Hammerson

Thursday 28 July 2022

PRESS RELEASE

HAMMERSON plc – UNAUDITED HALF-YEAR 2022 RESULTS

Focused on execution, delivering tangible results

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

"We continued to make good strategic, financial and operational progress in the first half. Adjusted earnings were up 154% to £51m reflecting a 48% increase in like-for-like net rental income, lower administration and finance costs, and a strong contribution from Value Retail. We completed £194m of disposals, reducing net debt by 6%. Portfolio values were broadly stable in the half and we have a solid balance sheet.

Footfall, sales, occupancy and collections are recovering and now close to 2019 levels. We saw a good leasing performance now ahead of previous passing rent and marginally ahead of ERV. We have strengthened our tenant profile, we have a strong and diversified leasing pipeline for the second half, and robust occupancy levels across our destinations.

We have also continued to make progress on our pre-development pipeline, with key milestones in the first half met that enable further options for value creation.

We are a better, more resilient, and financially secure business as a result of the actions taken since the beginning of 2021. We are conscious of the potentially volatile environment ahead and remain focussed on delivering our strategy. We have identified a number of levers within our control to continue to create value. We see more opportunities ahead."

Summary financial and operating performance

- Adjusted earnings up 154% to £51m (H1 21: £20m) reflecting:
  - stronger LFL GRI (+16%) and LFL NRI (+48%);
  - gross administration costs reduced 20%, 2023 cost reduction target (vs 2019) delivered 18 months early;
  - net finance costs 25% lower year-on-year; and
  - a strong year-on-year contribution from Value Retail (+£16m).
- IFRS profit of £50m (H1 21: £376m loss)
- Adjusted earnings per share up 0.7p to 1.1p (H1 21: 0.4p – restated (note (b)); Basic earnings per share of 1.1p (H1 21: (8.2)p loss per share - restated (note (b))
- Group portfolio value of £5.3bn, yields stable; total return 2.1% (H1 21: -4.7%)
- Completed £194m of disposals and anticipate delivering a further c.£300m by end of 2023
- EPRA NTA increased by £34m to £2,874m (FY21: £2,840m), EPRA NTA per share -2p to 62p reflecting scrip

Solid balance sheet

- Net debt down 6% to £1.7bn at 30 June 2022 (FY21: £1.8bn)
- Total liquidity of £1.2bn including undrawn committed facilities, and £0.5bn of cash
- No Group debt maturities not covered by current cash holdings until 2025
- Headline LTV 37% (FY21: 39%), fully proportionally consolidated (FPC) LTV 45% (FY21: 47%)

Resilient operational trends

- Footfall strengthening to end Q2 at 90% of 2019 levels
- Sales approaching 2019 levels overall, and ahead of 2019 levels in Q2
- £10.5m leasing deals concluded in H1 22, with headline leasing 31% above previous passing, net effective rent +1% vs ERV
- More than half of deals to non-fashion in H1 22; 68% since H1 21
- Flagship occupancy for managed portfolio stable at 95%, up 2% pts year-on-year
- Improved rent collection: FY21 now at 94%; H1 22 92%; Q3 22 84%
- Footfall and brand sales recovery continues at Value Retail, spend per visit +7% above 2019 levels

Dividend

- The Board has declared an interim cash dividend of 0.2 pence per share. Subject to shareholder approval, the Board intends to provide an enhanced scrip dividend alternative of 2.0 pence per share. This is currently expected to be the last enhanced scrip dividend alternative for the purpose of discharging the Company's remaining SIIC obligation of approximately €57m arising from the profit on disposal of 75% of Italie Deux in 2019. 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.

Half-year 2022 results at a glance

Six months ended		30 June 2022	30 June 2021	Change	Note /Table
IFRS Reported profit/(loss) for the period		**£50.3m**	£(375.5)m	£425.8m	2
Adjusted earnings	(a)	**£51.1m**	£20.1m	£30.0m	2
Adjusted net rental income	(a)	**£86.5m**	£87.2m	-1%	2
Basic earnings/(loss) per share	(b)	**1.1p**	(8.2)p	9.3p	10B
Adjusted earnings per share	(a),(b)	**1.1p**	0.4p	0.7p	10B
Interim dividend per share (cash/enhanced scrip)		**0.2p/2.0p**	0.2p/2.0p	-	8
As at		**30 June 2022**	31 December 2021		
Managed portfolio value		**£3,334m**	£3,478m	£(144)m	Table 9
Group portfolio value (including Value Retail)		**£5,286m**	£5,372m	£(86)m	Table 9
Net assets		**£2,801m**	£2,746m	£55m	Table 12
EPRA NTA per share	(a)	**62p**	64p	-2p	10C
Net debt	(c)	**£1,704m**	£1,819m	-6%	Table 13
Net debt : EBITDA		**9.6x**	12.4x	-23%	Table 15
Loan to value – Headline		**37%**	39%	-2% pts	Table 17
Loan to value – Full proportional consolidation of Value Retail		**45%**	47%	-2% pts	Table 17
Gearing		**62%**	67%	-5% pts	Table 18

(a) These half-year 2022 results include discussion of alternative performance measures which include those described as Adjusted, EPRA and Headline as well as constant currency (where current period exchange rates are applied to the prior period's results). Adjusted, EPRA and Headline measures are described in note 1B to the interim financial statements and reconciliations for earnings and net assets measures to their IFRS equivalents are set out in note 9 to the interim financial statements.

(b) Adjusted earnings per share and basic earnings/(loss) per share for 2021 have been restated to reflect the bonus element of scrip dividends as set out in note 10B to the interim financial statements.

(c) Proportionally consolidated – basis as set out in notes 1B and 3 to the interim financial statements.

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 2022, followed by a Q&A session.

Date & time:	Thursday 28 July at 10:30 am (BST)
Webcast link:	https://kvgo.com/IJLO/Hammerson_2022_Half_Year_Results
Conference call:	Quote Hammerson when prompted by the operator

Please join the call 5 minutes before the booked start time to allow the operator to transfer you into the call by the scheduled start time

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The presentation and press release will be available on:
www.hammerson.com/investors/reports-results-presentations/2022-half-year-results on the morning of results.

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Timetable of events

Ex-dividend date (South Africa)	5 October 2022
Ex-dividend date (UK & Ireland)	6 October 2022
Record date	7 October 2022
Interim dividend payable	3 November 2022

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.

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. Accordingly, no assurance can be given that any particular expectation will be met and reliance should not be placed on any forward-looking statement.

Many of these risks and uncertainties relate to factors that are beyond Hammerson's ability to control or estimate precisely, such as future market conditions, currency fluctuations, the behaviour of other market participants, the actions of governmental regulators and other risk factors such as the Company's ability to continue to obtain financing to meet its liquidity needs, changes in the political, social and regulatory framework in which the Company operates or in economic or technological trends or conditions, including inflation and consumer confidence, on a global, regional or national basis.

Hammerson does not undertake any obligation to publicly release any revisions to these forward-looking statements to reflect events or circumstances after the date of this document. Information contained in this document relating to the Company should not be relied upon as a guide to future performance. Persons needing advice should consult an independent financial (or other professional) adviser.

This announcement does not constitute or form part of any offer or invitation to sell, or any solicitation of any offer to subscribe for or purchase any shares or other securities in the Company or any of its group members, nor shall it or any part of it or the fact of its distribution form the basis of, or be relied on in connection with, any contract or commitment or investment decisions relating thereto, nor does it constitute a recommendation regarding the shares or other securities of the Company or any of its group members. Statements in this announcement reflect the knowledge and information available at the time of its preparation. Liability arising from anything in this announcement shall be governed by English law. Nothing in this announcement shall exclude any liability under applicable laws that cannot be excluded in accordance with such laws.

CHIEF EXECUTIVE'S REVIEW

In the first half of 2022 we have delivered strong strategic, operational and financial progress as we have continued to execute against our strategy, set out this time last year. This has resulted in tangible results with improved earnings from stronger like-for-like net rental income, lower costs and a strong contribution from Value Retail.

We have further focussed and streamlined our portfolio and delivered gross proceeds of £194m from disposals of non-core assets. We continue to execute our disciplined disposals programme and anticipate a further c.£300m by the end of 2023, subject to pricing and market conditions. Alongside stabilising income streams and yields, we are approaching a sustainable and resilient capital structure, with stronger credit metrics, giving us optionality for capital allocation, sources of liquidity and value creation.

The headcount reduction over the past 12 months, alongside other cost saving initiatives has yielded a 20% reduction year-on-year in gross administration costs, 18 months earlier than our 15–20% guidance by the end of 2023. We are also exploring further savings opportunities.

Post pandemic the attractiveness of our assets for both occupiers and visitors has been underlined by our strong operational and leasing metrics. Footfall, sales and collections continued to recover, strengthening in the second quarter in particular, and are closing on, or are above 2019 levels in some of our core assets. Leasing performance was strong, particularly against previous passing rent with a solid and diversified pipeline for the second half. Occupancy levels are up year-on-year, and affordability levels are competitive, particularly in the increasingly omnichannel environment.

We have also continued to make progress on our land promotion and pre-developments with all planned milestones in the first half met, delivering further options for value creation.

FINANCIAL PERFORMANCE

Adjusted earnings increased 154% from £20m to £51m year-on-year, driven by stronger like-for-like net rental income from higher rental income, collections and the resulting release of bad debt provisions, gross administration and net interest cost reductions, and a stronger contribution from Value Retail.

For the first time since 2017, net assets increased by £55m to £2,801m (FY21: £2,746m). EPRA NTA also increased to £2,874m at 30 June 2022 (FY21: £2,840m). Valuations in the managed portfolio were slightly down, as ERVs approach trough, particularly in the UK, whilst yields continued to be stable. The strong recovery in Value Retail's performance led to a marginal revaluation gain. Overall, when combined with higher earnings and the reduction in net debt, the IFRS profit was in line with adjusted earnings at £50m (H1 21: £376m loss).

Our financial position has continued to improve. Net debt of £1.7bn was £115m lower, largely due to the disposals completed in the first half. Headline loan to value improved to 37% (FY21: 39%), while fully proportionally consolidated loan to value was 45% (FY21: 47%). Net debt to EBITDA improved to 9.6x (FY21: 12.4x), reflecting both lower net debt and the continued recovery in earnings.

OUR STRATEGY

We own flagship destinations around which we shape the future of sustainable, vibrant, city life for generations to come.

Our strategy recognises the importance of our unique city centre locations and the opportunities we have to leverage our experience and capabilities to truly engage and excite the hundreds of millions of customers who visit our destinations each year.

Our aim is simple and clear - to deliver long-term, sustainable value for all of our stakeholders through consistent execution against our four strategic pillars:

- Deliver a sustainable and resilient capital structure
- Create an agile platform
- Reinvigorate our assets
- Accelerate development

Underpinning our strategy is our commitment to sustainability. We refreshed our sustainability strategy in the first half to demonstrate our commitment to ESG and Net Zero by 2030 to deliver benefits to our stakeholders, including comprehensive asset by asset plans to achieve our commitments.

Deliver a sustainable and resilient capital structure

We have continued to re-align our portfolio through a disciplined disposals programme of non-core assets, re-focusing the Group on a portfolio of prime urban estates, reducing indebtedness and generating capital for redeployment into core assets and developments.

We completed the sale of Victoria, Leeds for £120m and our 50% share of Silverburn, Glasgow for £70m, overall generating total gross proceeds of £194m including other non-core land, reducing net debt by 6% to £1.7bn. We have a further c.£300m to go by the end of 2023 to reach the £500m guided to at the full year. Conversations with a range of buyers are ongoing.

We refinanced £820m of expiring RCFs in late April into a new £463m facility on a 3+1+1 maturity with a smaller group of banks. At 30 June 2022, the Group had liquidity, in the form of cash balances (£0.5bn) and undrawn committed RCFs, totalling £1.2bn and has no significant unsecured refinancing requirements until 2025 not covered by existing cash.

Adjusted net finance costs were down 25%, driven by the early repayment of debt with proceeds from disposals and refinancing, the related restructuring of hedging derivatives and higher interest income received from cash deposits.

Create an agile platform

Improving and right-sizing our platform remains a priority. The actions we took in the second half of last year are already yielding results, with gross administration costs down 20% year-on-year, 18 months ahead of our target of full year 2023.

In addition to the reduction in headcount and other costs, we are exploring further opportunities to improve the agility and responsiveness of the business, and to create more efficient business processes. We are also creating more integrated, connected, automated systems that will drive further efficiency.

Reinvigorate our assets

The quality and location of our assets are what sets us apart. We have some of the best assets in the very best prime city centre catchments, and, due to the strong ties we have in the communities in which we operate, supportive local authorities. There are near term opportunities to grow income and significant opportunities for repositioning these assets in the medium term. We will do this by maximising income through optimising use of space including: the repurposing of department stores; redeveloping under-utilised space to alternative uses; curating new and engaging spaces; and attracting new occupiers and services. Our city centre locations are also attractive focal points for click and collect and last mile logistics.

The attractiveness of our assets is also emphasised by the strong leasing performance in the first half, the continuation of the momentum that started in the second half of last year. We secured a further £10.5m of income, a total of £25m over the last 12 months, more than half of which are new lettings.

Headline rent is 31% ahead of previous passing, while net effective rent is marginally ahead of ERV, demonstrating some leasing tension returning, and reflecting the importance of physical space to occupiers as we approach the valuation trough.

	No. of deals	Leasing activity £m	NER vs ERV %	Headline rent vs previous passing rent
Principal	111	9.7	+1%	+31%
Temporary	32	0.8		
Total	**143**	**10.5**		

New lettings are biased towards non-fashion uses as we continue to target a more diverse mix. Overall, non-fashion has been 51% of the mix in this half and 68% since the last half year. Increasingly, we are seeing a swing back to the majority of leases being longer term deals, and this is also reflected in the WAULB of 7.6 years recorded in principal deals in the first half.

Placemaking is an important element of our strategy and our commercialisation activity continues to endorse and enhance this. By bringing new experiences and brands we not only enliven our destinations and drive customer engagement but also deliver a meaningful contribution, with commercialisation revenue up 70% year-on-year.

It has been just four months since the full year announcement, so I would like to call out a few highlights that demonstrate this.

- The Commonwealth Games are coming to Birmingham. As well as being a sponsor, the Bullring is hosting the official store, and we have installed new EV charging spaces in Moor Street car park for use by the Games team in the immediate term, but important for sustainability in the longer term.
- Commercialisation continues to play a crucial role, not only enlivening assets and bringing new experiences and brands, but in a meaningful contribution to income, up 70% year-on-year and adding £12m of income since HY21. I would particularly call out our projects with:
  - Sky Glass, and we have seen new permanent Sky stores coming to Dundrum and Bullring;
  - Summer sports with free giant view screens at The Oracle, Westquay and Bullring;
  - Big Sara, a dinosaur exhibit installed at Westquay, a major attraction for families; and
  - Our music, events and immersive experiences across the portfolio, ranging from PRIDE, hip hop and music festivals to family days and yoga events.
- We saw good momentum in long-term renewals, including: Ernest Jones and Levi's in Westquay; Diesel in Pavilions, Swords; All Bar One at The Oracle; and Kiehls and dental clinic Smiles in Dundrum.
- The repurposing of the former House of Fraser space in Dundrum has continued with Penneys agreeing to upsize to take the remaining space not filled by Brown Thomas. This reinvigoration has seen new occupiers such as Watches of Switzerland choose Dundrum for their first Irish store and the return of brands such as Aldo.
- A key new entrant to the portfolio for us, and expanding the food and beverage selection at Brent Cross, was Marugame Udon, an authentic Japanese concept. Since the half year, we have also exchanged contracts for them to come into The Oracle.
- In terms of new uses, we are excited about LOST, an immersive theatre and events concept coming to Croydon, from the team behind Secret Cinema.
- Finally, we've also opened two units with pop-up operator SOOK. These more than cover costs whilst driving vibrancy and footfall.

Looking ahead, we have a strong leasing pipeline for the second half of the year.

Sales and footfall

Footfall recovered steadily through the period with Q2 stronger than Q1, with the latter slightly dampened by the impact of the omnicron variant on consumer appetite. Having started the year with footfall at around 77% of 2019 levels, June levels were around 90% of 2019 for the Group as a whole. Certain core destinations have continued to exhibit footfall at or above 2019 levels.

We continued to see resilient sales, with customers spending with confidence. As with footfall, Q2 showed an improving trend over Q1. For the half, sales were 2% over 2019 levels in the UK, 3% in Ireland, and around 5% below in France, although we saw sales 2% above 2019 levels in France in Q2 ahead of the key summer sales period. Strong categories included leisure, sports & outdoors, men's fashion, jewellery, food & beverage and services.

Occupancy and passing rent

Occupancy at our flagships improved year-on-year from 93% to 95%, also broadly in line with December 2021. At 30 June 2022, the UK stood at 94%, France (excluding Cergy extension) 95% and Ireland 96%. A key focus of our strategy is to drive incremental revenues and reduce cost from leasing up lower value vacant space to new occupiers and uses, such as SOOK, at the same time increasing vibrancy and footfall.

Group passing rent at 30 June 2022 was £202m, £13m or 6% lower than at the start of the year. Properties sold in the year, principally the Group's 50% share of Silverburn, Glasgow and Victoria, Leeds resulted in a decrease of £21m. On a like-for-like basis, flagship passing rent was 1.2% higher.

Collections

A key success of last year was overhauling our collections process, implementing improvements including enhanced reporting, enabling us to target outstanding receivables and drive higher collection rates as the year progressed. This success has continued into 2022, alongside an increasingly normal post pandemic environment. For FY21, Group collection now stands at 94%, 92% for H1 22 and 84% for Q3 22, compared with 71% for H1 21 and 65% for Q3 21 at this time last year. In all periods, France's collections were slower than the UK and Ireland.

Value Retail

The Villages have been operating without Covid-19 restrictions for a full six months in 2022, continuing to deliver an exceptional shopping experience, which has been reflected in strong footfall and brand sales, both approaching 2019 levels for the half year. Strong footfall and loyalty from domestic customers has seen overall spend per visit continue to increase, exceeding 2019 levels by 7% year-on-year, coupled with an increase in European tourism, and the return of some tax free shoppers, particularly at La Vallée and Las Rozas. Occupier demand for space remains high, with 178 leases signed, occupancy at 94% and collection rates at 100%. Income was further underpinned by inflation-linked clauses in the base rents for the majority of Villages. Overall, this resulted in a year-on-year increase in gross rental income of £32m at our share, which combined with good operational and financial cost discipline led to adjusted earnings of £14m, compared with a loss of £2m for the first half of 2021.

At 30 June 2022, the Group's interest in Value Retail's property portfolio was £2.0bn, with net assets of £1.1bn, the variance between the two largely due to the secured debt of £0.7bn within the Villages where the average LTV is 35%. La Vallée completed its €340m refinancing during the first half and benefited from only a marginal incremental increase in the cost of financing, reflecting the confidence in the bank market for quality assets. We continue to expect the refinancing of Bicester to conclude in the ordinary course of business in the second half of the year.

Accelerate development

We own just over 100 acres of land in Europe's most exciting cities, often adjacent to or overlapping the flagship portfolio and therefore with holistic synergies to future value, use and operation. In the short term we are focused on capital light land promotion and pre-development work to unlock value and generate optionality to take developments forward, to potentially bring in relevant partners with sectoral expertise or aligned capital, or to seek liquidity.

In March 2022, we completed the major extension at Les 3 Fontaines, Cergy, today 86% let or with deals in solicitors' hands, and with the District Food Court already fully occupied and operating. We have a clear pipeline of deals to take occupancy above 90% by the end of the year.

In Ireland, we have worked up the potential to develop a 107 unit PRS scheme – The Podium – on a vacant piece of land at Dundrum, and are in the final phases of procurement, anticipating works commencing in H2 22. The Podium serves as a proof of concept for the Dundrum estate as a whole, where we lodged planning for a scale residential-led scheme of nearly 900 units in the first half.

In Dublin Central, we are delighted to achieve three of six planning permissions and expect to make progress on a further two in the second half. We have also signed an in-principle agreement with Transport Infrastructure Ireland to locate a future metro station on the site.

In the UK we signed the s106 agreement for The Goodsyard, Bishopsgate, which has allowed us to commence the next stages of design, enabling and marketing for this development working with our partner Ballymore. In Birmingham, we are progressing designs and feasibility for a major repositioning of Grand Central alongside our partner Canada Pension Plan Investment Board ('CPP Investments'), to create an amenity rich workspace-led proposal served by New Street Station, one of the UK's busiest and most central transport nodes. Since the half year, we were delighted to expand our partnership in Birmingham with CPP Investments, forming a new 50/50 joint venture at Bullring following their acquisition of Nuveen's one third stake. At Martineau Galleries, we are working with Birmingham City Council and the West Midlands Combined Authority to look at future plans and programming for development.

In Leeds we are progressing the master planning process for our remaining c.10 acres of land and considering options to accelerate the residential components.

SUSTAINABILITY

In the first half of 2022, we refreshed our strategy to demonstrate our commitment to Net Zero and ESG to deliver benefits to our stakeholders. We have begun the process of developing Net Zero asset plans for the Group to enable us to have a clear pathway and modelled investment plan to achieve Net Zero. We have also undertaken a number of projects in the first half of the year including lighting upgrades, EV charging points, jobs fairs and school enterprise projects.

Our 2022 annual targets are set against a 2021 baseline, however, we note that the first quarter of 2021 was more heavily impacted by Covid-19 restrictions. Post pandemic, as assets operate with increased air filtration and ventilation there continues to be significant upward pressure on energy usage. However, we have delivered efficiency projects and tighter controls, offsetting this impact such that we continue to operate below 2019 levels. The table below sets out the changes against our 2021 baseline.

Proportionally consolidated		Six months ended 30 June 2022	Six months ended 30 June 2021	Change %	2022 target %
Carbon Emissions	(mtCO_2e)	3.52	3.75	-6%	-5%
Energy Demand	('000 MWh)	23.0	22.5	+2%	-5%
Energy Intensity	(kWh/m^2)	52	51	+2%	-5%
Water Demand	('000 m^3)	122	74	+65%	-7%

Our medium term targets are aligned with those in our sustainability-linked bond issued in 2021.

OUTLOOK

Physical retail is a critical part of the omnichannel fulfilment and brand experience for our occupiers and to the consumer. Our strategy is focused on best-in-class city centre destinations which play a central role for our occupiers and the communities in which we operate, and which can continue to grow and thrive.

Notwithstanding the macroeconomic events unfolding at the beginning of the year and the ensuing economic and political turbulence, the recovery in footfall, sales, collections, and leasing at our destinations has strengthened year-on-year.

We have a strong operational grip on the business. As a result of the actions we have taken since the start of 2021, Hammerson today is a better, more resilient, and financially secure business. Whilst mindful of the wider economic volatility, we have a good pipeline of opportunities ahead and look forward with more confidence.

FINANCIAL REVIEW

OVERVIEW

Adjusted earnings for the six months ended 30 June 2022 increased by £30m (154%) to £51m (IFRS Reported earnings increased to £50m compared with a loss of £376m in the prior period) driven by stronger like-for-like net rental income associated with improved collections and underlying gross rental income growth; administration cost reductions; lower net finance costs; and a strong contribution from Value Retail. On cost reductions, gross administration costs were down 20% year-on-year and 17% lower compared with H1 2019. We delivered on our commitment to reduce gross administration costs by 15%–20% by 2023, 18 months early. We see more opportunities for reductions in administration costs in the future.

