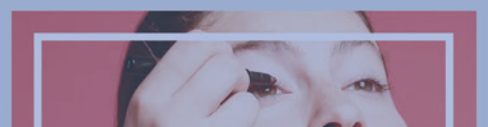
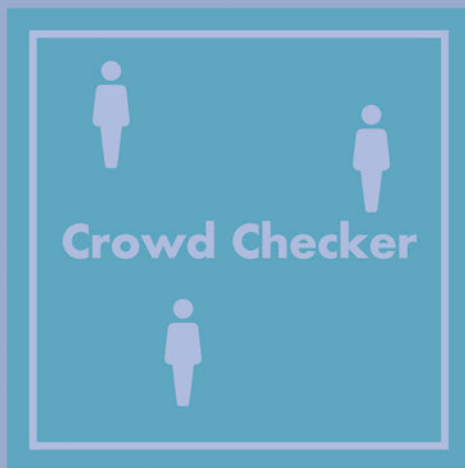
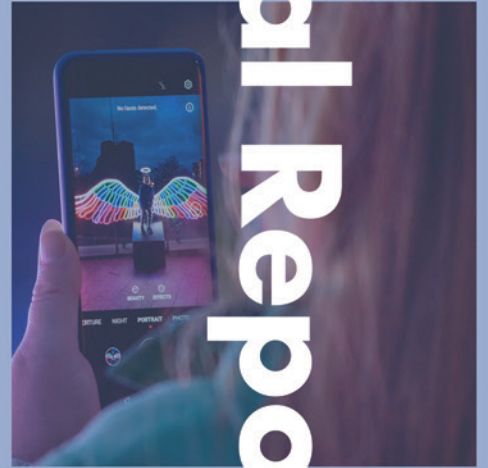




Hammerson



Annual Report 2020



Our purpose

We create vibrant, continually evolving spaces, in and around thriving cities, where people and brands want to be. We seek to deliver value for all our stakeholders and to create a positive and sustainable impact for generations to come.

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Hammerson



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2020 summary metrics

IFRS loss¹

£(1,735)m

(2019: £(781)m loss)

Equity shareholders' funds¹

£3,209m

(2019: £4,377m)

Adjusted earnings per share²

1.6p

(2019: 12.8p restated)

EPRA NTA per share²

£0.82

(2019: £1.16 restated)

Basic loss per share^{1 2}

(76.9)p

(2019: (46.6)p loss restated)

Net debt⁴

£2,234m

(2019: £2,843m)

Dividend per share³

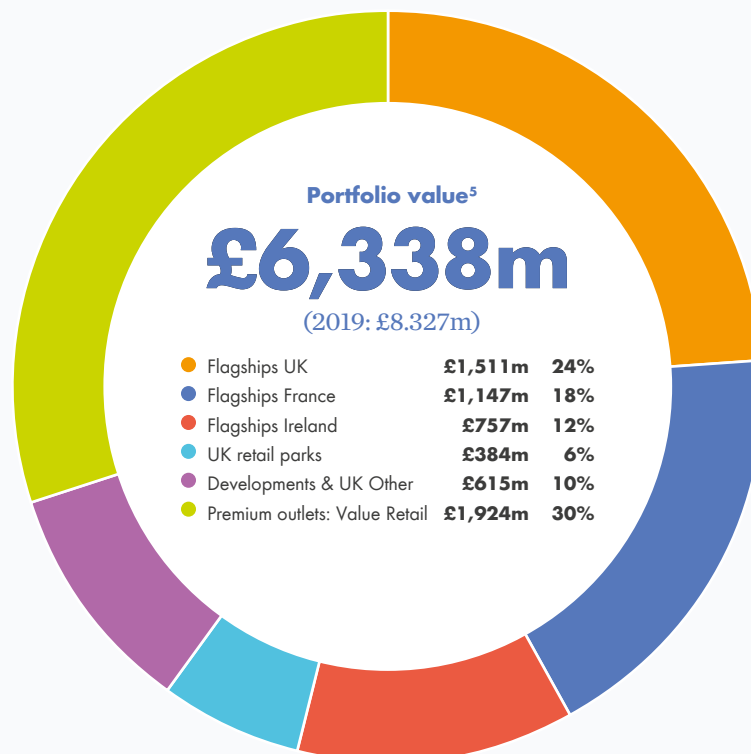
0.4p (4.0p enhanced scrip)

(2019: 5.1p restated)

Leasing activity⁴

£14.6m

(2019: £22.6m)



1. Attributable to equity shareholders.

2. Calculations for basic, adjusted and EPRA per share figures are shown in note 11 to the financial statements on pages 117 to 121. 2019 figures have been restated to reflect the share consolidation and rights issue in 2020 as explained on pages 119 and 121.

3. See note 10 to the financial statements on page 117. The 2019 figure has been restated following the share consolidation and rights issue.

4. Proportionally consolidated, excluding premium outlets. See page 25 of the Financial review for a description of the presentation of financial information.

5. As at 31 December 2020. Proportionally consolidated, including premium outlets. A list of our key properties is shown on page 167.

Letter from the Chair of the Board

Hammerson is a great company, with a strong heritage. In my first few months, with the business facing unprecedented difficulty, I have witnessed the resilience of colleagues in the face of the immediate challenges, and their huge commitment to its long-term success. There is much still to be done to strengthen Hammerson and return the business to sustained growth and ensure the highest standards of operational performance and corporate governance.



Robert Noel
Chair of the Board

Following an induction period, which started in July 2020, I joined Hammerson in September 2020 succeeding David Tyler as Chair of the Board. I would like to thank David for his eight years' service with the Group, the thorough handover I received from him, and for his efforts in seeking to stabilise the business over the summer.

2020 in perspective

The last three years have been a difficult period for Hammerson but 2020 has been acutely testing and painful, particularly for shareholders, who I know have suffered significant value reduction during the year. The retail sector, already in the grip of major structural change, has faced sharp economic contraction due to the restrictions imposed to tackle the Covid-19 pandemic and an increasing number of retailer failures. These have combined to result in the largest fall in net rental income and UK asset values in the Group's history. As a consequence, we are reporting an IFRS loss for the year of £1.7 billion.

Risk levels have also significantly heightened, with five of the Group's principal risks exceeding the Board's risk framework, and this has been factored into the Group's going concern and viability assessment.

During the year, the Board has focused on four objectives: first, supporting brands, and ensuring the safety of colleagues and visitors to our destinations during the pandemic; second, minimising the operational and financial impact of the pandemic on the business; third, raising capital to enable the business to see through the current turmoil; and fourth, to regroup ahead of setting out a clear path for the future.

Our colleagues, customers and operations

In March 2020, at the onset of the first national lockdown, our teams moved swiftly to ensure a rapid, safe and effective shift in operations at our destinations to an essential retail service only. Achieving this in what were unprecedented circumstances for everyone is testament to the dedication of colleagues and our partners across the Group. Almost immediately, planning for the re-opening of our destinations started so that we were ready to remobilise safely as soon as restrictions were eased, and this has continued across the subsequent lockdowns during the year and into 2021.

We understand the pressure that all retailers and leisure operators have been under and have worked with our tenants throughout, to support them where we can, whilst recognising the need to maximise income. The pressure on colleagues has also been immense with many juggling childcare, caring for other dependants, and home schooling during the working day.

Raising capital

The various lockdowns across our operating markets had a profound impact on our tenants which, in turn – and exacerbated by the suspension of enforcement against non-payment of rent – has hugely impacted our income as well as rental and capital values. In April 2020, Orion European Real Estate Fund V failed to complete its acquisition of a portfolio of our retail parks for a headline price of £400 million. As it became clear that sufficient disposals were not going to be achieved as planned at the beginning of the year, the Board took further steps to reduce debt, strengthen the balance sheet and ensure adequate liquidity to see the business through the current conditions.

In August 2020, to reduce net debt, Hammerson announced proposals for a sale of its 50% share in VIA Outlets (subject to retention of a minority stake) to its joint venture partner APG and a rights issue which together raised gross proceeds of approximately £834m. These proposals were supported by over 99% of shareholders and both transactions were successfully completed by the end of October 2020.

A second UK national lockdown in November 2020 and a significant pick up in the use of company voluntary arrangements (CVAs) and administrations further impacted our portfolio and our markets. And almost as soon as we came out of lockdown in December 2020, many parts of the UK, Ireland and France were put into the highest tier of restrictions prior to Christmas. Finally, right at the end of the year the UK Government ordered the closure of non-essential retail. As a consequence, our market remains in severe stress and the Board remains focused on disposals, cost reduction and cash retention.

Dividend

In March 2020, the Board announced it had cancelled the final dividend of 14.8p for the year ended 31 December 2019. As anticipated in the rights issue prospectus, the Group was obliged to pay a £70 million property income distribution (PID) for 2019 in order to maintain its Real Estate Investment Trust (REIT) status and as part of its SIIC obligations. In order to satisfy this requirement while conserving cash, the Group announced a proposed 0.2p per share dividend with an enhanced scrip alternative of 2p per share. This proposal was supported by 99.9% of shareholders who voted at a General Meeting on 4 December 2020. Shareholders representing 81.1% of the issued share capital elected to receive the enhanced scrip resulting in the issuance of 226 million new shares in December. A final 2020 dividend of 0.2p per share in cash has been proposed by the Board to be paid entirely as a PID. The Company will again offer an enhanced scrip alternative of 2p per share. The Board expects to continue to satisfy any REIT and SIIC distribution requirements this way in 2021.

//
Hammerson is a great company, with a strong heritage of creating important social infrastructure – vibrant destinations where businesses and people want to be – including bringing renewed life to city centres.

Board changes and evaluation

The last two years have seen significant changes to the Board.

2020 was particularly significant with both the Chair of the Board and the Chief Executive stepping down. In September 2020, the Board appointed Rita-Rose Gagné as Chief Executive and she joined Hammerson in November, succeeding David Atkins. I would like to thank David for his commitment to seeing through the rights issue process and his 11 years' service as Chief Executive of the Group, and welcome Rita-Rose to Hammerson. Rita-Rose brings an investor mindset to the business and has a strong track record in creating value and developing capable teams across a range of territories and markets. Her appointment has already brought fresh thinking and a focus on capital allocation. We also welcomed Des de Beer who joined the Board as Non-Executive Director in June 2020. Des has deep experience on boards and in retail real estate.

During the year, the Board considered the need for succession planning for the Chair of the Audit and Remuneration Committees and was pleased to announce the appointment of Mike Butterworth as Non-Executive Director and member of the Audit Committee from 1 January 2021. Mike is a chartered accountant, was a career public company CFO and is an experienced non-executive Director and Audit Committee Chair.

Since the year end James Lenton, our Chief Financial Officer, has given notice of his resignation. A search is underway for his successor and he will remain in post until his successor is appointed. Pierre Bouchut has also informed the Board that he will not be offering himself for re-election at the 2021 AGM and he will step down as Chair of the Audit Committee and as a Director at the end of the meeting. I would like to thank Pierre for his service to the Board over the last six years and for his commitment, particularly over the last 12 months, and wish him well. Mike Butterworth will succeed Pierre as Chair of the Audit Committee. The Board has also announced the appointment of Habib Annous as Non-Executive Director with effect from 5 May 2021. Habib spent much of his career at Capital Group as a fund manager across a broad range of sectors, including the real estate sector. He is also an adviser at the Investor Forum. Habib will join the Nomination, Audit and Remuneration Committees.

Given the extent of recent change, the Board has asked Gwyn Burr, Senior Independent Director and Chair of the Remuneration Committee, to extend her appointment beyond May 2021, at which point she will have served nine years on the Board, for a period of up to one year. She will step down from the Audit Committee after the conclusion of the 2021 AGM.

Our Board evaluation in 2020 was internally facilitated following an external process last year. The Board effectiveness and Board composition reports were discussed at our December 2020 Nomination Committee and Board meetings. The recommendations in the Board effectiveness report were agreed and will be implemented, and reviewed again in 2021. Inevitably, the significant

changes to the Board will herald a different way of working and our evaluation was timely and helpful.

Further details are contained in the Nomination Committee report on pages 52 to 55.

Environment, Social and Governance

Hammerson aims to be a sustainable business. Simply put, this means the Group should be thriving and making a positive difference in five, 10, 20 years and so on. To achieve this, we need to maintain the support of brands, consumers, partners, the communities affected by our operations, our colleagues and our shareholders. Collectively, these stakeholders have numerous and changing demands on the way the business conducts itself. The right balance needs to be maintained as these demands continue to evolve.

The Board is fully committed to the Group's continuing recognition as a sustainability leader, with our Net Positive targets, and ensuring the highest standards of operational performance and corporate governance. Details of our sustainability performance, plans and our response to the Taskforce on Climate-related Financial Disclosure (TCFD) are set out on page 51 in our Governance section, and are available on our website www.hammerson.com.

Looking ahead

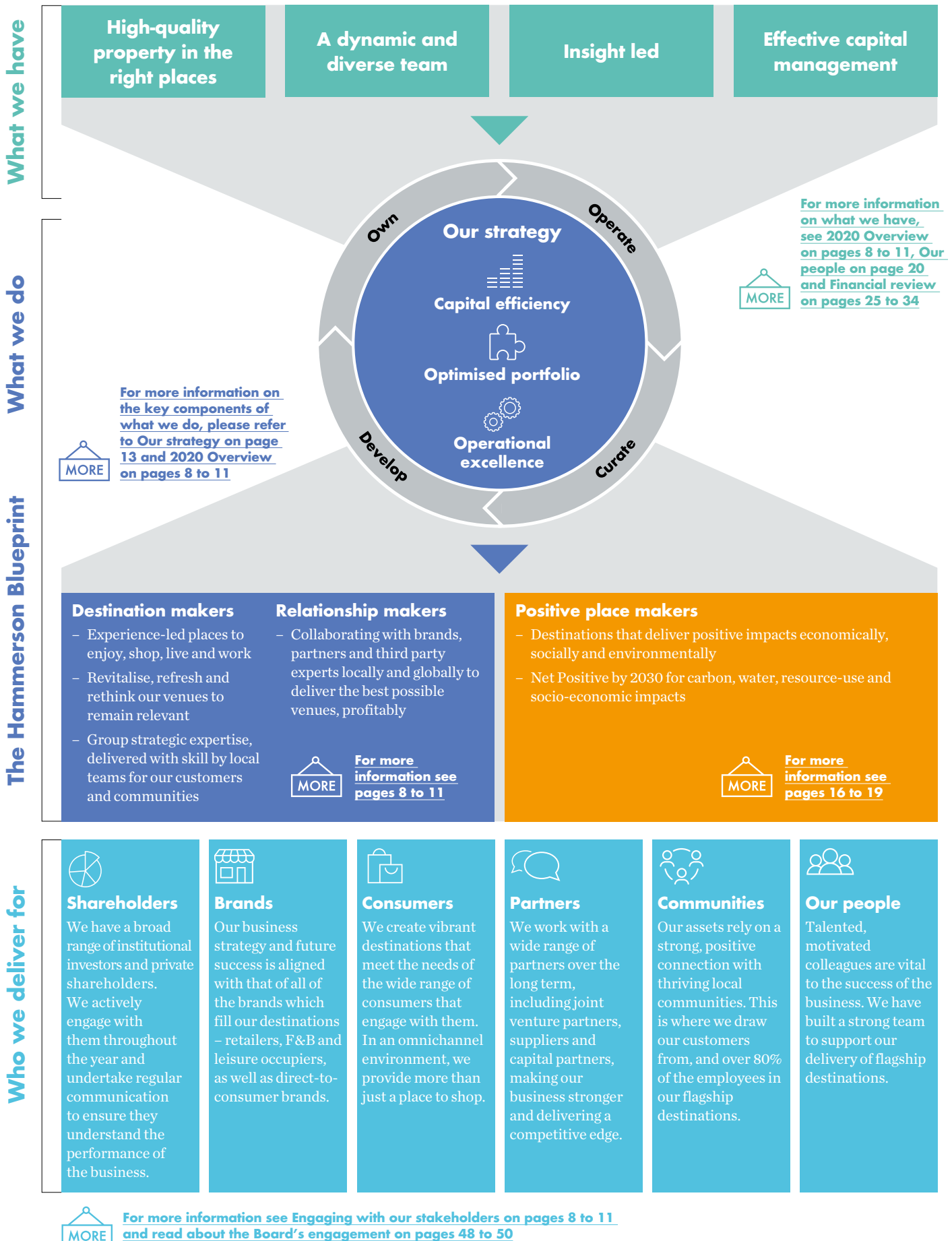
Challenging conditions remain, not least the immediate outlook for the retail sector, as the various nations in which we operate slowly lift the current restrictions. Much will depend on effective Covid-19 suppression policies and a successful vaccination roll-out. However, Hammerson has a good base of destinations which can thrive in an omnichannel world.

The Board is working with the Group executive team led by Rita-Rose on a detailed review of the business which will be set out later this year. Key to the long-term success of the Company will be a more conservative capital structure; a more accountable and empowered culture; and the ability and capability to innovate and exploit opportunities within our portfolio and beyond. This will require reorganisation and significant disposals, and potentially at discounts to book values, when market conditions allow, before we can return to growth, acceptable returns and a cash dividend.

Finally, I would like to thank my colleagues on the Board for their significant time contribution this year; our colleagues in the business for their herculean efforts in an exceptionally tough environment; and shareholders for their support for the actions taken to date and for the time they have given me over the last few months in my consultations with them.

Robert Noel
 Chair of the Board

Our business model



Chief Executive's review

If this pandemic has highlighted anything, it is that as humans we crave contact and are inherently social beings. As a business, Hammerson provides the places and social infrastructure where people want and need to be. We will continue to have a vital role in shaping neighbourhoods and communities in the future. How people live, meet, work, shop and play will change, but the fundamental desire to create connections has never been greater. Our portfolio enables those connections to happen.



Rita-Rose Gagné
Chief Executive

I joined Hammerson in November 2020. As I look back on our performance in 2020, it is characterised by three areas: increased levels of balance sheet stress; a rights issue and the sale of VIA Outlets; and the most challenging retail environment in living memory, driven in no small part by the Covid-19 pandemic. The latter of these has had a profound impact on our business. In the face of these challenges, the team has worked tirelessly.

Delivering a strengthened balance sheet is a near-term priority. The full impact of the pandemic on communities and businesses will take time to unfold and understand. However, to create future certainty we will need to be agile and nimble as an organisation, in what is a constantly changing environment. As we work on the balance sheet and the organisation, we will simultaneously focus on transforming and positioning our assets and relationships for the future.

As I take stock of the Company, I see a talented and engaged team. I also see strong assets and destinations in thriving cities where we can add value. We will work relentlessly to safeguard the future and position the Company to take advantage of opportunities and deliver sustainable growth.

Taking action during Covid-19

Our business has been materially impacted by Covid-19. All our flagship destinations and retail parks have had to close for all but essential retail on multiple occasions over the past 12 months in line with government lockdowns. The same is true for many of the premium outlet Villages in the Value Retail portfolio.

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As I take stock of the Company, I see a committed and engaged team. I also see strong assets and destinations in thriving cities where we can add value.

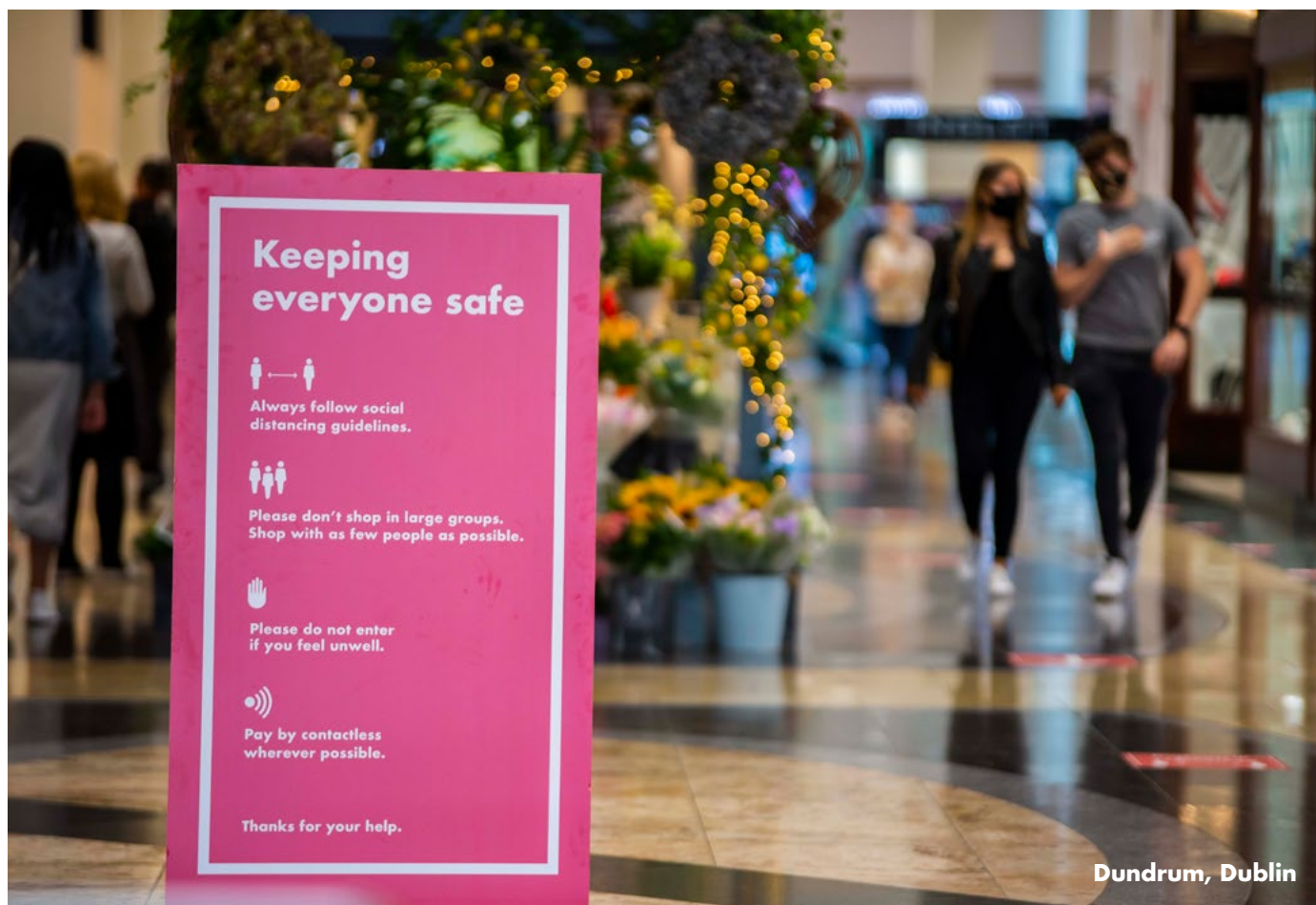
Clear action was taken to strengthen the Group's financial position, with colleagues ensuring that all our stakeholders were safe and supported.

Our operational response has included:

- Introduction of a range of new safety measures across all our destinations, including one way systems, extensive new signage, and fixed hand sanitiser stations, as well as live footfall monitoring to manage capacity
- Support for brand partners including significant reductions in service charge, rent deferrals and concessions
- Improving the customer experience through smart use of innovation with initiatives such as Crowd Checker, providing consumers with live updates on footfall levels, to help them plan centre visits
- Targeted support for our communities. In addition to our regular work with local organisations, we set up the Giving Back Project, a fund to target organisations most impacted by the pandemic in the cities and neighbourhoods in which we operate

Our financial response included:

- Cancelling the final 2019 dividend recommendation
- 20% reduction in pay for April-June 2020 for the Board
- Negotiating a temporary amendment to the unencumbered asset ratio within the private placement senior notes
- Drawing down £75 million under the HM Treasury and Bank of England Covid Corporate Financing Facility, repaid in December 2020
- Undertaking the rights issue and disposal of substantially all of our interest in VIA Outlets to raise gross proceeds of £834 million



Dundrum, Dublin

The broader market

The main structural change in the retail market, the increasing popularity of online shopping, is well documented. This was firmly established before the pandemic and has accelerated since, causing challenges for many retailers, including both traditional brands and omnichannel businesses. This has also driven retailers to evolve and adapt, and seize opportunities, particularly when it comes to technology and the upgrading of logistics networks.

Other key trends during Covid-19 include:

- Reticence from consumers to visit indoor, city centre locations and with increased home working, public transport use has been well below normal levels, which has affected city centre and transport hub destinations
- Support from the governments in our markets has been broadly welcomed. However, initiatives such as the UK rent moratorium have adversely impacted our ability to reach agreements with brands and collect income
- Greater flexibility from businesses towards their workforce will drive an evolution in office space and it will take time for city centre footfall to return to the levels seen pre-pandemic

Our leasing teams worked to maximise rent collection rates in extremely challenging circumstances, but overall levels were significantly below historic rates. Throughout the pandemic we have been in constant dialogue with our brand partners and while some conversations have been difficult, the onset of Covid-19 has created an opportunity to work more collaboratively.

Despite these challenges, the combination of Covid-19, and the shift to online, we should recognise the importance of physical retail in an omnichannel environment, as well as the strengths our portfolio possesses and its opportunities.

2020 performance

Clearly, 2020 was a very tough year for Hammerson, defined by the impact of Covid-19 accelerating structural change for which the Company's capital structure was not appropriate, and in turn leading to the rights issue.

- Group property valuations fell by 21% to £6.3 billion, with our flagship destinations down by 36% in the UK, 15% in France, and 18% in Ireland. Value Retail had a stronger second half compared to the rest of the portfolio, and this was reflected in a valuation deficit of only 0.4% in the second half, resulting in a decline of 6.2% for the financial year
- Footfall increased and fell in line with lockdowns, but it has been negative year-on-year since the onset of the pandemic in March 2020
- We saw a recovery during the summer and prior to Christmas in all our markets, but this fell away with the introduction of additional lockdown measures
- When open, footfall in France, Ireland, and retail parks has outperformed UK flagships, which mirrors pre-pandemic trends
- Following the onset of the pandemic, leasing volumes fell significantly with brands pausing expansion plans
- An increased number of retailers launched CVAs or administrations in 2020, and we would expect to still see restructuring across the retail sector over the next 12 months. Group like-for-like Net Rental Income, excluding premium outlets, was down 41%, leading to adjusted earnings falling by 83% to £36.5 million
- Rent collection rates have been significantly below normal levels. For the year as a whole, 76% was collected across the Group, down from 97% last year



Looking ahead, we remain committed to setting Hammerson up for the long term and creating a business that can adapt swiftly and think differently. I am determined to put Hammerson back on the path of value and growth for our shareholders.

- Occupancy remained high across our portfolio at 94% (2019: 97%) which helped ensure our destinations maintained their vibrancy
- In December 2020, we completed a secondary listing on Euronext Dublin, given the importance and scale of our investor base and operations in the EU

Commitment to Positive Places remains unchanged

Our sustainability vision, of creating Positive Places, remains a clear priority. That means supporting communities and promoting diversity, as well as tackling climate change and helping to protect the environment.

As part of our Positive Places strategy, we were the first major real estate business globally to commit to being Net Positive by 2030, and we continue to be at the forefront of the industry's efforts in this regard.

- While the pandemic delayed some of our projects in 2020, we completed the installation of two additional photo-voltaic arrays and are on track to link our French flagship, Les Terrasses du Port, Marseille, with the unique Thalassia thermal system in Marseille
- Our long-term focus on energy efficiency meant that we already had systems in place to minimise power demand across our portfolio during periods of lockdown, delivering significant cost savings to the assets and our retailers
- Our portfolio has very limited exposure to physical climate risk but I am keen to understand the wider transitional risk implications climate change will present for our business going forward. As recommended by the TCFD, we will be carrying out work to understand this better over the course of 2021

Looking ahead

Given the current market environment, my immediate priority is to focus on further tactical disposals in more liquid markets to build further balance sheet strength, liquidity and portfolio focus, alongside managing refinancing. To date we have contracted £73 million of disposals in 2021. We will also have a relentless focus on operations – maximising rent collection and reviving the lease pipeline – while at the same time undertaking a thorough strategic and organisational review to transform the business.

Developing a robust strategy to tackle the challenges and take advantage of future opportunities is vital. Bringing new perspectives to this task, we are working with the Board on a detailed review of the business. We will share the outcome of this in more detail in the coming months as we take stock of the impacts of the pandemic on the economy and consumption patterns.

Given the ongoing changes in our operating environment, we must also ensure that our current organisational structure is fit for purpose. In order to leverage the strength of our colleague base, an organisational review, aimed at ensuring we are agile, efficient and set up to take advantage of the future opportunities is underway.

Over the past 12 months, colleagues have shown resilience and commitment and, particularly during present challenges, the health, safety and wellbeing of our colleagues will always be our utmost priority.

We should assume that trading will continue to be challenging in 2021. While the rollout of vaccines is hugely welcome, any recovery, in terms of consumer confidence, spending, and footfall, is likely to take time.

That said, we have strong foundations to work from. Hammerson has great assets, centred on strong urban locations which will rebound once the pandemic has passed, we also have talented people. The ingredients are there for a recovery.

The polarisation of retail is likely to accelerate further in 2021, as omnichannel brands focus on the best locations to complement their online operations, and Hammerson is well placed here. Stores in our destinations help businesses generate physical sales, and also support online sales and Click & Collect.

With structural shifts and the pandemic, we will take the opportunity to repurpose existing space and refocus our venues, to ensure they continue to meet the needs of consumers, brands and communities. This can add immediate value within the current portfolio, and we will evaluate opportunities for the longer-term. We also have unique development opportunities in thriving cities to create mixed-use neighbourhoods around our flagship destinations.

There are undoubtedly high levels of uncertainty about what lies ahead and we should be prepared for the significant impacts of the pandemic on communities and businesses to continue. My immediate focus is building balance sheet strength and portfolio focus, which will drive our near-term strategy. Looking ahead, we remain committed to setting Hammerson up for the long-term and creating a business that can adapt swiftly and think differently. I am determined to put Hammerson back on the path of delivering value and growth for our stakeholders.

This has been a tough and relentless year. I'd like to thank our shareholders, colleagues and all our stakeholders for their support and look forward to updating you on our progress and strategy during 2021.

2020 Overview

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

Shareholders

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

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

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

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

From an investment perspective, our two onsite Paris extensions at Les 3 Fontaines, Cergy-Pontoise and Italie Deux, Paris 13ème were progressed although the first Covid-19 lockdown in March resulted in work stopping on both schemes and further delays have meant the opening dates have been pushed back by six months until March 2022 and May 2021 respectively. Further details on these schemes can be found in the Property portfolio review on page 22.

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

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

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

Brands

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

In spite of the proactive measures taken, rent collection was significantly below historic levels with 76% of rent due in 2020 collected across the Group to date. This resulted in trade receivables increasing from £61 million to £170 million during 2020. In the UK, 2020 collection rates were 75% and were significantly impacted by the rent moratorium introduced by the UK government. In France, a moratorium was put in place during the first lockdown with the government subsequently providing support for property owners and this resulted in 2020 rent collections of 79%.

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

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

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

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

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

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

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

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

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

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

Consumers

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

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

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

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

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

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

To make our customers' lives easier, we leveraged our digital infrastructure to launch a new feature on our destinations' websites to help customers plan their visits. 'Crowd Checker' provides shoppers with live updates on how popular a venue is in real time, so that they know when to visit during quieter times. The feature was rolled out across all our destinations in the summer.

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

Partners

As part of the work to safeguard the Company's future and build balance sheet strength, we took a number of treasury related actions as explained in the Chief Executive's review, and further details can be found in the Financial review on page 33.

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

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

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

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

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

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

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

Communities

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

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

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

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

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

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

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

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

Our continued focus on efficiency and our ability to closely monitor energy demand remotely has delivered results and strong cost reductions during this difficult period. The temporary or partial closure of our centres across Europe also significantly reduced our utility demand. Together, these factors contributed to a reduction in energy use of 18% and carbon emissions of 29%, and further information can be found in the Sustainability review on page 16.

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



Westquay, Southampton

We continue to push boundaries with our developments and City Quarters plans. Our sustainability team is working closely with the Dublin Central design team to ensure resource efficiency, climate risk and health and wellbeing considerations are embedded at the outset of the design process.

Buildings that come to market over the next decade will need the strongest sustainability credentials to be credible in an increasingly sophisticated market. Our sustainability strategy ensures that we are well placed to deliver on these expectations.

Colleagues

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

This year more than ever, it has been important for us to consider the welfare of colleagues. In the interests of safety, the majority of colleagues have worked from home since March 2020, with those based at our destinations operating on a split team basis. This in itself has presented challenges, with colleagues isolated from friends, family, and each other. For further information on how we have supported colleagues please see the Our People section on page 20.

Health and Safety

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

Response to Covid-19

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

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

Security

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

Market overview

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

Retail landscape

Thriving cities

Covid-19

- The full extent and future impact of Covid-19 is unknown. However, it has accelerated many pre-existing trends – a further shift to online, more home working and changing travel patterns – resulting in fewer and more focussed destination trips
- Near-term increases in unemployment. GDP recovery to pre Covid-19, 2019 levels will not take place until the end of 2022 in UK and France. Ireland has fared better, escaping a recession despite a slump in consumer spending.¹
- Retail market to lag broader macroeconomic recovery due to pre-existing structural challenges (changing consumer shopper behaviour, rising multichannel costs, price deflation)
- Cities to enliven as restrictions lifted and workers return to offices on a regular basis, although more flexible working practices to remain

Macro-economic

- UK growth underpinned by world leading service sectors. GDP average growth +4.6% p.a. 2021-23.¹ Risk of further Brexit related uncertainty impacting service sector
- Ireland long term growth reflective of its outward looking economy. GDP average growth +2.4% p.a. 2021-23¹
- France growth reliant on continued reforms to costly social welfare structures. GDP average growth +4.2% p.a. 2021-23¹
- Increased urbanisation of leading cities. 89% of Northern Europeans to be living in cities by 2050²
- Fall in inward EU migration, compensated for by growing non-EU inwards migration³
- Bigger cities will outperform economically. GDP growth 2020-30: London +32%, Birmingham +28%, Dublin +24%. EU Average +21%¹

Consumer

- Digitalisation. Growing level of digital engagement post-Covid. 20% rise in over 65s shopping online³
- Younger groups still keen to engage with brands and socialise.⁴ Higher visit frequency makes them more valuable than older affluent shoppers⁵
- 76% of consumers prefer spending on experiences rather than products⁶
- Environmental concerns influence 40% of UK consumers when purchasing⁷
- Younger, educated population offer more 'global' inward investment opportunities. Leading to development of flexible work spaces, Private Rented Sector (PRS) and Hotels
- Rise in single person households. UK predicted to have three million more single households by 2039⁸

Sector

- UK facing greatest structural challenges. Online retail channel shift grew from 17% in 2019 to 25% in 2020⁷ accelerated by the pandemic
- UK also facing significant levels over-supply with shopping centre vacancy levels pre Covid-19 at 14%. In France vacancy was 10% and in Ireland 5%⁸
- Failing legacy high street retail. 54 retail brands went into administration in 2020 affecting 5,200 stores⁹
- Oversupply of space: 43% of UK retail centres over-spaced⁴
- Evolving role of store as a sales, marketing and distribution hubs (Click & Collect, returns, exchanges). Increasing investment in technology and logistics
- Polarisation of retail between discount vs. luxury and convenience vs. destination
- Flexible working practices, regular home working
- Shift to environmentally friendly and fluid transport methods – car sharing, ebike/scooter hiring
- Residential – continued demand amongst students and young professionals for high quality PRS. Sector growth 12% p.a. prior to pandemic¹⁰
- Offices – to become lower density meeting and idea exchange venues. Recovery driven by new growth sectors e.g. fintech, life sciences, data and communications
- Hotels – demand unlikely to recover until 2024, regional cities already had strong pipeline of development prior to pandemic

How we are responding

- Targeted disposals to focus on core markets and cities with the strongest population and economic growth
- Proactively managing, repurposing and diversifying space to unlock value creation underpinned by a flight to quality retail destinations
- Repurpose large 'legacy' anchor operators and high street fashion. Successfully underway at multiple flagship destinations
- Develop stronger partnership between tenant and landlord. Affordable, flexible and innovative leases. New approach being trialled
- Use technology and data to enhance understanding of the commercial value of our physical stores
- Support retailers' omnichannel ambitions, develop logistics and supply chain opportunities and attract digital native brands
- Move beyond retail to urban 'lifestyle' offering: work, live, play, cultural, educational, healthcare ecosystems
- Investigate and deliver opportunities to unlock additional value from extensive landbank adjacent to key flagship destinations
- Net Positive by 2030. A sustainability agenda to support communities, promote diversity, tackle climate change and protect the environment

1. Oxford Economics (February 2021 economic forecasting incorporating latest Brexit arrangements and Covid-19 impacts) 2. U.N., 3. ONS, 4. CACI, 5. Hammerson Exit Surveys, 6. Momentum, 7. Global Data, 8. PMA, 9. Centre for Retail Research, 10. Savills & BPF.

