring brands including Adidas, American Vintage, Boardriders, Bóboli, Brunello Cucinelli, and Etnia. La Roca Village as a whole is currently trading with 93% occupancy.

Virtual Shopping continues and has become part of business-as-usual for all brands and across all Villages with sales exceeding €105 million for the first half of the year. Virtual Shopping events have been the new key focus to encourage guests to shop virtually by appointment, building on guest acquisition and private clienteling. These have proven extremely successful and popular with brand involvement across all Villages.

Progress against our priorities

Balance Sheet

During 2021, we have made significant progress in strengthening our balance sheet through disposals and refinancing. In April, we completed the disposal of seven retail parks to Brookfield for £330 million which concluded our exit from the UK retail parks sector. This followed the sale of three minority stakes earlier in the year, in Brent South Shopping Park, London, Espace Saint-Quentin, Paris and Nicetoile, Nice for a total of £73 million, thus simplifying our portfolio. Gross proceeds from disposals were £403 million, at a discount to December 2020 book value of 6%.

We also issued a €700 million, 1.75% sustainability-linked bond maturing in 2027. This was the first issue of its type for the European real estate sector and links the coupon to the achievement of reductions in carbon emissions by 2026. Using the proceeds from this issue, along with the monies raised from disposals, the Group repaid £657 million (£163 million of which was in July) of bonds maturing in 2022 and 2023 and £297 million of private placement notes. We also refinanced a £415 million revolving credit facility ("RCF") which matured in April 2022 with two new RCFs totalling £200 million maturing in 2024 but with options, subject to lender consent, to extend annually thereafter at the end of the first and second years (a 3+1+1 facility).

Following this refinancing activity, further details of which are in the Financial Review on page 18, the Group has liquidity of £1,452 million (pro forma for refinancing completed in July) and no significant unsecured debt maturities until 2025, with the 2023 and 2024 maturities covered by available liquidity.

Both Fitch and Moody's re-affirmed the Group's IG credit ratings in the first half of the year.

Operational focus

Leasing

We have seen an encouraging pick up in leasing in the first half of the year with brands focusing on the future of their physical estate that supports their online presence. Leasing volumes at our flagships totalled £9.8 million, 123% higher than the same period in 2020, and 17% higher than the first half of 2019, with a particularly good performance in France.

While volumes have improved, there continues to be a marked difference in the underlying strength of the leasing demand across the Group with France and Ireland continuing to outperform the UK. This is demonstrated by the leasing metrics compared to ERV and previous passing rent as shown below, although volumes represent a relatively small proportion of the Group's existing contracted rent.

Flagships	UK	France	Ireland	Group
Leasing volume	£4.3m	£5.1m	£0.4m	**£9.8m**
Leasing volume YoY	+£1.6m	+£3.7m	+£0.1m	**+£5.4m**
Leasing volume as % of December 2020 ERV	4%	8%	1%	**4%**
Permanent leases (> three years)				
Leasing vs previous passing rent	(26%)	0%	72%	**(8%)**
Leasing vs Dec-20 ERV[1]	(24%)	3%	16%	**(6%)**

1. Calculated on a net effective rent basis

ERV has fallen by 29% in the UK, 4% in France and 14% in Ireland relative to their peak levels in December 2017 for UK and France, and December 2018 for Ireland.

We expect UK rents to stabilise when ERV levels are approximately 35% below their peak, with France and Ireland reporting lower reductions.

In order to ensure our destinations are able to both offer brands a superior omni-channel trading location with high footfall, we continue to focus on bringing a broader mix of occupiers to our destinations.

F&B and leisure

Almost 40% of new leases in the UK were to food, beverage and leisure brands and it is encouraging to see how many new independent restaurants have approached us for space. A new restaurant brand to the portfolio is Wingstop, which by signing three leases with us at Bullring, Birmingham, Cabot Circus, Bristol and The Oracle, Reading has branched outside of London for the first time. We also added two new regional brands at Silverburn, Glasgow, Heavenly Desserts and STL Kitchens.

We are targeting new leisure experiences across the portfolio and following the success of Treetop Adventure Golf at Highcross, Leicester, they signed another long-term lease at Bullring, Birmingham to broaden the leisure offer at the destination. At Whitgift and Centrale, Croydon, Flip Out, which offers experiences including Synthetic Ice Skating, Mini Golf, and Laser Quest has provided a leisure anchor.

Digital brands

We also welcomed Kick Game, a destination brand for exclusive, collectable and rare sneakers who trialled a unit via our white boxing programme at Bullring, Birmingham to take its first store outside London. Its presence brought an additional 12% in footfall to this part of the centre. Following the trial, the brand has taken a lease, with their physical presence in a high footfall location demonstrating increases in brand engagement, strong conversion rates and low customer acquisition cost compared to online.

We trialled six other digital brands specialising in wellness, lifestyle and beauty and they are all planning further investment in physical spaces across our flagships.

At Les Terrasses du Port, Marseille, our Co-Lab initiative is attracting and offering hands-on solutions to digitally native vertical brands (DNVBs) to explore the physical retail world. We also signed Le Colonel Moutarde which sells clothes and accessories predominantly made in Liberty fabric and crafted in Lille, North France.

Premium brands

We continue to see established premium brands continuing to invest in new locations. At Les Terrasses du Port, Marseille, Dyson has opened a 2,000ft^2 store, the first for the brand in the city and the south of France. At Victoria Leeds, Boodles, the premium jewellery brand has taken 4,500ft^2 of space which continues to be an attractive luxury destination for retailers. Other high-end brands signed in Leeds this year include fashion and accessories favourite, Kate Spade, and footwear specialist, Carvela.

Luxury fashion brand Tommy Hilfiger opened two new stores at Silverburn, Glasgow and Union Square, Aberdeen marking a return for the retailer in Scotland, demonstrating confidence in the market.

Healthcare

Services cannot be easily replicated virtually and we are actively broadening our offer to include healthcare and widen the customer experience at our destinations. At Brent Cross, London we have signed a lease with Moorfields Eye Hospital to open a 15,000ft^2 diagnostic hub in the former New Look unit. This will be Moorfields' first hub within a retail environment and the third diagnostics hub outside its main central London facility. We have also opened two Covid-19 vaccination centres at our venues to support the NHS's vaccine roll-out.

Out of home advertising

Digital advertising continues to be a strong revenue stream and we signed a new contract with Clear Channel covering all Digital Six Sheet and XL screens across our UK flagships. Sony Pictures' Peter Rabbit 2 campaign was hugely successful being the first cinema release to return to malls after a long absence and the first to display the next available screenings at nearby cinemas in real time.

Tenant restructuring

The onset of the pandemic severely impacted the retail market and accelerated the collapse or restructuring of a number of high profile legacy brands and department stores. In the first half of 2021 there have been limited tenant failures across the Group, with ten brands undertaking a CVA or entering administration. In total this impacted 18 stores with a passing rent at December 2020 of £1.4 million.

At 30 June 2021, 175 stores with a current passing rent of £7.5 million, or 3.3% of Group passing rent, were subject to a CVA or administration, of which 78% continued to trade.

Occupancy

In spite of the pandemic, occupancy has remained robust across the Group at 93% at 30 June 2021 compared with 94% at the beginning of the year. In total, the ERV of vacant space is £14.6 million and is a key area of focus to drive earnings and enliven the offer at our destinations.

Collections

We have continued to support brands during what has been a challenging period with national lockdowns imposed in the UK, Ireland and France affecting trading and rent collection. We were able to reach fair and reasonable agreements with the majority of brands incorporating a combination of rent deferrals, switching from quarterly to monthly payments, and providing rent waivers for lockdown periods during 2020 and 2021 totalling £41 million.

Rent collection rates have continued to improve. Across the Group, 90% of billable rents were collected for FY20, 71% for H1 2021 and 65% for Q321. Performance differs across the countries in which we operate as shown below:

	UK	France	Ireland	Group
FY20	91%	93%	83%	**90%**
H121	79%	56%	65%	**71%**
Q321	67%	60%	67%	**65%**

While we expect rent collections to continue to improve as trading levels increase, the further extension to the UK Government's rent moratorium to March 2022 has led to some retail businesses openly ignoring their rental obligations when they have the means to pay. By continuing to extend the moratorium and also not addressing the inequity of business rates, the UK Government continues to undermine the attractiveness of the sector and its investment case. We do not anticipate granting concessions for future periods and all avenues to collect rents due are being actively pursued.

Sustainability Review

Whilst the operation of our assets in the first half of 2021 continued to be impacted by the pandemic, we remained focused on our strong ESG platform to deliver benefits to our stakeholders and are committed to our Net Positive targets. We completed two major projects in the first half of the year; the connection of Les Terrasses du Port to the Thassalia geothermal system in March, further reducing carbon emissions from this highly efficient asset, and the successful launch of our sustainability-linked bond in June. See further details on page 18 of the Financial review.

Our 2021 environmental targets are set against a 2019 baseline as the most recent normal operating year. As sites have gradually opened during the first half of 2021 there has been significant upward pressure on energy usage created by the requirement for additional air-changes and ventilation. Lower footfall and fewer stores being open reduces mall temperatures, driving up demand for heating. However, the fact that we are not operating to a business as usual pattern means our energy demand remains significantly lower than normal. The table below sets out the significant reductions against our 2019 baseline.

EPRA like-for-like portfolio	Six months ended 30 June 2021	Six months ended 30 June 2019	Reduction (%)	2021 target reduction(%)
Electricity Demand (MWh)	**23,534**	29,614	-21	-5
Natural Gas Demand (MWh)	**8,187**	9,783	-16	-2
Energy Demand (MWh)	**33,710**	40,505	-17	-8
Carbon Emissions ($mtCO_2e$)[1]	**6,442**	9,101	-29	-17
Water Demand (m^3)	**108,180**	183,232	-41	-7

1. Metric tonnes

Our social impact work has delivered a strong programme of events and the use of available space for local community businesses and initiatives. The Art Trail in Croydon, showcasing local artists and focusing on the artistic heritage of the area, has been particularly well received and is being replicated in other cities.

Sustainability remains strongly embedded within our development work. Our commitment and expertise in this area has supported the delivery of a state of the art proposal for Dublin Central, targeting net zero carbon, and has been reflected in the recognition of the recently completed Pembroke Square at Dundrum Town Centre, Dublin by the Royal Institute of Architects of Ireland (RIAI) in the Sustainability category. As the expectations of investors, customers and society become increasingly focused on corporates' response to the climate emergency, our long-standing strategy and track record of delivery demonstrates our ability to meet this challenge.

Strategy Update

We have undertaken a comprehensive review of our organisation and the portfolio to define the future of Hammerson: an owner, operator, and developer of prime, urban estates.

Execution will be based on four key building blocks:

- Delivering a sustainable capital structure
- Creating an agile platform
- Reinvigorating our assets
- Accelerating our development pipeline

Our focus will be on those assets located in cities with strong growth characteristics and demographics where we can have a strong sustainable footprint. Equally, our review has identified a series of non-core assets which will form the basis of a disciplined programme of disposals.

Our approach will focus on total returns for our shareholders with sustainability embedded across the business.

Delivering a sustainable capital structure

A core part of our strategy going forward will be delivery of a sustainable capital structure. We have made progress on the balance sheet in 2021 reducing our net debt by 16% to £1.9 billion through our continued disposals programme of non-core assets.

Central to our approach is maintaining an IG credit rating, which the Board sees as an important element of our strategy. This will require us to approach both earnings and leverage in a disciplined manner, with disposals phased and proceeds balanced between reducing debt and recycling into opportunities for value creation.

Creating an agile platform

Hammerson is recognised as a flagship retail specialist with trusted expertise. At the same time, our current operating model is dated, fragmented and operates with high costs. Creating an agile platform is about a shift to a high performance culture and a leaner, flatter, more empowered organisation focused on speed to value. The operating model will be both customer and asset centric with increased automation and digitalisation of processes to drive efficiency. Cost discipline will also be key.

With the acceleration of the structural shifts in our markets, we must also build new capabilities for an urban mixed-use future, including examining strategic operational partnerships.

Through our transformation, we expect to see a 15-20% reduction in net administration costs.

Reinvigorating our assets

We have some of the best assets in prime urban cities. They sit at the heart of the communities we serve, and are supported by ambitious local authorities. The profitability of the assets has however been affected by both Covid-19 and the lack of targeted investment over recent years to upgrade them.

In the near term, there are capital-light opportunities to reinvigorate the assets and grow revenue by filling void units, generating additional income streams and changing the tenancy mix to improve footfall. Examples would include innovative initiatives and partnerships for cultural, F&B and leisure experience offers, including food halls, event and destination spaces, health & wellbeing, boutique and roof top theatres, galleries and cinemas.

In the medium to long-term, there are more capital-intensive opportunities to repurpose part of our assets for alternative uses such as residential, hotel or workspace. The biggest opportunity is in department store space where we currently have over 800,000ft^2 of void space or short-term leases. This space has an average ERV of £3 per ft^2 so there remains considerable upside. As we consider our entire estates as space to be monetised, our car parks also represent a future opportunity; underutilised today, and with changes in car use and travel patterns, our car parks present additional income potential for the future.

As we invest in our destinations and brands and continue to consolidate into prime retail space, we will attract new and successfully established occupiers to drive footfall.

Our aim is to deliver the right mix of uses to create vibrant places.

Accelerating our development pipeline

The continued reinvention of our assets will also leverage the ownership of our adjacent land bank of more than 100 acres to create large urban estates. The review highlighted that our land bank has the potential to deliver over 6 million ft^2 of residential space across the portfolio. This is alongside significant opportunities across other uses, notably workspace and hotels, which may also play a significant and complementary role.

We will seek to redeploy capital as well as explore alternative capital structures where appropriate to accelerate these developments and generate revenue by developing in phases.

Dividend

The Board has declared a cash dividend of 0.2 pence share. Subject to shareholder approval, the Board intends to pay an enhanced scrip dividend alternative of 2 pence per share. Both the cash dividend and the enhanced scrip dividend alternative will be paid as a non-Property Income Distribution ("non-PID") and treated as an ordinary UK company dividend.

Timetable of events

Ex dividend date (SA)	27 October 2021
Ex-dividend date (UK & Ireland)	28 October 2021
Record date	29 October 2021
Interim dividend payable	7 December 2021

Shareholders will be provided with further details in relation to the interim cash dividend and enhanced scrip dividend alternative in due course. The dates above are subject to change and any changes made will be communicated as soon as practicably possible.

FINANCIAL REVIEW

Overview

Whilst the results for the six months ended 30 June 2021 continue to be impacted by the ongoing pandemic, this has been less severe than the initial shock of Covid-19 in the comparative period and adjusted earnings, at £20.1 million, are 14% higher than in the first six months of 2020. The re-opening of the majority of our destinations, albeit with some restrictions, has facilitated the agreement of rent concessions and collection of arrears. However, the Government restrictions on landlords' ability to enforce payment has contributed to trade receivables remaining significantly higher than pre-pandemic levels. We continue to take a prudent approach to provisioning, with 67% of net trade receivables provided for across the Group. Maximising income and increasing collection rates is a key priority for the second half of the year and good progress has already been made since the half year.

Values for the managed portfolio fell by 9% in the first half of the year, a slower decline than the prior year. The premium outlets sector has remained more resilient, and consequently the value of our investment in Value Retail has remained broadly flat year on year.

We have continued to focus on strengthening the balance sheet in 2021, with £396 million of cash generated from disposals of eight retail parks in the UK and our stakes in two French flagships. Refinancing activity in the first half of the year included the issuance of a €700 million 1.75% sustainability-linked bond maturing in 2027, the buyback of €575 million bonds maturing in 2022 and 2023, the buyback of £297 million private placement notes, and the refinancing of a £415 million Revolving Credit Facility by way of a new £200 million facility. On 8 July 2021, the remaining €190 million of the 2022 2.0% bonds were redeemed.

Presentation of financial information

Our property portfolio comprises properties that are either wholly owned or co-owned with third parties. Whilst the financial statements are prepared under IFRS, management reviews the results of the Group on a proportionally consolidated basis, accounting for our interests in joint ventures and associates on a line-by-line basis. The only exception to this relates to our investments in premium outlets, Value Retail and VIA Outlets (up to the date of its disposal in October 2020). As these are externally managed, independently financed and have differing operating metrics to the Group's managed portfolio, they are excluded from the proportional consolidation and instead recognised as an investment in associate and investment in joint venture respectively and not included in the Group's proportionally consolidated key metrics such as net debt or like-for-like net rental income growth. However, for a number of the Group's Alternative Performance Measures (APMs), for enhanced transparency, we do disclose metrics combining both the managed portfolio and premium outlets. These include property valuations and returns and certain credit metrics.

This approach results in us splitting our property interests between our 'managed portfolio', being those properties we proportionally consolidate, and those owned by Value Retail.

Following the sale of eight retail parks in the first half of 2021, the results of the retail parks segment for both the current and comparative periods have been removed from the line-by-line reporting and recognised as a single '(loss)/profit from discontinued operations' line in the financial statements. However, for the purposes of the Financial review, proportionally consolidated figures include the results from the UK retail parks up to the date of disposal in May 2021. Further details are in note 7 to the financial statements.

Going concern

The Directors have performed a detailed going concern assessment, reviewing the current and projected financial position of the Group over the period to 31 December 2022. This involved the preparation of a Base scenario and a Severe but plausible adverse scenario, the latter assuming a significant resurgence of Covid-19 and a re-imposition of restrictions, including a three month lockdown over the 2021/22 winter.

Excluding risks associated with debt held by Value Retail, the assessment showed the Group has sufficient liquidity to continue operating over the going concern period and the Directors have therefore prepared the interim financial statements on a going concern basis.

With respect to Value Retail, the assessment showed that if Value Retail were unable to refinance, or find alternative sources of funding for, a £750 million secured loan (Group's share £376 million) maturing in December 2022 and the lenders enforced their security over the property then the Group would breach the gearing covenant in its unsecured borrowings in the Severe but plausible adverse scenario only at 31 December 2022. While the Directors and Value Retail management are confident this loan can be successfully refinanced over the next 17 months, the Directors have concluded that this refinancing risk represents a material uncertainty that may cast doubt over the Group's ability to continue as a going concern.

Further details are provided in the going concern statement in note 1D of the interim financial statements on page 35.

Alternative Performance Measures (APMs)

The Group uses a number of APMs, being financial measures not specified under IFRS, to monitor the performance of the business. Many of these measures are based on the EPRA Best Practice Recommendations (BPR) reporting framework which aims to improve the transparency, comparability and relevance of the published results of listed European real estate companies. Details on the EPRA BPR can be found on their website www.epra.com and the Group's key EPRA metrics are shown in Table 1 within the Additional disclosures section on page 61.

We present the Group's results on both an IFRS and adjusted basis. The adjusted basis enables us to monitor the underlying earnings as it excludes capital and non-recurring items such as revaluation movements, gains or losses on the disposal of properties, other one-off exceptional items or balances which skew the results such as the change in provision for amounts not yet recognised in the income statement, which results in the cost and corresponding income being recognised in different periods. We follow EPRA guidance to calculate adjusted figures, with any additional Company specific adjustments detailed in note 9B to the financial statements.

During the first six months of 2021, following the implementation of the strategic review, £3.3 million has been incurred in relation to business transformation costs, including redundancy costs and professional fees. These have been recognised as 'exceptional' by virtue of their nature and size and therefore removed from the Group's adjusted earnings metrics, as management believes the costs distort the underlying recurring earnings of the Group.

INCOME STATEMENT

Summarised income statement

	Six months ended 30 June 2021			Six months ended 30 June 2020		
	Proportionally consolidated[1] £m	Adjustments[3] £m	Adjusted £m	Proportionally consolidated[1] £m	Adjustments[3] £m	Adjusted £m
Net rental income	93.8	(6.6)	87.2	87.3	7.1	94.4
Net administration expenses	(28.7)	3.3	(25.4)	(21.3)	–	(21.3)
(Loss)/Profit on sale of properties	(38.7)	38.7	–	16.0	(16.0)	–
Revaluation losses	(353.3)	353.3	–	(802.4)	802.4	–
Reversal of impairment on reclassification from assets held for sale	–	–	–	22.4	(22.4)	–
Other net gains/(losses)[2]	10.8	(10.8)	–	(0.1)	0.1	–
Share of results – Value Retail (VR)	(1.8)	(0.2)	(2.0)	(120.0)	107.0	(13.0)
Share of results – VIA Outlets (VIA)[4]	–	–	–	(20.9)	26.5	5.6
Impairment of investments in VR and VIA	–	–	–	(205.5)	205.5	–
Net finance costs	(56.6)	17.7	(38.9)	(43.3)	(4.1)	(47.4)
Tax charge	(1.0)	0.2	(0.8)	(0.6)	–	(0.6)
(Loss)/profit for the period	(375.5)	395.6	20.1	(1,088.4)	(1,106.1)	17.7
Basic/Adjusted (loss)/ earnings per share (pence)[3]	(9.2)		0.5	(64.9)		1.0

1. As detailed in note 2 to the financial statements
2. Comprises net exchange gains and losses recycled on disposal of foreign operations and changes in fair value of other investments
3. As detailed in note 9B to the financial statements
4. The Group sold its investment in VIA in October 2020

The Group's IFRS loss was £375.5 million, compared with a loss of £1,088.4 million in the prior period. The most significant year on year changes were: the net revaluation losses on the Group's managed property portfolio of £353.3 million, an improvement of £449.1 million on the comparative period; the recognition of an impairment of investments in Value Retail and VIA Outlets totalling £205.5 million during the prior period; and an improvement in the Group's share of results from Value Retail totalling £118.2 million, of which £98.7 million related to lower revaluation losses between the periods.

The Group's adjusted profit for the period in 2021 was £20.1 million, £2.4 million higher than in the first half of 2020. The table below bridges adjusted profit and adjusted EPS between the two periods, with the movements shown at constant exchange rates. Explanations of other movements are provided later in this Financial review.

Reconciliation of adjusted profit for the period

Movements at constant exchange rates	Adjusted profit for the period £m	Adjusted EPS pence
Adjusted profit – six months ended 30 June 2020[1]	17.7	1.0
Rights issue dilution	–	(0.5)
Decrease in net rental income[2]	(7.1)	(0.2)
Increase in net administration expenses	(4.1)	(0.1)
Increase in premium outlets earnings	5.8	0.1
Decrease in net finance costs	8.3	0.2
Foreign exchange and other	(0.5)	–
Adjusted profit – six months ended 30 June 2021	20.1	0.5

1. Comparative per share data has been adjusted for the impact of the share consolidation and rights issue in September 2020.
2. Net of £(6.6) million (30 June 2020: +£7.1 million) adjustment relating to provision against amounts not yet recognised in the income statement. This has been excluded from adjusted profit as management believe this distorts earnings by reflecting the income and corresponding cost in different periods.

Net rental income

Analysis of net rental income

	Six months ended 30 June 2021 £m	Six months ended 30 June 2020 £m	*Change £m*
Like-for-like managed portfolio	67.7	67.6	*0.1*
Disposals	11.5	13.7	*(2.2)*
Developments and other	8.0	13.0	*(5.0)*
Foreign exchange	–	0.1	*(0.1)*
Adjusted net rental income (note 2)	87.2	94.4	*(7.2)*
Change in the impairment provision relating to items not yet recognised in the income statement	6.6	(7.1)	*13.7*
Net rental income (note 2)	93.8	87.3	*6.5*

Like-for-like NRI change:	Six months ended 30 June 2021 %
UK	+2.3
France	+13.6
Ireland	-17.0
Group	+0.1

Like-for-like NRI increased by £0.1 million against the comparative six months. Increases in surrender premiums received year-on-year of £11.3 million and a reduction in bad debt charges of £6.2 million were largely offset by the net cost (after smoothing) of Covid-related rent concessions, lease expiries, tenant failure and additional void costs.

In the UK, like-for-like NRI increased by £1.0 million, up 2.3%, and in France, by £1.6 million, up 13.6%. The Irish portfolio recognised a reduction in like-for-like income of £2.5 million, or 17%, principally due to the impact of rent concessions being granted and increased bad debt charges.

Disposals during 2020 and 2021 reduced NRI for the period by £2.2 million. £1.1 million of the decline related to the disposal of Brent South Shopping Park in February 2021 and the portfolio of seven retail parks in May 2021, with a further £1.0 million reduction in NRI derived from the sale of the Group's investments in Nicetoile, Nice and Espace Saint-Quentin, Paris in April 2021.

NRI derived from developments and the UK other portfolio saw a £5.0 million decline, principally due to a reduction in rental income at Les 3 Fontaines, Cergy while the extension works are ongoing and higher bad debt charges at both Centrale and Whitgift, Croydon.

During the six months ended 30 June 2021, we recognised a £6.6 million credit for the partial unwinding of the December 2020 impairment provision against trade receivables for which the corresponding income was recognised in 2021. In the comparative period, this was a £7.1 million charge upon initial recognition of a deferred provision by the Group. This year-on-year £13.7 million improvement has been excluded from adjusted profit in both periods as it results in a timing mismatch between the recognition of the provision in the current period and the recognition of the corresponding income in a future period.