Values for the managed portfolio fell marginally in the first half of the year, with a revaluation deficit of £43m, a significantly lower decline than the prior year, equivalent to a capital return of –1.5%. The premium outlets sector has remained more resilient, and the property value within our investment in Value Retail showed a £33m revaluation gain. When combined, the Group's portfolio recorded a capital return of –0.4% and a total return of +2.1%, these compared to –6.4% and –4.7%, respectively for the same period in 2021.

For the first time since 2017, net assets increased, and rose by £55m to £2,801m (FY21: £2,746m). The Group's EPRA net tangible assets grew by £34m to £2,874m (FY21: £2,840m).

We have continued to focus on strengthening the balance sheet in 2022, with £194m raised from disposals, principally Silverburn, Glasgow and Victoria, Leeds. Cash generated from operations on a proportionally consolidated basis was £65m (H1 21: £48m) resulting from the improved collection performance and better working capital management. The resulting Headline LTV reduced to 37% (31 December 2021: 39%) and fully proportionally consolidated LTV reduced to 45% (31 December 2021: 47%). During the period, the Group refinanced £820m of maturing RCFs with a new £463m facility with an initial maturity in 2025 with an option, at mutual consent, to extend to 2027. At 30 June 2022, total liquidity in committed and undrawn facilities together with cash is £1.2bn.

During the period, Moody's and Fitch's senior unsecured investment grade credit ratings were re-affirmed as Baa3 and BBB+, respectively and outlooks from both rating agencies were changed from negative to stable following recovery from the Covid-19 pandemic.

PRESENTATION OF FINANCIAL INFORMATION

The Group's property portfolio comprises properties that are either wholly owned or co-owned with third parties.

Whilst the financial statements are prepared under IFRS, the Group evaluates the performance of its portfolio by aggregating its wholly owned businesses together with its share of joint ventures and associates which are under the Group's management ('Share of Property interests') on a proportionally consolidated basis, line by line, including, where applicable, discontinued operations (in total described as the Group's 'Managed portfolio').

The Group's investment in Value Retail (VR) is not proportionally consolidated because it is not under the Group's management, is independently financed and has differing operating metrics to the Group's managed portfolio. Accordingly, it is accounted for separately as share of results of associates as reported under IFRS and is also excluded from the Group's proportionally consolidated key metrics such as net debt or like-for-like net rental income growth.

Following the full impairment of Highcross, Leicester as at 31 December 2021, the Group has ceased to recognise the results of this joint venture in the income statement, however, the Group's share of its assets and liabilities continue to be incorporated in note 12 to the interim financial statements.

However, for certain of the Group's Alternative Performance Measures (APMs), for enhanced transparency, we do disclose metrics combining both the managed portfolio and VR. These include property valuations and returns and certain credit metrics.

Management reporting and IFRS accounting treatment

	Comprising properties which are	Financial statements accounting treatment
Management reporting		
Managed portfolio	– Wholly owned and Share of Property interests	Proportionally consolidated
Value Retail	– Held as an associate	Single line – results/investment in associates
IFRS		
Managed portfolio:		
- Reported Group	– Wholly owned	Fully consolidated
	– Jointly owned	Consolidation of Group's share
- Share of Property interests	– Held in joint ventures	Single line - results/investment in joint ventures
	– Held in associates	Single line - results/investment in associates
- Discontinued operations*	– UK retail parks portfolio	Single line - discontinued operations
Value Retail	– Held as an associate	Single line - results/investment in associates

* Only applicable for H1 21, whereby proportionally consolidated figures include results up to the date of disposal in May 2021. See note 7B to the interim financial statements.

Going concern

The Directors have undertaken a detailed going concern assessment, reviewing the current and projected financial position of the Group over the period to 31 December 2023. This involved the preparation of two scenarios: a 'Base' scenario and a 'Severe but plausible' scenario. The scenarios take account of the latest economic and trading outlook, including the recovery from the Covid-19 pandemic and the increasing macro-economic and geopolitical challenges from the war in the Ukraine and cost, supply chain and inflationary pressures.

In both the Base and Severe but plausible scenarios, over the going concern period the Group has significant forecast liquidity and headroom against the Group's unsecured borrowing, gearing and interest cover covenants. Accordingly, the Directors have adopted the going concern basis when preparing the interim financial statements for the six months ended 30 June 2022.

Further details on going concern are set out in note 1D to the interim financial statements.

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 www.epra.com and the Group's key EPRA metrics are shown in Table 1 of the Additional information.

We present the Group's results on an IFRS basis but also on an EPRA, Headline and Adjusted basis as explained in note 1B to the interim financial statements. The Adjusted basis enables us to monitor the underlying operations of the business on a proportionally consolidated basis as described in the basis of preparation, and excludes capital and non-recurring items such as revaluation movements, gains or losses on the disposal of properties or investments, as well as other items which the Directors and management do not consider to be part of the day-to-day operations of the business. Such excluded items are in the main reflective of those excluded for EPRA earnings, but additionally exclude certain cash and non-cash items which we believe are not reflective of the normal routine operating activities of the Group. We believe that disclosing such non-IFRS measures enables evaluation of the impact of such items on results to facilitate a fuller understanding of performance from period to period. These items, together with EPRA and Headline adjustments are set out in more detail in note 9A to the interim financial statements.

For the first half of 2022, adjusting items additional to EPRA adjusting items comprised:

- A charge of £1.4m (H1 21: £3.3m) in respect of business transformation as the Group continues its implementation of strategic change and comprises mainly non-capitalisable costs associated with digital transformation as well as severance costs following the reorganisation which occurred mainly in the second half of 2021.
- A credit of £1.6m (H1 21: credit of £6.6m) for expected credit losses charged to the income statement but where the related income is deferred on the balance sheet such that the exclusion of this removes the distortive mismatch this causes.
- Income of £1.6m from assets held for sale which relates to the Group's 50% joint venture investment in Silverburn, Glasgow sold in March 2022. The IFRS and EPRA accounting treatment is to offset the operating income until disposal against the loss on sale, therefore it is excluded from adjusted earnings. As a result we have added the income back in order to reflect the fact that the property remained under the Group's ownership and management up until completion of the disposal and is considered to still be part of underlying earnings.

INCOME STATEMENT

The Group's IFRS reported profit for the period was £50.3m, compared with a loss of £375.5m in the prior period. The most significant year-on-year changes were: the net revaluation losses of £14.5m, an improvement of £125.7m on the comparative six month period; and an increase of £244.4m in respect of the Group's share of results of investment in joint ventures and associates. The revaluation loss in the period within our joint ventures of £26.0m was £180.6m lower than the prior period. The Group's share of results from Value Retail of £62.4m (H1 21: loss of £1.8m), included a revaluation gain of £33.0m compared with a revaluation loss of £7.9m in the prior period.

On a proportionally consolidated basis, the income statement reconciled to adjusted earnings is summarised in the table below:

Summary income statement

	Note	Six months ended 30 June 2022			Six months ended 30 June 2021		
		Proportionally consolidated (a) £m	Adjustments (a) £m	Adjusted £m	Proportionally consolidated (a) £m	Adjustments (a) £m	Adjusted £m
Net rental income		88.1	(1.6)	86.5	93.8	(6.6)	87.2
Administration expenses		(21.2)	1.4	(19.8)	(28.7)	3.3	(25.4)
Revaluation losses – Managed portfolio		(43.3)	43.3	–	(353.3)	353.3	–
Disposals and assets held for sale		(0.1)	0.1	–	(27.7)	27.7	–
Change in fair value of other investments		0.4	(0.4)	–	(0.2)	0.2	–
Share of results of associates (Value Retail)		62.4	(48.7)	13.7	(1.8)	(0.2)	(2.0)
Net finance costs		(35.7)	6.7	(29.0)	(56.6)	17.7	(38.9)
Tax charge		(0.3)	–	(0.3)	(1.0)	0.2	(0.8)
Profit/(Loss) for the period		**50.3**	**0.8**	**51.1**	**(375.5)**	**395.6**	**20.1**

Earnings/(Loss) per share		Reported pence		Adjusted pence	Reported pence		Adjusted pence
Basic	(b)	1.1p			(8.2)p		
Adjusted	(b)			1.1p			0.4p

(a) Proportionally consolidated figures are set out in more detail in note 2 and adjustments are described in more detail in note 9A to the interim financial statements.

(b) Comparative figures for H1 21 have been restated to take account of the bonus element of scrip dividends as explained further in note 10B to the interim financial statements. Previously reported figures were: Reported basic loss per share: (9.2)p; adjusted earnings per share: 0.5p.

The Group's adjusted earnings for the period were £51.1m, £31.0m higher than in the first half of 2021. The table below bridges adjusted earnings between the two periods.

Reconciliation of movements in adjusted earnings*

	Adjusted earnings £m
Adjusted profit – six months ended 30 June 2021	20.1
Increase in net rental income excluding disposals	14.1
Decrease in net finance costs	9.9
Decrease in gross administration costs	7.2
Decrease in tax charge	0.5
Increase in Value Retail earnings	15.7
Decrease in net rental income arising from disposals	(14.8)
Decrease in property fee income and management fees receivable	(1.6)
Adjusted profit – six months ended 30 June 2022	**51.1**

* Decreases and increases are all on an adjusted basis and therefore exclude adjusting items as set out in note 9A to the interim financial statements.

Net Rental Income (NRI)

Like-for-like NRI for the managed portfolio of flagship properties is calculated based on properties owned throughout both current and prior periods, calculated on a constant currency basis such that the comparatives set out in the table below have been restated accordingly.

Proportionally consolidated		Six months ended 30 June 2022 £m	Six months ended 30 June 2021 £m	*Change in like-for-like*
Like-for-like managed portfolio:				
- UK		34.3	21.9	*56.9%*
- France		18.0	13.3	*35.3%*
- Ireland		17.3	11.9	*44.7%*
		69.6	47.1	*47.7%*
Disposals		3.6	18.4	
Developments and other		13.3	20.5	
Foreign exchange		–	1.2	
Adjusted net rental income		86.5	87.2	
Change in provision for amounts not yet recognised in the income statement	*	1.6	6.6	
Net rental income		88.1	93.8	

* Relates to the change in provision for amounts not yet recognised in the income statement for expected credit losses whereby the related income is deferred on the balance sheet. The amount has been excluded from Adjusted net rental income to eradicate the distortion of cost being recognised in one accounting period and the related revenue being recognised in a different accounting period as further described in note 9A to the interim financial statements.

Like-for-like NRI increased by £22.5m (47.7%) against the comparative six months. The key factors causing the increase were improved collections which resulted in a reduced bad debt provision, increased variable turnover rent and income from car parks and commercialisation.

In the UK, like-for-like NRI increased by £12.4m with France up by £4.7m, and Ireland up £5.4m. Disposals during 2022 and 2021 reduced NRI for the period by £14.8m. £10.3m of the decline related to the disposal of the UK retail parks in 2021, and £3.3m in respect of Silverburn, Glasgow and Victoria, Leeds which were disposed in March 2022 and February 2022, respectively.

Further analysis of net rental income by segment is provided in Table 6 of the Additional information.

Analysis of rental income

NRI for the Group is analysed further below to break out Share of Property interests.

Six months ended 30 June 2022

Proportionally consolidated	Reported Group £m	Share of Property interests Joint ventures £m	Share of Property interests Associates £m	Share of Property interests Subtotal £m	Discontinued operations £m	Total £m
Gross rental income	43.9	56.8	3.1	59.9	–	103.8
Ground rents payable	(0.4)	(0.3)	–	(0.3)	–	(0.7)
Property outgoings	(4.1)	(11.7)	(0.8)	(12.5)	–	(16.6)
Adjusted net rental income	39.4	44.8	2.3	47.1	–	86.5
Change in provision for amounts not yet recognised in the income statement	0.7	0.9	–	0.9	–	1.6
Net rental income	40.1	45.7	2.3	48.0	–	88.1

Six months ended 30 June 2021

Proportionally consolidated	Reported Group £m	Share of Property interests Joint ventures £m	Share of Property interests Associates £m	Share of Property interests Subtotal £m	Discontinued operations £m	Total £m
Gross rental income	41.6	66.9	3.2	70.1	10.7	122.4
Ground rents payable	(0.6)	(0.1)	–	(0.1)	(0.1)	(0.8)
Property outgoings	(12.4)	(21.6)	(0.5)	(22.1)	0.1	(34.4)
Adjusted net rental income	28.6	45.2	2.7	47.9	10.7	87.2
Change in provision for amounts not yet recognised in the income statement	1.3	3.9	–	3.9	1.4	6.6
Net rental income	29.9	49.1	2.7	51.8	12.1	93.8

Share of Property interests

NRI decreased to £48.0m from £51.8m in the prior period (with adjusted NRI decreasing to £47.1m from £47.9m). The key movements from the prior period were an adverse impact of £2.4m from disposals and a year-on-year decrease in surrender premiums of £10.7m. These were largely offset by an improvement in collections resulting in a year-on-year reduction of £9.6m in the charge for provisions.

Administration expenses

Proportionally consolidated	Six months ended 30 June 2022 £m	Six months ended 30 June 2021 £m
Employee costs – excluding variable costs	15.6	20.0
Variable employee costs	3.5	3.9
Other corporate costs	10.0	12.4
Gross administration costs	29.1	36.3
Property fee income	(6.4)	(7.2)
Management fees receivable	(2.9)	(3.7)
Adjusted administration expenses	19.8	25.4
Business transformation costs	1.4	3.3
Administration expenses	21.2	28.7

During the first half of 2022, adjusted administration expenses, which exclude business transformation costs, decreased by £5.6m against the same period in 2021. The decrease, reflecting the Group's focus on cost reduction, principally relates to:

- Employee costs following the reduction in headcount arising from business transformation related reorganisation activities which occurred in the second half of 2021. Headcount during the first half of the year reduced from 426 to 371.
- Other corporate costs, where the most significant element was a decrease of £1.9m in Directors and Officers insurance premiums reflecting the strengthening of the Group's financial position. The remainder of the decrease was predominantly in professional fees which have reduced following fewer corporate projects than in the first half of 2021.

Business transformation costs comprised digital transformation costs, consisting mainly of fees for contractors and consultants, which were not eligible for capitalisation, and severance costs incurred in the first half, but relating to the ongoing strategic re-organisation initiated in the second half of 2021 (H1 21: £3.3m comprising mainly consultancy fees and severance costs).

Disposals and assets held for sale

During the first half of 2022, we raised proceeds of £194m, relating mainly to the disposals of Silverburn, Glasgow and Victoria, Leeds. These disposals resulted in a net loss of £0.1m.

Share of results of joint ventures and associates, including Value Retail

Our interests in joint ventures and associates are set out in the property listing in Table 20 of the Additional information. Our Reported share of results under IFRS was a combined profit of £78.2m (H1 21: loss of £166.2m).

On an adjusted basis, excluding properties classified on a proportionally consolidated basis as Share of Property interests, the share of results, which comprised solely the Group's investment in Value Retail, generated adjusted earnings of £13.7m compared to a loss of £2.0m in H1 2021. The year-on-year improvement principally reflects increased sales resulting from the easing of Covid-19 restrictions where lockdowns in H1 2021 meant that Villages were closed for part of the period. Additionally, in H1 21, due to the differing contract structures, rental adjustments granted by Value Retail were recognised for accounting purposes in the period to which they related and not as lease modifications, with rental adjustments more weighted to 2021 when longer lockdown periods were suffered.

Net finance costs

Proportionally consolidated	Six months ended 30 June 2022 £m	Six months ended 30 June 2021 £m
Adjusted finance income	11.5	**6.3**
Finance costs		
Gross interest costs	(41.7)	(48.7)
Interest capitalised	1.2	3.5
Adjusted finance costs	(40.5)	**(45.2)**
Adjusted net finance costs	(29.0)	**(38.9)**
Debt and loan facility cancellation costs	(1.2)	(17.3)
Change in fair value of derivatives	(5.5)	(0.4)
Net finance costs	(35.7)	**(56.6)**

Adjusted net finance costs were £29.0m, a decrease of £9.9m, compared with H1 21. The decrease was driven by the early repayment of debt utilising proceeds from disposals, the related restructuring of hedging derivatives and higher interest income from cash deposits. Key components comprised a £0.9m reduction in interest paid following repayment of USPP notes, a £3.4m reduction in interest paid from cross currency swaps, a £5.3m increase in interest income from foreign exchange and interest rate swaps and a £0.8m increase in interest income from cash deposits.

Proportionally consolidated net finance costs decreased by £20.9m to £35.7m compared to H1 21, with £11.0m of the decrease relating to lower debt and loan facility cancellation costs partly offset by changes in the fair value of derivatives, both of which are treated as adjusting items and are described further in note 9A to the interim financial statements. Debt and loan facility cancellations costs totalled £1.2m (H1 21: £17.3m) and relate to unamortised facility fees in respect of revolving credit facilities which were extinguished and replaced with a new £463m facility as set out below.

Tax

The Group's tax charge was £0.3m which compares to £0.8m for the comparative period with the reduction being due to certain changes in the Irish capital structure.

The tax charge remains low as the Group benefits from being a UK REIT and French SIIC and its Irish assets are held in a QIAIF. The Group is committed to remaining in these tax exempt regimes and further details on these regimes are given in note 6 to the interim financial statements.

In order to satisfy the REIT conditions, the Company is required, on an annual basis, to pass certain business tests. The Group expects to meet all requirements for maintaining its REIT status for the year ending 31 December 2022 and to continue doing so for the foreseeable future.

Dividends

The Board has declared an interim cash dividend of 0.2 pence per share. Subject to shareholder approval, the Board intends to provide an enhanced scrip dividend alternative of 2.0 pence per share. This is currently expected to be the last enhanced scrip dividend alternative for the purpose of discharging the Company's remaining SIIC obligation of approximately €57m arising from the profit on disposal of 75% of Italie Deux in 2019.

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. As set out in note 8 to the interim financial statements, dividends of £63.2m were settled in respect of 2021 during the period, of which £1.2m was settled in cash.

NET ASSETS

Summary net assets

	30 June 2022				31 December 2021			
	Reported Group £m	Share of Property interests £m	EPRA adjustments* £m	EPRA Net tangible assets £m	Reported Group £m	Share of Property interests £m	EPRA adjustments* £m	EPRA Net tangible assets £m
Investment and trading properties	1,531	1,803	-	3,334	1,595	1,883	-	3,478
Investment in joint ventures	1,426	(1,426)	-	-	1,452	(1,452)	-	-
Investment in associates - Value Retail	1,223	-	80	1,303	1,141	-	95	1,236
- Italie Deux	107	(107)	-	-	106	(106)	-	-
Assets held for sale	-	-	-	-	71	(71)	-	-
Net trade receivables	27	16	-	43	27	19	-	46
Net debt	(1,432)	(272)	1	(1,703)	(1,565)	(254)	8	(1,811)
Other net liabilities	(81)	(14)	(8)	(103)	(81)	(19)	(9)	(109)
Net assets	2,801	-	73	2,874	2,746	-	94	2,840
EPRA NTA per share				62p				64p

* Adjustments in accordance with EPRA best practice, principally in relation to deferred tax, as shown in note 9B to the interim financial statements.

During the first six months of 2022, net assets increased by £55m, or 2%, to £2,801m. Net assets, calculated on an EPRA Net Tangible Assets (NTA) basis, were £2,874m, or 62 pence per share, a reduction of 2 pence compared to 31 December 2021 due to dilution from the final 2021 scrip dividend. This is equivalent to a total accounting return of 2%. The key components of the movement during the period in Reported Group net assets and EPRA NTA are as follows:

Movement in net assets

Proportionally consolidated including Value Retail	Reported Group £m	EPRA adjustments* £m	EPRA NTA £m
1 January 2022	2,746	94	2,840
Property revaluation – Managed portfolio	(43)	-	(43)
– Value Retail	33	-	33
Adjusted earnings	51	-	51
Change in deferred tax	6	3	9
Debt and loan facility cancellation costs	(1)	-	(1)
Dividends	(12)	-	(12)
Foreign exchange and other movements	21	(24)	(3)
30 June 2022	2,801	73	2,874

* Adjustments in accordance with EPRA best practice, principally in relation to deferred tax, as shown in note 9B to the interim financial statements.

PROPERTY PORTFOLIO ANALYSIS

Investment markets

Increased investment activity, which was seen in the second half of 2021, continued in the first half of 2022 with improved investor sentiment despite the headwinds of high inflation, supply chain issues and the uncertainty surrounding the war in Ukraine.

In the UK, there were 23 shopping centre transactions totalling £1.2bn including transactions involving non-managed stakes in prime shopping centres and larger lot sizes evidenced by the recent closing of CPP Investments' acquisition of Nuveen's one third stake in the Bullring. Investment volumes therefore continue to remain resilient although around 50% of this volume related to the sale of the Cheshire Oaks and Swindon designer outlets, with the remaining schemes generally being well let, secondary assets or with the potential to redevelop. There are currently at least a further 30 centres (including outlets) in the market at a combined value of £1.2bn. There is still opportunity in the market with returns continuing to be attractive, however, caution remains around how the wider market headwinds will affect investor appetite in the second half of the year (Source: JLL).

In France, prime yields remain stable and lending institutions, mainly domestic, have become more open to lending on retail although criteria remain strict. Retail investment increased in the period, although this was linked to slippage of large deals which commenced in 2021 and a number of smaller transactions in out of town locations. Joint venture transactions continued with the transaction of Carré Senart in the Paris region with Unibail-Rodamco-Westfield disposing of a 45% stake in the centre to BNP Paribas Cardif/SOGECAP. A joint venture deal was also concluded on transport hubs (Gare Montparnasse in Paris and Italian stations) between ALTAREA and Credit Agricole Assurance (Source: JLL).

In Ireland, there was limited retail investment activity with retail representing just 3% of total transactions and no transactions of significance (Source: C&W).

Portfolio valuation

The Group's external valuations continue to be conducted by CBRE Limited (CBRE), Cushman & Wakefield LLP (C&W) and Jones Lang LaSalle Limited (JLL), providing diversification of valuation expertise across the Group. At 30 June 2022 the majority of our UK flagship destinations have been valued by JLL and CBRE, the French portfolio by JLL, and the Irish portfolio, Value Retail (VR) and Brent Cross have been valued by C&W, this is unchanged from 31 December 2021.

At 30 June 2022, the Group's portfolio was valued at £5,286m, a reduction of £86m (1.6%) since 31 December 2021. This movement was primarily due to disposals totalling £194m comprising mainly Silverburn, Glasgow and Victoria, Leeds partly offset by capital expenditure of £56m and favourable foreign exchange gains of £72m. Movements in the portfolio valuation are shown in the table below.

Movements in property valuation

		Flagships £m	Developments and other £m	Managed portfolio £m	Value Retail £m	Group portfolio £m
Value at 1 January 2022		2,784	694	**3,478**	1,894	**5,372**
Revaluation (losses)/gains	*	(24)	(30)	(54)	33	(21)
Capital expenditure		39	15	54	2	56
Reclassifications		207	(207)	–	–	–
Capitalised interest		–	1	1	–	1
Disposals		(187)	(7)	(194)	–	(194)
Foreign exchange		45	4	49	23	72
Value at 30 June 2022		2,864	470	3,334	1,952	5,286

* Revaluation losses of the Managed portfolio excluding the Highcross joint venture (included within 'Developments and other') were £43m and this is further analysed in Table 9 of the Additional information. The Highcross joint venture is excluded from that analysis owing to the Group's share of net losses after revaluation being restricted to £nil as described in note 12 to the interim financial statements.