Our strategy and priorities

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

Capital efficiency



- Balance sheet resilience – further disposal of assets
- Focus on cost control with capital expenditure aligned to disposals to maintain liquidity
- Manage Group financing position to ensure appropriate debt maturity profile and efficient cost of borrowing

Optimised portfolio



Original 2020 plan

- Complete sale of 12 retail parks and focus portfolio across core strategic flagships with City Quarters opportunities
- Complete cross portfolio disposals in 2020
- Capex of £270 million over 2020/21 to complete the extensions in Paris assets and repurpose space in the UK portfolio
- Secure landbank planning permissions and commence work onsite

Operational excellence



- Start on site with department store repurposing
- Accelerate change in occupier landscape to broaden mix and consumer appeal
- Continue to enhance customer experience to drive footfall and broaden events programme
- Embed performance culture
- Meet 2020 Net Positive targets and start next stage of plan to hit ambitious 2025 targets

Progress – and Covid-19 impact

- Rights issue and sale of VIA outlets raised £804 million to enhance liquidity and strengthen balance sheet
- Scrip dividend to maintain REIT and SIIC status
- Capital expenditure reduced from budget of £140 million to £67 million
- Gross administration costs reduced by £5 million
- Private placement senior notes covenant amendment agreed

- £400m Retail Parks transaction fell through – deposit of £21 million retained
- Disposal of substantially all of 50% interest in VIA Outlets for £277 million
- Les 3 Fontaines Dining concept opened
- Planning consents secured at Martineau Galleries and The Goodsyard

- Onsite teams successfully closed and reopened centres across multiple lockdowns. Prioritising the health and safety of all colleagues
- Department store repurposing underway at multiple locations
- Leasing volumes severely impacted. Focused on income protection via lease renewals and rent collection. 2020 rent collections at 76%
- Service charge and Marketing costs reduced significantly, supporting occupier cost reductions
- Good progress on Net Positive targets

2021 Focus

- Three assets sold in early 2021 for £73 million
- Further targeted disposals to strengthen balance sheet and secure business to enable long term value creation
- Proactive refinancing to address debt maturities in 2022/23
- Tight control over new capital commitments whilst disposals are progressed
- Maintain focus on operating cost control

- Targeted disposals to refocus business on core markets
- Leverage short term value creation opportunities – repurpose space to deliver against differing requirements for brands and businesses in city centre locations
- Deliver further planning consents to secure value of potential development sites for minimal spend
- Leverage strategic joint venture partnerships
- Complete Italik extension and progress works and pre-letting at Les 3 Fontaines extension

- Maintain safe operating and trading environment for all stakeholders
- Maximise income and collections and working with brands to deliver affordable rents
- Continue to deliver reduced service charge costs to assist with occupier operating costs
- Accelerate change in occupier line-up adopting innovative leasing strategies, prioritising new entrants and digital brands
- Plans in place to maximise footfall when retail fully opens
- Maintain focus on delivering Net Positive targets, now extended to include developments
- Complete a strategic and organisational review

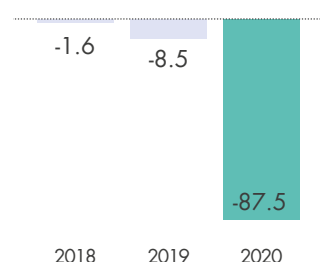
Key Performance Indicators

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

Financial KPIs

Chart 1

Changes in adjusted EPS (%)



Adjusted earnings per share (EPS) is the Group's primary profit measure and reflects underlying profit divided by the average number of shares in issue and is calculated based on EPRA guidelines, factoring in some Company specific adjustments as explained on page 154.

Performance

In 2020, adjusted EPS reduced by 87.5% to 1.6 pence per share. This reflects the restatement of the 2019 EPS from 28.0 to 12.8 pence following the rights issue in the year. The most significant factors in the decline were reductions in the Group's net rental income and earnings from Value Retail as a consequence of Covid-19 and the intermittent closures across all properties since the pandemic.

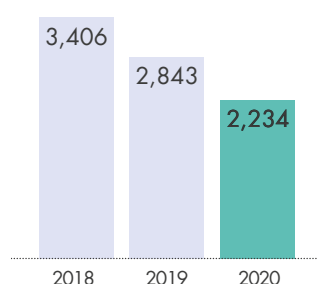
Link to strategy



[More in the Financial review on page 27](#)

Chart 2

Net debt (£m)¹



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

Performance

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

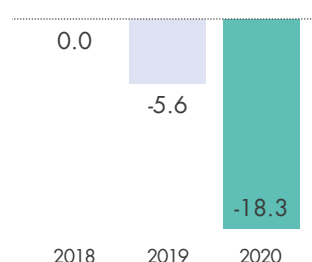
The Group continues to actively pursue disposals to reduce debt and further strengthen the balance sheet.



[More in the Financial review on page 32](#)

Chart 3

Total property return (%)



Total property return (TPR) measures the income and capital growth of our property portfolio. It is calculated on a monthly time-weighted basis consistent with MSCI methodology.

We judge success in generating property returns by comparing our performance with a weighted MSCI All Retail benchmark which was -1.3% in 2018 and -8.0% in 2019. At the date of this report, our 2020 MSCI benchmark is not available.

Performance

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

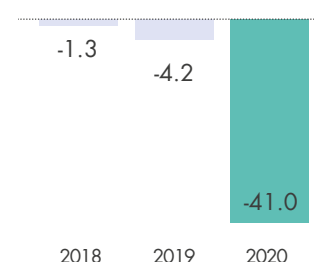
Valuation changes were the predominant driver impacting returns, resulting in a capital return of -20.9%, with reduced income levels causing approximately half of the reduction and higher yields approximately 40%. Income returns reduced by 150 basis points to 3.2%.



[More in the Property portfolio review on page 24](#)

Chart 4

Change in like-for-like NRI (%)¹



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

Performance

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

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

Consistent with our view of the business, as explained on page 25, NRI from premium outlets has been excluded from this metric as these are externally managed. Proportionally consolidating the premium outlets NRI decline of -47.6% would result in Group like-for-like NRI reduction of -43%.



[More in the Financial review on page 28](#)

1. Proportionally consolidated, excluding premium outlets. See the Financial review on page 25 for further explanation.

Link to remuneration

The remuneration of Executive Directors is aligned closely with our KPIs through the Company's Annual Incentive Plan (AIP), Long Term Incentive Plan (LTIP) and Restricted Share Scheme (RSS).

For 2020, the AIP contained the financial KPIs: change in adjusted EPS and net debt. For 2019 the AIP also included TPR.

The performance against all of the KPIs is taken into account when considering the personal element of the AIP along with other specific objectives.

Change in adjusted EPS and total property return are two of the three performance measures in the outstanding LTIPs.

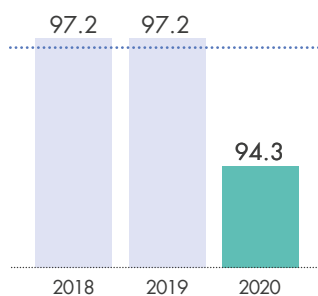


Further information on page 60

Operational KPIs

Chart 5

Occupancy (%)¹



— Target (97.0)

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

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

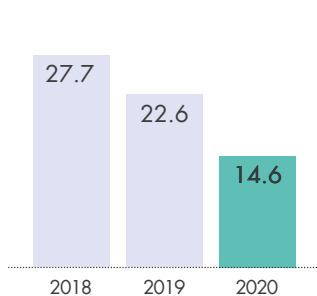
Performance

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

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

Chart 6

Leasing activity (£m)¹



Our leasing strategy is designed to improve brand mix towards winning brands and categories, and differentiate our assets.

This KPI shows the amount of income secured across the investment portfolio, including new lettings and lease renewals.

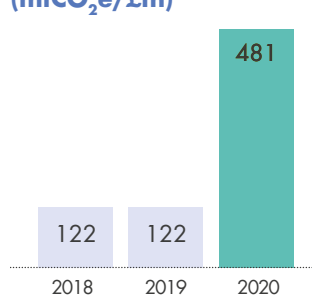
Performance

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

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

Chart 7

Global emissions intensity ratio (mtCO₂e/£m)



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

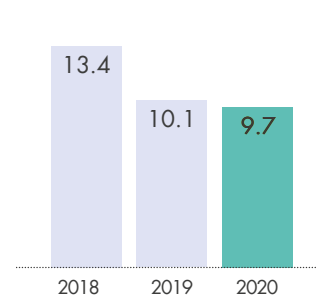
Performance

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

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

Chart 8

Voluntary employee turnover (%)



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

Performance

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

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



More in Table 70 on page 155



More in the 2020 overview on page 9



More in the Sustainability review on page 16



More in Our people on page 20

Sustainability review – Positive Places

2020 has been an unprecedented year of global economic challenges during which sustainability has not just stayed on the agenda, but increased in significance. The results of our Positive Places sustainability strategy, set out here and in more detail in our 2020 Sustainability Report, illustrate how our long term, forward thinking approach continues to support our response, both capturing immediate cost benefits and reducing long term climate risk exposure. Our targets for the next decade remain challenging but will ensure we have a climate resilient business that is fit for the future.

Our Strategy in Action

2020 saw significant reductions in environmental impacts across the portfolio, largely driven by the closure of assets for periods due to Covid-19. This also delayed planned CapEx investment projects. The 2020 reporting data is therefore an outlier and our 2021 environmental targets will be based on our 2019 data.

Despite the challenges of 2020, good progress has been made:

- 1.2MWp of renewable energy capacity was installed across two sites bringing total capacity to 2.9MWp
- Our design teams have worked hard to move us closer to Net Zero carbon new buildings – both operational and embodied – in our proposed Dublin schemes.
- We published our Net Zero Carbon Transition Pathway incorporates existing assets and developments
- We have clear plans in place for 2021 designed to enable us to operate on a Net Positive basis for our scope 1 and 2 carbon emissions going forward
- Our socio-economic work continues to deliver positive results in a targeted, impactful way. The focus on grass roots, local organisations enabled us to deliver much needed direct support to our communities, working with our delivery partners including Pop-Up Business School and the ULI, to switch rapidly to virtual and/or socially distanced models

2020 Key Highlights

Carbon emissions

-29%*

(2019 -12%)

Energy demand

-18%*

(2019 -12%)

Waste diverted from landfill

99.9%

(2019 99.6%)

Water demand

-30%*

(2019 -7%)

Operational waste recycled

57%

(2019 79%)

Invested in local socio-economic projects

£1.6m

(2019 £1.3m)

* EPRA like for like portfolio, v 2019.

Industry Engagement

Cross-industry engagement by market leading businesses is essential to the good progress of our sector. Our engagement on sustainability remains strong and an important element of our Positive Places strategy. We hold a variety of industry roles including, but not limited to Chairing the Better Buildings Partnership, EPRA Sustainability Committee and BPF Sustainability Committee.

Our sustainability reporting complies with the EPRA Sustainability Best Practice Reporting Gold Standard. Key metrics are included in our non-financial disclosures on page 169. The data is publicly available from the EPRA website via the EPRA Sustainability Reporting database, a project we have strongly supported as a means of improving the quality of sustainability data made freely available to the market. We also participate in a number of industry benchmarks.

Industry Benchmark Performance

GRESB

4 Star / 78%

MSCI

AA

Sustainalytics

11.1 Low Risk

RobecoSAM CSA/DJSI

72%

Climate Risk

The management of exposure to climate risk has been a driving force behind our sustainability agenda for over ten years. A physical climate risk review carried out in 2019 confirmed our portfolio to have low exposure, a view supported by our Sustainalytics rating. The most significant impacts will be through more extreme summer peak temperatures. We are expecting an additional 2-4°C to affect our assets between 2030 and 2050, increasing operational costs and stress on building systems. During 2021 we will incorporate measures to manage these changes into our five year asset business planning process, ensuring necessary upgrades are made cost-effectively as part of planned upgrades and maintenance programmes. Further work will also be done to review climate risk exposure and our response to it within our business strategy, looking in particular at risks associated with the transition to a Net Zero carbon economy.

Our work towards Net Positive has positioned our assets well in terms of responding to transition risks. Investment in onsite renewable energy, removal of gas for landlord services and moving assets to natural ventilation where possible, combined with consistent energy demand reductions have all reduced our exposure to transitional climate risks such as carbon and energy pricing. Achieving a Net Zero carbon position for each asset remains challenging. Using the **Carbon Risk Real Estate Monitor (CRREM)** we have developed trajectories for individual assets to understand their exposure to stranding risk. This work is reflected in our asset business plans and also in our development pipeline with design teams targeting Net Zero carbon and Passivhaus standards in their work for us. More details of our targets and progress is available in our Sustainability Report which can be viewed on our corporate website at www.hammerson.com.

Our Net Positive Targets

We are now five years into our target to be Net Positive for carbon emissions, water, resource use and socio-economic impacts by 2030. Setting such ambitious targets has driven exceptional performance across our assets over the last 5 years, particularly for carbon.

Our Net Positive footprint is calculated on a proportionate share basis and includes emissions from energy, water and waste at our directly managed destinations, corporate sites, and business travel. For further details of our Net Positive approach, what is covered under each phase, and our baseline footprints see our Sustainability Report or visit the Positive Places pages on our website at www.hammerson.com.

Becoming Net Positive for Carbon Progress in Phase 1

We have achieved rapid emissions reductions over the last 5 years, from a 2015 baseline of 30,500 tonnes CO₂e to approximately 10,000 in 2020, in spite of a net increase in the area of the managed portfolio.

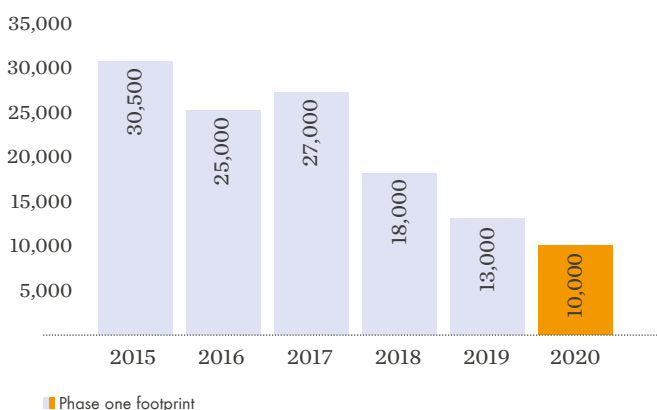
We have focused on scope 1 and 2 emissions over the 5 years to the end of 2020, but our Net Positive programme is designed to encourage additional emissions reductions from within and beyond our value chain. Incorporating these further reductions in our overall emissions gives a net carbon emissions balance of 8,539 tonnes, a reduction of 72% in five years.

Key to this has been our consistent focus on energy efficiency and demand management, investment in energy saving technology and in on-site renewables. In Q1 2020 we installed photo-voltaic arrays at Cabot Circus and Les Terrasses du Port, bringing capacity across the portfolio to 2.9MWp. We generated over 2000 MWh of clean electricity in 2020; over 3% of landlord electricity demand.

Additional carbon reductions have been achieved through working with our retailers on store efficiency and with contractors on low carbon materials procurement. Projects that tackle Scope 3 and embodied carbon are challenging but establishing these early in our Net Positive journey is vital to achieving our overall goal and ensures we maximise carbon reductions as quickly as possible. We are not yet Net Positive for carbon emission but elected not to purchase offsets for the remainder, focusing resource instead on driving our emissions down further and the development of innovative local offset projects.

Chart 9

Phase one footprint (Tonnes CO₂e)



2021 Onwards

As we look forward to life returning to normal in 2021, we will maintain our focus on driving reductions in our energy demand across the portfolio and increasing our onsite renewable capacity. Work on linking Les Terrasses du Port to the Thassalia geo-thermal system that uses the water of the Mediterranean to provide ambient temperature to the asset, is due to complete in Q1 2021. This is forecast to reduce carbon emissions by a further 44%. Les Terrasses du Port is the most carbon efficient asset in our portfolio today at 12kg CO₂/M² CPA/p.a. The project would reduce it to 6.3kg, achieving the CRREM 2039 Net Zero Carbon target in 2021.

What does Net Positive for Carbon mean?

Emissions avoided through our actions will exceed emissions generated by our business activities

Embodied Carbon

Entering Phase 2 of our Net Positive targets brings the **embodied carbon** impacts of the business into focus.

Our development portfolio and strategy is central to this. We reported last year on the carbon savings achieved through early intervention with our supply chain at Les 3 Fontaines, Cergy, which continued through 2020. Building on this, we have engaged very early with the design team working on Dublin Central to set Net Zero carbon targets and, importantly, support them in developing solutions to this challenge. This collaboration is already delivering designs capable of achieving the LETI Net Zero carbon targets. We are looking forward to continuing this work to ensure we deliver assets suitable for a net zero carbon economy.

Scope 3 Carbon Emissions

Our 2019 carbon footprint estimated carbon emissions from the tenanted areas of our assets (Scope 3 emissions) to be 62,000 tonnes – significantly more than from the areas we control as landlords. Working with our retailers to reduce emissions from these areas is therefore a priority. Clear environmental standards are set within our fit-out guides and we engage with tenants through the retail delivery process to improve their stores. Through this process our retailers are already benefiting from lower energy demand and operational costs for their units and carbon emissions from our portfolio have fallen. Scope 3 carbon emissions from our portfolio have fallen approximately 30% over the last five years delivering an estimated further 26,000 tonnes of carbon savings.

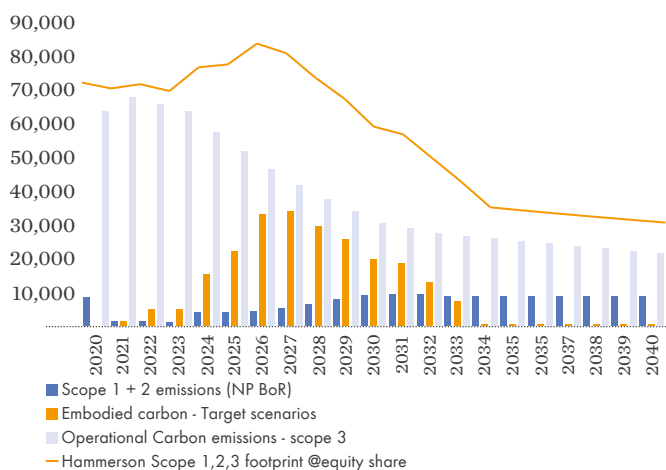
We are also increasing the quantity of environmental data gathered each year from our tenants, allowing us to improve the robustness of our Scope 3 carbon footprint reporting. Tenant data coverage was 24% in 2020. More information on this is available in our 2020 Sustainability Report.

Our Net Zero Carbon Transition Pathway

As signatories to the Better Buildings Partnership Climate Commitment we published a Net Zero Carbon Transition Pathway in 2020. Building on our Net Positive targets this sets out the pathway we will need to follow to bring our portfolio to a Net Zero carbon position, including operational, embodied and Scope 3 emissions. Our transition pathway is set out in Chart 10 below.

Chart 10

Transition Pathway (Tonnes CO₂e)



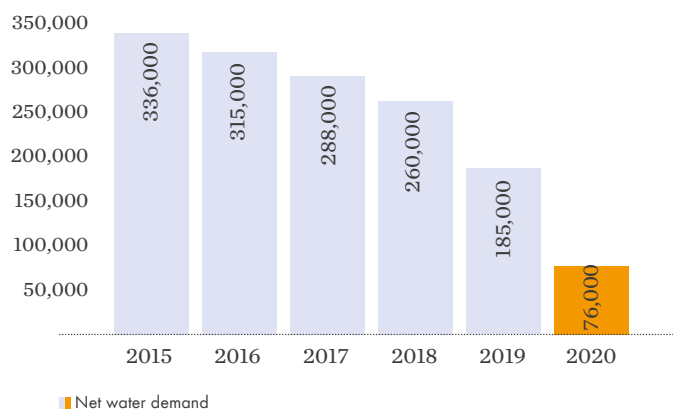
Becoming Net Positive for Water Progress in Phase 1

Our focus remains on driving down landlord water consumption through good management and investment in efficiencies and smart metering. Three of our assets: Brent Cross; The Oracle; and Centrale, were Net Positive for water in 2021. This was achieved through a combination of demand reduction and interventions to reduce leaks in tenant spaces. Demand was low due to Covid-19 but calculations show Centrale and The Oracle would be Net Positive for water based on the level of demand in 2019. This is a significant achievement and a clear example of what can be done with the right level of ambition, commitment and collaboration.

Our plans to work with organisations beyond our value chain, outside the business, to support additional water savings were delayed in 2020 but will re-start in 2021.

Chart 11

Net Positive Water (m³)



2021 Onwards

As we move into Phase 2 of our Net Positive targets we will retain our focus on landlord water demand, but work more closely with our development teams to identify water saving opportunities both during the construction process and through the design of buildings optimised for water efficiency. Designing in rainwater and greywater harvesting and ensuring our buildings are specified in a way that minimises demand are priorities within our sustainable development framework. We will also continue to work with tenants to support them in reducing water demand within their stores and extend work with community organisations to support water reductions in their buildings as we did with Whitely School in Reading in 2019.

What does Net Positive for Water mean?

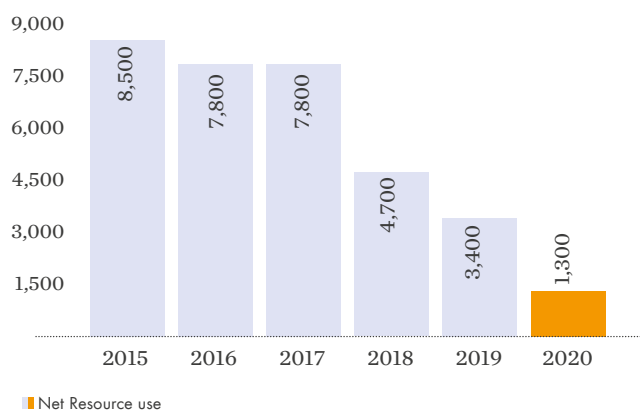
Water replenished or saved by external projects we support will exceed water consumed from mains supply for our business activities.

Becoming Net Positive for Resource Use Progress in Phase 1

Our reduction strategy for resource use is currently focused on operational waste from our assets. Using the standard waste management hierarchy we seek to minimise, reuse and recycle waste that we manage for our retailers. We have seen a significant reduction in waste volumes in 2020 but, with many of our F&B operators open for Click & Collect and or deliveries, organic waste represented a greater proportion of total waste managed than is usual. Whilst the majority of this waste goes to anaerobic digestion to create bio-gas, the proportion of dry mixed waste available for recycling has fallen. We expect this to be resolved as we move back to a normal trading pattern.

Chart 12

Net Positive Resource Use (Tonnes)



2021 Onwards

We continue to work closely with our brands to drive down resource use and work towards our Net Positive resource use targets. We have established relationships with re-use organisations Globechain and Too Good to Go, to support this.

Globechain provides a platform for offering surplus materials and equipment from store strip and fit out or seasonal display changes, for re-use by others, diverting potentially useful, valuable items from the waste stream. Too Good to Go enables food retailers to distribute food that would otherwise go to waste. This focus on re-use ahead of recycling is a priority within the waste hierarchy and an important characteristic of our approach.

As we enter Phase 2 of Net Positive, resource use from major refurbishments and developments is brought into scope. We are working to increase demand for re-used and recycled materials both within and beyond our value chain. For example, specifying recycled content within the concrete used on a construction project significantly reduces the use of new materials as do the clear materials requirements we have set within our retail fit out standards.

What does Net Positive for Resource Use mean?

Waste avoided, recycled or re-used will exceed materials used that are neither recycled or re-used or are sent to landfill.

Delivering Net Positive Socio-economic impacts

Progress in Phase 1

2020 has been a particularly challenging year for our communities given the city centre retail focus of our portfolio. Our strategy has always been to maintain strong relationships with local stakeholder organisations within our communities and to ensure our social impact work is focused on identified local needs.

This approach has enabled us to respond quickly to provide support this year. From retailers in the early phase of the lock down to bring much needed cheer in the form of chocolate and toys to local women's refuges, to working with community foundations across our UK portfolio in Q4 to provide support to local organisations. Our Giving Back programme invested £180,000 in 88 local community organisations across the UK benefitting almost 39,000 people.

We also maintained elements of our planned programme of work in 2020 including the delivery of enterprise programmes with local schools and new entrepreneurs, following an impressively fast transition to virtual delivery by our partners.

Table 13

	2019	2020
Total Community Investment*	£1.8m	£1.6m
Number of organisations that benefited from Hammerson direct and indirect contributions	436	256
Hours volunteered by Hammerson employees	3,232	3,304

* Calculated in accordance with London Benchmarking Group standards

What does Net Positive Socio-economic impact mean?

We will make a measurable positive impact on socio-economic issues relevant to our local communities beyond a measured baseline.

Stakeholder Engagement

Delivering our short term sustainability objectives and achieving our long-term Net Positive targets requires consistent, effective engagement with our stakeholders. This has been more challenging during the course of 2021 but has included:

-  meetings with 5 key shareholders (27% by value) through one-to-one and group meetings
-  work with 150 brands on improving fit-out standards, sharing data and supporting our communities
-  48 partners who completed our Supplier Survey
- 256 community groups supporting local people
-  100% of our colleagues

Full details of our stakeholder engagement work on sustainability in 2020 are provided in our Sustainability Report.

Community Day

Community Day is a much loved part of the Hammerson corporate calendar. Spending so much time apart made it particularly important this year and inspired us to extend Community Day to Community Fortnight. Our UK and Ireland colleagues were challenged to travel by their own effort, a collective distance of 1,360 miles over the course of 2 weeks to raise funds for four of our charity partners. The response was overwhelming, with activities including cycling, running, walking, kayaking and even mountain hikes. With a collective total of 4,571 miles travelled, colleagues raised almost £7,000 for our charities whilst taking the opportunity to move away from desks and connect with others outside, socially distanced, for a good cause. Community Fortnight will return by popular demand in 2021.

Charitable Activities

Hammerson has long standing relationships with a range of charities, all of whom have been hard hit this year. We are keenly aware of the importance of these relationships and have sought to maintain support as far as possible. Through our matchfunding process we have also enhanced the fundraising activities of colleagues.

Each of our assets continued to support local charities in 2020, maintaining bursaries, supporting local colleagues in fund raising activities and through our Giving Back project. We were particularly struck by the strong support for local charities at Christmas this year through our Giving Trees. At one centre alone over 740 gifts were donated by our visitors to local families in need.

Table 14

	2019	2020
Charitable Donations (£000)	173	140

Our people

At 31 December 2020, we employed 518 colleagues across the Group, of whom 373 were based in the UK and Ireland, and 145 in France. This relatively small headcount means our colleagues are a key stakeholder and individuals have the opportunity to make a real difference.

Covid-19 has had a significant impact on our people. To support colleagues during this challenging period, we launched an extensive internal engagement programme, which involved daily communications from business leaders on strategy and key milestones. We also prepared support material for our leaders to help them and their teams, and produced regular video updates to help colleagues understand the human impact of Covid-19 as well as stay connected.

The senior management team were cognisant of the need to maintain extensive dialogue with colleagues, so that their voices were heard. Our Group Employee Forum (GEF) played a key role in this - please see the section on Colleague engagement on page 46 for more information.

We also conducted a Covid-19 pulse survey to gauge morale and wellbeing, and 85% of respondents believed the Company's response to the pandemic has been well managed from a colleague perspective. We completed our annual employee engagement survey in November. The overall Trust Index for the Group increased from 72% in 2019 to 74% in 2020 - a highly encouraging result in the circumstances.

As Covid-19 resulted in the closure of the majority of the stores in the Group's destinations on numerous occasions and for prolonged periods, we took part in government employee assistance programmes in both the UK and France. Across the Group, we claimed £1.2 million of support, of which £0.5 million was passed on to our tenants through service charge reductions.

Wellbeing

The health and wellbeing of our colleagues has always been a high priority and in line with government advice in our regions, all of our office-based teams worked from home from mid-March 2020. We have proactively made changes to our working policies, notably creating an updated and more progressive philosophy on flexible and agile working, alongside reviewing our approach towards annual leave as a result of the impact of Covid-19.

We launched a dedicated mental health and wellbeing hub on our intranet, so that colleagues who needed it could seek help and guidance. We also produced support material for both leaders and colleagues covering bereavement, returning to the office, and on how to manage teams remotely.

Retention and recognition

We work hard to maintain and develop our rich pool of committed talent and Group voluntary staff turnover during 2020 remained low at 9.7% (2019: 10.1%).

Rewarding commitment and hard work remains critical to delivering sustained growth and productivity. Over 58 colleagues were recognised in our new Thursday Thank You's campaign, and given remote working we have encouraged our leaders to also regularly recognise performance and achievement informally.

Diversity and inclusion

During the past 12 months, the inequalities in our societies have never been more apparent following the tragic death of George Floyd and the Black Lives Matter protests. While we have made significant progress on diversity and inclusion (D&I), we continue to strive to do more as we recognise its importance to colleagues and the business.

An ongoing part of this journey is educating ourselves on the experiences of others. For many years, we have delivered a series of D&I events and these continued in 2020 with a programme of virtual sessions, including an event for Black History Month with the Rt Hon. David Lammy MP.

The Company has considered how it can improve communication and engagement around D&I within the business. Our D&I plan provides a clear framework for our activities and we are placing a renewed focus on how this is communicated to ensure maximum impact and understanding across the business. To support, this we have created a new dedicated D&I hub on our intranet.

We are committed to listening to the experiences of our colleagues from Black, Asian and other minority ethnic groups, and ran a number of focus groups facilitated by our D&I partners, Brook Graham. The feedback received from these sessions has been incorporated into our latest D&I plan.

20 colleagues are also participating in the MissionINCLUDE cross-company mentoring programme, which not only provides an exciting development opportunity for individuals, but also furthers education around the lived experiences of others from different backgrounds.

We continue to welcome and fully consider all applications irrespective of gender, race, ethnicity, religion, age, sexual orientation or disability. Support also exists for employees who become disabled to continue in their employment or to be retrained for other suitable roles.

Gender pay gap

As an organisation we are clear on our commitment to all aspects of equality and fair pay and reward are a key element of this. The gender representation across the Group is 46% male and 54% female - and for many years we have undertaken an internal pay audit to ensure that our reward practices are fair to all colleagues, particularly those undertaking like-for-like work. The results of our 2020 audit continued to demonstrate the fair reward practices in place.

With regard to our UK Gender Pay Gap, the table below shows the progress we have made and in 2020 our mean pay gap reduced to 35.7%. However, the gap remains high and we continue to take positive steps to ensure that we further improve female representation in our more highly paid, senior management roles over time.

In support of this objective, we have put measures in place to support female colleagues in their career progression including a Women's Career Development Programme and the MissionINCLUDE cross-company mentoring programme which also supports broader diversity.

Table 15

	2018	2019	2020
Difference in mean hourly rate of pay:	43.6%	42.2%	35.7%
Difference in median hourly rate of pay:	27.0%	30.2%	31.4%
Difference in mean bonus pay:	78.7%	73.4%	60.0%
Difference in median bonus pay:	56.3%	50.2%	47.7%
Proportion of MALE employees who received bonus pay:	87.4%	94.8%	90.1%
Proportion of FEMALE employees who received bonus pay:	90.5%	92.0%	87.3%

Property portfolio review

Investment markets

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

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

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

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

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

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

Portfolio valuation

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

At 31 December 2020, the Group's total portfolio including premium outlets, was valued at £6,338 million, a reduction of £1,989 million or 24% during the year. This movement was primarily due to revaluation losses of £1,596 million and disposals totalling £759 million, including £716 million relating to the Group's investment in VIA Outlets which was reclassified to assets held for sale on 30 June 2020. This has been partially offset by favourable exchange movements of £228 million. Movements in the portfolio valuation are shown in Table 16.

Table 16

Proportionally consolidated, including premium outlets	Investment £m	Development £m	Total (excl. outlets) £m	Premium outlets ¹ £m	Total Group £m
Value at 1 January 2020 ²	5,068	600	5,668	2,659	8,327
Revaluation losses	(1,280)	(159)	(1,439)	(157)	(1,596)
Additions:					
Acquisitions	–	–	–	6	6
Capital expenditure	20	47	67	38	105
	20	47	67	44	111
Disposals ³	(43)	–	(43)	(716)	(759)
Capitalised interest	1	4	5	–	5
Reversal of impairment on reclassification from assets held for sale	24	(2)	22	–	22
Exchange	115	19	134	94	228
Value at 31 December 2020	3,905	509	4,414	1,924	6,338

1. Includes the Group's investment in VIA Outlets up to 30 June 2020 when it was reclassified to assets held for sale. See page 26 of the Financial review for further details.

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

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

Property additions

In 2020, property additions totalled £111 million. Table 17 shows the expenditure on a sector basis and analyses spend between the creation of additional area and the creation of value through the enhancement of existing space.

Table 17

Capital expenditure analysis

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

Further analysis of capital expenditure between Reported Group and Share of Property Interests is provided in Table 78 on page 160.

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

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

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

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

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

The Italik extension was amended in March 2020 to include an Iconik food hall, which has increased both the cost and the expected income. At 31 December 2020, the project was 88% pre-let and valued at €43 million (£38 million) and has been forward sold as part of the 2019 disposal of 75% of Italie Deux. The sale is due to complete in June 2022 and the contracted 75% sale price is forecast to be €44 million (£39 million), although the final price is dependent on the passing rent at the date of sale.