Further analysis of net rental income is provided in Tables 2 and 6 of the Additional disclosures on pages 62 and 64.

Administration expenses

Administration expense analysis

	Six months ended 30 June 2021 £m	Six months ended 30 June 2020 £m
Employee costs – excluding variable costs	20.0	19.3
Variable employee costs	3.9	3.4
Other corporate costs	12.4	10.5
Administration costs	36.3	33.2
Property fee income	(7.2)	(7.7)
Employee and corporate costs	29.1	25.5
Management fees receivable	(3.7)	(4.2)
Adjusted net administration expenses	25.4	21.3
Business transformation costs	3.3	–
Net administration expenses	28.7	21.3

During the first half of 2021, net administration costs, excluding business transformation costs, increased by £4.1 million.

The increase principally related to corporate costs, most significantly in relation to increased Directors and Officers insurance premiums totalling £2.8 million and additional professional fees of £0.8 million.

Business transformation costs recognised in the first six months of 2021 related to consultancy costs (£2.3 million) and redundancy costs (£1.0 million).

Loss on sale of properties

During the first half of 2021, we raised net cash proceeds of £396 million, relating to the disposals of Brent South Shopping Park, Espace Saint-Quentin and Nicetoile, and the portfolio sale of seven retail parks. These disposals, at an aggregate discount to December book value of 6%, generated a loss on disposal of £39 million, principally in relation to the retail parks portfolio sale.

Share of results of Value Retail

	Six months ended 30 June 2021 £m	Six months ended 30 June 2020 £m
Adjusted loss	(2.0)	(13.0)
Adjustments:		
Revaluation losses on properties	(7.9)	(106.6)
Other adjustments[1]	8.1	(0.4)
Total adjustments	0.2	(107.0)
Share of results - IFRS	(1.8)	(120.0)

1. As detailed in note 9B to the financial statements.

The Group's investment in Value Retail reported an adjusted loss of £2.0 million, compared to a £13.0 million loss in the first half of 2020. The year-on-year improvement was primarily due to reductions in operating and administration costs, coupled with increased sales derived from the virtual platform which was launched in May 2020. Additionally, due to the differing contract structures, rental adjustments granted by Value Retail have been recognised for accounting purposes in the period to which they relate and not as lease modifications. Consequently, the impact of rental adjustments was more weighted to 2020 when the longest lockdown periods were suffered.

See note 12 to the financial statements for further details.

Finance costs

	Six months ended 30 June 2021 £m	Six months ended 30 June 2020 £m
Interest costs	48.7	56.2
Interest capitalised	(3.5)	(2.5)
Finance income	(6.3)	(6.3)
Adjusted net finance costs	38.9	47.4
Debt and loan facility cancellation costs	17.3	-
Change in fair value of derivatives	0.4	(4.1)
Net finance costs	56.6	43.3

Adjusted finance costs, which excludes items such as the change in fair value of derivatives, debt cancellation costs and early redemption fees totalled £38.9 million in 2021, a decrease of £8.5 million, or £8.3 million at constant exchange rates compared with 2020.

The decrease in the first half of 2021 was principally due to a £2.6 million reduction in interest paid following the early partial repayment of the private placement notes, a £1.5 million year-on-year saving on interest paid on the revolving credit facilities drawn to increased cash reserves through the pandemic in the first half of 2020, higher finance income of £1.6 million from interest rate swaps, and an increase of £1.0 million in capitalised interest relating to on-site developments at Les 3 Fontaines, Cergy and Italik.

Debt and loan facility cancellations costs totalling £17.3 million were incurred in the first half of the year primarily relating to the repayment of the bonds and private placement notes as detailed on page 18 of the Financial review.

Tax and Dividends

The Group's tax charge for the six months ended 30 June 2021 was £1.0 million, of which £0.2 million related to an exceptional tax charge recognised on the disposal of the retail parks portfolio. This compares to £0.6 million for the comparative period.

The tax charge remains low as the Group benefits from being a UK REIT and French SIIC. Further details on these tax regimes are given in note 6 to the financial statements.

In order to satisfy the REIT conditions, the Company is required, on an annual basis, to pass certain business tests. At 31 December 2020, there was a marginal breach of the interest cover test. However, given the unprecedented impact of Covid-19 during the year, HMRC agreed that no charge would be assessed on the Company. At 30 June 2021, based on preliminary calculations, management does not expect a further breach to arise.

The Board has declared an interim cash dividend of 0.2 pence per share. Subject to shareholder approval, the Board intends to pay an enhanced scrip dividend alternative of 2 pence per share as an ordinary (non-PID) dividend. The dividend timetable is detailed on page 8.

NET ASSETS

Summarised balance sheet

	30 June 2021 Equity shareholders' funds £m	30 June 2021 Adjustments[1] £m	30 June 2021 EPRA Net tangible assets £m	31 December 2020 Equity shareholders' funds £m	31 December 2020 Adjustments[1] £m	31 December 2020 EPRA Net tangible assets £m
Investment, development and trading properties	3,596	–	3,596	4,414	–	4,414
Investment in Value Retail	1,130	108	1,238	1,154	117	1,271
Trade receivables (net)	76	–	76	90	–	90
Net debt	(1,879)	3	(1,876)	(2,234)	(14)	(2,248)
Other net liabilities	(120)	(14)	(134)	(215)	5	(210)
Net assets	2,803	97	2,900	3,209	108	3,317
EPRA NTA per share (pence)			69			82

1 Adjustments in accordance with EPRA best practice, principally in relation to deferred tax, as shown in note 9D to the financial statements on pages 50 and 51.

During the first six months of 2021, equity shareholders' funds reduced by £406 million, or 13%, to £2,803 million, principally due to the revaluation of the managed portfolio of £353 million. Net assets, calculated on an EPRA Net Tangible Assets (NTA) basis, were £2,900 million, or 69 pence per share, a reduction of 13 pence compared to the 2020 year end. The movement during the period is shown in the table below.

Movement in net assets

	Equity shareholders' funds £m	Adjustments[1] £m	EPRA net tangible assets £m	EPRA NTA pence per share
31 December 2020 - EPRA NTA	3,209	108	3,317	82
Scrip dividend – share dilution	–	–	–	(3)
Property revaluation – managed portfolio	(353)	–	(353)	(9)
Adjusted profit for the period – managed portfolio	22	–	22	
Adjusted loss for the period – Value Retail	(2)	–	(2)	
Loss on sale of properties	(39)	–	(39)	(1)
Change in deferred tax	6	(3)	3	
Dividends	(12)	–	(12)	
Foreign exchange and other movements	(28)	(8)	(36)	
30 June 2021 – EPRA NTA	2,803	97	2,900	69

1. Adjustments in accordance with EPRA best practice as shown in note 9D to the financial statements on pages 50 to 51.

Property portfolio analysis

At 30 June 2021, our managed portfolio was valued at £3,596 million, £818 million or 19% lower than at the beginning of the year. The movement in the first six months of the year is shown in the table below.

Movement in managed portfolio value

	Investment £m	Development £m	Total (excl.VR) £m
Value at 1 January 2021	3,905	509	4,414
Revaluation losses on properties	(295)	(58)	(353)
Property additions			
Capital expenditure	11	25	36
Tenant incentives	16	–	16
	27	25	52
Capitalised interest	1	3	4
Disposals	(430)	–	(430)
Foreign exchange	(79)	(12)	(91)
Value at 30 June 2021	3,129	467	3,596

Property additions

During the first half of 2021, property additions totalled £52 million. Table 11 in the additional disclosures analyses the spend between the creation of additional area and creation of value through the enhancement of existing space.

Capital expenditure on the investment portfolio totalled £11 million and principally related to asset management initiatives and recladding works in Birmingham and Bristol, whilst capital expenditure on developments of £25 million principally related to the two on-site extension projects at Les 3 Fontaines, Cergy and Italik, Paris.

Disposals

Disposals reduced valuations by £430 million and related to the sale of Brent South Shopping Park in February 2021 for £22 million, Espace St Quentin and Nicetoile in April 2021 for £48 million and the disposal of substantially all of the Group's remaining UK retail parks for £330 million. As explained on page 12, these sales resulted in the recognition of a loss of £39 million.

Valuation change

The chart below analyses the sources of the underlying valuation change for the Group's property portfolio during the first six months of 2021.

Components of valuation change (£m)

During the first half of 2021, we recognised a total net revaluation deficit of £353 million across the managed portfolio. No revaluation loss was reflected on the UK retail parks during the period due to the portfolio sale in May 2021.

At 30 June 2021, the material valuation uncertainty clause has been removed from all of the Group's valuations including Ireland, where it was still in place at 31 December 2020, as property markets are mostly functioning again, with transaction volumes and other relevant market evidence at sufficient levels upon which to base valuations.

UK flagship destinations recognised a revaluation deficit of £203 million, of which £102 million was attributable to outward yield shift which averaged 52 basis points across the portfolio. The remaining £101 million principally related to a reduction in income, reflecting lower ERVs, tenant failure and weak occupational demand.

The reduction in the value of the French portfolio was driven by yield expansion, averaging 10 basis points and a reduction in income.

The Irish portfolio realised a revaluation deficit totalling £49 million, principally relating to outward yield movement averaging 27 basis points.

A £58 million deficit was recognised on the development portfolio, the key components being a reduction in the valuation of the potential future development at Whitgift, Croydon and outward yield movement impacting the on-site scheme at Les 3 Fontaines, Cergy.

Further valuation, returns and yield analysis is included in Tables 9 and 10 in the Additional disclosures on pages 66 and 67.

ERV growth

Like-for-like ERV growth	UK %	France %	Ireland %	Flagship destinations %	UK retail parks %	Managed portfolio %
30 June 2021	(6.8)	(0.3)	(1.1)	(4.1)	n/a	(4.1)
31 December 2020[1]	(14.3)	(4.9)	(6.5)	(10.6)	(10.9)	(10.8)
30 June 2020	(6.7)	(3.7)	(3.4)	(5.4)	(4.0)	(5.5)

1. 31 December figures are for the full year

2. The 'UK other' portfolio is not shown above and reported a like-for-like ERV decline of -3.5% (30 June 2020: -13.1%)

Like-for-like ERV at the Group's managed portfolio declined by 4.1% in the six months to 30 June 2021.

UK flagships reported the most significant reduction in ERVs at 6.8%. This was largely due to weak occupational demand, retailers rightsizing units and an over-supply of retail space due to CVAs and administrations.

In France and Ireland, rental levels were more stable with reductions of ERV of 0.3% and 1.1% respectively.

Property returns analysis

	UK %	France %	Ireland %	Flagship destinations %	UK retail parks %	Developments %	Managed portfolio %
Income return	3.0	1.8	1.9	2.3	2.6	0.4	2.2
Capital return	(13.4)	(4.2)	(6.6)	(8.9)	(8.8)	(10.5)	(9.0)
Total return	(10.7)	(2.5)	(4.8)	(6.7)	(6.4)	(10.1)	(7.1)

1. The UK other portfolio is not shown above and produced an income return of 1.9%, a capital return of -4.5% and a total return of -2.6%.

During the first half of 2021, the Group's property portfolio generated a total negative return of 7.1%. This comprised an income return of 2.2% and a negative capital return of 9.0%. 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 66.

Incorporating the income and capital returns from the Value Retail portfolio, detailed below, generates a total return for the Group of -4.7% comprising +1.8% income return and -6.4% capital return.

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

The UK MSCI quarterly All Retail index at 30 June 2021 reported a total return for UK shopping centres of -7.3%, 340 basis points higher than the UK flagships return of -10.7%.

Investment in Value Retail

	30 June 2021 £m	31 December 2020 £m
Investment properties	1,902	1,924
Net debt	(690)	(689)
Other net liabilities	(82)	(81)
Net assets	1,130	1,154
EPRA net tangible assets adjustments:		
Deferred tax	95	99
Other	13	18
	108	117
Investment in Value Retail – EPRA NTA basis	1,238	1,271

The Group's total investment in Value Retail, on a net tangible asset basis, reduced by £33 million during the period. This principally comprised adverse foreign exchange movements of £21 million and revaluation losses of £8 million. The premium outlets sector remained more resilient than the Group's flagships, with the revaluation loss reflecting lower sales growth.

During the first half of the year, the Value Retail property portfolio generated a total return of +0.7%, comprising an income return of +1.1% and a capital return of -0.4%.

Trade receivables

At 30 June 2021, gross trade receivables totalled £153 million compared to £170 million at 31 December 2020. The intermittent closures of the vast majority of non-essential retail across all regions in 2021 as a result of the pandemic, coupled with government restrictions on landlords' ability to enforce collection, has continued to impact collection rates and, consequently, the level of trade receivables remains high.

After taking account of tenant deposits, guarantees and VAT, a total provision of £77 million was recognised at 30 June 2021 compared to £80 million at the beginning of the year, equating to a 67% provision against net trade receivables (31 December 2020: 64%).

The table below analyses the total provision by region against the respective trade receivable balances.

Trade receivables and provisioning

	30 June 2021 £m			31 December 2020 £m		
	Trade receivables £m	Trade receivables net of deposits and VAT £m	Total provision £m	Trade receivables £m	Trade receivables net of deposits and VAT £m	Total provision £m
UK	78	64	42	101	82	53
France	57	35	24	51	28	19
Ireland	18	16	11	18	15	8
Managed portfolio	153	115	77	170	125	80

FINANCING AND CASHFLOW

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 depending on the Group's financing position in terms of maturities, future commitments or disposals, and market conditions. Short term funding is 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 and private placement notes. The Group also has secured borrowings in three of the Group's joint ventures and in Value Retail.

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. In the first half of 2021, the Group's guideline loan to value and net debt:EBITDA metrics have been changed to reflect the strategy update and the focus on maintaining an investment grade rating. They key financing metrics are detailed below.

Key financing metrics

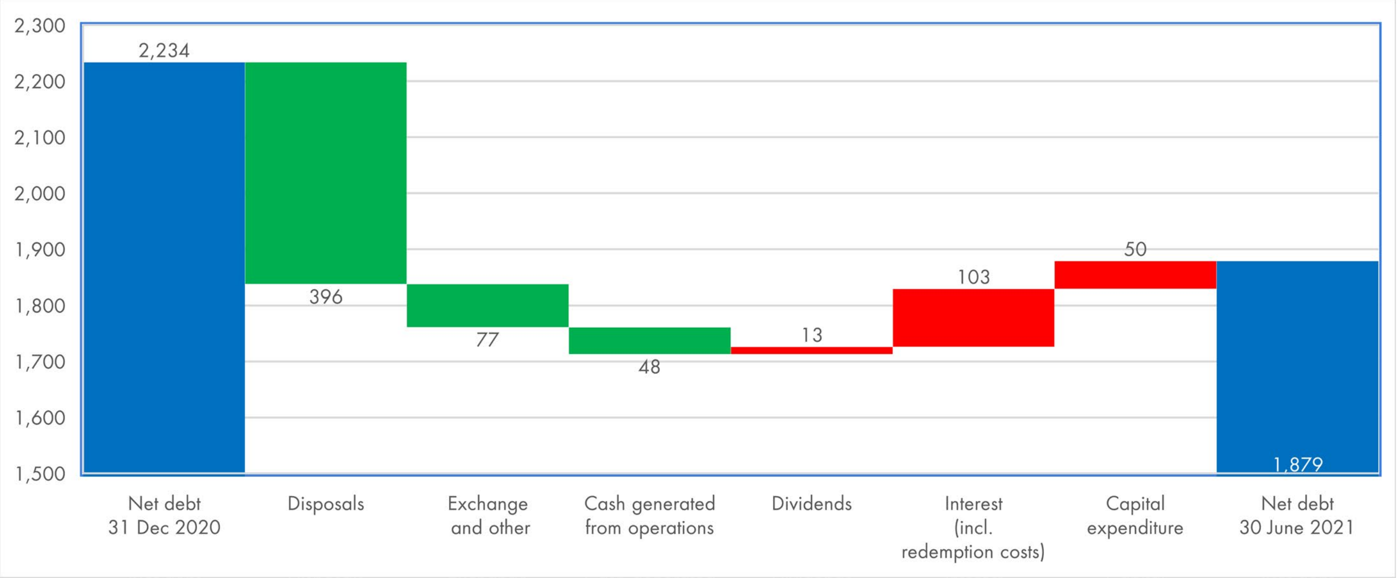
Proportionally consolidated, excluding Value Retail unless stated

	Group debt covenants	Guideline[1]	30 June 2021	31 December 2020
Net debt (£m)[2]	n/a	n/a	1,879	2,234
Liquidity (£m)	n/a	n/a	1,617	1,748
Weighted average interest rate (%)	n/a	n/a	3.1	3.0
Weighted average maturity of debt (years)	n/a	n/a	4.2	3.5
FX hedging (%)	n/a	70-90%	93	73
Gearing (%)[3]	Maximum 150%/175%	Maximum 85%	68	70
Unencumbered asset ratio[4] (times)	At least 1.5 times	At least 1.75 times	1.83	1.89
Interest cover (times)	At least 1.25 times	At least 2.0 times	2.08	1.81
Loan to value – with Value Retail net asset value (%)[5]	n/a	Maintain Investment Grade credit rating	40	40
Loan to value – fully proportionally consolidated (%)[6]	n/a	Maintain Investment Grade credit rating	47	46
Net debt:EBITDA (times)[7]	n/a	Maintain Investment Grade credit rating	15.1	14.1
Secured borrowings/equity shareholders' funds (%)	Maximum 50%	Maximum 50%	14	13
Debt fixed (%)	n/a	At least 50%	86	97

1. Guidelines should not be exceeded for an extended period of time.
2. See Table 18 in the Additional disclosures.
3. Covenant within the Group's unsecured bank facilities, bonds and private placement notes. See Table 23 in the Additional disclosures.
4. Covenant within the Group's unsecured bank facilities and private placement notes. See Table 24 in the Additional disclosures for supporting calculation.
5. Loan excludes Value Retail net debt and value includes Value Retail net assets. See Table 22 in the Additional disclosures for supporting calculation.
6. Includes Value Retail net debt and property values. See Table 22 in the Additional disclosures for supporting calculation.
7. EBITDA calculated on a 12 month rolling basis at 30 June 2021. See Table 20 in the Additional disclosures for supporting calculation.

Cash flow and net debt

Movement in proportionally consolidated net debt (£m)



The Group completed significant refinancing during 2021 which has strengthened the capital structure.

On a proportionally consolidated basis, in the first half of 2021 net debt decreased by £355 million to £1,879 million at 30 June 2021. This comprised loans of £2,407 million and the fair value of currency swaps of £59 million, less cash and deposits of £587 million. Disposals during the period generated £396 million net cash proceeds. Cash generated from operations comprised adjusted operating profit of £62 million less £14 million decrease in working capital.

The Group's liquidity at 30 June 2021, comprising cash and undrawn committed facilities, was £1,617 million, £131 million lower than at the beginning of the year, or £1,452 million on a proforma basis, incorporating the refinancing completed in July as detailed below. The Group's weighted average maturity of debt increased to 4.2 years (31 December 2020: 3.5 years).

On 3 June 2021 the Group issued a new €700 million sustainability-linked bond with a 1.75% coupon and a maturity in 2027. The bond incentivises the reduction of carbon emissions. The coupon is linked to the achievement of two Sustainability Performance Targets: 60% reduction in Scope 1 and 2 and selected Scope 3 Greenhouse gas (GHG) emissions under the Group's direct control and 50% reduction in Scope 3 GHG emissions (which relate to space operated by brands within its destinations) both against the Group's 2019 (pre-Covid) baseline. If these targets are not met, an additional margin will be payable of 37.5 basis points per annum for the last year of the bond from June 2026 to the June 2027 maturity date for each of the two targets, 75 basis points in total, payable at the final interest payment date.

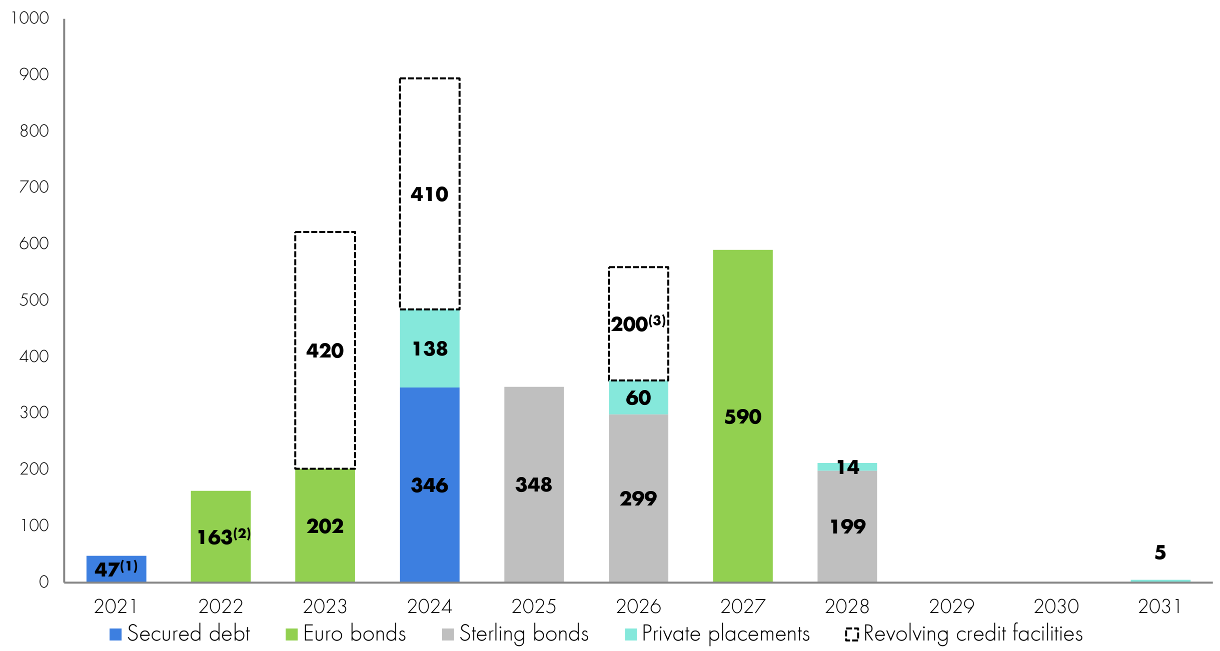
Together with existing liquidity, the proceeds of the new €700 million bonds were used in June to repay €310 million of the €500 million 2.0% bond maturing in 2022 and €265 million of the €500 million 1.75% bond due to mature in 2023 and £297 million of private placement notes. On 8 July 2021, the Group repaid the remaining €190 million of the €500 million 2.0% bonds.

On 18 June 2021, Hammerson refinanced its £415 million Revolving Credit Facility (RCF) maturing in April 2022 with two new RCFs totalling £200 million at an initial margin of 115 basis points and maturing in 2024 with an option to extend to 2026 at the Group's request. The existing £415 million facility maturing in 2022 was cancelled, resulting in a net decrease of £215 million of undrawn facilities. The decrease in liquidity will result in an interest cost saving of £0.5 million per year on an annualised basis in undrawn commitment fees.

On 6 July 2021, the Group refinanced the maturing loan secured against O'Parinor, following a €2 million partial repayment. The €52.5 million loan (Group's 25% share) now matures in July 2023.

Debt maturity profile at 30 June 2021 (£m)

Proportionally consolidated, excluding Value Retail



1. Refinanced on 6 July 2021.
2. Repaid on 8 July 2021.
3. Current maturity in 2024, but shown as 2026 as the facility can be extended at the Group's request, subject to lender consent.

Leverage

At 30 June 2021, the Group's gearing was 68% (31 December 2020: 70%) and loan to value ratio including Value Retail's net asset value was 40% (31 December 2020: 40%).

At 30 June 2021, the Group's share of net debt in Value Retail totalled £690 million (31 December 2020: £689 million). Proportionally consolidating this net debt with the Group's share of net debt and including property values held by Value Retail, the Group's fully proportionally consolidated loan to value is 47% (31 December 2020: 46%).

Borrowings and covenants

The terms of the Group's unsecured borrowings contain a number of covenants which provide protection to the lenders as detailed in the table on page 17 and supporting calculations are in Tables 21, 23 and 24 in Additional disclosures. At 30 June 2021, the Group's financial ratios were fully compliant with these covenants. The valuation of the Group's managed portfolio at 30 June 2021 would have to fall by 18% to breach the unencumbered asset covenant of 150% in the private placement notes or by 28% to breach the Group's tightest gearing covenant. Net rental income would need to fall by 40% in order to breach the interest cover covenant in the Group's bank facilities and private placement notes.

In response to pressures exacerbated by Covid-19, on 30 June 2020, the Group agreed an amendment to one of the covenants on its private placement notes, which increased the headroom available on the unencumbered asset ratio covenant until 31 December 2021. The amendment relaxed 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.