During the period, capital expenditure on the managed portfolio was £54m and related mainly to the Cergy extension project, which opened in March, cladding works at Bullring and works to repurpose the former House of Fraser anchor unit at Dundrum where Brown Thomas opened in February. Table 11 of the Additional information analyses the spend between the creation of additional area and that relating to the enhancement of existing space.

The Cergy extension expenditure is recorded in both the Flagships and Developments and other portfolios as the project was reclassified to the Flagship portfolio upon opening.

Valuation change (£m)*

* Revaluation losses of the Managed portfolio exclude the Highcross joint venture owing to the Group's share of net losses after revaluation being restricted to £nil as described in note 12 to the interim financial statements.

During the first half of 2022, we recognised a total net revaluation deficit of £10m across the Group portfolio, comprising £43m in respect of the managed portfolio which was largely offset by a revaluation gain of £33m in Value Retail. Yields were broadly unchanged, hence the valuation movements were associated with changes in income and development activities.

UK flagship destinations reported a revaluation deficit of £17m. Income changes reduced values by £21m, although this was partly offset by a £4m uplift from marginally inward yield shift at Bullring and Brent Cross. In France, values were largely unchanged, while in Ireland yields increased by an average of 4 basis points which reduced values by £7m and this was partly offset by £4m associated with higher income.

A deficit of £20m was recognised on the 'Developments and other' portfolio of which £8m related to Croydon associated with lower income and £8m related to the future development schemes in Dublin due to inflationary concerns over future development costs.

Consistent with continued strong post-pandemic recovery in trading, the Value Retail portfolio recorded a revaluation gain of £33m, driven solely by higher income, of which £25m related to Bicester Village.

Further analysis is included in Table 9 of the Additional information.

Like-for-like ERV growth*

	UK %	France %	Ireland %	Flagship destinations %
30 June 2022	(1.4)	0.8	0.5	**(0.3)**
31 December 2021	(10.6)	(1.5)	(3.0)	**(6.7)**
30 June 2021	(6.8)	(0.3)	(1.1)	**(4.1)**

* Calculated on a constant currency basis for properties owned throughout the relevant reporting period.

Consistent with the improved leasing metrics in the first half of the year, like-for-like ERV for the Group's flagships were broadly flat with an overall reduction of 0.3%.

UK ERVs were 1.4% lower with selective reductions at all assets, except for Westquay which reported a small increase in ERV.

ERVs in France increased by 0.8% with the most significant increase being at the existing Les 3 Fontaines, Cergy centre where like-for-like ERVs increased by 2.4% associated with the benefit of the completion of the extension project which opened in March 2022.

In Ireland, ERVs were up 0.5%, with Dundrum reporting a 0.6% increase driven by the opening of Brown Thomas in the former House of Fraser unit in February, with Penneys relocating into the remaining space in the first half of 2023.

Property returns analysis

The Group's managed property portfolio generated a total property return of 1.0%, comprising an income return of 2.6% offset by a capital return of –1.5%. Incorporating the income and capital returns from the Value Retail portfolio, this generates a total return for the Group of +2.1% (H1 2021: –4.7%), comprising +2.5% income return and –0.4% capital return.

Six months ended 30 June 2022

Proportionally consolidated	UK %	France %	Ireland %	Flagship destinations %	Developments and other %	Managed portfolio %	Value Retail %	Group portfolio %
Income return	3.8	2.3	2.6	**2.9**	1.1	**2.6**	2.4	**2.5**
Capital return	(1.8)	–	(0.6)	**(0.8)**	(5.2)	**(1.5)**	1.7	**(0.4)**
Total return	2.0	2.3	2.0	**2.1**	(4.2)	**1.0**	4.1	**2.1**

Six months ended 30 June 2021

	UK %	France %	Ireland %	Flagship destinations %	UK retail parks %	Developments and other %	Managed portfolio %	Value Retail %	Group portfolio %
Income return	3.0	1.8	1.9	**2.3**	2.6	0.7	**2.2**	1.6	**1.8**
Capital return	(13.4)	(4.2)	(6.6)	**(8.9)**	(8.8)	(9.5)	**(9.0)**	(0.4)	**(6.4)**
Total return	(10.7)	(2.5)	(4.8)	**(6.7)**	(6.4)	(8.9)	**(7.1)**	0.7	**(4.7)**

INVESTMENT IN JOINT VENTURES AND ASSOCIATES

Details of the Group's joint ventures and associates are shown in notes 12 and 13 to the interim financial statements.

Joint ventures

During the six months to 30 June 2022, our investment in joint ventures decreased by £26m to £1,426m where the most significant movements were the Group's share of net rental income of £46m offset by revaluation losses of £26m and cash distributions to the Group of £47m.

Associates

Our investment in associates increased by £84m to £1,331m of which the Group's investment in Value Retail ('VR') was £1,223m. Key movements were revaluation gains of £33m and adjusted earnings of £14m, both from VR and foreign exchange of £17m.

TRADE RECEIVABLES

In 2021, the intermittent closures of the majority of non-essential retail across all regions as a result of the pandemic, coupled with the UK governments restrictions on landlords' ability to enforce collection, impacted collection rates and consequently, the level of trade receivables remained high. Over the course of the first half of 2022, conditions have improved, especially as most of the government restrictions on collections in the UK were lifted in March 2022 and although restrictions differed in France and Ireland, similar improvements have also been seen. With the backdrop of macro-economic uncertainties, we consider it premature to be extrapolating this as a trend and our approach to provisioning remains cautious and prudent.

Gross trade (tenant) receivables on a proportionally consolidated basis totalled £86.6m (31 December 2021: £99.5m) against which a provision of £43.6m (31 December 2021: £53.3m) has been applied. This provision is 73% (31 December 2021: 76%) of trade receivables after excluding tenant deposits, guarantees and VAT of £59.9m (31 December 2021: £70.5m). Further analysis is set out below and in note 14 to the interim financial statements.

	30 June 2022				31 December 2021			
	Gross trade receivables £m	*Trade receivables net of deposits, guarantees and VAT £m*	Provision £m	Net trade receivables £m	Gross trade receivables £m	*Trade receivables net of deposits, guarantees and VAT £m*	Provision £m	Net trade receivables £m
UK	33.3	*28.7*	(19.8)	13.5	46.3	*38.4*	(27.2)	19.1
France	48.2	*27.1*	(21.0)	27.2	45.2	*25.6*	(21.7)	23.5
Ireland	5.1	*4.1*	(2.8)	2.3	8.0	*6.5*	(4.4)	3.6
Managed portfolio	86.6	*59.9*	(43.6)	43.0	99.5	*70.5*	(53.3)	46.2
Share of Property interests	(38.1)	*(29.5)*	21.7	(16.4)	(44.6)	*(36.8)*	25.9	(18.7)
Reported Group	48.5	*30.4*	(21.9)	26.6	54.9	*33.7*	(27.4)	27.5

FINANCING AND CASHFLOW

Financing strategy

Our financing strategy is to borrow predominantly on an unsecured basis 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, where short term funding is principally through syndicated revolving credit facilities, and to ensure an appropriate medium to long term maturity profile. 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. 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.

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 reviews regularly the Group's financing strategy and approves financing guidelines against which it monitors the Group's financial structure. Where there is any non-compliance with the guidelines, this should not be for an extended period but the Group always strives to maintain an investment grade credit rating. The key financing metrics are set out below.

Key financial metrics

Proportionally consolidated unless otherwise stated			Calculation (References to Additional information)	30 June 2022	31 December 2021
Net debt			Table13	**£1,704m**	£1,819m
Liquidity				**£1,167m**	£1,464m
Weighted average interest rate				**2.7%**	3.0%
Weighted average maturity of debt				**3.6 years**	4.1 years
FX hedging				**88%**	89%
Net debt : EBITDA	(a)		Table 15	**9.6x**	12.4x
Loan to value – Headline	(b)		Table 17	**37%**	39%
Loan to value – Full proportional consolidation of VR	(c)		Table 17	**45%**	47%
Metrics with associated financial covenants		Covenant			
Interest cover	(d)	≥ 1.25x	Table 16	**2.92x**	2.51x
Gearing – Selected bonds	(e)	≤ 175%	Table 18	**62%**	67%
– Other borrowings and facilities		≤ 150%	Table 18	**62%**	67%
Unencumbered asset ratio		≥ 1.5x	Table 19	**1.92x**	1.82x
Secured borrowings/equity shareholders' funds		≤ 50%		**14%**	14%
Fixed rate debt as a proportion of total debt		n/a		**87%**	85%

(a) EBITDA calculated on a 12 month rolling basis.

(b) Headline: Loan excludes Value Retail net debt and Value includes Value Retail net assets.

(c) Full proportional consolidation of VR: Loan includes Value Retail net debt and Value includes Value Retail property values.

(d) Interest cover for the six months ended 30 June 2021 was 2.08 times.

(e) Applicable to bonds maturing in 2023, 2025 and 2027 (as set out in note 15 to the interim financial statements).

Credit ratings

Moody's and Fitch's senior unsecured investment grade credit ratings were re-affirmed during the period as Baa3 and BBB+ respectively and outlooks from both rating agencies were changed from negative to stable following the strengthening of the Group's financial position.

On 4 February 2022, Moody's re-affirmed their Baa3 corporate rating and changed the outlook to stable from negative due to:

- The recovery in operating performance, including footfall and retail sales that are now close to their pre-pandemic levels.
- Recovering investment markets for retail assets making further large value drops in asset values far less likely and reducing the risk of decreased capacity under covenants.
- The Group's ongoing asset disposal plans that will aid further deleveraging.
- The progress the Group has made in managing its balance sheet including accessing debt markets and refinancing its upcoming debt maturities as well as its revolving credit facilities.

On 4 May 2022, Fitch re-affirmed their existing ratings of BBB+ (senior unsecured) and BBB Issuer Default Rating, also changing the outlook from negative to stable due to a "reduced downside risk of lower rents in UK shopping centres within Hammerson's portfolio after a cumulative reset in like-for-like lower passing rent by around 25% since end 2018".

Leverage

At 30 June 2022, the Group's gearing was 62% (31 December 2021: 67%) and Headline loan to value ratio was 37% (31 December 2021: 39%).

At 30 June 2022, the Group's share of net debt in Value Retail totalled £677m (31 December 2021: £680m). Fully proportionally consolidating Value Retail's net debt, the Group's loan to value ratio was 45% (31 December 2021: 47%).

Calculations for gearing and loan to value are set out in Tables 18 and 17 of the Additional information, respectively.

Borrowings and covenants

The terms of the Group's unsecured borrowings contain a number of covenants which provide protection to the lenders as set out in the Key financial metrics table above. At 30 June 2022, the Group had significant headroom against these metrics.

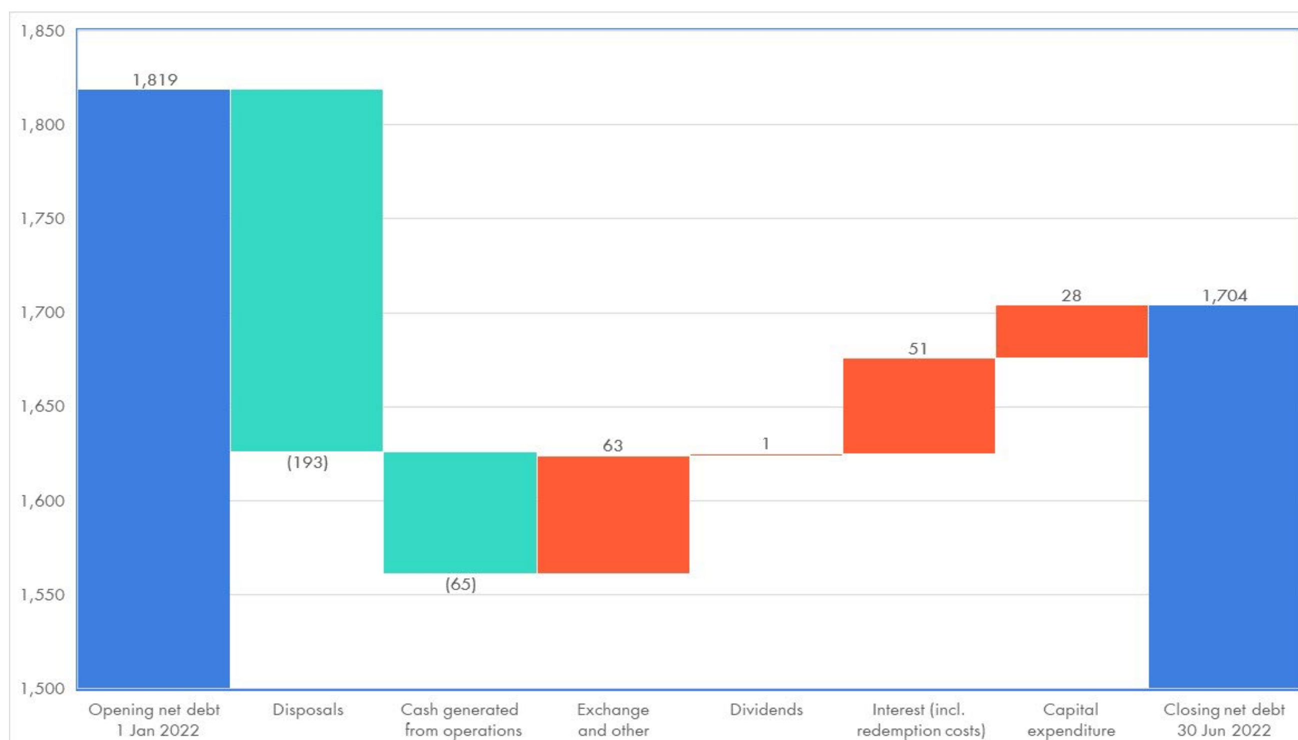
In addition, some joint ventures and associates have secured debt facilities which include covenants specific to those properties, including covenants for loan to value and interest cover, however, there is no recourse to the Group. At 31 December 2021 and 30 June 2022, certain covenants on the secured loan at the Highcross, Leicester joint venture were in breach and an impairment of the full equity value was recognised. The Group is working constructively and actively with lenders to realise 'best value'.

Managing foreign exchange exposure

The Group's exposure to foreign exchange translation differences on euro-denominated assets is managed through a combination of euro borrowings and derivatives. At 30 June 2022, the value of euro-denominated liabilities as a proportion of the value of euro-denominated assets was 88% compared with 89% at the beginning of the year. Interest on euro debt also acts as a partial hedge against exchange differences arising on net income from our overseas operations. Sterling weakened against the euro during the period by 2.4%.

CASH FLOW AND NET DEBT

Movement in proportionally consolidated net debt (£m)



On a proportionally consolidated basis, net debt decreased by £115m (6%) to £1,704m during the first six months. This comprised loans of £2,206m and the fair value of currency swaps of £7m, less cash and deposits of £509m, of which £399m is held by the Reported Group. Disposals during the period generated £193m net cash proceeds. Cash generated from operations of £65m comprised profit from operating activities of £67m less £2m movements in working capital and other non-cash items.

The Group completed significant refinancing during 2021, providing a resilient capital structure, including the refinancing of €1bn near term bond maturities with a new €700m sustainability-linked bond and proceeds from disposals. As at 31 December 2021, the Group had a number of Revolving Credit Facilities (RCFs) in place with a total of £1,030m commitments expiring between April 2022 and April 2024. During the first half of 2022, the following activities were undertaken to refinance and extend these facilities:

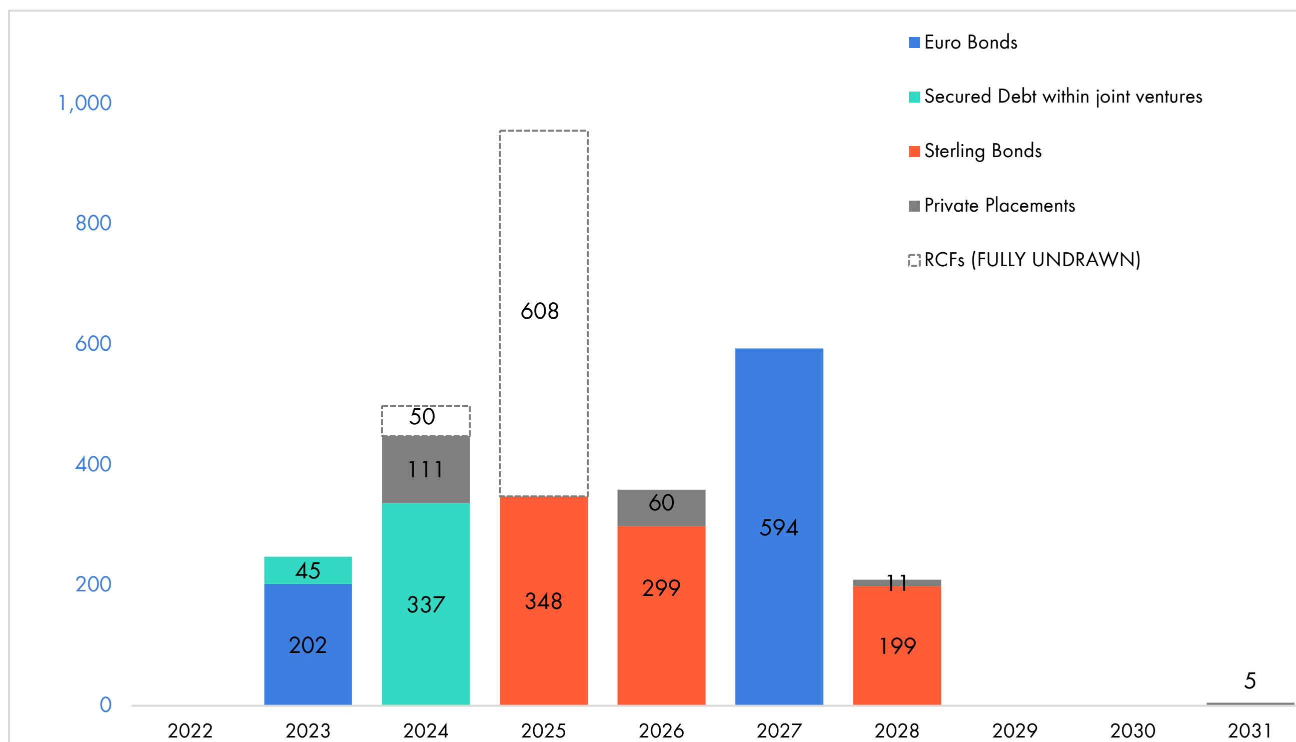
- £820m of facilities, comprising a £420m RCF with commitments expiring in 2023 and a £400m RCF with commitments expiring between 2023 to 2024, were refinanced with a new £463m RCF expiring in April 2025, which may be extended to April 2027 at the latest, subject to both lender and borrower consent. A further £10m of commitments expired in April 2022.
- £100m and JPY7.8bn (£47m) of RCF commitments expiring in June 2024 were extended to a new expiry in June 2025. The remaining £50m of commitments with an expiry of June 2024 remain unchanged.

Following these changes, committed facilities have been reduced by £370m from £1,030m at 31 December 2021 to £660m at 30 June 2022 with £2m utilised to support ancillary facilities. This will result in an interest cost saving of £0.8m per annum in undrawn commitment fees whilst maintaining a strong balance sheet and extending the maturities of remaining commitments.

In addition, further to the £297m of private placement notes repaid in 2021, notes totalling £42m were repaid early at par in April 2022, saving £0.9m of interest on an annualised basis.

The Group's liquidity at 30 June 2022, comprising cash and undrawn committed facilities, was £1,167m, £297m lower than at the beginning of the year. This was primarily due to the £370m reduction in RCF committed facilities, being partially offset by the retention of cash proceeds from disposals.

Debt and facility maturity
Proportionally consolidated (£m)



The Group's weighted average maturity is 3.6 years (31 December 2021: 4.1 years). The future repayment of 2023 unsecured Eurobonds and 2024 private placements are covered by existing cash with the Group having no further unsecured maturities until 2025.

RISKS AND UNCERTAINTIES

The Board continually reviews and monitors the principal risks and uncertainties which could have a material effect on the Group's results. The Directors have considered the principal risks and uncertainties disclosed in the Annual Report for the year ended 31 December 2021 and do not consider the fundamental principal risks and uncertainties to have changed, however, during the period, a review has been undertaken of catastrophic event risk which has now been revised into two separate risks and the residual risk reappraised as follows.

4. Catastrophic event – now two separate risks

Risk	Description
Cyber security Residual risk: Medium	– Cyber threats from various sources including corporate spies, hacktivists, terrorist groups, hostile nation-states and criminal organisations lead to disruption of business operations – Increased use of information technology systems, human error or hybrid working increase the likelihood of vulnerabilities being exploited leading to loss of commercially sensitive or personal data
Health & Safety Residual risk: Medium	– Failure to adhere to health and safety regulations in our assets leads to significant reputational damage or sanction against the Group or senior individuals – Our operations, customer safety, reputation or financial performance are adversely affected by a major event such as a terrorist attack, significant geopolitical volatility, flood, power shortage, civil unrest, geopolitical crisis or pandemic – Poor assessment of health and safety risks or lack of resource results in a failure to protect both occupiers and shoppers

The principal risks and uncertainties for 2021 are listed below with the assessment of the residual risk. Full disclosure of these risks, including the factors which mitigate them, is set out within the Risk and uncertainties section of the Annual Report 2021.