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

Disposals

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

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

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

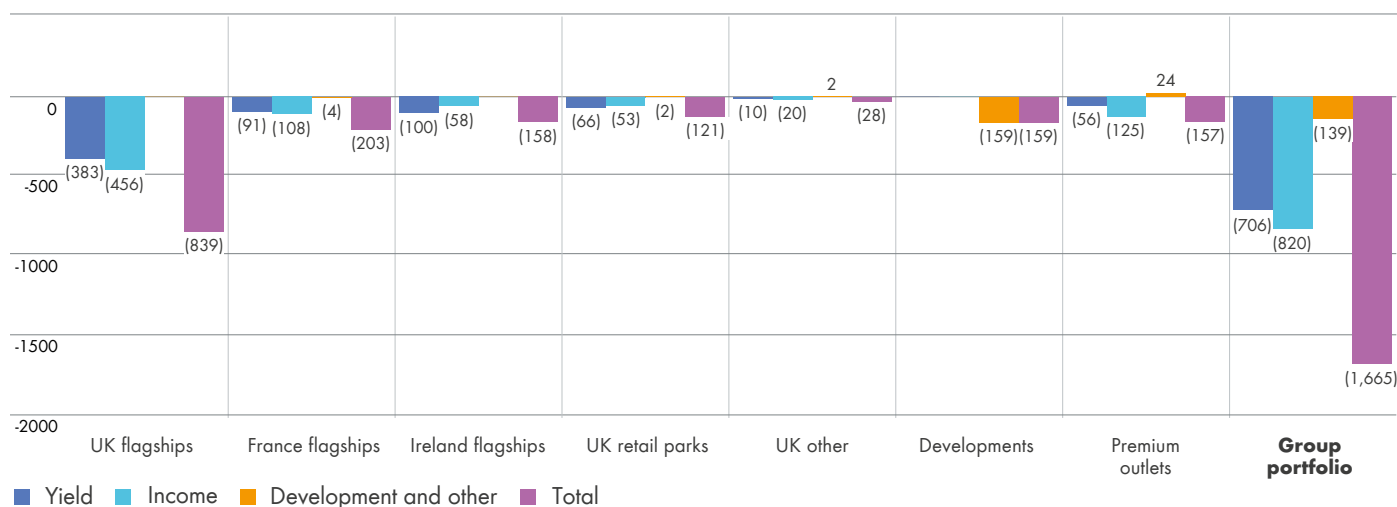
- On 5 February, the Group sold its 41% joint venture stake in Brent South Shopping Park for gross proceeds of £22 million
- On 4 March, we exchanged contracts for the sale of the Group's 25% interest in Espace Saint-Quentin and 10% interest in Nicetoile, Nice to the existing partner, Allianz, for combined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

Valuation change

Chart 18 below analyses the valuation change for the Group's property portfolio, including premium outlets, allocating the underlying valuation movement between yield, income and development and other impacts.

Chart 18

Components of valuation change (£m)



In 2020, the Group's portfolio suffered a net revaluation deficit of £1,665 million. In addition to the revaluation losses of £1,596 million shown in Table 16, the above analysis includes a revaluation loss on the retail parks portfolio totalling £69 million. This comprises £91 million recognised on the reclassification of the retail parks to assets held for sale at 31 December 2019, together with the subsequent reversal of £22 million of the loss recognised in 2020.

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

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

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

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

A deficit of £187 million was recognised on the Development and 'UK other' portfolio. This principally reflected the scheme revisions at Les 3 Fontaines, Cergy as explained on page 22 and reductions to the value of the Group's land holdings at Croydon, Dublin, Leeds and London.

As detailed in note 1D to the financial statements, at 31 December 2020 the Irish portfolio valuations, carried out by C&W, were reported subject to 'material valuation uncertainty', highlighting that less certainty, and a higher degree of caution, should be attached to the valuations than would ordinarily be the case. This does not mean that the valuations cannot be relied upon, but is intended to serve as a precaution in light of the current extraordinary circumstances. A 'material valuation uncertainty' has not been included by the valuers in respect of the valuation of the UK, French or premium outlets portfolios at 31 December 2020.

Further analysis is included in Table 76 in the Additional disclosures on page 159.

Change in ERV

Table 19

Like-for-like ERV change

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

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

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

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

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

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

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

Returns

Property returns

Table 20

Property returns analysis

2020

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

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

The Group's property portfolio generated a total return of -18.3% in 2020, comprising a capital return of -20.9% and an income return of 3.2%. The capital return is consistent with the underlying valuation performance explained in the 'Valuation change' section on page 23 and an analysis of the capital and total returns by business segment is included in Table 76 in the Additional disclosures on page 159.

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

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

In 2020, the Reported Group portfolio (see Financial review on page 25 for explanation) produced a total return of -18.2%, whilst properties held by our joint ventures and associates generated a total return of -18.4%.

Shareholder returns

Table 21

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

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

Financial review

IFRS loss for the year¹

£(1,735)m

(2019: £(781) million loss)

Shareholders' funds¹

£3,209m

(2019: £4,377 million)

Net debt

£2,234m

(2019: £2,843 million)

Adjusted EPS²

1.6p

(2019: 12.8p)

EPRA NTA per share³

£0.82

(2019: £1.16)

Gearing

70%

(2019: 71%)

1. Attributable to equity shareholders.

2. See note 11B to the financial statements for calculation. Comparatives have been restated following the rights issue.

3. See note 11E to the financial statements for calculation. Comparatives have been restated following the rights issue.

Presentation of financial information

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

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

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

Within the Financial review, the Group financial statements and the Additional disclosures, properties which are wholly owned or where the Group's share is in a joint operation, are defined as being held by the 'Reported Group', whilst those in joint ventures and associates are defined as 'Share of Property interests'.

Further explanation of the accounting treatments of the Group's different types of ownership is provided in note 1F to the financial statements on page 106 and in the Glossary on pages 172 to 173.

Going concern statement

To assess whether it is appropriate to prepare the Group's 2020 financial statements on a going concern basis, the Directors have undertaken a detailed review of the current and projected financial position of the Group. This is explained in note 1E to the financial statements on page 104.

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

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

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

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

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

Presentation of UK retail parks

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

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

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

In June 2020, the Group entered into negotiations for the sale of substantially all of its joint venture investment in VIA Outlets. At 30 June 2020, management completed its assessment and concluded that the proportion of investment in VIA Outlets identified for disposal met the IFRS 5 criteria for 'held for sale' at the balance sheet date as the investment was being actively marketed at a reasonable price with an expectation of transacting within a year. A sale contract was subsequently exchanged in August, subject to the retention of a 7.3% stake in VIA Outlets Zweibrücken B.V., and the transaction completed on 31 October 2020 following shareholder approval and competition clearance for gross proceeds of £277 million. Consequently, the proportion of the investment to be sold was reclassified to assets held for sale at 30 June 2020 at its carrying value and re-measured at the lower of the carrying amount and fair value less costs of disposal, in accordance with IFRS 5. At the date of reclassification, equity accounting ceased and subsequent changes in the fair value less costs of disposal between 30 June 2020 and completion have been recognised as impairment movements. The initial re-measurement and subsequent fair value changes have resulted in a £103.8 million impairment loss being recognised in the year.

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

Rights issue

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

As detailed in note 11 to the financial statements, for the purposes of adjusted earnings and NAV metrics, comparative per share data has been restated to incorporate the impact of the rights issue on the number of shares.

Alternative Performance Measures (APMs)

The Group uses a number of APMs, being financial measures not specified under IFRS, to monitor the performance of the business. These include a number of the Group's Key Performance Indicators on pages 14 and 15. Many of these measures are based on the EPRA Best Practice Recommendations (BPR) reporting framework, which aims to improve the transparency, comparability and relevance of the published results of listed European real estate companies. The Group's key EPRA metrics are shown in Table 68 within the Additional disclosures section on page 154. For other APMs, the Financial review and Additional disclosures sections contain supporting information, including reconciliations to the IFRS financial statements. Definitions for APMs are also included in the Glossary on pages 172 to 173.

As detailed in note 1D to the financial statements, the heightened risk environment has resulted in the Group revising its approach to determining the Expected Credit Loss (ECL) at 31 December 2020, and applied this to both trade receivables and unamortised tenant incentives. Consequently, two additional sources of impairment loss have been recognised within the consolidated income statement for the year ended 31 December 2020: a provision for the impairment of unamortised tenant incentives, included within property outgoings; and a provision for amounts not yet recognised in the income statement. For the year ended 31 December 2020 and all subsequent reporting periods, the Group's adjusted earnings metric will include an adjustment for the "provision for amounts not yet recognised in the income statement" as management believes this distorts earnings by reflecting the income and corresponding cost in different periods. Recognition of the provision on deferred income in one period, with recognition of the associated income in the following period would otherwise lead to ongoing timing differences, which a reader of the financial statements may find challenging to reconcile. Management believes this will present more relevant and useful information to users of financial statements by aligning the impairment cost with the period in which the revenue has been recognised.

As outlined above, the reclassification of substantially all of the Group's investment in VIA Outlets to assets held for sale at 30 June 2020 resulted in the Group ceasing equity accounting from 30 June 2020, with any subsequent movements in the net assets of the investment between the date of reclassification and completion being incorporated within impairment movements. For the year ended 31 December 2020 and all subsequent reporting periods, the adjusted earnings from investments in joint ventures and associates from the date of reclassification to assets held for sale up to the completion date will be included within the Group's adjusted earnings metric. Management believes this provides more relevant and useful information to users of the financial statements by incorporating all of the adjusted earnings to which the Group is entitled. Supporting calculations are provided in note 18B to the financial statements.

At 31 December 2020, the Group has adopted the new EPRA Net Asset Value (NAV) metrics: Net Reinvestment Value (NRV); Net Tangible Assets (NTA); and Net Disposal Value (NDV). Full reconciliations from the previous metrics have been provided in note 11F to the financial statements. EPRA NTA is regarded as the most relevant net asset metric for the business.

Loss for the year

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

Management principally reviews the Group's performance on an adjusted basis to monitor the Group's underlying earnings as it excludes capital and non-recurring items such as valuation movements, gains or losses on the disposal of properties and other one-off exceptional items. This approach is consistent with other property companies and we follow EPRA guidance to calculate adjusted figures. Any additional Company specific adjustments are detailed in note 11B to the financial statements. A reconciliation of the loss to adjusted earnings for the year is shown in Table 22.

Table 22

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

Proportionally consolidated, including premium outlets	Year ended 31 December 2020 £m	Year ended 31 December 2019 £m
Loss for the year attributable to equity shareholders	(1,734.8)	(781.2)
Adjustments:		
Net revaluation losses on property portfolio*	1,438.8	1,028.0
Net revaluation losses/(gains) on premium outlets property portfolio	157.3	(199.8)
Impairment (gain)/loss on reclassification of UK retail parks (from)/to assets held for sale	(22.4)	92.0
Impairment loss relating to assets held for sale: VIA Outlets	103.8	–
Impairment of investments in joint ventures and associates	103.9	–
Recycling of net exchange gain on disposal of foreign operations	(5.2)	(13.8)
(Profit)/Loss on sale of properties	(11.6)	91.7
Change in fair value of derivatives*	(11.8)	(3.6)
Deferred tax on premium outlets	(17.3)	6.4
Change in provision for amounts not recognised in the income statement	12.0	–
Adjusted earnings from investment in VIA Outlets since reclassification to assets held for sale	8.1	–
Other adjustments (see note 11B)	15.7	(5.7)
Adjusted earnings for the year (note 11B)	36.5	214.0
Adjusted EPS, pence (comparative figure restated for the rights issue)	1.6	12.8

* Proportionally consolidated, excluding premium outlets.

Analysis of the Group's IFRS income statement split between 'Adjusted' profit and 'Capital and other' profit is shown in note 2 of the financial statements on page 108 and further details of the EPRA adjustments are provided in note 11B of the financial statements on page 118.

Adjusted earnings

The Group's adjusted earnings for 2020 were £36.5 million, £177.5 million or 83% lower than in 2019. Table 23 bridges adjusted earnings and adjusted EPS between the two years. The movements in each line are shown at constant exchange rates with the impact of foreign exchange movements included in 'Foreign exchange and other'. Explanations of the movements are provided later in this Financial review.

Table 23

Reconciliation of adjusted earnings for the year

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

1. Restated following the rights issue.

2. Excludes provision for amounts not yet recognised in the income statement as this does not constitute adjusted earnings as detailed on page 26.

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

Net rental income

Table 24

Analysis of net rental income

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

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

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

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

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

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

Further analysis of net rental income is provided in Table 73 of the Additional disclosures on page 157.

Administration expenses

Table 25

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

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

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

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

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

Cost ratio

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

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

The Group had interests in 16 joint ventures (2019: 16) during the year and the share of the results of joint ventures under IFRS for the year ended 31 December 2020 was a loss of £882.7 million (2019: £429.1 million loss). Following the disposal of 75% of Italie Deux, Paris in December 2019, the remaining investment is now held as an associate, together with Value Retail (VR) and Nicetoile. The share of results from associates under IFRS for the year ended 31 December 2020 was a loss of £148.3 million (2019: £209.4 million profit). Further details are provided in notes 13 and 14 to the financial statements.

During the year, management undertook an impairment review of non-financial assets. As a result, impairments were recognised in relation to the Group's investments in VR and VIA of £94.3 million and £9.6 million respectively, equivalent to the goodwill previously reported as detailed in note 1D to the financial statements on page 102.

As explained at the beginning of the Financial review on page 25, for management reporting purposes we review the Group's property portfolio on a proportionally consolidated basis, to reflect the Group's different ownership shares. We do not proportionally consolidate the Group's premium outlet investments. These are externally managed by experienced outlet operators, independently financed and have operating metrics which differ from the Group's other properties. Due to the differing nature of the Group's control, VIA is accounted for as a joint venture and VR is accounted for as an associate. As detailed on page 26, the reclassification of substantially all of the Group's investment in VIA Outlets to assets held for sale at 30 June 2020 resulted in the Group ceasing equity accounting from 30 June 2020, with any subsequent movements in the net assets of the investment between the date of reclassification and completion being incorporated within impairment movements. For the year ended 31 December 2020 and all subsequent reporting periods, the adjusted earnings from investments in joint ventures and associates from the date of reclassification to assets held for sale up to the completion date will be included within the Group's adjusted earnings metric. The combined profit contribution from premium outlets is in Table 81 of the Additional disclosures on page 162.

Table 26 shows the contribution to the Group's adjusted earnings from joint ventures and associates, split between the proportionally consolidated properties, assets held for sale and the investments in premium outlets.

Table 26

Contribution to adjusted earnings

	Joint ventures (incl. VIA) £m	Assets held for sale – VIA £m	Associates (incl. VR) £m	Year ended 31 December 2020 Total £m	Joint ventures (incl. VIA) £m	Associates (incl. VR) £m	Year ended 31 December 2019 Total £m
Share of results – IFRS	(882.7)	7.1	(148.3)	(1,023.9)	(429.1)	209.4	(219.7)
Revaluation losses/(gains) on properties	957.9	–	144.7	1,102.6	569.8	(167.9)	401.9
Other adjustments (notes 13B/14B/18B)	5.9	1.0	2.1	9.0	12.4	(8.7)	3.7
Total adjustments	963.8	1.0	146.8	1,111.6	582.2	(176.6)	405.6
Adjusted earnings/(loss) contribution	81.1	8.1	(1.5)	87.7	153.1	32.8	185.9
Analysed as:							
Share of Property interests	75.2	–	5.6	80.8	138.5	1.6	140.1
Premium outlets	5.9	8.1	(7.1)	6.9	14.6	31.2	45.8

Adjusted earnings from the Share of Property interests reduced by £59.3 million during 2020. This decline was almost entirely due to a reduction in NRI as a direct consequence of the Covid-19 pandemic, the most significant factor being the increase in provisioning. As detailed in note 1D to the financial statements, the level of trade receivables at the balance sheet date and increased uncertainty have resulted in a heightened risk of default, resulting in the Group recognising a loss allowance of £30.8 million within Share of property interests. Additionally, a further £5.3 million was recognised relating to the impairment of unamortised lease incentives, included within investment properties, reflecting the risk of the associated rental income stream ending earlier than anticipated under the current smoothing and amortisation timelines. In addition to the increased provisioning levels, base and turnover rents, net of smoothing, fell by £11.0 million and there was an £11.3 million decline in car park income due to reduced footfall during government enforced closure periods.

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

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

Finance costs

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

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

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

The supporting calculation for adjusted finance costs is shown in Table 84 of the Additional disclosures on page 164.

Tax and dividends

The Group's tax charge was £0.6 million in 2020, or £0.5 million on a Reported Group basis, compared to £2.2 million in the prior year. The Group is a UK REIT and a French SIIC. These tax regimes exempt the Group's property income and gains from corporate taxes subject to its activities meeting certain conditions including, but not limited to, distributing at least 90% of the Group's UK tax exempt profit as property income distributions (PID). The Irish assets are held in a QIAIF which provides a similar tax treatment to a UK REIT, but subjects distributions from Ireland to the UK to a 20% withholding tax. The residual businesses in the UK, France and Ireland are subject to corporate taxes as normal.

In order to satisfy the REIT conditions, it is necessary for the Company, on an annual basis, to pass certain business tests. In respect of the year ended 31 December 2020, based on preliminary calculations, the Company has marginally breached the interest cover test and, in these circumstances, HMRC is able to impose a charge equivalent to corporation tax on the excessive finance cost. The Company estimates this charge would be £0.1 million.

In view of the significant and unexpected impact of Covid-19 during the year, HMRC has agreed that no charge will be assessed on the Company.

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

Following the cancellation of the 2019 final dividend in March 2020, the Company had an outstanding PID obligation of approximately £70 million to pay before the end of 2020. On 11 November 2020, the Company declared a 2020 interim dividend of 0.2 pence per share in cash with an enhanced scrip dividend alternative of 2.0 pence per share. As detailed in note 10 to the financial statements, the total dividend of £71.5 million was paid on 18 December 2020 as a PID, net of withholding tax where appropriate, satisfying the outstanding PID obligation.

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

Net assets

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

Table 27

Movement in net assets

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

1. Adjustments in accordance with EPRA best practice shown in note 11E to the financial statements on page 120.

2. Following the changes to EPRA NAV metrics as detailed in note 11E on page 120, the EPRA NAV at 31 December 2019 has been represented as EPRA NTA for comparison purposes.

3. The EPRA deferred tax adjustment principally relates to the de-recognition of 50% of the deferred tax balances of VIA Outlets following the disposal.

The reduction in EPRA net assets was primarily the result of net property revaluation losses, totalling £1,596 million as explained in the Property portfolio review on page 21 and impairment losses on the reclassification of VIA Outlets to assets held for sale and subsequent disposal. These were partially offset by net proceeds from the rights issue of £530 million.

Investment and development properties

The valuation of investment and development properties in the Reported Group at 31 December 2020 was £2,153 million, £54 million higher than the prior year. The movement primarily related to the reclassification of retail parks from assets held for sale of £416 million, favourable foreign exchange of £80 million and capital expenditure of £57 million, largely offset by revaluation losses of £494 million. The movement in investment and development properties is shown in note 12 to the financial statements.

The Group's property portfolio valuation calculated on a proportionally consolidated basis plus the Group's premium outlets is provided in note 3B to the financial statements on page 112.

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

Details of the Group's joint ventures and associates are shown in notes 13 and 14 to the financial statements. Table 28 shows the Group's investment in joint ventures and associates on both IFRS and adjusted bases, split between the proportionally consolidated Share of Property interests and investments in premium outlets.

Table 28

Adjusted investment in joint ventures and associates

	31 December 2020			31 December 2019		
	Joint ventures £m	Associates (incl. VR) £m	Total £m	Joint ventures (incl. VIA) £m	Associates (incl. VR) £m	Total £m
IFRS investment in joint ventures/associates	1,814	1,299	3,113	3,017	1,505	4,522
Adjustments (see notes 13C/14D)	6	116	122	70	150	220
Adjusted investment in joint ventures/associates	1,820	1,415	3,235	3,087	1,655	4,742
Analysed as:						
Share of Property interests	1,820	144	1,964	2,642	149	2,791
Premium outlets	–	1,271	1,271	445	1,506	1,951

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

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

An analysis of the Group's combined investment in premium outlets is shown in Table 82 in the Additional disclosures on page 162.

Receivables

As explained in note 1D to the financial statements, the Group has applied the simplified approach under IFRS 9 and adopted a provisioning matrix to determine the Expected Credit Loss (ECL). This involves grouping receivables dependent on the risk level, taking into account historic default rates, credit ratings, ageing, future expectations and the ongoing impact of Covid-19, and applying an appropriate provision percentage after taking account of rent deposits and personal or corporate guarantees held.

At 31 December 2020, trade receivables totalled £170 million on a proportionally consolidated basis, compared to £61 million at 31 December 2019. The intermittent closures of the vast majority of non-essential retail across all regions in 2020 as a result of the pandemic, coupled with government restrictions on landlords' ability to enforce collection, has resulted in a significant decline in collection rates and consequently, an increase in the level of trade receivables.

On a proportionally consolidated basis, after taking account of tenant deposits, guarantees and VAT, a total provision of £80 million was recognised at 31 December 2020, compared to £17 million at 31 December 2019, equating to a 64% provision against net trade receivables.

The table below analyses the total provision by region against the respective trade receivable balances, and splits this between the provision relating to amounts recognised in the income statement prior to 31 December and the component for which the corresponding credit to the income statement has been deferred. Further information on the ageing of receivables, application of the provisioning matrix and credit risk is provided in notes 1D, 15 and 21E to the financial statements.

Table 29

Trade receivables and provisioning

Proportionally consolidated excluding premium outlets	31 December 2020			31 December 2019			
	Trade receivables £m	Trade receivables net of deposits and VAT £m	Provision for amounts recognised in the income statement £m	Provision for amounts not yet recognised in the income statement £m	Total provision £m	Trade receivables £m	Total provision £m
UK	101	82	41	12	53	22	6
France	51	28	19	–	19	36	10
Ireland	18	15	8	–	8	3	1
Property portfolio	170	125	68	12	80	61	17
Less Share of Property interests	(87)	(67)	(36)	(8)	(44)	(19)	(7)
Reported Group	83	58	32	4	36	42	10

Financing

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

The Group's borrowings are arranged to maintain short term liquidity and to ensure an appropriate maturity profile. Acquisitions may initially be financed using short term funds before being refinanced with longer term funding when market conditions are appropriate. Short term funding is raised principally through syndicated revolving credit facilities from a range of banks and financial institutions with which we maintain strong working relationships. Long term debt comprises the Group's fixed rate unsecured bonds, private placement senior notes and secured borrowings within three of the Group's joint ventures.

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

The Board regularly reviews the Group's financing strategy and approves financing guidelines against which it monitors the Group's financial structure. These guidelines, together with the relevant metrics, are summarised in Table 30 which shows the Group's strong financial position at 31 December 2020.

Key financing metrics

Table 30

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

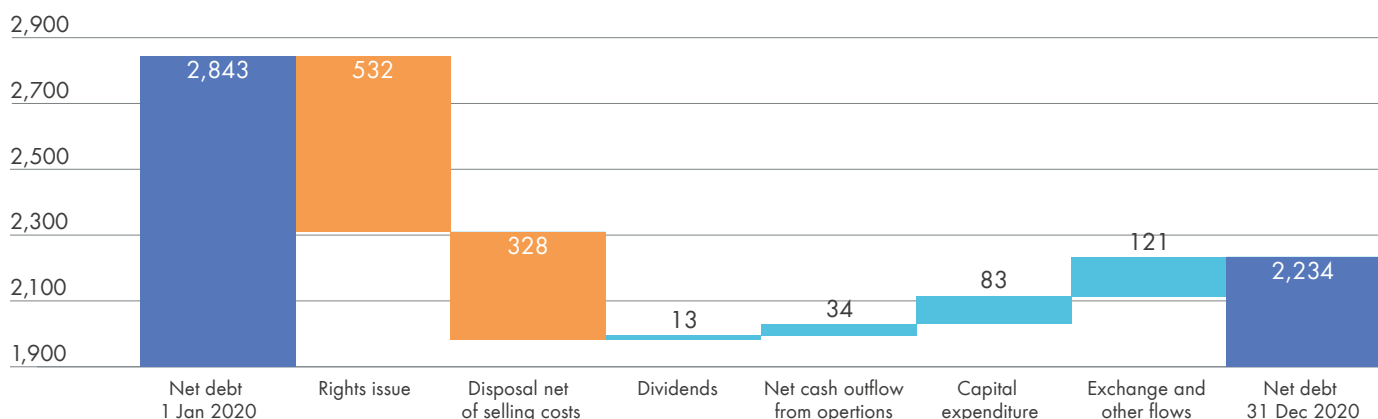
1. Guidelines should not be exceeded for an extended period.
2. Included in borrowing covenants as detailed on page 33.
3. See Table 89 on page 165 for supporting calculation.
4. See Table 91 on page 166 for supporting calculation.
5. See Table 87 on page 165 for supporting calculation.

Net debt

Chart 31

Movement in proportionally consolidated net debt (£m)

Proportionally consolidated, excluding premium outlets



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

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

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

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

Leverage

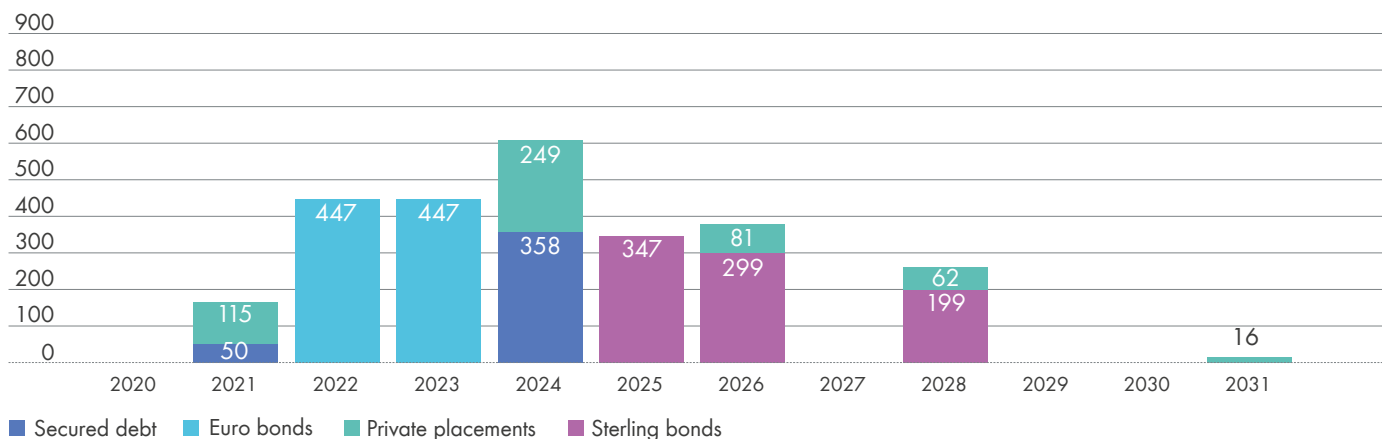
At 31 December 2020, the Group's gearing ratio was 70% (2019: 71%) and headline loan to value ratio was 40% (2019: 38%). Supporting calculations are in Tables 90 and 89 in Additional disclosures on pages 166 and 165.

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

Chart 32

Debt maturity profile at 31 December 2020 (£m)

Proportionally consolidated, excluding premium outlets



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

Unsecured borrowings and covenants

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

Bonds: Gearing and secured borrowings

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

Bank facilities: Gearing, secured borrowings and interest cover

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

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

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

As shown on page 32 the Group's covenant metrics all exceeded the Board's internal guidelines, with the exception of interest cover. This metric was significantly adversely affected by the 41% like-for-like reduction in net rental income in 2020 principally caused by the Covid-19 pandemic as explained on page 28. The ratio will remain under pressure until the Covid-19 restrictions are lifted and the Group's net rental income levels begin to recover.

In response to pressures exacerbated by Covid-19, on 30 June 2020, the Group agreed an amendment to one of the covenants on its existing private placement notes, which increased the headroom available on the unencumbered asset ratio covenant until 31 December 2021. The covenant states that unencumbered assets should not be less than 150% of net unsecured borrowing. As at 30 June 2020, the ratio stood at 154%. The amendment relaxes this covenant to 125% for the 30 June 2020 test period and the next two test periods (December 2020 and June 2021) and 140% at a new test date of 31 October 2021. The amendment period expires on 31 December 2021 unless terminated early by the Company. Conditions of the amendment include a temporary financial covenant, which requires the Company to maintain a 12 month forward liquidity of more than £100 million of cash and available facilities over and above the total amount of: debt maturities within one year, committed capital expenditure and declared dividends payable in cash within the covenant relief period. This covenant will be tested quarterly and only remain during the period of the amendment. The amendment period can be terminated after 31 December 2020 if the unencumbered asset ratio is above 175%, or 150% after 30 June 2021.

The Company and private placement noteholders also agreed that in the period to 31 December 2021 the Company will make an offer of pre-payment at par (i.e. not including a make-whole amount) for 30% of any applicable proceeds from disposals or capital raising in excess of £50 million as part of the payday of debt. Accordingly, following completion of the rights issue in September and the disposal of substantially all of the Group's investment in VIA Outlets in October (gross combined proceeds of £834 million), offers of prepayment at par were made for a total of £226 million, for which acceptances totalled £169 million. Prepayment, including closing out of related cross currency swaps, was made in December and will save approximately £4 million of interest cost on an annualised basis. The other pre-existing covenants on the private placement notes remain unchanged, namely: gearing should not exceed 150%; secured borrowings should not exceed 50% of equity shareholders' funds; and interest cover should be not less than 1.25 times.

From a stress test perspective, the valuation of the Group's property portfolio at 31 December 2020, would have to fall by 34%, or 57% for the UK portfolio only, to breach the unencumbered asset covenant in the private placement notes. Valuations would have to fall by 27% (UK only 77%) to breach the Group's tightest gearing covenant. Net rental income would need to fall by 31% compared to 2020 levels in order to breach the interest cover covenant in the Group's bank facilities and private placement notes. Compliance with covenants is a key consideration for the going concern assessment as detailed on page 25 and in note 1E to the financial statements.

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

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

Credit ratings

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

On 15 May 2020, Fitch reconfirmed the Group's BBB corporate rating following completion of their annual review, changing the outlook from stable to negative due to pressures on rents and valuations. There is a one notch uplift from the corporate BBB rating for the senior unsecured BBB+ rating of the Group's bonds, private placement notes and unsecured bank facilities. On 6 August 2020, Fitch re-affirmed these ratings stating that the rights issue and disposal of substantially all of the Group's investment in VIA Outlets "provides immediate relief to its ratings".

On 8 April 2020, Moody's placed Hammerson's Baa1 rating on "review for downgrade", changing the outlook from "negative" to "rating under review". On 13 May 2020, Moody's downgraded Hammerson from Baa1 (rating under review) to Baa2 (rating under review). This was following the announcement that the retail parks disposal to Orion would not complete and therefore Hammerson would have higher leverage than expected. Moody's also changed their methodology for measurement of leverage to recognise LTV on a fully proportionally consolidated basis in addition to the previous method which equity accounted for our investments in premium outlets. Further, on 16 July 2020, Moody's downgraded Hammerson from Baa2 (rating under review) to Baa3 (rating under review) stating this "reflects continued strain of the coronavirus pandemic on the retail sector and Moody's expectation of prolonged downward pressure on rents and values." On 26 October 2020, Moody's concluded the rating review and re-affirmed Hammerson's Baa3 rating with a negative outlook, stating that the rights issue and sale of substantially all of the Group's investment in VIA Outlets "are sufficient interim steps to protect the Company's balance sheet and help it manage the business disruption that was triggered by the coronavirus outbreak".

Managing foreign exchange exposure

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

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

Risks and uncertainties

Risk overview

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

Against this backdrop, effective risk management is critical to protect the Group's income, assets and reputation, underpin our business model (see page 4) and support the delivery of our strategy (see page 13). Covid-19 has impacted the majority of our principal risks and illustrates the complex inter-dependencies of risk management.

Given the work undertaken during the year, the Board confirms that during 2020 it has carried out a robust assessment of the Group's emerging and principal risks which are presented in this section of the Annual Report.

Risk management responsibilities

The Board is responsible for determining the Group's risk appetite. This reflects its combined attitude to market, financial, operational and reputational risks. While responsibility for risk management ultimately rests with the Board, effective risk management can only occur if it is integrated throughout the business and embedded within the Group's culture and values. Risks are also factored into the Group's forecasting and business planning process. Chart 34 illustrates the key roles and responsibilities for risk management. It demonstrates the interaction between the Board, the Group's management committees and our people in ensuring risk is effectively controlled throughout the Group.

Risk review process

To support the risk management process, the Group uses a number of key documents. The main document is the Risk Management Framework (RMF) which includes the Group's key risks including 10 principal risks. These are risks which have the potential to significantly affect the Group's strategic objectives, operations or financial performance. The risks are also split between "external" risks, where market factors are the main influence on change, and "operational" risks which, while subject to external influence, are more in the control of management. The RMF also includes mitigating factors or actions and management responsibility and is summarised on pages 37 to 41. The framework helps the Board to assess the level of residual risk relative to its risk appetite. Where residual risk levels are deemed too high, additional mitigating actions are agreed. The RMF is also used to determine the Group's annual internal audit plan (see page 57) which is structured to ensure an appropriate coverage of the Group's principal risks. The plan is designed to review risks which have not been subject to recent audit, emerging risks or risks associated with significant changes in the Group.

The Board reviews a Risk Dashboard, which is updated quarterly. This contains current and forward-looking metrics for each of the principal risks. Finally, the Heat Map (Chart 33) is used as a visual aid to show the Board's current assessment of residual risk relative to its risk appetite and shows changes to this assessment over the previous year.

To support the Board's residual risk assessment, the risk tools are reviewed at each Audit Committee and Risk and Controls Committee meeting. They are also reviewed by the Group Executive Committee and divisional management. This process helps identify new or emerging risks, reviews the outlook for the various risks and ensures mitigating factors or actions are effective in managing each risk.

Risk assessment during 2020

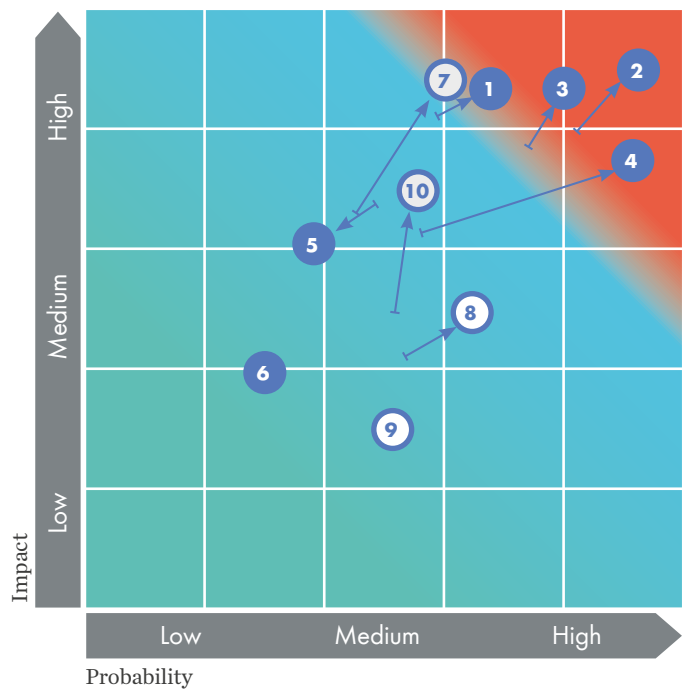
Covid-19

2020 was dominated by the Covid-19 pandemic. This adversely impacted the majority of the Group's principal risks (as shown on the Heat Map). As at the date of this report, five of the Group's principal risks are deemed to exceed the Group's risk appetite as explained:

- Macroeconomic – the pandemic has resulted in a record downturn in economic activity in the countries in which the Group operates with recovery not forecast to start until later in 2021
- Retail market – as explained in the Market overview on page 12, Covid-19 has caused significant financial distress for the Group's tenants. It has accelerated the structural changes associated with omnichannel retailing and shrinking physical store portfolios. This has resulted in higher vacancy levels, increased tenant failures and significantly reduced collections rates, as struggling occupiers closed stores and withheld rent payments
- Property investment – the ongoing retail market operational and financial challenges have acted to reduce investor demand for retail venues resulting in significant valuation reductions in the year

Chart 33

Residual Risk Heat Map



Note: Arrow indicates change in risk assessment over previous 12 months

Group's principal risks

External (p. 37 - 39)

- 1 Macroeconomic
- 2 Retail market
- 3 Property investment
- 4 Catastrophic event
- 5 Tax and regulation
- 6 Climate

Operational (p. 40 - 41)

- 7 Treasury
- 8 Property development
- 9 People
- 10 Partnerships

Current risk appetite

- Exceeds Group's risk appetite
- In line with Group's risk appetite
- Lower than Group's risk appetite

- Catastrophic event – this reflects the direct operational challenges of Covid-19 for retail destinations due to government restrictions. These act to limit footfall and have closed non-essential stores for significant periods over the past 12 months
- Treasury – the challenges caused by the pandemic to the retail market and associated property valuation reductions have adversely affected the Group’s balance sheet and credit metrics. Temporary covenant waivers and amendments have also been required to avoid covenant breaches in a number of the Group’s secured debt facilities

To address the impact of the pandemic, the Group implemented a number of mitigating actions. These included withdrawing the recommendation for the final 2019 dividend; raising £860 million from the rights issue and disposals; providing financial support for our tenants; improved health and safety procedures at our venues; and introducing new working practices and enhanced communications to support our colleagues. Further details of these mitigation actions are in the Chief Executive’s review on page 5.