A further amendment agreed was that the Group would make an offer of prepayment at par (i.e. not including a make-whole amount) for 30% of any applicable proceeds from disposals or capital raisings in excess of £50 million. Following completion in the first half of the year of the disposal of the retail parks portfolio and our stakes in Brent South Shopping Park, Nicetoile and Espace Saint-Quentin, we prepaid at par a total of £297 million, comprising £65 million relating to an offer in accordance with this condition, a further £119 million following an additional voluntary offer and £113 million relating to the repayment of notes which matured in June 2021. Combined, these repayments will save approximately £7 million of interest cost on an annualised basis.

The covenants for secured debt facilities are generally tested quarterly and include specific covenants in relation to the secured assets, typically loan to value and interest cover. 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 have been obtained in relation to a number of these debt facilities to avoid covenant breach. At 30 June 2021, secured borrowings totalling £395 million (Group's share) in three of the Group's joint ventures benefited from short-term covenant waivers which expire at various dates over the period to February 2022, therefore these were in compliance with their borrowing conditions.

Credit ratings

Following the publication of the Group's 2020 results in the second quarter of the year, Moody's and Fitch re-affirmed Hammerson's senior unsecured investment grade credit rating as BBB+ and Baa3 respectively.

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. Following the conclusion of Brexit negotiations in December 2020, the Group increased the foreign exchange hedge position from a target of c.70% to c.90% in January 2021. At 30 June 2021, the value of euro-denominated liabilities as a proportion of the value of euro-denominated assets was 93%, compared with 73% at the beginning of the year.

Interest on euro debt also acts as a partial hedge against exchange differences arising on net income from overseas operations. Sterling strengthened against the euro during the first half of the year by 4% from £1:€1.117 to £:€1.165 which resulted in a small reduction to net debt and positive impact to the Group's credit ratios but also a small decrease to net asset value and earnings.

PRINCIPAL RISKS AND UNCERTAINTIES

Multiple risks affect our business and are often interrelated, so effective risk management is key to support the delivery of our strategy. The Board is responsible for determining the Group's risk appetite which reflects its combined attitude to market, financial, operational and reputational risks. While the responsibility for risk management ultimately rests with the Board, effective risk management can only occur if it is integrated throughout the business and embedded within the Group's culture and values. Details of the Group's risk management approach are explained on pages 35 to 36 of the 2020 Annual Report which is available on the Group's website www.hammerson.com. The Group's 10 principal risks are set out in detail on pages 37 to 41 of the 2020 Annual Report and this includes commentary on both the near-term and medium term change for each of the risks. At the date of the Annual Report, 11 March 2021, five of these risks were deemed to exceed the Group's risk appetite being:

- External risks:
  - Macro-economic
  - Retail market
  - Property investment
  - Catastrophic risk
- Operational risks:
  - Treasury

The adverse impact and challenges caused by the Covid-19 pandemic on the Group were a key factor when determining this heightened risk assessment. During the first half of 2021, the successful roll-out of government vaccination programmes in the countries in which the Group operates has allowed the trading restrictions in place at the time of the publication of the Annual Report to be lifted such that all the Group's assets have fully reopened. This has resulted in both the retail and property investment markets seeing increased levels of activity with year-on-year Group flagship leasing 123% higher in the first half of 2021. The Group also raised £396 million from disposals. However, property valuations remain challenged for retail property, with the Group reporting a -6.4% capital return for the Group property portfolio including Value Retail in the first six months of the year.

These changes in 2021 have meant that residual risk assessment associated with the Group's four external principal risks shown above have improved in the first half of the year, albeit with Retail market, Property investment and Catastrophic risks continuing to exceed the Group's risk appetite. This is consistent with the outlook explained in the Annual Report and reflects the ongoing risks associated with the pandemic, particularly the emergence of future variants.

As explained on page 18 of the Financial Review, the Group's has completed significant refinancing during the first half of the year with the key transaction being the issuance of a €700 million 1.75% sustainability-linked bond maturing in 2027. The refinancing activity, in conjunction with the monies raised from disposals, has strengthened the Group's balance sheet. Hence, the Treasury principal risk has materially improved in 2021 such that it no longer exceeds the Director's risk appetite and this assessment is expected to be retained for the second half of the year.

The Group's five other principal risks are summarised below:

- External risks:
  - Tax and regulation
  - Climate
- Operational risks:
  - Property development
  - People
  - Partnerships

The Directors consider the latest risk assessment and outlook for these five risks in the second half of the year to be consistent with that presented in the 2020 Annual Report.

Independent review report to Hammerson plc

Report on the condensed consolidated interim financial statements

Our conclusion

We have reviewed Hammerson plc's condensed consolidated interim financial statements (the "interim financial statements") in the Half-year Report of Hammerson plc for the 6 month period ended 30 June 2021 (the "period").

Based on our review, nothing has come to our attention that causes us to believe that the interim financial statements are not prepared, in all material respects, in accordance with UK adopted International Accounting Standard 34, 'Interim Financial Reporting', International Accounting Standard 34, 'Interim Financial Reporting', as adopted by the European Union, the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority, and the Transparency (Directive 2004/109/ EC) Regulations 2007.

Emphasis of matter – Going concern

In forming our conclusion on the interim financial statements, which is not modified, we have considered the adequacy of the disclosures made in note 1D to the interim financial statements concerning the Group's ability to continue as a going concern. Prior to considering the impact of secured debt, under both a base case and severe but plausible adverse scenario the Group is forecast to have sufficient liquidity and to be able to comply with the covenants within its unsecured borrowings during the period to 31 December 2022.

However the Group's associate, Value Retail, has three tranches of secured debt totalling £1,098 million due for refinancing within the period to 31 December 2022. While the Group has sufficient liquidity to fully repay the December 2021 and June 2022 tranches, it does not currently have sufficient liquidity to fully repay the December 2022 tranche of £750 million. While the Group is not legally obliged to inject further capital into Value Retail, if the £750 million loan maturing in December 2022 were not to be refinanced or repaid, and the lenders enforced their security over the property, the Group would breach its unsecured borrowing gearing covenant in the Severe but plausible adverse scenario at 31 December 2022. The mitigating actions available to the Group, namely refinancing of the secured debt and other asset disposals, are not confirmed as at this time nor are they within the Group's control. These conditions, along with the other matters explained in note 1D to the interim financial statements, indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern. The interim financial statements do not include the adjustments that would result if the Group was unable to continue as a going concern.

What we have reviewed

The interim financial statements comprise:

- the Consolidated Balance Sheet as at 30 June 2021;
- the Consolidated Income Statement and Consolidated Statement of Comprehensive Income for the period then ended;
- the Consolidated Cash Flow Statement for the period then ended;
- the Consolidated Statement of Changes in Equity for the period then ended; and
- the explanatory notes to the interim financial statements.

The interim financial statements included in the Half-year Report of Hammerson plc have been prepared in accordance with UK adopted International Accounting Standard 34, 'Interim Financial Reporting', International Accounting Standard 34, 'Interim Financial Reporting', as adopted by the European Union, the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority, and the Transparency (Directive 2004/109/ EC) Regulations 2007.

Responsibilities for the interim financial statements and the review

Our responsibilities and those of the Directors

The Half-year Report, including the interim financial statements, is the responsibility of, and has been approved by the Directors. The Directors are responsible for preparing the Half-year Report in accordance with the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority and in accordance with the Transparency (Directive 2004/109/ EC) Regulations 2007.

Our responsibility is to express a conclusion on the interim financial statements in the Half-year Report based on our review. This report, including the conclusion, has been prepared for and only for the Company for the purpose of complying with the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority and in accordance with the Transparency (Directive 2004/109/ EC) Regulations 2007 and for no other purpose. We do not, in giving this conclusion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

What a review of interim financial statements involves

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

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

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

PricewaterhouseCoopers LLP
Chartered Accountants
London
5 August 2021

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors' confirm that this condensed set of financial statements included in the Half-year Report have been prepared in accordance with UK adopted International Accounting Standard 34 ('IAS 34'), IAS 34 as adopted by the European Union, the Transparency (Directive 2004/109/EC) Regulations 2007 and that the Interim Management Report includes a fair review of the information required by the Disclosure Guidance and Transparency Rules ('DTR') 4.2.7R and DTR 4.2.8R, namely:

The interim financial statements comprise:

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

A list of the current Directors is maintained on the Hammerson plc website: www.hammerson.com. The maintenance and integrity of the Hammerson plc website is the responsibility of the Directors. The work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that might have occurred to the interim financial statements since they were initially presented on the website.

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

Signed on behalf of the Board on 5 August 2021

Rita-Rose Gagné
Director

Himanshu Raja
Director

CONSOLIDATED INCOME STATEMENT

	Notes	Six months ended 30 June 2021 Unaudited £m	Six months ended 30 June 2020[1] Unaudited £m	Year ended 31 December 2020[1] Audited £m
Revenue	4	**65.3**	74.8	145.8
Operating profit before other net losses and share of results of joint ventures and associates[2,3]	2	**1.6**	8.6	13.5
Loss on sale of properties	2	(5.1)	(0.7)	(3.5)
Loss on sale of joint venture and associate	2	(1.1)	–	–
Net exchange gain/(loss) previously recognised in equity, recycled on disposal of foreign operations	2	11.0	(0.1)	5.2
Revaluation losses on properties	2	(140.2)	(274.6)	(442.7)
Impairment recognised on reclassification to assets held for sale	2	–	(101.6)	–
Impairment relating to assets held for sale: VIA Outlets	1B	–	–	(103.8)
Other losses	2	(0.2)	–	(0.4)
Other net losses	2	(135.6)	(377.0)	(545.2)
Share of results of joint ventures	11A	(160.6)	(499.5)	(880.2)
Impairment of investment in joint ventures		–	(9.6)	(9.6)
Share of results of associates	12A	(5.6)	(127.7)	(148.3)
Impairment of investment in associates		–	(94.3)	(94.3)
Operating loss	2	**(300.2)**	(1,099.5)	(1,664.1)
Finance costs		(57.9)	(49.1)	(95.5)
Change in fair value of derivatives		(2.2)	6.5	13.7
Finance income		6.3	6.3	9.6
Net finance costs	5	(53.8)	(36.3)	(72.2)
Loss before tax		**(354.0)**	(1,135.8)	(1,736.3)
Tax charge	6	(0.8)	(0.6)	(0.5)
Loss from continuing operations		**(354.8)**	(1,136.4)	(1,736.8)
(Loss)/Profit from discontinued operations	7	(20.7)	48.0	1.9
Loss for the period		**(375.5)**	(1,088.4)	(1,734.9)
Attributable to:				
Equity shareholders		(375.5)	(1,088.4)	(1,734.8)
Non-controlling interests		–	–	(0.1)
Loss for the period		**(375.5)**	(1,088.4)	(1,734.9)
Basic and diluted (loss)/earnings per share				
Continuing operations	9B	(8.7)p	(67.8)p	(77.0)p
Discontinued operations	9B	(0.5)p	2.9p	0.1p
Total		**(9.2)p**	(64.9)p	(76.9)p

1. The results reported for the year ended 31 December 2020 and the six months ended 30 June 2020 have been reclassified to represent discontinued operations in line with the requirements of IFRS 5 'Non-current assets held for sale and discontinued operations'. Refer to note 7 for further details.

2. Included within 'Operating profit before other net losses and share of results of joint ventures and associates' is a provision charge against trade receivables totalling £3.4 million (31 December 2020: £18.9 million; 30 June 2020: £10.5 million), comprising £4.7 million (31 December 2020: £16.4 million; 30 June 2020: £9.3 million) in relation to income recognised in the period (included in other property outgoings in note 2) and a reversal of provision of £1.3 million (31 December 2020: charge of £2.5 million; 30 June 2020: charge of £1.2 million) relating to amounts not yet recognised in the consolidated income statement (separately identified in note 2).

3. Included within 'Operating profit before other net losses and share of results of joint ventures and associates' is a £0.6 million provision for impairment of lease incentives (year ended 31 December 2020: £6.2 million, six months ended 30 June 2020: £2.6 million).

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Six months ended 30 June 2021 Unaudited £m	Six months ended 30 June 2020 Unaudited £m	Year ended 31 December 2020 Audited £m
Items recycled through the consolidated income statement on disposal of foreign operations			
Exchange (gain)/loss previously recognised in the translation reserve	(55.2)	0.7	(26.0)
Exchange loss/(gain) previously recognised in the net investment hedge reserve	44.2	(0.6)	20.8
Net exchange (gain)/loss relating to equity shareholders[1]	(11.0)	0.1	(5.2)
Items that may subsequently be recycled through the consolidated income statement			
Foreign exchange translation differences	(91.9)	210.1	171.1
Gain/(Loss) on net investment hedge	72.8	(127.9)	(109.2)
Net (loss)/gain on cash flow hedge	(1.9)	10.4	4.8
Share of other comprehensive gain/(loss) of associates	0.3	–	(1.0)
	(20.7)	92.6	65.7
Items that may not subsequently be recycled through the consolidated income statement			
Net actuarial gains/(losses) on pension schemes	11.6	(15.3)	(12.8)
Total other comprehensive (loss)/income[2]	(20.1)	77.4	47.7
Loss for the period from continuing operations	(354.8)	(1,136.4)	(1,736.8)
(Loss)/Profit for the period from discontinued operations	(20.7)	48.0	1.9
Loss for the period	(375.5)	(1,088.4)	(1,734.9)
Total comprehensive loss for the period	(395.6)	(1,011.0)	(1,687.2)
Attributable to:			
Equity shareholders	(395.6)	(1,011.0)	(1,687.1)
Non-controlling interests	–	–	(0.1)
Total comprehensive loss for the period	(395.6)	(1,011.0)	(1,687.2)

1. Relates to the sale of the Group's 25% interest in Espace Saint-Quentin and 10% interest in Nicetoile in 2021, and the sale of substantially all of the Group's investment in VIA Outlets in 2020.

2. All items within total other comprehensive (loss)/income relate to continuing operations.

CONSOLIDATED BALANCE SHEET

	Notes	30 June 2021 Unaudited £m	30 June 2020 Unaudited £m	31 December 2020 Audited £m
Non-current assets				
Investment and development properties	10	1,610.5	2,354.4	2,152.8
Interests in leasehold properties		33.9	39.4	38.6
Right-of-use assets		4.8	8.5	6.7
Plant and equipment		1.9	2.8	2.3
Investment in joint ventures	11C	1,580.8	2,222.5	1,813.6
Investment in associates	12C	1,240.7	1,330.5	1,298.4
Other investments	7D	9.5	–	9.7
Derivative financial instruments	13B	24.7	20.5	6.6
Restricted monetary assets		21.4	–	21.4
Receivables		2.8	3.6	3.4
		4,531.0	5,982.2	5,353.5
Current assets				
Receivables		103.8	131.9	105.9
Trading properties	10	29.4	–	–
Derivative financial instruments	13B	0.8	23.0	9.1
Restricted monetary assets		21.5	25.6	28.3
Cash and deposits		475.1	417.6	409.5
		630.6	598.1	552.8
Assets held for sale		–	269.1	–
		630.6	867.2	552.8
Total assets		5,161.6	6,849.4	5,906.3
Current liabilities				
Loans	13A	–	(153.9)	(115.0)
Payables		(169.1)	(198.4)	(205.0)
Tax		(1.1)	(0.8)	(1.3)
Derivative financial instruments	13B	–	(2.4)	(2.3)
		(170.2)	(355.5)	(323.6)
Non-current liabilities				
Loans	13A	(2,013.2)	(2,892.0)	(2,143.7)
Deferred tax		(0.4)	(0.4)	(0.4)
Derivative financial instruments	13B	(65.9)	(73.1)	(84.7)
Obligations under head leases		(37.3)	(42.4)	(41.8)
Payables		(72.1)	(118.3)	(103.2)
		(2,188.9)	(3,126.2)	(2,373.8)
Total liabilities		(2,359.1)	(3,481.7)	(2,697.4)
Net assets		2,802.5	3,367.7	3,208.9
Equity				
Share capital		210.2	191.6	202.9
Share premium		1,604.3	1,266.0	1,611.9
Translation reserve		518.9	731.7	666.0
Net investment hedge reserve		(402.2)	(559.3)	(519.2)
Cash flow hedge reserve		1.5	9.0	3.4
Merger reserve		374.1	374.1	374.1
Other reserves		206.2	22.7	207.1
Retained earnings		289.8	1,332.0	663.0
Investment in own shares		(0.4)	(0.3)	(0.4)
Equity shareholders' funds		2,802.4	3,367.5	3,208.8
Non-controlling interests		0.1	0.2	0.1
Total equity		2,802.5	3,367.7	3,208.9
EPRA net tangible assets value per share (pence)*	9D	69	92	82

*Restated as a result of the rights issue in 2020. See note 9D for more information.

The Half-year Report was approved by the Board on 5 August 2021.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2021

Unaudited	Share capital £m	Share premium £m	Translation reserve £m	Net investment hedge reserve £m	Cash flow hedge reserve £m	Merger reserve £m	Other reserves[1] £m	Retained earnings £m	Investment in own shares[2] £m	Equity shareholders' funds £m	Non-controlling interests £m	Total equity £m
Balance at 1 January 2021	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
Share-based employee remuneration	–	–	–	–	–	–	1.6	–	–	1.6	–	1.6
Cost of shares awarded to employees	–	–	–	–	–	–	(0.4)	–	0.4	–	–	–
Transfer on award of own shares to employees	–	–	–	–	–	–	(2.1)	2.1	–	–	–	–
Purchase of own shares	–	–	–	–	–	–	–	–	(0.4)	(0.4)	–	(0.4)
Dividends (note 8)	–	–	–	–	–	–	–	(62.7)	–	(62.7)	–	(62.7)
Scrip dividend related share issue (note 8)	7.3	(7.3)	–	–	–	–	–	51.0	–	51.0	–	51.0
Scrip dividend related share issue costs	–	(0.3)	–	–	–	–	–	–	–	(0.3)	–	(0.3)
Exchange (gain)/loss previously recognised in equity recycled on disposal of foreign operations	–	–	(55.2)	44.2	–	–	–	–	–	(11.0)	–	(11.0)
Foreign exchange translation differences	–	–	(91.9)	–	–	–	–	–	–	(91.9)	–	(91.9)
Gain on net investment hedge	–	–	–	72.8	–	–	–	–	–	72.8	–	72.8
Loss on cash flow hedge	–	–	–	–	(3.8)	–	–	–	–	(3.8)	–	(3.8)
Loss on cash flow hedge recycled to net finance costs	–	–	–	–	1.9	–	–	–	–	1.9	–	1.9
Share of other comprehensive gain of associates (note 12E)	–	–	–	–	–	–	–	0.3	–	0.3	–	0.3
Net actuarial gains on pension schemes	–	–	–	–	–	–	–	11.6	–	11.6	–	11.6
Loss for the period[3]	–	–	–	–	–	–	–	(375.5)	–	(375.5)	–	(375.5)
Total comprehensive (loss)/income for the period	–	–	(147.1)	117.0	(1.9)	–	–	(363.6)	–	(395.6)	–	(395.6)
Balance at 30 June 2021	210.2	1,604.3	518.9	(402.2)	1.5	374.1	206.2	289.8	(0.4)	2,802.4	0.1	2,802.5

1. Other reserves at 30 June 2021 comprise a capital redemption reserve of £198.2 million and share-based employee remuneration reserves of £8.0 million. Capital redemption reserves comprise £14.3 million relating to share buybacks and £183.9 million resulting from the cancellation of the Company's shares as part of the reorganisation of share capital in 2020.

2. Investment in own shares is stated at cost.

3. Relates to continuing and discontinued operations.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2020

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

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

2. Investment in own shares is stated at cost.

3. Relates to continuing and discontinued operations.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2020

Audited	Share capital £m	Share premium £m	Translation reserve £m	Net investment hedge reserve £m	Cash flow hedge reserve £m	Merger reserve £m	Other reserves[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 8)	–	–	–	–	–	–	–	(71.5)	–	(71.5)	–	(71.5)
Scrip dividend related share issue (note 8)	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 12E)	–	–	–	–	–	–	–	(1.0)	–	(1.0)	–	(1.0)
Net actuarial losses on pension schemes	–	–	–	–	–	–	–	(12.8)	–	(12.8)	–	(12.8)
Loss for the year[5]	–	–	–	–	–	–	–	(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 2020, the Company completed a capital reorganisation and rights issue.
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 were recognised in the consolidated income statement in 2020.
3. Other reserves at 31 December 2020 comprise a capital redemption reserve of £198.2 million and share based employee remuneration reserve of £8.9 million. Capital redemption reserves comprise £14.3 million relating to share buybacks and £183.9 million resulting from the cancellation of the Company's shares as part of the reorganisation of share capital in 2020.
4. Investment in own shares is stated at cost.
5. Relates to continuing and discontinued operations.

CONSOLIDATED CASH FLOW STATEMENT

	Notes	Six months ended 30 June 2021 Unaudited £m	Six months ended 30 June 2020 Unaudited £m	Year ended 31 December 2020 Audited £m
Operating activities				
Operating profit before other net losses and share of results of joint ventures and associates				
- continuing operations	2	1.6	8.6	13.5
- discontinued operations	7B	11.8	9.6	17.7
		13.4	18.2	31.2
Decrease/(Increase) in receivables		8.8	(48.8)	(44.9)
Decrease/(Increase) in restricted monetary assets		5.6	(1.1)	(25.2)
(Decrease)/Increase in payables[1]		(12.0)	3.5	(17.5)
Adjustment for non-cash items[2]		0.6	24.0	41.4
Cash generated/(utilised) from operations		16.4	(4.2)	(15.0)
Interest received		7.4	9.4	19.6
Interest paid		(71.8)	(58.2)	(101.8)
Bond redemption premium		(13.9)	-	-
Purchase of interest rate swap		(20.8)	-	-
Tax paid		(0.6)	(0.6)	(0.8)
Distributions and other receivables from joint ventures		8.3	10.7	15.6
Cash flows from operating activities		(75.0)	(42.9)	(82.4)
Investing activities				
Property acquisitions		-	-	(0.2)
Developments and major refurbishments		(27.2)	(17.7)	(49.6)
Other capital expenditure		(13.9)	(11.9)	(18.5)
Sale of properties		326.8	54.0	56.4
Sale of investments in joint ventures		48.4	-	272.0
Sale of investments in associates		21.2	-	-
Advances to joint ventures		(4.7)	(9.5)	(13.1)
Distributions received from associates		1.2	6.0	6.1
Cash flows from investing activities		351.8	20.9	253.1
Financing activities				
Proceeds from rights issue		-	-	556.6
Rights issue expenses		(2.2)	-	(24.9)
Proceeds from award of own shares		-	0.1	0.2
Purchase of own shares		(0.4)	-	(0.2)
Proceeds from new borrowings		593.5	436.0	75.0
Repayment of borrowings		(787.5)	(16.0)	(385.8)
Net (decrease)/increase in borrowings		(194.0)	420.0	(310.8)
Equity dividends paid	8	(13.2)	(12.2)	(13.4)
Cash flows from financing activities		(209.8)	407.9	207.5
Net increase in cash and deposits		67.0	385.9	378.2
Opening cash and deposits		409.5	29.8	29.8
Exchange translation movement		(1.4)	1.9	1.5
Closing cash and deposits[3]		475.1	417.6	409.5

1. £8.1 million, (year ended 31 December 2020: £24.4 million, six months ended 30 June 2020: £4.5 million) of the decrease in payables related to employer contributions and net benefits paid relating to the pension scheme.

2. The adjustment for non-cash items includes £1.7 million due to increased provisioning against trade receivables and impairment provisions recognised against capitalised lease incentives (year ended 31 December 2020: £34.7 million, six months ended 30 June 2020: £18.1 million)

3. An analysis of the movement in net debt is provided in note 15 on page 60.

NOTES TO THE INTERIM FINANCIAL STATEMENTS

1. FINANCIAL INFORMATION

A. BASIS OF PREPARATION

On 31 December 2020, IFRS as adopted by the European Union at that date was brought into UK law and became UK-adopted International Accounting Standards, with future changes being subject to endorsement by the UK Endorsement Board. Hammerson plc transitioned to UK-adopted International Accounting Standards in its consolidated financial statements on 1 January 2021. This change constitutes a change in accounting framework. However, there is no impact on recognition, measurement or disclosure in the period reported as a result of the change in framework.

This condensed consolidated interim financial report for the half-year reporting period ended 30 June 2021 has been prepared in accordance with the International Accounting Standards 34, 'Interim Financial Reporting' as issued by the EU, as adopted by the European Union, UK-adopted International Accounting Standard 34, 'Interim Financial Reporting' and the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority as well as SAICA Financial Reporting Guides as issued by the Accounting Practices Committee.

The interim report does not include all of the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 31 December 2020, which has been prepared 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 as adopted by the European Union as at 31 December 2020), as well as the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and any public announcements made by Hammerson plc during the interim reporting period.

The same accounting policies and methods of computation are followed in the condensed set of financial statements as were applied in Hammerson's latest annual audited financial statements, with the exception of new accounting policies required for trading properties and exceptional costs as detailed below:

Trading properties

Investment properties held for future sale are transferred to trading properties at the fair value at the date of transfer and subsequently measured at the lower of cost and net realisable value.