Risk	Description
1. Macroeconomic Residual risk: High	– Our financial performance is directly impacted by the macroeconomic environment in the countries in which we operate. Key factors affecting our occupiers, customers and the Group are GDP, disposable income changes, employment levels, inflation, business and consumer confidence, supply chain shortages, interest rates and foreign exchange volatility – Major events such as the Covid-19 pandemic and war in Ukraine create heightened macroeconomic and property market uncertainty, adversely impacting the Group's performance
2. Retail market and valuations Residual risk: High	– We own and operate property in a rapidly evolving retail marketplace. Failure to anticipate and address structural changes in consumer and occupational markets, such as omnichannel retailing and digital technology, will impair future performance – Retailer profitability, particularly in the UK, has been under significant pressure due to increased costs, such as business rates and employment costs, and the erosion of margins from channel shift. These challenges have been severely exacerbated by the Covid-19 pandemic. These pressures are filtering through from retailers to landlords during lease negotiations – Changing consumer shopping habits, including channel shift, are adversely affecting certain retail categories, such as high street fashion and traditional department stores. This has resulted in tenant failures and shrinking store portfolios, causing an oversupply of physical retail space and falling rents – Retail property valuations have fallen in the last few years, adversely affecting the delivery of future strategic plans and the Group's financial position, particularly debt covenants (see Capital structure, risk 7) – Opportunities to divest properties are missed, or are limited by market conditions, which reduces financial returns and adversely affects the Group's credit metrics and funding strategy – Poor investment decisions involving acquisitions and disposals result in sub-optimal returns
3. Non-retail and mixed-use property Residual risk: Low	– The Group targets the wrong part of the property sector for its developments – Development projects take significant time to deliver in which time markets and local environments have changed – Lack of access to capital on attractive terms, leads to lower profitability or reduced liquidity – The Group is unable to attract senior individuals with the correct skills, knowledge and experience to successfully implement the future strategy
4. Catastrophic event	– Revised into two separate risks as set out above
5. Tax and regulation Residual risk: Medium	– Governments have borrowed heavily to provide financial support during the Covid-19 pandemic. This debt will need to be repaid through increased taxes which could hinder future recovery – The real estate and physical retail sectors have suffered rising costs over recent years through higher business rates, living wage, stamp duty etc. These adversely impact the profitability of our occupiers and the Group's financial performance – There is an increasing burden from compliance and regulatory requirements which can impede operational and financial performance – The UK's exit from the EU continues to create some uncertainty over the future tax and regulatory environment – Tax laws that apply to the Group's businesses may be amended by the relevant authorities, for example, as a result of changes in fiscal circumstances or priorities

6. Climate Residual risk: Medium	– Asset-based actions to reduce carbon emissions are not sufficiently focused or delivered at pace – Failure to establish and communicate a strategy that properly addresses climate risk including the setting and meeting of appropriate targets could adversely impact the Group's reputation (with occupiers and customers), financial performance and investor demand – Failure to provide assets in line with market standards or customer preferences – As the economy transitions to a more circular system, there could be increased focus on minimising resource input and waste creation, impacting the Group's ability to obtain appropriate resources and materials throughout its value chain – Emerging environmental regulations and legislation, including local climate-related initiatives, will increase reporting and compliance requirements and potential for non-compliance if not effectively managed – Climate risk considerations adversely impact valuations – Extreme weather events and other physical manifestations of climate change impact our assets
7. Capital structure Residual risk: Medium	– Investor sentiment towards shopping centres as an asset class weakens, driving down valuations. Reductions in valuations or income could result in a breach of debt covenants, relating to both secured and unsecured borrowings. Future strategic plans may not be delivered as a result – Poor treasury planning or external factors, including failures in the banking market, ratings agency downgrades, or lack of access to capital on attractive terms, leads to the Group having insufficient liquidity to enable the delivery of our strategy objectives – Major fluctuations in sterling or euro exchange rates, or a significant increase in interest rates, could result in financial losses
8. Property development Residual risk: Medium	– Property development is inherently risky due to its complexity and uncertain outcomes over the life of a project. Unsuccessful projects result in adverse financial and reputational outcomes – Major schemes have long delivery times with multiple milestones, including planning and leasing – Over-exposure to developments increases the potential financial impact of adverse valuation, cost inflation or other market factors which could overstretch the Group's financial capacity – Projects require appropriate resource and can be management intensive and are challenging to amend or stop once onsite
9. People Residual risk: Medium	– A failure to retain or recruit key management and other colleagues to provide diverse and skilled teams could adversely impact operational and corporate performance – Weaker financial performance and market uncertainty adversely impact colleague morale, retention and external recruitment – The Group's organisational structure may hinder the achievement of strategic objectives, particularly in times of significant activity
10. Transformation Residual risk: Medium	– Execution of the transformation programme, with its interdependencies, is inherently risky – Poor planning, delivery and review results in process and control gaps – The Group does not effectively manage cultural change – Impact and level of distraction on business-as-usual activity could be high – Transformation costs may be higher than budget
11. Partnerships Residual risk: High	– A significant proportion of the Group's properties are held in conjunction with third parties. These structures limit the Group's control and can reduce liquidity – Operational effectiveness and financing strategies may also be adversely impacted if partners are not strategically aligned – Several joint ventures and Value Retail contain secured debt facilities. Adverse income collections and/or valuation reductions could impact covenants – Our Value Retail investment is externally managed, and this reduces control and transparency over performance and governance. The interests also contain transaction pre-emption rights in favour of the Group and other investors and limit the liquidity and investor appetite for this investment

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 six month period ended 30 June 2022 (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.

The interim financial statements comprise:

- the Consolidated Balance Sheet as at 30 June 2022;
- 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.

Basis for conclusion

We conducted our review in accordance with International Standard on Review Engagements (UK) 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' issued by the Financial Reporting Council 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.

Conclusions relating to going concern

Based on our review procedures, which are less extensive than those performed in an audit as described in the Basis for conclusion section of this report, nothing has come to our attention to suggest that the Directors have inappropriately adopted the going concern basis of accounting or that the Directors have identified material uncertainties relating to going concern that are not appropriately disclosed. This conclusion is based on the review procedures performed in accordance with this ISRE. However, future events or conditions may cause the Group to cease to continue as a going concern.

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

Our responsibility is to express a conclusion on the interim financial statements in the Half-year Report based on our review. Our conclusion, including our Conclusions relating to going concern, is based on procedures that are less extensive than audit procedures, as described in the Basis for conclusion paragraph of this report. 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.

PricewaterhouseCoopers LLP
Chartered Accountants
London
27 July 2022

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors' confirm that, to the best of their knowledge, the condensed consolidated interim financial statements (the 'interim financial statements') 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, the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and that the Half-year 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
- Any 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 27 July 2022

Rita-Rose Gagné
Director

Himanshu Raja
Director

CONSOLIDATED INCOME STATEMENT

		Note	Six months ended 30 June 2022 Unaudited £m	Six months ended 30 June 2021 Unaudited £m
Revenue		4	62.0	65.3
Profit from operating activities	(a)	2	19.2	1.6
Revaluation loss on properties			(14.5)	(140.2)
Other net gains	(b)		1.9	4.6
Share of results of joint ventures		12A	16.3	(160.6)
Share of results of associates		13A	61.9	(5.6)
Operating profit/(loss)			84.8	(300.2)
Finance income		5	11.5	6.3
Finance costs		5	(45.7)	(60.1)
Profit/(Loss) before tax			50.6	(354.0)
Tax charge		6	(0.3)	(0.8)
Profit/(Loss) from continuing operations			50.3	(354.8)
Loss from discontinued operations		7B	–	(20.7)
Profit/(Loss) for the period attributable to equity shareholders			50.3	(375.5)
Basic and diluted earnings/(loss) per share	(c)			
Continuing operations		10B	1.1p	(7.7)p
Discontinued operations		10B	–	(0.5)p
Total			1.1p	(8.2)p

(a) Includes a net credit of £2.6m relating to provisions for impairment of trade (tenant) receivables and tenant incentives (30 June 2021: charge of £3.4m) comprising a credit of £1.9m (30 June 2021: charge of £4.7m) in relation to income recognised in the period and a reversal of provision of £0.7m (30 June 2021: £1.3m) relating to amounts not yet recognised in the income statement as described in note 9A.

(b) Other net gains comprise gains/losses and recycled exchange gains arising on disposals and changes in fair value of other investments. Such items are set out in more detail in note 2.

(c) The comparative loss per share figures have been restated to incorporate the bonus element of scrip dividends. Further details are provided in note 10B.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		Six months ended 30 June 2022 Unaudited £m	Six months ended 30 June 2021 Unaudited £m
Recycled through the profit or loss on disposal of overseas property interests			
Exchange gain previously recognised in the translation reserve		–	(55.2)
Exchange loss previously recognised in the net investment hedge reserve		–	44.2
Net exchange gain relating to equity shareholders	(a)	–	(11.0)
Items that may subsequently be recycled through profit or loss			
Foreign exchange translation differences		62.3	(91.9)
(Loss)/Gain on net investment hedge		(48.5)	72.8
Net loss on cash flow hedge		(1.9)	(1.9)
Share of other comprehensive gain of associates		7.3	0.3
		19.2	(20.7)
Items that will not subsequently be recycled through the profit or loss			
Net actuarial gains on pension schemes		2.1	11.6
Total other comprehensive income/(loss)	(b)	21.3	(20.1)
Profit/(Loss) for the period from continuing operations		50.3	(354.8)
Loss for the period from discontinued operations		–	(20.7)
Profit/(Loss) for the period		50.3	(375.5)
Total comprehensive gain/(loss) for the period attributable to equity shareholders		71.6	(395.6)

(a) Six months ended 30 June 2021: Relates to the sale of the Group's 25% interest in Espace Saint-Quentin and 10% interest in Nicetoile.

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

CONSOLIDATED BALANCE SHEET

		Note	30 June 2022 Unaudited £m	31 December 2021 Audited (Re-presented)* £m
Non-current assets				
Investment properties		11	1,496.0	1,561.4
Interests in leasehold properties			33.4	32.9
Right-of-use assets			8.8	3.8
Plant and equipment			1.8	1.4
Investment in joint ventures		12B	1,425.7	1,451.8
Investment in associates		13B	1,330.7	1,247.0
Other investments			10.2	9.5
Derivative financial instruments		15C	9.0	18.6
Restricted monetary assets			21.4	21.4
Receivables			27.3	19.5
			4,364.3	4,367.3
Current assets				
Receivables		14	89.7	84.8
Trading properties		11	35.1	34.3
Derivative financial instruments		15C	3.2	7.3
Restricted monetary assets			21.6	39.1
Cash and deposits			398.8	309.7
			548.4	475.2
Assets held for sale		7A	–	71.4
			548.4	546.6
Total assets			4,912.7	4,913.9
Current liabilities				
Loans		15A	(202.5)	–
Payables			(179.1)	(179.4)
Tax			(0.8)	(0.6)
Derivative financial instruments		15C	(2.4)	–
			(384.8)	(180.0)
Non-current liabilities				
Loans		15A	(1,621.9)	(1,834.8)
Deferred tax			(0.4)	(0.4)
Derivative financial instruments		15C	(10.8)	(59.7)
Obligations under head leases			(37.2)	(36.4)
Payables			(56.8)	(56.6)
			(1,727.1)	(1,987.9)
Total liabilities			(2,111.9)	(2,167.9)
Net assets			2,800.8	2,746.0
Equity				
Share capital			230.7	221.0
Share premium			1,583.3	1,593.2
Other reserves	*	18	121.9	110.0
Merger reserve			–	374.1
Capital redemption reserve	*		198.2	198.2
Retained earnings	*		675.4	252.9
Investment in own shares			(8.8)	(3.5)
Equity shareholders' funds			2,800.7	2,745.9
Non-controlling interests			0.1	0.1
Total equity			2,800.8	2,746.0
EPRA net tangible assets value per share		10C	62p	64p

* Certain reserves for the year ended 31 December 2021 marked * have been re-presented as set out in the consolidated statement of changes in equity.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2022

Unaudited	Note	Share capital £m	Share premium £m	Other reserves (a) £m	Merger reserve £m	Capital redemption reserve (b) £m	Retained earnings £m	Investment in own shares (c) £m	Equity shareholders' funds £m	Non-controlling interests £m	Total equity £m
At 1 January 2022		221.0	1,593.2	110.0	374.1	207.6	243.5	(3.5)	2,745.9	0.1	2,746.0
Reclassification	(d)	–	–	–	–	(9.4)	9.4	–	–	–	–
At 1 January 2022 – re-presented		221.0	1,593.2	110.0	374.1	198.2	252.9	(3.5)	2,745.9	0.1	2,746.0
Foreign exchange translation differences		–	–	62.3	–	–	–	–	62.3	–	62.3
Loss on net investment hedge		–	–	(48.5)	–	–	–	–	(48.5)	–	(48.5)
Gain on cash flow hedge		–	–	5.6	–	–	–	–	5.6	–	5.6
Gain on cash flow hedge recycled to net finance costs		–	–	(7.5)	–	–	–	–	(7.5)	–	(7.5)
Share of other comprehensive gain of associates	13C	–	–	–	–	–	7.3	–	7.3	–	7.3
Net actuarial gains on pension schemes		–	–	–	–	–	2.1	–	2.1	–	2.1
Profit for the period		–	–	–	–	–	50.3	–	50.3	–	50.3
Total comprehensive income		–	–	11.9	–	–	59.7	–	71.6	–	71.6
Transfer	(e)	–	–	–	(374.1)	–	374.1	–	–	–	–
Share-based employee remuneration		–	–	–	–	–	1.2	–	1.2	–	1.2
Cost of shares awarded to employees		–	–	–	–	–	(0.7)	0.7	–	–	–
Purchase of own shares		–	–	–	–	–	–	(6.0)	(6.0)	–	(6.0)
Dividends	8	–	–	–	–	–	(63.2)	–	(63.2)	–	(63.2)
Scrip dividend related share issue		9.7	(9.7)	–	–	–	51.4	–	51.4	–	51.4
Scrip dividend related share issue costs		–	(0.2)	–	–	–	–	–	(0.2)	–	(0.2)
At 30 June 2022		230.7	1,583.3	121.9	–	198.2	675.4	(8.8)	2,800.7	0.1	2,800.8

(a) From 1 January 2022, 'Other reserves' now comprises Translation, Net investment hedge and Cash flow hedge reserves as set out in note 18.

(b) The capital redemption reserve comprises £14.3m relating to share buybacks which arose over a number of years up to 2019 and £183.9m resulting from the cancellation of the Company's shares as part of the reorganisation of share capital in 2020.

(c) Comprises shares held in treasury and in the employee share trust and are all stated at cost.

(d) The share-based employee remuneration reserve was previously segregated separately within 'Other reserves' and for the purposes of presentation in this report, for the year ended 31 December 2021 has been renamed 'Capital and share-based reserves'. This share-based employee remuneration reserve has now been reclassified into retained earnings to reflect that it forms part of this reserve. The remaining component of the previously named 'Other reserves' was the capital redemption reserve and has accordingly been renamed as such.

(e) The merger reserve arose in September 2014 from a placing of new shares using a structure which resulted in merger relief being taken under Section 612 of the Companies Act 2006. Following receipt of the proceeds in 2014 and the relevant criteria enabling use of the reserve having been satisfied, the amounts in the merger reserve are deemed distributable and accordingly the balance of this reserve has been transferred to retained earnings.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2021

Audited	Note	Share capital £m	Share premium £m	Other reserves (a) £m	Merger reserve £m	Capital and share-based reserves (d) £m	Retained earnings £m	Investment in own shares (c) £m	Equity shareholders' funds £m	Non-controlling interests £m	Total equity £m
At 1 January 2021		202.9	1,611.9	150.2	374.1	207.1	663.0	(0.4)	3,208.8	0.1	3,208.9
Recycled exchange gain on disposal of overseas property interests		–	–	(11.0)	–	–	–	–	(11.0)	–	(11.0)
Foreign exchange translation differences		–	–	(139.7)	–	–	–	–	(139.7)	–	(139.7)
Gain on net investment hedge		–	–	112.2	–	–	–	–	112.2	–	112.2
Loss on cash flow hedge		–	–	(1.9)	–	–	–	–	(1.9)	–	(1.9)
Loss on cash flow hedge recycled to net finance costs		–	–	0.2	–	–	–	–	0.2	–	0.2
Share of other comprehensive gain of associates	13C	–	–	–	–	–	1.3	–	1.3	–	1.3
Net actuarial gains on pension schemes		–	–	–	–	–	18.9	–	18.9	–	18.9
Loss for the period		–	–	–	–	–	(429.1)	–	(429.1)	–	(429.1)
Total comprehensive loss		–	–	(40.2)	–	–	(408.9)	–	(449.1)	–	(449.1)
Share-based employee remuneration		–	–	–	–	3.3	–	–	3.3	–	3.3
Cost of shares awarded to employees		–	–	–	–	(0.4)	–	0.4	–	–	–
Transfer on award of own shares to employees		–	–	–	–	(2.4)	2.4	–	–	–	–
Purchase of own shares		–	–	–	–	–	–	(3.5)	(3.5)	–	(3.5)
Dividends		–	–	–	–	–	(135.7)	–	(135.7)	–	(135.7)
Scrip dividend related share issue		18.1	(18.1)	–	–	–	122.7	–	122.7	–	122.7
Scrip dividend related share issue costs		–	(0.6)	–	–	–	–	–	(0.6)	–	(0.6)
At 31 December 2021		**221.0**	**1,593.2**	**110.0**	**374.1**	**207.6**	**243.5**	**(3.5)**	**2,745.9**	**0.1**	**2,746.0**

CONSOLIDATED CASH FLOW STATEMENT

	Note	Six months ended 30 June 2022 Unaudited £m	Six months ended 30 June 2021 (Re-presented)* Unaudited £m
Cash generated from operations			
Profit from operating activities		19.2	1.6
Net movements in working capital and restricted monetary assets	17A	(10.3)	15.0
Non-cash items	17A	(2.9)	(4.0)
Cash generated from operations		6.0	12.6
Interest received		11.7	7.4
Interest paid		(53.2)	(71.8)
Redemption premiums and fees from early repayment of debt		–	(13.9)
Debt and loan facility issuance and extension fees		(2.7)	(3.5)
Premiums on hedging derivatives		(3.9)	(20.8)
Tax repaid/(paid)		0.1	(0.6)
Distributions and other receivables from joint ventures		50.6	8.3
Distributions from joint ventures reclassified as assets held for sale		6.0	–
Cash flows from operating activities		14.6	(82.3)
Investing activities			
Developments and major refurbishments		(9.8)	(27.2)
Other capital expenditure		(6.2)	(12.9)
Sale of properties		124.9	0.8
Sale of investments in joint ventures		67.5	26.3
Sale of investments in associates		–	21.2
Advances to joint ventures		(0.3)	(4.7)
Distributions and capital returns received from associates		0.7	1.2
Cash flows from investing activities		176.8	4.7
Financing activities			
Share issue expenses		(0.2)	(2.2)
Proceeds from award of own shares		0.1	–
Purchase of own shares		(6.0)	(0.4)
Proceeds from new borrowings		–	596.5
Repayment of borrowings		(96.2)	(790.5)
Equity dividends paid	8	(1.2)	(13.2)
Cash flows from financing activities		(103.5)	(209.8)
Increase/(Decrease) in cash and deposits			
– continuing operations		87.9	(287.4)
– discontinued operations *	7C	–	354.4
		87.9	67.0
Opening cash and deposits	17B	309.7	409.5
Exchange translation movement	17B	1.2	(1.4)
Closing cash and deposits	17B	398.8	475.1

* Cash flows for the six months ended 30 June 2021 were previously presented to include discontinued operations allocated into each individual line item. The figures above have been re-presented to show only cash flows arising from continuing operations (consistent with the presentation used on the consolidated income statement) with cash flows from discontinued operations brought in as a single line item with further detail set out in note 7C. In addition, bond issue fees within financing and operating cash flows have also been represented.

NOTES TO THE INTERIM FINANCIAL STATEMENTS

1. BASIS OF PREPARATION AND CONSOLIDATION

A. GENERAL INFORMATION

The condensed consolidated interim financial statements for the six months ended 30 June 2022 are unaudited and do not constitute statutory accounts within the meaning of section 434 of the Companies Act 2006, but have been reviewed by the auditor. Statutory accounts for the year ended 31 December 2021, which have been prepared in accordance with both UK adopted International Accounting Standards and International Financial Reporting Standards (IFRS) adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union, were approved by the Directors on 3 March 2022 and have been delivered to the Registrar of Companies. The report of the auditor on those accounts was unqualified, did not draw attention to any matters by way of emphasis and did not contain any statement under section 498(2) or (3) of the Companies Act 2006.

B. BASIS OF PREPARATION

These condensed consolidated interim financial statements for the six months ended 30 June 2022 have been prepared on a going concern basis and in accordance with International Accounting Standards 34, 'Interim Financial Reporting' (IAS 34) contained in UK and EU adopted IFRS and the Disclosure Guidance and Transparency Rules of the UK Financial Conduct Authority as well as SAICA Financial Reporting Guides as issued by the Accounting Practices Committee.

The accounting policies adopted are those set out in the Group's Annual Report and Accounts for the year ended 31 December 2021 which were prepared in accordance with IFRS as adopted by the UK although, in order to enhance the users' understanding, certain figures have been re-presented as described in the applicable parts of the interim financial statements as well as certain other presentational changes. New accounting standards, amendments to standards and IFRIC interpretations which became applicable during the period were either not relevant or had no impact on the Group's results or net assets.

Alternative performance measures

The Group uses a number of performance measures which are non-IFRS. The key measures comprise the following:

- Adjusted earnings: Used by the Directors and management to monitor business performance internally and exclude the same items as for EPRA earnings, but also certain cash and non-cash items which they believe are not reflective of the normal day-to-day operating activities of the Group. Furthermore, the Group evaluates the performance of its portfolio by aggregating its share of joint ventures and associates which are under the Group's management ('Share of Property interests') on a proportionally consolidated basis including, where applicable, discontinued operations. The Directors believe that disclosing such non-IFRS measures enables a reader to isolate and evaluate the impact of such items on results and allows for a fuller understanding of performance from year to year. Adjusted performance measures may not be directly comparable with other similarly titled measures used by other companies.
- EPRA earnings and EPRA net assets: Calculated in accordance with guidance issued by the European Public Real Estate Association recommended bases.
- Headline earnings: Calculated in accordance with the requirements of the Johannesburg Stock Exchange listing requirements.

A reconciliation between reported and the above alternative earnings and net asset measures is set out in note 9.

C. SIGNIFICANT JUDGEMENTS AND ESTIMATES

The Group's key sources of estimation uncertainty are consistent with those disclosed in the Group's latest audited financial statements. Judgements and estimates are evaluated regularly and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Any revisions to accounting estimates are recognised in the period in which the estimate is revised.

Significant judgements:

Assets held for sale and discontinued operations

Six months ended 30 June 2022

There were no assets qualifying as held for sale nor discontinued operations for the six months ended 30 June 2022.

Year ended 31 December 2021

On 14 December 2021, the Group exchanged contracts for the sale of all of its 50% investment in Silverburn, Glasgow whereby completion occurred in March 2022. At the date of exchange, it was concluded that all of the accounting criteria were met to classify this investment as an asset held for sale. Following this reclassification, equity accounting ceased and the asset was subsequently re-measured to £71.4m at 31 December 2021, being the lower of the carrying amount and fair value less costs of disposal.

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 £22m. On 19 May 2021, the Group completed the sale of a further seven retail parks for gross proceeds of £330m. As this formed substantially all of an identifiable segment of the business, the results from 'UK retail parks' were disclosed as discontinued operations. Residual properties previously included within the UK retail parks portfolio have been included in the 'Developments and other' segment of the business.

1. BASIS OF PREPARATION AND CONSOLIDATION - *continued*

C. SIGNIFICANT JUDGEMENTS AND ESTIMATES - *continued*

Significant judgements - continued:

Impairment of non-financial assets

Most of the Group's non-financial assets are investment 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 one or more events cause an indicator of impairment versus the original investment.

Joint ventures and associates are accounted for under the equity method, which equates to the Group's share of the entity's Net Asset Value (NAV). NAV is based on the fair value of the assets and liabilities where the principal asset, the investment property, is already carried at fair value being the higher of value in use and fair value less cost of disposal and as such, NAV is a reasonable approximation for the recoverable amount of the investment. There are no indicators falling outside of NAV which are considered to be grounds for further impairment review.

Significant estimates:

Property valuations

The Group's portfolio of properties is the most material area of estimation due to its inherent subjectivity, reliance on assumptions and sensitivity to market fluctuations. Since 31 December 2021, the valuers have removed all Covid-19 related assumptions from the valuations. The 30 June 2022 reports include a general commentary on wider issues including uncertainty caused by the war in Ukraine and associated cost, supply chain and inflationary pressures.

Key areas of estimate highlighted in the external valuers' reports included: estimation of market rents based on an increased level of activity; the consideration of appropriate levels of void costs and rent-free periods; the impact of shortening lease lengths; and the basis of yield assumptions recognising the selective return of investor appetite towards the retail sector. However, the key unobservable inputs into valuation as defined by IFRS13 continue to be yields (nominal equivalent yield) and market rental income (ERV).

A sensitivity analysis is set out in note 11A.

Impairment of trade receivables and tenant incentives

Estimates are made in assessing the provisions for impairment of trade (tenant) receivables (including accrued income) and tenant incentives and require consideration of future events which therefore make the provisions inherently subjective. The Group calculates such provisions using the expected credit loss (ECL) model prescribed by IFRS 9, grouping receivables dependent on the risk level and applying the same key assumptions as disclosed in the Group's most recent audited financial statements, updated for market conditions at 30 June 2022. In making these assessments, the Group takes into account credit ratings, historical default rates, ageing, rent deposits or guarantees held, as well as whether the probability that tenants will serve out the remainder of the contractual terms of their leases. Specific higher provisioning levels may be applied where information is available which requires this. The methodology used and the estimates applied are consistent with those used in the Group's Annual Report and Accounts for the year ended 31 December 2021.