Brexit

The uncertainty associated with the UK’s future relationship with the EU remained high during 2020 until the UK-EU Trade and Co-operation Agreement was approved in late December. Under its headline terms, the UK and EU will continue tariff-free trade; however, businesses and individuals must deal with new regulations and procedures.

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

Our tenants, particularly those who rely on imports and exports, or those who employ EU nationals, face greater challenges under the new trading arrangements.

Overall, it will take time for the full impact of Brexit from a macroeconomic, foreign investment, trading and individual perspective to emerge.

Emerging risks

Through its risk assessment process in 2020 the Board has not identified any new principal risks. The Group’s existing risks continue to evolve, particularly those associated with Covid-19, Brexit, tax and regulation, cyber security and climate change. These changes have been incorporated into the current residual risk assessment process and the Heat Map shows changes to the principal risks since the previous Annual Report.

Climate risk

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

Short and medium term transitional risks are also mitigated by our Net Positive strategy, while longer term risks will be reviewed through our climate scenario analysis which is due to be completed in 2021. Further information is in the Sustainability review on page 16, in the Group’s separate Sustainability Report on www.sustainability.hammerson.com and in the “Climate” principal risk on page 39.

Going concern – material uncertainty

The Group’s going concern assessment is explained on page 104. This reflected the current and near term residual risk assessments for the Group’s five highest residual risks: Macroeconomic, Retail market, Property investment, Catastrophic event and Treasury.

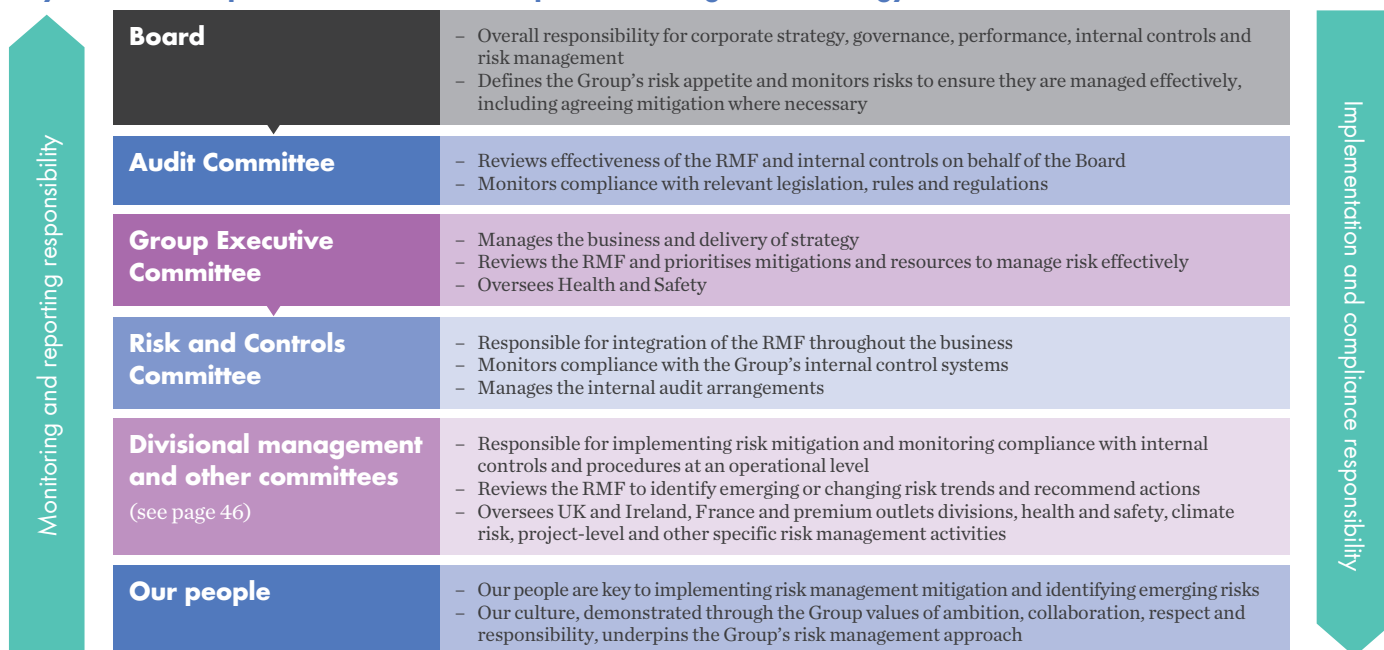
While the Directors concluded that the financial statements be prepared on a going concern basis, the going concern statement contains two factors which result in a material uncertainty which may cast doubt over the Group’s ability to continue as a going concern. These factors concern the heightened uncertainty over future income projections and property valuations; and the outcome of lender negotiations in relation to the Group’s secured debt facilities held by three of the Group’s joint ventures and Value Retail.

Future outlook

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

Chart 34

Key roles and responsibilities for the Group’s risk management strategy



Risk management framework

Further details of the Group's 10 principal risks extracted from the Group's RMF and their alignment to our strategy (see page 13) are shown below.

External risks

1. Macroeconomic

Residual risk assessment:
High (in excess of risk appetite)

Link to
strategy



Risk

- Our financial performance is directly impacted by the macroeconomic environment in the countries in which we operate. Key factors affecting our tenants and shoppers are GDP, disposable income changes, employment levels, inflation, business and consumer confidence, interest rates and foreign exchange volatility
- Major events such as the Covid-19 pandemic and the UK's exit from the EU create heightened macroeconomic and property market uncertainty, adversely impacting the Group's performance

Mitigating factors/actions

- Diversified portfolio (sectors, geography and tenants)
- Flagship destinations in the heart of major European cities
- Premium outlets in affluent catchments with strong tourist appeal
- Monitoring of macroeconomic research
- Economic outlook incorporated into annual Business Plan
- Brexit assessment undertaken and ongoing monitoring of post agreement impact

2020 Commentary

2020 change:	Impact ▲	Probability ▲
--------------	----------	---------------

Covid-19 has caused a severe economic shock across Europe, with GDP forecast to have fallen in 2020 by 9.9% in the UK and 8.3% in France, and grown by a reduced rate of 2.1% in Ireland (source: Oxford Economics). The pandemic has also resulted in significant increases in government borrowing, higher unemployment and business failure, with the retail and F&B sectors particularly badly affected.

The elongated Brexit negotiations during 2020 also increased uncertainty until an agreement was reached in late December.

Whilst sterling weakened by 5% against the euro, inflation and interest rates have remained subdued during 2020. Nonetheless markets remain sensitive to external shocks.

Outlook commentary

Near term change:	Impact ▲	Probability ▲
Medium term change:	Impact ▼	Probability ▼

The roll-out of vaccination programmes across Europe has provided optimism over future economic recovery in 2021 with growth of 5.5% forecast in UK and 4.2% for the EU (source: Oxford Economics).

However, the recovery from the pandemic will take a number of years, and consumer confidence and spending are likely to lag headline GDP recovery due to elevated unemployment rates. Whilst interest rates are forecast to remain low for the foreseeable future, inflation pressures are building and governments will need to address their heightened debt levels and ensure future tax rises do not impair economic recovery.

Any significant re-emergence of Covid-19 or new variants thereof could also result in the imposition of restrictions and further economic damage.



See the Letter from the Chair of the Board on pages 2 and 3

2. Retail market

Residual risk assessment:
High (in excess of risk appetite)

Link to
strategy



Risk

- We own and operate property in a rapidly evolving retail marketplace. Failure to anticipate and address structural changes in consumer and occupational markets, such as omnichannel retailing and digital technology, will impair future performance
- Retailer profitability, particularly in the UK, has been under significant pressure due to increased costs, such as business rates and employment costs, and the erosion of margins from channel shift. These challenges have been severely exacerbated by the lockdowns and restrictions associated with Covid-19
- Changing consumer shopping habits, including channel shift, are adversely affecting certain retail categories, such as high street fashion and traditional department stores. This has resulted in tenant failures and shrinking store portfolios, causing an oversupply of physical retail space and falling rents

Mitigating factors/actions

- Flagship destinations in the heart of major European cities
- Premium outlets in affluent catchments with strong tourist appeal
- Diverse mix of retail categories and tenants
- Disposals to focus on key markets and provide capital for repurposing space away from challenged retail categories
- Deep retailer insight and relationships
- Dynamic, diverse and multi-skilled internal team
- Digital innovation strategy to provide detailed consumer insight and communication with our shoppers
- Ambitious Net Positive sustainability strategy

2020 Commentary

2020 change:	Impact ▲	Probability ▲
--------------	----------	---------------

The onset of the pandemic has accelerated the structural changes associated with the shift from physical stores to online sales and shrinking store portfolios. Covid-19 restrictions, including the closure of non-essential retail, have caused severe financial stress for much of the retail market and caused record tenant failures in the UK.

We have agreed rental concessions to support our tenants; however, the moratorium on evictions has meant a significant number of tenants have withheld lease payments with only 76% of 2020 rent currently collected. The uncertain trading environment has also impeded leasing, with leasing volumes 35% lower during 2020.

Outlook commentary

Near term change:	Impact ▲	Probability ▲
Medium term change:	Impact ▼	Probability ▼

The current lockdowns and vaccination programmes have had a positive impact on infection and transmission levels and should allow Covid-19 restrictions to be lifted from Spring. This will support the recovery of the retail market. However, residual risk levels are forecast to remain high in 2021 as recovery is likely to be slow with further tenant failures predicted.

Over the longer term we expect brands to focus their store portfolios on prime, high footfall locations which can support omnichannel retailing and offer consumers a differentiated experience.



See Chief Executive's review on pages 5 to 7 and Market overview on page 12

3. Property investment

Residual risk assessment:
High (in excess of risk appetite)

Link to strategy  

Risk

- Retail property valuations continue to fall, adversely affecting the delivery of future strategic plans and the Group’s financial position, particularly debt covenants (see Treasury risk)
- Opportunities to divest properties are missed, or are limited by market conditions, which reduces financial returns and adversely affects the Group’s credit metrics and funding strategy
- Poor investment decisions involving acquisitions and disposals result in sub-optimal returns

Mitigating factors/actions

- Diversified portfolio limits impact of downturn or liquidity squeeze in a single market
- Board approval for all significant investment decisions with additional oversight from the Investment and Disposal Committee
- Twice yearly external valuations with new roster of valuers introduced in 2020
- Business planning incorporates valuation forecasts with downside scenarios and stress tests

2020 Commentary

2020 change:	Impact ▲	Probability ▲
--------------	----------	---------------

With the heightened retail market uncertainty in 2020, there have been few sizeable transactions in retail property investment markets across Europe during the year (see page 21).

The weak investor demand and sentiment has resulted in the Group’s properties falling in value by an average of 21% in 2020, which includes a reduction in UK flagship values of 36%.

Outlook commentary

Near term change:	Impact ◄►	Probability ◄►
Medium term change:	Impact ▼	Probability ▼

This risk is forecast to remain high in the near term with downward pressure on values as the retail market remains fragile. Investor demand is forecast to improve with the broader recovery from Covid-19 and as the rental outlook stabilises. However, we expect demand to vary across the Group’s portfolio during 2021, with stronger investor demand for French flagship assets and UK retail parks.

Over the longer term we expect our strategy of rebasing rents to sustainable levels, repurposing space and optimising tenant mix will result in improved tenant and investor demand for our flagship venues. Disposals will also enable us to optimise our portfolio to generate improved returns.

 **See Property portfolio review on pages 21 to 24**

4. Catastrophic event

Residual risk assessment:
High (in excess of risk appetite)

Link to strategy 

Risk

- Restrictions to contain pandemic disease, such as Covid-19, adversely impact our operations due to the closure of stores, reduced footfall and additional health and safety procedures
- Our operations, shopper safety, reputation or financial performance could be adversely affected by a major event such as a terrorist attack, flood, power shortage, civil unrest or pandemic disease
- The increasing reliance on and use of digital technology heighten the risks associated with IT and cyber security. Risks are continually evolving and we must design, implement and monitor effective controls to protect the Group from cyber attack or major IT failure

Mitigating factors/actions

- Coronavirus operational changes enacted (see page 5)
- Continuity plans at both corporate and individual property levels
- Core crisis group for dealing with major incidents with regular training and mock incidents to test processes and procedures
- Physical security measures implemented and regularly reviewed
- Dialogue with security agencies to assess threat levels and best practice
- Flood defences in place and regularly reviewed (see Climate risk)
- Insurance cover for terrorism and property damage
- Third party support and regular testing for IT security

2020 Commentary

2020 change:	Impact ▲	Probability ▲
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The Group’s operations have been severely impacted in 2020 by the Covid-19 pandemic. Our Core Crisis Group co-ordinated the Group’s operational response to the pandemic, including managing communications with colleagues and brands and implementing enhanced health and safety procedures. This included managing the various lockdown restrictions which closed non-essential stores across the portfolio.

Terrorism and social unrest remain a threat and health, safety and security training was completed by all UK staff during the year. The Board was also kept informed of the good progress towards addressing the cyber security improvements recommended in the 2019 internal audit review and no major incidents were reported during the year.

Outlook commentary

Near term change:	Impact ▼	Probability ▼
Medium term change:	Impact ▼	Probability ▼

While non-essential retail was again closed at the majority of our venues at the beginning of 2021, Covid-19 restrictions are due to be lifted shortly.

Although, the risks of new Covid-19 variants and the reintroduction of restrictions will remain during 2021, our destinations are forecast to recover as workers and shoppers return to city centres and brands focus their store portfolios towards high footfall flagship venues.

 **See Chief Executive’s review on pages 5 to 7**

5. Tax and regulation

Residual risk assessment:
Medium

Link to strategy 

Risk

- Governments have borrowed heavily to provide financial support during the Covid-19 pandemic. This debt will need to be repaid through increased taxes which could hinder future recovery
- The real estate and physical retail sectors have suffered rising costs over recent years through higher business rates, living wage, stamp duty etc. These adversely impact the profitability of our tenants and the Group's financial performance
- There is an increasing burden from compliance and regulatory requirements which can impede operational and financial performance
- The UK's exit from the EU creates uncertainty over the future tax and regulatory environment

Mitigating factors/actions

- Maintenance of the Group's low-risk tax status
- Regular meetings with key officials, including from HMRC and government
- Regular tax compliance reviews and audits
- Advance planning for future regulatory and tax changes
- Participation in policy consultations and in industry-led dialogue with policy makers through bodies such as REVO, BPF, EPRA etc.
- Brexit assessment undertaken with ongoing monitoring of future regulation changes

2020 Commentary

2020 change:	Impact ▼	Impact ▼
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During 2020, the tax and regulatory regimes under which the Group operates remained largely unchanged. However, uncertainty levels did reduce following the UK's trade agreement with the EU in December. Brexit risks were monitored throughout the year (see page 36) with mitigation actions implemented including a secondary market listing in Ireland in December. This guarantees an EU-equivalent trading venue for the Group's shares for the c. 30% of the Group's investors who are based in the European Economic Area.

Governments have provided retail with various types of support during the pandemic, including employment subsidies, provision of loans, tax relief and protection from eviction. Despite lobbying, property owners have had significantly less support resulting in a severe adverse financial impact.

Outlook commentary

Near term change:	Impact ◄►	Probability ◄►
Medium term change:	Impact ▼	Probability ▼

It is vital that governments continue to support the economic recovery from Covid-19 and act fairly and thoughtfully when raising future taxes to reduce the increased debt burdens.

We support the growing demands for a reform of the UK business rates regime to more fairly reflect the reality of modern omnichannel retailing.

 **See page 30 of Financial review and note 9 to the financial statements on page 116**

Change:

▲ Increasing ▼ Decreasing ◄► No change

6. Climate

Residual risk assessment:
Low

Link to strategy   

Risk

- Physical climate risk – impact of extreme weather events and other physical manifestations of climate change on our assets
- Transitional climate risk – impact of climate-change focused corporate and public policies on our operations
- Reputational risk – failure to establish and communicate a strategy that properly addresses ESG risk including the setting and meeting of appropriate targets could adversely impact the Group's reputation, financial performance and investor demand
- Compliance risk – emerging environmental regulations and legislation, including local climate-related initiatives, will increase reporting and compliance requirements and potential for non-compliance if not effectively managed

Mitigating factors/actions

- Physical risk review completed and exposure identified as low with mitigation and management measures in business plans
- Transitional risks addressed in our sustainability strategy and will be the subject of climate scenario work in 2021. Senior management and Board provided with TCFD training
- Experienced sustainability team designs and implements our ESG strategy in collaboration with the wider business
- Established ESG governance structure from asset to Board level, monitors key sustainability metrics, including performance and management of climate-related legislative and regulatory risk
- Dedicated Sustainability Report produced to communicate ESG performance with external assurance of environmental reporting
- Regular engagement with investors and across the wider property industry on ESG

2020 Commentary

2020 change:	Impact ◄►	Probability ◄►
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2020 has seen significant increase in focus on climate risk and rising ESG expectations from investors. Our long term sustainability strategy positions us well to respond to this. Our focus on energy demand management and investment in renewables reduces our exposure to carbon pricing, a key potential transitional risk. Minimum Energy Efficiency Standards (MEES) risk is limited and being managed out of the portfolio through asset management initiatives. We continue to report in line with TCFD recommendations (see page 51).

Outlook commentary

Near term change:	Impact ◄►	Probability ◄►
Medium term change:	Impact ▲	Probability ▲

Climate-related risks continue to attract increasing external attention and this is expected to continue. National Carbon Budgets have been set that focus attention on the need for real assets to reduce carbon emissions significantly within the next ten years, as do investors' Net Zero Carbon portfolio targets. We are reviewing the implications for our assets.

We have plans in place to enable us to operate on a Net Positive basis for our scope 1 and 2 carbon emissions. Our Net Positive strategy will ensure we maintain the focus on material ESG matters from both an operational and a corporate perspective.

 **See Sustainability review on pages 16 to 19 and www.sustainability.hammerson.com**

Operational risks

7. Treasury

Residual risk assessment:
High (in excess of risk appetite)

Link to strategy 

Risk

- Reductions in valuations or income could result in a breach of debt covenants, relating to both secured and unsecured borrowings
- Due to the adverse impact of Covid-19, temporary covenant waivers or amendments are required to avoid breaching covenants
- Poor treasury planning or external factors, including failures in the banking market, ratings agency downgrades, or lack of access to capital on attractive terms, leads to the Group having insufficient liquidity to enable the delivery of our strategy objectives
- Major fluctuations in sterling or euro exchange rates, or a significant increase in interest rates, could result in financial losses

Mitigating factors/actions

- Annual Business Plan includes a financing plan, scenario modelling and covenant stress tests
- Proactive treasury planning to monitor covenant levels forecasts; where necessary, negotiate waivers and amendments; and ensure adequate liquidity is maintained relative to debt maturities
- Board approves and monitors key financing guidelines and metrics and all major investment approvals supported by a financing plan
- Interest rate and currency hedging programmes used to mitigate market volatility

2020 Commentary

2020 change:	Impact ▲	Probability ▲
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The severe impact from Covid-19, particularly on the occupational and investment retail markets, caused a significant weakening of the Group's financial position. The rights issue and VIA disposal, which raised net proceeds of £804 million, strengthened the Group's position and key credit metrics and covenant headroom, at 31 December 2020, are disclosed on page 32 of the Financial Review.

Due to lower collections and valuations, short-term covenant relaxation was arranged for the unencumbered asset ratio covenant in the Group's private placement notes and for a number of the secured debt facilities in joint ventures and Value Retail. The risks associated with these secured debt waivers and amendments are explained in the Outlook section below and are the principal reason for the increase in the Treasury residual risk assessment during the year.

Outlook commentary

Near term change:	Impact ▼	Probability ▼
Medium term change:	Impact ▼	Probability ▼

As explained in the "Property investment" principal risk on page 38, retail property valuations are forecast to fall during 2021 until there is a sustained economic and market recovery. This will reduce covenant headroom and increase the risk of a credit rating downgrade.

We are targeting near term disposals to protect and strengthen the balance sheet and support refinancing of maturing debt. Discussions are also ongoing in relation to secured debt facilities to avoid covenant breaches and we expect these to be satisfactorily concluded. However, the outcome of these discussions is not certain and, given the continued challenges caused by Covid-19 to future income and valuations, these represent a material uncertainty in the Group's going concern assessment.

 See Financial review on pages 31 to 34 and Going concern assessment on page 104

8. Property development

Residual risk assessment:
Medium

Link to strategy   

Risk

- 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

Mitigating factors/actions

- Expertise and track record of developing iconic destinations
- Group capital commitments at 31 December 2020 of £95 million (2019: £104 million)
- Development plans and exposure included in annual business planning process
- Board approves all major commitments and performs formal development reviews twice-yearly
- Clear project ownership, resourcing plans and risk registers
- Projects typically use fixed price contracts and appraisals contain appropriate contingencies
- Group's land holdings provide flexible future delivery options and require limited near term expenditure to progress

2020 Commentary

2020 change:	Impact ▲	Probability ▲
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The Group's development exposure is low with two onsite extension schemes in Paris, and at 31 December 2020 the development portfolio represented only 8% (2019: 7%) of the total portfolio valuation.

The construction and letting progress on both onsite schemes was delayed by the Covid-19 restrictions. Given the revised delivery timescales and weaker occupier demand, the Les 3 Fontaines scheme was reappraised in 2020 with additional cost contingencies and reduced income forecasts. This resulted in a £45 million revaluation deficit in the year (see page 22).


For the Group's longer term schemes, planning consents were secured on Martineau Galleries and The Goodyard.

Outlook commentary

Near term change:	Impact ▼	Probability ▼
Medium term change:	Impact ▼	Probability ▼

Risk levels are forecast to reduce with Italik opening in May 2021 and the Les 3 Fontaines extension completing in March 2022. However, further leasing is required ahead of these dates to deliver the forecast income and financial returns.

Expenditure on longer term projects will be tightly controlled until the Group's financial position is strengthened through disposals and certainty over project viability improves. However, limited expenditure is required to progress these schemes to enhance value and provide flexible delivery options.

 See pages 21 to 24 of the Property portfolio review

9. People

Residual risk assessment:
Low/Medium

Link to
strategy



Risk

- A failure to retain or recruit key management and other employees to provide diverse and skilled teams could adversely impact operational and corporate performance
- Weaker financial performance and market uncertainty adversely impact employee morale, retention and external recruitment
- The Group’s organisational structure may hinder the achievement of strategic objectives, particularly in times of significant activity

Mitigating factors/actions

- Annual Business Plan includes human resources plan covering team structures, training and talent management initiatives
- Succession planning undertaken across the senior management team and direct reports
- Board approval required for significant people-related changes
- Training and development programmes and twice-yearly formal colleague appraisal process
- Annual ‘Great Place to Work’ survey to record engagement and capture colleague feedback
- Internal diversity and inclusion programme increases awareness and fosters engagement
- Group Employee Forum established to enable formal Board engagement with feedback incorporated in management plans
- Organisational review underway (see below)

2020 Commentary

2020 change:	Impact	Probability
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Covid-19 has placed enormous pressure on our people and a number of steps were taken to enhance internal communication and support the well-being of all colleagues.

In addition to the operational changes explained in the “Catastrophic event” risk, they were significant corporate challenges in 2020. These included work to deliver the rights issue and VIA Outlets disposal, and brand negotiations to collect arrears. Much of this effort had to be undertaken whilst working at home, however the Group’s IT systems successfully supported these new working practices.

There were also a number of senior management changes during 2020, with a new Chair of the Board, Chief Executive and Chief Operating Officer and detailed induction programmes were undertaken.

Against this backdrop, the Group’s voluntary employee turnover has reduced to 9.7% (2019: 10.1%) and the engagement score in the recent ‘Great Places to Work’ survey improved.

Outlook commentary

Near term change:	Impact	Probability
Medium term change:	Impact	Probability

Near-term residual risk levels are forecast to increase modestly as the weak corporate performance may make recruitment more challenging.

Also, following the changes in senior management, an organisational review is underway to transform the Group’s teams, operational activities and systems to improve the delivery of the Group’s strategic objectives.

See Our people on page 20

Change:

Increasing Decreasing No change

10. Partnerships

Residual risk assessment:
Medium/High

Link to
strategy



Risk

- A significant proportion of the Group’s properties are held in conjunction with third parties. These structures limit the Group’s control and can reduce liquidity
- Operational effectiveness and financing strategies may also be adversely impacted if partners are not strategically aligned
- A number of joint ventures and Value Retail contain secured debt facilities which due to the impact of Covid-19 on collections and valuation have required temporary covenant waivers
- Our Value Retail investment is externally managed and this reduces control and transparency over performance and governance. The interests also contain transaction pre-emption rights in favour of the Group and other investors and limit the liquidity and investor appetite for this investment

Mitigating factors/actions

- Track record of working effectively with diverse range of partners
- Agreements provide liquidity for partners while protecting the Group’s interests
- Annual joint venture business plans ensure operational and strategic alignment
- Proactive covenant monitoring and negotiations with secured lenders to manage covenant stress and breaches
- The Group operates significant influence through governance rights and Board representation for its Value Retail investments
- Value Retail subject to local external audit and valuations, with oversight by the Audit Committee and the Group’s external auditor

2020 Commentary

2020 change:	Impact	Probability
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At 31 December 2020, 69% (2019: 72%) of the Group’s portfolio, including premium outlets, is held with third parties. The weighting fell slightly in 2020 following the sale of substantially all of the Group’s 50% interest in VIA Outlets for net proceeds of £272 million.

As at 31 December 2020, £965 million of secured debt facilities held by the Group’s joint ventures and Value Retail benefited from temporary interest cover or loan to value covenant waivers or amendments. Discussions are ongoing to obtain additional waivers, renegotiate terms, part prepay or fully refinance maturing facilities. This is a key risk for the Group’s going concern assessment as detailed on page 104.

Outlook commentary

Near term change:	Impact	Probability
Medium term change:	Impact	Probability

We are targeting near term disposals, these may include properties held by joint ventures and associates which would simplify the Group’s structure. A disposal of the Group’s interests in Value Retail would be a major transaction and significantly strengthen the balance sheet. However, its complex structure and lack of control rights are likely to adversely affect both pricing and liquidity.

Future partnership risk is also dependent on the ability to satisfactorily conclude the ongoing secured debt facilities discussions described in the Treasury risk.

See notes 13 and 14 to the financial statements on pages 123 to 131 and pages 29 and 31 of the Financial review

Viability statement

The Directors have considered the future viability of the Group, taking into account its current position, strategy, risk assessment and future prospects.

Assessment of prospects

Overview

The Group's Strategic report on pages 1 to 43 explains the Group's current strategy, business model, market trends, risks and uncertainties and provides an overview of the performance during 2020 and future outlook. Following the changes in senior leadership in the second half of 2020, a strategic review is underway and will be announced later in the year.

The current strategic priorities, which will be the focus for 2021, are explained on page 13, and are summarised as follows:

- Capital efficiency - strengthening the balance sheet by reducing debt and controlling costs
- Optimised portfolio - targeted disposals, repurposing space at our flagship destinations and securing value of potential future development opportunities
- Operational excellence - maintaining safe venues, maximising income and collections, achieving service charge savings for our tenants, commencing the next phases of our Net Positive strategy and completing an organisational review

Assessment of viability period

The current strategy formed the basis of the 2021 Business Plan (the Plan) which was approved by the Board in December 2020. The Plan was prepared during unprecedented levels of uncertainty and reflected the Group's current and future risk assessment.

While the Plan was prepared over a five-year period, there are a number of key factors to consider in assessing the Group's viability as follows:

- the Group's risk assessment and outlook, where currently five of the Group's 10 principal risks exceed the Board's risk appetite. Further details are in the Risks and uncertainties section on page 35
- the Group's debt maturity profile has reduced to an average maturity of 3.5 years at 31 December 2020 (2019: 4.7 years). While the Group has liquidity of £1,748 million at 31 December 2020 it also has significant refinancing to undertake over the Plan period. Of the Group's loans at 31 December 2020 of £2,666 million, calculated on a proportionally consolidated basis excluding Value Retail, 23% mature by the end of 2022, 40% by the end of 2023, and 76% by the end of the Plan period in 2025. In addition, the Group's share of loans in Value Retail is £767 million

Assessment of viability

For the purposes of reviewing the Group's viability, the most relevant Plan scenario was the Group's Downside scenario, which has been updated to reflect the year end out-turn and latest Covid-19 outlook and was also the basis of the Severe but plausible adverse case used in the Group's going concern assessment. Relative to the Core Plan, this incorporated assumptions concerning adverse changes to rental income, property values, capital expenditure, disposals and refinancing plans. These key assumptions reflect the Group's principal risks which are most likely to impact the near to medium term viability of the Group and are explained in the table below:

Principal risk explanation

Macroeconomic and Catastrophic event

- The future performance of the Group is dependent on the speed and strength of the forecast recovery from the Covid-19 pandemic and the lifting of the current government restrictions

Downside key assumptions (relative to Core Plan)

- A prolonged period of Covid-19 restrictions with non-essential retail remaining closed until end of May 2021
- A weak economic and consumer recovery adversely impacted by the re-imposition of some restrictions in the second half of 2021, although followed by a slow but sustained recovery from the beginning of 2022
- Lower levels of international travel and tourism in 2021, with slow recovery thereafter

- the two factors which create a material uncertainty in the Group's going concern assessment as explained in note 1E to the financial statements on page 104. These factors concern the heightened uncertainty over future income projections and property valuations; and the outcome of lender negotiations in relation to the Group's secured debt facilities held by three of the Group's joint ventures and Value Retail
- the diversity of the Group's income, where at 31 December 2020, the largest tenant represented only 3.3% of Group passing rent and the average unexpired lease term was 5.1 years (2019: 5.5 years)

The Directors believe in the long term future of the Group and the new management team's ability to deliver the Group's 2021 strategic priorities to enhance the position of the Group. However, when compared to the prior year, the key factors explained above have all worsened in 2020 and there is also a heightened level of uncertainty associated with the Covid-19 pandemic. In these circumstances, the Directors have decided to reduce the Group's viability assessment period from five years to three years to 31 December 2023 for the purposes of the 2020 viability assessment.

Plan summary

The Plan contained income, balance sheet and cash flow forecasts, financing strategies and portfolio plans, including disposals, asset management initiatives and capital projects. The Plan also forecast financing and debt covenant metrics including absolute stress tests and compliance with the Group's unsecured debt covenants was maintained throughout the viability assessment period in the Core Plan. The Plan also included a number of different scenarios to enable the Board to understand the impact of different assumptions on performance and the Group's projected resilience. The forecasts were compiled on a detailed, lease-by-lease basis and the key Core Plan assumptions included:

- a slow, but sustained recovery from the Covid-19 pandemic during 2021 driven by successful vaccination programmes
- continued difficulties in the retail property market in 2021, including tenant restructuring, rent collection challenges and falling property values, with the most adverse impact in UK flagships
- a stabilisation and recovery in retail markets from 2022 onwards with a transition to sustainable rental levels
- a slow recovery in international travel, particularly hindering premium outlets recovery
- targeted disposals to reduce debt levels
- financial markets remaining available to the Group, on reasonable commercial terms, in relation to both unsecured and secured borrowings to negotiate any necessary short-term covenant waivers or amendments and to refinance maturing facilities and bonds

Principal risk explanation

Retail market

- The majority of the Group's tenants have been severely impacted by Covid-19, particularly given the closure of non-essential stores during periods of lockdown. This increases the risk of tenant restructuring and makes the collection of outstanding arrears and future rents more challenging

Property investment

- Retail property valuations have fallen significantly over recent years due to the challenges in the retail market and, in 2020, the adverse impact of Covid-19. Further valuation reductions will weaken the Group's financial position
- Capital expenditure, whilst enhancing the quality of the portfolio, increases debt levels and is often dependent on securing reasonable commercial terms with tenants, to support asset management and development initiatives

Treasury

- Reductions in valuations or income could result in a breach of debt covenants, relating to both secured and unsecured borrowings. This is particularly relevant as there are currently a number of short-term covenant waivers or amendments relaxing the unencumbered asset ratio covenant in the Group's unsecured private placement notes and covenants in a number of the Group's secured debt facilities in three joint ventures and in Value Retail which expire during 2021
- The Group must maintain access to credit markets, on reasonable commercial terms, to enable refinancing of maturing borrowings

Downside key assumptions (relative to Core Plan)

- A further deterioration in the occupational retail market, with additional tenant restructuring, the provision of concessions to support brands, and the impairment and write-offs of outstanding arrears
- This results in lower income projections, with Group NRI on a like-for-like basis, excluding Value Retail, being approximately 50% lower in 2021 than in 2019; before recovering such that NRI is approximately 27% lower in 2023 than in 2019
- Severe property valuation reductions, principally in 2021, with a Group capital return over the viability assessment period from January 2021 to December 2023 of -24%, with the majority of the reduction in 2021. At a portfolio level, this represents capital returns over the same period of -33% for UK flagships, -23% for French flagships, -25% for Irish flagships, -15% for UK retail parks and -17% for Value Retail's premium outlets
- Given the challenging investment property markets, no future disposals have been assumed
- Significant reduction in capital expenditure, such that expenditure averages approximately £60 million p.a. over the viability assessment period
- The Group retains access to capital markets to address debt and bank facility maturities on reasonable commercial terms, albeit less attractive than in the Core Plan. The forecast therefore assumes that the £1,067m of debt maturing over the viability assessment period can be refinanced using existing or new liquidity
- The ongoing discussions to address short term covenant waivers and near-term debt maturities in the Group's secured debt facilities are satisfactorily concluded such that loans remain compliant with their covenants for the remainder of the viability assessment period. The forecast includes part prepayments in 2021 totalling approximately £125 million to address potential loan to value covenant issues

Scenario outcome

Under the Downside scenario, the Group's financial performance is forecast to weaken significantly, and from an unsecured borrowing covenant perspective over the viability assessment period the following is forecast:

- minimal headroom under the gearing covenants in the bank facilities and private placement notes from 31 December 2021 to 31 December 2022, before recovering in 2023 as valuations are forecast to stabilise
- a breach in the unencumbered asset covenant in the private placement notes at December 2021. For scenario modelling purposes, this covenant breach is assumed to be mitigated as the Group is forecast to have sufficient liquidity to exercise its rights to redeem these notes ahead of their maturities for the outstanding value of the notes plus a make-whole amount
- due to the impact of the current lockdown and slow forecast recovery, there is minimal headroom projected under the interest cover covenant in the bank facilities and private placement notes at the 30 June 2021 test date. However, given the projected reopening of non-essential retail, headroom is projected to improve for future six monthly test dates from 31 December 2021 onwards

The outcome of the scenario modelling is very sensitive to changes in the underlying assumptions. These are more difficult to forecast than normal given the heightened levels of uncertainty caused by the Covid-19 pandemic and ongoing challenges in the Group's markets.