Exceptional costs

Items are classified as exceptional by virtue of their size, nature or incidence, where their inclusion would otherwise distort the underlying recurring earnings of the Group. Examples include, but are not limited to, business transformation costs, early redemption costs of financial instruments and tax charges specific to disposals. Exceptional costs which have been excluded from the Group's adjusted earnings in relation to administration expenses, finance costs and taxation have been separately identified within the "capital and other" column within note 2 to the financial statements.

B. SIGNIFICANT JUDGEMENTS

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

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

Year ended 31 December 2020

For properties identified for disposal at the balance sheet date, the Directors 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 retail parks 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 an assessment on whether the retail parks portfolio should be classified as 'held for sale' and concluded that the retail parks did meet 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. Consequently, all assets and liabilities associated with the retail parks were reclassified to assets held for sale at 31 December 2019. On transfer to 'assets held for sale', the retail parks property portfolio was re-measured at the lower of the carrying amount and fair value less costs to sell, in accordance with IFRS 5, resulting in a £92 million impairment loss being recognised in 2019, predominantly a reflection of the portfolio discount. Contracts were subsequently exchanged for the disposal of a portfolio of seven properties to Orion European Real Estate Fund V ("Orion") in February 2020.

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

1. FINANCIAL INFORMATION (continued)

B. SIGNIFICANT JUDGEMENTS (continued)

Accounting for assets held for sale and discontinued operations – retail parks (continued)

Consequently, in May 2020, the Directors concluded that whilst the Group remained committed to the plan to dispose of the retail parks portfolio, this no longer met the criteria of 'held for sale' as defined by IFRS 5 as the properties were not being actively marketed and, given the significant downturn in investment markets, 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 million of the aforementioned £92 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 £70 million.

Six months ended 30 June 2021

On 5 February 2021, the Group sold its 41% interest in Brent South Shopping Park for gross proceeds of £22 million. On 19 May 2021, the Group completed the sale of a further seven retail parks for gross proceeds of £330 million. As this formed substantially all of an identifiable segment of the business, the results from 'UK retail parks' for the current and comparative periods have been disclosed separately from the rest of the business as discontinued operations. Refer to note 7 for details. At 31 December 2020, these properties did not meet the criteria for reclassification to assets held for sale as discussions had not commenced, they were not being actively marketed, and completion within 12 months of the balance sheet date was not highly probable. Consequently, these properties were neither reclassified to assets held for sale nor separately identified as discontinued operations.

Residual properties previously included within the UK retail parks portfolio have been reclassified to the "UK other" segment of the business at their value of £5.9 million as at 30 June 2021 and do not form part of discontinued operations. The residual properties formed a very small proportion of the total UK retail parks segment and consequently their retention does not impact the conclusion reached regarding the aforementioned disposals constituting substantially all of the business segment.

Accounting for assets held for sale – investment in VIA Outlets

Year ended 31 December 2020

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 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 £104 million impairment loss being recognised in the year ended 31 December 2020. No further impairment loss was recognised in the second half of 2020.

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 were included within the movement in impairment, as these drove the underlying net asset value of the investment and therefore the transaction price and fair value.

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 exercised joint control or significant influence over the 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 £0.2 million reduction in fair value of other investments being recognised in 2021 (31 December 2020: £0.1 million reduction) as detailed in note 2.

C. SIGNIFICANT ESTIMATES

Property valuations

The valuation of the Group's properties, which are carried in the balance sheet at fair value, totalling £5.5 billion, on a proportionally consolidated basis, including Value Retail, 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 in March 2020 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. During the six months ended 30 June 2021, lockdowns and travel restrictions have continued to be implemented by most countries to varying degrees resulting in restrictions to trading hours and capacity impacting footfall, with full or partial closures during periods of lockdown. However, at 30 June 2021, property markets are mostly functioning again, with transaction volumes and other relevant evidence at levels where an adequate quantum of market evidence exists upon which to base estimates.

Key areas of judgement highlighted in the valuation reports included estimation of market rents 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. However, the key unobservable inputs into valuation as defined by IFRS13 continue to be yields (nominal equivalent yield) and market rental income.

1. FINANCIAL INFORMATION (continued)

C. SIGNIFICANT ESTIMATES (continued)

Property valuations (continued)

At 30 June 2021, the material valuation uncertainty clause has been removed from all of the Group's valuations including Ireland, where it was still in place at 31 December 2020. This has been replaced with a market conditions explanatory note, in accordance with RICS guidance, outlining the ongoing impact Covid-19 continues to have on global real estate markets.

The valuation of the portfolio has been split between Cushman and Wakefield (C&W), CBRE Limited (CBRE) and Jones Lang LaSalle Limited (JLL). A sensitivity analysis has been prepared, illustrating the impact on valuations of changes in yields and market rental income of 100 basis points and 10% respectively, as detailed in the table below.

Key unobservable inputs sensitivity analysis – 30 June 2021		Impact on valuation of 100 bp change in nominal equivalent yield		Impact on valuation of 10% change in estimated rental value (ERV)	
	Investment properties valuation £m	Decrease £m	Increase £m	Increase £m	Decrease £m
UK flagships	1,320	195	(150)	132	(132)
France flagships	1,023	256	(171)	102	(102)
Ireland flagships	679	159	(108)	68	(68)
UK other	107	13	(11)	11	(11)
Value Retail	1,902	314	(218)	49	(49)
Total Group (excluding developments)	5,031	937	(658)	362	(362)

Impairment of non-financial assets

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.

Six months ended 30 June 2020 and year ended 31 December 2020

Within the Group's investments in premium outlets, notional goodwill had arisen historically as the acquisition price 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 historically exceeded the Group's share of the underlying net assets. At 30 June 2020, given the recent uncertainty and challenging investment markets following the pandemic, management no longer believed it was appropriate to maintain a carrying value in excess of the underlying net assets of the investee. The future cash flows of both investments are captured by the property valuations. Consequently, the investments in VIA Outlets and Value Retail were impaired by £9.6 million and £94.3 million respectively in the six months ended 30 June 2020, equivalent to the notional goodwill.

Six months ended 30 June 2021

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

Joint ventures and associates are accounted for under the equity method, which in this case, equates to Hammerson's share of the entity's Net Asset Value (NAV). NAV is based on the fair value of the assets and liabilities. As the Group's investment in these joint ventures and associates already equals the Group's share of the underlying net assets of the relevant investee, all of which the principal asset, investment property, is already carried at fair value, these investments are already held at their recoverable amount in accordance with IAS 36, being the higher of the value in use and fair value less cost of disposal.

At 30 June 2021, management has also reassessed the carrying value of its investment in Value Retail by reference to the value in use and concluded that the carrying amount is recoverable.

1. FINANCIAL INFORMATION (continued)

C. SIGNIFICANT ESTIMATES (continued)

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.

The Group has applied the simplified approach under IFRS 9 and adopted a provisioning matrix to determine the Expected Credit Loss (ECL), grouping receivables dependent on the risk level, taking into account historic default rates, future expectations, credit ratings and ageing 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, provision is made against 100% of the trade receivable or tenant incentive.

Intermittent closures throughout 2020 and 2021 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 continued to impact rent collection rates and consequently trade receivables remain higher than pre-pandemic levels at £153.1 million at 30 June 2021 (31 December 2020: £170.3 million) on a proportionally consolidated basis, although the easing of Covid-19 related restrictions has supported the conclusion of tenant negotiations resulting in the settlement of some historic arrears, particularly in the UK.

On a proportionally consolidated basis, after taking account of tenant deposits, guarantees and VAT, a total provision of £77.4 million was recognised at 30 June 2021, compared to £79.8 million at 31 December 2020, equivalent to a 67% provision (31 December 2020: 64%) against receivables, net of VAT and rent deposits.

The table below analyses the total provision by region against the respective trade receivable balances, and splits the provision between amounts recognised before 30 June 2021 and those for which the corresponding credit to the income statement has yet to be recognised. On a proportionally consolidated basis, a 10 percentage point increase in the loss allowance rate to 77% would reduce earnings by £11.5 million, or £10.6 million on an adjusted basis.

	30 June 2021						31 December 2020		
	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 £m	Total loss allowance provision (net) %
UK	77.5	64.1	36.5	5.6	42.1	66	101.4	53.1	65
France	57.1	34.9	24.4	–	24.4	70	51.3	18.9	66
Ireland	18.5	15.9	10.8	0.1	10.9	69	17.6	7.8	53
Managed portfolio	153.1	114.9	71.7	5.7	77.4	67	170.3	79.8	64
Less Share of Property interests	(77.9)	(59.3)	(37.0)	(3.8)	(40.8)	69	(87.5)	(44.0)	65
Reported Group	75.2	55.6	34.7	1.9	36.6	66	82.8	35.8	62

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 30 June 2021 totalled £54.8 million on a proportionally consolidated basis (31 December 2020: £68.0 million), against which a provision of £13.2 million (31 December 2020: £14.8 million), has been recognised. The table below analyses the provision across the regions between the proportionally consolidated portfolio and Reported Group. 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 £5.5 million on a proportionally consolidated basis.

	30 June 2021			31 December 2020		
	Unamortised tenant incentives £m	Total provision £m	Total provision %	Unamortised tenant incentives £m	Total provision £m	Total provision %
UK[1]	39.0	10.3	26	56.6	12.8	23
France	9.9	1.2	12	8.2	1.1	13
Ireland	5.9	1.7	29	3.2	0.9	28
Managed portfolio	54.8	13.2	24	68.0	14.8	22
Less Share of Property interests	(30.7)	(6.2)	20	(23.7)	(5.3)	22
Reported Group	24.1	7.0	29	44.3	9.5	21

1. The sale of eight retail parks in 2021 reduced unamortised tenant incentives by £24.2 million

1. FINANCIAL INFORMATION (continued)

D. GOING CONCERN

Introduction

The Directors have considered the adoption of the going concern basis of preparation for the interim financial statements in the context of the Group's risk environment, and in particular the market disruption and challenges associated with the Covid-19 pandemic.

To support the assessment the Directors have performed a detailed review of the current and projected financial position of the Group for the period to 31 December 2022. This period was chosen as it represents the first six monthly covenant test date for the Group's unsecured borrowing facilities falling due after the minimum 12 months going concern assessment period.

The review involved preparing two forecast cases: a 'Base' scenario and a 'Severe but plausible adverse' scenario. The scenarios assessed the Group's cash flow and liquidity position and included projections for the financial covenants within the Group's borrowing facilities, including those held within joint ventures and associates.

Financing overview

The Group predominantly borrows on an unsecured basis, although a number of joint ventures and associates have secured debt facilities. These secured facilities are non-recourse 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. At 30 June 2021, the Group had substantial liquidity of £1,617 million and was in compliance with all applicable borrowing conditions. Further details on the Group's financing strategy, position and covenants are explained on page 17 of the Financial Review.

At 30 June 2021, three of the Group's joint ventures had secured borrowings totalling £886 million (Group's share: £395 million) and Value Retail had secured borrowings totalling £2,055 million (Group's share £763 million). £2,215 million (Group's share £947 million) of the secured borrowings benefited from interest cover waivers or amendments, and £349 million (Group's share £127 million) of these borrowings were subject to short-term loan-to-value waivers. These covenant waivers or amendments expire at various dates over the period to February 2022.

During the first half of 2021 (unless otherwise stated), the Group completed a number of key transactions which have improved the strength of the capital structure and going concern outlook as follows:

- raised £396 million of net proceeds from disposals
- issued €700 million 1.75% sustainability-linked bonds maturing in June 2027
- purchased by way of tender €310 million of the €500 million 2.0% bonds maturing in July 2022 and €264 million of the €500 million 1.75% bonds maturing in March 2023
- cancelled and replaced a £415 million revolving credit facility maturing in April 2022 with two new facilities totalling £200 million, maturing in June 2024, with options, subject to lender consent, to extend for a further two years
- repaid £297 million of private placement notes at par, which reduced the remaining private placement borrowings to £217 million at 30 June 2021
- on 6 July, refinanced the €55 million (Group's 25% share) bank loan secured against O'Parinor which was due to mature in July 2021 with a new €53 million loan maturing in July 2023
- on 8 July, redeemed the outstanding €190 million of the 2022 €500 million 2.0% bonds

Following these actions, the only borrowings which mature over the going concern period to 31 December 2022 are held by Value Retail and are summarised in the table below:

Maturity	Loan @ 100%	Group's share
	£m	£m
December 2021	56	14
June 2022	292	77
December 2022	750	376
	1,098	467

Note: figures reflect gross borrowings, excluding unamortised borrowing fees

Scenario assumptions

During 2021, the disruption caused by the Covid-19 pandemic has begun to ease and trading conditions are improving. This has been driven by the successful roll-out of vaccination programmes which has allowed the relaxation of Covid-19 restrictions across the Group's operations with all destinations now fully open. The Base scenario assumes this positive trajectory continues with a slow but sustained economic and retail market recovery over the going concern period with improving collections and leasing demand and stores remaining open for trade. In addition, capital markets are expected to remain weak in the near-term with valuations forecast to decline in the second half of the year, before stabilising in 2022.

However, the reopening of the economy and the emergence of new variants of the Covid-19 virus create downside risks which may result in a significant increase in hospital admissions or fatalities which would likely see governments re-impose containment measures, such as social distancing or trading restrictions on certain types of commercial activity. This outcome would be expected to lead to a deterioration in occupational and investment markets.

1. FINANCIAL INFORMATION (continued)
D. GOING CONCERN (continued)

This downside risk backdrop has formed the basis of the Severe but plausible adverse scenario which assumes a significant resurgence of the virus in late 2021 resulting in the imposition of a three month lockdown, including the closure of non-essential stores, over the winter months from December 2021 to February 2022 affecting all of the Group's operations. Under this scenario, NRI is forecast to be almost 50% lower, on a like-for-like basis, in 2022 than in 2019 due to:

- significant expected credit loss provisions associated with lower rent collections;
- rent concessions to mitigate the impact of temporary store closures;
- reduced income from car parks and commercialisation; and
- an allowance for the costs associated with tenant failure.

The assumed lockdowns would also reduce the Group's share of earnings from Value Retail where income is more heavily turnover-based such that the Group's share of adjusted earnings from Value Retail in 2022 in the Severe but plausible adverse scenario are forecast to be approximately 50% lower than in 2019.

The impact on investment markets in the Severe but plausible adverse scenario is assumed to result in significant property valuation reductions and the forecast includes materially lower valuations than in the Base scenario, such that in the Severe but plausible adverse scenario the capital return over the period from 1 July 2021 to 31 December 2022 is –20%. This reflects forecast reductions for flagship values of approximately –25% and Value Retail Village values by approximately –10%.

Scenario outcomes

Outcomes excluding secured debt risks

Excluding the risks associated with the Group's secured debt facilities, under both the Base and Severe but plausible adverse scenarios the Group retains significant liquidity in excess of £1 billion over the going concern period.

In the Base scenario, the Group remains compliant with all its unsecured borrowing covenants, although due to forecast valuation reductions headroom over future value declines under the unencumbered asset ratio covenant in the private placement notes falls to less than 10% after 31 December 2021.

In the Severe but plausible adverse scenario, the more adverse valuation reductions in this forecast result in a breach of the unencumbered asset ratio covenant from 31 December 2021 onwards. In this situation, the covenant breach can be mitigated as the Group is forecast to have sufficient liquidity to exercise its rights to redeem the notes ahead of their maturities for their outstanding value plus a make-whole amount. Factoring this into the Severe but plausible adverse scenario, the Group remains in compliance with the other unsecured borrowing covenants over the going concern period.

Outcomes including secured debt risks

i. Joint venture secured debt

From a going concern perspective, any future covenant issues in relation to the £886 million (Group's share £395 million) secured loans held by three of the Group's joint ventures can be mitigated through either repaying the loans using the Group's forecast liquidity or allowing the lenders to enforce their security interests over the properties. These outcomes would not significantly impact the Group's forecast unsecured borrowing covenants.

ii. Value Retail secured debt

For Value Retail, factoring in facilities which benefit from short-term interest cover covenant relief which expire in February 2022, all loans are forecast to be compliant with their covenants over the going concern period in both the Base and Severe but plausible adverse scenarios.

However, as explained above, Value Retail has £1,098 million (Group's share £467 million) of loans maturing over the period to 31 December 2022 where the current loan-to-value is below 40%. For going concern purposes the Group has the ability to manage its liquidity and gearing levels to remain in compliance with the unsecured borrowing covenants by either funding Value Retail to fully repay the loans maturing in December 2021 and June 2022 or allowing the lenders to enforce their security over the properties. The June 2022 loan could only be repaid if the Group had not previously fully repaid the £536 million loan secured against Dundrum, Dublin.

However, the Group is unable to fully repay the £750 million (Group's share £376 million) secured loan maturing in December 2022. In the event that this loan could not be refinanced over the next 17 months, the lenders could enforce their security over the property and the Group may lose the value of its net investment in the property. While the Directors and Value Retail management believe this outcome to be highly unlikely it would result in a breach of the Group's unsecured 150% gearing covenant in the Severe but plausible adverse scenario at the 31 December 2022 test date.

Mitigating actions

To avoid the issues associated with the maturing loans held by Value Retail, refinancing discussions with the lenders will be undertaken by Value Retail, and the Directors and Value Retail management expect that these will be satisfactorily concluded on acceptable commercial terms in advance of the maturity of the loans. If these discussions were to be unsuccessful, alternative sources of funding could be sought, including requesting support from the investors in Value Retail, of which the Group is the second largest, to jointly fund the maturing loans and hence prevent the lenders enforcing their security on the assets.

From a broader going concern perspective, the Group's financial position can be further solidified through future disposals. Even in challenging markets, the Group has raised disposal proceeds of £1.3 billion over the last 24 months and the diversity of the Group's portfolio, in terms of location and sector, provides access to a range of investment markets. The precise impact of disposals on the Group's going concern 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.

D. GOING CONCERN (continued)

Conclusion

Having undertaken the assessment described above, given the significant liquidity forecast over the going concern period prior to considering the Value Retail refinancing risk addressed below, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence and meet its liabilities as they fall due for at least the next 12 months. Therefore, the interim financial statements have been prepared on the going concern basis.

With respect to Value Retail, the Directors, are confident that the maturing loans can be successfully refinanced. Nonetheless, if the £750 million loan maturing in December 2022 were not to be refinanced or repaid, and the lenders enforced their security over the property, the Group would breach its unsecured borrowing gearing covenant in the Severe but plausible adverse scenario at 31 December 2022. Hence this refinancing risk represents a material uncertainty that may cast significant doubt over the Group's ability to continue as a going concern.

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

E. OTHER FINANCIAL INFORMATION

Accounting Standards

The following new accounting amendment became effective on 1 January 2021 but had no material impact:

- *Interest Rate Benchmark Reform – Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)*

The following Standards have been issued but not endorsed by either the European or the UK Endorsement Board, are not yet effective and have not been adopted for the interim financial statements:

- *Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current and Classification of Liabilities as Current or Non-current - Deferral of Effective Date (issued on 23 January 2020 and 15 July 2020 respectively)*

- *Amendments to IFRS 3 Business Combinations; IAS 16 Property, Plant and Equipment; IAS 37 Provisions, Contingent Liabilities and Contingent Assets, Annual Improvements 2018-2020*

- *Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting policies (issued on 12 February 2021)*

- *Amendments to IAS 8 Accounting policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates (issued on 12 February 2021)*

Other relevant information

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

Transition from LIBOR

The Group currently makes reference to LIBOR in a number of areas across the business. These include treasury and leasing transactions. With effect from 31 December 2021 LIBOR will be replaced by SONIA (Sterling Overnight Index Average). The Group has assessed the impact of this change on the business and concluded there will be no material impact.

Capital commitments

Capital commitments for the Reported Group were £39 million at 30 June 2021 (31 December 2020: £57 million). The Group's share of capital commitments arising within joint ventures at 30 June 2021 was £39 million (31 December 2020: £39 million). There have been no material changes in contingent liabilities since 31 December 2020. Details of the Group's principal risks and uncertainties are set out on page 20.

Exchange rates

The principal exchange rates used to translate foreign currency denominated amounts are:
Consolidated balance sheet: £1 = €1.165 (30 June 2020: £1 = €1.101; 31 December 2020: £1 = €1.117)
Consolidated income statement quarterly average rates:

	2021	2020
Quarter 1	**£1 = €1.145**	£1 = €1.161
Quarter 2	**£1 = €1.160**	£1 = €1.127
Quarter 3	**n/a**	£1 = €1.105
Quarter 4	**n/a**	£1 = €1.108

2. LOSS FOR THE PERIOD

As stated in the Financial review on page 9 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 the date of its disposal 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)/profit for the period on a proportionally consolidated basis in column D, by aggregating the Reported Group results (shown in column A) with those from its Share of Property interests (shown in column B), the latter being reallocated to the relevant financial statement lines.

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

The Group's proportionally consolidated (loss)/profit for the period in column D 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 9B.

As detailed in notes 1B and 7, the UK retail parks operations are presented as discontinued for the six months ended 30 June 2021 and the comparative periods have been re-presented, as the IFRS 5 criteria were met during the first six months of 2021. These have been reallocated to the relevant financial statement lines in Column C.

Notes to tables

A. Reported Group results as shown in the consolidated income statement on page 24.

B. Share of Property interests reflect the Group's share of results of Property joint ventures as shown in note 11A and Nicetoile and Italie Deux as included within note 12A.

C. Discontinued operations including properties wholly owned and held by joint ventures (see note 7).

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

E. Aggregated results on a proportionally consolidated basis allocated between 'Adjusted' and 'Capital and other' for the purposes of calculating adjusted earnings per share as shown in note 9B.

F. Included in gross rental income on a proportionally consolidated basis in column D is £2.1 million (30 June 2020: £1.3 million; 31 December 2020: £3.8 million) of contingent rents calculated by reference to tenants' turnover.

G. Relates to the impairment of trade receivables relating to the period after 1 July 2021 where the corresponding deferred income balance is classified as an other payable <1yr.

H. Net administration costs include £3.3 million relating to business transformation costs, which have been classified as 'Capital and other' for the purposes of calculating adjusted earnings per share as detailed in note 1A.