Over the course of the first half of 2022, conditions have improved, especially as most of the government restrictions on collections in the UK were lifted in March 2022 and although restrictions differed in France and Ireland, similar improvements have also been seen. However, it is viewed as premature to be extrapolating this as a trend and the approach to provisioning remains cautious and prudent and with the backdrop of macro-economic uncertainties, it is considered that the Group's exposure to credit risk has not changed significantly since 31 December 2021. ECL provisions against trade receivables and tenant incentives are set out in notes 14 and 11B, respectively.

D. GOING CONCERN

Introduction

The Directors have undertaken a detailed going concern assessment, reviewing the current and projected financial position of the Group over the period to 31 December 2023. This period represents the first six monthly covenant test date under the Group's unsecured borrowings falling due after the minimum 12 months going concern assessment period.

The assessment was supported by the preparation of two scenarios: a 'Base' scenario and a 'Severe but plausible' scenario which assess the Group's financial performance, including projections for liquidity and covenant headroom within the Group's borrowings.

In summary, under both the Base and Severe but plausible scenarios, the Group has significant forecast liquidity and has significant headroom against the Group's unsecured borrowing, gearing and interest cover covenants over the going concern period. Accordingly, the Directors have adopted the going concern basis when preparing the interim financial statements for the six months ended 30 June 2022.

Financing position

At 30 June 2022, all borrowings in the Reported Group were unsecured and were subject to covenants relating to the Group's gearing, interest cover, limitation on secured debt and unencumbered asset ratio, the latter covenant only being applicable to the private placement notes. There was significant headroom under each of these covenants and the Group also had liquidity of £1,167m including cash of £509m. This position means that there is no material unsecured refinancing required until 2025 which is not covered by available cash resources.

1. BASIS OF PREPARATION AND CONSOLIDATION - continued

D. GOING CONCERN - continued

The Group also has exposure to secured borrowings in three of its joint ventures (Dundrum, Highcross and O'Parinor) and its associate, Value Retail, which is managed and financed independently. At 30 June 2022 the Group's share of these borrowings (excluding unamortised fees) was £383m and £788m, respectively. These secured facilities are subject to covenants, principally relating to loan-to-value and interest cover and are non-recourse to the Group. This means that the lenders only have security over the property assets held by the joint venture or Value Retail and the Group is not liable for any repayment shortfall. Also, 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 other secured loans.

Forecasts for these secured loans, relative to both their individual covenants and the impact on the Group's financial projections have been factored into both scenarios in the Group's going concern assessment as follows:

- Dundrum, Dublin - forecast to remain compliant with its covenants over the going concern period in both the Base and Severe but plausible scenarios.
- Highcross, Leicester - in breach of its covenants, albeit subject to a short-term standstill agreement with the lenders.
- O'Parinor, Aulnay-Sous-Bois – matures over the going concern period.

Therefore, for modelling purposes only, it has been assumed that the lenders enforce their security over both these latter two loans and the Group recognises a full impairment of £23m at 30 June 2022, against the carrying value of these investments.

Value Retail has loans maturing totalling £1,055m (Group's share £481m) over the going concern period. These are secured against four Villages, the largest being a £750m (Group's share £376m) loan secured against Bicester Village which matures in December 2022. Value Retail management remain confident that these maturing loans will be successfully refinanced and this confidence is based on a number of factors:

- Trading performance has continued to improve in 2022.
- Recent refinancing performance, where over the previous 12 months, Value Retail has successfully refinanced three maturing loans, including a €340m loan secured against La Vallée in June 2022.
- The loans maturing over the going concern period have low loan-to-value levels of approximately 40%.
- Negotiations with lenders for the Bicester refinancing are well progressed with completion expected in the second half of the year.

From an operational perspective, excluding the maturing loans, Value Retail is forecast to have adequate resources to meet its liabilities over the going concern period in both the Base and Severe but plausible scenarios. However, in the absence of refinancing, Value Retail does not forecast having sufficient liquidity to fully repay its maturing loans. Therefore, this refinancing risk creates a material uncertainty for Value Retail's going concern assessment that has been factored into the Group's overall going concern assessment.

Scenario assumptions

The going concern scenarios, which exclude disposals and refinancing, were constructed from the Group's Spring Forecast (the "Forecast"), which was reviewed by the Board in June 2022. The Forecast takes into account the increased uncertainty since the year end associated with geopolitical and macro-economic issues, including the war in the Ukraine and the associated cost, supply chain and inflationary pressures.

The Base scenario assumes a slow but steady recovery from the Covid-19 pandemic over the course of 2022 with leasing volumes and collections returning to pre-pandemic levels from 2023. It also incorporates broadly stable valuation capitalisation yields, as witnessed in investment markets over the previous 12 months and consistent with recent investor engagement in relation to the Group's disposal programme.

However, the Board recognises that uncertainty and downside risks remain, both from a macro-economic perspective and also from the potential emergence of new variants of the Covid-19 virus. Issues in these areas would have a downside impact on occupational and investment markets, and this more challenging environment forms the basis of the Group's Severe but plausible scenario. Under this scenario, NRI in 2023 is forecast to be approximately 40% lower, on a like-for-like basis, when compared with 2019 due to:

- Significant expected credit loss provisions associated with lower rent collections.
- Rent concessions to mitigate the impact on occupiers of either a significant downturn in trade or enforced store closures.
- An allowance for the costs associated with tenant restructuring.
- Weaker leasing performance, with increased void costs.
- Reduced variable income from turnover rent, car parks and commercialisation.

In the Severe but plausible scenario, it is also assumed that the Group's share of earnings from Value Retail, where income is more heavily turnover-based would be adversely impacted. This scenario assumes that, compared to 2019, the Group's share of adjusted earnings would be approximately 50% lower in 2023.

Associated with this adverse occupational environment, in the Severe but plausible scenario, property valuations are predicted to fall and forecast returns are materially worse than the Base scenario and available external benchmarks. The assumptions in the Severe but plausible scenario result in the Group's portfolio recording a capital return of –10% over the going concern period, which compares with a capital return for the six months ended 30 June 2022 of –0.4%.

1. BASIS OF PREPARATION AND CONSOLIDATION - *continued*
D. GOING CONCERN - *continued*

Scenario outcomes

i. Outcomes excluding Value Retail refinancing risks
Under both the Base and Severe but plausible scenarios the Group retains significant liquidity over the going concern period and is able to meet its obligations as they fall due.

In the Base scenario, the Group is forecast to retain significant headroom with all its unsecured borrowing covenants. In the Severe but plausible scenario, the adverse valuation reductions in this scenario result in an erosion of covenant headroom for the unencumbered asset ratio, although it is not forecast to breach. This covenant is only applicable to the Group's private placement notes, which totalled £187m at 30 June 2022. While not forecast, in the unlikely event that this covenant came under threat of breach the Group has the ability, and sufficient forecast liquidity, to prepay the notes for their outstanding value plus a make-whole amount.

ii.Outcomes including Value Retail refinancing risks
While, as explained above, the Value Retail management remain confident that the maturing loans held by Value Retail will be successfully refinanced, for going concern purposes, the Directors have assessed the impact on the Group if these loans were not refinanced ahead of maturity.

In both the Base and Severe but plausible scenarios, if the Value Retail loans were not refinanced and the lenders enforced their security over the individual Villages, the Group has sufficient forecast headroom in its unsecured borrowing covenants to withstand a full impairment of its net investment in the Villages acting as security on the maturing loans. While the Directors would not expect a full impairment to be recognised in these circumstances, this outcome demonstrates the Group's ability to withstand such an adverse outcome, even in the Severe but plausible scenario.

Mitigating actions
In addition to the confidence and progress made regarding the refinancing of Value Retail's maturing loans, the successful delivery of the Group's strategy will strengthen the Group's financial position. From a going concern perspective, a key element of this is to deliver a resilient and sustainable capital structure through the completion of a disciplined disposals programme.

Whilst not factored into the going concern assessment, as transactions have not yet been contracted, the Directors remain confident over the Group's ability to complete disposals as planned having raised disposal proceeds of £1.0bn since the beginning of 2020.

Conclusion
Having undertaken the assessment described above, given the significant forecast liquidity and the unsecured borrowing, gearing and interest cover covenant headroom over the going concern period, which is able to withstand Value Retail's refinancing risks, 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.

E. OTHER FINANCIAL 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.

Exchange rates
The principal foreign currency denominated balances are in euro where the translation exchange rates used are:

Consolidated income statement:

Average rate	Six months ended 30 June2022	Six months ended 30 June 2021
Quarter 1	€1.195	€1.145
Quarter 2	€1.179	€1.160

Consolidated balance sheet:

	30 June 2022	31 December 2021
Period end rate	€1.162	€1.191

2. PROFIT/(LOSS) FOR THE PERIOD

As described in note 1B, the Group evaluates the performance of its portfolio by aggregating its share of joint ventures and associates which are under the Group's management ('Share of Property interests') on a proportionally consolidated basis and including, where applicable, discontinued operations. Discontinued operations for the six months ended 30 June 2021 comprise UK retail parks.

Adjusted earnings, which is also calculated on a proportionally consolidated basis, is the Group's primary profit measure and this is the basis of information which is reported to the Board. The following table sets out a reconciliation from Reported earnings to Adjusted earnings.

2. PROFIT/(LOSS) FOR THE PERIOD - continued

				Six months ended 30 June 2022		
				Proportionally consolidated		
	Note	Reported Group	Share of Property interests	Sub-total before adjustments	Capital and other (a)	Adjusted
		£m	£m	£m	£m	£m
Gross rental income	(b), 3A	43.9	59.9	103.8	-	103.8
Ground rents payable		(0.4)	(0.3)	(0.7)	-	(0.7)
Gross rental income, after rents payable		43.5	59.6	103.1	-	103.1
Property outgoings		(4.1)	(12.5)	(16.6)	-	(16.6)
Change in provision for amounts not yet recognised in the income statement		0.7	0.9	1.6	(1.6)	-
Net rental income		40.1	48.0	88.1	(1.6)	86.5
Gross administration costs		(30.2)	(0.3)	(30.5)	1.4	(29.1)
Property fee income		6.4	-	6.4	-	6.4
Management fees receivable		2.9	-	2.9	-	2.9
Administration expenses		(20.9)	(0.3)	(21.2)	1.4	(19.8)
Profit from operating activities		19.2	47.7	66.9	(0.2)	66.7
Revaluation losses on properties		(14.5)	(28.8)	(43.3)	43.3	-
Disposals and assets held for sale						
- Profit on sale of properties	7A	1.5	-	1.5	(1.5)	-
- Income from assets held for sale	7A, 9A	-	(1.6)	(1.6)	1.6	-
Change in fair value of other investments		0.4	-	0.4	(0.4)	-
Other net gains		1.9	(1.6)	0.3	(0.3)	-
Share of results of joint ventures	12A	16.3	(16.3)	-	-	-
Share of results of associates	13A	61.9	0.5	62.4	(48.7)	13.7
Operating profit		84.8	1.5	86.3	(5.9)	80.4
Net finance costs	5	(34.2)	(1.5)	(35.7)	6.7	(29.0)
Profit before tax		50.6	-	50.6	0.8	51.4
Tax charge	6	(0.3)	-	(0.3)	-	(0.3)
Profit for the period attributable to equity shareholders		50.3	-	50.3	0.8	51.1

(a) Adjusting items described above as 'Capital and other' are set out in note 9A.

(b) Proportionally consolidated figure includes £7.1m (six months ended 30 June 2021: £2.1m) of contingent rents calculated by reference to tenants' turnover.

2. PROFIT/(LOSS) FOR THE PERIOD - continued

					Six months ended 30 June 2021		
					Proportionally consolidated		
	Note	Reported Group £m	Share of Property interests £m	Discontinued operations 7B £m	Sub-total before adjustments £m	Capital and other (a) £m	Adjusted £m
Gross rental income	(b), 3A	41.6	70.1	10.7	122.4	-	122.4
Ground 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
Property outgoings		(12.4)	(22.1)	0.1	(34.4)	-	(34.4)
Change in provision for amounts not yet recognised in the income statement		1.3	3.9	1.4	6.6	(6.6)	-
Net rental income		29.9	51.8	12.1	93.8	(6.6)	87.2
Gross administration costs		(39.2)	(0.3)	(0.1)	(39.6)	3.3	(36.3)
Property fee income		7.2	-	-	7.2	-	7.2
Management fees receivable		3.7	-	-	3.7	-	3.7
Administration expenses		(28.3)	(0.3)	(0.1)	(28.7)	3.3	(25.4)
Profit from operating activities		1.6	51.5	12.0	65.1	(3.3)	61.8
Revaluation losses on properties		(140.2)	(213.1)	-	(353.3)	353.3	-
Disposals and assets held for sale							
- Loss on sale of properties		(6.2)	-	(32.5)	(38.7)	38.7	-
- Recycled exchange gains on disposal of overseas property interests		11.0	-	-	11.0	(11.0)	-
Change in fair value of other investments		(0.2)	-	-	(0.2)	0.2	-
Other net gains/(losses)		4.6	-	(32.5)	(27.9)	27.9	-
Share of results of joint ventures	12A	(160.6)	160.6	-	-	-	-
Share of results of associates	13A	(5.6)	3.8	-	(1.8)	(0.2)	(2.0)
Operating (loss)/profit		(300.2)	2.8	(20.5)	(317.9)	377.7	59.8
Net finance costs	5	(53.8)	(2.8)	-	(56.6)	17.7	(38.9)
(Loss)/Profit before tax		(354.0)	-	(20.5)	(374.5)	395.4	20.9
Tax charge	6	(0.8)	-	(0.2)	(1.0)	0.2	(0.8)
(Loss)/Profit for the period from continuing operations		(354.8)	-	(20.7)	(375.5)	395.6	20.1
Loss for the period from discontinued operations		(20.7)	-	20.7	-	-	-
(Loss)/Profit for the period attributable to equity shareholders		(375.5)	-	-	(375.5)	395.6	20.1
Attributable to:							
Continuing operations		(354.8)	-	-	(354.8)	364.3	9.5
Discontinued operations		(20.7)	-	-	(20.7)	31.3	10.6
		(375.5)	-	-	(375.5)	395.6	20.1

3. SEGMENTAL ANALYSIS

The Group's reportable segments are determined by the internal performance reported to the Chief Operating Decision Makers which has been determined to be the Chief Executive Officer and the Group Executive Committee (together, the Chief Operating Decision Makers). Such reporting is both by sector and geographic location as these demonstrate different characteristics and risks, are managed by separate teams and are the basis on which resources are allocated.

The Group evaluates the performance of its portfolio by aggregating its share of joint ventures and associates which are under the Group's management ('Share of Property interests') on a proportionally consolidated line-by-line basis including, where applicable, discontinued operations. The Group does not proportionally consolidate the Group's investment in Value Retail as this is not under the Group's management, and instead monitors the performance of this investment separately as its share of results of associates as reported under IFRS.

The Group's activities presented on a proportionally consolidated basis including Share of Property interests are:

- Flagship destinations.
- Developments and other.
- UK retail parks (to date of disposal).

One of the Group's primary income measures was amended in the second half of 2021 from Net rental income to Adjusted net rental income which excludes the 'change in provision for amounts not yet recognised in the income statement' as explained in the note 9A. Comparative data is for this new measure where the Group's primary income statement measures are therefore now:

- Gross rental income.
- Adjusted 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

	Note	Six months ended 30 June 2022		Six months ended 30 June 2021 (Re-presented)	
		Gross rental income £m	Adjusted net rental income £m	Gross rental income £m	Adjusted net rental income £m
Flagship destinations					
UK		44.1	38.0	56.9	41.5
France		28.4	25.1	27.6	19.1
Ireland		18.3	17.3	17.5	12.4
		90.8	80.4	102.0	73.0
Developments and other	(a), (b)	13.0	6.1	9.7	3.9
UK retail parks	(a)	–	–	10.7	10.3
Managed portfolio		103.8	86.5	122.4	87.2
Less Share of Property interests – continuing operations		(59.9)	(47.1)	(70.1)	(47.9)
Less discontinued operations		–	–	(10.7)	(10.7)
Reported Group		43.9	39.4	41.6	28.6

(a) Following the disposal of substantially all of the UK retail parks portfolio (classified as discontinued operations), the results of the residual UK retail parks have been included in 'Developments and other' from 1 July 2021 (six months ended 30 June 2021: previously included in 'UK other', but re-presented to 'Developments and other' for comparative purposes). In addition, and as described above Adjusted net rental income has replaced net rental income previously used and disclosed for the six months ended 30 June 2021.

(b) For the six months ended 30 June 2021, Gross rental income of £4.3m and Net rental income of £2.2m was previously disclosed separately as 'UK other', but has now been re-presented to combine with 'Developments' into 'Developments and other'.

3. SEGMENTAL ANALYSIS - continued

B. Investment and development property assets by segment

	Note	30 June 2022 Property valuation £m	30 June 2022 Capital expenditure £m	30 June 2022 Revaluation (losses)/gains £m	31 December 2021 Property valuation £m	31 December 2021 Capital expenditure £m	31 December 2021 Revaluation losses £m
Flagship destinations							
UK		937.3	5.6	(17.0)	1,135.3	15.0	(254.0)
France		1,256.2	30.8	(2.5)	989.7	25.1	(63.4)
Ireland		670.7	2.6	(4.1)	659.3	8.6	(61.1)
		2,864.2	39.0	(23.6)	2,784.3	48.7	(378.5)
Developments and other		469.6	14.5	(19.7)	694.4	51.1	(79.0)
UK retail parks		-	-	-	-	2.3	-
Managed portfolio		3,333.8	53.5	(43.3)	3,478.7	102.1	(457.5)
Value Retail		1,952.2	2.5	33.0	1,893.5	41.2	(12.0)
Group portfolio		5,286.0	56.0	(10.3)	5,372.2	143.3	(469.5)
Less Value Retail		(1,952.2)	(2.5)	(33.0)	(1,893.5)	(41.2)	12.0
Less Share of Property interests		(1,802.7)	(12.0)	28.8	(1,813.9)	(24.7)	283.8
Less trading properties	*	(35.1)	-	-	(34.3)	(6.2)	-
Less assets held for sale	7A	-	-	-	(69.1)	-	-
Reported Group		1,496.0	41.5	(14.5)	1,561.4	71.2	(173.7)

* In December 2019, the Group exchanged contracts for the forward sale of Italik, Paris, subject to completion of the development works. The development was opened during the six months ended 30 June 2021, resulting in the sale becoming unconditional although in accordance with a contractually allowed option exercised in March 2022, the purchaser has deferred completion to the end of October 2022. The 75% of Italik contracted for sale is included within trading properties at the agreed sale price less forecast costs to complete.

4. REVENUE

	Note	Six months ended 30 June 2022 £m	Six months ended 30 June 2021 £m
Base rent		32.5	29.2
Turnover rent		2.6	0.7
Car park income	*	5.2	3.8
Lease incentive recognition		2.0	6.0
Other rental income		1.6	1.9
Gross rental income	2	43.9	41.6
Service charge income	*	8.8	12.8
Property fee income	*	6.4	7.2
Joint venture and associate management fees	*	2.9	3.7
Revenue – continuing operations		62.0	65.3
Revenue – discontinued operations	7B	-	11.7
Revenue – Reported Group		62.0	77.0

* Revenue for those categories marked * amounted to £23.3m (30 June 2021: £27.5m) and is recognised under IFRS15 'Revenue from Contracts with Customers'. All other revenue is recognised in accordance with IFRS 16 'Leases'.

5. NET FINANCE COSTS

		Note	Six months ended 30 June 2022 £m	Six months ended 30 June 2021 £m
Finance income				
Bank and other interest receivable			11.5	6.3
Finance costs				
Interest on bank loans and overdrafts			(2.5)	(3.3)
Interest on Bonds and related charges			(30.5)	(31.0)
Interest on Senior notes and related charges			(3.1)	(8.1)
Interest on obligations under head leases			(1.0)	(1.1)
Interest on other lease obligations			(0.1)	(0.1)
Other interest payable			(0.8)	(0.5)
Gross interest costs			(38.0)	(44.1)
Interest capitalised in respect of properties under development			1.2	3.5
			(36.8)	(40.6)
Debt and loan facility cancellation costs	*	9A	(1.2)	(17.3)
Fair value losses on derivatives		9A	(7.7)	(2.2)
			(45.7)	(60.1)
Net finance costs			(34.2)	(53.8)

* Comprising redemption premiums and fees from early repayment of debt or cancellation of facilities.

Further analysis on a proportionally consolidated basis is set out below:

	Note	Reported Group £m	Share of Property interests £m	Six months ended 30 June 2022 — Proportionally consolidated: Sub-total before adjustments £m	Capital and other £m	Adjusted £m
Finance income		11.5	–	11.5	–	11.5
Gross interest costs		(38.0)	(3.7)	(41.7)	–	(41.7)
Interest capitalised in respect of properties under development		1.2	–	1.2	–	1.2
		(36.8)	(3.7)	(40.5)	–	(40.5)
Debt and loan facility cancellation costs	9A	(1.2)	–	(1.2)	1.2	–
Fair value (losses)/gains on derivatives	9A	(7.7)	2.2	(5.5)	5.5	–
Finance costs		(45.7)	(1.5)	(47.2)	6.7	(40.5)
Net finance costs		(34.2)	(1.5)	(35.7)	6.7	(29.0)

	Note	Reported Group £m	Share of Property interests £m	Six months ended 30 June 2021 — Proportionally consolidated: Sub-total before adjustments £m	Capital and other £m	Adjusted £m
Finance income		6.3	–	6.3	–	6.3
Gross interest costs		(44.1)	(4.6)	(48.7)	–	(48.7)
Interest capitalised in respect of properties under development		3.5	–	3.5	–	3.5
		(40.6)	(4.6)	(45.2)	–	(45.2)
Debt and loan facility cancellation costs	9A	(17.3)	–	(17.3)	17.3	–
Fair value (losses)/gains on derivatives	9A	(2.2)	1.8	(0.4)	0.4	–
Finance costs		(60.1)	(2.8)	(62.9)	17.7	(45.2)
Net finance costs		(53.8)	(2.8)	(56.6)	17.7	(38.9)

6. TAX CHARGE

		Note	Six months ended 30 June 2022 £m	Six months ended 30 June 2021 £m
UK current tax			–	–
Foreign current tax			0.3	0.8
Tax charge – continuing operations			0.3	0.8
Tax charge – discontinued operations	*	7B	–	0.2
Tax charge – Reported Group			0.3	1.0

* 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. These conditions include, but are not limited to distributing at least 90% of the Group's UK tax exempt profits as property income distributions (PID) with equivalent tests of 95% on French tax exempt property profits and 70% of tax exempt property gains. The residual businesses in both the UK and France are subject to corporation tax as normal. The Irish assets are held in a QIAIF which provides similar tax benefits to those of a UK REIT but which subjects dividends and certain excessive interest payments to a 20% withholding tax.

The Company is committed to remaining in these tax exempt regimes.

The Group operates in a number of jurisdictions and is subject to periodic challenges by local tax authorities on a range of tax matters during its normal course of business. Tax impacts can be uncertain until a conclusion is reached with the relevant tax authority or through a legal process. The Group uses in-house expertise when assessing uncertain tax positions and seeks the advice of external professional advisors where appropriate. The Group believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors, including tax laws and prior experience.