Mitigation actions

While the Downside scenario does not assume any future disposals, the Group is committed to near-term disposals which were included in the Group's Business Plan.

Even in challenging markets, the Group has raised disposal proceeds of £1.0 billion over the last 24 months, including £73 million already in 2021, and the diversity of the Group's portfolio, in terms of location and sector, provides access to a range of investment markets.

Disposals would be expected to improve the financial forecasts, however their precise impact on the financial projections and Group's debt covenants is dependent on the timing of a sale; the level of proceeds relative to book value; the ownership structure; and whether any debt is secured against the properties sold. In addition, disposal proceeds would provide additional liquidity to support the refinancing requirements over the viability assessment period.

Conclusion

As explained above, relative to the prior year, the key factors and risks affecting the Group's viability have worsened. There is also a heightened level of current and near-term uncertainty associated with the Covid-19 pandemic meaning that the financial forecasts are less robust than usual and cannot be relied on for viability assessment purposes over the full five-year planning period. The Directors have therefore decided to reduce the Group's viability period from five to three years.

In making this judgement and performing this assessment, the Directors have made the following key assumptions:

- the assessment is based on the Group's current strategy and has not prejudged the outcome of the ongoing strategic review
- the impact of Covid-19 and ongoing retail and property investment market challenges are not more prolonged or severe, from an income or valuation perspective, than as assumed in the Downside scenario
- the Group is able to satisfactorily conclude the lender discussions on the secured debt facilities, in three of the Group's joint ventures and Value Retail, by obtaining additional waivers or amendments, renegotiating terms, partly or fully prepaying facilities, or refinancing maturing loans
- the Group is able to refinance its £1.1 billion debt maturities over the viability assessment period by using existing or new liquidity on reasonable commercial terms

Based on their detailed assessment the Directors confirm that they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period to 31 December 2023.

2020 Strategic Report

Pages 1 to 43 of this Annual Report constitute the Strategic report which was approved and signed on behalf of the Board on 11 March 2021.

Rita-Rose Gagné

Director

James Lenton

Director

Board of Directors

Key to Committee membership

- A** Audit Committee
I Investment and Disposal Committee
N Nomination Committee
R Remuneration Committee
C Committee Chair



Full biographical details for each Director and full details of external appointments can be found on our website at www.hammerson.com



You can view details of our Group Executive Committee members on our website at www.hammerson.com

I N R



Robert Noel
Chair of the Board

Appointed to the Board

1 September 2020 and appointed as Chair on 7 September 2020

Robert brings extensive property industry knowledge and experience having built a long and successful career spanning over 30 years in the real estate sector. He was CEO at Land Securities Group plc from 2012 until March 2020. Robert was also Property Director at Great Portland Estates plc from 2002 to 2009 and from 1992 to 2002 he was a Director of Nelson Bakewell, the property services group.

External Listed Directorships

Senior Independent Director at Taylor Wimpey plc.

R



Rita-Rose Gagné
Chief Executive

Appointed to the Board

2 November 2020

Rita-Rose has a wealth of experience in global real estate investment, asset management, M&A and strategy. She has worked in property markets across the world and her expertise spans across various asset classes and mixed-use assets, including residential, retail, office and logistics. Prior to Hammerson, she held various executive roles at the global real estate company, Ivanhoe Cambridge. Most recently, Rita-Rose was President of Growth Markets, where she managed over \$7.6bn of real estate assets plus development projects across markets in Asia and Latin America. She is Non-Executive Director of Value Retail plc.

I N R



James Lenton
Chief Financial Officer

Appointed to the Board

16 September 2019 and appointed as Chief Financial Officer on 1 October 2019

James brings to the Board extensive experience in financing, capital allocation and business transformation as well as notable successes in working with and managing complex organisations through periods of substantial change. From 2014 to 2018 James was CFO at AIG's European Group, where he delivered new profitability and financing strategies. Prior to AIG, he was Partner at EY, providing a range of assurance and advisory services including M&A, finance and external audit.

A N



Pierre Bouchut
Non-Executive Director

Appointed to the Board

13 February 2015

Pierre has previously held a variety of non-executive and executive roles managing significant listed companies, including CEO of Casino and CFO at Schneider Electric, Carrefour and Delhaize. He therefore brings a highly knowledgeable perspective to Board discussions relating to business operations across Europe including a deep insight into how strategic changes may affect retail and property sectors.

External Listed Directorships

Non-Executive Director of Albioma SA and Entain plc.

I N R



Méka Brunel
Non-Executive Director

Appointed to the Board

1 December 2019

Méka has broad experience in the European real estate sector which, together with her knowledge and skills in property outside of retail, strengthens the Board's expertise. Her previous roles include Director of Strategic Development at Gecina in 2003 and CEO of Eurosic in 2006. In 2009, she joined Ivanhoe Cambridge as European President before returning to Gecina in 2014 as a Non-Executive Director and CEO in 2017. Méka is Chair of the European Public Real Estate Association.

External Listed Directorships

CEO and Board member of Gecina.

A N R



Gwyn Burr
Non-Executive Director and Senior Independent Director

Appointed to the Board

21 May 2012 and appointed as Senior Independent Director on 25 January 2019

Gwyn's contribution to the Board is enhanced by her broad expertise in marketing, customer services, sustainability, HR and strategy gained through senior roles at major retail brands, such as Asda and Sainsbury's. Gwyn's wide-ranging experience and management expertise underpin her role as the Senior Independent Director.

External Listed Directorships

Non-Executive Director of Taylor Wimpey plc and Member of the Supervisory Board at Metro AG and Just Eat Takeaway.com N.V.

A N



Mike Butterworth
Non-Executive Director

Appointed to the Board

1 January 2021

Mike brings to the Board 25 years' experience in senior finance roles in businesses across a range of sectors including technology, manufacturing, communications, healthcare and beverages. Previously he was CFO of Incepta Group plc and Cookson Group plc, as well as Non-Executive Director at Johnston Press plc, Kin and Carta Group plc and Cambian Group plc.

External Listed Directorships

Non-Executive Director of Stock Spirits Group plc and Pressure Technologies plc.

I N



Des de Beer
Non-Executive Director

Appointed to the Board

15 June 2020

Des has wide experience in property investment and management, and spent his early career at Nedcor Investment Bank as General Manager, Corporate Equity and Executive Committee member. He was a founder of Resilient REIT, a South African Real Estate Investment Trust, serving as its CEO since listing in 2002. He was also a founder of NEPI Rockcastle plc and served on its board until May 2020.

External Listed Directorships

CEO at Resilient REIT Ltd and Non-Executive Director of Lighthouse Capital Ltd.

A N



Andrew Formica
Non-Executive Director

Appointed to the Board

26 November 2015

Andrew brings deep experience in capital markets and fund management, including property management, and has managed portfolios and businesses across Europe and globally. In particular, he has experience of managing complex businesses through periods of change. Andrew previously spent 10 years as CEO of Henderson Group plc and then Co-CEO of Janus Henderson after its merger in 2017.

External Listed Directorships

CEO of Jupiter Fund Management plc.

A I N



Adam Metz
Non-Executive Director

Appointed to the Board

22 July 2019

Adam brings to the Board wide-ranging knowledge in retail and commercial real estate, and extensive investment experience gained at Blackstone Group, TPG Capital and the Carlyle Group. His comprehensive experience in real estate investment and strategy in the US, Europe and Asia, through listed companies and private equity, enables him to make a valuable contribution to our Board. He is also a Non-Executive Director of the Morgan Stanley Direct Lending Fund and SL Investment Corp.

N R



Carol Welch
Non-Executive Director

Appointed to the Board

1 March 2019

Carol brings a wealth of experience in marketing, innovation and digital gained while working in senior roles at global businesses, such as PepsiCo, Cadbury Schweppes and Associated British Foods. She also brings useful leisure, retail and hospitality experience gained through her roles as Chief Marketing Officer at Costa Coffee as well as her current role as Managing Director UK & Ireland and Chief Commercial Officer, Europe, at ODEON.

Carol is our Nominated Non-Executive Director for colleague engagement.

Corporate Governance report

Strategic focus on a strengthened balance sheet to position the business over the medium-term

Dear Shareholders

I am pleased to present the Corporate Governance report for 2020. The Company is reporting against the principles of the UK Corporate Governance Code 2018 (the Code). I confirm that the Company has complied with the provisions of the Code in full during 2020. The Code is available on the website of the Financial Reporting Council at www.frc.org.uk.

The purpose of the Code is to require companies to be transparent and to promote the highest ethical standards for UK listed businesses. The Company's compliance with the Code is reported against each of the five main sections of the Code: Board Leadership and Company Purpose; Division of Responsibilities; Composition, Succession and Evaluation; Audit, Risk and Internal Control; and Remuneration.

Board Leadership and Company Purpose

Directors

The Board of Directors of the Company is detailed on page 44 and further information on each Director can be found on the Company's website at www.hammerson.com.

Purpose

The purpose of the Group is to create vibrant, continually evolving spaces in and around thriving cities, where people and brands want to be. We seek to deliver value for all our stakeholders and to create a positive and sustainable impact for generations to come. The Board is committed to the delivery of a clear strategy, underpinned by the three pillars of capital efficiency, an optimised portfolio and operational excellence. For more information on our strategy, please see pages 2 to 42.

Strategy

The Board was required to undertake decisive steps in 2020 to ensure the future of the Group with the significant disruptions caused by the Covid-19 pandemic. The focus has been to strengthen the Group's balance sheet and ensure sufficient liquidity during a very challenging year by raising capital, undertaking further disposals, implementing cost reduction and cash retention. Further information is set out in the CFO's Financial Review on pages 25 to 34.

Following the appointment of Rita-Rose Gagné as the Chief Executive in November 2020, a detailed review of the business is being carried out to determine the future strategic direction of the Group, given the continued structural changes to the retail environment. The review is expected to be completed by the half year.

Stakeholders

We seek to deliver value for all our stakeholders. The Board is also aware that its actions and decisions impact our stakeholders including the communities in which we operate. Effective engagement with stakeholders is important to the Board as it strengthens the business and helps to deliver a positive result for all our stakeholder groups. It also assists the Directors with understanding their views. Our stakeholders' views are a key consideration for the Board when making decisions. In order to comply with Section 172 of the Companies Act, the Board is required to take into consideration the interests of stakeholders and include a statement setting out the way in which

Directors have discharged this duty during the year. Further information of the actions carried out in 2020 by the Board to comply with its obligations to the Group's stakeholders are detailed on pages 48 to 50 and the statement of compliance with Section 172 is set out on page 50.

Task Force for Climate-Related Financial Disclosures

Details of the Board's work to comply with the requirements of the Task Force for Climate-Related Financial Disclosures (TCFD) are shown on page 51. The TCFD articulates the direct link between climate risk and financial risk.

Culture

The Board receives relevant updates on how the application of the Group's culture and values are embedded for colleagues and the Group's wider stakeholders. The results of the annual "Great Place to Work" colleague survey are presented to the Board and the findings considered. The clearly defined values of ambition, respect, collaboration and responsibility are embedded in the business. New joiners receive a detailed induction programme where the values are explained and they are reinforced through the internal communications programme, community engagement projects and the commitment to the Net Positive strategy.

The Group is committed to fully complying with all laws and regulations and has high standards of governance and compliance. The Code of Conduct has been prepared to help colleagues and Directors to fulfil their personal responsibilities to investors and stakeholders. The Code of Conduct covers the following areas:

- Compliance and accountability
- The required standards of personal behaviour
- The Group's dealings with stakeholders
- Measures to prevent fraud, bribery and corruption
- Share dealing
- Security of information

The colleague induction programme includes compulsory modules on unconscious bias and equality, health and safety, anti-bribery, modern slavery, sustainability, protection of confidential and inside information, data protection, and management of expenses which are delivered in the UK via the Group's online Learning Management System.

The Directors remain committed to zero tolerance of bribery and corruption by colleagues and the Group's suppliers. The Audit Committee received a report on the Company's policies and procedures in place to prevent bribery and corruption and for detecting and preventing fraud. The Board has received the annual Whistleblowing Report and reviewed the arrangements in place for individuals to raise concerns and the mechanism for the investigation of such matters. During 2020 no concerns were raised using that facility and no other issues were raised that have been treated as whistleblowing.

The Group's Modern Slavery and Human Trafficking Statement is submitted to the Board for approval each year, and the statement is published on the Company's website at www.hammerson.com.

The Board has a well-established and detailed process for the management of conflicts of interests. On appointment, a Director is required to disclose any conflicts to the General Counsel and Company Secretary. At each scheduled meeting of the Board, a governance report is reviewed, containing details of conflicts of interests for each Director noting any changes. As part of the year end reporting, each Director confirms all conflicts of interests to the General Counsel and Company Secretary. There is regular dialogue between Directors outside of Board meetings on any important issues that require discussion and resolution. If necessary, any unresolved matters that are raised with the Chair of the Board, the Senior Independent Director and the General Counsel and Company Secretary would be recorded in the minutes of the next Board meeting. The Chair of the Board encourages a culture of frank debate, challenge and discussion at meetings and outside of the formal environment. This helps to ensure that any concerns can be considered and resolved.

Colleague Engagement

Our people are central to the business and their performance is critical to its long-term success. Colleague engagement in our business is therefore high on our agenda at non-executive and executive board levels.

Regular engagement surveys and communication forums are the main focus of these activities, but to complement these a Group Employee Forum (GEF) was established in May 2019 comprising 12 colleagues from across the Group. The GEF enhances two-way dialogue between the Board and colleagues, offering a structured environment for the Board to listen to feedback from our colleagues and allowing issues to be highlighted and resolved. The GEF focus is to support employee engagement in line with the Group’s values of collaboration, respect, responsibility and ambition. While some of the GEF’s initiatives were curtailed due to Covid-19, it played an important role in ensuring communication and dialogue between the Company and its employees while working remotely or on furlough. In addition, the GEF worked with the HR and Communications teams on the following initiatives:

- A formalised update to the Company’s agile working policy
- Promotion of content and tools to support colleague mental health, well-being and greater awareness of Hammerson’s Employee Assistance Programme

- Supporting the evolution of the Company’s Diversity and Inclusion plans, including the launch of Mission Include alongside virtual events and speakers
- Identifying tools that will enable colleagues to provide 360 degree feedback to improve performance
- A revision of ongoing governance to ensure GEF initiatives are accelerated

Carol Welch has been the designated Non-Executive Director for colleague engagement since May 2020, replacing Judy Gibbons. The purpose of the role is to:

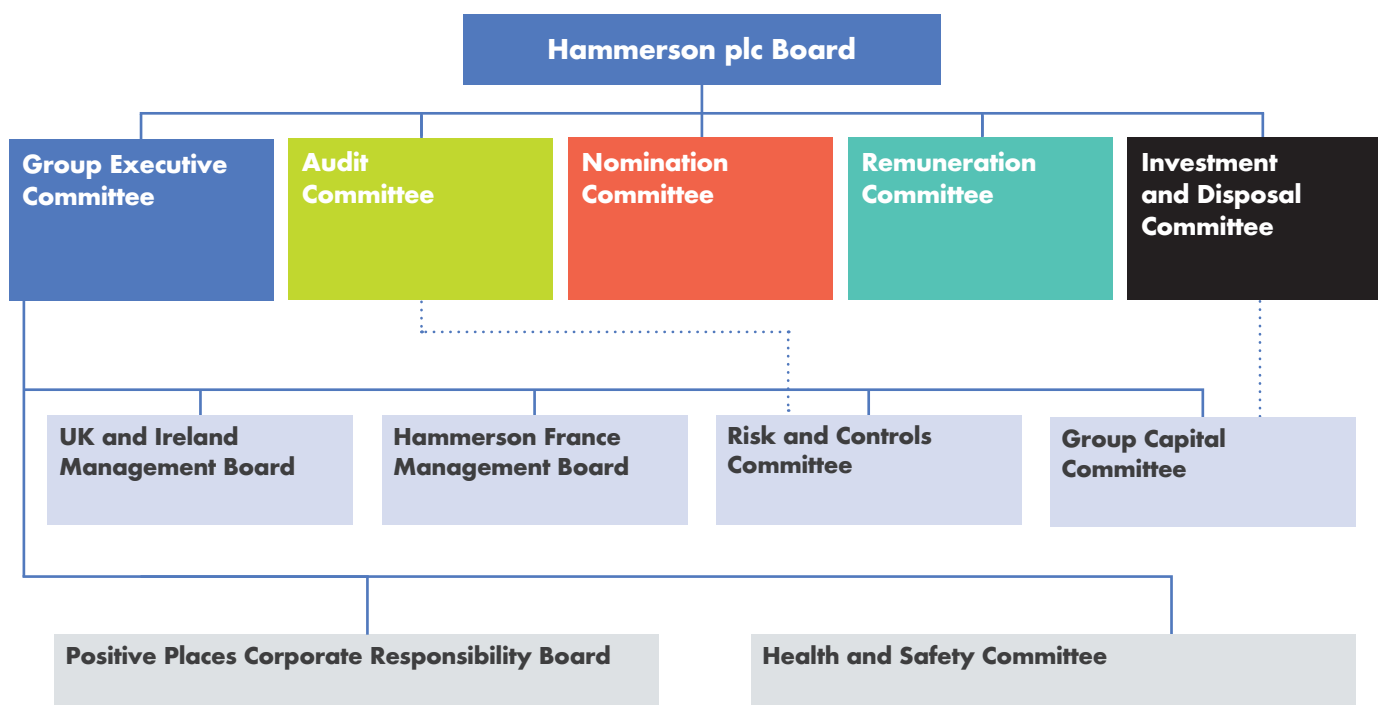
- Act as the Board’s eyes and ears to understand colleagues’ views on company culture, and the degree to which behaviours and values in the business are aligned with culture and values agreed by the Board
- Provide guidance and feedback, with insight gained from the GEF, on achieving effective internal communication
- Provide independent advice and guidance to the Chief Executive, Human Resources Director and Group Executive Committee (GEC) on matters of employee engagement
- Speak on behalf of the Board at the GEF’s events
- Assist the Board in understanding colleagues’ views based on insight from the GEF and provide guidance to the Board on how their decisions may impact colleagues

Carol attends quarterly meetings with the GEF in addition to separate discussions with its Chair, the Group HR Director and Group Marketing Communications Director. Focus has been on key issues affecting colleagues given changes at board level during 2020 and the impact on the business of the pandemic. Carol submitted a report to the Board in December 2020 on the focus of colleague engagement and progress made by the GEF. Carol also held discussions with the GEC on engagement and future focus as part of its review of the Group employee survey results.

Further information on the Group’s policies and procedures for colleagues is detailed on page 20.

Table 35

Governance Structure



Division of Responsibilities – Governance

Role of the Board

The primary duty of the Board is to promote the long-term success of the Company through setting a clear purpose and strategy which creates long-term value for stakeholders. It aligns the strategy, purpose and values with the Group's culture and sets the strategic direction, governance and desired values of the Group and has ultimate responsibility for its management, direction and performance. The Board approves major acquisitions, disposals, capital expenditure and financing in accordance with the Matters Reserved to the Board, which were updated in 2020. The Board oversees the system of internal controls, corporate governance and risk management, including climate risk, and approves the annual Business Plan, and has assigned certain responsibilities to its Audit, Nomination, Remuneration and Investment and Disposal Committees. These are fully documented in the Articles of Association, the Schedule of Matters Reserved for the Board and the Committees' terms of reference, which are all available on the Company's website at www.hammerson.com.

Board Leadership

The Chair of the Board and the Chief Executive have separate roles and responsibilities which are clearly defined. The Chair of the Board is responsible for the operation of the Board and the Chief Executive leads and manages the business within the parameters of the authorities delegated by the Directors. When the Chair was appointed to the Board in September 2020, he was considered to be independent. The Non-Executive Directors are identified in their biographies on page 44 and over half of the Board (including the Chair) is considered to be independent, in accordance with the provisions of the Code.

Gwyn Burr was appointed as Senior Independent Director in January 2019 and is available to discuss shareholders' concerns on governance and other matters. She can deputise for the Chair of the Board in his absence, act as a sounding board for the Chair and counsel Board colleagues. The Non-Executive Directors hold a meeting without the presence of the Chair of the Board annually to discuss his performance. The General Counsel and Company Secretary, whose appointment or removal is decided by all Directors, provides independent advice to the Board on legal and governance matters.

Directors' Time Commitment

As part of the selection process for any potential directors, any significant external time commitments are considered before an appointment is agreed. All Directors are required to consult with the Chair of the Board and obtain the approval of the Board, before taking on additional appointments. Executive Directors are not permitted to take on more than one external appointment as a director of a listed company or any other substantial appointment. The Board has adopted a policy on overboarding which introduces limits on the number of external appointments which can be held by any Director. Details of the policy are set out on page 53.

Investment and Disposal Committee

The Investment and Disposal Committee oversees the Group's acquisitions, capital expenditure and disposals and assists the Board in delivering the strategy. The Committee is chaired by Robert Noel and its members are all Non-Executive Directors, each bringing significant experience in the development of strategy, the review and execution of the proposals presented by the Executive Directors and the senior management team. The Committee's terms of reference and list of members can be found on the Company's website. During 2020, the Committee met five times and the agenda for each meeting reflects the status of investment and disposal projects under consideration by management. It reviews progress by reviewing written reports and also receives regular updates on market conditions. Proposals are scrutinised by the Committee and recommendations to proceed with transactions valued over £50million are then made to the Board for final approval. Verbal updates on the Committee's meetings are provided at the next meeting of the Board.

Executive Leadership

The Group Executive Committee (GEC) supports the Board by providing executive management of the Group within the agreed strategy and Business Plan. It manages the operation of the business on a day-to-day basis, sets financial and operational targets and oversees the Group's risk management. It is chaired by the Chief Executive and comprises the senior leadership team. The members of the GEC and their biographies are shown on the Group's website at www.hammerson.com.

The GEC monitors performance of the Group and receives regular reports on finance, trading and marketing, the property portfolio, human resources, corporate communications, investor relations and risk management, including climate risk. The GEC also receives updates on the performance of Value Retail which is externally managed. The GEC is supported in turn by a number of sub-committees which provide regular reports on their proceedings, highlighting any matters of concern.

Composition, Succession and Evaluation

The Board's Nomination Committee recommends appointments to the Board and oversees the succession planning of the Directors and the process for succession planning to the senior management team. It ensures that there is an appropriate mix of skills and experience on the Board. The Committee also promotes diversity on the Board and in the Group. Its report is set out on pages 52 to 55.

The relevant skills and experience of the Directors are set out in Table 36 on page 53. The attendance by each Director at Board and committee meetings during the year is disclosed in Table 41 on page 55.

The results of the Board effectiveness review carried out in 2020 are summarised on page 55.

Audit, Risk and Internal Control

The Audit Committee oversees the Group's financial reporting and monitors the independence of the internal and external audits. It is responsible for internal controls and monitors risk management including the identification of emerging risks. The Committee oversees the valuation of the property portfolio and is responsible for the relationship with the External Auditor. Its report for the year is set out on pages 56 to 59.

The Risk and Controls Committee supports the Audit Committee by promoting the integration of the Risk Management Framework across the Group. It monitors compliance with the Group's internal control systems and manages the internal audit programme. More information on the Group's approach to risk can be found on pages 35 to 41 and a report of the Committee's activities during the year is set out on page 57 as part of the Audit Committee report.

Remuneration

The Remuneration Committee is responsible for establishing a remuneration policy and setting the remuneration for the Chair of the Board, Executive Directors and members of the GEC. It oversees remuneration policies and practices across the Group. The Committee is responsible for the alignment of reward, incentives and culture and approves bonus plans and long term incentive plans for the Executive Directors and members of the GEC. The Committee's report for the year is set out on pages 60 to 79.

Robert Noel

Chair of the Board

Our stakeholders

Key stakeholders

Key areas of interest



Shareholders

We have a broad range of institutional investors and private shareholders. We actively engage with them throughout the year and undertake regular communications to ensure that they understand the performance of the business.

- Current and future financial performance
- Strategy
- Corporate governance
- Sustainability



Brands

Our business strategy and future success is aligned with that of all of our brands which fill our destinations – retailers, food and beverage and leisure occupiers, as well as direct-to-consumer brands.

- Shared commercial objectives; attracting customers
- Vibrant and well-operated destinations
- Sustainability



Consumers

We create vibrant destinations that meet the needs of the wide range of consumers that engage with them. In an omnichannel environment, we provide more than just a place to shop.

- Vibrant destinations with engaging occupier mix
- Future winning brands
- Continuous improvement to enhance customer engagement and experience
- Sustainability



Partners

We work with a wide range of partners over the long-term, including joint venture partners, suppliers and debt capital partners, making our business stronger and delivering a competitive edge.

- Current and future financial performance
- Operational excellence
- Corporate governance
- Innovation
- Consumer trends and insight
- Sustainability



Communities

Our assets rely on a strong, positive connection with thriving local communities. This is where we draw our customers from, and over 80% of the employees in our flagship destinations.

- Measurable positive impact in socio-economic issues relevant to the communities in which we operate
- Community projects focus on four areas:
 - Employment and skills
 - Local investment and enterprise
 - Young people
 - Health and well-being



Our people

Talented and motivated colleagues are vital to the success of the business.

- Strategy
- Employee engagement
- Reward
- Diversity and inclusion
- Training and development
- Health and well-being
- Sustainability

How we engage

- We take a proactive approach to investor relations and hold numerous meetings with shareholders and analysts. Meetings were held throughout the year with institutional shareholders to discuss the impact of the Covid-19 pandemic on the business, the rights issue, management changes and questions of governance.
- Key shareholder publications including the annual report, the full year and half year results announcements, sustainability report and press releases and the information for investors on the Company's website.
- The AGM provides the opportunity to engage with shareholders and allows all shareholders to vote on resolutions. In September, a general meeting was held to approve resolutions for the sale of the Company's 50% stake in VIA, the rights issue and the share consolidation. In December 2020, a general meeting was also convened to approve proposals for an enhanced scrip dividend alternative. Although the AGM and subsequent general meetings had to be held behind closed doors in response to the pandemic to comply with UK Government regulations, shareholders were given the opportunity to submit questions prior to the meetings.
- The Chair of the Board, Chair of the Remuneration Committee, the General Counsel and Company Secretary and Group Head of Sustainability undertake a range of governance discussions with investors.

- Our dedicated leasing team has a leasing strategy for each asset, underpinned by the Group's strategic objectives.
- On behalf of the Board, the GEC oversees the extensive discussions with our tenants in response to the Covid-19 pandemic, on the interruption to trading, the collection of outstanding revenue and future leasing structures.
- We hold regular executive management meetings with retailer counterparts.
- The Board receives reports from the senior management team on the performance of brands, which are discussed at its meetings.
- We have a targeted programme of engagement for future occupiers.
- We are a member of the British Retail Consortium (BRC).

- We undertake both quantitative and qualitative insight to understand consumer needs.
- Our marketing, leasing and asset management strategies are focussed on ensuring that we create desirable destinations for shopping, leisure and socialising.
- We invest in optimising space and tenant mix and improving customer facilities.
- The Directors receive regular reports on consumer behaviours and associated needs which provides useful insights into emerging trends at a local and national level and will inform investment decisions and identify future revenue drivers.

- We hold quarterly joint venture board meetings approve asset business plans annually, setting parameters for the next year and over the longer term.
- Ad hoc meetings with partners are organised to highlight key areas of focus, including sustainability, customer experience and innovation.
- Proactive approach to engaging with debt capital partners with numerous meetings held during 2020.
- Regular discussions were held with our joint venture partners during 2020 on the impact of the Covid-19 pandemic on the assets, including the arrangements to comply with government restrictions, tenant failures and rent arrears.
- We are signatories to the Prompt Payment Code, to support our partners and suppliers.

- Our local community impacts are positive, and our business activities attract significant additional investment into local economies.
- We establish a clear placemaking strategy for each asset, that reflects the needs of our local communities, delivered through our asset management programme.
- We set community engagement plans that address issues identified as relevant to local communities.
- We develop long-term partnerships with organisations that share our focus areas, and use the London Benchmarking Group to measure our socio-economic performance.
- The Directors received a report of the progress against our Net Positive socio-economic targets as part of the Group's sustainability strategy.
- The Group's Charity Committee considers donations to charities, including local charities, complementing our sustainability goals.

- We have a dedicated internal communications resource and OnDemand intranet platform.
- We held regular briefings of colleagues by the Chief Executive and other members of the senior management team.
- Updates on current business is delivered via "town hall" and "virtual town hall" meetings.
- Our colleague conference is held every two to three years.
- The Group Employee Forum was established in May 2019 and we have a designated Non-Executive Director for colleague engagement.
- Our Group Employee Survey is undertaken annually, with the results presented to the Board and to colleagues and used to shape colleague engagement.
- We have a rolling programme of diversity and inclusion events.
- Our comprehensive programme for new joiners includes online training and a two day programme which is usually attended by all new starters although this was suspended while our offices were closed in accordance with Government guidance on Covid-19.

Stakeholder Engagement

We seek to deliver value for all our stakeholders. The Board is also aware that its actions and decisions impact our stakeholders including the communities in which we operate. Effective engagement with stakeholders is important to the Board as it strengthens the business and helps to deliver a positive result for all our stakeholder groups.

In order to comply with Section 172 of the Companies Act, the Board is required to take into consideration the interests of stakeholders and include a statement setting out the way in which Directors have discharged this duty during the year.

The Board seeks to understand the needs and the key areas of interest of each stakeholder group and consider them during deliberations and as part of the decision-making process. It reviews the long-term consequences of decisions on each stakeholder group by ensuring that the Group builds and nurtures strong working relationships with our shareholders, tenants, suppliers, joint venture partners, debt capital providers, consumers, and the wider community and government agencies which are important to the success of the Group. It does this by overseeing the work undertaken by management to maintain and seek to enhance these relationships. The Board receives detailed reports and when relevant these include assessments of the impact of a proposal or project on stakeholders, and if required, the Directors receive appropriate input from the senior management team.

The Board is responsible for ensuring that an effective policy of engagement is undertaken within the business. The Board engages with our stakeholders on a regular basis.

The stakeholders have been determined by the Board and are shown on page 48. Further details on how the Company has engaged with its stakeholders during the year can be found on pages 48 to 49.

Statement on AGM 2020 votes against

At the Company's Annual General Meeting (AGM) held on 28 April 2020, 20% or more of votes were cast against resolution 9. In the announcement released immediately following the AGM, the Board outlined the actions that it intended to take to understand and address shareholder concerns and an update is provided below.

Although Resolution 9, to re-elect Pierre Bouchut, was passed with the necessary majority, 24.3% of votes received were against. The negative vote is understood to be the result of an overboarding analysis by one shareholder. The Board is fully satisfied with Pierre Bouchut's contribution and time commitment to the Company both as Chair of the Audit Committee and as a Non-Executive Director. However, the Company has discussed the matter with the relevant shareholder.

Following discussions with its shareholders, the Board adopted a policy on the permitted limit of external public directorships for Directors, in line with guidelines issued by Institutional Shareholder Services. More information is set out in the Nomination Committee report on page 53. All Directors currently comply with this policy.

Section 172(1) statement

The Directors of the Company have acted in a way that they considered, in good faith, to be most likely to promote the success of the Company for the benefit of its members as a whole and, in doing so, had regard, amongst other matters, to those matters set out in section 172(1)(a) to (f) of the Companies Act 2006, being:

- the likely consequences of any decision in the long-term
- the interests of the Company's employees
- the need to foster the Company's business relationships with suppliers, customers and others
- the impact of the Company's operations on the community and the environment
- the desirability of the Company maintaining a reputation for high standards of business conduct
- the need to act fairly as between members of the Company

The Board has identified its key stakeholders as being its: shareholders; brands; consumers; partners; communities and our people. Building and nurturing these relationships based on professionalism, fair dealing and integrity is critical to our success.

Our extensive engagement efforts help to ensure that the Board can understand, consider and balance broad stakeholder interests when making decisions to deliver long-term sustainable success.

While the Board will engage directly with stakeholders on certain issues, stakeholder engagement will often take place at an operational level with the Board receiving regular updates on stakeholder views from the Executive Directors and the senior management team. Directors receive a briefing regarding their duties under s172. Board papers for all key decisions are required to include a specific section reviewing the impact of the proposal on relevant stakeholder groups as well as other s172(1) considerations.

Summary of the Corporate Governance report

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	Task Force for Climate-Related Financial Disclosures	51
	Division of Responsibilities	Governance Structure
Composition, Succession and Evaluation	Nomination Committee report	52-55
	Relevant skills and experience on the Board	53
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Audit, Risk and Internal Control	Audit Committee report	56-59
	Risk and internal control	57
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Task Force for Climate-Related Financial Disclosures (TCFD)

This is our third year of reporting in line with the recommendations of the TCFD. We welcome the acceleration of this process becoming a regulatory requirement in 2022. Our ability to report in line with these recommendations is an endorsement of the proactive, forward-looking stance Hammerson has taken on climate change and broader sustainability issues for over a decade.

The table below provides an overview of our responses and provides links to relevant coverage in this report, our Sustainability Report and our website. In 2020 we published a separate TCFD Report. This has been updated for 2021 and is available on our website at www.hammerson.com.

Streamlined Energy and Carbon Reporting requirements (SECR)

SECR has extended carbon and energy reporting requirements to an estimated 11,000 business in the UK. This move to expanding a relatively light touch regulation is helpful in increasing transparency and the availability of data. Our mandatory GHG emissions reporting data is set out on page 169. Our full energy and carbon reporting which covers all SECR requirements is set out in our 2020 Sustainability Report.

Responding to the TCFD Reporting Requirements

Requirement	Progress
1 Describe the board's oversight of climate-related risks and opportunities.	Board level oversight is with the Chief Executive and Chair of the Board. See page 35 of this report and page 15 of our Sustainability Report and our TCFD Report.
2 Describe management's role in assessing and managing climate-related risks and opportunities.	Our Group Head of Sustainability leads our response to climate risk and develops our climate risk strategy. Our Senior Management team is responsible for ensuring our strategy is delivered and for identifying climate risks and opportunities within their business streams and working with the Group Head of Sustainability to manage them.
3 Describe the climate-related risks and opportunities the organisation has identified over the short-, medium-, and long-term.	See page 36 of this report, and page 13 of our Sustainability Report where our approach to managing and mitigating risks is addressed. Our Sustainability Risk Matrix includes our climate risks and is available on our website at www.hammerson.com .
4 Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning.	See page 36 of this report and pages 3 to 5 and 16 to 17 of our Sustainability Report and our TCFD Report.
5 Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.	Our sustainability strategy incorporates climate risk assessments and is embedded within our business planning and management processes. Climate scenario work will begin in 2021. See page 39 of this report and pages 12 to 14 and 28 to 31 of our Sustainability Report and our TCFD Report.
6 Describe the organisation's processes for identifying and assessing climate-related risks.	See page 39 of this report and pages 12 to 15 of our Sustainability Report. Our sustainability strategy responds to short and medium term risks. Work on climate scenarios to understand longer term business risks will begin in 2021. See page 35 and pages 28 to 33 of our Sustainability Report and our TCFD Report.
7 Describe the organisation's process for managing climate-related risks.	We take a proactive approach to climate risk to ensure early identification of risks for existing and new assets, both acquired and developed. See page 39 of this report, pages 28 to 33 and 44 to 45 of our Sustainability Report and our TCFD Report.
8 Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organisation's overall risk management.	Our climate-related risks are managed through our corporate risk management framework. See pages 12 to 15 of our Sustainability Report and our TCFD Report.
9 Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management.	See pages 35 to 36 of this report, pages 22 to 27 of our Sustainability Report and the sustainability pages of our website at www.hammerson.com .
10 Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks.	We report extensively on our Scope 1, 2 and 3 emissions. See pages 16 to 19 and 169 of this report and pages 22 to 23 and 28 to 33 of our Sustainability Report and our TCFD Report.
11 Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets.	See pages 15 and 39 of this report and pages 26 to 27, 32 to 33 and 44 to 45 of our Sustainability Report and our TCFD Report.