I. Relates to the disposal of the Group's interests in Espace Saint-Quentin and Nicetoile.

J. Adjusted finance costs presented on a proportionally consolidated basis are shown in Table 17 on page 71.

K. Re-presented for discontinued operations, see note 7 for further details.

2. LOSS FOR THE PERIOD (continued)

	Notes	Reported Group £m	Share of Property interests £m	Discontinued operations (see note 7B) £m	Proportionally consolidated £m	Six months ended 30 June 2021 Proportionally consolidated Adjusted £m	Capital and other £m
Notes (see page 38)		A	B	C	D	E	E
Gross rental income[F]	3A, 4	41.6	70.1	10.7	122.4	122.4	–
Ground and equity rents payable		(0.6)	(0.1)	(0.1)	(0.8)	(0.8)	–
Gross rental income, after rents payable		41.0	70.0	10.6	121.6	121.6	–
- Service charge income		12.8	12.1	1.3	26.2	26.2	–
- Service charge expenses		(14.4)	(13.9)	(1.8)	(30.1)	(30.1)	–
- Net service charge expenses		(1.6)	(1.8)	(0.5)	(3.9)	(3.9)	–
- Inclusive lease costs recovered through rent		(1.7)	(2.2)	–	(3.9)	(3.9)	–
- Other property outgoings		(9.1)	(18.1)	0.6	(26.6)	(26.6)	–
Property outgoings		(12.4)	(22.1)	0.1	(34.4)	(34.4)	–
Change in the provision for amounts not yet recognised in the income statement[G]		1.3	3.9	1.4	6.6	–	6.6
Net rental income	3A	29.9	51.8	12.1	93.8	87.2	6.6
Administration costs[H]		(39.2)	(0.3)	(0.1)	(39.6)	(36.3)	(3.3)
Property fee income		7.2	–	–	7.2	7.2	–
Employee and corporate costs		(32.0)	(0.3)	(0.1)	(32.4)	(29.1)	(3.3)
Joint venture and associate management fees		3.7	–	–	3.7	3.7	–
Net administration expenses		(28.3)	(0.3)	(0.1)	(28.7)	(25.4)	(3.3)
Operating profit/(loss) before other net losses and share of results of joint ventures and associates		1.6	51.5	12.0	65.1	61.8	3.3
Loss on sale of properties		(5.1)	(1.1)	(32.5)	(38.7)	–	(38.7)
Loss on sale of joint venture and associate[I]		(1.1)	1.1	–	–	–	–
Net exchange gains previously recognised in equity, recycled on disposal of foreign operations[I]		11.0	–	–	11.0	–	11.0
Revaluation losses on properties	3B	(140.2)	(213.1)	–	(353.3)	–	(353.3)
Change in fair value of other investments	7D	(0.2)	–	–	(0.2)	–	(0.2)
Other net losses		(135.6)	(213.1)	(32.5)	(381.2)	–	(381.2)
Share of results of joint ventures	11A, 11B	(160.6)	160.6	–	–	–	–
Share of results of associates	12A, 12B	(5.6)	3.8	–	(1.8)	(2.0)	0.2
Operating (loss)/profit		(300.2)	2.8	(20.5)	(317.9)	59.8	(377.7)
Net finance costs[J]	5	(53.8)	(2.8)	–	(56.6)	(38.9)	(17.7)
(Loss)/Profit before tax		(354.0)	–	(20.5)	(374.5)	20.9	(395.4)
Tax charge	6	(0.8)	–	(0.2)	(1.0)	(0.8)	(0.2)
(Loss)/Profit for the period from continuing operations		(354.8)	–	(20.7)	(375.5)	20.1	(395.6)
(Loss)/Profit for the period from discontinued operations	7B	(20.7)	–	20.7	–	–	–
(Loss)/Profit for the period attributable to equity shareholders		(375.5)	–	–	(375.5)	20.1	(395.6)
Attributable to:							
Continuing operations	9B	(354.8)	–	–	(354.8)	9.5	(364.3)
Discontinued operations	9B	(20.7)	–	–	(20.7)	10.6	(31.3)
	9B	(375.5)	–	–	(375.5)	20.1	(395.6)

2. LOSS FOR THE PERIOD (continued)

						Six months ended 30 June 2020[K]	
						Proportionally consolidated	
	Notes	Reported Group £m	Share of Property interests £m	Discontinued operations (see note 7B) £m	Proportionally consolidated £m	Adjusted £m	Capital and other £m
Notes (see page 38)		A	B	C	D	E	E
Gross rental income[F]	3A, 4	49.2	77.9	17.2	144.3	144.3	-
Ground and equity rents payable		(0.5)	(0.7)	(0.1)	(1.3)	(1.3)	-
Gross rental income, after rents payable		48.7	77.2	17.1	143.0	143.0	-
- Service charge income		13.7	16.5	2.1	32.3	32.3	-
- Service charge expenses		(14.8)	(18.8)	(2.2)	(35.8)	(35.8)	-
- Net service charge expenses		(1.1)	(2.3)	(0.1)	(3.5)	(3.5)	-
- Inclusive lease costs recovered through rent		(1.6)	(1.7)	(0.1)	(3.4)	(3.4)	-
- Other property outgoings*		(15.8)	(21.1)	(4.8)	(41.7)	(41.7)	-
Property outgoings		(18.5)	(25.1)	(5.0)	(48.6)	(48.6)	-
Change in the provision for amounts not yet recognised in the income statement		(1.2)	(4.7)	(1.2)	(7.1)	-	(7.1)
Net rental income	3A	29.0	47.4	10.9	87.3	94.4	(7.1)
Administration costs		(32.3)	(0.2)	(0.7)	(33.2)	(33.2)	-
Property fee income		7.7	-	-	7.7	7.7	-
Employee and corporate costs		(24.6)	(0.2)	(0.7)	(25.5)	(25.5)	-
Joint venture and associate management fees		4.2	-	-	4.2	4.2	-
Net administration expenses		(20.4)	(0.2)	(0.7)	(21.3)	(21.3)	-
Operating profit/(loss) before other net losses and share of results of joint ventures and associates		8.6	47.2	10.2	66.0	73.1	(7.1)
(Loss)/Profit on sale of properties		(0.7)	-	16.7	16.0	-	16.0
Net exchange loss previously recognised in equity, recycled on disposal of foreign operations		(0.1)	-	-	(0.1)	-	(0.1)
Revaluation losses on properties	3B	(274.6)	(526.5)	(1.3)	(802.4)	-	(802.4)
Impairment recognised on reclassification to assets held for sale		(101.6)	-	-	(101.6)	-	(101.6)
Reversal of impairment on reclassification from assets held for sale		-	-	22.4	22.4	-	22.4
Other net (losses)/gains		(377.0)	(526.5)	37.8	(865.7)	-	(865.7)
Share of results of joint ventures	11A, 11B	(499.5)	478.6	-	(20.9)	5.6	(26.5)
Impairment of investment in joint ventures		(9.6)	-	-	(9.6)	-	(9.6)
Share of results of associates	12A, 12B	(127.7)	7.7	-	(120.0)	(13.0)	(107.0)
Impairment of investment in associates		(94.3)	-	-	(94.3)	-	(94.3)
Operating (loss)/profit		(1,099.5)	7.0	48.0	(1,044.5)	65.7	(1,110.2)
Net finance costs[J]	5	(36.3)	(7.0)	-	(43.3)	(47.4)	4.1
(Loss)/Profit before tax		(1,135.8)	-	48.0	(1,087.8)	18.3	(1,106.1)
Tax charge	6	(0.6)	-	-	(0.6)	(0.6)	-
(Loss)/Profit for the period from continuing operations		(1,136.4)	-	48.0	(1,088.4)	17.7	(1,106.1)
Profit/(Loss) for the period from discontinued operations	7B	48.0	-	(48.0)	-	-	-
(Loss)/Profit for the period attributable to equity shareholders		(1,088.4)	-	-	(1,088.4)	17.7	(1,106.1)
Attributable to:							
Continuing operations	9B	(1,136.4)	-	-	(1,136.4)	6.3	(1,142.7)
Discontinued operations	9B	48.0	-	-	48.0	11.4	36.6
	9B	(1,088.4)	-	-	(1,088.4)	17.7	(1,106.1)

* £8.9 million, (comprising £5.3 million for the Reported Group and £3.6 million for Share of Property interests), previously presented as 'Change in the provision for impairment of unamortised tenant incentives' has been reclassified to other property outgoings. This is consistent with the presentation adopted for the year ended 31 December 2020 and current period ended 30 June 2021.

2. LOSS FOR THE PERIOD (continued)

	Notes	Reported Group £m	Share of Property interests £m	Discontinued operations (see note 7B) £m	Proportionally consolidated £m	Proportionally consolidated: Adjusted £m	Proportionally consolidated: Capital and other £m
						Year ended 31 December 2020[K]	
Notes (see page 38)		A	B	C	D	E	E
Gross rental income[F]	3A, 4	98.1	153.7	35.1	286.9	286.9	-
Ground and equity rents payable		(1.0)	(1.0)	(0.3)	(2.3)	(2.3)	-
Gross rental income , after rents payable		97.1	152.7	34.8	284.6	284.6	-
- Service charge income		24.0	28.4	3.9	56.3	56.3	-
- Service charge expenses		(27.5)	(34.0)	(4.4)	(65.9)	(65.9)	-
- Net service charge expenses		(3.5)	(5.6)	(0.5)	(9.6)	(9.6)	-
- Inclusive lease costs recovered through rent		(2.8)	(3.4)	(0.2)	(6.4)	(6.4)	-
- Other property outgoings		(32.2)	(54.2)	(12.6)	(99.0)	(99.0)	-
Property outgoings		(38.5)	(63.2)	(13.3)	(115.0)	(115.0)	-
Change in the provision for amounts not yet recognised in the income statement		(2.5)	(8.0)	(1.5)	(12.0)	-	(12.0)
Net rental income	3A	56.1	81.5	20.0	157.6	169.6	(12.0)
Administration costs		(66.3)	(0.4)	(1.1)	(67.8)	(67.8)	-
Property fee income		15.2	-	-	15.2	15.2	-
Employee and corporate costs		(51.1)	(0.4)	(1.1)	(52.6)	(52.6)	-
Joint venture and associate management fees		8.5	-	-	8.5	8.5	-
Net administration expenses		(42.6)	(0.4)	(1.1)	(44.1)	(44.1)	-
Operating profit/(loss) before other net losses and share of results of joint ventures and associates		13.5	81.1	18.9	113.5	125.5	(12.0)
(Loss)/Profit on sale of properties		(3.5)	-	15.1	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	3B	(442.7)	(941.6)	(54.5)	(1,438.8)	-	(1,438.8)
Impairment recognised on reclassification to assets held for sale		(103.8)	-	-	(103.8)	8.1	(111.9)
Reversal of impairment on reclassification from assets held for sale		-	-	22.4	22.4	-	22.4
Indirect costs of rights issue		(0.3)	-	-	(0.3)	-	(0.3)
Change in fair value of other investments	7D	(0.1)	-	-	(0.1)	-	(0.1)
Other net (losses)/gains		(545.2)	(941.6)	(17.0)	(1,503.8)	8.1	(1,511.9)
Share of results of joint ventures	11A, 11B	(880.2)	859.5	-	(20.7)	5.9	(26.6)
Impairment of investment in joint ventures		(9.6)	-	-	(9.6)	-	(9.6)
Share of results of associates	12A, 12B	(148.3)	12.5	-	(135.8)	(7.1)	(128.7)
Impairment of investment in associates		(94.3)	-	-	(94.3)	-	(94.3)
Operating (loss)/profit		(1,664.1)	11.5	1.9	(1,650.7)	132.4	(1,783.1)
Net finance costs	5	(72.2)	(11.4)	-	(83.6)	(95.4)	11.8
(Loss)/Profit before tax		(1,736.3)	0.1	1.9	(1,734.3)	37.0	(1,771.3)
Tax charge	6	(0.5)	(0.1)	-	(0.6)	(0.6)	-
(Loss)/Profit for the year	9B	(1,736.8)	-	1.9	(1,734.9)	36.4	(1,771.3)
Non-controlling interests		0.1	-	-	0.1	0.1	-
(Loss)/Profit for the year from continuing operations		(1,736.7)	-	1.9	(1,734.8)	36.5	(1,771.3)
(Loss)/Profit for the year from discontinued operations	7B	1.9	-	(1.9)	-	-	-
(Loss)/Profit for the year attributable to equity shareholders		(1,734.8)	-	-	(1,734.8)	36.5	(1,771.3)
Attributable to:							
Continuing operations	9B	(1,736.7)	-	-	(1,736.7)	16.1	(1,752.8)
Discontinued operations	9B	1.9	-	-	1.9	20.4	(18.5)
	9B	(1,734.8)	-	-	(1,734.8)	36.5	(1,771.3)

3. SEGMENTAL ANALYSIS

The factors used to determine the Group's reportable segments are the sectors in which it operates and geographic locations as these demonstrate different characteristics and risks. 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 9, 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 (to date of disposal), 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 (VR), nor VIA Outlets (up to its disposal in October 2020) as these 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 outlets investments separately from the proportionally consolidated portfolio. The key financial metrics for these 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 these investments for enhanced disclosure. These include LTV ratios, property valuations and returns.

As detailed in notes 1B and 7, following the sale of substantially all of the remainder of the UK retail parks segment, the results from the retail parks have been re-presented as discontinued operations. Sundry residual properties with a total value of £5.9 million have been reclassified at 30 June 2021 from UK retail parks to UK other, although the income statement activity for these properties remained in UK retail parks until 30 June 2021.

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

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

A. Income and profit by segment

Year ended 31 December 2020*			Six months ended 30 June 2021		Six months ended 30 June 2020*	
Gross rental income £m	Net rental income £m		Gross rental income £m	Net rental income £m	Gross rental income £m	Net rental income £m
		Flagship destinations				
128.0	53.7	UK	56.9	46.6	65.4	35.2
63.1	47.8	France	27.6	19.1	31.3	20.5
37.7	26.4	Ireland	17.5	12.5	19.1	14.9
228.8	127.9		102.0	78.2	115.8	70.6
35.4	19.8	UK retail parks	10.7	11.7	17.3	10.9
9.7	3.8	UK other	4.3	2.2	4.9	2.5
273.9	151.5	Investment portfolio	117.0	92.1	138.0	84.0
13.0	6.1	Developments	5.4	1.7	6.3	3.3
286.9	157.6	Managed portfolio	122.4	93.8	144.3	87.3
(153.7)	(81.5)	Less Share of Property interests – continuing operations	(70.1)	(51.8)	(77.9)	(47.4)
(35.1)	(20.0)	Less discontinued operations	(10.7)	(12.1)	(17.2)	(10.9)
98.1	56.1	Reported Group	41.6	29.9	49.2	29.0

* Comparatives for the year ended 31 December 2020 and six months ended 30 June 2020 have been re-presented to recognise gross and net rental income relating to disposed retail parks within discontinued operations. The results of the residual retail parks will be included in 'UK other' from 1 July 2021.

3. SEGMENTAL ANALYSIS (continued)

B. Investment and development property assets by segment

31 December 2020 Property valuation £m	31 December 2020 Property additions £m	31 December 2020 Revaluation losses £m		30 June 2021 Property valuation £m	30 June 2021 Property additions £m	30 June 2021 Revaluation losses £m	30 June 2020 Property valuation £m	30 June 2020 Property additions £m	30 June 2020 Revaluation (losses)/gains £m
			Flagship destinations						
1,511.2	(1.5)	(838.6)	UK	1,320.1	11.8	(203.0)	1,851.8	(4.4)	(495.0)
1,146.9	19.4	(202.7)	France	1,023.2	11.2	(38.5)	1,229.1	6.0	(123.9)
757.1	8.0	(158.0)	Ireland	679.2	1.5	(48.7)	833.7	3.5	(88.2)
3,415.2	25.9	(1,199.3)		3,022.5	24.5	(290.2)	3,914.6	5.1	(707.1)
384.0	(0.9)	(52.4)	UK retail parks[1]	–	2.3	–	438.2	0.1	0.8
106.2	0.8	(27.8)	UK other	106.7	1.0	(4.8)	117.7	1.0	(17.9)
3,905.4	25.8	(1,279.5)	Investment portfolio	3,129.2	27.8	(295.0)	4,470.5	6.2	(724.2)
508.4	47.4	(159.3)	Developments	466.9	24.6	(58.3)	563.3	18.3	(78.2)
4,413.8	73.2	(1,438.8)	Managed portfolio	3,596.1	52.4	(353.3)	5,033.8	24.5	(802.4)
1,924.2	43.9	(157.3)	Premium outlets	1,901.6	24.5	(7.9)	2,658.3	28.2	(137.2)
6,338.0	117.1	(1,596.1)	Group portfolio	5,497.7	76.9	(361.2)	7,692.1	52.7	(939.6)
(1,924.2)	(43.9)	157.3	Less premium outlets	(1,901.6)	(24.5)	7.9	(2,658.3)	(28.2)	137.2
(2,261.0)	(15.9)	941.6	Less share of Property interests	(1,956.2)	(11.9)	213.1	(2,679.4)	(4.1)	526.5
–	–	–	Less trading properties[2]	(29.4)	–	–	–	–	–
–	–	54.5	Less discontinued operations[3]	–	–	–	–	–	1.3
2,152.8	57.3	(442.7)	Reported Group	1,610.5	40.5	(140.2)	2,354.4	20.4	(274.6)

1. At 31 December 2020, this comprises £121.6 million revaluation loss (30 June 2020: £68.3 million) less £69.2 million (30 June 2020: £69.1 million) relating to the unwinding of the impairment recognised on the UK retail parks portfolio in 2019 on reclassification to assets held for sale.
2. In December 2019, the Group exchanged contracts for the forward sale of Italik, Paris, subject to completion of the development works. The development was completed during the six months ended 30 June 2021, resulting in the sale becoming unconditional. On 30 June 2021, 75% of Italik contracted for sale has been transferred to trading properties at the agreed sale price less forecast costs to complete.
3. Refer to note 7B for further details.

4. REVENUE

Year ended 31 December 2020[1] £m		Notes	Six months ended 30 June 2021 £m	Six months ended 30 June[1] 2020 £m
79.5	Base rent		29.2	43.1
1.0	Turnover rent		0.7	0.2
9.5	Car park income[2]		3.8	4.4
4.4	Lease incentive recognition		6.0	(0.8)
3.7	Other rental income		1.9	2.3
98.1	Gross rental income	2	41.6	49.2
24.0	Service charge income[2]	2	12.8	13.7
15.2	Property fee income[2]	2	7.2	7.7
8.5	Joint venture and associate management fees[2]	2	3.7	4.2
145.8	Revenue – continuing operations		65.3	74.8
37.1	Revenue – discontinued operations[1]	7B	11.7	18.2
182.9	Revenue – Reported Group		77.0	93.0

1. Comparatives for the year ended 31 December 2020 and six months ended 30 June 2020 have been re-presented to recognise revenue relating to disposed retail parks within discontinued operations. See note 7.

2. The above income streams reflect revenue recognised under IFRS15 Revenue from Contracts with Customers and total £27.5 million in the six months ended 30 June 2021 (30 June 2020: £30.0 million; 31 December 2020: £57.2 million). All other revenue streams relate to income recognised under IFRS16 Leases.

5. NET FINANCE COSTS

Year ended 31 December 2020 £m		Six months ended 30 June 2021 £m	Six months ended 30 June 2020 £m
9.1	Interest on bank loans and overdrafts	3.3	4.9
87.7	Interest on other borrowings	39.1	44.9
2.3	Interest on obligations under head leases	1.1	1.1
0.1	Interest on other lease obligations	0.1	0.1
–	Debt and loan facility cancellation costs*	17.3	–
1.3	Other interest payable	0.5	0.6
100.5	Gross interest costs	61.4	51.6
(5.0)	Less: Interest capitalised	(3.5)	(2.5)
95.5	Finance costs	57.9	49.1
(13.7)	Change in fair value of derivatives	2.2	(6.5)
(9.6)	Finance income	(6.3)	(6.3)
72.2	Reported Group – continuing operations	53.8	36.3

*Comprising redemption premiums and fees associated with the early repayment of senior notes and part repayment of euro bonds, and are treated as "Capital and other" in note 2.

6. TAX CHARGE

Year ended 31 December 2020 £m		Note	Six months ended 30 June 2021 £m	Six months ended 30 June 2020 £m
0.1	UK current tax		–	–
0.4	Foreign current tax		0.8	0.6
0.5	Tax charge – continuing operations		0.8	0.6
–	Tax charge – discontinued operations*	7B	0.2	–
0.5	Tax charge – Reported Group		1.0	0.6

* Included within "Capital and other" in note 2

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 certain excessive interest payments from Ireland to the UK to a 20% withholding tax. The Company is committed to remaining in these tax exempt regimes.

7. DISCONTINUED OPERATIONS AND ASSETS CLASSIFIED AS HELD FOR SALE

A. Retail parks disposals reclassified as discontinued operations

On 19 May 2021 substantially all of the remaining UK retail parks segment was disposed of. The profits and losses arising on these properties in 2020 and 2021 have been reclassified as discontinued operations. Residual properties previously included within the UK retail parks portfolio have been reclassified to the "UK other" segment of the business at their value as at 30 June 2021 and do not form part of discontinued operations. Further explanations surrounding the judgements reached in relation to the reclassification is provided in note 1B.

Detailed below are the key entities and properties classified as discontinued operations:

Entity	Property owned
Grantchester Developments (Falkirk) Limited	Central Retail Park, Falkirk
Grantchester Properties (Middlesbrough) Limited	Cleveland Retail Park, Middlesbrough
Hammerson (Abbey) Limited	Abbey Retail Park, Belfast
Hammerson (Brent South) Limited	Brent South Shopping Park, London
Hammerson (Didcot II) Limited	The Orchard Centre, Didcot (Phase 2)
Hammerson (Didcot) Limited	The Orchard Centre, Didcot (Phase 1)
Hammerson (Merthyr) Limited	Cyfarthfa Retail Park, Merthyr Tydfil
Hammerson (Ravenhead) Limited	Ravenhead Retail Park, St. Helens
Hammerson (Rugby) Limited	Elliott's Field, Rugby
Telford Forge Retail Park Unit Trust	Telford Forge Shopping Park, Telford

B. (Loss)/Profit for the period from discontinued operations

Year ended 31 December 2020				Six months ended 30 June 2021			Six months ended 30 June 2020		
Reported Group £m	Share of Property interests £m	Proportionally consolidated £m		Reported Group £m	Share of Property interests £m	Proportionally consolidated £m	Reported Group £m	Share of Property interests £m	Proportionally consolidated £m
37.1	1.9	39.0	Revenue	11.7	0.1	11.8	18.2	1.1	19.3
33.4	1.7	35.1	Gross rental income	10.6	0.1	10.7	16.2	1.0	17.2
(0.3)	-	(0.3)	Ground and equity rents payable	(0.1)	-	(0.1)	(0.1)	-	(0.1)
33.1	1.7	34.8	Gross rental income after rents payable	10.5	0.1	10.6	16.1	1.0	17.1
3.7	0.2	3.9	Service charge income	1.3	-	1.3	2.0	0.1	2.1
(4.2)	(0.2)	(4.4)	Service charge expenses	(1.8)	-	(1.8)	(2.1)	(0.1)	(2.2)
(0.5)	-	(0.5)	Net service charge expenses	(0.5)	-	(0.5)	(0.1)	-	(0.1)
(0.2)	-	(0.2)	Inclusive lease costs recovered through rent	-	-	-	(0.1)	-	(0.1)
(12.2)	(0.4)	(12.6)	Other property outgoings	0.6	-	0.6	(4.6)	(0.2)	(4.8)
(12.9)	(0.4)	(13.3)	Property outgoings	0.1	-	0.1	(4.8)	(0.2)	(5.0)
(1.4)	(0.1)	(1.5)	Change in the provision for amounts not yet recognised in the income statement	1.3	0.1	1.4	(1.0)	(0.2)	(1.2)
18.8	1.2	20.0	Net rental income	11.9	0.2	12.1	10.3	0.6	10.9
(1.1)	-	(1.1)	Net administration expenses	(0.1)	-	(0.1)	(0.7)	-	(0.7)
17.7	1.2	18.9	Operating profit before other net losses and share of results of joint ventures	11.8	0.2	12.0	9.6	0.6	10.2
15.1	-	15.1	(Loss)/Profit on sale of properties	(33.1)	0.6	(32.5)	16.7	-	16.7
(50.8)	(3.7)	(54.5)	Revaluation losses on properties	-	-	-	-	(1.3)	(1.3)
22.4	-	22.4	Other net gains	-	-	-	22.4	-	22.4
(13.3)	(3.7)	(17.0)	Net (losses)/gains	(33.1)	0.6	(32.5)	39.1	(1.3)	37.8
(2.5)	2.5	-	Share of results of joint ventures	0.8	(0.8)	-	(0.7)	0.7	-
1.9	-	1.9	(Loss)/Profit before tax	(20.5)	-	(20.5)	48.0	-	48.0
-	-	-	Tax charge	(0.2)	-	(0.2)	-	-	-
1.9	-	1.9	(Loss)/Profit from discontinued operations	(20.7)	-	(20.7)	48.0	-	48.0

C. Cash flows from discontinued operations

Year ended 31 December 2020 £m		Six months ended 30 June 2021 £m	Six months ended 30 June 2020 £m
5.7	Cash flows from operating activities	7.3	(8.1)
46.4	Cash flows from investing activities	347.1	47.8
52.1	Total cash flows from discontinued operations	354.4	39.7

D. 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 1B. An analysis of the movements in the current period, and comparative periods, 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	–	–	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
Fair value movement on other investments	–	(0.2)	–	(0.2)
Investment in VIA Outlets – 30 June 2021	**–**	**9.5**	**–**	**9.5**

E. 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.

	£m
Profit for the period 1 July 2020 to 31 October 2020*	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.

8. DIVIDENDS

The Board has declared an interim 2021 dividend of 0.2p payable in cash with an enhanced scrip alternative of 2.0p pence per share. The dividend is being paid as a normal (non-PID) dividend. The dividend, which is subject to shareholder approval, is payable on 7 December 2021 to shareholders on the register at the close of business on 29 October 2021.

	Pence per share	Equity dividends Six months ended 30 June 2021 £m	Year ended 31 December 2020 £m	Six months ended 30 June 2020 £m
Current period				
2021 interim dividend	0.2p (enhanced scrip 2.0p)	–	–	–
Prior periods				
2020 final dividend[1]	0.2p (enhanced scrip 2.0p)	62.7	–	–
2020 interim dividend[1]	0.2p (enhanced scrip 2.0p)	–	71.5	–
Total dividends[2]		62.7	71.5	–

Reconciliation to dividends as reported in the consolidated cash flow statement

Total dividends	62.7	71.5	–
Less: settled as a scrip dividend[3]	(51.0)	(47.1)	–
Dividend impact on retained earnings	11.7	24.4	–
Less: settled as a scrip dividend – share capital increase[4]	(7.3)	(11.3)	–
Less: settled as a scrip dividend – share premium utilised[5]	7.3	–	–
Dividends payable in cash	11.7	13.1	–
2019 interim dividend withholding tax (paid 2020)	–	12.2	12.2
2020 interim dividend withholding tax (paid 2021)	11.9	(11.9)	–
2020 final dividend withholding tax	(10.4)	–	–
Dividends paid as reported in the consolidated cash flow statement	13.2	13.4	12.2

1. Paid as a PID.

2. Equity dividends are shown at the market value of the shares issued to satisfy the scrip dividend, totalling £51.0 million for the six months ended 30 June 2021 (year ended 31 December 2020: £47.1 million), 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.

5. For the 2020 final dividend, the Company elected to utilise the share premium account to fund the nominal value of the scrip dividend settled in shares.