7. DISPOSALS, ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

A. Disposals and assets held for sale

Six months ended 30 June 2022

The profit on sale of properties of £1.5m includes several post completion adjustments arising mainly from historical disposals in prior periods and the disposal of Victoria, Leeds which was sold on 25 February 2022, when the Group exchanged and completed the sale for gross proceeds of £120m.

In addition, on 15 March 2022, the Group completed the sale of its joint venture investment in Silverburn, Glasgow for gross proceeds of £140m (the Group's share being £70m). The Group had exchanged contracts for this sale on 14 December 2021 such that this investment was classified as assets held for sale at 31 December 2021 at £71.4m. A £nil gain/loss on disposal was recognised, however, income generated during the period of £1.6m has been included in adjusted earnings as explained further in note 9A.

Six months ended 30 June 2021

On 5 February 2021, the Group sold its 41% joint venture interest in Brent South Shopping Park for gross proceeds of £22m which formed part of the UK retail parks disposals which were sold on 19 May 2022 and are treated as discontinued operations as set out in note 7B below.

On 1 April 2021, the Group sold its 25% interest in Espace Saint-Quentin, Paris for gross proceeds of €31m (£26m) and its 10% interest in Nicetoile for €25m (£21m) whereby results are included within Share of Property interests up to the point of disposal.

7. DISPOSALS, ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS - continued

B. Discontinued operations

Six months ended 30 June 2021

On 19 May 2021, substantially all of the remaining UK retail parks segment was disposed of with the profits and losses arising on these properties being classified as discontinued operations.

	Six months ended 30 June 2021		
	Reported Group £m	Share of Property interests £m	Proportionally consolidated £m
Revenue	11.7	0.1	11.8
Gross rental income	10.6	0.1	10.7
Ground rents payable	(0.1)	-	(0.1)
Gross rental income, after rents payable	10.5	0.1	10.6
Property outgoings	0.1	-	0.1
Change in provision for amounts not yet recognised in the income statement	1.3	0.1	1.4
Net rental income	11.9	0.2	12.1
Administration expenses	(0.1)	-	(0.1)
Profit from operating activities	11.8	0.2	12.0
(Loss)/Profit on sale of properties	(33.1)	0.6	(32.5)
Share of results of joint ventures	0.8	(0.8)	-
Loss before tax	(20.5)	-	(20.5)
Tax charge	(0.2)	-	(0.2)
Loss from discontinued operations	(20.7)	-	(20.7)

C. Cash flows from discontinued operations

	Six months ended 30 June 2021 £m
Cash flows from operating activities	7.3
Cash flows from investing activities	347.1
Total cash flows from discontinued operations	354.4

8. DIVIDENDS

		Cash dividend per share	Enhanced scrip alternative per share	Note	Six months ended 30 June 2022 £m	Six months ended 30 June 2021 £m
Prior periods						
2020 final dividend	- Cash	0.2p			–	11.7
	- Enhanced scrip alternative		2.0p	(a)	–	51.0
2021 final dividend	- Cash	0.2p			11.8	-
	- Enhanced scrip alternative		2.0p	(a)	51.4	-
					63.2	62.7
Cash flow analysis:						
Cash dividend					11.8	11.7
Withholding tax:						
- 2020 interim dividend					–	11.9
- 2020 final dividend					–	(10.4)
- 2021 final dividend					(10.6)	-
					1.2	13.2
2022 interim dividend		0.2p	2.0p	(b)	92.3	-

(a) Calculated as the market value of shares issued to satisfy the enhanced scrip dividend alternative.

(b) The final dividends for both 2020 and 2021were paid as a PID. The Board has declared an interim cash dividend of 0.2 pence per share. Subject to shareholder approval, the Board intends to provide an enhanced scrip dividend alternative of 2.0 pence per share. Both the cash dividend and the enhanced scrip dividend alternative will be paid as a non-Property Income Distribution ("Non-PID") dividend and treated as an ordinary UK company dividend. The 2022 interim dividend was declared on 27 July 2022 and has therefore not been included as a liability as at 30 June 2022. The dividend has been calculated using the period end share price and assuming that all shareholders elect to receive the scrip alternative.

9. KEY ALTERNATIVE PERFORMANCE MEASURES

Headline earnings has been calculated in accordance with the requirements of the Johannesburg Stock Exchange listing requirements. EPRA earnings and EPRA net assets are calculated in accordance with guidance issued by the European Public Real Estate recommended bases. Reconciliations from Reported Group (IFRS) earnings after tax and Net assets attributable to equity shareholders to these measures are set out below.

A. Alternative earnings measures

		Note	Six months ended 30 June 2022 £m	Six months ended 30 June 2021 £m
Reported Group				
Profit/(Loss) after tax – continuing operations			50.3	(354.8)
Loss after tax – discontinued operations			–	(20.7)
Profit/(Loss) after tax for the period			50.3	(375.5)
Adjustments:				
Revaluation losses on managed portfolio			43.3	353.3
Disposals and assets held for sale				
- (Profit)/Loss on sale of properties		(a)	(1.5)	38.7
- Recycled exchange gains on disposal of overseas property interests		(b)	–	(11.0)
Associates (Value Retail):				
- Revaluation (gains)/losses	*	(i)	(33.0)	7.9
- Deferred tax	*	(c), (i)	1.6	(1.5)
Sub-total: Adjustments for Headline earnings			10.4	387.4
Associates (Value Retail):				
- Change in fair value of derivatives	*	(d), (i)	(8.5)	(4.1)
- Change in fair value of participative loans	*	(d), (i)	(8.8)	(2.5)
Included in Financing:				
- Change in fair value of derivatives		(e)	5.5	0.4
- Debt and loan facility cancellation costs		(e)	1.2	17.3
Change in fair value of other investments		(f)	(0.4)	0.2
Tax charge on discontinued operations		(c)	–	0.2
Sub-total: Adjustments for EPRA earnings			(0.6)	398.9
Included in profit from operating activities:				
- Business transformation costs		(g)	1.4	3.3
- Change in provision for amounts not yet recognised in the income statement		(h)	(1.6)	(6.6)
- Income from assets held for sale		(j)	1.6	-
Total: Adjustments for Adjusted earnings			0.8	395.6
Headline earnings			60.7	11.9
EPRA earnings			49.7	23.4
Adjusted earnings			51.1	20.1

(a) Comprises several post completion adjustments on historical disposals in prior periods and the loss on sale of Victoria, Leeds (2021 comprised the loss on sale of Brent South Shopping Park, the overseas property interests in Espace Saint-Quentin and Nicetoile, the portfolio of seven retail parks and the sale of six other non-core assets).

(b) Exchange gains previously recognised in equity until disposal.

(c) In accordance with EPRA guidance, the tax effects of EPRA adjustments (including those for disposals) is excluded.

(d) Change in fair value of derivatives and participative loans: such items are excluded because they represent gains and losses arising from market rather than settlement revaluation methodologies which differ from the accruals basis upon which all other non-investment property related assets and liabilities are measured. Such a treatment is a form of revaluation gain or loss created by an assumption that the derivatives or loans will be settled before their maturity. Such gains and losses are excluded from adjusted earnings as they are unrealised and conflict with the commercial reasons for entering into such arrangements and are expected to be held to maturity.

9. KEY ALTERNATIVE PERFORMANCE MEASURES - continued

(e) Financing items comprise:

		Six months ended 30 June 2022			Six months ended 30 June 2021		
		Reported Group £m	Share of Property interests £m	Total £m	Reported Group £m	Share of Property interests £m	Total £m
Change in fair value of derivatives	(d)	7.7	(2.2)	5.5	2.2	(1.8)	0.4
Fees on cancellation of facilities / Redemption premiums and fees from early repayment of debt		1.2	–	1.2	17.3	–	17.3
		8.9	(2.2)	6.7	19.5	(1.8)	17.7

Write off of up-front fees arising on early cancellation or early repayment redemption premiums are considered outside of day-to-day financing activities and are accordingly excluded from adjusted earnings.

(f) Relates to the fair value movement in respect of the Group's retained 7.3% interest in Zweibrucken following the Group’s sale of VIA Outlets in 2020.

(g) Business transformation costs relate to the strategic and operational review undertaken by the new management team and which is an integral part of the Group’s new strategy announced during 2021. The related costs are incremental and do not form part of underlying trading and comprise mainly employee severance and system based costs associated with digital transformation which do not qualify for capitalisation. Whilst a significant proportion of the expected costs were incurred in 2021, further transformation activities will take place in 2022 and beyond.

(h) The Group makes a charge for expected credit losses in accordance with the technical interpretation of IFRS 9 irrespective of whether the income to which the provision relates has been recognised in the income statement or is deferred on the balance sheet. Because of the mismatch this causes between the cost of provision being recognised in one accounting period and the related revenue being recognised in a different accounting period, the adjustment eradicates this distortion.

(i) Adjustments in respect of associates comprise those items marked *

	Six months ended 30 June 2022 £m	Six months ended 30 June 2021 £m
Total in respect of associates (Value Retail)	(48.7)	(0.2)

(j) Income from assets held for sale relates to the Group’s joint venture investment in Silverburn, Glasgow which was transferred to assets held for sale as at 31 December 2021 and where the sale completed in March 2022. A £nil gain/loss was generated on the sale which comprised certain additional costs and accruals of £1.6m which were offset by net income generated in the period up to the point of disposal (after taking account of distributions) of £1.6m. The Group excludes losses on disposal from its EPRA and Adjusted earnings, and because this offset of income generated in the period against the loss causes the income to be excluded, the income is added back as an adjusting item in order to reflect the fact that the property remained under the Group’s ownership and management up until completion of the disposal and is therefore considered to form part of underlying earnings.

9. KEY ALTERNATIVE PERFORMANCE MEASURES - continued

B. Alternative Net Asset measures

The Group uses the EPRA best practice guidelines incorporating three measures of net asset value: EPRA Net Tangible Assets (NTA), Net Reinstatement Value (NRV) and Net Disposal Value (NDV). EPRA NTA is considered to be the most relevant measure for the Group.

A reconciliation between IFRS net assets and the three EPRA net asset valuation metrics is set out below.

30 June 2022		Reported Group £m	Share of Property interests £m	Value Retail £m	Total £m
Reported balance sheet net assets (Equity shareholders' funds)		2,800.7	-	-	2,800.7
Fair value of borrowings	(a)	214.7	(1.1)	-	213.6
EPRA NDV					3,014.3
Deduct Fair value of borrowings	(a)	(214.7)	1.1	-	(213.6)
Deferred tax – 50% share	(b)	0.2	-	97.0	97.2
Fair value of currency swaps as a result of interest rates	(c)	1.0	-	-	1.0
Fair value of interest rate swaps		(5.8)	(2.8)	(16.7)	(25.3)
EPRA NTA					2,873.6
Deferred tax – remaining 50% share	(b)	0.2	0.1	97.0	97.3
Purchasers' costs	(d)	340.2	-	-	340.2
EPRA NRV					3,311.1

31 December 2021		Reported Group £m	Share of Property interests £m	Value Retail £m	Total £m
Reported balance sheet net assets (Equity shareholders' funds)		2,745.9	-	-	2,745.9
Fair value of borrowings	(a)	(94.0)	(1.4)	-	(95.4)
EPRA NDV					2,650.5
Deduct Fair value of borrowings	(a)	94.0	1.4	-	95.4
Deferred tax – 50% share	(b)	0.2	-	94.0	94.2
Fair value of currency swaps as a result of interest rates	(c)	7.5	-	-	7.5
Fair value of interest rate swaps		(10.3)	1.6	1.2	(7.5)
EPRA NTA					2,840.1
Deferred tax – remaining 50% share	(b)	0.2	0.1	93.9	94.2
Purchasers' costs	(d)	346.4	-	-	346.4
EPRA NRV					3,280.7

(a) Fair value of borrowings is applicable for EPRA NDV calculation only and hence the adjustment is reversed for EPRA NTA and EPRA NRV.

(b) EPRA guidance stipulates exclusion of 50% of deferred tax for EPRA NTA purposes.

(c) Excludes impact of foreign exchange.

(d) Represents property transfer taxes and fees payable should the Group's entire property portfolio (including Value Retail) be acquired at period end market rates.

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

The calculations of the earnings per share (EPS) measures set out below are based on profit after tax, Headline profit after tax, European Public Real Estate Association (EPRA) profit after tax and adjusted profit after tax attributable to owners of the parent and the weighted number of shares in issue during the period.

Headline earnings per share has been calculated in accordance with the requirements of the Johannesburg Stock Exchange listing requirements. EPRA has issued recommended bases for the calculation of certain per share information which includes net asset value per share as well as earnings per share. The calculation of Headline, EPRA and adjusted earnings which includes a reconciliation to Reported IFRS earnings is set out in note 9.

Basic EPS measures are calculated by dividing the earnings attributable to the equity shareholders of the parent by the weighted average number of shares outstanding during the period. Diluted EPS measures are calculated on the same basis as basic EPS but with a further adjustment to the weighted average number of shares outstanding to assume conversion of all potentially dilutive ordinary shares. Such potentially dilutive ordinary shares comprise share options and awards granted to employees where the exercise price is less than the average market price of the Company's ordinary shares during the period and any unvested shares which have met, or are expected to meet, the performance conditions at the end of the period. To the extent that there is no dilution, this arises due to the anti-dilutive effect of all such shares.

The calculations of net assets per share are based on net assets as calculated in accordance with EPRA guidelines divided by the number of shares in issue and are set out in note 9B.

A. Number of shares for per share calculations

		30 June 2022 million	31 December 2021 million
Shares in issue (for the purposes of net asset per share calculations)		4,614.1	4,419.5

		Six months ended 30 June 2022 million	Six months ended 30 June 2021 million
Weighted average number of ordinary shares for the purposes of Basic EPS		4,586.5	4,096.1
Adjustment	*	–	465.4
Weighted average number of ordinary shares for the purposes of Basic EPS (restated)	*	4,586.5	4,561.5
Effect of potentially dilutive ordinary shares - share options		8.5	–
Weighted average number of ordinary shares for the purposes of Diluted EPS		4,595.0	4,561.5

* Prior period weighted average number of shares have been restated to reflect the adjustment required to incorporate the bonus element of scrip dividends following confirmation of the level of take up.

B. Earnings/(Loss) per share

		Earnings/(Loss)		Earnings/(Loss) per share			
				Basic		Diluted	
	Note	Six months ended 30 June 2022 £m	Six months ended 30 June 2021 £m	Six months ended 30 June 2022 pence	Six months ended 30 June 2021 pence*	Six months ended 30 June 2022 pence	Six months ended 30 June 2021 pence*
Reported Group (IFRS)							
Continuing operations		50.3	(354.8)	1.1p	(7.7)p	1.1p	(7.7)p
Discontinued operations		–	(20.7)	–	(0.5)p	–	(0.5)p
Total reported		50.3	(375.5)	1.1p	(8.2)p	1.1p	(8.2)p
Adjusted	9A	51.1	20.1	1.1p	0.4p	1.1p	0.4p
EPRA	9A	49.7	23.4	1.1p	0.5p	1.1p	0.5p
Headline	9A	60.7	11.9	1.3p	0.3p	1.3p	0.3p

* Prior period (loss)/earnings per share figures have been restated to reflect the adjustment described above to the weighted average number of shares. Previously reported basic and diluted figures were: Total reported: (9.2)p, Adjusted: 0.5p, EPRA: 0.6p and Headline unchanged at 0.3p.

C. Net Asset Value per share

		Net asset value		Net asset value per share	
	Note	30 June 2022 £m	31 December 2021 £m	30 June 2022 pence	31 December 2021 pence
EPRA NDV	9B	3,014.3	2,650.5	65p	60p
EPRA NTA	9B	2,873.6	2,840.1	62p	64p
EPRA NRV	9B	3,311.1	3,280.7	72p	74p

11. PROPERTIES

	30 June 2022			31 December 2021		
	Investment properties £m	Trading properties £m	Total £m	Investment properties £m	Trading properties £m	Total £m
Balance at beginning of period	1,561.4	34.3	1,595.7	2,152.8	–	2,152.8
Revaluation losses	(14.5)	–	(14.5)	(173.7)	–	(173.7)
Capital expenditure	41.5	–	41.5	71.2	6.2	77.4
Capitalised interest	1.2	–	1.2	5.3	–	5.3
Disposals	(124.8)	–	(124.8)	(382.2)	–	(382.2)
Transfer to trading properties *	–	–	–	(28.7)	28.7	–
Exchange adjustment	31.2	0.8	32.0	(83.3)	(0.6)	(83.9)
Balance at end of period	1,496.0	35.1	1,531.1	1,561.4	34.3	1,595.7

* Relates to the forward sale of Italik as described in note 3B.

Properties are stated at fair value, valued by professionally qualified external valuers in accordance with RICS Valuation – Global Standards. Valuations at 30 June 2022 and 31 December 2021 have been performed by:

CBRE Limited (CBRE)	UK flagships, Developments and other properties
Jones Lang LaSalle Ltd (JLL)	UK flagships, Developments and other properties, French portfolio
Cushman and Wakefield LLP (C&W)	Brent Cross, Irish portfolio, Value Retail (not included in the table above)

As detailed in note 1C due to the estimation and judgement required in the valuations which are derived from data that is not publicly available, consistent with EPRA's guidance, these valuations are classified as Level 3 in the IFRS 13 fair value hierarchy. A reconciliation of the Group portfolio valuation to Reported Group is shown in note 3B.

A. Investment properties - sensitivity analysis on valuations

	Valuation	Nominal equivalent yield		Estimated rental value (ERV)	
Proportionally consolidated	£m	-100bp £m	+100bp £m	+10% £m	-10% £m
Flagship destinations					
– UK	937.3	142.1	(109.1)	93.7	(93.7)
– France	1,256.2	318.7	(211.4)	125.6	(125.6)
– Ireland	670.7	155.4	(106.2)	67.1	(67.1)
Value Retail *	1,952.2	321.1	(221.8)	193.0	(193.0)
Group portfolio (excluding Developments and other)	4,816.4				
Developments and other	469.6				
Group portfolio	5,286.0				

* Nominal equivalent yield and ERV are not key observable inputs. Exit yields and net operating income have therefore been used as proxies.

B. Provisions against tenant incentives

Unamortised tenant incentives are included within capital expenditure and impaired as appropriate. The impairment provision is calculated in accordance with the expected credit loss methodology set out in IFRS 9 and is summarised in the table below.

	30 June 2022			31 December 2021		
	Unamortised tenant incentives £m	Total loss allowance £m	Net unamortised tenant incentives £m	Unamortised tenant incentives £m	Total loss allowance £m	Net unamortised tenant incentives £m
Proportionally consolidated						
UK	24.7	(4.7)	20.0	37.2	(9.6)	27.6
France	14.0	(1.8)	12.2	11.8	(1.5)	10.3
Ireland	8.5	(2.1)	6.4	6.9	(1.8)	5.1
Managed portfolio	47.2	(8.6)	38.6	55.9	(12.9)	43.0
Less Share of Property interests	(27.9)	5.5	(22.4)	(30.8)	6.1	(24.7)
Reported Group	19.3	(3.1)	16.2	25.1	(6.8)	18.3

A 10 percentage point increase in the provision rate would increase the impairment charge and hence reduce Reported earnings and Adjusted earnings by £3.2m.

C. Joint operations

Investment properties included a 50% interest in the Ilac Centre, Dublin and a 50% interest in Swords Pavilions, Dublin, totalling £152.5m (31 December 2021: £149.8m). These properties are jointly controlled in co-ownership with Irish Life Assurance plc.

12. INVESTMENT IN JOINT VENTURES

Analysis of the Group's investment in joint ventures is set out below and forms part of the Share of Property interests to arrive at management's analysis of the Group on a proportionally consolidated basis as explained in note 3 and set out in note 2.

The results of interests in joint ventures disposed of during the period are included up to the point of disposal except for where such disposals form part of assets held for sale or discontinued operations whereby they are excluded for the whole period. Disposals in the period are set out in note 7A.

A. Share of results of joint ventures

	Note	Six months ended 30 June 2022 £m	Six months ended 30 June 2021 £m
Gross rental income		56.8	66.9
Net rental income		45.7	49.1
Administration expenses		(0.3)	(0.3)
Profit from operating activities		45.4	48.8
Revaluation losses on properties		(26.0)	(206.6)
Adjustment for income relating to assets held for sale	7A	(1.6)	-
Operating profit/(loss)		17.8	(157.8)
Change in fair value of derivatives		2.2	1.8
Other finance costs		(3.7)	(4.6)
Net finance costs		(1.5)	(2.8)
Profit/(Loss) before and after tax for the period – continuing operations		16.3	(160.6)
Profit for the period – discontinued operations		–	0.8
Profit/(Loss) for the period		16.3	(159.8)

B. Share of assets and liabilities of joint ventures

	Note	30 June 2022 £m	31 December 2021 £m
Non-current assets			
Investment properties		1,700.5	1,712.2
Other non-current assets		21.5	18.3
		1,722.0	1,730.5
Current assets			
Other current assets	(a)	72.5	75.0
Cash and deposits	(b)	102.6	113.7
		175.1	188.7
Current liabilities			
Other payables		(75.3)	(79.3)
Loans - secured		(79.4)	(72.2)
		(154.7)	(151.5)
Non-current liabilities			
Loans – secured		(302.6)	(295.0)
Derivative financial instruments		–	(1.6)
Obligations under head leases		(15.8)	(15.8)
Other payables		(5.2)	(3.4)
Deferred tax		(0.1)	(0.1)
		(323.7)	(315.9)
Cumulative losses restricted	(c)	7.0	-
Net assets		1,425.7	1,451.8

(a) Includes restricted monetary assets of £30.9m and £5.7m (31 December 2021: £30.9m and £2.5m) in respect of Croydon and Dundrum, comprising cash held in escrow for specified development costs, and restricted cash as a condition of the loan covenant waiver, respectively.

(b) Includes balances of £3.3m and £2.9m (31 December 2021: £0.7m and £8.2m) in respect of Highcross and Dundrum respectively, which are classified as 'restricted' under the terms of the loan agreements.

(c) Represents the Group's share of losses in Highcross which exceed the Group's investment in the joint venture which was impaired to £nil at 31 December 2021.

12. INVESTMENT IN JOINT VENTURES - continued

C. Reconciliation of movements in investment in joint ventures

	30 June 2022 £m	31 December 2021 £m
Balance at beginning of period	1,451.8	1,813.6
Share of results of joint ventures	16.3	(170.4)
Impairment of investment in joint ventures	–	(11.5)
Advances	0.3	14.0
Cash distributions	(47.0)	(38.9)
Other receivables	(1.4)	(4.9)
Transfer to assets held for sale	–	(72.3)
Disposal	–	(53.9)
Exchange and other movements	5.7	(23.9)
Balance at end of period	1,425.7	1,451.8

13. INVESTMENT IN ASSOCIATES

Following the disposal of the Group's 10% interest in Nicetoile on 1 April 2021 for €25m (£21m), the Group's remaining two associates are Value Retail (Value Retail PLC and its group entities ('VR')), and a 25% interest in Italie Deux where the Group is the asset manager. The share of results of Italie Deux and Nicetoile (until the date of disposal in 2021) are included within the Group's Share of Property interests when presenting figures on a proportionally consolidated basis as explained in note 3 and set out in note 2.