Nomination Committee report

Ensuring the Board has the right mix of experience and skills by introducing new Directors from across the property, retail and leisure sectors

Nomination Committee members

Robert Noel
(Chair – appointed 7 September 2020)
David Tyler
(Chair – resigned 7 September 2020)
Pierre Bouchut
Méka Brunel
Gwyn Burr
Mike Butterworth (appointed 1 January 2021)
Des de Beer (appointed 15 June 2020)
Andrew Formica
Judy Gibbons (resigned 28 April 2020)
Adam Metz
Carol Welch

Dear Shareholders

I am pleased to present the report of the Nomination Committee (the Committee) covering the work of the Committee during 2020 in relation to composition of and succession to the Board and its Committees. It has been a busy year for the Committee with a number of changes to the Board and the senior management team.

The Committee comprises all our Non-Executive Directors and its terms of reference can be found on the Company's website at www.hammerson.com. The Committee is responsible for recommending appointments to the Board and ensures that plans have been put in place for the orderly succession to the Board, its Committees and the senior management team. This includes the development of a pipeline of potential candidates, bearing in mind gender and ethnic diversity, to the Board and the senior management team with the necessary skills and experience.

During the year, the Committee has undertaken searches for the Chair of the Board, the Chief Executive and a Non-Executive Director. It engaged external search consultancies to assist with the process and to identify potential candidates from the wider market. Other than in the provision of recruitment services, none of the consultancies engaged has any connection with the Company or any of its Directors. Each is accredited with the FTSE 350 category of the Enhanced Voluntary Code of Conduct for Executive Search Firms. The Committee also oversaw the arrangements for the appointment of Des de Beer as a Non-Executive Director. More details of the process are set out below.

Appointment of the Chief Executive

In May 2020, the Committee started the process to find a Chief Executive, following the resignation of David Atkins.

The Committee agreed on the selection of Spencer Stuart as executive search consultant for the purposes of this role. A job specification was

prepared in conjunction with Spencer Stuart. A shortlist of internal and external candidates was drawn up and interviews were conducted by the Nomination Committee. The Committee then made a recommendation for the appointment of Rita-Rose Gagné to the Board.

Rita-Rose joined the Board on 2 November 2020 as an Executive Director and Chief Executive. During her first month with the Group, she completed a comprehensive and tailored induction programme and met with operational and functional members of the senior management team and met with key external advisers to the Board and the Group.

Appointment of Chair of the Board

During the search process for Chief Executive, the Committee widened the scope of services of Spencer Stuart to include potential candidates for Chair of the Board.

A wide range of candidates were considered and discussed by the Committee and a final recommendation was made to the Board. The outcome of the process was my appointment to the Board as a Non-Executive Director on 1 September 2020 and as Chair of the Board on 7 September 2020.

Appointment of Non-Executive Directors

On 15 June 2020, Des de Beer joined the Board as a Non-Executive Director. This followed a period of discussion between the Board and Lighthouse Capital Limited, a property company which invests in direct property and listed real estate securities and is currently a significant shareholder in Hammerson. Des de Beer is a non-executive director of Lighthouse Capital and has significant experience in property investment and management. His skills and experience were considered by the Committee to be particularly helpful to the Board as the Group faced significant challenges in the macro-economic environment. As a result, the Committee did not engage an executive search consultant for this appointment. Des is a member of the Nomination Committee.

In November 2020, the Committee engaged Russell Reynolds to facilitate a search for an additional Non-Executive Director with extensive financial and audit experience with UK listed companies to bring additional expertise to the Board and the Audit Committee. A role specification was prepared in conjunction with Russell Reynolds. A shortlist of candidates was drawn up by the consultant and interviews were conducted by the Committee. The Committee then made a recommendation for the appointment of Mike Butterworth to the Board. Mike joined the Board as a Non-Executive Director on 1 January 2021. He is also a member of the Audit and Nomination Committees.

Induction of Non-Executive Directors

On appointment to the Board, the Non-Executive Directors were given a thorough induction on the Group which involves meeting with members of the senior management team with responsibility for operational and functional areas and with key external advisers to the Board to gain wider perspectives on Hammerson and its sector, and the law and governance issues relevant to the Directors. The induction meetings were carried out remotely to comply with the regulations introduced in the UK and Europe to deal with the Covid-19 pandemic.

The Non-Executive Directors will be invited to visit the Group’s assets and meet with local management to gain important insights into the business and the strategy, once the travel restrictions are lifted.

Board balance, composition and skills

The Board currently comprises eleven Directors: the Chair of the Board, two Executive Directors and eight Non-Executive Directors. During the year and in accordance with its usual practice, the Committee reviewed the composition and balance of the Board. The review considered the membership of the Committees of the Board, the balance on the Board between Executive and Non-Executive Directors, the tenure of the Directors, diversity on the Board and the independence of the Non-Executive Directors. All Non-Executive Directors other than Des de Beer are currently considered to be independent as at the date of this report. Des de Beer is a director of a large shareholder, Lighthouse Capital, and is therefore deemed to be a connected director. On appointment to the Board, I was considered to be independent in accordance with the terms of the Code.

Gwyn Burr will have given nine years of service in May 2021 and was planning to step down at the 2021 AGM in compliance with the Board’s policy that Non-Executive Directors can serve a maximum of three three-year terms. However, the Committee recommended to the Board that Gwyn Burr remain on the Board for an extended period of up to 12 months, subject to shareholder approval. Given the extent of recent Board changes the Committee considers that it is beneficial to retain Gwyn Burr’s experience for an extended period as we navigate a transitional period for the Company and the Board. Although she will not be regarded as independent for the purposes of the Code, the Board is satisfied she remains independent in every respect. Gwyn Burr does not have any involvement in the day-to-day running of the business and still continues to act independently when exercising her duties as a Non-Executive Director.

Since the year end James Lenton, our Chief Financial Officer, has given notice of his resignation and is currently serving his 12 month notice period. The Committee has engaged Odgers Berndtson to facilitate a search for his successor. Two further changes to the Board have been agreed. Pierre Bouchut, Chair of the Audit Committee, has informed the Board that he will not be standing for re-election at the AGM and will step down as a Director at the end of the meeting. The Board has asked Mike Butterworth to assume the Chair of the Audit Committee following the AGM. The Company also confirmed the appointment of Habib Annous to the Board with effect from 5 May 2021. Habib will also become a member of the Audit, Nomination and Remuneration Committees. The Committee engaged Odgers Berndtson to assist it with his appointment. Gwyn Burr will

step down from the Audit Committee on 5 May 2021, following Habib’s appointment.

The Committee is satisfied that the Board has the necessary mix of skills and experience to fulfil its role effectively. All Directors are subject to annual re-election. The biographies of the Directors, set out on page 44, contain more information on the reasons why the Board recommends the re-election or election of each Director. There is a range of relevant skills on the Board gained in diverse business environments and different sectors. This gives the Board varying perspectives during debates on a wide range of issues. The skills and experience of the Directors are summarised in Table 36 on page 53. All Directors are required to attend all meetings of the Board, the meetings of those Committees on which they serve, and the Annual General Meeting (AGM). They are expected to devote sufficient time to the Company’s affairs to enable them to fulfil their duties as Directors. The attendance at the meetings for each Director during 2020 is shown in Table 41 on page 55.

Directors’ Overboarding Policy

In December 2020, the Committee considered an analysis of the Board’s external commitments against relevant voting guidelines published by leading proxy advisers and large institutional shareholders. Although the Code does not recommend a limit for external appointments, this has been an increasing focus by investors. The Board agreed to adopt a policy on external directorships in line with the guidelines recently published by the Institutional Shareholder Services (ISS). The policy is set out below:

Directors may hold five mandates on publicly-listed companies. For the purpose of calculating this limit:

- A non-executive directorship counts as one mandate;
- A non-executive chair counts as two mandates; and
- A position as executive director (or comparable role) is counted as three mandates.

The Company will consider the nature and scope of the various appointments and the companies concerned, and if any exceptional circumstances exist. A stricter view may apply for Directors who serve on the boards of complex companies, those in highly regulated sectors, or Directors who chair a number of key committees. Likewise, a more lenient view may apply for directors who serve on the boards of less complex companies, for example, smaller, less regulated companies (such as those listed on the London Stock Exchange’s Alternative Investment Market and externally managed investment companies).

Table 36

Relevant skills and experience on the Board as at the AGM 2021

	Rita-Rose Gagné	James Lenton	Robert Noel	Pierre Bouchut	Gwyn Burr	Méka Brunel	Mike Butterworth	Des de Beer	Andrew Formica	Adam Metz	Carol Welch
Audit and risk management		●	●	●			●	●	●	●	
Finance, banking, financial services and fund management		●		●	●		●	●	●		
Mergers & acquisitions	●	●		●		●	●		●	●	
Property, regeneration & development	●		●	●	●	●		●		●	
Business transformation & innovation	●	●	●	●	●	●	●			●	●
Retail				●	●					●	●
Marketing					●						●
Customer service & customer behaviours & digital technology	●		●		●						●
Shareholder relations		●	●		●	●	●	●	●		
International business and markets	●	●		●	●	●	●	●	●	●	●

- Executive Director
- Non-Executive Director

Table 37

Board Policy diversity objectives	Progress update
Consider all aspects of diversity including gender and ethnicity when reviewing the composition and balance of the Board and when conducting the annual Board effectiveness review.	The candidate lists for the appointment of the Chair of the Board, the Chief Executive and one of the appointments as Non-Executive Director during 2020 met the criteria.
Aim to improve gender diversity at Board and senior management level by working to achieve at least one third women on the Board and the Company's senior management by 2020.	The Board comprises 36.36% female Directors. Options are being considered to improve gender diversity on the GEC where only 12.5% of the members are female. 20% of the senior management team are female.
Aim to improve ethnic diversity at Board and senior management level with a target of having at least one non-white director on the Board by December 2024.	The Group continues to make progress in this area as it seeks to recruit colleagues from non-white backgrounds.
Encourage and monitor the development of talented employees.	The Committee received periodic updates from the Group HR Director on learning and career development opportunities for talented individuals. In addition, colleagues below management level attend and present at Board and committee meetings and meet the Directors during visits to assets.
Oversee succession plans to ensure that they meet current and future needs of the business.	Succession plans are reviewed annually by the Nomination Committee.
Oversee plans for diversity and inclusion and assess progress annually by monitoring gender and ethnic diversity of the members of the Company's senior management.	With additional input from the designated Non-Executive Director for colleague engagement, the Committee has reviewed plans to improve diversity and inclusion and this will be a particular focus in 2021.
Only engage executive search firms who have signed up to the voluntary Code of Conduct on gender diversity and best practice.	The Committee engaged Russell Reynolds, Spencer Stuart and, since the year end, Odgers Berndtson who all comply with the FTSE 350 category of the Enhanced Voluntary Code of Conduct for Executive Search Firms.
Ensure that candidate lists for Non-Executive Director positions are compiled by drawing from a broad and diverse range of candidates, including those who may not have previous listed company experience but who possess suitable skills or qualities. Consider candidates for Non-Executive Director positions against objective criteria with regard to the benefits of diversity.	The candidate lists for the appointment of Robert Noel and Mike Butterworth met the criteria.

Succession Planning

The Committee discussed succession planning and was involved in the changes to the senior management team which were implemented in 2020. Discussions were held with the Executive Directors and the senior management team on matters of career development and succession.

The Committee also considered the senior management succession plan for the Group Executive Committee (GEC) and all senior management roles in the business. The plan identifies potential successors for the majority of these roles in the short- and long-term, although there is more work to be done to ensure that plans remain sufficiently robust to enable vacancies to be filled on a short- to medium-term basis. The plans take account of the continuing need to consider gender and ethnic diversity with the objective of at least 33% female representation in the roles included in the plan in less than three years, in accordance with the guidelines set down by the Hampton-Alexander Review. The Committee reviewed progress against this objective which has been met with 39.5% of senior management roles having potential female successors within the period. In addition, the Committee aims to meet the Parker review

target by having at least one non-white director on the Board by 2024. I confirm that the Committee has carried out its role in succession planning effectively during this difficult year and will increase its focus in 2021 to ensure that a strong pipeline of talented individuals is available to support the Group in meeting its future business objectives and deliver the strategy to shareholders.

Diversity

The Board Diversity Policy was approved and adopted by the Board on 22 February 2018 and last revised on 1 December 2020. It sets out the Company's approach to diversity in respect of the Board and senior management. The Board recognises that diversity, in the broadest sense, enables wider perspectives which encourage more effective discussions and better decision-making. The policy can be read in full on the Group's website at www.hammerson.com. Table 37 sets out the progress made during the year against its key objectives.

Robert Noel

Chair of the Nomination Committee

Chart 38

Directors: gender split*

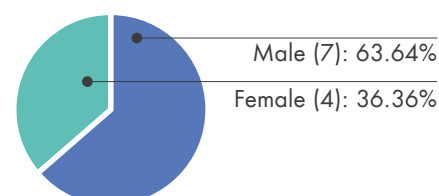


Chart 39

Non-Executive Directors: years of service*

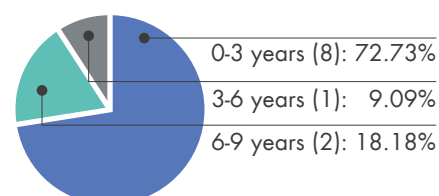
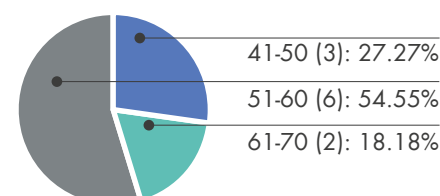


Chart 40

Directors: ages*



* As at 11 March 2021.

Table 41

Board and Committee meetings attendance – 2020

	Scheduled Board meetings	Additional Board meetings	Audit Committee meetings	Remuneration Committee meetings (scheduled and additional)	Investment and Disposal Committee meetings (scheduled and additional)	Nomination Committee meetings (scheduled and additional)
Robert Noel	2/2	4/4	–	2/2	–	2/2
David Tyler	5/5	15/15	–	6/6	–	1/1
Rita-Rose Gagné	1/1	2/2	–	–	–	–
David Atkins	6/6	15/15	–	–	–	–
James Lenton	7/7	16/18	–	–	–	–
Pierre Bouchut	7/7	14/18	5/5	–	4/5	3/3
Méka Brunel	6/6	13/18	–	3/3	2/2	2/3
Gwyn Burr	7/7	15/18	5/5	7/7	–	3/3
Des de Beer	4/4	5/5	–	–	–	3/3
Andrew Formica	7/7	17/18	5/5	–	5/5	3/3
Judy Gibbons	2/2	5/5	2/2	2/2	–	–
Adam Metz	7/7	16/18	3/3	–	5/5	2/3
Carol Welch	7/7	18/18	–	7/7	–	3/3

Notes to Table 41

1. Robert Noel joined the Board on 1 September 2020.
2. David Tyler resigned from the Board on 7 September 2020.
3. David Atkins resigned as a Director on 2 November 2020.
4. Rita-Rose Gagné joined the Board on 2 November 2020.
4. Des de Beer was appointed as a Director on 15 June 2020.
5. Méka Brunel and Adam Metz joined the Remuneration and Audit Committees on 28 April 2020.
6. A number of the Board and Committee meetings were scheduled at short notice to deal with the impact of the Covid-19 pandemic on the business. As a result, some Directors were unable to attend some meetings due to other commitments. A full briefing was given to these Directors on the proceedings at these meetings.
7. Total number of meetings of the Board and its Committees held in 2020:

Board (scheduled)	7
Board (additional)	18
Audit Committee	5
Remuneration Committee	7
Investment and Disposal Committee	5
Nomination Committee	3

Board effectiveness review 2020**The process**

A review of the effectiveness of the Board is conducted each year. Under the provisions of the Code, the review must be carried out using an external consultant every three years. As an external review was completed in December 2019, it was agreed that the 2020 evaluation would be conducted internally, by the General Counsel and Company Secretary. Since Robert Noel was only appointed as the Chair of the Board on 7 September 2020, it was further agreed that the Senior Independent Director will conduct the next review of the Chair of the Board in 2021.

Alice Darwall, the General Counsel and Company Secretary, held individual meetings with each Director and provided copies of the actions from the 2019 effectiveness review to act as a basis for the discussions. A paper was presented to the Board at its meeting in December 2020 summarising the outcome of the meetings.

Recommendations and actions

Overall, the Directors believed that the Board was functioning well and had risen to the extreme challenges presented to the Group by the Covid-19 pandemic. It had been necessary to hold a significant number of additional Board and Committee meetings during the year to deal with the impact of the pandemic and the Non-Executive Directors had unstintingly given additional time to attend the meetings. However, the current environment and challenges for the Company presented an opportunity to reflect on how the Board and its operation could evolve to best meet the needs of all stakeholders as the Group recovered from the crisis under the new management team.

The results and recommendations were discussed in full by the Board and the following actions were agreed:

1. A renewed focus on tracking progress against strategic and business objectives in Board papers, for which management would need to develop improved data analytics capability;
2. Refocusing Board agendas and discussions on strategic matters and business performance, with condensed focus on financial and operational issues; and
3. The Chief Executive would reassess Company strategy and present to the Board for approval.

Audit Committee report

Safeguarding the business by thoroughly reviewing and testing its processes to ensure it is managing risk, delivering transparent and accurate reporting, and acting in the long-term interests of its stakeholders

Audit Committee members

Pierre Bouchut (Chair)

Gwyn Burr

Mike Butterworth (appointed 1 January 2021)

Andrew Formica

Judy Gibbons (retired 28 April 2020)

Adam Metz (appointed 28 April 2020)

Dear Shareholders

I am pleased to present the report of the Audit Committee (the Committee) for the year. This report provides insight into the activities of the Committee in the year and sets out its performance against the terms of reference and information on its key activities in accordance with the annual work plan.

It continues to have a governance role for the Company and reviews, on behalf of the Board and shareholders, important matters relating to financial reporting, internal controls and risk management. The terms of reference of the Committee are available on the Group's website at www.hammerson.com.

Audit Committee members

Each member of the Committee is an Independent Non-Executive Director. The Chair of the Board is not a member of the Committee but may attend its meetings by invitation. The Committee has a deep knowledge and significant business experience in financial reporting, risk management, internal control and strategic management. This combined knowledge and experience enables us to perform our duties properly. In addition, the Board considers that the members of the Committee as a whole have relevant sector knowledge. I also meet the requirement to bring recent financial experience to the Committee. More information about the Committee members' skills and experience are set out on page 44.

The role of the Audit Committee

The Committee assists the Board in fulfilling its responsibilities in relation to:

- Ensuring that management has systems and procedures in place to ensure the integrity of financial information
- Reviewing the Company's internal audit arrangements
- Managing the relationship with the External Auditor
- Reviewing the effectiveness, objectivity and the independence of the External Auditor, including agreeing the scope of work and the level of audit fees
- Risk management
- Consideration of financial judgements
- Overseeing the valuations of the Group's property portfolio

Audit Committee meetings

The Committee met five times during the year. The agenda for each meeting reflects the annual reporting cycle of the Group and includes particular matters for the Committee's consideration. A report is given to the Board following each meeting of the Committee.

The Chair of the Board, the Chief Executive, the Chief Financial Officer and other members of the senior finance management team, together with senior representatives of the Company's External Auditor, PricewaterhouseCoopers LLP (PwC), are invited to attend all or part of meetings as appropriate. In order to fulfil its duties as set out in its terms of reference, the Audit Committee receives presentations and reviews reports from the Group's senior management, consulting as necessary with PwC.

The Committee meets with no Company management present at least once a year with PwC, and at least once with the Group's Risk and Controls Manager who is responsible for the internal audit function. In addition, it meets annually with the Risk and Controls Manager and the Director of Finance to discuss internal control matters.

The Valuers (Cushman & Wakefield, JLL and CBRE) and PwC have full access to one another, and the Chair of the Audit Committee met with the Valuers and PwC separately to discuss the half-year and year end valuation process to ensure each is satisfied that there has been a full and open exchange of information and views.

Audit Committee effectiveness review

For 2020, the review of the Audit Committee was carried out internally. I can confirm that the Committee continues to perform well with no significant concerns. The private sessions of the Committee also provide further opportunities to discuss matters in connection with its effectiveness.

The External Auditor and external audit

The appointment of PwC is subject to ongoing monitoring and the Committee considered the effectiveness of PwC as part of the 2020 year end process. The Committee took a number of factors into account when considering the effectiveness of the external audit, including the quality and scope of the audit plan and reporting. The Committee also sought the views of key members of the finance team, senior management and Directors on the audit process and the quality and experience of the audit partner engaged in the audit. Their feedback confirmed that PwC continues to perform well and provides an appropriate level of challenge to management. The Committee has concluded that overall PwC has carried out its audit for 2020 effectively and efficiently. During the year, the audit partner retired and was replaced by Sonia Copeland.

During the year the Committee reviewed and approved the proposed audit fees and terms of engagement for the 2020 audit and recommended to the Board that it propose to shareholders that PwC be reappointed as the Group's External Auditor at the AGM on 4 May 2021.

There are no contractual obligations which restrict the Audit Committee's choice of external auditor or which put in place a minimum period for their tenure. There are no current plans to re-tender the services of the External Auditor, which was last undertaken in 2017. The Committee confirmed that it has complied with The Statutory Audit Services for Large Companies Market Investigation (Mandatory Use of Competitive Processes and Audit Committee Responsibilities) Order 2014, published by the Competition and Markets Authority on 26 September 2014.

PwC's remuneration as External Auditor for the year ended 31 December 2020 was £0.9 million (2019: £0.6 million). PwC also received £0.3 million (2019: £0.4 million) for the Company's share of the audit services undertaken on behalf of its joint ventures. The External Auditor also received £0.3 million (2019: £0.2 million) for audit related assurance services, being principally the half-year review of the Company's financial statements. Confirmation was also sought that the fee payable for the annual audit is sufficient to enable PwC to perform its obligations in accordance with the scope of the audit. The overall increase from 2019 reflects the expansion of the scope and complexity of the audit and the resources required from PwC.

In addition, during 2020, PwC also provided other services in relation to reporting accountant work to support the Group's rights issue. Further details are explained below.

Non-audit services

The Committee takes steps to ensure that the External Auditor remains objective and independent. It considers how such objectivity might be, or appear to be, compromised through the provision of non-audit services by the External Auditor. It is responsible for developing, implementing and monitoring the Group's policy on the engagement of the External Auditor to supply non-audit services. Following the publication of the FRC's Revised Ethical Standard 2019 in December 2019, we have published a new non-audit services policy on the Company's website at www.hammerson.com. The principal requirements of the new policy are that:

- The External Auditor may only provide services which are included on the FRC's "whitelist" of services
- Where services are provided, each occasion is specifically assessed and authorised by the Chair of the Committee up to a limit of £50,000 and above that level by the Audit Committee
- The provision of non-audit services will be closely monitored to ensure compliance with the 70% non-audit services cap calculated as the average of the fees paid to the Group's external auditor in the last three consecutive financial years for audit services

During the year, given the exceptional circumstances caused by Covid-19, approval was obtained from the FRC to waive the non-audit fee cap for 2020 to allow PwC to act as reporting accountant to support the Company's rights issue completed in September 2020. PwC were paid fees of £0.9 million for this work. Having considered the matter, the Committee satisfied itself of the continued independence of PwC, despite the non-audit services undertaken in relation to the rights issue in 2020 and those provided in 2018 linked to the takeover bid from Klepierre and the aborted bid for Intu.

Further details of the provision of non-audit services and associated fees paid to PwC during the year are shown in note 5 to the financial statements on page 113.

Risk and internal control

On behalf of the Board, the Audit Committee has discussed the heightened risks and challenges to the Group from Covid-19, market conditions, the macro economy and the financial position of the Group. The Committee uses the Risk Management Framework as a basis for the review. The framework is regularly reviewed by the senior management team to ensure that the current risks are properly identified and managed and the potential impact on the Group assessed. More information on the Group's approach to risk

management is contained in the Risks and Uncertainties section on pages 35 to 41.

Having monitored the Group's risk management and internal controls, and the effectiveness of the material controls, the Directors have not identified any significant failings and weaknesses in the Group's internal control structure during the year.

Risk and Controls Committee

The Risk and Controls Committee supports the Audit Committee. It is not a committee of the Board but comprises senior management from across the business. It is chaired by the Chief Financial Officer and reports its activities to the Group Executive Committee. The role of the Committee is to:

- Promote the application and maintenance of the risk management framework across the Group
- Monitor compliance with the Group's internal control systems
- Manage the annual internal audit programme
- Consider the results of the internal audit reviews and the recommendations to management
- Monitor the implementation of recommendations
- Oversee the Group's business continuity plans
- Monitor data protection compliance
- Oversee overall compliance with legislation, laws and regulations

Internal audit

The Group operates a co-sourced internal audit function. The majority of the reviews are undertaken internally but are supplemented when required with additional external resource and specialist expertise. This allows the Risk and Controls Manager, who leads internal audit activities, to draw on technical knowledge for certain internal audit reviews. In the development of the plan for 2020, the Group's Risk Management Framework was reviewed and key risks which had not been subject to recent internal audit and key areas of change were identified. The proposals were discussed with the Risk and Controls Committee before being reviewed and approved by the Committee. During 2020 audits were carried out on the following activities:

- Payment practices
- Lease management (UK and Ireland)
- Joint venture relationship manager (UK and Ireland)
- Capital expenditure controls (France)

As a result of the impact of the restrictions implemented in the UK, France and Ireland to deal with the Covid-19 pandemic, it was not possible or effective to complete some additional audits originally planned for 2020 and these have been factored into the planning for the 2021 internal audit programme.

The Committee received an internal audit update report at each meeting to review progress of the plan. Each of the audits confirmed the related areas were appropriately controlled. Some recommendations for improvement were identified and agreed with management and responsibility for implementation assigned. The Committee also received a regular update on any outstanding actions from earlier audits and the expected timetable for their completion.

In 2021, the Committee expects to continue to follow a risk-based approach to internal audit and approved the internal audit work plan for 2021 in December 2020. Risk areas scheduled for Group-wide audits in 2021 are as follows:

- Turnover rents (Group)
- Service charge management (Group)
- Invoicing (UK and Ireland)
- Flagship destination operations (UK, Ireland and France)

The Committee is satisfied that the internal audit arrangements continue to provide effective assurance over the Group's risk and controls environment.

The Committee regularly reports to the Board on key risks to the business. The Board allocates responsibility for the management of each key risk to the Executive Directors and the senior management team. The Committee assists the Board in fulfilling its responsibilities relating to the adequacy and effectiveness of the control environment and compliance systems in the Group.

Throughout the year, the Committee monitored the effectiveness of the Group's risk management and internal control systems, including material financial, operational and compliance controls. In particular, it reviewed the following:

- Internal audit reports, including monitoring the implementation of recommendations arising from them
- Reports on the system of internal controls and the Risk Management Framework
- The Company's approach to compliance with legislation and the prevention of fraud
- The effectiveness of the control environment to ensure compliance with the EU General Data Protection Regulation (GDPR)
- Overview of the Group's anti-bribery systems

A robust assessment of the principal and emerging risks facing the Company has been carried out during the year. A procedure has been established to identify and manage the emerging risks.

The Group's risk management and internal control systems are designed to:

- Safeguard assets against unauthorised use or disposition
- Ensure the maintenance of proper accounting records
- Enable regular reporting of financial performance to the Board to support management's review process, including the production of external financial results
- Provide timely and reliable information
- Identify and, as far as possible, mitigate potential impediments to the Group achieving its objectives
- Ensure compliance with relevant legislation, rules and regulations

The Group's internal controls provide reasonable but not absolute assurance against material misstatement or loss. The review of the controls involves analysis and evaluation of the key risks to the Group, including a review of all the material controls. This includes the plans for the continuity of the Group and its operations in the event of unforeseen interruption.

Significant issues and judgements

The Committee considered a number of significant issues or judgements during the year. These related to areas requiring management to exercise particular judgement or a high degree of estimation. The Committee assesses whether the judgements and estimates made by management are reasonable and appropriate and how they were addressed by the Committee in the year are set out below:

Significant issue or judgement

How the issue was addressed by the Committee

Going concern

The appropriateness of preparing the Group financial statements on a going concern basis and the disclosure of going concern assessment.

The Committee reviewed management's assessment of the basis for preparing the Group's financial statements on a going concern basis. This included reviewing and challenging financial forecasts, and their underlying assumptions, of the Group's cash flow and liquidity position and projections for the financial covenants within the Group's borrowing facilities. The Committee reviewed, discussed and challenged the going concern disclosures in the Annual Report.

The Committee also received a report from the external auditor on their evaluation of the going concern assessment, financial forecasts and disclosure.

As a result of the assessment undertaken, the Committee satisfied itself that the going concern basis of preparation remained appropriate. It also agreed with the two factors resulting in a material uncertainty that may cast doubt on the Group's ability to continue as a going concern.



See the Going Concern statement on page 25 with the detailed going concern assessment in Note 1E of the financial statements on page 104

Viability statement

The assessment and disclosure of management's work on the prospects and the viability of the Group.

The Committee reviewed management's work on assessing the viability of the business, considering the Group's current position, strategy, risk assessment and future prospects.

The Committee was satisfied that management had conducted a robust assessment and agreed with the proposed reduction in the viability assessment period from five to three years. The Committee therefore recommended to the Board that it could approve the Viability statement.



See the Viability statement on page 42

Valuation of the Group's property portfolio

The valuation of the Group's property portfolio is a key recurring risk due to its significance in the context of the Group's net asset value.

Valuations are inherently subjective due to the assumptions and judgements required concerning capitalisation yields and market rental income (ERV). This is further complicated by a lack of transaction evidence in 2020.

Valuations are undertaken by the Group's three external valuers and are thoroughly reviewed by management and the Group's External Auditor.

For the 31 December 2020 valuations, the external valuers each presented their valuations to the Committee in January 2021. These were scrutinised, challenged and debated. The Committee asked the valuers to highlight any significant judgements or disagreements encountered during the valuation process.

The Committee also held private meetings with each valuer at which they discussed and challenged the valuation process. This allowed the Committee to satisfy themselves that the valuation process was independent and objective.

The Committee noted the inclusion of a 'material valuation uncertainty' clause in respect of the Irish portfolio only. This does not mean that the valuations cannot be relied upon, but is intended to ensure transparency and to provide further insight as to the market context under which the valuation opinion was prepared, recognising the potential for market conditions to move rapidly in response to changes in the control or future spread of Covid-19, and the uncertain impact of the Brexit agreement. Consequently, the Committee considered and concluded that there is a wider acceptable range for the Irish valuations as at 31 December 2020. Therefore, the inputs to the sensitivity analysis in Note 1D have been widened, relative to the rest of the portfolio.

The Committee received a report from the external auditors detailing their review of the valuation process and year end values. This area was discussed in the private meeting between the Chair of the Committee and External Auditor.

Based on the work undertaken, the Committee concluded that the valuation of the Group's property portfolio had been carried out in an appropriate manner with reference to the widest range of available evidence and was therefore suitable for inclusion in the Group's financial statements.



See Note 1D of the financial statements on page 101

Significant issue or judgement**Accounting for significant transactions**

The accounting treatment of significant property or corporate transactions is a recurring risk for the Group because of the financial significance and complexity of such transactions. For property transactions, judgement is required to determine the transfer of risks and rewards associated with each transaction and the appropriate disclosure requirements. While corporate transactions often entail complex accounting treatments and judgements.

The accounting treatment for key transactions in 2020 reviewed by the Committee included the abortive sale of a portfolio of retail parks in April 2020; the rights issue and associated capital reorganisation; and the disposal of substantially all of the Group's 50% interest in VIA Outlets.

Impairment of trade receivables and tenant incentives

The Covid-19 pandemic has had a severe adverse impact on the Group's operations, with non-essential retail being closed for period of lockdown in 2020. Restrictions have also been imposed on landlords' ability to enforce rent collection in the UK and France. These factors have resulted in a significant decline in collection rates across the Group, and trade receivables increased from £61.3million to £170.3 million at 31 December 2020, on a proportionally consolidated basis, excluding Value Retail.

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

Impairment of non-financial assets

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

The Group's key non-financial assets are investment and development properties and investments in joint ventures and associates. Given the severe adverse impact of Covid-19 on the Group in 2020, these assets were assessed for impairment.

Presentation of information – fair, balanced and understandable

The Group uses a number of Alternative Performance Measures (APMs), being financial measures not specified under IFRS, to monitor the performance of the business. Management principally reviews the Group on a proportionally consolidated basis, except for the Group's premium outlets investments.

Judgement is required to ensure disclosures and associated commentary clearly explain the performance of the business and provide reconciliations to the IFRS financial statements.

This is an elevated issue for 2020, given the severe adverse impact of Covid-19, to ensure disclosures have been applied consistently with previous disclosure and results in the Annual Report and financial statements present a fair, balanced and understandable view of the Group's position, performance, business model and strategy.

How the issue was addressed by the Committee

The Committee reviewed management's report explaining the proposed accounting treatment for transactions completed during the year. The accounting for these transactions was also addressed in the External Auditor's year end report to the Committee.

The Committee reviewed and challenged the proposed accounting treatment and was satisfied with the treatment and disclosure adopted in the 31 December 2020 financial statements.



See Note 1C of the financial statements on page 100

The Committee reviewed management's paper on the proposed impairment of trade receivables and tenant incentives.

This explained that the Group has applied the simplified approach under IFRS 9 and adopted a provisioning matrix to determine the Expected Credit Loss (ECL), grouping receivables dependent on the risk level, taking into account historic default rates, future expectations, credit ratings, ageing, and the anticipated impact of Covid-19, and applying an appropriate provision percentage after taking account of VAT, rent deposits and personal or corporate guarantees held. This issue was also addressed in the External Auditor's year end report to the Committee.

The Committee was satisfied with the treatment and disclosure adopted in the 31 December 2020 financial statements.



See Note 1D of the financial statements on page 101

The Committee reviewed management's paper on its approach to the impairment of non-financial assets and liabilities. This explained that the Group's investment and development properties are carried at fair value under IAS40.

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

The exception to this was the Group's investments in premium outlets which at the beginning of the year held notional goodwill. Due to the adverse impact of the pandemic, an impairment review was undertaken resulting in the carrying value of VIA Outlets and Value Retail being impaired by £9.6 million and £94.3 million as at 30 June 2020, equivalent to the notional goodwill. At 31 December 2020, management reassessed the carrying value of its investment in Value Retail by reference to the value in use, and concluded the impairment is still appropriate.



See Note 1D of the financial statements on page 101

The Committee reviewed management's paper supporting the judgement that the Annual Report presents a fair, balanced and understandable view of the Group's position, performance, business model and strategy. The Committee also reviewed the changes to APMs for the year ended 31 December 2020 and concluded these presented the most relevant and useful information to users of financial statements, being: the exclusion of a new line item, 'provisions for amounts not yet recognised in the income statement' from the Group's adjusted earnings metric, and; the recognition of the Group's share of adjusted earnings in respect of investments in joint ventures and associates from the date of reclassification to assets held for sale until completion within the adjusted earnings metric. Further details are in note 1B to the financial statements on page 99.

As in previous years, an internal editorial team led the process to produce the Annual Report. Feedback was also sought from the Group's External Auditors and report designers. The Committee and the Board were provided with an early draft of the Annual Report in order to provide feedback which was incorporated into the report. A further draft was provided to the Committee and the Board prior to its approval. The Committee also reviewed the disclosure and commentary in the Annual Report including the relative prominence of APMs and IFRS financial measures and consistency with previous disclosures.