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

The European Public Real Estate Association (EPRA) has issued recommended bases for the calculation of certain per share information and these are included in notes 9B and 9D. Commentary on (loss)/earnings and net asset value per share is provided in the Financial review on pages 9 to 19. Headline earnings per share has been calculated and presented in note 9C 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. To reflect the rights issue, the number of shares previously used to calculate the 'per share' data, has been restated as per the table below.

A. Number of shares for (loss)/earnings per share calculations

Year ended 31 December 2020 Shares million		Six months ended 30 June 2021 Shares million	Six months ended 30 June 2020 restated Shares million
2,257.3	Basic, Diluted, EPRA and Adjusted	4,096.1	1,676.7*

*Previously reported as 765.6 million shares.

The calculations for (loss)/earnings per share use the weighted average number of shares, which excludes those shares held in the Hammerson Employee Share Ownership Plan, which are treated as cancelled. For all three periods presented, there is no difference in the weighted average number of shares used for the calculation of basic and diluted loss per share as the effect of all potentially dilutive shares outstanding is anti-dilutive. The total number of shares including potentially dilutive shares at 30 June 2021 was 4,099.7 million (31 December 2020: 2,263.0 million; 30 June 2020: 1,676.7 million).

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

B. (Loss)/Earnings per share

Year ended 31 December 2020 (Loss)/ Earnings £m	Year ended 31 December 2020 Pence per share			Notes	Six months ended 30 June 2021 (Loss)/ Earnings £m	Six months ended 30 June 2021 Pence per share	Six months ended 30 June 2020 (Loss)/ Earnings £m	Six months ended 30 June 2020 Pence per share
(1,736.7)	(77.0)	Basic – continuing operations		2	(354.8)	(8.7)	(1,136.4)	(67.8)
1.9	0.1	Basic – discontinued operations		2	(20.7)	(0.5)	48.0	2.9
(1,734.8)	(76.9)	Basic and diluted - total		2	(375.5)	(9.2)	(1,088.4)	(64.9)
		Adjustments:						
1,438.8	63.7	Revaluation losses on managed portfolio		2	353.3	8.6	802.4	47.8
(11.6)	(0.5)	Loss on sale of properties		2	37.6	0.9	(16.0)	(1.0)
–	–	Loss on sale of joint venture and associate		2	1.1	0.1	–	–
–	–	Tax charge		6	0.2	–	–	–
(5.2)	(0.2)	Net exchange (gain)/loss previously recognised in equity, recycled on disposal of foreign operations		2	(11.0)	(0.2)	0.1	–
(22.4)	(1.0)	Reversal of impairment on reclassification from assets held for sale		2	–	–	(22.4)	(1.3)
103.8	4.6	Impairment on reclassification to assets held for sale		2	–	–	101.6	6.1
103.9	4.6	Impairment of investments in joint ventures and associates		2	–	–	103.9	6.2
(11.8)	(0.5)	Change in fair value of derivatives*			0.4	–	(4.1)	(0.2)
–	–	Debt and loan facility cancellation costs		2	17.3	0.4	–	–
0.1	–	Change in fair value of other investments		2	0.2	–	–	–
0.3	–	Indirect costs of rights issue		2	–	–	–	–
157.3	7.0	Premium outlets	Revaluation losses on properties	11B, 12B	7.9	0.2	137.2	8.2
14.7	0.7		Change in fair value of derivatives	11B, 12B	(6.6)	(0.2)	14.0	0.8
(17.3)	(0.8)		Deferred tax credit	11B, 12B	(1.5)	–	(18.2)	(1.1)
0.1	–		Other adjustments		–	–	–	–
154.8	6.9				(0.2)	–	133.0	7.9
1,750.7	77.6	Total adjustments			398.9	9.8	1,098.5	65.5
15.9	0.7	EPRA			23.4	0.6	10.1	0.6
–	–	Business transformation costs			3.3	0.1	–	–
12.0	0.5	Change in provision for amounts not yet recognised in the income statement		2	(6.6)	(0.2)	7.1	0.4
8.1	0.4	Adjusted earnings from investment in VIA Outlets since reclassification to assets held for sale		7E	–	–	–	–
0.5	–	Translation movement on intragroup funding loan: VIA Outlets		11B	–	–	0.5	–
36.5	1.6	Adjusted			20.1	0.5	17.7	1.0

* Comprises £2.2 million (31 December 2020: £(13.7) million; 30 June 2020: £(6.5) million) relating to the Reported Group and £(1.8) million (31 December 2020: £1.9 million; 30 June 2020: £2.4 million) from Share of Property interests.

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

C. Headline earnings per share

Year ended 31 December 2020 (Loss)/Earnings £m		Notes	Six months ended 30 June 2021 (Loss)/Earnings £m	Six months ended 30 June 2020 (Loss)/Earnings £m
(1,734.8)	Loss for the period attributable to equity shareholders	2	(375.5)	(1,088.4)
	Revaluation losses on managed portfolio:			
1,438.8	Reported Group and Share of Property interests	9B	353.3	802.4
	Loss on sale of properties:			
(11.6)	Reported Group and Share of Property interests	9B	38.7	(16.0)
(5.2)	Net exchange (gain)/loss previously recognised in equity, recycled on disposal of foreign operations: Reported Group	9B	(11.0)	0.1
(22.4)	Reversal of impairment on reclassification from assets held for sale: Reported Group	9B	–	(22.4)
103.8	Impairment recognised on reclassification to assets held for sale: Reported Group	9B	–	101.6
103.9	Impairment of investments in joint ventures and associates	9B	–	103.9
0.3	Indirect costs of rights issue	9B	–	–
157.3	Revaluation losses on properties: Premium outlets	9B	7.9	137.2
(17.3)	Deferred tax credit: Premium outlets	9B	(1.5)	(18.2)
0.5	Translation movements on intragroup funding loan: VIA Outlets	9B	–	0.5
13.3	**Headline earnings**		11.9	0.7
0.6p	**Basic headline earnings per share (pence)**		0.3p	0.1p
0.6p	**Diluted headline earnings per share (pence)**		0.3p	0.1p
	Reconciliation of headline earnings to adjusted earnings			
13.3	Headline earnings as above		11.9	0.7
	Change in fair value of derivatives:			
(11.8)	Reported Group and Share of Property interests	9B	0.4	(4.1)
0.1	Change in fair value of other investments	9B	0.2	–
14.7	Change in fair value of derivatives: Premium outlets	9B	(6.6)	14.0
0.1	Change in fair value of financial assets: Premium outlets	9B	–	–
12.0	Change in provision for amounts not yet recognised in the income statement	9B	(6.6)	7.1
–	Tax charge: discontinued operations	9B	0.2	–
–	Business transformation costs	9B	3.3	–
–	Debt and loan facility cancellation costs	9B	17.3	–
8.1	Adjusted earnings from investment in VIA Outlets since reclassification to assets held for sale	9B	–	–
36.5	**Adjusted earnings**		20.1	17.7

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

D. Net asset value per share

30 June 2021 See page 51 for footnotes			Notes	NRV £m	NTA £m	Metrics NDV £m
Basic NAV				2,802.4	2,802.4	2,802.4
Dilutive share schemes				1.3	1.3	1.3
Diluted NAV				2,803.7	2,803.7	2,803.7
Exclude:	Deferred tax[1]					
		- Reported Group		0.4	0.2	–
		- Share of Property Interests	11D	0.1	0.1	–
		- Value Retail	12D	190.2	95.1	–
				190.7	95.4	–
	Fair value of interest rate swaps					
		- Reported Group	13B	(18.1)	(18.1)	
		- Share of Property Interests	11D	4.0	4.0	–
		- Value Retail	12D	12.0	12.0	–
				(2.1)	(2.1)	–
Include:	Purchasers' costs[2]			357.0	–	–
	Fair value of currency swaps as a result of interest rates - Reported Group[3]			3.1	3.1	–
	Fair value of borrowings					
		- Reported Group	14	–	–	(158.8)
		- Share of Property Interests		–	–	(1.4)
				–	–	(160.2)
NAV metrics				3,353.4	2,900.1	2,643.5
Number of shares for per share calculations (millions)				4,208.7	4,208.7	4,208.7
Diluted NAV per share				£0.80	£0.69	£0.63

31 December 2020 See page 51 for footnotes			Notes	NRV £m	NTA £m	Metrics NDV £m
Basic and diluted NAV				3,208.8	3,208.8	3,208.8
Exclude:	Deferred tax[1]					
		- Reported Group		0.4	0.2	–
		- Share of Property Interests	11D	0.1	–	–
		- Value Retail	12D	197.3	98.7	–
				197.8	98.9	–
	Fair value of interest rate swaps					
		- Share of Property Interests	11D	5.9	5.9	–
		- Value Retail	12D	17.7	17.7	–
				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	14	–	–	(55.8)
		- Share of Property Interests		–	–	(1.8)
				–	–	(57.6)
NAV metrics				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
Diluted NAV per share				£0.94	£0.82	£0.78

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

D. Net asset value per share (continued)

30 June 2020		Notes	Metrics NRV £m	NTA £m	NDV £m
Basic and diluted NAV			3,367.5	3,367.5	3,367.5
Exclude:	Deferred tax[1]				
	- Reported Group		0.4	0.2	–
	- Share of Property Interests	11D	0.1	0.1	–
	- Premium outlets	11D, 12D	201.9	100.9	–
	- Assets held for sale		65.4	32.7	–
			267.8	133.9	–
	Fair value of interest rate swaps				
	- Share of Property Interests	11D	6.4	6.4	–
	- Premium outlets	11D, 12D	19.9	19.9	–
	- Assets held for sale		2.3	2.3	
			28.6	28.6	–
Include:	Purchasers' costs[2]		509.2	–	–
	Fair value of currency swaps as a result of interest rates Reported Group[3]		(18.8)	(18.8)	–
	Fair value of borrowings				
	- Reported Group	14	–	–	80.9
	- Share of Property Interests		–	–	(2.2)
			–	–	78.7
NAV metrics			4,154.3	3,511.2	3,446.2
Number of shares for per share calculations (millions)[4]			3,829.9	3,829.9	3,829.9
Diluted NAV per share[4]			£1.08	£0.92	£0.90

1. For the purposes of the Net Tangible Assets 'NTA' metric, the Group has applied the EPRA guidance in excluding 50% of deferred taxes.
2. In line with EPRA guidance this represents property transfer taxes and fees payable should the Group's property portfolio (including premium outlets), be acquired at period end market values.
3. The fair value adjustment to currency swaps as a result of interest rates and ignoring the impact of foreign exchange rates.
4. Restated as a result of the rights issue in September 2020. Diluted NAV was previously reported as NRV: £5.42, NTA:£4.58 and NDV: £4.50 using 766.3 million shares for the NAV per share calculations.

10. INVESTMENT AND DEVELOPMENT PROPERTIES

	Investment properties Valuation £m	Development properties Valuation £m	Total Valuation £m
Balance at 1 January 2021	1,831.6	321.2	2,152.8
Exchange adjustment	(46.4)	(9.6)	(56.0)
Additions - Asset acquisitions	–	0.2	0.2
- Capital expenditure	16.9	23.4	40.3
	16.9	23.6	40.5
Disposals	(360.6)	(0.1)	(360.7)
Transfer to trading properties*	(29.4)	-	(29.4)
Capitalised interest	0.7	2.8	3.5
Revaluation losses	(106.1)	(34.1)	(140.2)
Balance at 30 June 2021	**1,306.7**	**303.8**	**1,610.5**

* In December 2019, the Group exchanged contracts for the forward sale of Italik, Paris, subject to completion of the development works. The development was completed during the six months ended 30 June 2021, resulting in the sale becoming unconditional. On 30 June 2021, 75% of Italik contracted for sale has been transferred to trading properties at the agreed sales price less forecast costs to complete.

Properties are stated at fair value as at 30 June 2021, valued by professionally qualified external valuers in accordance with RICS Valuation – Global Standards based on certain assumptions as set out in note 1C. Valuations at 30 June 2021 have been performed by the following:

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

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

Joint operations

At 30 June 2021, investment properties included two properties with a value of £156.8 million (31 December 2020: £175.3 million) held within joint operations which are jointly controlled and proportionally consolidated.

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

11. INVESTMENT IN JOINT VENTURES

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

As explained in the Financial review on page 9, management reviews the business principally on a proportionally consolidated basis, except for its premium outlet investments. Following the sale of substantially all of the Group's investment in VIA Outlets in October 2020, which was excluded from the proportional consolidation, the Group's share of assets and liabilities of joint ventures comprises solely property joint ventures which are proportionally consolidated.

On 5 February 2021, the Group sold its 41% interest in Brent South Shopping Park for gross proceeds of £22 million. As this formed part of the UK retail parks segment, the remainder of which was also sold during the six months ended 30 June 2021, the Group's share of results from Brent South Shopping Park for both the current and comparative periods have been reclassified to discontinued operations. See note 7 for additional information.

On 1 April 2021, the Group sold its 25% interest in Espace Saint-Quentin, Paris for gross proceeds of €31 million (£26 million).

A. Share of results of joint ventures

Year ended 31 December 2020				Six months ended 30 June 2021	Six months ended 30 June 2020		
Property joint ventures[1] £m	VIA Outlets £m	Total £m		Total £m	Property joint ventures[1] £m	VIA Outlets £m	Total £m
146.7	20.0	166.7	Gross rental income	66.9	74.4	19.6	94.0
75.9	12.9	88.8	Net rental income	49.1	44.8	12.6	57.4
(0.4)	(3.3)	(3.7)	Administration expenses	(0.3)	(0.2)	(3.3)	(3.5)
75.5	9.6	85.1	Operating profit before other net (losses)/gains	48.8	44.6	9.3	53.9
(923.5)	(30.7)	(954.2)	Revaluation losses on properties	(206.6)	(516.2)	(30.6)	(546.8)
(848.0)	(21.1)	(869.1)	Operating loss	(157.8)	(471.6)	(21.3)	(492.9)
(1.9)	(0.1)	(2.0)	Change in fair value of derivatives	1.8	(2.4)	(0.2)	(2.6)
–	(0.5)	(0.5)	Translation movement on intragroup funding loan[2]	–	–	(0.5)	(0.5)
(9.5)	(4.6)	(14.1)	Other finance costs	(4.6)	(4.6)	(4.6)	(9.2)
(11.4)	(5.2)	(16.6)	Net finance costs	(2.8)	(7.0)	(5.3)	(12.3)
(859.4)	(26.3)	(885.7)	Loss before tax	(160.6)	(478.6)	(26.6)	(505.2)
(0.1)	0.9	0.8	Current tax (charge)/credit	–	–	0.9	0.9
–	4.7	4.7	Deferred tax credit	–	–	4.8	4.8
(859.5)	(20.7)	(880.2)	Loss for the period – continuing operations	(160.6)	(478.6)	(20.9)	(499.5)
(2.5)	–	(2.5)	Profit/(Loss) for the period – discontinued operations	0.8	(0.7)	–	(0.7)
(862.0)	(20.7)	(882.7)	Loss for the period	(159.8)	(479.3)	(20.9)	(500.2)

B. Reconciliation to adjusted earnings

Year ended 31 December 2020				Six months ended 30 June 2021	Six months ended 30 June 2020		
Property joint ventures[1] £m	VIA Outlets £m	Total £m		Total £m	Property joint ventures[1] £m	VIA Outlets £m	Total £m
(862.0)	(20.7)	(882.7)	Loss for the period	(159.8)	(479.3)	(20.9)	(500.2)
923.5	30.7	954.2	Revaluation losses – continuing operations	206.6	516.2	30.6	546.8
3.7	–	3.7	Revaluation losses – discontinued operations	–	1.3	–	1.3
–	–	–	Profit on sale of properties – discontinued operations	(0.6)	–	–	–
8.0	–	8.0	Change in the provision for amounts not yet recognised in the income statement – continuing operations	(3.9)	4.7	–	4.7
0.1	–	0.1	Change in the provision for amounts not yet recognised in the income statement – discontinued operations	(0.1)	0.2	–	0.2
1.9	0.1	2.0	Change in fair value of derivatives	(1.8)	2.4	0.2	2.6
–	0.5	0.5	Translation movement on intragroup funding loan[2]	–	–	0.5	0.5
–	(4.7)	(4.7)	Deferred tax credit	–	–	(4.8)	(4.8)
937.2	26.6	963.8	Total adjustments	200.2	524.8	26.5	551.3
75.2	5.9	81.1	Adjusted earnings	40.4	45.5	5.6	51.1

1. Comparatives for 31 December 2020 and 30 June 2020 have been re-presented to show the results of Brent South Shopping Park as discontinued operations. See note 7.

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

11. INVESTMENT IN JOINT VENTURES (continued)

C. Share of assets and liabilities of joint ventures

31 December 2020 Total £m		30 June 2021 Total £m	30 June 2020 Property joint ventures £m	VIA Outlets[1] £m	Total £m
	Non-current assets				
2,122.8	Investment and development properties	1,851.0	2,531.5	21.5	2,553.0
18.1	Other non-current assets	17.3	18.1	–	18.1
2,140.9		1,868.3	2,549.6	21.5	2,571.1
	Current assets				
99.7	Other current assets[2]	97.5	109.5	6.1	115.6
87.8	Cash and deposits[3]	107.0	68.1	0.7	68.8
187.5		204.5	177.6	6.8	184.4
	Current liabilities				
(76.6)	Other payables	(74.6)	(75.5)	(0.2)	(75.7)
(49.5)	Borrowings[4]	(58.2)	–	–	–
(126.1)		(132.8)	(75.5)	(0.2)	(75.7)
	Non-current liabilities				
(357.6)	Loans – secured	(335.7)	(414.5)	(9.9)	(424.4)
(5.9)	Derivative financial instruments	(4.0)	(6.4)	(0.3)	(6.7)
(15.8)	Obligations under head leases	(15.8)	(15.8)	–	(15.8)
(9.3)	Other payables	(3.6)	(7.7)	–	(7.7)
(0.1)	Deferred tax	(0.1)	(0.1)	(2.6)	(2.7)
(388.7)		(359.2)	(444.5)	(12.8)	(457.3)
1,813.6	**Net assets**	1,580.8	2,207.2	15.3	2,222.5

1. On 30 June 2020, the majority of the investment in VIA Outlets was deemed to meet the criteria of IFRS 5 and was accordingly reclassified to assets held for sale. For further information refer to note 7. The share of assets and liabilities in VIA Outlets detailed above relates to the component which will be retained for the foreseeable future, which on completion of the sale in October 2020 was transferred to other investments.

2. Includes restricted monetary assets of £30.9 million and £2.5 million (31 December 2020: £30.9 million and £2.6 million; 30 June 2020: £30.9 million and £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.

3. Includes balances of £1.6 million and £3.0 million (31 December 2020: £1.4 million and £4.0 million; 30 June 2020: £0.1 million and £1.1 million) in respect of Highcross and Dundrum respectively, which are classed as 'restricted' under the terms of the loan agreements.

4. Includes £47.5 million O'Parinor secured loan which was extended on 6 July 2021 for a further two years, subject to a partial repayment as detailed in note 16.

D. Reconciliation to adjusted investment in joint ventures

31 December 2020 Total £m		30 June 2021 Total £m	30 June 2020 Property joint ventures £m	VIA Outlets £m	Total £m
1,813.6	Investment in joint ventures	1,580.8	2,207.2	15.3	2,222.5
5.9	Fair value of derivatives	4.0	6.4	0.2	6.6
–	Deferred tax*	0.1	0.1	1.3	1.4
5.9	Total adjustments	4.1	6.5	1.5	8.0
1,819.5	**Adjusted investment**	1,584.9	2,213.7	16.8	2,230.5

* 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.

11. INVESTMENT IN JOINT VENTURES (continued)

E. Reconciliation of movements in investment in joint ventures

31 December 2020				30 June 2021	30 June 2020		
Property joint ventures £m	VIA Outlets £m	Total £m		Total £m	Property joint ventures £m	VIA Outlets £m	Total £m
2,638.1	379.0	3,017.1	Balance at beginning of period	1,813.6	2,638.1	379.0	3,017.1
(862.0)	(20.7)	(882.7)	Share of results of joint ventures	(159.8)	(479.3)	(20.9)	(500.2)
–	(9.6)	(9.6)	Impairment of investment in joint ventures	–	–	(9.6)	(9.6)
0.5	12.6	13.1	Advances	4.7	0.6	12.6	13.2
(16.5)	–	(16.5)	Distributions and other receivables	(7.4)	(12.1)	–	(12.1)
25.1	(376.3)	(351.2)	Transfer from/(to) assets held for sale	–	25.0	–	25.0
–	(9.8)	(9.8)	Transfer to other investments	–	–	(370.7)	(370.7)
–	–	–	Disposal	(53.9)	–	–	–
28.4	24.8	53.2	Exchange and other movements	(16.4)	34.9	24.9	59.8
1,813.6	–	1,813.6	Balance at end of period	1,580.8	2,207.2	15.3	2,222.5

12. INVESTMENT IN ASSOCIATES

Following the disposal of the Group's 10% interest in Nicetoile on 1 April 2021 for €25 million (£21 million), the Group had two associates: Value Retail PLC and its group entities ('VR'), and a 25% interest in Italie Deux. Hammerson is the asset manager for Italie Deux. Both investments are equity accounted under IFRS, although the share of results of Italie Deux and Nicetoile (until the date of disposal) are included within the Group's Share of Property interests when presenting figures on a proportionally consolidated basis. Further details are provided in the Financial review on page 9.

Summaries of aggregated income and investment for the interest in premium outlets, which include VR and the Group's investment in VIA Outlets, which was accounted for as a joint venture prior to being transferred to assets held for sale on 30 June 2020, are provided in Tables 14 and 15 of the Additional disclosures on page 69.