A. Share of results of associates

	Six months ended 30 June 2022			Six months ended 30 June 2021			
	VR £m	Italie Deux £m	Total £m	VR £m	Nicetoile £m	Italie Deux £m	Total £m
Gross rental income	65.1	3.1	68.2	32.7	0.3	2.9	35.9
Net rental income	45.4	2.3	47.7	21.0	0.3	2.4	23.7
Administration expenses	(20.8)	–	(20.8)	(15.1)	–	–	(15.1)
Profit from operating activities	24.6	2.3	26.9	5.9	0.3	2.4	8.6
Revaluation gains/(losses) on properties	33.0	(2.8)	30.2	(7.9)	–	(6.5)	(14.4)
Operating profit/(loss)	57.6	(0.5)	57.1	(2.0)	0.3	(4.1)	(5.8)
Change in fair value of derivatives	8.5	–	8.5	4.1	–	–	4.1
Change in fair value of participative loans – revaluation	8.8	–	8.8	2.5	–	–	2.5
Change in fair value of participative loans – other	2.7	–	2.7	1.1	–	–	1.1
Other finance costs	(12.6)	–	(12.6)	(8.4)	–	–	(8.4)
Net finance income/(costs)	7.4	–	7.4	(0.7)	–	–	(0.7)
Profit/(Loss) before tax	65.0	(0.5)	64.5	(2.7)	0.3	(4.1)	(6.5)
Current tax charge	(1.0)	–	(1.0)	(0.6)	–	–	(0.6)
Deferred tax (charge)/credit	(1.6)	–	(1.6)	1.5	–	–	1.5
Profit/(Loss) for the period	62.4	(0.5)	61.9	(1.8)	0.3	(4.1)	(5.6)

13. INVESTMENT IN ASSOCIATES - continued

B. Share of assets and liabilities of associates

		30 June 2022			31 December 2021		
		VR £m	Italie Deux £m	Total £m	VR £m	Italie Deux £m	Total £m
Non-current assets							
Goodwill on acquisition	*	94.3	-	94.3	94.3	-	94.3
Investment properties		1,952.2	102.2	2,054.4	1,893.5	101.7	1,995.2
Derivative financial instruments		-	-	-	2.2	-	2.2
Other non-current assets		81.4	-	81.4	61.1	-	61.1
		2,127.9	102.2	2,230.1	2,051.1	101.7	2,152.8
Current assets							
Other current assets		27.0	2.8	29.8	29.6	3.2	32.8
Cash and deposits		107.5	7.5	115.0	77.0	6.0	83.0
		134.5	10.3	144.8	106.6	9.2	115.8
Total assets		2,262.4	112.5	2,374.9	2,157.7	110.9	2,268.6
Current liabilities							
Other payables		(88.0)	(4.0)	(92.0)	(88.9)	(3.9)	(92.8)
Loans		(376.3)	-	(376.3)	(465.1)	-	(465.1)
		(464.3)	(4.0)	(468.3)	(554.0)	(3.9)	(557.9)
Non-current liabilities							
Loans		(408.5)	-	(408.5)	(292.2)	-	(292.2)
Derivative financial instruments		(0.4)	-	(0.4)	(3.4)	-	(3.4)
Other payables		(15.6)	(0.9)	(16.5)	(14.8)	(0.8)	(15.6)
Participative loan liabilities		(92.6)	-	(92.6)	(86.0)	-	(86.0)
Deferred tax		(162.7)	-	(162.7)	(157.0)	-	(157.0)
		(679.8)	(0.9)	(680.7)	(553.4)	(0.8)	(554.2)
Total liabilities		(1,144.1)	(4.9)	(1,149.0)	(1,107.4)	(4.7)	(1,112.1)
Net assets		1,118.3	107.6	1,225.9	1,050.3	106.2	1,156.5
Participative loans		199.1	-	199.1	184.8	-	184.8
Impairment of investment	*	(94.3)	-	(94.3)	(94.3)	-	(94.3)
Investment in associates		1,223.1	107.6	1,330.7	1,140.8	106.2	1,247.0

* During the six months ended 30 June 2022, there were no indicators requiring an impairment review to be undertaken. The impairment shown, which arose in 2020, is equivalent to the notional goodwill on the investment in Value Retail (VR).

The balance sheets exclude liabilities in respect of distributions received in advance from VR amounting to £20.0m (31 December 2021: £21.5m) which are included within non-current liabilities in the Group's consolidated balance sheet.

In addition to the above investments, non-current receivables of the Group include loans to Value Retail European Holdings BV totalling €2.0m (£1.7m) (31 December 2021: €2.0m (£1.7m)) secured against a number of VR assets and maturing on 30 November 2043.

Hammerson's economic interest in VR is calculated as 40% (31 December 2021: 40%) after adjusting for the Participative loans which are included in non-current liabilities.

13. INVESTMENT IN ASSOCIATES - continued

C. Reconciliation of movements in investment in associates

		30 June 2022			31 December 2021			
		Value Retail £m	Italie Deux £m	Total £m	Value Retail £m	Nicetoile £m	Italie Deux £m	Total £m
Balance at beginning of period		1,140.8	106.2	1,247.0	1,154.1	23.8	120.5	1,298.4
Share of results of associates		62.4	(0.5)	61.9	20.0	0.3	(4.7)	15.6
Capital return		–	(0.7)	(0.7)	–	–	(2.0)	(2.0)
Distributions		(1.9)	–	(1.9)	(2.4)	-	(0.1)	(2.5)
Share of other comprehensive gain of associate	*	7.3	–	7.3	1.3	-	-	1.3
Disposals		–	–	–	–	(23.2)	-	(23.2)
Exchange and other movements		14.5	2.6	17.1	(32.2)	(0.9)	(7.5)	(40.6)
Balance at end of period		1,223.1	107.6	1,330.7	1,140.8	-	106.2	1,247.0

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

14. RECEIVABLES – CURRENT

Included in the current receivables balance of £89.7m (31 December 2021: £84.8m) are the following amounts in respect of trade (tenant) receivables, together with the respective provisions which have been calculated in accordance with the expected credit loss methodology set out in IFRS 9.

	30 June 2022			31 December 2021		
Proportionally consolidated	Gross trade receivables £m	Provision* £m	Net trade receivables £m	Gross trade receivables £m	Provision* £m	Net trade receivables £m
UK	33.3	(19.8)	13.5	46.3	(27.2)	19.1
France	48.2	(21.0)	27.2	45.2	(21.7)	23.5
Ireland	5.1	(2.8)	2.3	8.0	(4.4)	3.6
Managed portfolio	86.6	(43.6)	43.0	99.5	(53.3)	46.2
Less Share of Property interests	(38.1)	21.7	(16.4)	(44.6)	25.9	(18.7)
Reported Group	48.5	(21.9)	26.6	54.9	(27.4)	27.5

* Provisions against trade receivables on a proportionally consolidated basis include £2.6m (31 December 2021: £4.0m) against deferred income as described in note 9A of which £2.3m (31 December 2021: £3.0m) relates to Share of Property interests.

Net trade receivables as presented within the current receivables balance do not include deposits, which are included in payables, but taken together with VAT, do form part of the assessment of the required provision.

A 10 percentage point increase in the provision rate would increase the provision and hence reduce Reported earnings by £6.0m and Adjusted earnings by £5.6m.

15. LOANS

A. Loan profile

		30 June 2022 £m	31 December 2021 £m
Unsecured			
£200.0m 7.25% sterling bonds due 2028		198.9	198.8
€700.0m 1.75% euro bond due 2027		593.6	578.3
£300.0m 6% sterling bonds due 2026		299.0	298.8
£350.0m 3.5% sterling bonds due 2025		348.0	347.8
€235.5m 1.75% euro bonds due 2023		202.5	197.4
Sterling bank loans and overdrafts	*	(4.9)	(2.7)
Senior notes due 2031		5.0	4.9
Senior notes due 2028		10.9	13.3
Senior notes due 2026		60.3	58.8
Senior notes due 2024		111.1	139.4
		1,824.4	1,834.8
Analysed as:			
Current liabilities		202.5	-
Non-current liabilities		1,621.9	1,834.8
		1,824.4	1,834.8

* Debit balance comprises unamortised fees for Revolving Credit Facilities against which no funds had been drawn at the period ends.

B: Currency profile

	30 June 2022				31 December 2021			
	Sterling £m	US Dollar £m	Euro £m	Total £m	Sterling £m	US Dollar £m	Euro £m	Total £m
Bonds	845.9	-	796.1	1,642.0	845.4	-	775.7	1,621.1
Sterling bank loans and overdrafts	(4.9)	-	-	(4.9)	(2.7)	-	-	(2.7)
Senior notes	30.8	63.3	93.2	187.3	30.8	84.8	100.8	216.4
	871.8	63.3	889.3	1,824.4	873.5	84.8	876.5	1,834.8

C. Maturity profile

							30 June 2022	31 December 2021
	Current assets £m	Non-current assets £m	Current liabilities £m	Non- current liabilities £m	Loans < 1 year £m	Loans > 1 year £m	Total £m	Total £m
Bonds	-	-	-	-	202.5	1,439.5	1,642.0	1,621.1
Sterling bank loans and overdrafts	-	-	-	-	-	(4.9)	(4.9)	(2.7)
Senior notes	-	-	-	-	-	187.3	187.3	216.4
Loans	-	-	-	-	202.5	1,621.9	1,824.4	1,834.8
Fair value of currency swaps	-	(6.4)	2.4	10.8	-	-	6.8	44.1
Borrowings	-	(6.4)	2.4	10.8	202.5	1,621.9	1,831.2	1,878.9
Fair value of interest rate swaps	(3.2)	(2.6)	-	-	-	-	(5.8)	(10.3)
Loans and derivative financial instruments	(3.2)	(9.0)	2.4	10.8	202.5	1,621.9	1,825.4	1,868.6

D. Undrawn committed facilities

Expiry	30 June 2022 £m	31 December 2021 £m
Within one year	-	10.0
Within one to two years	50.0	450.0
Within two to five years	607.9	569.8
	657.9	1,029.8

16. FAIR VALUE OF FINANCIAL INSTRUMENTS

A: Definitions

The Group's financial instruments are categorised by level of fair value hierarchy prescribed by accounting standards. The different levels are defined as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (actual prices) or indirectly (derived from actual prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (from unobservable inputs).

B: Fair value valuation technique

Financial instrument	Valuation technique for determining fair value
Unsecured bonds	Quoted market prices
Senior notes	Present value of cash flows discounted using prevailing market interest rates
Unsecured bank loans and overdrafts	Present value of cash flows discounted using prevailing market interest rates
Fair value of currency swaps and interest rate swaps	Present value of cash flows discounted using prevailing market interest rates
Other investments including participative loans to associates	Underlying net asset values of the interests in Villages/centres *

* Assets of Villages comprise mainly investment properties held at professional valuation.

C: Fair value hierarchy analysis

		30 June 2022			31 December 2021		
	Hierarchy	Book value £m	Fair value £m	Variance £m	Book value £m	Fair value £m	Variance £m
Unsecured bonds	Level 1	1,642.0	1,426.8	(215.2)	1,621.1	1,707.0	85.9
Senior notes	Level 2	187.3	182.9	(4.4)	216.4	221.8	5.4
Unsecured bank loans and overdrafts	Level 2	(4.9)	-	4.9	(2.7)	-	2.7
Fair value of currency swaps	Level 2	6.8	6.8	-	44.1	44.1	-
Borrowings		1,831.2	1,616.5	(214.7)	1,878.9	1,972.9	94.0
Fair value of interest rate swaps	Level 2	(5.8)	(5.8)	-	(10.3)	(10.3)	-
Participative loans to associates	Level 3	199.1	199.1	-	184.8	184.8	-
Fair value of other investments	Level 3	10.2	10.2	-	9.5	9.5	-

D: Analysis of movements in Level 3 financial instruments

	30 June 2022			31 December 2021		
Level 3 financial instruments	Participative loans £m	Other investments £m	Total £m	Participative loans £m	Other investments £m	Total £m
Balance at beginning of period	184.8	9.5	194.3	189.9	9.7	199.6
Total gains/(losses)						
- in share of results of associates	11.5	-	11.5	9.1	-	9.1
- in the consolidated income statement	-	0.4	0.4	-	0.4	0.4
- in other comprehensive income	4.7	0.3	5.0	(11.8)	(0.6)	(12.4)
Other movements - advances	(1.9)	-	(1.9)	(2.4)	-	(2.4)
Balance at end of period	199.1	10.2	209.3	184.8	9.5	194.3

17. NOTES TO THE CASH FLOW STATEMENT

A. Analysis of items included in operating cash flows

		Six months ended 30 June 2022 £m	Six months ended 30 June 2021 £m
Net movements in working capital and restricted monetary assets			
Movements in working capital:			
- (Increase)/Decrease in receivables		(4.9)	3.5
- (Decrease)/Increase in payables		(23.3)	7.1
		(28.2)	10.6
Decrease in restricted monetary assets		17.9	4.4
		(10.3)	15.0
Non-cash items			
Increase in accrued rents receivable		(2.3)	(12.3)
(Decrease)/Increase in loss allowance provisions	*	(2.6)	3.4
Amortisation of lease incentives and other costs		0.7	2.6
Depreciation		2.0	2.3
Other non-cash items including share-based payment charge		(0.7)	–
		(2.9)	(4.0)

* Comprises movement in provisions against trade (tenant) receivables and unamortised tenant incentives.

B. Analysis of movements in net debt

	30 June 2022			31 December 2021		
	Cash and deposits £m	Borrowings £m	Net debt £m	Cash and deposits £m	Borrowings £m	Net debt £m
Balance at beginning of period	309.7	(1,878.9)	(1,569.2)	409.5	(2,330.0)	(1,920.5)
Cash flow	87.9	96.2	184.1	(97.7)	332.9	235.2
Change in fair value of currency swaps	–	6.4	6.4	–	(14.2)	(14.2)
Exchange	1.2	(54.9)	(53.7)	(2.1)	132.4	130.3
At end of period	398.8	(1,831.2)	(1,432.4)	309.7	(1,878.9)	(1,569.2)
Amounts in respect of assets held for sale	–	–	–	4.6	–	4.6
At end of period – including assets held for sale	398.8	(1,831.2)	(1,432.4)	314.3	(1,878.9)	(1,564.6)

18. OTHER RESERVES

	30 June 2022 £m	31 December 2021 £m
Translation reserve	533.4	471.1
Net investment hedge reserve	(411.3)	(362.8)
Cash flow hedge reserve	(0.2)	1.7
	121.9	110.0

19. CONTINGENT LIABILITIES AND COMMITMENTS

Contingent liabilities

The Reported Group had contingent liabilities of £52m (31 December 2021: £52m) relating to guarantees given by the Reported Group and a further £24m (31 December 2021: £27m) relating to claims arising in the normal course of business, which are considered unlikely to crystallise. The Reported Group's share of contingent liabilities arising within joint ventures is £15m (31 December 2021: £14m).

In addition, the Group operates in a number of jurisdictions and is subject to periodic challenges by local tax authorities on a range of tax matters during the normal course of business. The tax impact can be uncertain until a conclusion is reached with the relevant tax authority or through a legal process. The Group addresses this by closely monitoring these potential instances, seeking independent advice and maintaining transparency with the authorities it deals with as and when any enquiries are made. As a result, the Group has identified a potential tax exposure attributable to the ongoing applicability of tax treatments adopted in respect of the Group's tax structures. The range of potential outcomes is a possible outflow of minimum £nil and maximum £146m (31 December 2021: minimum £nil and maximum £143m). The Directors have not provided for this amount because they do not believe an outflow is probable.

There have been no material changes in contingent liabilities since 31 December 2021.

The Reported Group also had capital commitments of £1m (31 December 2021: £19m), in relation to future capital expenditure on investment properties. The Reported Group's share of the capital commitments arising within joint ventures was £37m (31 December 2021: £40m).

ADDITIONAL INFORMATION

UNAUDITED

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EPRA measures		**Proportionally consolidated information**	
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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

Summary EPRA performance measures

Performance measure		Six months ended 30 June 2022	Six months ended 30 June 2021	Note / Table
Earnings		£49.7m	£23.4m	9A
Earnings per share (EPS)	*	1.1p	0.5p	10B
Cost ratio (including vacancy costs)		33.5%	50.3%	Table 8
Cost ratio (excluding vacancy costs)		27.6%	45.4%	Table 8
		30 June 2022	31 December 2021	
Net Disposal Value (NDV) per share		65p	60p	10C
Net Tangible Assets value (NTA) per share		62p	64p	10C
Net Reinstatement Value (NRV) per share		72p	74p	10C
Net Initial Yield (NIY)		5.3%	5.6%	Table 10
Topped-up Net Initial Yield		5.4%	5.8%	Table 10
Vacancy rate		7.2%	5.7%	Table 4

* 2021 Restated to reflect the bonus element of scrip dividends.

Portfolio analysis

In the second half of 2021, to better align with the Group's new strategy, particularly concerning accelerating the Group's development opportunities, the business segments used by the Group Executive Committee, who are deemed to be the chief decision makers, to review the performance of the business were amended to combine the two operating segments 'UK other' and 'Developments' into one operating business segment 'Developments and other', which therefore includes both investment and developments properties. A listing of the key properties within this segment is shown on Table 20.

The Group's investment in Grand Central, Birmingham, was transferred from the UK flagships segment to 'Developments and other' with effect from 1 July 2021, reflecting the change in focus following the major department store closure, which has led to plans being worked up for its redevelopment. Additionally, as a result of its full impairment at 31 December 2021, the Group's investment in Highcross, Leicester, has been transferred from 'UK flagships' to 'Developments and other' and for H1 22 is included in all metrics except for those included in the Consolidated income statement (gross rental income, net rental income and the revaluation losses/gains in the period). These reclassifications are reflected in the tables within this Additional information.

Where applicable, the information presented within the 'Development and other' segment only reflects available data in relation to the investment properties within this segment.

Rental information

Table 2

Rental data

Proportionally consolidated	Gross rental income £m	Adjusted net rental income £m	Average rents passing £/m²	Rents passing £m	Estimated rental value of vacant space £m	Estimated rental value £m	Reversion/ (over-rented) %
Six months ended 30 June 2022							
			(a)	(b)	(c)	(c)	
UK	44.1	38.0	420	83.9	4.1	80.3	*(9.4)*
France	28.4	25.1	410	60.1	5.3	72.4	*10.7*
Ireland	18.3	17.3	465	36.4	1.4	38.2	*1.3*
Flagship destinations	90.8	80.4	430	180.4	10.8	190.9	-
Developments and other	13.0	6.1	185	21.2	3.2	21.8	*(12.3)*
Managed portfolio	103.8	86.5	375	201.6	14.0	212.7	*(1.3)*
Year ended 31 December 2021							
UK	114.3	90.1	400	104.5	5.1	102.0	*(7.3)*
France	52.5	39.4	415	52.3	2.3	57.5	*5.3*
Ireland	34.5	32.4	460	35.6	0.6	36.5	*0.9*
Flagship destinations	**201.3**	**161.9**	**415**	**192.4**	**8.0**	**196.0**	***(2.1)***
Developments and other	29.6	17.5	195	22.4	3.2	23.4	*(9.5)*
UK retail parks	10.7	10.4	n/a	n/a	n/a	n/a	n/a
Managed portfolio	**241.6**	**189.8**	**370**	**214.8**	**11.2**	**219.4**	***(2.9)***

(a) Average rents passing at the period end before deducting head rents and excluding rents passing from anchor units, car parks and commercialisation.

(b) Passing rents is the annual rental income receivable at the period end from an investment property, after any rent-free periods and after deducting head rents and car parking and commercialisation running costs totalling £16m.

(c) The estimated rental value ('ERV') 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.

Table 3

Gross rental income

Proportionally consolidated	30 June 2022 £m	30 June 2021 £m
Base rent	76.6	81.0
Turnover rent	7.1	2.1
Car park income	13.0	7.1
Commercialisation income	4.6	3.1
Surrender premiums	0.7	12.9
Lease incentive recognition	1.1	14.9
Other rental income	0.7	1.3
Gross rental income	103.8	122.4

Vacancy

Table 4

Vacancy data

Proportionally consolidated		ERV of vacant space £m	Total ERV for vacancy £m	Vacancy rate %	ERV of vacant space £m	Total ERV for vacancy £m	Vacancy rate %
		30 June 2022			31 December 2021		
			(a)			(a)	
UK		4.1	66.7	*6.1*	5.1	86.0	*5.9*
France	(b)	5.3	73.7	*7.2*	2.3	59.1	*4.0*
Ireland		1.4	34.6	*3.9*	0.6	33.0	*1.7*
Flagship destinations	(b)	**10.8**	**175.0**	***6.2***	**8.0**	**178.1**	***4.5***
Developments and other		3.2	18.7	*17.4*	3.2	20.4	*15.7*
Managed portfolio	(b)	**14.0**	**193.7**	***7.2***	**11.2**	**198.5**	***5.7***

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

(b) Figures include Les 3 Fontaines, Cergy extension which opened in March 2022. Vacancy rates at 30 June 2022 excluding the extension were France: 4.8%; Flagship destinations: 5.2%; Managed portfolio: 6.4%.

Lease expiries and breaks

Table 5

Proportionally consolidated	Rental income based on passing rents that expire/break in: Outstanding £m	2022 £m	2023 £m	2024 £m	Total £m	ERV of leases that expire/break in*: Outstanding £m	2022 £m	2023 £m	2024 £m	Total £m	Weighted average unexpired lease term: to break years	to expiry years
UK	5.7	5.7	12.6	13.9	37.9	6.5	5.1	10.1	10.9	32.6	5.8	7.7
France	3.2	0.8	5.4	11.3	20.7	3.0	1.1	5.0	12.0	21.1	1.5	4.9
Ireland	1.4	1.1	2.7	3.8	9.0	1.7	1.9	3.3	2.9	9.8	6.3	7.8
Flagship destinations	**10.3**	**7.6**	**20.7**	**29.0**	**67.6**	**11.2**	**8.1**	**18.4**	**25.8**	**63.5**	**4.3**	**6.7**
Developments and other	2.2	1.3	4.0	2.8	10.3	2.5	1.2	2.9	2.1	8.7	4.4	9.0
Managed portfolio	**12.5**	**8.9**	**24.7**	**31.8**	**77.9**	**13.7**	**9.3**	**21.3**	**27.9**	**72.2**	**4.3**	**6.9**

* Ignores 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 period, after taking account of exchange translation movements. Properties undergoing a significant extension project are excluded from this calculation during the period of the works.

Six months ended 30 June 2022

	Properties owned throughout 2021/22 £m	Change in like-for-like NRI %	Disposals £m	Developments and other £m	Total adjusted NRI £m	Change in provision £m	Total NRI £m
UK	34.3	*56.9*	3.7	–	38.0	1.1	39.1
France	18.0	*35.3*	–	7.1	25.1	–	25.1
Ireland	17.3	*44.7*	–	–	17.3	0.1	17.4
Flagship destinations	**69.6**	***47.7***	**3.7**	**7.1**	**80.4**	1.2	81.6
Developments and other	–	–	(0.1)	6.2	6.1	0.4	6.5
Managed portfolio*	**69.6**	***47.7***	**3.6**	**13.3**	**86.5**	1.6	88.1

Six months ended 30 June 2021

	Properties owned throughout 2021/22 £m	Exchange £m	Disposals £m	Developments and other £m	Total adjusted NRI £m	Change in provision £m	Total NRI £m
UK	21.9	–	7.0	12.6	41.5	5.1	46.6
France	13.3	0.7	0.8	4.3	19.1	–	19.1
Ireland	11.9	0.5	–	–	12.4	0.1	12.5
Flagship destinations	47.1	1.2	7.8	16.9	73.0	5.2	78.2
Developments and other	–	–	0.3	3.6	3.9	–	3.9
UK retail parks	–	–	10.3	–	10.3	1.4	11.7
Managed portfolio*	47.1	1.2	18.4	20.5	87.2	6.6	93.8

* Managed portfolio value on which like-for-like growth is based was £2,316m at 30 June 2022.