Following its review, the Committee is of the opinion that the 2020 Annual Report and financial statements are representative of the year and present a fair, balanced and understandable overview of the Group's position, performance, business model and strategy. See page 25 of the Financial Review for more information.

Pierre Bouchut
Chair of the Audit Committee

Directors' Remuneration report

Chair's annual statement

Aligning remuneration with our strategy and shareholder interests

Ensuring our remuneration reflects market conditions and support the ongoing focus on strengthening our balance sheet

Remuneration Committee members during 2020

Gwyn Burr (Chair)
Méka Brunel (appointed 28 April 2020)
Judy Gibbons (resigned 28 April 2020)
Robert Noel (appointed 7 September 2020)
David Tyler (resigned 7 September 2020)
Carol Welch

Dear Shareholders

As Chair of the Remuneration Committee (the Committee) I am pleased to present our Directors' Remuneration report (the Report) for the year ended 31 December 2020.

Context for the Committee's decisions

The Committee carried out its duties with the backdrop of difficult conditions in the wider economy, and stress within our market where the challenge of major structural change in the retail sector has been exacerbated by the impact of Covid-19. In difficult circumstances the Company undertook two major transactions in 2020 to strengthen its financial position; a rights issue to raise net proceeds of approximately £529m and the disposal of the Company's interest in VIA Outlets.

Response to Covid-19 and the impact on remuneration

Covid-19 has had a materially adverse impact on the Group. The closure of non-essential retail for extended periods during the year and into 2021 has led to stress in the retail sector resulting in a significant reduction in our rent collection. As a result of the closures and reduced revenue, the Company undertook the following measures to conserve cash:

- Cancelling the final dividend for 2019. In order to maintain the Group's REIT and SIIC status, a dividend with an enhanced scrip alternative was paid in December 2020
- Placing a number of colleagues in the UK on furlough with the Company topping up the government's payments to full pay and benefits
- Introducing cost saving measures which included making a small number of redundancies
- Delaying non-essential capital expenditure
- Undertaking a rights issue and debt restructuring

On 25 March 2020, the Company provided an update on two changes in relation to the proposed implementation of the new Remuneration Policy (the Policy) in 2020 following the publication of the Annual Report and Notice of Annual General Meeting (AGM). The Company sought shareholder approval at the AGM to introduce the Restricted

Share Scheme (RSS) for Executive Directors and had indicated in the 2019 Report that the initial grant in 2020 would be over shares worth, at the time of grant, 75% of salary. In light of the then current market conditions:

- The Executive and Non-Executive Directors asked that their salary and fee increases (set out in the 2019 Report and due to take effect on 1 April 2020) be cancelled
- Given the fall in the Company's share price since the proposed Remuneration Policy and its 2020 implementation were included in the 2019 Report, the Committee decided to defer a decision on the timing and number of the shares to be granted to Executive Directors in order to ensure that the RSS and Policy operated as intended, and that the grant would be subject to a 75% cap of salary
- In addition, the Non-Executive and Executive Directors waived 20% of their fees and salaries for the period 1 April 2020 to 30 June 2020

Furthermore, no Executive Director or member of the Group Executive Committee received a bonus (Annual Incentive Plan or AIP) in respect of 2020.

Remuneration policy

At the AGM on 28 April 2020, the new Policy was approved by shareholders with 91.34% of shares voted in favour. The Policy will remain in force until a revised policy is approved by shareholders at the AGM in 2023 at the latest. Further information on the application of the Policy during 2020 is detailed on pages 75 to 79. The Policy is shaped by the following underlying principles that aim to achieve:

- Alignment of remuneration with strategy and stakeholder interests
- The long-term success of the Company
- Consistency and transparency
- The reward of performance with competitive remuneration
- Support for the Company's values
- A mixture of fixed remuneration, short-term and long-term incentives

Executive Director changes

The Company announced on 27 May 2020 that David Atkins would be stepping down as Chief Executive and from the Board, though would continue in role until the appointment of his successor. On 2 November 2020, David Atkins stepped down as Chief Executive and Executive Director and Rita-Rose Gagné joined the Company as Chief Executive and Executive Director. Further details on her terms of appointment are set out in the Report but briefly comprise:

- A lower pension allowance. The Committee took the opportunity to reduce the pension salary supplement to below that offered to colleagues
- Equivalent ongoing bonus and RSS (compared with that envisaged for her predecessor) although her initial RSS grant was set at the policy maximum of 150%
- She was not considered for a bonus for the 2020 financial year

The remuneration arrangements relating to Mr Atkins' resignation are also detailed in the Report. When approving these arrangements for Mr Atkins and Ms Gagné, the Committee complied with the terms of the Policy.

James Lenton's 12 months' notice of his resignation as Chief Financial Officer and Executive Director of the Company took effect on 18 January 2021, and he will continue in role until his successor is appointed. Mr Lenton will not be eligible for a bonus for 2021. Under the relevant share plan rules, the Committee has discretion over the treatment of any outstanding deferred bonus and LTIP/ RSS awards and will consider the position in due course.

Long term incentive arrangements

The RSS was approved by shareholders at the AGM in April. The RSS has replaced the Long Term Incentive Plan (LTIP) as the vehicle for making long-term share-based awards to the Executive Directors.

Following the successful completion of the rights issue and disposal of the Company's interest in VIA Outlets, the Committee agreed in October 2020 to grant James Lenton, the Chief Financial Officer, an RSS award equivalent to 75% of base salary. Further to receiving notice of his resignation, the Committee will consider the treatment of any outstanding LTIP and RSS awards to James Lenton in due course.

Rita-Rose Gagné was made an award under the RSS equivalent to 150% of base salary upon her appointment, as permitted under the Policy. It is envisaged that subsequent grants will be made at the normal level of 100% in accordance with the Policy. While the Committee recognises that 150% is a high level, particularly in the context of the current share price, it considered this level to be necessary and appropriate to secure her appointment given the challenges facing both the Company and the retail sector at this time.

Incentive pay performance

Given the difficult year, and despite the success in completing the rights issue and the disposal of VIA Outlets, no bonuses were payable to the Executive Directors and the members of the Group Executive Committee (GEC) under the 2020 Annual Incentive Plan (AIP) and the 2017 LTIP is not expected to meet its performance conditions.

Stakeholder engagement

We communicate with, and receive feedback from, the Company's colleagues through a variety of channels, including an annual survey, regular colleague briefings and through the Group Employee Forum which you can read about it on page 46. These channels allow us to communicate with employees on remuneration matters where appropriate.

The Committee is regularly updated on colleague pay and benefits throughout the Group and considers colleague remuneration, as well as feedback from Carol Welch, the Designated Non-Executive Director for Colleague Engagement, as part of its review of executive remuneration.

Following the approval of the Policy at last year's AGM there have been no issues or concerns raised by shareholders. Therefore, no formal consultation with shareholders on remuneration was carried out since the AGM and there are no changes to the Policy proposed this year. However, the Chair of the Board is regularly in communication with a significant proportion of the Company's shareholders on a variety of matters, including remuneration, as is the General Counsel and Company Secretary. During these discussions, certain shareholders were asked to provide feedback on the remuneration package awarded to Rita-Rose Gagné.

Remuneration alignment to strategy

All aspects of remuneration are regularly considered by the Committee to ensure they support and are aligned to strategy. To support the ongoing focus on reducing debt and sustaining the business, the Committee has determined that the 2021 AIP financial performance measures will be based on adjusted Earnings per Share (EPS); reduction of net debt; and reduction in administration costs. Further information on the 2021 AIP performance measures and targets is on page 76.

2021 pay approach

The Chief Executive is not eligible to be considered for an increase to her salary in 2021, having joined the Company in November 2020. Furthermore, James Lenton is not eligible having given notice of his resignation. There will be no general salary increases for other colleagues across the Group in 2021.

Exercise of discretion and judgement

The Committee exercised its discretion and judgement by varying the post-cessation share ownership guidelines set out in the Policy for David Atkins as he had agreed to remain as Chief Executive until a successor could be appointed. The post-cessation holding period was reduced from 24 months to 12 months in return for Mr. Atkins agreeing to hold such shares for this period given that the guidelines had only been introduced less than a month previously with insufficient time for the envisaged enforcement processes to be in place.

Conclusion

In summary:

- No variable pay was earned by the Executive Directors in respect of 2020
- The former Chief Executive left the Company and was succeeded by a new Chief Executive on equivalent terms but with a lower pension allowance
- The new Chief Executive was not eligible for a bonus in 2020 and received an initial RSS grant in accordance with the Policy (at 150% of salary which was felt necessary to secure an executive of the calibre necessary to drive the turnaround required at the Company)
- The GEC members have not received an AIP award in respect of 2020
- No general salary increases have been awarded for 2021 for colleagues across the Group
- The Chief Financial Officer served notice of his resignation following the year-end and will not be eligible for a 2021 bonus. The treatment of any outstanding share-based awards will be considered by the Committee in due course
- The new RSS was launched following the refinancing and provides suitable alignment of the treatment of the continuing Executive Directors with our long-term shareholders with any vesting subject to robust performance underpins

At the 2021 AGM, the Remuneration Report will be submitted to shareholders as an advisory vote. I am grateful for the engagement and support provided by shareholders during the year and I look forward to receiving your continued support at the AGM.

Gwyn Burr

Chair of the Remuneration Committee

Table 42

Summary of major activities and decisions of the Committee in 2020

Salary and benefits	<p>2020 Executive Directors' pay review and subsequent cancellation</p> <p>Salary reductions for Executive Directors and fee reductions for the Chair of the Board and Non-Executive Directors in response to Covid-19</p> <p>Review and approval of the resignation arrangements for David Atkins</p> <p>Review and approval of new Chair's fee</p> <p>Review and approval of the service agreement for Rita-Rose Gagné</p> <p>Waiver of increases to Directors' fees and salaries</p>
Annual Incentive Plan and Long Term Incentive Schemes	<p>Consideration of AIP 2019 outturn and confirmation of bonus payments</p> <p>Review and approval of 2020 AIP structure, performance targets and personal objectives</p> <p>Consideration of 2016 LTIP performance outturn and approval of vesting outcomes</p> <p>Review of likely 2020 AIP outturn and options for 2021</p> <p>Review and approval of the RSS award levels</p> <p>Consideration of the delay in making awards under the RSP to colleagues</p> <p>Review of reward for senior management</p> <p>Consideration of the timing and basis of making RSP awards to colleagues in light of Covid-19</p> <p>Review of the shareholder consultation on the new remuneration policy</p>
Governance	<p>Review of AGM season remuneration report results, and investor and proxy agencies' views on remuneration</p>
Other	<p>Review of 2020 Annual Remuneration Report</p> <p>Employee share plan award activity</p> <p>Updates to incentive plan rules</p> <p>Review of remuneration consultant costs and re-appointment</p> <p>Review of emerging remuneration practice</p>

Annual Remuneration Report

The Annual Remuneration Report (Report) sets out how the Directors' Remuneration Policy (Policy) was put into practice in 2020 and how we intend to implement it in 2021. It is divided into three sections:

Section 1: Single Figure Tables

Section 2: Further information on 2020 remuneration

Section 3: Implementation of Remuneration Policy in 2021

The auditors have reported on certain sections of this Report and stated whether, in their opinion, those sections have been properly prepared. Those sections which have been subject to audit are clearly indicated with an asterisk (*).

The Policy was approved by shareholders at the AGM held on 28 April 2020 and is available to view on the investor relations section of the Company's website at www.hammerson.com. A summary of the key provisions for each element of the Remuneration Policy is set out in this report on pages 75 to 79.

Section 1: Single Figure Tables

This section contains the single figure tables showing 2020 remuneration for the Executive Directors and Non-Executive Directors, and information that relates directly to the composition of these figures.

All figures highlighted in **GREEN** in the Report relate directly to a figure that is found in the Single Figure Table, table 43.

Executive Directors' remuneration: Single Figure Table *

Table 43 below shows the remuneration of the Executive Directors for the year ended 31 December 2020, and the comparative figures for the year ended 31 December 2019.

Table 43

Executive Directors' remuneration for the year ended 31 December 2020

		Salary £000	Benefits £000	Pension £000	Fixed Total £000	Annual Bonus (AIP) £000	Long Term Incentive Plan (LTIP) £000	Variable Total £000	Total £000
Rita-Rose Gagné ¹	2020	112	25	11	148	–	–	–	148
	2019	–	–	–	–	–	–	–	–
James Lenton ²	2020	409	18	57	484	–	–	–	484
	2019	126	5	18	149	83	–	83	232
David Atkins ³	2020	516	15	136	667	–	–	–	667
	2019	655	18	197	870	522	16	538	1,408
Timon Drakesmith ⁴	2020	–	–	–	–	–	–	–	–
	2019	357	14	71	442	–	–	–	442
Total	2020	1,037	58	204	1,299	–	–	–	1,299
	2019	1,138	37	286	1,461	605	16	621	2,082

1. Rita-Rose Gagné was appointed as a Director of Hammerson plc with effect from 2 November 2020.

2. James Lenton was appointed as a Director of Hammerson plc with effect from 16 September 2019.

3. David Atkins ceased to be a Director of Hammerson plc with effect from 2 November 2020 but remained an employee for the remainder of the year to 31 December 2020. These disclosures only include his emoluments while a Director.

4. Timon Drakesmith ceased to be a Director of Hammerson plc with effect from 1 October 2019.

5. No Director received a bonus under the 2020 AIP.



For further information on the AIP, LTIP and truing up of 2019 Single Figure Table numbers see pages 64 to 65

Commentary on the Single Figure Table *

Fixed Remuneration

Salary

The salary increases due to take effect on 1 April 2020 of 2% were waived by the Non-Executive Directors. The Executive Directors and Non-Executive Directors took a salary and fee reduction of 20% from 1 April 2020 to 30 June 2020 in response to the impact of the pandemic on the Group's operations and share price by voluntary waiver.

The following Executive Directors waived 20% of salary and pension cash payments as follows:- David Atkins – £50,085 and James Lenton – £24,510. The above figures in the Single Figure Table are net of these amounts.

Benefits

Taxable benefits include a car allowance (£16,000), private health insurance and permanent health insurance. UK Executive Directors are eligible to participate in the Company's all-employee share plan arrangements (SIP and Sharesave). There was no award of SIP free shares to participants during 2020.

The Company paid £22,000 plus VAT towards the legal fees of Rita-Rose Gagné in respect of the negotiation of her service contract.

Pension

Executive Directors receive a salary supplement in lieu of pension benefits. Rita-Rose Gagné received a salary supplement of 10% of base salary. David Atkins received a salary supplement of 26.36% of base salary. James Lenton received a salary supplement of 14%. All salary supplements paid to Executive Directors in lieu of pension benefits are subject to deductions required for income tax in the UK.

Information on the accrued pension benefit for David Atkins under the Company's closed defined benefit scheme is on page 72.

Variable Remuneration*

Annual bonus for 2020

At the start of the year targets were set in the normal way with each of the two then Executive Directors given an opportunity of up to 175% for the Chief Executive (reduced from the normal 200% level on a one-time basis as announced last year) and 150% for the Chief Financial Officer.

25% of the opportunity was linked to a range of personal objectives, including sustainability objectives. The other 75% was split equally between adjusted EPS and net debt targets. These targets were not rebased in light of the impact of Covid-19. No Executive Director received a bonus in respect of 2020.

The original EPS range was 18p to 21p and the net debt range £2.259bn to £1.659bn. Given the impact of the rights issue and the disposal of VIA Outlets, some level of adjustment may have been necessary to allow the AIP to operate as intended so these numbers cannot be directly compared with the actual achievement.

Long Term Incentive Plan

The LTIP is an award programme for Executive Directors which was designed to incentivise the creation of long-term returns for shareholders. The LTIP was replaced by the Restricted Share Scheme (RSS) in April 2020 for future awards. No awards under the LTIP were therefore made in 2020. For LTIP awards up to 2019, the LTIP is assessed over differing performance periods. Total Shareholder Return (TSR) is assessed over a period of four years from the date of grant, and Total Property Return (TPR) and Earnings per Share (EPS) are assessed over a period of four financial years commencing with the financial year in which the award is granted.

The Single Figure Table for 2020 is required to report the value of the LTIP element for which the performance period ends during 2020. Consequently, the LTIP values shown in the Single Figure Table comprise the value of the TSR element of the 2016 award (where the performance period ended 24 March 2020) and the TPR and EPS elements of the 2017 award (where the performance period ended 31 December 2020).

Achievement against targets

The table below shows the level of performance achieved against the targets set for the three performance components that drive the value of the LTIP vesting in 2021.

Table 44

LTIP outcome	Performance against targets		Result achieved	Vesting percentage against target	Notes
	Entry threshold target (25% vesting at threshold)	Full vesting target			
TSR (estimated outcome) (24/3/16 – 24/3/20)	Median	Upper quartile	Below median rank	0%	
TPR (estimated outcome) (1/1/17 – 31/12/20)	IPD+0%p.a.	IPD+1.5% p.a.	Below threshold	0%	TPR element of the LTIP award granted in 2017. Award is scheduled to vest in March 2021.
Adjusted EPS (1/1/17 – 31/12/20)	CPI+3% p.a.	CPI+7% p.a.	Below threshold	0%	EPS element of the LTIP award granted in 2017. Award is scheduled to vest in March 2021.

Vesting value achieved

Table 45 shows the level of vesting outcome for the three components that drive the 2020 LTIP vesting as shown in the Single Figure Table.

Table 45

	TSR Performance period: 24/3/16 - 24/3/20 (TSR component of the 2016 LTIP)				TPR Performance period: 1/1/17 - 31/12/20 (TPR component of the 2017 LTIP)				EPS Performance period: 1/1/17 - 31/12/20 (EPS component of the 2017 LTIP)				Total value (shown in Single Figure Table)
	Shares available	Vesting % against target	Number of shares that vested	Value £000	Shares available	Vesting % against target	Number of shares due to vest ²	Value £000	Shares available	Vesting % against target	Number of shares due to vest ²	Value £000	
David Atkins	82,913	-	-	-	186,673	-	-	-	186,673	-	-	-	-

Notes

1. The number of shares includes any notional dividend shares awarded to date.
2. No discretion has been exercised by the Committee to the final result of the award as a result of share price appreciation or depreciation.

Truing up of 2019 Single Figure Table numbers *

Each year the outcome of AIP and LTIP elements dependent on TPR are estimated because the data regarding TPR performance of the relevant index is not available at the date of the Annual Report. On publication of the 2019 Annual Report, the data for the TPR had been published so no figures were included as estimates. The 2019 LTIP figure contained a value for the TPR of the 2016 LTIP where the performance period ended on 31 December 2019. The 2019 LTIP figure in the Single Figure Table on page 63 has therefore been adjusted to reflect the actual share price of 64.36p on the vesting date (28 April 2020). The share price as at 31 December 2019 was 308.7p.

Non-Executive Directors: Single Figure Table *

Table 46 below shows the remuneration of Non-Executive Directors for the year ended 31 December 2020 and the comparative figures for the year ended 31 December 2019.

Table 46

Non-Executive Directors' remuneration for the year ended 31 December 2020

	Committee membership and other responsibilities			Fees		Benefits		Total	
	Audit Committee	Remuneration Committee	Other	2020	2019	2020	2019	2020	2019
				£000	£000	£000	£000	£000	£000
Robert Noel		Member	Chair of the Board ¹	96	-	1	-	97	-
David Tyler		Member	Chair of the Board ²	226	346	-	-	226	346
Pierre Bouchut ³	Chair			73	77	6	12	79	89
Gwyn Burr	Member	Chair	Senior Independent Director	87	91	-	-	87	91
Méka Brunel ⁴		Member		62	5	3	2	65	7
Desmond de Beer ⁵				33	-	-	-	33	-
Andrew Formica	Member			63	67	-	-	63	67
Judy Gibbons ⁶	Member	Member		24	72	1	1	25	73
Adam Metz ⁷	Member			62	28	33	66	95	94
Carol Welch ⁸		Member	Designated Non-Executive Director for Colleague Engagement	63	55	-	-	63	55
Total				789	741	44	81	833	822

The following Non-Executive Directors waived 20% of fees as follows:- David Tyler – £17,275, Gwyn Burr – £4,575, Pierre Bouchut – £3,825, Andrew Formica – £3,325, Carol Welch – £3,325, Méka Brunel – £2,316 and Adam Metz – £2,316. The above figures in the Single Figure Table are net of these amounts.

1. Robert Noel was appointed as a Director on 1 September 2020 and as Chair of the Board on 7 September 2020.
2. David Tyler resigned as a Director and as Chair of the Board on 7 September 2020.
3. Pierre Bouchut is based in continental Europe. This is reflected in his benefits figure – see Benefits note on page 66.
4. Méka Brunel is based in France. This is reflected in her benefits figure – see Benefits note on page 66.
5. Desmond de Beer was appointed to the Board on 15 June 2020 and is based in South Africa.
6. Judy Gibbons resigned as a Director on 28 April 2020.
7. Adam Metz is based in the USA. This is reflected in his benefits figure – see Benefits note on page 66.
8. With effect from 1 January 2021, Carol Welch receives an additional fee of £8,000 per annum for her role as the Designated Non-Executive Director for Colleague Engagement.
9. The 2020 fee increases were waived by the Non-Executive Directors and the Non-Executive Directors took a voluntary reduction of fees of 20% in response to the Covid-19 pandemic from 1 April 2020 to 30 June 2020.

Benefits

The benefits disclosed in Table 46 on page 65 relate to the reimbursement of travel and accommodation expenses incurred in attending Board meetings at the Company's head office. For those Non-Executive Directors based outside of the UK, this includes the cost of international travel and accommodation. The grossed-up value has been disclosed. In accordance with the Policy, any tax arising is settled by the Company.

Robert Noel is entitled to private medical insurance which is taxed as a benefit in kind.

Fees payable to Non-Executive Directors

The Chair of the Board's fee was reviewed by the Committee and the Non-Executive Directors' fees were reviewed by the Board in February 2020. The Chair of the Board and the Non-Executive Directors did not wish to be considered for fee increases in 2020. The annual fees payable to Non-Executive Directors are set out in Table 47 below. There is no fee for membership of the Nomination Committee or the Investment and Disposal Committee.

Table 47

Chair of the Board and Non-Executive Directors' 2020 annual fees	£
Chair of the Board ¹	300,000
Non-Executive Director	61,500
Senior Independent Director	10,000
Audit Committee Chair	15,000
Remuneration Committee Chair	15,000
Audit/Remuneration Committee member	5,000

Notes

1. The fee for the Chair of the Board has been reduced from £345,500 paid to David Tyler, who resigned as a Director on 7 September 2020.

Section 2: Further information on 2020 remuneration

Directors' shareholdings and share plan interests *

Table 48

Summary of all Directors' shareholdings and share plan interests as at 31 December 2020* (including Persons Closely Associated)

	Outstanding scheme interests at 31/12/20				Actual shares held		Total of all share scheme interests and shareholdings at 31/12/20 (or leaving date if earlier)
	Unvested scheme interests (subject to performance measures) ¹	Unvested scheme interests (not subject to performance measures) ²	Vested but unexercised scheme interests ³	Total shares subject to outstanding scheme interests ⁴	As at 1 January 2020 (or joining date if later)	As at 31 December 2020 (or leaving date if earlier) ⁵	
Executive Directors							
Rita-Rose Gagné (appointed as a Director on 2 November 2020)	6,087,302	–	–	6,087,302	–	–	6,087,302
James Lenton	2,134,446	41,996	–	2,176,442	–	–	2,176,442
David Atkins (ceased to be a Director on 2 November 2020)	1,495,116	262,906	–	1,758,022	795,747	3,075,253	4,833,275
Non-Executive Directors							
Robert Noel (appointed as a Director on 1 September 2020)	–	–	–	–	150,000	815,387	815,387
David Tyler (ceased to be a Director on 7 September 2020)	–	–	–	–	77,370	636,850	636,850
Pierre Bouchut	–	–	–	–	20,279	108,445	108,445
Gwyn Burr	–	–	–	–	5,182	27,706	27,706
Méka Brunel	–	–	–	–	–	24,650	24,650
Desmond de Beer (appointed as a Director on 15 June 2020)	–	–	–	–	–	40,540,256	40,540,256
Andrew Formica	–	–	–	–	44,000	239,180	239,180
Judy Gibbons (ceased to be a Director on 28 April 2020)	–	–	–	–	4,115	4,115	4,115
Adam Metz	–	–	–	–	48,071	497,806	497,806
Carol Welch	–	–	–	–	7,692	41,131	41,131

Notes

- LTIP and RSS awards still subject to performance measures.
- DBSS and Sharesave awards that have not vested.
- LTIP and DBSS awards that have vested but remain unexercised plus any notional dividend shares.
- All share plan interests, vested, unvested and unexercised together with any holdings of ordinary shares.
- The share interests have been adjusted to show the position following the completion of the share consolidation and rights issue in September 2020.

Between 1 January 2021 and 11 March 2021, the Executive and Non-Executive Directors' beneficial interests in Table 48 above remained unchanged.

Directors' share ownership guidelines *

Table 49 below shows the Executive Directors actual share ownership compared with the current share ownership guidelines. Executive Directors are normally expected to achieve the minimum shareholding guidelines within seven years of appointment. Non-Executive Directors are also encouraged to acquire a shareholding in the Company.

Table 49

Executive Directors' shareholdings as a percentage of salary

	Shares held as at 31 December 2020 (or leaving date if earlier)	Vested but unexercised share scheme interests ¹	Guideline on share ownership as % of salary	Actual beneficial share ownership as % of salary ²	Guideline met
Rita-Rose Gagné (appointed as Director on 2 November 2020)	–	–	250%	0%	No
James Lenton	–	–	250%	0%	No

Notes

- The number of shares shown is on a net of income tax and national insurance in accordance with the Company's share ownership guidelines.
- As at and based on the share price of 24.85p on 31 December 2020.

Executive Directors' share plan interests (including share options)*

Table 50 below set out the Executive Directors' interests under the Deferred Bonus Share Scheme (DBSS), the Long Term Incentive Plan (LTIP), the Restricted Share Scheme (RSS) and the Sharesave scheme.

Performance conditions and form of awards*

Awards under the DBSS and Sharesave scheme are not subject to any performance conditions (other than continued employment on the vesting date). The LTIP awards are subject to performance conditions, details of which are in Tables 48 and 50. The RSS awards are subject to a material underperformance underpin, details of which are in Table 50.

Awards to UK based Executive Directors under the LTIP, RSS and DBSS are made in the form of nil-cost options.

Accrual of dividend shares

DBSS, RSS and LTIP awards accrue notional dividend shares to the date of vesting (including any holding period). The Sharesave scheme does not accrue notional dividend shares.

Face values*

Face values for the DBSS, RSS and LTIP awards are calculated by multiplying the number of shares granted during 2020 by the average share price for the five business days preceding the awards. Notional dividend shares are not included in the face value calculations.

Dilution limits

The Committee confirms that it has fully complied with the dilution limits as set out in the rules of the Company's share incentive plans during the year.

Executive Directors' share plan interests 2020*

Table 50

	Date of award	Vesting date	Number of awards held as at 1 January 2020 ²	Awarded	Notional dividend shares accrued	Exercised/ vested	Lapsed	Number of awards held as at 31 December 2020	Grant price in pence	Face value of awards granted during 2020 £000
Rita-Rose Gagné										
RSS ^{1,4}	02/11/2020	Nov-23 Nov-24 Nov-25	–	5,690,414	396,888	–	–	6,087,302	17.71	1,078
James Lenton										
RSS ^{1,4}	02/11/2020	Nov-23 Nov-24 Nov-25	–	1,820,593	126,892	–	–	1,947,485	17.71	345
LTIP ^{2,4}	20/09/2019	Sept-23	174,772	–	12,189	–	–	186,961	269.42	–
DBSS (A)	10/03/2020	Mar-20	–	39,258	2,738	–	–	41,996	–	–
David Atkins^{3,5}										
LTIP ^{2,4}	24/03/2016	Mar-20	248,739	–	–	24,625	224,114	–	–	–
	03/04/2017	Apr-21	558,689	–	38,969	–	37,638	560,020	–	–
	06/03/2018	Mar-22	709,218	–	49,466	–	222,779	535,905	–	–
	05/03/2019	Mar-23	816,152	–	56,932	–	473,893	399,191	–	–
DBSS (A) ²	02/05/2018	May-20	59,985	–	–	59,985	–	–	–	
DBSS (A)	10/03/2020	Mar-22	–	245,765	17,141	–	–	262,906	–	–
Sharesave ²	23/03/2017	May-20	765	–	–	–	765	–	–	–
	01/04/2019	May-21	4,686	–	–	–	4,686	–	–	–

Notes:

1. RSS awards vest one third on each of the third, fourth and fifth anniversaries of the date of award.
2. Awards made before the share consolidation and rights issue in September 2020 and remaining outstanding after the ex-rights date have been adjusted in accordance with the TERPS calculation.
3. David Atkins remained an employee of the Company until 31 December 2020. In accordance with the rules of the LTIP and DBSS, the outstanding and unvested awards were pro-rated to his last date of employment.
4. The performance period for the purpose of the performance conditions is the same as the vesting period.
5. David Atkins exercised nil costs options as follows:- DBSS (A) award on 12 March 2020 at a price of 157.2p per share and an LTIP award on 19 November 2020 at a price of 22.82p per share.

Detail of RSS awards

As approved in at the AGM on 28 April 2020, the Company launched this scheme as an alternative to the LTIP from 2020. The first RSS awards were made on 2 November 2020 over shares worth 150% and 75% of salary respectively to Rita-Rose Gagné and James Lenton. James Lenton's resignation as Chief Financial Officer and Executive Director of the Company took effect on 18 January 2021, and the Committee will consider the treatment of James' RSS awards in due course in accordance with the RSS plan rules. David Atkins did not receive any grant. Details of the RSS awards are shown in Table 50 on page 68.

These awards were granted subject to both, (i) a general underpin in respect of the entire awards so that the Remuneration Committee may reduce on vesting if it feels that the level of vesting is not appropriate in all the circumstances; and (ii) in addition, a further underpin in respect of half the award that the Company's TSR must be positive over the three years following grant.

Executive Directors' SIP interests*

The Executive Directors' interests in ordinary shares of the Company under the Share Incentive Plan (SIP) as at 31 December 2020 (or at their leaving date if earlier) are shown in Table 51 below. The shares are held in a SIP trust.

Table 51

	Total SIP shares 1 January 2020	Partnership shares purchased	Matching shares awarded	Free shares awarded	Dividend shares awarded	Capital reorganisation	Rights issue	Total SIP shares 31 December 2020 (or date of cessation if earlier) ^{1,2}
Rita-Rose Gagné	-	-	-	-	-	-	-	-
James Lenton	-	-	-	-	-	-	-	-
David Atkins (ceased to be a Director on 2 November 2020)	16,435	-	-	-	-	(13,148)	28,342	31,629

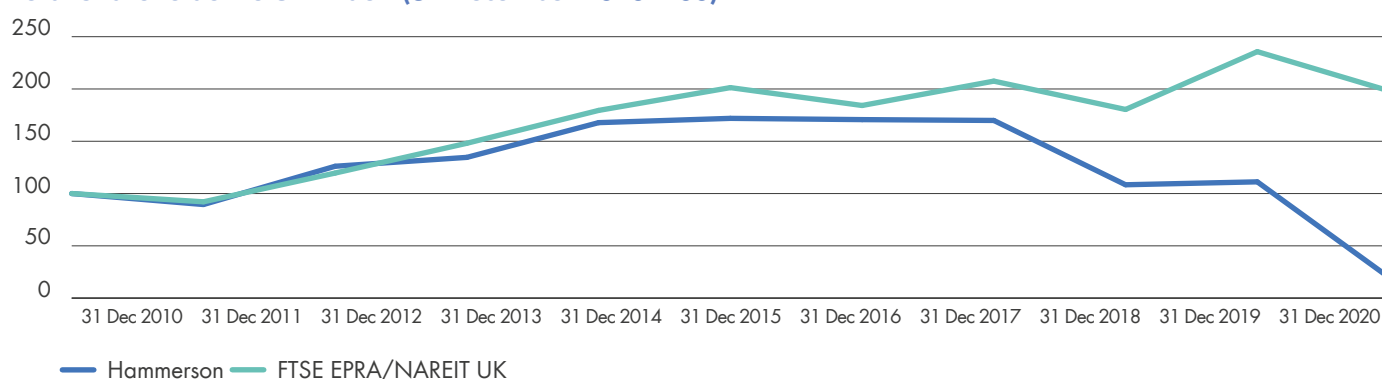
Notes:

1. The share interests have been adjusted to show the position following the completion of the share consolidation and rights issue in September 2020.
2. On 2 September 2020 following the Capital Reorganisation undertaken by the Company, David Atkins' total SIP holding was 3,287 shares. These 3,287 shares were held at the record date to participate in the Rights Issue on 9 September 2020, meaning that there were a total of 78,888 rights attached to his SIP shares. David Atkins opted to 'tail swallow' on the rights attached to his SIP shares; 50,546 shares were sold to fund the take up on 28,342 rights.

Total Shareholder Return

Chart 52 below shows the Total Shareholder Return (TSR) in respect of the Company's ordinary shares of 5 p each for the 10 years ended 31 December 2020 against the return of the FTSE EPRA/NAREIT UK Index, which comprises shares of the Company's peers. The total shareholder return is rebased to 100 at 31 December 2010. The other points shown on the chart are the values at intervening financial year ends.

Chart 52

Total Shareholder return index (31 December 2010=100)


Remuneration of the Chief Executive over the last 10 years

Table 53 shows the remuneration of the holder of the office of Chief Executive for the period from 1 January 2011 to 31 December 2020.

Table 53

Chief Executive's remuneration history

Year	Total remuneration £000	Annual bonus ³	LTIP vesting ³
2020 (Rita-Rose Gagné) from 2 November 2020	148	–	–
2020 (David Atkins) to 2 November 2020	667	–	0
2019	1,408	37.1%	29.7%
2018	1,109	–	51.5%
2017	1,795	47.5%	56.4%
2016	2,681	65.3%	64.9%
2015	2,147	77.3%	–
2014	1,568	65.3%	–
2013	2,216	56.2%	51.6%
2012	2,451	88.9%	52.6%
2011	1,515	51.7%	–

Notes

1. David Atkins stepped down as Chief Executive on 2 November 2020 and was succeeded by Rita-Rose Gagné.
2. The total remuneration reported in the 2019 Annual Report contained estimates; the numbers given here are the actual values.
3. See the Single Figure Table (Table 43) on page 63.
4. All numbers are expressed as a percentage of the maximum that could have vested in that year.

Relative importance of spend on pay

Table 54 below shows the Company's total employee costs compared with dividends paid and share buybacks.

Table 54

Total employee costs compared with dividends paid

	Employee costs ¹	Dividends ²
2020	£48.9m	£71.5m
2019	£55.3m	£198.4m
Percentage change	(11.6%)	(64.0%)

Notes

1. These figures have been extracted from note 5 (Administration expenses) to the financial statements on page 113.
2. These figures have been extracted from note 10 (Dividends) to the financial statements on page 117.

Remuneration for the Executive Directors and Non-Executive Directors compared with UK employees of the Hammerson Group

Table 55 shows the percentage change from 31 December 2019 to 31 December 2020 in base salary, taxable benefits and bonus for the Executive and Non-Executive Directors compared with all other employees of the Hammerson Group in the UK. Hammerson Plc does not have any employees. This data has been prepared using the employees of the UK subsidiaries.