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

A. Share of results of associates

Year ended 31 December 2020					Six months ended 30 June 2021				Six months ended 30 June 2020			
VR £m	Nicetoile £m	Italie Deux £m	Total £m		VR £m	Nicetoile £m	Italie Deux £m	Total £m	VR £m	Nicetoile £m	Italie Deux £m	Total £m
71.7	1.4	5.6	78.7	Gross rental income	32.7	0.3	2.9	35.9	27.6	0.7	2.8	31.1
45.7	1.1	4.5	51.3	Net rental income	21.0	0.3	2.4	23.7	14.5	0.5	2.1	17.1
(33.9)	–	–	(33.9)	Net administration expenses	(15.1)	–	–	(15.1)	(16.7)	–	–	(16.7)
11.8	1.1	4.5	17.4	Operating profit/(loss) before other net losses	5.9	0.3	2.4	8.6	(2.2)	0.5	2.1	0.4
(126.6)	(5.0)	(13.1)	(144.7)	Revaluation losses on properties	(7.9)	–	(6.5)	(14.4)	(106.6)	(2.2)	(8.1)	(116.9)
(114.8)	(3.9)	(8.6)	(127.3)	Operating (loss)/profit	(2.0)	0.3	(4.1)	(5.8)	(108.8)	(1.7)	(6.0)	(116.5)
3.0	–	–	3.0	Change in fair value of derivatives	4.1	–	–	4.1	(0.5)	–	–	(0.5)
(17.6)	–	–	(17.6)	Change in fair value of participative loans – revaluation movement	2.5	–	–	2.5	(13.3)	–	–	(13.3)
1.1	–	–	1.1	Change in fair value of participative loans – other movement	1.1	–	–	1.1	(0.8)	–	–	(0.8)
(19.4)	–	–	(19.4)	Other finance costs	(8.4)	–	–	(8.4)	(9.6)	–	–	(9.6)
(32.9)	–	–	(32.9)	Net finance costs	(0.7)	–	–	(0.7)	(24.2)	–	–	(24.2)
(147.7)	(3.9)	(8.6)	(160.2)	(Loss)/Profit before tax	(2.7)	0.3	(4.1)	(6.5)	(133.0)	(1.7)	(6.0)	(140.7)
(0.7)	–	–	(0.7)	Current tax charge	(0.6)	–	–	(0.6)	(0.4)	–	–	(0.4)
12.6	–	–	12.6	Deferred tax credit	1.5	–	–	1.5	13.4	–	–	13.4
(135.8)	(3.9)	(8.6)	(148.3)	(Loss)/Profit for the period	(1.8)	0.3	(4.1)	(5.6)	(120.0)	(1.7)	(6.0)	(127.7)

12. INVESTMENT IN ASSOCIATES (continued)

B. Reconciliation to adjusted (loss)/earnings

Year ended 31 December 2020 VR £m	Nicetoile £m	Italie Deux £m	Total £m		Six months ended 30 June 2021 VR £m	Nicetoile £m	Italie Deux £m	Total £m	Six months ended 30 June 2020 VR £m	Nicetoile £m	Italie Deux £m	Total £m
(135.8)	(3.9)	(8.6)	(148.3)	(Loss)/Profit for the period	(1.8)	0.3	(4.1)	(5.6)	(120.0)	(1.7)	(6.0)	(127.7)
126.6	5.0	13.1	144.7	Revaluation losses on properties	7.9	–	6.5	14.4	106.6	2.2	8.1	116.9
(3.0)	–	–	(3.0)	Change in fair value of derivatives	(4.1)	–	–	(4.1)	0.5	–	–	0.5
17.6	–	–	17.6	Change in fair value of participative loans – revaluation movement	(2.5)	–	–	(2.5)	13.3	–	–	13.3
0.1	–	–	0.1	Change in fair value of financial assets	–	–	–	–	–	–	–	–
(12.6)	–	–	(12.6)	Deferred tax credit	(1.5)	–	–	(1.5)	(13.4)	–	–	(13.4)
128.7	5.0	13.1	146.8	Total adjustments	(0.2)	–	6.5	6.3	107.0	2.2	8.1	117.3
(7.1)	1.1	4.5	(1.5)	Adjusted (loss)/earnings of associates	(2.0)	0.3	2.4	0.7	(13.0)	0.5	2.1	(10.4)

C. Share of assets and liabilities of associates

31 December 2020 VR £m	Nicetoile £m	Italie Deux £m	Total £m		30 June 2021 VR £m	Italie Deux £m	Total £m	30 June 2020 VR £m	Nicetoile £m	Italie Deux £m	Total £m
				Non-current assets							
94.3	–	–	94.3	Goodwill on acquisition[1]	94.3	–	94.3	94.3	–	–	94.3
1,924.2	22.2	116.0	2,062.4	Investment properties	1,901.6	105.2	2,006.8	1,942.1	25.7	122.2	2,090.0
61.5	–	–	61.5	Other non-current assets	62.7	–	62.7	68.9	–	–	68.9
2,080.0	22.2	116.0	2,218.2		2,058.6	105.2	2,163.8	2,105.3	25.7	122.2	2,253.2
				Current assets							
27.7	0.7	3.9	32.3	Other current assets	24.6	4.4	29.0	25.3	0.1	3.7	29.1
77.4	1.5	4.2	83.1	Cash and deposits	71.0	4.5	75.5	73.0	1.2	1.8	76.0
105.1	2.2	8.1	115.4		95.6	8.9	104.5	98.3	1.3	5.5	105.1
				Current liabilities							
(73.6)	(0.5)	(2.9)	(77.0)	Other payables	(80.9)	(3.2)	(84.1)	(63.9)	(0.4)	(2.0)	(66.3)
(32.1)	–	–	(32.1)	Loans	(93.0)	–	(93.0)	(15.7)	–	–	(15.7)
–	–	–	–	Derivative financial instruments	(0.7)	–	(0.7)	–	–	–	–
(105.7)	(0.5)	(2.9)	(109.1)		(174.6)	(3.2)	(177.8)	(79.6)	(0.4)	(2.0)	(82.0)
				Non-current liabilities							
(734.6)	–	–	(734.6)	Loans	(667.6)	–	(667.6)	(753.6)	–	–	(753.6)
(17.7)	–	–	(17.7)	Derivative financial instruments	(11.3)	–	(11.3)	(19.7)	–	–	(19.7)
(15.4)	(0.1)	(0.7)	(16.2)	Other payables	(15.6)	(0.6)	(16.2)	(15.4)	(0.2)	(0.6)	(16.2)
(88.4)	–	–	(88.4)	Participative loan liabilities	(86.0)	–	(86.0)	(90.6)	–	–	(90.6)
(164.8)	–	–	(164.8)	Deferred tax	(159.1)	–	(159.1)	(166.2)	–	–	(166.2)
(1,020.9)	(0.1)	(0.7)	(1,021.7)		(939.6)	(0.6)	(940.2)	(1,045.5)	(0.2)	(0.6)	(1,046.3)
(1,126.6)	(0.6)	(3.6)	(1,130.8)	Total liabilities	(1,114.2)	(3.8)	(1,118.0)	(1,125.1)	(0.6)	(2.6)	(1.128.3)
1,058.5	23.8	120.5	1,202.8	Net assets	1,040.0	110.3	1,150.3	1,078.5	26.4	125.1	1,230.0
189.9	–	–	189.9	Participative loans	184.7	–	184.7	194.8	–	–	194.8
(94.3)	–	–	(94.3)	Impairment of investment[1]	(94.3)	–	(94.3)	(94.3)	–	–	(94.3)
1,154.1	23.8	120.5	1,298.4	Investment in associates	1,130.4	110.3	1,240.7	1,179.0	26.4	125.1	1,330.5

1. During 2020, management performed a review of the carrying value of its investments in associates and concluded that an impairment was required. This impairment is equivalent to the notional goodwill on the investment in VR.
2. The analysis in the tables above excludes liabilities in respect of distributions received in advance from VR amounting to £23.4 million (31 December 2020: £25.4 million; 30 June 2020: £25.8 million) which are included within non-current liabilities in the Group's consolidated balance sheet.
3. In addition to the above investments, non-current receivables of the Group include loans totalling €2.0 million (£1.7 million) (31 December 2020 : €2.0 million (£1.8 million); 30 June 2020: €2.0 million (£1.8 million)) secured against a number of VR assets and maturing on 30 November 2043.
4. At 30 June 2021, Hammerson's economic interest in VR, is calculated as 40% (31 December 2020: 40%; 30 June 2020: 40%) after adjusting for the Participative Loans which are included in non-current liabilities.

12. INVESTMENT IN ASSOCIATES (continued)

D. Reconciliation to adjusted investment in associates

31 December 2020					30 June 2021			30 June 2020			
VR £m	Nicetoile £m	Italie Deux £m	Total £m		VR £m	Italie Deux £m	Total £m	VR £m	Nicetoile £m	Italie Deux £m	Total £m
1,154.1	23.8	120.5	1,298.4	Investment in associates	1,130.4	110.3	1,240.7	1,179.0	26.4	125.1	1,330.5
17.7	–	–	17.7	Fair value of derivatives	12.0	–	12.0	19.7	–	–	19.7
82.1	–	–	82.1	Deferred tax*	79.1	–	79.1	82.7	–	–	82.7
16.6	–	–	16.6	Deferred tax within participative loans*	16.0	–	16.0	16.9	–	–	16.9
116.4	–	–	116.4	Total adjustments	107.1	–	107.1	119.3	–	–	119.3
1,270.5	23.8	120.5	1,414.8	**Adjusted investment in associates**	1,237.5	110.3	1,347.8	1,298.3	26.4	125.1	1,449.8

* The adjusted figures in the above table are prepared on an NTA basis and the Group has excluded 50% of deferred tax balances in accordance with EPRA guidance.

E. Reconciliation of movements in investment in associates

31 December 2020					30 June 2021				30 June 2020			
VR £m	Nicetoile £m	Italie Deux £m	Total £m		VR £m	Nicetoile £m	Italie Deux £m	Total £m	VR £m	Nicetoile £m	Italie Deux £m	Total £m
1,355.3	26.6	122.6	1,504.5	Balance at beginning of period	1,154.1	23.8	120.5	1,298.4	1,355.3	26.6	122.6	1,504.5
(135.8)	(3.9)	(8.6)	(148.3)	Share of results of associates	(1.8)	0.3	(4.1)	(5.6)	(120.0)	(1.7)	(6.0)	(127.7)
(94.3)	–	–	(94.3)	Impairment of investment in associate	–	–	–	–	(94.3)	–	–	(94.3)
(5.9)	(0.1)	(0.1)	(6.1)	Distributions	(0.9)	–	(0.1)	(1.0)	(5.9)	–	(0.1)	(6.0)
(1.0)	–	–	(1.0)	Share of other comprehensive gain/(loss) of associate[1]	0.3	–	–	0.3	–	–	–	–
–	–	–	–	Disposals	–	(23.2)	–	(23.2)	–	–	–	–
35.8	1.2	6.6	43.6	Exchange and other movements	(21.3)	(0.9)	(6.0)	(28.2)	43.9	1.5	8.6	54.0
1,154.1	23.8	120.5	1,298.4	**Balance at end of period**	1,130.4	–	110.3	1,240.7	1,179.0	26.4	125.1	1,330.5

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

13. LOANS

A. Analysis

31 December 2020 £m		30 June 2021 £m	30 June 2020 £m
	Unsecured		
198.7	£200 million 7.25% sterling bonds due 2028	198.8	198.6
–	€700 million 1.75% euro bond due 2027[1]	590.4	–
298.6	£300 million 6% sterling bonds due 2026	298.7	298.5
347.2	£350 million 3.5% sterling bonds due 2025	347.5	347.0
446.5	€235.5 million (2020: €500 million) 1.75% euro bonds due 2023[2]	201.8	452.8
446.5	€189.7 million (2020: €500 million) 2% euro bonds due 2022[2]	162.6	452.6
(2.9)	Sterling bank loans and overdrafts[3]	(3.5)	564.3
16.4	Senior notes due 2031[4,5]	5.0	21.8
62.1	Senior notes due 2028[4,5]	13.6	90.9
81.2	Senior notes due 2026[4,5]	60.1	90.8
249.4	Senior notes due 2024[4,5]	138.2	374.7
115.0	Senior notes due 2021[4,5]	–	153.9
2,258.7		2,013.2	3,045.9
	Analysed as:		
115.0	Current liabilities	–	153.9
2,143.7	Non-current liabilities	2,013.2	2,892.0
2,258.7		2,013.2	3,045.9

1. On 3 June 2021, the Group issued a €700 million euro bond. Net proceeds amounted to €690.3 million after issuance discount and underwriting fees. The new bond is repayable in June 2027.
2. During the period €264.5 million (£227.4 million) of the 2023 bonds and €310.3 million (£266.8 million) of the 2022 bonds, were repaid at a premium of €16.2 million (£13.9 million), which is included in 'debt and loan facility cancellation costs' in note 5.
3. The debit balances at 30 June 2021 and 31 December 2020 relate to unamortised fees in relation to the Revolving Credit Facility (RCF) against which no funds had been drawn at the end of those periods.
4. During the period £296.5 million of senior notes were repaid at par, comprising £34.4 million denominated in Sterling, £62.3 million denominated in Euro and £199.8 million denominated in US dollar.
5. Senior notes comprise £83.1million (31 December 2020: £287.1 million; 30 June 2020: £421.8 million) denominated in US dollars, £102.8 million (31 December 2020 £172.0 million; 30 June 2020: £215.3 million) in Euro and £31.0 million (31 December 2020: £65.0 million; 30 June 2020: £95.0 million) in Sterling.

B. Financing strategy

The Financial review on page 17 provides details of the Group's financing strategy.

The Reported Group's borrowings position at 30 June 2021 is summarised below:

31 December 2020 Total £m		Derivative financial instruments: Current assets £m	Non-current assets £m	Non-current Liabilities £m	Loans > 1 year £m	30 June 2021 Total £m	30 June 2020 Total £m
1,737.5	Bonds	–	–	–	1,799.8	1,799.8	1,749.5
(2.9)	Bank loans and overdrafts	–	–	–	(3.5)	(3.5)	564.3
524.1	Senior notes	–	–	–	216.9	216.9	732.1
2,258.7	Loans	–	–	–	2,013.2	2,013.2	3,045.9
71.3	Fair value of currency swaps	(0.8)	(6.6)	65.9	–	58.5	32.0
2,330.0	Borrowings	(0.8)	(6.6)	65.9	2,013.2	2,071.7	3,077.9
–	Fair value of interest rate swaps	–	(18.1)	–	–	(18.1)	–
2,330.0	Loans and derivative financial instruments	(0.8)	(24.7)	65.9	2,013.2	2,053.6	3,077.9

C. Undrawn committed facilities

31 December 2020 £m	Expiry	30 June 2021 £m	30 June 2020 £m
–	Within one year	10.0	–
425.0	Within one to two years	450.0	–
820.0	Within two to five years	570.6	677.0
1,245.0		1,030.6	677.0

14. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

31 December 2020 Book value £m	31 December 2020 Fair value £m	31 December 2020 Variance £m		Hierarchy level	30 June 2021 Book value £m	30 June 2021 Fair value £m	30 June 2021 Variance £m	30 June 2020 Book value £m	30 June 2020 Fair value £m	30 June 2020 Variance £m
1,737.5	1,765.4	27.9	Unsecured bonds	1	1,799.8	1,945.7	145.9	1,749.5	1,625.2	(124.3)
524.1	549.1	25.0	Senior notes	2	216.9	226.3	9.4	732.1	771.8	39.7
(2.9)	–	2.9	Unsecured bank loans and overdrafts[1]	2	(3.5)	–	3.5	564.3	568.0	3.7
71.3	71.3	–	Fair value of currency swaps	2	58.5	58.5	–	32.0	32.0	–
2,330.0	2,385.8	55.8	**Borrowings**		2,071.7	2,230.5	158.8	3,077.9	2,997.0	(80.9)
–	–	–	**Fair value of interest rate swaps**[2]	2	(18.1)	(18.1)	–	–	–	–
9.7	9.7	–	**Fair value of other investments**	3	9.5	9.5	–	–	–	–
189.9	189.9	–	**Participative loans to associates**	3	184.7	184.7	–	194.8	194.8	–

1. The balance of £3.5 million (31 December 2020: £2.9 million) reflects unamortised bank fees.
2. Interest rate swaps are included within non-current derivative financial instruments on the consolidated balance sheet.

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

Valuation technique	Financial instrument
Quoted market prices	Unsecured bonds
Calculating present value of cash flows using appropriate market discount rates	Senior notes, unsecured bank loans and overdrafts, fair value of currency swaps and fair value of interest rate swaps
Calculation based on the underlying net asset values of the Villages in which the Reported Group holds interests; the assets of the Villages mainly comprise properties held at professional valuation (see note 12C)	Participative loans to associates and other investments

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

31 December 2020 Participative loans £m	31 December 2020 Other investments £m	31 December 2020 Total £m	Level 3 financial instruments		30 June 2021 Participative loans £m	30 June 2021 Other investments £m	30 June 2021 Total £m	30 June 2020 Participative loans £m	30 June 2020 Total £m
195.2	–	195.2	Balance at beginning of period		189.9	9.7	199.6	195.2	195.2
(16.5)	–	(16.5)	Total gains/(losses)	- in share of results of associates	3.6	–	3.6	(14.1)	(14.1)
–	(0.1)	(0.1)		- in the income statement	–	(0.2)	(0.2)	–	–
11.2	–	11.2		- in other comprehensive income	(7.8)	–	(7.8)	13.7	13.7
–	9.8	9.8		- reclassified from investments in joint ventures	–	–	–	–	–
–	–	–	Other movements	- advances	(1.0)	–	(1.0)	–	–
189.9	9.7	199.6	**Balance at end of period**		184.7	9.5	194.2	194.8	194.8

15. ANALYSIS OF MOVEMENT IN NET DEBT

31 December 2020				30 June 2021			30 June 2020		
Cash and deposits £m	Borrowings £m	Net debt £m		Cash and deposits £m	Borrowings £m	Net debt £m	Cash and deposits £m	Borrowings £m	Net debt £m
28.2	(2,548.0)	(2,519.8)	Balance at beginning of period	409.5	(2,330.0)	(1,920.5)	28.2	(2,548.0)	(2,519.8)
1.6	–	1.6	Cash and deposits transferred from assets held for sale	–	–	–	1.6	–	1.6
378.2	310.8	689.0	Cash flow	67.0	194.0	261.0	385.9	(420.0)	(34.1)
–	23.9	23.9	Change in fair value of currency swaps	–	(9.9)	(9.9)	–	35.9	35.9
1.5	(116.7)	(115.2)	Exchange	(1.4)	74.2	72.8	1.9	(145.8)	(143.9)
409.5	(2,330.0)	(1,920.5)	Balance at end of period	475.1	(2,071.7)	(1,596.6)	417.6	(3,077.9)	(2,660.3)

16. POST BALANCE SHEET EVENTS

On 6 July 2021, the Group concluded the partial refinancing of the existing €221.4 million loan (Group's share €55.4 million) at O'Parinor by way of a €210.8 million loan (Group's share €52.5 million), maturing in 2023.

On 8 July 2021, the Group redeemed the remaining €189.7 million 2.0% Eurobonds due to mature in 2022 at a premium of €4.7 million.

ADDITIONAL DISCLOSURES
UNAUDITED

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

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

Table 1

EPRA performance measures

Performance measure	30 June 2021	31 December 2020	30 June 2020	Definition and commentary	Page
Earnings	£23.4m	£15.9m	£10.1m	Recurring earnings from core operational activities. In the first half of 2021, EPRA earnings were £3.3 million higher (30 June 2020: £7.6 million lower) than the Group's adjusted earnings due to the inclusion of 'Company specific' adjustments as shown in note 9B to the financial statements. For 2021, these principally related to the removal of the provision for amounts not yet recognised in the income statement of £6.6 million and business transformation costs of £3.3 million. Management believes these adjustments better reflect the underlying earnings of the Group.	48
Earnings per share (EPS)	0.6p	0.7p	0.6p*	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 at 30 June 2021 is 0.1p higher than adjusted EPS.	48
Net Reinstatement Value (NRV) per share	80p	94p	108p*	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.	50
Net Tangible Assets value (NTA) per share	69p	82p	92p*	Equity shareholders' funds excluding the fair values of certain financial derivatives, deferred tax balances and goodwill balances, divided by the diluted number of shares in issue.	50
Net Disposal Value (NDV) per share	63p	78p	90p*	Equity shareholders' funds including the fair value of borrowings and excluding goodwill balances, divided by the diluted number of shares in issue.	50
Net Initial Yield (NIY)	5.5%	5.7%	5.4%	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.	67
Topped-up NIY	5.7%	5.8%	5.5%	EPRA NIY adjusted for the expiry of rent-free periods and future rent on signed leases.	67
Vacancy rate	7.1%	5.7%	5.8%	The estimated market rental value (ERV) of vacant space divided by the ERV of the lettable area. Occupancy is the inverse of vacancy.	63
Cost ratio (incl. net service charge expenses – vacancy)	50.3%	54.9%	47.6%	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.	65
Cost ratio (excl. net service charge expenses – vacancy)	47.0%	51.7%	45.1%	Calculated as per the above metric, except this metric excludes net service charges in relation to vacancy.	65

*Restated to reflect the rights issue in September 2020. Previously presented as: EPS: 1.3p, NRV: 542p, NTA: 458p and NDV 450p

Portfolio analysis

Rental information

Table 2

Rental data for the six months ended 30 June 2021

Proportionally consolidated excluding premium outlets	Gross rental income £m	Net rental income £m	Average rents passing[1] £/m²	Rents passing[2] £m	Estimated rental value (ERV)[3] £m	Reversion/ (over-rented) %
UK	56.9	46.6	385	117.7	122.0	(4.2)
France	27.6	19.1	440	53.5	59.6	5.1
Ireland	17.5	12.5	475	37.0	37.4	(1.4)
Flagship destinations	**102.0**	**78.2**	**415**	**208.2**	**219.0**	**(1.2)**
UK retail parks[4]	10.7	11.7	n/a	–	–	–
UK other	4.3	2.2	115	8.6	9.9	2.6
Investment portfolio	**117.0**	**92.1**	**375**	**216.8**	**228.9**	**(1.1)**
Developments[5]	5.4	1.7		10.5		
Managed portfolio	**122.4**	**93.8**		**227.3**		

Data for the year ended 31 December 2020						
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[5]	13.0	6.1		13.2		
Managed portfolio	**286.9**	**157.6**		**282.9**		

1. Average rents passing at the period 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 includes car parking and commercialisation income, net of running costs, totalling £22.9 million (31 December 2020: £25.4 million).
3. The estimated market rental value at the period end calculated by the Group's valuers. ERVs in the above table are included within the unobservable inputs to the portfolio valuations as defined by IFRS 13.
4. Substantially all the UK retail parks portfolio was sold on 19 May 2021 and the portfolio has been treated as discontinued operations. The residual properties have been reclassified to UK other as at 30 June 2021. See note 7 for further details.
5. 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 30 June 2021

Proportionally consolidated excluding Value Retail	30 June 2021 ERV of vacant space £m	30 June 2021 Total ERV for vacancy[1] £m	30 June 2021 Vacancy rate %	31 December 2020 ERV of vacant space £m	31 December 2020 Total ERV for vacancy[1] £m	31 December 2020 Vacancy rate %
UK	9.4	101.6	9.2	7.6	111.9	6.8
France	3.3	60.7	5.3	3.0	64.3	4.7
Ireland	0.8	33.5	2.5	0.6	35.1	1.8
Flagship destinations	13.5	195.8	6.9	11.2	211.3	5.3
UK retail parks[2]	n/a	n/a	n/a	2.5	35.8	7.0
UK other	1.1	9.8	11.3	0.9	9.8	9.0
Investment portfolio	14.6	205.6	7.1	14.6	256.9	5.7

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.

2. Substantially all the UK retail parks portfolio was sold on 19 May 2021 and the residual properties have been reclassified to UK other as at 30 June 2021. See note 7 for further details.

Rent reviews

Table 4

Rent reviews as at 30 June 2021

Proportionally consolidated excluding Value Retail	Rents passing subject to review in[1] Outstanding £m	2021[3] £m	2022 £m	2023 £m	Total £m	Current ERV of leases subject to review in[2] Outstanding £m	2021[3] £m	2022 £m	2023 £m	Total £m
UK	19.8	7.3	13.3	10.5	50.9	20.3	7.4	13.4	10.6	51.7
Ireland	17.5	1.7	2.7	3.5	25.4	19.2	1.8	2.8	3.5	27.3
Flagship destinations	37.3	9.0	16.0	14.0	76.3	39.5	9.2	16.2	14.1	79.0
UK other	1.9	0.2	0.6	0.7	3.4	2.0	0.2	0.6	0.7	3.5
Investment portfolio[4]	39.2	9.2	16.6	14.7	79.7	41.5	9.4	16.8	14.8	82.5

1. The amount of rental income, based on rents passing at 30 June 2021, for leases which are subject to review in each year.

2. Projected rental income for leases that are subject to review in each year, based on the higher of the current rental income and the ERV at 30 June 2021.

3. 2021 reflects rent reviews in the second half of the year only.

4. Leases in France are not subject to rent reviews but are adjusted annually based on French indexation indices.

Lease expiries and breaks

Table 5

Proportionally consolidated excluding Value Retail	Rents passing that expire/break in[1] Outstanding £m	2021 £m	2022 £m	2023 £m	Total £m	ERV of leases that expire/break in[2] Outstanding £m	2021 £m	2022 £m	2023 £m	Total £m	Weighted average unexpired lease term to break years	to expiry years
UK	7.9	6.8	17.2	18.2	50.1	9.0	7.4	14.6	14.6	45.6	5.7	11.2
France	4.1	0.3	1.6	5.3	11.3	4.0	0.4	1.7	5.4	11.5	2.1	4.7
Ireland	1.5	1.9	1.9	2.1	7.4	2.0	2.4	2.4	1.8	8.6	6.3	8.0
Flagship destinations	13.5	9.0	20.7	25.6	68.8	15.0	10.2	18.7	21.8	65.7	4.8	8.8
UK other	1.2	1.0	1.5	0.7	4.4	1.3	1.0	1.4	0.6	4.3	6.9	8.6
Investment portfolio	14.7	10.0	22.2	26.3	73.2	16.3	11.2	20.1	22.4	70.0	4.9	8.8

1. The amount of rental income, based on rents passing at 30 June 2021, for leases which expire or, for the UK and Ireland only, are subject to tenant break options, which fall due in each year.