Top ten tenants

Table 7

Ranked by passing rent

Proportionally consolidated	Passing rent £m	% of total passing rent
Inditex	7.5	3.7%
H&M	5.2	2.6%
Next	3.5	1.7%
Boots	3.2	1.6%
JD Sports	3.2	1.6%
CK Hutchison Holdings	2.6	1.3%
River Island	2.6	1.3%
Printemps	2.6	1.3%
Marks & Spencer	2.5	1.2%
Superdry	2.2	1.1%
Total	35.1	17.4%

Cost ratio

Table 8

EPRA cost ratio

Proportionally consolidated		Six months ended 30 June 2022 £m	Six months ended 30 June 2021 £m
Gross administration costs	*	30.5	39.6
Property fee income		(6.4)	(7.2)
Management fee receivable		(2.9)	(3.7)
Property outgoings		16.6	34.4
Less inclusive lease costs recovered through rent		(4.9)	(3.9)
Total operating costs	A	32.9	59.2
Less vacancy costs		(5.8)	(5.8)
Total operating costs excluding vacancy costs	B	27.1	53.4
Gross rental income		103.8	122.4
Ground rents payable		(0.7)	(0.8)
Less inclusive lease costs recovered through rent		(4.9)	(3.9)
Gross rental income	C	98.2	117.7
EPRA cost ratio including vacancy costs	A/C	33.5%	50.3%
EPRA cost ratio excluding vacancy costs	B/C	27.6%	45.4%

* Includes £1.4m (30 June 2021: £3.3m) of business transformation costs which are excluded from adjusted earnings. See note 9A for details. Excluding these costs, the 30 June 2022 EPRA cost ratio including vacancy costs would reduce from 33.5% to 32.1%.

The Group's 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. Employee costs of £0.8m (30 June 2021: £1.0m) were capitalised as development costs and are not included within 'Gross administration costs'.

Valuation analysis

Table 9

Proportionally consolidated - including Value Retail	(d)	Properties at valuation £m	Revaluation (losses)/gains in the period £m	Income return %	Capital return %	Total return %	Initial yield %	True equivalent yield %	Nominal equivalent yield [a] %
30 June 2022									(a)
UK		937.3	(17.0)	3.8	(1.8)	2.0	6.9	8.0	7.6
France	(c)	1,256.2	(2.5)	2.3	–	2.3	4.1	5.1	4.9
Ireland		670.7	(4.1)	2.6	(0.6)	2.0	5.0	5.5	5.3
Flagship destinations		**2,864.2**	**(23.6)**	**2.9**	**(0.8)**	**2.1**	**5.2**	**6.1**	**5.9**
Developments and other		469.6	(19.7)	1.1	(5.2)	(4.2)	6.2	9.7	9.1
Managed portfolio		**3,333.8**	**(43.3)**	**2.6**	**(1.5)**	**1.0**	**5.3**	**6.4**	**6.1**
Value Retail		1,952.2	33.0	2.4	1.7	4.1			
Group portfolio	(e)	**5,286.0**	**(10.3)**	**2.5**	**(0.4)**	**2.1**			
31 December 2021									
UK	(b)	1,135.3	(254.0)	7.0	(16.7)	(10.8)	7.0	8.1	7.7
France	(c)	989.7	(63.4)	3.8	(6.6)	(3.1)	4.4	5.2	5.0
Ireland		659.3	(61.1)	4.8	(8.3)	(3.9)	4.9	5.4	5.3
Flagship destinations		**2,784.3**	**(378.5)**	**5.4**	**(11.6)**	**(6.8)**	**5.6**	**6.4**	**6.2**
Developments and other		694.4	(79.0)	2.9	(9.3)	(6.6)	6.2	9.6	9.0
Managed portfolio		**3,478.7**	**(457.5)**	**5.1**	**(11.3)**	**(6.7)**	**5.6**	**6.6**	**6.4**
Value Retail		1,893.5	(12.0)	2.7	(0.6)	2.1			
Group portfolio	(e)	**5,372.2**	**(469.5)**	**4.3**	**(7.9)**	**(3.9)**			

(a) Nominal equivalent yields are included within the unobservable inputs to the portfolio valuations as defined by IFRS 13. The nominal equivalent yield for the Reported Group at 30 June 2022 was 5.6% (31 December 2021: 6.2%).

(b) Includes Silverburn, Glasgow which was classified as held for sale as at 31 December 2021.

(c) Includes Italik, 75% of which is classified as a trading property.

(d) 2021 returns include UK retail parks up to the point of their disposal in that year.

(e) Further analysis of capital expenditure is included in note 3B.

EPRA Net Initial Yield (NIY)

Table 10

Investment portfolio

Proportionally consolidated		Note	30 June 2022 £m	31 December 2021 £m
Wholly owned	(a)	3B	1,496.0	1,561.4
Share of Property interests		3B	1,802.7	1,813.9
Trading properties		3B	35.1	34.3
Assets held for sale		3B	–	69.1
Net investment portfolio valuation on a proportionally consolidated basis		3B	3,333.8	3,478.7
Less: Developments			(260.8)	(469.4)
Completed investment portfolio			3,073.0	3,009.3
Purchasers' costs	(b)		203.7	209.8
Grossed up completed investment portfolio	A		3,276.7	3,219.1
Annualised cash passing rental income			200.3	214.7
Non recoverable costs			(24.4)	(29.3)
Rents payable			(3.6)	(3.6)
Annualised net rent	B		172.3	181.8
Add:				
Notional rent expiration of rent-free periods and other lease incentives	(c)		2.7	3.0
Future rent on signed leases			2.2	0.7
Topped-up annualised net rent	C		177.2	185.5
Add back: Non recoverable costs			24.4	29.3
Passing rents			201.6	214.8
EPRA net initial yield	B/A		5.3%	5.6%
EPRA 'topped-up' net initial yield	C/A		5.4%	5.8%

(a) Includes 100% of Italik, 75% of which is part of trading properties.

(b) Purchasers' costs equate to 6.6% (31 December 2021: 7.0%) of the value of the completed investment portfolio.

(c) Weighted average remaining rent-free period is 0.7 years (31 December 2021: 0.6 years).

Capital expenditure

Table 11

		Six months ended 30 June 2022			Six months ended 30 June 2021		
Proportionally consolidated	Note	Reported Group £m	Share of Property interests £m	Proportionally consolidated £m	Reported Group £m	Share of Property interests £m	Proportionally consolidated £m
Acquisitions		1	–	1	–	–	–
Developments		10	2	12	24	1	25
Capital expenditure – creating area		14	–	14	4	–	4
Capital expenditure – no additional area		1	10	11	3	4	7
Tenant incentives		16	–	16	9	7	16
Total capital expenditure	3B	42	12	54	40	12	52
Conversion from accruals to cash basis		(26)	–	(26)	1	(3)	(2)
Total capital expenditure on cash basis		16	12	28	41	9	50

Proportionally consolidated information

Note 2 to the financial statements shows the Group's proportionally consolidated income statement. The Group's proportionally consolidated balance sheet and net debt are shown in Tables 12 and 13 respectively.

As explained in note 3 to the financial statements, the Group's interest in Value Retail is not proportionally consolidated as it is not under the Group's management.

Table 12

Balance sheet

		30 June 2022			31 December 2021		
	Note	Reported Group £m	Share of Property interests £m	Proportionally consolidated £m	Reported Group £m	Share of Property interests £m	Proportionally consolidated £m
Non-current assets							
Investment and development properties		1,496.0	1,802.7	3,298.7	1,561.4	1,813.9	3,375.3
Interests in leasehold properties		33.4	15.4	48.8	32.9	15.4	48.3
Right-of-use assets		8.8	–	8.8	3.8	–	3.8
Plant and equipment		1.8	–	1.8	1.4	–	1.4
Investment in joint ventures		1,425.7	(1,425.7)	–	1,451.8	(1,451.8)	–
Investment in associates		1,330.7	(107.6)	1,223.1	1,247.0	(106.2)	1,140.8
Other investments		10.2	–	10.2	9.5	–	9.5
Derivative financial instruments		9.0	2.9	11.9	18.6	–	18.6
Restricted monetary assets		21.4	–	21.4	21.4	–	21.4
Receivables		27.3	3.2	30.5	19.5	2.9	22.4
		4,364.3	290.9	4,655.2	4,367.3	274.2	4,641.5
Current assets							
Receivables		89.7	24.0	113.7	84.8	32.3	117.1
Trading properties		35.1	–	35.1	34.3	–	34.3
Derivative financial instruments		3.2	–	3.2	7.3	–	7.3
Restricted monetary assets		21.6	51.3	72.9	39.1	45.9	85.0
Cash and deposits		398.8	110.1	508.9	309.7	119.7	429.4
		548.4	185.4	733.8	475.2	197.9	673.1
Assets held for sale		–	–	–	71.4	–	71.4
		548.4	185.4	733.8	546.6	197.9	744.5
Total assets		4,912.7	476.3	5,389.0	4,913.9	472.1	5,386.0
Current liabilities							
Loans		(202.5)	(79.4)	(281.9)	–	(79.3)	(79.3)
Payables		(179.1)	(72.1)	(251.2)	(179.4)	(75.9)	(255.3)
Tax		(0.8)	(0.2)	(1.0)	(0.6)	(0.2)	(0.8)
Derivative financial instruments		(2.4)	–	(2.4)	–	–	–
		(384.8)	(151.7)	(536.5)	(180.0)	(155.4)	(335.4)
Non-current liabilities							
Loans		(1,621.9)	(302.6)	(1,924.5)	(1,834.8)	(295.0)	(2,129.8)
Deferred tax		(0.4)	(0.1)	(0.5)	(0.4)	(0.1)	(0.5)
Derivative financial instruments		(10.8)	–	(10.8)	(59.7)	(1.6)	(61.3)
Obligations under head leases		(37.2)	(15.8)	(53.0)	(36.4)	(15.8)	(52.2)
Payables		(56.8)	(6.1)	(62.9)	(56.6)	(4.2)	(60.8)
		(1,727.1)	(324.6)	(2,051.7)	(1,987.9)	(316.7)	(2,304.6)
Total liabilities		(2,111.9)	(476.3)	(2,588.2)	(2,167.9)	(472.1)	(2,640.0)
Net assets		2,800.8	–	2,800.8	2,746.0	–	2,746.0
EPRA adjustments – excluding Value Retail	9B			(7.4)			(1.0)
– Value Retail	9B			80.3			95.2
				72.9			94.2
Non-controlling interests				(0.1)			(0.1)
EPRA NTA				2,873.6			2,840.1

Table 13

Net debt

Proportionally consolidated		30 June 2022 Reported Group £m	30 June 2022 Share of Property interests £m	30 June 2022 Total £m	31 December 2021 Reported Group £m	31 December 2021 Share of Property interests £m	31 December 2021 Total £m
Cash and deposits	*	398.8	110.1	508.9	314.3	119.7	434.0
Fair value of currency swaps		(6.8)	–	(6.8)	(44.1)	–	(44.1)
Loans		(1,824.4)	(382.0)	(2,206.4)	(1,834.8)	(374.3)	(2,209.1)
Net debt		(1,432.4)	(271.9)	(1,704.3)	(1,564.6)	(254.6)	(1,819.2)

* Included within net debt for the Reported Group was £nil (31 December 2021: £4.6m) of cash and deposits relating to assets held for sale.

Table 14

Movement in net debt

Proportionally consolidated	Six months ended 30 June 2022 £m	Year ended 31 December 2021 £m
Opening net debt	(1,819.2)	(2,234.1)
Profit from operating activities	66.9	137.9
Decrease in receivables and restricted monetary assets	10.5	37.9
Decrease in payables	(6.6)	(37.0)
Adjustment for non-cash items	(6.1)	(20.9)
Cash generated from operations	64.7	117.9
Interest received	11.3	19.0
Interest paid	(56.2)	(108.3)
Redemption premiums and fees from early repayment of debt	–	(19.8)
Debt and loan facility issuance and extension fees	(2.7)	–
Bond issue costs	–	(5.2)
Premiums on hedging activities	(3.9)	(20.8)
Tax repaid/(paid)	0.1	(2.2)
Cash flows from operating activities	13.3	(19.4)
Acquisitions and capital expenditure	(28.4)	(97.1)
Sale of properties	192.7	425.2
Cash flows from investing activities	164.3	328.1
Share issue expenses	(0.2)	(2.2)
Purchase of own shares	(6.0)	(3.8)
Proceeds from awards of own shares	0.1	0.1
Equity dividends paid	(1.2)	(24.9)
Cash flows from financing activities	(7.3)	(30.8)
Exchange translation movement	(55.4)	137.0
Closing net debt	(1,704.3)	(1,819.2)

Table 15

Net debt : EBITDA

Proportionally consolidated	Note	30 June 2022 £m	31 December 2021 £m
Adjusted operating profit		174.9	154.3
Amortisation of tenant incentives and other items within net rental income		(4.5)	(15.6)
Share-based remuneration		2.9	3.3
Depreciation		4.1	4.4
EBITDA – rolling 12 month basis		177.4	146.4
Net debt	Table 13	1,704.3	1,819.2
Net debt : EBITDA		9.6x	12.4x

Table 16

Interest cover

Proportionally consolidated	Note	Six months ended 30 June 2022 £m	Six months ended 30 June 2021 £m
Net rental income	2	88.1	93.8
Less:			
- Net rental income in associates: Italie Deux and Nicetoile	13A	(2.3)	(2.7)
- Change in provision for amounts not yet recognised in the income statement	2	(1.6)	(6.6)
Net rental income for interest cover		84.2	84.5
Adjusted net finance costs	2	29.0	38.9
Less: Interest on lease obligations and pensions interest		(1.4)	(1.8)
Add: Capitalised interest	5	1.2	3.5
Net finance cost for interest cover		28.8	40.6
Interest cover		2.92x	2.08x

Table 17

Loan to value

Proportionally consolidated		Note	30 June 2022 £m	31 December 2021 £m
Net debt – 'Loan'	A	Table 13	1,704.3	1,819.2
Managed property portfolio	B	3B	3,333.8	3,478.7
Investment in Value Retail ('VR')		13B	1,223.1	1,140.8
'Value'	C		4,556.9	4,619.5
Loan to value – Headline	A/C		37.4%	39.4%
Net debt – Value Retail	D		677.3	680.3
Property portfolio – Value Retail	E	13B	1,952.2	1,893.5
Loan to value – Full proportional consolidation of VR	(A+D)/(B+E)		45.1%	46.5%

Table 18

Gearing

Proportionally consolidated	Note	30 June 2022 £m	31 December 2021 £m
Net debt	Table 13	1,704.3	1,819.2
Less:			
- Unamortised borrowing costs – Group		19.4	18.9
- Cash held within investments in associates: Italie Deux	13B	7.5	6.0
Net debt for gearing		1,731.2	1,844.1
Equity shareholders' funds - Consolidated net tangible worth		2,800.7	2,745.9
Gearing (%)		61.8	67.2

Table 19

Unencumbered asset ratio

Proportionally consolidated	Note	30 June 2022 £m	31 December 2021 £m
Managed property portfolio	3B	3,333.8	3,478.7
Less:			
- properties held in associates: Italie Deux	13B	(102.2)	(101.7)
- encumbered assets	*	(577.0)	(651.9)
Total unencumbered assets		2,654.6	2,725.1
Net debt – proportionally consolidated	Table 13	1,704.3	1,819.2
Less: cash held within investments in associates: Italie Deux	13B	7.5	6.0
Less: cash held within investments in encumbered joint ventures		33.6	26.6
Less: unamortised borrowing costs – Group		19.4	18.9
Less: encumbered debt	*	(383.1)	(375.7)
Total unsecured debt		1,381.7	1,495.0
Unencumbered asset ratio		1.92x	1.82x

* Encumbered assets and debt relate to Dundrum, Highcross and O'Parinor.

Table 20

Key property listing

Managed portfolio	Accounting classification where not wholly-owned	Note	Ownership	Area, m²	No. of tenants	Passing rent £m
Flagship destinations						
UK						
Brent Cross, London	Joint venture		41%	87,200	111	13.8
Bullring, Birmingham	Joint venture		50%	101,900	145	20.1
Cabot Circus, Bristol	Joint venture		50%	113,000	115	11.7
The Oracle, Reading	Joint venture		50%	72,100	99	10.2
Union Square, Aberdeen			100%	51,800	74	15.3
Westquay, Southampton	Joint venture		50%	94,900	109	12.8
France						
Italie Deux, Paris	Associate		25%	67,700	121	6.9
Les 3 Fontaines, Cergy		(a) (b)	100%	60,500	190	19.3
Les Terrasses du Port, Marseille			100%	62,800	154	28.2
O'Parinor, Aulnay-Sous-Bois	Joint venture	(b) (c)	25%	68,500	161	5.7
Ireland						
Dundrum Town Centre, Dublin	Joint venture		50%	125,700	156	25.2
Ilac Centre, Dublin	Joint operation		50%	27,900	63	3.9
Pavilions, Swords	Joint operation		50%	44,100	93	7.3
Developments and other (key properties only)						
Bristol Broadmead, Bristol	Joint venture		50%	34,600	63	3.1
Centrale, Croydon	Joint venture		50%	64,300	39	2.9
Dublin Central, Dublin			100%	n/a	n/a	n/a
Dundrum Phase II, Dublin	Joint venture		50%	n/a	n/a	n/a
Grand Central, Birmingham	Joint venture		50%	37,700	51	3.7
Highcross, Leicester	Joint venture		50%	100,200	117	9.1
Martineau Galleries, Birmingham			100%	n/a	n/a	n/a
Pavilions land, Swords			100%	n/a	n/a	n/a
The Goodsyard, London	Joint venture		50%	n/a	n/a	n/a
Whitgift, Croydon	Joint venture		50%	96,500	82	n/a

Value Retail	Associate	(d)	Ownership	Area, m²	No. of tenants	Income £m
Bicester Village, UK			50%	28,000	157	69.0
La Roca Village, Barcelona			41%	25,900	147	19.5
Las Rozas Village, Madrid			38%	16,500	99	12.0
La Vallée Village, Paris			26%	21,600	103	20.1
Maasmechelen Village, Brussels			27%	19,900	99	5.7
Fidenza Village, Milan			34%	20,900	118	6.3
Wertheim Village, Frankfurt			45%	20,900	114	9.9
Ingolstadt Village, Munich			15%	21,000	112	3.3
Kildare Village, Dublin			41%	21,600	108	9.6

(a) Les 3 Fontaines, Cergy includes extension project which was reclassified from Developments and other to Flagship destinations upon opening in March 2022.

(b) Held under co-ownership. Figures reflect Hammerson's ownership interests.

(c) In addition, a small proportion is wholly owned.

(d) Income represents annualised base and turnover rent at Hammerson's ownership share.

GLOSSARY

Adjusted earnings	Reported amounts excluding certain items in accordance with EPRA guidelines and also certain cash and non-cash items which the directors believe are not reflective of the normal day-to-day operating activities of the Group.
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, gross administration costs less property fee income and management fees receivable) 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 creditors to restructure liabilities, including future lease liabilities.
Dividend cover	Adjusted earnings per share divided by dividend per share.
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 (after deducting head rents, and car parking and commercialisation running costs) calculated by the Group's external valuers.
ESG	Using environmental, social and governance factors to evaluate companies and countries on how far advanced they are with sustainability.
F&B	Food and beverage.
Gearing	Net debt expressed as a percentage of equity shareholders' funds calculated as per the covenant definition in the Group's unsecured bank loans and facilities and private placements.
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 leases, car parks and commercialisation, after amortising lease incentives.
Headline rent	The annual rental income derived from a lease, including base and turnover rent but after rent-free periods.
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	Income derived from property taken as a percentage of the property value on a time-weighted constant currency basis after taking account of capital expenditure.
Initial yield (or Net initial yield (NIY))	Annual cash rents receivable (net of head 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 covenants in the Group's unsecured facilities and private placements.
Interest rate or currency swap (or derivatives)	An agreement with another party to exchange an interest or currency rate obligation for a pre-determined period.
Joint venture and associate management fees	Fees charged to joint ventures and associates for accounting, secretarial, asset and development management services.
Leasing	Comprises new lettings and renewals.
Leasing vs Passing rent	A comparison of Headline rent from new leases and renewals to the Passing rent at the most recent balance sheet date.
Like-for-like (LFL) NRI	The percentage change in net rental income for flagship 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 has two measures of LTV: 'Headline proportional consolidation of VR' and 'Full proportional consolidation of VR' (FPC). The former compares the Group's net debt to the Group's managed portfolio value plus net investment in Value Retail, while the latter incorporates the Group's share of Value Retail's net debt and property values.
MSCI	Property market benchmark indices produced by Morgan Stanley Capital International.

Net effective rent (NER)	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 rents payable, property outgoings, and change in provision for amounts not yet recognised in the income statement. The latter balance is excluded from NRI to calculate adjusted earnings.
EPRA NTA	EPRA Net tangible assets: An EPRA net asset per share measure calculated as equity shareholders' funds with adjustments made for the fair values of certain financial derivatives, deferred tax and goodwill balances.
Occupational cost ratio (OCR)	The proportion of retailer's sales compared with the total cost of occupation, including rent, local taxes (i.e. business rates) and service charge. Calculated excluding department stores.
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, excluding the ERV for car parks, of that property or portfolio.
Over-rented	The amount, or percentage, by which the ERV falls short of rents passing, together with the ERV of vacant space.
Passing rents or rents passing	The annual rental income receivable from an investment property after rent-free periods, head 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 one year.
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 Value Retail which is not proportionally consolidated.
Property joint ventures (Share of)	The Group's joint ventures which management proportionally consolidate when reviewing the performance of the business.
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, tenant incentive impairment, bad debt expense relating to items recognised in the income statement and other direct irrecoverable property expenses. These costs are included within the Group's calculation of like-for-like NRI and the cost ratio.
Proportional consolidation	The aggregation of the financial results of the Reported Group and the Group's share of Property interests under management (i.e. excluding Value Retail) as set out in note 2.
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.
Rent collection	Rent collected as a percentage of rent due for a particular period after taking account of any rent concessions granted for the relevant period.
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.
Reversionary or under-rented	The amount, or percentage, by which the ERV exceeds the rents passing, together with the estimated rental value of vacant space.
Scope 1 emissions	Direct emissions from owned or controlled sources.
Scope 2 emissions	Indirect emissions from the generation of purchased energy.
Scope 3 emissions	All indirect emissions (not included in scope 2) that occur in the value chain of the reporting company, including both upstream and downstream emissions.
SAICA	South African Institute of Chartered Accountants.
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.
Temporary lease	A lease with a period of one year or less measured to the earlier of lease expiry or tenant break.
Tenant restructuring	CVAs and administrations.
Total development cost	All capital expenditure on a development or other major project, including capitalised interest.
Total accounting return (TAR)	The growth in EPRA NTA per share plus dividends paid, expressed as a percentage of EPRA NTA per share at the beginning of the period. The return excludes the dilution impact from scrip dividends.
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 linked to an occupier's revenues.
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.
WAULB/WAULT	Weighted Average Unexpired Lease to Break/Term.