2. The ERV at 30 June 2021 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 six months ended 30 June 2021

	Properties owned throughout 2020/21 £m	**Increase/ (Decrease) for properties owned throughout 2020/21 %**	Disposals £m	Developments and other[1] £m	**Total adjusted NRI £m**	Change in provision £m	**Total NRI £m**
UK	41.5	2.3	–	–	41.5	5.1	46.6
France	13.8	13.6	0.9	4.4	19.1	–	19.1
Ireland	12.4	(17.0)	–	–	12.4	0.1	12.5
Flagship destinations	67.7	0.1	0.9	4.4	73.0	5.2	78.2
UK retail parks	–	–	10.4	(0.1)	10.3	1.4	11.7
UK other	–	–	0.2	1.9	2.1	0.1	2.2
Investment portfolio	67.7	0.1	11.5	6.2	85.4	6.7	92.1
Developments	–	–	–	1.8	1.8	(0.1)	1.7
Managed portfolio[1]	67.7	0.1	11.5	8.0	87.2	6.6	93.8

Net rental income for the six months ended 30 June 2020

	Properties owned throughout 2020/21 £m	Exchange £m	Disposals £m	Developments and other[1] £m	Total adjusted NRI £m	Change in provision £m	Total NRI £m
UK	40.6	–	–	–	40.6	(5.4)	35.2
France	12.1	–	1.6	6.8	20.5	–	20.5
Ireland	14.9	0.1	–	–	15.0	(0.1)	14.9
Flagship destinations	67.6	0.1	1.6	6.8	76.1	(5.5)	70.6
UK retail parks	–	–	12.1	–	12.1	(1.2)	10.9
UK other	–	–	–	2.8	2.8	(0.3)	2.5
Investment portfolio	67.6	0.1	13.7	9.6	91.0	(7.0)	84.0
Developments	–	–	–	3.4	3.4	(0.1)	3.3
Managed portfolio[1]	67.6	0.1	13.7	13.0	94.4	(7.1)	87.3

1. The Property portfolio value on which LFL growth is based was £2,750 million as at 30 June 2021 (30 June 2020: £4,004 million)

Top ten tenants

Table 7

Ranked by passing rent at 30 June 2021

Proportionally consolidated, excluding Value Retail	Passing rent £m	% of total passing rent
Inditex	8.1	3.8
H&M	6.1	2.8
Next	4.5	2.1
Boots	3.7	1.8
JD Sports	3.3	1.5
CK Hutchison Holdings	3.0	1.4
River Island Clothing Company	2.9	1.4
Marks & Spencer	2.9	1.3
France Printemps (Borletti)	2.6	1.2
John Lewis plc	2.4	1.1
Total	39.5	18.4

Cost ratio

Table 8

EPRA cost ratio

Year ended 31 December 2020 £m	Proportionally consolidated excluding premium outlets	Six months ended 30 June 2021 £m	Six months ended 30 June 2020 £m
7.1	Net service charge expenses – non-vacancy	3.9	3.4
8.9	Net service charge expenses – vacancy (A)	3.9	3.5
16.0	Net service charge expenses – total	7.8	6.9
99.0	Other property outgoings	26.6	41.7
(6.4)	Less inclusive lease costs recovered through rent	(3.9)	(3.4)
108.6	Total property costs	30.5	45.2
52.6	Employee and corporate costs[1]	32.4	25.5
(8.5)	Joint venture and associate management fees	(3.7)	(4.2)
152.7	Total operating costs (B)	59.2	66.5
286.9	Gross rental income	122.4	144.3
(2.3)	Ground and equity rents payable	(0.8)	(1.3)
(6.4)	Less inclusive lease costs recovered through rent	(3.9)	(3.4)
278.2	Gross rental income (C)	117.7	139.6
54.9	EPRA cost ratio including net service charge expenses – vacancy (%) – (B/C)	50.3	47.6
51.7	EPRA cost ratio excluding net service charge expenses – vacancy (%) – ((B-A)/C)	47.0	45.1

1. Includes £3.3 million of business transformation costs which are excluded from adjusted earnings. See note 9 for details. Excluding these costs the EPRA cost ratio including vacancy costs would reduce from 50.3% to 47.5%.

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 employees 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 six months ended 30 June 2021, employee costs of £1.0 million (31 December 2020: £2.2 million, 30 June 2020: £1.2 million) were capitalised as development costs and are not included within 'Employee and corporate costs'.

Valuation analysis

Table 9

Valuation analysis at 30 June 2021

Proportionally consolidated including premium outlets	Properties at valuation £m	Revaluation losses in the year £m	Capital return %	Total return %	Initial yield %	True equivalent yield %	Nominal equivalent yield[1] %
UK	1,320.1	(203.0)	(13.4)	(10.7)	6.7	8.2	7.8
France[2]	1,023.2	(38.5)	(4.2)	(2.5)	4.3	5.1	5.0
Ireland	679.2	(48.7)	(6.6)	(4.8)	4.9	5.4	5.3
Flagship destinations	3,022.5	(290.2)	(8.9)	(6.7)	5.5	6.5	6.3
UK retail parks[3]	–	–	(8.8)	(6.4)	n/a	n/a	n/a
UK other	106.7	(4.8)	(4.5)	(2.6)	5.3	9.9	9.4
Investment portfolio	3,129.2	(295.0)	(8.8)	(9.5)	5.5	6.6	6.4
Developments	466.9	(58.3)	(10.5)	(10.1)			
Managed portfolio	3,596.1	(353.3)	(9.0)	(7.1)			
Value Retail[4]	1,901.6	(7.9)	(0.4)	0.7			
Group portfolio[5]	5,497.7	(361.2)	(6.4)	(4.7)			

Data for the year ended 31 December 2020	Properties at valuation £m	Revaluation losses in the year £m	Capital return %	Total return %	Initial yield %	True equivalent yield %	Nominal equivalent yield[1] %
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[4]	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)			
Managed portfolio	4,413.8	(1,508.0)	(25.6)	(23.1)			
Premium outlets[5]	1,924.2	(157.3)	(10.0)	(7.5)			
Group portfolio[6]	6,338.0	(1,665.3)	(20.9)	(18.3)			

1. Nominal equivalent yields are included within the unobservable inputs to the portfolio valuations as defined by IFRS 13.

2. Includes 75% of Italik (£29.4 million) which was reclassified to Trading properties at 30 June 2021.

3. Substantially all of the remaining UK retail parks portfolio was sold on 19 May 2021. Consequently the portfolio has been treated as discontinued operations as detailed in note 7. The residual properties have been reclassified to UK other as at 30 June 2021.

4. Revaluation losses for the year ended 31 December 2020, totalling £121.6 million, exclude the impact in 2020 of the unwinding of the impairment provision recognised in 2019 on reclassification of the UK retail parks to assets held for sale totalling £69.2 million.

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

6. Further analysis of capital expenditure between Reported Group and Share of Property interests is included in note 3B on page 43.

EPRA Net Initial Yield (NIY)

Table 10

Investment portfolio as at 30 June 2021

Proportionally consolidated excluding Value Retail		30 June 2021 £m	31 December 2020 £m
Property portfolio - wholly owned[1]	Note 3B	1,639.9	2,152.8
Property portfolio - share of property interests	Note 3B	1,956.2	2,261.0
Net investment portfolio valuation on a proportionally consolidated basis	Note 3B	3,596.1	4,413.8
Less: Developments	Note 3B	(466.9)	(508.4)
Completed investment portfolio		3,129.2	3,905.4
Purchasers' costs[2]		218.5	272.1
Grossed up completed investment portfolio (A)		3,347.7	4,177.5
Annualised cash passing rental income		215.6	269.7
Non recoverable costs		(27.1)	(26.1)
Rents payable		(3.9)	(4.5)
Annualised net rent (B)		184.6	239.1
Add:			
Notional rent expiration of rent-free periods and other lease incentives[3]		3.4	3.0
Future rent on signed leases		1.7	1.5
Topped-up annualised net rent (C)		189.7	243.6
Add back: Non recoverable costs		27.1	26.1
Passing rents	Table 2	216.8	269.7
EPRA net initial yield (B/A)		5.5%	5.7%
EPRA 'topped-up' net initial yield (C/A)		5.7%	5.8%

1. Includes 100% of Italik, 75% of which was reclassified to Trading properties at 30 June 2021
2. Purchasers' costs equate to 7.0% (31 December 2020: 7.0%) of the net portfolio value
3. The weighted average remaining rent-free period is 0.5 years (31 December 2020: 0.5 years)

EPRA – capital expenditure

Table 11

	Six months ended 30 June 2021			Six months ended 30 June 2020		
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
Developments (note 3B)	24	1	25	16	2	18
Capital expenditure – creating area	4	–	4	3	3	6
Capital expenditure – no additional area	3	4	7	5	4	9
Tenant incentives	9	7	16	(3)	(5)	(8)
Total capital expenditure (note 3B)	40	12	52	21	4	25
Conversion from accruals to cash basis	1	(3)	(2)	9	6	15
Total capital expenditure on cash basis (Table 19)	41	9	50	30	10	40

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 Financial review on page 14.

Share of Property interests

The Group's Share of Property interests reflects the Group's Property joint ventures as shown in note 11 to the financial statements on pages 53 to 55 and the Group's interests in Italie Deux and Nicetoile (prior to its disposal in April 2021), which is accounted for as an associate, as shown in note 12 to the financial statements on pages 55 to 57.

Income statement

Table 12

Excludes discontinued operations	Six months ended 30 June 2021			Six months ended 30 June 2020		
	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	66.9	3.2	70.1	74.4	3.5	77.9
Net rental income	49.1	2.7	51.8	44.8	2.6	47.4
Net administration expenses	(0.3)	–	(0.3)	(0.2)	–	(0.2)
Operating profit before other net (losses)/gains	48.8	2.7	51.5	44.6	2.6	47.2
Revaluation losses on properties	(206.6)	(6.5)	(213.1)	(516.2)	(10.3)	(526.5)
Operating loss	(157.8)	(3.8)	(161.6)	(471.6)	(7.7)	(479.3)
Change in fair value of derivatives	1.8	–	1.8	(2.4)	–	(2.4)
Other finance costs	(4.6)	–	(4.6)	(4.6)	–	(4.6)
Net finance costs	(2.8)	–	(2.8)	(7.0)	–	(7.0)
Loss before tax and loss for the period	(160.6)	(3.8)	(164.4)	(478.6)	(7.7)	(486.3)
Profit/(loss) for the period – discontinued operations	0.8	–	0.8	(0.7)	–	(0.7)
Loss for the period	(159.8)	(3.8)	(163.6)	(479.3)	(7.7)	(487.0)

Balance sheet

Table 13

	30 June 2021			31 December 2020		
	Property joint ventures £m	Italie Deux £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	1,851.0	105.2	1,956.2	2,122.8	138.2	2,261.0
Other non-current assets	17.3	–	17.3	18.1	–	18.1
	1,868.3	105.2	1,973.5	2,140.9	138.2	2,279.1
Current assets						
Other current assets	97.5	4.4	101.9	99.7	4.6	104.3
Cash and deposits	107.0	4.5	111.5	87.8	5.7	93.5
	204.5	8.9	213.4	187.5	10.3	197.8
Total assets	2,072.8	114.1	2,186.9	2,328.4	148.5	2,476.9
Current liabilities						
Loans - secured	(58.2)	–	(58.2)	(49.5)	–	(49.5)
Other payables	(74.6)	(3.2)	(77.8)	(76.6)	(3.4)	(80.0)
	(132.8)	(3.2)	(136.0)	(126.1)	(3.4)	(129.5)
Non-current liabilities						
Loans - secured	(335.7)	–	(335.7)	(357.6)	–	(357.6)
Derivative financial instruments	(4.0)	–	(4.0)	(5.9)	–	(5.9)
Obligations under head leases	(15.8)	–	(15.8)	(15.8)	–	(15.8)
Other payables	(3.6)	(0.6)	(4.2)	(9.3)	(0.8)	(10.1)
Deferred tax	(0.1)	–	(0.1)	(0.1)	–	(0.1)
	(359.2)	(0.6)	(359.8)	(388.7)	(0.8)	(389.5)
Total liabilities	(492.0)	(3.8)	(495.8)	(514.8)	(4.2)	(519.0)
Net assets	1,580.8	110.3	1,691.1	1,813.6	144.3	1,957.9

Premium outlets

At 30 June 2021, 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 its 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 7 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 12 to the financial statements on and for VIA Outlets in notes 7 and 11 to the financial statements.

Income statement

Table 14

Aggregated premium outlets income summary

	Six months ended 30 June 2021			Six months ended 30 June 2020
	Value Retail £m	Value Retail £m	VIA Outlets £m	Total £m
Gross rental income	32.7	27.6	19.6	47.2
Net rental income	21.0	14.5	12.6	27.1
Net administration expenses	(15.1)	(16.7)	(3.3)	(20.0)
Operating profit/(loss) before other net losses	5.9	(2.2)	9.3	7.1
Revaluation losses on properties	(7.9)	(106.6)	(30.6)	(137.2)
Operating loss	(2.0)	(108.8)	(21.3)	(130.1)
Change in fair value of derivatives	4.1	(0.5)	(0.2)	(0.7)
Change in fair value of participative loans	3.6	(14.1)	-	(14.1)
Other net finance costs	(8.4)	(9.6)	(5.1)	(14.7)
Loss before tax	(2.7)	(133.0)	(26.6)	(159.6)
Current tax (charge)/credit	(0.6)	(0.4)	0.9	0.5
Deferred tax credit	1.5	13.4	4.8	18.2
Share of results (IFRS)	(1.8)	(120.0)	(20.9)	(140.9)
Less earnings adjustments: (note 11B/12B)				
Revaluation losses on properties	7.9	106.6	30.6	137.2
Change in fair value of derivatives	(4.1)	0.5	0.2	0.7
Deferred tax credit	(1.5)	(13.4)	(4.8)	(18.2)
Other adjustments	(2.5)	13.3	0.5	13.8
	(0.2)	107.0	26.5	133.5
Adjusted (losses)/earnings of premium outlets	(2.0)	(13.0)	5.6	(7.4)

Balance sheet

Table 15

Aggregated premium outlets investment summary

	30 June 2021	31 December 2020
	Value Retail[1] £m	Value Retail £m
Investment properties	1,901.6	1,924.2
Net debt	(689.6)	(689.3)
Other net liabilities	(81.6)	(80.8)
Share of net assets (IFRS)	1,130.4	1,154.1
Less adjustments: (note 12D)		
Fair value of derivatives	12.0	17.7
Deferred tax (50%)	95.1	98.7
	107.1	116.4
Adjusted investment	1,237.5	1,270.5

1. In addition to the above figures, at 30 June 2021 the Group has provided loans of £1.7 million (31 December 2020: £1.8 million) to Value Retail for which the Group received interest of £0.1 million during in first half of 2021 (30 June 2020: £0.1 million) which is included within finance income in note 5 to the financial statements.

Proportionally consolidated information

Note 2 to the financial statements 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 11 to the financial statements Italie Deux and Nicetoile (prior to its disposal in April 2021) as shown in note 12 to the financial statements on pages. Column C shows the Group's proportionally consolidated figures by aggregating the Reported Group and Share of Property interests figures. As explained on page 9 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 30 June 2021

	30 June 2021			31 December 2020		
	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	1,610.5	1,956.2	3,566.7	2,152.8	2,261.0	4,413.8
Interests in leasehold properties	33.9	15.5	49.4	38.6	15.5	54.1
Right of use assets	4.8	–	4.8	6.7	–	6.7
Plant and equipment	1.9	–	1.9	2.3	–	2.3
Investment in joint ventures	1,580.8	(1,580.8)	–	1,813.6	(1,813.6)	–
Investment in associates	1,240.7	(110.3)	1,130.4	1,298.4	(144.3)	1,154.1
Other investments	9.5	–	9.5	9.7	–	9.7
Derivative financial instruments	24.7	–	24.7	6.6	–	6.6
Restricted monetary assets	21.4	–	21.4	21.4	–	21.4
Receivables	2.8	1.8	4.6	3.4	2.6	6.0
	4,531.0	282.4	4,813.4	5,353.5	321.2	5,674.7
Current assets						
Receivables	103.8	53.4	157.2	105.9	62.7	168.6
Trading properties	29.4	–	29.4	–	–	–
Derivative financial instruments	0.8	–	0.8	9.1	–	9.1
Restricted monetary assets	21.5	48.5	70.0	28.3	41.6	69.9
Cash and deposits	475.1	111.5	586.6	409.5	93.5	503.0
	630.6	213.4	844.0	552.8	197.8	750.6
Total assets	5,161.6	495.8	5,657.4	5,906.3	519.0	6,425.3
Current liabilities						
Loans	–	(58.2)	(58.2)	(115.0)	(49.5)	(164.5)
Payables	(169.1)	(77.8)	(246.9)	(205.0)	(80.0)	(285.0)
Tax	(1.1)	–	(1.1)	(1.3)	–	(1.3)
Derivative financial instruments	–	–	–	(2.3)	–	(2.3)
	(170.2)	(136.0)	(306.2)	(323.6)	(129.5)	(453.1)
Non-current liabilities						
Loans	(2,013.2)	(335.7)	(2,348.9)	(2,143.7)	(357.6)	(2,501.3)
Deferred tax	(0.4)	(0.1)	(0.5)	(0.4)	(0.1)	(0.5)
Derivative financial instruments	(65.9)	(4.0)	(69.9)	(84.7)	(5.9)	(90.6)
Obligations under head leases	(37.3)	(15.8)	(53.1)	(41.8)	(15.8)	(57.6)
Payables	(72.1)	(4.2)	(76.3)	(103.2)	(10.1)	(113.3)
	(2,188.9)	(359.8)	(2,548.7)	(2,373.8)	(389.5)	(2,763.3)
Total liabilities	(2,359.1)	(495.8)	(2,854.9)	(2,697.4)	(519.0)	(3,216.4)
Net assets	2,802.5	–	2,802.5	3,208.9	–	3,208.9

Adjusted finance costs

Table 17

Adjusted finance costs for the six months ended 30 June 2021

	Six months ended June 2021			Six months ended June 2020		
	Reported Group £m	Share of Property interests £m	Total £m	Reported Group £m	Share of Property interests £m	Total £m
	A	B	C	A	B	C
Gross finance costs	44.1	4.6	48.7	51.6	4.6	56.2
Less: Interest capitalised	(3.5)	–	(3.5)	(2.5)	–	(2.5)
Finance costs	40.6	4.6	45.2	49.1	4.6	53.7
Finance income	(6.3)	–	(6.3)	(6.3)	–	(6.3)
Adjusted finance costs	34.3	4.6	38.9	42.8	4.6	47.4

Net debt

Table 18

Net debt as at 30 June 2021

	30 June 2021			31 December 2020		
	Reported Group £m	Share of Property interests £m	Total £m	Reported Group £m	Share of Property interests £m	Total £m
	A	B	C	A	B	C
Cash and deposits	475.1	111.5	586.6	409.5	93.5	503.0
Fair value of currency swaps	(58.5)	–	(58.5)	(71.3)	–	(71.3)
Loans*	(2,013.2)	(393.9)	(2,407.1)	(2,258.7)	(407.1)	(2,665.8)
Net debt	(1,596.6)	(282.4)	(1,879.0)	(1,920.5)	(313.6)	(2,234.1)

* Comprises Reported Group loans of £2,033.2 million less capitalised fees of £20.0 million (31 December 2020: Loans of £2,270.5 million less capitalised fees of £11.8 million), and loans relating to Share of Property interests totalling £395.4 million less capitalised fees of £1.5 million (31 December 2020: loans of £408.9 million less capitalised fees of £1.8 million).

Movement in net debt

Table 19

Movement in net debt for the six months ended 30 June 2021

Year ended 31 December 2020 £m		Six months ended 30 June 2021 £m	Six months ended 30 June 2020 £m
(2,842.5)	Opening net debt	(2,234.1)	(2,842.5)
113.5	Operating profit before other net losses	65.1	66.0
(127.5)	Decrease/(Increase) in receivables and restricted monetary assets	5.0	(93.1)
(15.8)	(Decrease)/Increase in payables	(19.9)	7.5
82.1	Adjustment for non-cash items	(2.1)	43.5
52.3	Cash generated from operations	48.1	23.9
18.2	Interest received	6.4	8.9
(109.3)	Interest paid	(74.8)	(61.8)
–	Bond redemption premium	(13.9)	–
–	Purchase of interest rate swap	(20.8)	–
(1.0)	Tax paid	(0.6)	(0.6)
5.9	Operating distributions received from Value Retail	–	5.9
(33.9)	Cash flows from operating activities	(55.6)	(23.7)
(83.5)	Acquisitions and capital expenditure	(49.9)	(40.3)
56.4	Sale of properties	396.4	54.0
272.0	Sale of investments in VIA Outlets	–	–
(12.6)	Advances to VIA Outlets	–	(8.9)
232.3	Cash flows from investing activities	346.5	4.8
531.7	Net (costs of)/proceeds from rights issue	(2.2)	–
(0.2)	(Purchase)/Issue of own shares	(0.4)	0.1
0.2	Proceeds from awards of own shares	–	–
(13.4)	Equity dividends paid	(13.2)	(12.2)
518.3	Cash flows from financing activities	(15.8)	(12.1)
(108.3)	Exchange translation movement	80.0	(130.2)
(2,234.1)	Closing net debt	(1,879.0)	(3,003.7)

Net debt:EBITDA

Table 20

Net debt:EBITDA as at 30 June 2021

		30 June 2021 £m	31 December 2020 £m
Adjusted operating profit	Note 2	126.5	132.4
Amortisation of tenant incentives and other items within net rental income		(9.1)	19.0
Share-based remuneration		2.4	2.2
Depreciation		4.8	4.9
EBITDA*		124.6	158.5
Net debt	Table 18	1,879.0	2,234.1
Net debt:EBITDA (times)		15.1	14.1

* For 30 June 2021 EBITDA is calculated on a 12 month rolling basis in the above ratio

Interest cover

Table 21

Interest cover for the six months ended 30 June 2021

		Six months ended 30 June 2021 £m	Six months ended 30 June 2020 £m
Net rental income	Note 2	93.8	87.3
Less: Net rental income in associates: Italie Deux and Nicetoile	Note 12A	(2.7)	(2.6)
Add:			
Change in provision for amounts not yet recognised in the income statement	Note 2	(6.6)	7.1
Net rental income for VIA Outlets	Note 11A	–	12.6
Net rental income for interest cover		84.5	104.4
Net finance costs	Note 2	38.9	47.4
Less: Interest on lease obligations and pensions interest		(1.8)	(2.0)
Add:			
Capitalised interest		3.5	2.5
Net finance cost for VIA Outlets while classified as a joint venture	Note 11A	–	5.1
Net finance cost for interest cover		40.6	53.0
Interest cover (times)		2.08	1.97

Loan to value

Table 22

Loan to value as at 30 June 2021

		30 June 2021 £m	31 December 2020 £m
Net debt – 'Loan' (A)	Table 18	1,879.0	2,234.1
Managed property portfolio (B)	Note 3B	3,596.1	4,413.8
Investment in Value Retail	Note 12C	1,130.4	1,154.1
'Value' (C)		4,726.5	5,567.9
Loan to value – with Value Retail net asset value (%) – (A/C)		39.8	40.1
Net debt – Value Retail (D)	Table 15	689.6	689.3
Property portfolio – Value Retail (E)	Table 15	1,901.6	1,924.2
Loan to value – fully proportionally consolidated (%) – ((A+D)/(B+E))		46.7	46.1

Gearing

Table 23

Gearing as at 30 June 2021

		30 June 2021 £m	31 December 2020 £m
Net debt	Table 18	1,879.0	2,234.1
Less:			
Unamortised borrowing costs – Group		21.5	13.6
Cash held within investments in associates: Italie Deux and Nicetoile	Note 12C	4.5	5.7
Net debt for gearing		1,905.0	2,253.4
Equity shareholders' funds - Consolidated net tangible worth		2,802.4	3,208.8
Gearing (%)		68.0	70.2

Unencumbered asset ratio

Table 24

Unencumbered asset ratio as at 30 June 2021

		30 June 2021 £m	31 December 2020 £m
Managed property portfolio – excluding Trading properties	Note 3B	3,566.7	4,413.8
Trading properties	Note 3B	29.4	–
Less: properties held in associates: Italie Deux and Nicetoile	Note 12C	(105.2)	(138.2)
Less: encumbered assets[1]		(684.9)	(759.9)
Total unencumbered assets		2,806.0	3,515.7
Net debt – proportionally consolidated	Table 18	1,879.0	2,234.1
Less: cash held in investments in associates: Italie Deux and Nicetoile	Note 12C	4.5	5.7
Less: cash held in investments in encumbered joint ventures		20.3	17.8
Less: unamortised borrowing costs – Group	Table 23	21.5	13.6
Less: encumbered debt[1]		(395.4)	(408.9)
Total unsecured debt		1,529.9	1,862.3
Unencumbered asset ratio (times)		1.83	1.89

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 9 to the financial statements.
Annual Incentive Plan (AIP)	The annual bonus plan for all colleagues, 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.
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.
Compulsory Voluntary Arrangement (CVA)	A legally binding agreement with a company's creditors to restructure its liabilities, including future lease liabilities.
Dividend cover	Adjusted earnings per share divided by dividend per share.
Earnings/(Loss) per share (EPS)	Profit/(Loss) attributable to equity shareholders divided by the average number of shares in issue during the period.
EBITDA	Earnings before interest, tax, depreciation and amortisation.
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.
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.
Investment Grade (IG)	A rating that signifies that a corporate bond presents a relatively low risk of default.
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. The Group discloses two metrics, firstly a "headline" loan to value which excludes the Group's share of net debt in Value Retail but includes the Group's net investment in the value denominator. Secondly, a "fully proportionally consolidated" loan to value which includes the Group's share of net debt held by Value Retail and the value of the Group's share of Value Retail's property portfolio in the value denominator.
Managed portfolio	The Group's investment in properties, either wholly or co-owned, excluding premium outlets.
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.

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 9 to the financial statements.
Net effective rent (NER)	The annual rent from a unit calculated by taking the total rent payable over the term of the lease to the earliest termination date and deducting all tenant incentives.
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 from NRI to calculate adjusted earnings.
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. The opposite of reversionary or under-rented.
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.
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.
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, and Italie Deux and Nicetoile (prior to its sale in April 2021) as shown in notes 11 and 12 to the financial statements.
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 period, 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. The opposite of over-rented.
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.
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 period.
Turnover rent	Rental income which is related to an occupier's turnover.
UK other (portfolio)	High street and other properties held for future mixed-use 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

Disclaimer

This document contains certain statements that are neither reported financial results nor other historical information. These statements are forward-looking in nature and are subject to risks and uncertainties. Actual future results may differ materially from those expressed in or implied by these statements.

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