Table 55

Percentage change in the Executive Directors' base salary, taxable benefits and bonus

	Change %		
	Salary	Benefits	Annual bonus
Rita-Rose Gagné (CEO)	N/A	N/A	N/A
David Atkins (ceased to be a Director and CEO on 2 November 2020)	-6.10%	-0.70%	-100%
James Lenton (CFO)	-5.70%	4.50%	-100%
Total UK employees	3.7%	-5.30%	-73.8%

Notes

The percentage movement in annual bonus is based on calculations that incorporate an estimated value for the TPR performance measure within the AIP. The calculation of the percentage change in total remuneration excludes pensions, LTIP and RSS.

The three Executive Directors have been excluded from the UK employees' calculation. Data for the UK employees' calculation includes bonuses. The Group calculation uses a weighted average headcount for the year. Employees received an average salary increase of 0% during 2020, although this is not reflected in the above figures due to the number of leavers and joiners.

James Lenton was appointed as an Executive Director as 16 September 2019.

Given the number of directors who had not served for the whole of the two years being compared, any part year has been annualised on the basis of days served on the Board. While this is slightly simplistic, it provides a fairer overall position of the year on year changes than taking the unadjusted earnings in each year. This applies to Table 55 and Table 56.

Table 56

Percentage change in the Non-Executive Directors' fee and taxable benefits

	Change %		Bonus
	Fees	Benefits	
Robert Noel – Chair of the Board	N/A	N/A	N/A
David Tyler – Chair of the Board (ceased to be a Director on 7 September 2020)	-4.80%	0.0%	N/A
Pierre Bouchut – Chair of the Audit Committee	-5.20%	-50.0%	N/A
Gwyn Burr – Senior Independent Director and Chair of the Remuneration Committee	-4.40%	0.0%	N/A
Méka Brunel	-1.90%	-87.70%	N/A
Desmond de Beer	N/A	N/A	N/A
Andrew Formica	-6.0%	0.0%	N/A
Judy Gibbons (ceased to be a Director on 28 April 2020)	2.5%	207.6%	N/A
Adam Metz	-1.70%	-77.80%	N/A
Carol Welch	-4.30%	0.0%	N/A
Total UK employees	3.70%	-5.30%	N/A

Table 57

Chief Executive (CEO) pay ratio

Year	Method	25th percentile pay ratio	Median pay ratio	75th percentile pay ratio
2019	Option A	36:1	22:1	12:1
2020	Option A	21:1	13:1	7:1

Total UK employee pay and benefits figures used to calculate the 2020 CEO Pay Ratio

	25th percentile pay £000	Median pay £000	75th percentile pay £000
Salary	35	52	80
Total UK employee pay and benefits	39	63	111

Notes

The Company has chosen the Option A methodology to prepare the pay ratio calculation as this is the most statistically robust method and is in line with the general preference of institutional investors. While not required to disclose these ratios, the Committee has chosen to do so voluntarily. Starting from 2020, we will build to a 10 year rolling history.

As ratios could be unduly impacted by joiners and leavers who may not participate in all remuneration arrangements in the year of joining and leaving, the Committee has modified the statutory basis to exclude any employee not employed throughout the financial year.

Employee pay data is based on full-time equivalent (FTE) pay for UK employees as at 31 December 2020. For each employee, total pay is calculated in line with the single figure methodology (i.e. fixed pay accrued during the financial year and the value of performance-based incentive awards vesting in relation to the performance year). Leavers and joiners are excluded. Employees on maternity or other extended leave, including furlough, are included pro-rata for their FTE salary, benefits and short-term incentives. No other calculation adjustments or assumptions have been made.

CEO pay is per the single total figure of remuneration for 2020, as set out in Table 43 on page 63 and is calculated using David Atkins' salary to 2 November 2020, when he ceased to be a Director, and the salary of Rita-Rose Gagné from her date of appointment on 2 November 2020.

Bonus amounts for the CEO, CFO and eligible employees are based on calculations that incorporate an estimate for the TPR performance measure within the AIP as the relevant data is not available at the time of the publication of the Annual Report.

Each of the three individuals identified was a full-time employee during the year and received remuneration in line with the Policy.

James Lenton became a Director on 16 September 2019.

The primary reason for the reduction in the CEO pay ratio from 2019 to 2020 was the nil outturns for the AIP and LTIP in 2020 for Executive Directors. In addition, Rita-Rose Gagné receives a lower pension allowance than David Atkins.

Supporting information for the Chief Executive Pay Ratio

Generally, the Remuneration Policy supports a greater variable pay opportunity the more senior the employee as these employees are able to influence Company performance more directly. Executive Directors participate in the RSS linked to long-term strategy whilst other employees may participate in the Restricted Share Plan (RSP). The lower quartile, median and upper quartile employees identified this year are not participants in either the RSS or RSP. However, the median pay ratio reflects the Company's policy to pay good fixed rewards to its employees with an opportunity to benefit from the annual bonus plan. With a significant proportion of the Executive Directors' pay linked to performance and share price over the longer term, it is expected that the ratio will depend to a significant extent on RSS and RSP outcomes each year, and accordingly may fluctuate from year to year.

Remuneration terms for Rita-Rose Gagné

Rita-Rose Gagné joined the Board as Chief Executive Officer. Her employment terms are in line with the Policy. Her gross annual salary is £672,000 and her pension allowance is 10% of base salary which was set below the rate available to the majority of colleagues. Upon joining, she received an award under the RSS of 150% of salary in line with the Policy. Following her relocation to London from Canada in February 2021, she received a gross relocation allowance of £400,000. The Company paid £22,000 plus VAT towards her legal fees in respect of the negotiation of her service contract and will pay £5,000 per annum towards personal tax advice during her term of employment. In addition, a payment of up to £15,000 will be made in respect of her tax advisory fees in relation to her relocation to the UK. The remuneration package for Rita-Rose Gagné was appropriate to secure an executive of her calibre to lead and transform the business.

Payments to past Directors*

The value of LTIP awards vesting in 2020 to former Executive Directors were: Peter Cole – £8,955 and Jean-Philippe Mouton – £8,579 (resigned as Directors on 31 December 2018).

Payments for loss of office*

David Atkins ceased to be a Director on 2 November 2020 but remained an employee until 31 December 2020 and continued to receive salary and benefits during this period. As the Company exercised its right to bring forward the date of termination of his employment from 25 May 2021 to 31 December 2020, he will receive his salary and benefits in monthly instalments in lieu of notice for the duration of the 12 month notice period and a payment of £29,148 in respect of accrued but untaken holiday entitlement. He did not receive any bonus in respect of 2020. His long-term incentive awards granted in 2017, 2018 and 2019 (plus accrued dividend shares) shall remain capable of vesting on their scheduled normal vesting dates to the extent that the relevant performance conditions have been met at the end of the respective performance periods. Awards will be subject to pro-rating for time in employment. The deferred bonus award over 262,906 shares (plus accrued dividend shares) granted on 10 March 2020 will continue to be capable of vesting in March 2022. The Company has agreed to cover the costs of an executive outplacement programme in an amount up to £50,000 plus VAT and legal fees of up to £12,300 plus VAT. All payments are in accordance with David Atkins' service contract and the Company's approved remuneration policy.

Detail of Executive Directors' accrued pension benefits*

Following the closure of the Company's defined benefit pension scheme (Scheme) in 2014, David Atkins remains eligible for a deferred pension based on his pensionable salary and service at the point he ceased to accrue further benefits in the Scheme. The normal retirement age under the Scheme is 60. Members may draw their pension from the age of 55, subject to actuarial reduction and the Trustees' consent. Further information concerning the Scheme is in note 7 to the financial statements on page 114.

Table 58 below shows the total accrued benefit at 31 December 2020, representing the annual pension that is expected to be payable on retirement and the transfer values of Executive Directors' accrued entitlements. The transfer value figures do not represent sums paid or payable to individual Executive Directors but represent a potential liability of the Scheme. Any increase or decrease in transfer value over the year represents a change in the transfer value assumptions that the Scheme applies.

Executive Directors' accrued pension benefits and transfer values

Table 58

	Total accrued benefit at 31 December		Transfer value at 31 December of total accrued benefit	
	2020 £000	2019 £000	2020 £000	2019 £000
David Atkins	90	89	2,475	2,216

Service agreements and notice periods for current Executive Directors

	Rita-Rose Gagné	James Lenton
Date of service contract	29 September 2020	20 August 2019
Notice period	12 months' notice (both from and to the Executive Director).	12 months' notice (both from and to the Executive Director).
	If the Company serves notice of termination within the Executive Director's first 12 months', then such notice shall expire on the second anniversary of the start of employment.	
Payment in lieu of notice (PILON)	<p>Employment can be terminated by the Company with immediate effect by making a PILON in respect of the outstanding notice period comprising base salary and the value of benefits in respect of pension, private medical insurance and car allowance.</p> <p>No PILON in event of gross misconduct.</p> <p>The Company has the discretion to make any PILON on a phased basis, subject to mitigation.</p>	<p>Employment can be terminated by the Company with immediate effect by making a PILON in respect of the outstanding notice period comprising base salary and the value of benefits in respect of pension, private medical insurance and car allowance.</p> <p>No PILON in event of gross misconduct.</p> <p>The Company has the discretion to make any PILON on a phased basis, subject to mitigation.</p>

Rita-Rose Gagné and James Lenton will be eligible to be considered at the Committee's discretion for payment of an award under the AIP even if the Company or Director has served notice of termination provided that the Director is employed as at the bonus award date. The treatment of leavers under the AIP, DBSS and RSS arrangements are in the accordance with the plan's rules. The Company will pay any additional statutory entitlements where applicable.

Table 59 below shows the dates of the appointments of the Non-Executive Directors in office as at 31 December 2020

Table 59

	Date of original appointment to Board	Commencement date of current term	Unexpired term as at April 2021
Robert Noel	1 September 2020	1 September 2020	2 years, 5 months
Pierre Bouchut	13 February 2015	N/A	N/A
Gwyn Burr	21 May 2012	21 May 2018	1 month
Méka Brunel	1 December 2019	1 December 2019	1 year, 8 months
Andrew Formica	26 November 2015	26 November 2018	8 months
Des de Beer	15 June 2020	15 June 2020	2 years, 3 months
Adam Metz	22 July 2019	22 July 2019	1 year, 3 months
Carol Welch	1 March 2019	1 March 2019	11 months

External board appointments

Where Board approval is given for an Executive Director to accept an external non-executive directorship, the individual is entitled to retain any fees received. Rita-Rose Gagné and James Lenton do not currently hold any external non-executive directorships.

Committee process

In order to avoid any conflict of interest, remuneration is managed through well-defined processes ensuring no individual is involved in the decision-making process related to their own remuneration. In particular, the remuneration of all Executive Directors is set and approved by the Committee; none of the Executive Directors are involved in the determination of their own remuneration arrangements. The Committee also receives support from external advisors and evaluates the support provided by those advisers annually to ensure that advice is independent, appropriate and cost-effective. The members of the Committee are shown on page 60.

Advisors

The Committee appointed FIT Remuneration Consultants (FIT) in place of Aon Hewitt in 2011 following a tendering exercise. FIT has no other connection with the Company or its Directors. Directors may serve on the Remuneration Committees of other companies for which FIT acts as Remuneration Consultants. The Committee is satisfied that all advice given was objective and independent. FIT is a member of the Remuneration Consultants Group and subscribes to its Code of Conduct. Details of the fees and services provided by FIT are set out below.

Table 60

Advisor	Appointed by	Services provided to the Committee	Fees paid for services to the committee in 2020 and basis of charge	Other services provided to the Company
FIT Remuneration Consultants LLP (FIT)	Remuneration Committee (August 2011)	Reward structures and levels and other aspects of the Company's Remuneration Policy	£62,698 (excluding VAT) (2019: £71,964, excluding VAT) Charged on normal FIT time basis	None. Terms of engagement (available on request to shareholders) specify that FIT will only provide advice expressly authorised by or on behalf of the Remuneration Committee

Herbert Smith Freehills LLP provides legal advice and Lane Clark & Peacock LLP provides actuarial advice to the Company. The Committee may seek advice from both firms where it relates to matters within its remit. In addition, the Chief Executive, Chief Financial Officer and Group Human Resources Director attend Committee meetings by invitation. The General Counsel and Company Secretary is the Secretary to the Committee. The Chief Executive, senior human resources staff and the General Counsel and Company Secretary provided advice to the Committee on matters relating to the Remuneration Policy and Company practices. No one is present during discussions concerning their own remuneration.

Statement of voting at Annual General Meeting

Table 61 below shows votes cast by proxy at the AGM held on 28 April 2020 in respect of the Directors' Remuneration report and the Directors' Remuneration Policy.

Table 61

Statement of voting on remuneration

	Votes for number of shares and percentage of shares voted	Votes against number of shares and percentage of shares	Votes withheld number of shares
To receive and approve the 2019 Directors' Remuneration report (2020 AGM)	555,143,064 90.04%	61,395,336 9.96%	3,825,661
To receive and approve the Remuneration Policy (2020 AGM)	562,599,919 91.34%	53,325,844 8.66%	4,438,298

Section 3: Implementation of Remuneration Policy in 2021

This section sets out information on how the Remuneration Policy will be implemented in 2021.

In implementing the Remuneration Policy, the Committee will continue to take into account factors such as remuneration packages available within comparable companies; the Company's overall performance; internal relativities; achievement of corporate objectives; individual performance and experience; published views of institutional investors; general market and wider economic trends.

Table 62

Summary of planned implementation of the Remuneration Policy during 2021

Salary Policy

Purpose and link to strategy	Performance measures	Operation
To continue to retain and attract quality leaders.	Not applicable.	Reviewed but not necessarily increased annually by the Committee.
To recognise accountabilities, skills, experience and value.		The base salary for any existing Executive Director will not exceed £850,000 (or the equivalent if denominated in a different currency), with this limit increasing annually at the rate of UK CPI from the date of the 2017 AGM.

Implementation

In February 2021, James Lenton was not considered for an increase to salary. The Committee agreed with management's recommendation that no general salary increase be awarded to colleagues in the Group given the challenging business environment.

2021 Executive Directors' salaries	£000
Rita-Rose Gagné	672
James Lenton	430

Note

In accordance with the terms of her service contract, Rita-Rose Gagné is not entitled to be considered for an increase to her base salary for 2021.

Benefits Policy

Purpose and link to strategy	Performance measures	Operation
To provide a range of benefits in line with market practice.	Not applicable.	The aggregate value received by each Executive Director (based on value of P11D tax calculations or equivalent basis for a non-UK based Executive Director) will not exceed £100,000, with this maximum increasing annually at the rate of UK CPI from the date of the 2017 AGM.
To continue to retain and attract quality leaders.		

Implementation

In 2021, these benefits will continue to include a car allowance, enhanced sick pay, private medical insurance, permanent health insurance and life assurance.

Pension Policy

Purpose and link to strategy	Performance measures	Operation
To provide market competitive retirement benefits.	Not applicable.	Executive Directors may receive a non-contributory allowance (Pension Choice) to be paid as, or as a combination of: (i) an employer contribution to the Company's defined contribution pension plan; (ii) a payment to a personal pension plan; or (iii) a salary supplement.
To continue to retain and attract quality leaders.		Pension Choice is limited to an aggregate maximum age-related limit of 18.5% of base salary. Rita-Rose Gagné receives a lower allowance of 10%.

Implementation

Executive Directors will continue to receive a salary supplement by way of pension provision. The allowance for new Executive Directors will be aligned with the arrangements available to the majority of staff employed in the UK and Ireland (age-related and subject to employee contribution) from time to time. Rita-Rose Gagné receives a salary supplement of 10% by way of pension provision. The Committee has agreed that future Executive Directors will receive a salary supplement of 10% for pension provision to align with the Group's policy on pension contributions for other colleagues.

Annual Incentive Plan (AIP) and deferral under the Deferred Bonus Share Scheme (DBSS)

Policy

Purpose and link to strategy	Performance measures	Operation
To align Executive Director remuneration with annual financial and Company strategic targets as determined by the Company's Business Plan	The annual bonus operates by reference to financial and personal performance measures assessed over one year. The weighting of financial measures will be at least 60% of the total opportunity.	Awards are paid in a mix of cash and deferred shares, with the deferred shares element being at least 40% of the total award. The deferral period is at least two years and may not be shorter.
To differentiate appropriately, in the view of the Committee, on the basis of performance		
The partial award in shares aligns interests with shareholders and supports retention		Awards are subject to clawback and malus provisions.

Implementation

The AIP maximum will remain at 200% of base salary for the Chief Executive. James Lenton will not be eligible to receive a bonus in 2021.

Performance measures for the AIP for Executive Directors in 2021 will be weighted at 67% towards Group financial targets and 33% towards personal objectives. The Group financial targets for 2021 are in the process of being agreed and will relate to Adjusted EPS, the reduction of the Group's net debt and net administration costs. Adjusted EPS and net debt are retained from prior year AIP performance measures.

As is demonstrated in this report in respect of previous years, the Committee designs the financial targets and personal objectives to align with the Company's strategy, as well as to the Business Plan and the priorities for the coming year. It is therefore felt that the specific financial targets and important personal objectives are commercially sensitive such that, having considered this carefully, the Board is of the view that it is in the Company's interests not to disclose this information in advance. However, personal objectives for the year are grouped under the following headings: Group strategy; near term delivering and disposals; operational excellence, development and repurposing; people, culture and engagement; investor relations; and ESG.

Full details of the specific targets and key personal objectives set will be disclosed in the 2021 Annual Report.

40% of the 2021 AIP vesting will be deferred by making an award of shares under the DBSS, with a deferral period of two years. No change to current arrangements is proposed for 2021.

Restricted Share Scheme

Policy

Purpose and link to strategy	Performance measures	Operation
To incentivise the creation of long-term returns for shareholders.	Subject to underpin as described in full in the Remuneration Policy. The underpin requires that the Group's performance and delivery of strategy is sufficient to justify vesting against the consideration of absolute and relative TSR net debt and TPR. In addition, a further underpin applies in respect of half the award that the TSR must be positive over the three years following grant.	A discretionary annual award up to a value of 100% of base salary. The Committee reserves the discretion to increase the maximum award to 150% of base salary in exceptional circumstances.
To align interests of Executive Directors with shareholders and support retention.		
To create alignment with the workforce.		Awards are subject to clawback and malus provisions.

Implementation

Annual award of 100% of base salary for the CEO. James Lenton will not receive a grant following his notice of resignation. Vesting of the award is subject to an underpin described in the Policy.

Participation in all-employee arrangements

Policy

Purpose and link to strategy	Performance measures	Operation
In order to be able to offer participation in all-employee plans to employees generally, the Company is either required by the relevant UK and French legislation to allow Executive Directors to participate on the same terms or chooses to do so.	Not generally applicable. Any award of free shares under the SIP may be subject to a Company performance target.	Executive Directors are eligible to participate in all-employee incentive arrangements on the same terms as other employees.

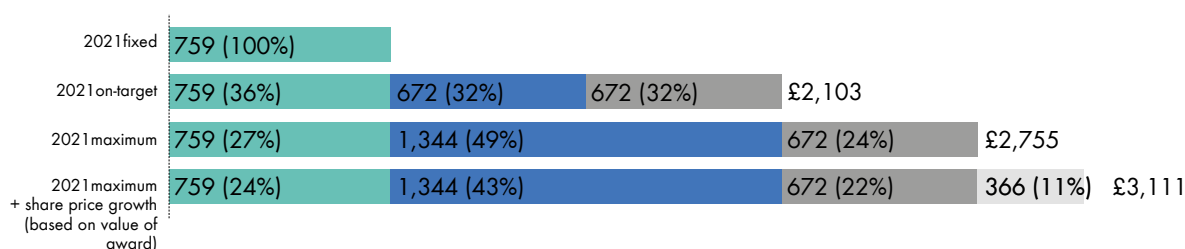
Implementation

All-employee arrangements currently offered in the UK are Sharesave and SIP share awards. The opportunity to participate in all-employee arrangements continues on the same basis as for all staff in the UK. No change to current arrangements is proposed for 2021.

Set out below is an illustration of the reward mix for Rita-Rose Gagné at minimum, on target and maximum performance under the Policy. James Lenton will not be entitled to be awards under the RSS in 2020.

Chart 63

Illustration of application of the Policy



Rita-Rose Gagné

- Fixed
- Annual variable
- Long term incentives
- 50% Share price growth

Share ownership guidelines

The Company has in place a share ownership policy for the Executive Directors. Executive Directors are normally required to achieve the minimum shareholding requirement within seven years of the date of appointment. An annual calculation as a percentage of salary is made against the guidelines as at 31 December each year based on the middle-market value of a share price on the last business day in December. Executive Directors are expected to accumulate and maintain a holding in ordinary shares in the Company equivalent to no less than 250% of base salary. The Company has a post-cessation share ownership guideline of 250% of salary for two years after termination of employment.

Implementation

250% of base salary for the Chief Executive and all other Executive Directors.

David Atkins ceased to be an Executive Director on 2 November 2020 and continued as an employee until 31 December 2020 under the terms of his service agreement. The Committee exercised its discretion to vary the share ownership requirements. For six months following his last date of employment, David Atkins is required to continue to hold the same number of shares, together with any connected person, held at this date. In the period commencing six months following the last date of employment, he is permitted to sell no more than one half of that number. No restrictions on the sale of shares shall apply following this date.

Chair of the Board and Non-Executive Directors' Fees

Policy

Purpose and link to strategy	Performance measures	Operation
To ensure the Company continues to attract and retain high-quality Chair and Non-Executive Directors by offering market competitive fees	Not applicable	The Chair of the Board's fee is determined by the Committee. Other Non-Executive Directors' fees are determined by the Board on the recommendation of the Executive Directors. Aggregate total fees payable annually to all Non-Executive Directors are subject to the limit stated in the Company's Articles of Association (currently £1,000,000).

Implementation

The Chair of the Board and Non-Executive Directors' fees were reviewed in March 2021. No increase was made to Non-Executive Director fees or to the Chair's fee.

Chair and Non-Executive Directors' 2021 annual fees	£000
Chair of the Board	300,000
Non-Executive Director	61,500
Senior Independent Director	10,000
Audit Committee Chair	15,000
Remuneration Committee Chair	15,000
Audit/Remuneration Committee Member	5,000
Designated Non-Executive Director for Colleague Engagement	8,000

Remuneration for employees below Board level in 2021

A summary of the remuneration structure for employees below Board level is set out below.

Remuneration packages for all Group employees may comprise both fixed and variable elements. Generally, the more senior the individual, the greater the variable pay offer as a proportion of overall pay due to the ability of senior managers to impact more directly upon Company performance. As well as assessing the remuneration packages of the Executive Directors, the Committee reviews the remuneration of the senior management team and is kept informed of remuneration developments and principles for pay and reward across the Group. This includes any salary increases and benefits of the wider employee population and considers them in relation to the implementation of the Remuneration Policy for Executive Directors, ensuring there is an appropriate degree of alignment throughout the Group. In accordance with prevailing commercial practice, the Committee does not consult with employees in preparing the Remuneration Policy.

Summary of 2021 remuneration structure for employees below Board level

Table 64

Element	Approach/Policy
Base salary	An assessment is made each year on pay increases across the Group. The assessment may include benchmarking exercises for different roles. Other factors taken into consideration are Company performance, competition in the marketplace and general economic climate, specifically rates of inflation and wage growth. Pay increases are expected to be in line with market rates and any increase awarded to an individual will reflect competence and experience. Exceptional pay increases are sometimes awarded to bring pay in line with market practice or recognition of an individual's development within a role. More usually exceptional personal performance is recognised through variable pay.
Annual bonus	An annual cash bonus scheme is operated throughout the Group. Although there are some minor differences in application of the scheme according to jurisdiction of employment, the same principle applies to all employees in that there is an opportunity to receive a bonus based on personal or company performance or a mixture of both. Generally, the more senior the employee the more the weighting is towards Company performance. The maximum cash bonus opportunity varies according to seniority. In addition to Executive Directors, GEC members have a proportion of their award deferred into shares.
Pension	The pension offering forms an important part of the reward package across the Group. All employees may participate in one of a number of defined contribution pension arrangements across the UK and Ireland. Employee and employer contribution structures vary depending on the scheme.
Share schemes	A variety of all-employee and discretionary share schemes are in operation across the Group. Generally, where local legislation allows, eligible employees, including Executive Directors, may participate in an all-employee share scheme such as the Sharesave scheme operated in the UK and Ireland. In addition, a number of UK employees have the opportunity to join the UK Share Incentive Plan (SIP), with the potential for an annual SIP Free Share Award based on Company stretch performance. Employees of Hammerson France are eligible to participate in a profit share plan which rewards performance against certain performance measures. Senior employees in the UK may participate in the Restricted Share Plan (a separate scheme to the Executive Director RSS) and in France in the Free Shares Award Scheme.
Employee benefits	Benefits offered by the Group include life assurance, private medical care, car allowances, permanent health insurance and health checks. The offer of a particular benefit to an employee will depend on location within the business, their role and seniority.

2018 UK Corporate Governance Code (Code) considerations

The Committee has considered the factors set out in provision 40 of the Code. In the Committee's view, the Policy addresses those factors as set out below:

Factor	How addressed
Clarity – remuneration arrangements should be transparent and promote effective engagement with shareholders and the workforce	Remuneration policy and arrangements are clearly disclosed each year in the Annual Report. The Committee proactively seeks engagement with shareholders on remuneration matters (see description of consultation on proposed Policy above), and is regularly updated on workforce pay and benefits across the Group during the course of its activity.
Simplicity – remuneration structures should avoid complexity and their rationale and operation should be easy to understand	Our remuneration structure is comprised of fixed and variable remuneration, with the performance conditions for variable elements clearly communicated to, and understood by, participants. The RSS provides a mechanism for aligning Executive Director and shareholder interests, removes the difficult challenge of setting robust, appropriately challenging and easily understandable performance targets in a volatile market which could lead to potentially unintended remuneration outcomes and significantly reduces the maximum pay available to Executive Directors.
Risk – remuneration arrangements should ensure that reputational and other risks from excessive rewards, and behavioural risks that can arise from target-based incentive plans, are identified and mitigated	The rules of the AIP, RSS and LTIP provide discretion to the Committee to reduce award levels and awards are subject to malus and clawback provisions. The Committee also has overriding discretion to reduce awards to mitigate against any reputational or other risk from such awards being considered excessive. The RSS reduces the risk of unintended remuneration outcomes associated with complex performance conditions.
Predictability – the range of possible reward values to individual directors and any other limits or discretions should be identified and explained at the time of approving the policy	The RSS increases the predictability of reward values (removing the risk of potentially unintended outcomes). Maximum award levels and discretions are set out in the chart above on page 77.
Proportionality – the link between individual awards, the delivery of strategy and the long-term performance of the company should be clear. Outcomes should not reward poor performance	Variable performance related elements represent a significant proportion of the total remuneration opportunity for our Executive Directors. The Committee considers the appropriate financial and personal performance measures each year to ensure that there is a clear link to strategy. Discretions available to the Committee ensure that awards can be reduced if necessary to ensure that outcomes do not reward poor performance.
Alignment to culture – incentive schemes should drive behaviours consistent with company purpose, values and strategy	The Committee seeks to ensure that personal performance measures under the AIP incentivise behaviours consistent with the Company's culture, purpose and values. The RSS clearly aligns Executive Director interests with those of shareholders by ensuring a focus on delivering against strategy to generate long-term value for shareholders.

By order of the Board

Gwyn Burr

Chair of the Remuneration Committee
11 March 2021

Directors' report

This report (Directors' report) forms part of the management report as required under the Disclosure Guidance and Transparency Rules (DTR). The Strategic report on pages 1 to 43 includes an indication of likely future developments in the Company, details of important events since the year ended 31 December 2020 and the Company's business model and strategy. The Corporate Governance report on pages 44 to 79 is incorporated in this Directors' report by reference.

Articles of Association

The Company's Articles of Association (Articles) may be amended by special resolution in accordance with the Companies Act 2006 (Act) and are available at www.hammerson.com.

Branches

Details of the Company's French and Irish branches are provided on page 150.

Directors

Details of the Directors who served during the year ended 31 December 2020 and continue to serve at the date of approval of the Directors' report are set out on page 44. Judy Gibbons stepped down as a Director on 28 April 2020, David Tyler stepped down as a Director on 7 September 2020 and David Atkins stepped down as a Director on 2 November 2020. Desmond de Beer, Robert Noel, Rita-Rose Gagné and Mike Butterworth were appointed as Directors on 15 June 2020, 1 September 2020, 2 November 2020 and 1 January 2021, respectively. Habib Annous has been appointed as a Director with effect from 5 May 2021. On 18 January 2021, James Lenton served notice of his resignation as Chief Financial Officer and as a Director of the Company, and will remain in role until his successor has been appointed. Pierre Bouchut has informed the Board that he will not be standing for re-election at the AGM and will step down as a Director from the Board at the end of the meeting.

Directors are appointed and replaced in accordance with the Articles, the Act and the UK Corporate Governance Code. The powers of the Directors are set out in the Articles and the Act.

Directors' interests

Details of the Directors' share interests can be found on pages 67 to 69.

Disclosure of information to auditors

The Statement of Directors' responsibilities, including confirmation of the disclosure of information to the External Auditor, can be found on page 82.

Dividend

Details of the recommended final dividend can be found on page 30 and in note 10 to the financial statements on page 117.

Employees

Details of the Group's policies regarding the employment of disabled persons are provided on page 20.

Employees receive regular briefings and updates via the Group's intranet to inform them of the performance of the business and opportunities to participate in employee share schemes. Details of engagement with employees can be found on pages 20, 46 and 48 to 49.

Financial instruments

Details of the Group's risk management in relation to its financial instruments are available in note 21 to the financial statements on pages 135 to 142.

Going Concern and Viability statements

The Company's Going Concern and Viability statements can be found on pages 25 and 42 to 43.

Greenhouse gas emissions reporting

Information regarding the Group's greenhouse gas emissions can be found on page 169.

Indemnification of and insurance for Directors and officers

The Company maintains directors' and officers' liability insurance, which is reviewed annually. The Company's Directors and officers are adequately insured in accordance with best practice. Directors are indemnified under the Articles and through a Deed Poll of Indemnity. As disclosed in the combined prospectus and circular dated 6 August 2020 relating to the rights issue, the Company set up a trust for the benefit of Directors in order to ensure equivalent arrangements were in place whilst adequate directors' and officers' liability insurance was sought.

Listing Rule 9.8.4R disclosures

Table 65 sets out where disclosures required in compliance with Listing Rule 9.8.4R are located.

Table 65

	Page
Interest capitalised and tax relief	115
Publication of unaudited financial information	n/a
Details of long term incentive schemes	61
Waiver of emoluments by a director	n/a
Waiver of future emoluments by a director	n/a
Non pre-emptive issues of equity for cash	n/a
Non pre-emptive issues of equity for cash by major subsidiary undertakings	n/a
Parent company participation in a placing by a listed subsidiary	n/a
Contracts of significance	n/a
Provision of services by a controlling shareholder	n/a
Agreements with controlling shareholders	n/a
Shareholder waivers of dividends	81
Shareholder waivers of future dividends	81

Post balance sheet events

Details of post balance sheet events can be found in note 29 to the financial statements on page 145.

Provisions on change of control

Four of the five outstanding bonds issued by the Company contain covenants specifying that the bondholders may request repayment at par, if the Company's credit rating is downgraded to below investment grade due to a change of control, and the rating remains below investment grade for a period of six months thereafter. In addition, under the Company's credit facilities and private placement notes, the lending banks or holders may request repayment of outstanding amounts within 30 and 52 days respectively of any change of control.

Purchase of own shares

At the 2020 Annual General Meeting (AGM), the Company was granted authority by shareholders to purchase up to 76,629,361 ordinary shares (representing approximately 10% of the Company's issued ordinary share capital as at 9 March 2020). This authority will expire at the conclusion of the 2021 AGM, at which a resolution will be proposed for its renewal, or, if earlier, on 28 July 2021. Details of shares purchased by the Company during 2020 can be found in note 24 to the financial statements on page 143.

Responsibility statement

The Statement of Directors' responsibilities is set out on page 82.

Non-Financial Information Statement

Table 66

Reporting requirement	Where to read more about our policies and their outcomes, including the principal risks relating to these matters	Page	Some of our relevant policies
Environmental matters	Sustainability review	16-19	Energy policy ¹
	Risks and uncertainties – Climate	39	Environmental policy ¹
	Sustainability Report 2020 ¹		Climate change policy ¹
			Biodiversity policy ¹
Employees	Engaging with our stakeholders	48-49	Responsible procurement policy ¹
	Our people	20	Code of conduct ¹
	Health, safety and security	11	Flexible working and equal opportunities policy ¹
	Risks and uncertainties – People	41	Health and safety policy ¹
	Board Leadership and Company Purpose – Culture	45-46	
Human Rights	Board Leadership and Company Purpose – Culture	45-46	Modern slavery and human trafficking statement ¹
Social matters	Engaging with our stakeholders	48-49	Responsible procurement policy ¹
		16-19	Health and safety policy ¹
	Sustainability review	11	
	Health, safety and security	38	
	Risks and uncertainties – Catastrophic event	45	
	Board Leadership and Company Purpose – Engagement with stakeholders		
Sustainability Report 2020 ¹			
Anti-bribery and corruption	Board Leadership and Company Purpose – Culture	45-46	Code of conduct ¹
Business model	Our business model	4	Anti-bribery and corruption policy ²
			Whistleblowing policy ²
			Responsible procurement policy ¹
Non-financial KPIs	Operational KPIs	15	
	Operating review	8-11	

1. Available on our website at www.hammerson.com.

2. Available to all employees through the Hammerson intranet. Not published externally.

Interests disclosed under DTR 5

Table 67

	Number of voting rights attached to shares or held through financial instruments	% of total voting rights disclosed to the Company
APG Asset Management N.V.	918,621,334	22.64
Lighthouse Capital Limited	869,670,310	21.43
Morgan Stanley & Co. International Plc	262,340,942	6.47

1. Interests disclosed above as at 10 March 2021.

Share capital

Details of the Company's capital structure are set out in note 24 to the financial statements on page 143. The rights and obligations attached to the Company's shares are set out in the Articles. There are no restrictions on the transfer of shares except the UK Real Estate Investment Trust restrictions.

Shares held in the Employee Share Ownership Plan

The Trustees of the Hammerson Employee Share Ownership Plan hold Hammerson plc shares in trust to satisfy awards under the Company's employee share plans. The Trustees have waived their right to receive dividends on shares held in the Company. As at 31 December 2020, 962,180 shares were held in trust for employee share plans purposes.

Substantial shareholders

Interests in voting rights over the issued share capital of the Company disclosed in accordance with DTR 5 can be found in Table 67.

Suppliers and customers

Details of the Company's engagement with suppliers, customers and others in a business relationship with the Company can be found on pages 48 to 50.

Alice Darwall

General Counsel and Company Secretary

11 March 2021

Statement of Directors' responsibilities

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

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

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

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

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

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

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

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

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

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

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

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

By order of the Board

Rita-Rose Gagné
Chief Executive

James Lenton
Chief Financial Officer

11 March 2021

Report on the audit of the financial statements

Opinion

In our opinion:

- Hammerson plc's Group financial statements and Company financial statements (the "financial statements") give a true and fair view of the state of the Group's and of the Company's affairs as at 31 December 2020 and of the Group's loss and the Group's cash flows for the year then ended;
- the Group financial statements have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006;
- the Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report, which comprise: the Consolidated and Company balance sheets as at 31 December 2020; the Consolidated income statement and the Consolidated statement of comprehensive income, the Consolidated cash flow statement, and the Consolidated and Company statements of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Our opinion is consistent with our reporting to the Audit Committee.

Separate opinion in relation to international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union

As explained in note 1 to the financial statements, the Group, in addition to applying international accounting standards in conformity with the requirements of the Companies Act 2006, has also applied international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union.

In our opinion, the Group financial statements have been properly prepared in accordance with international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union.

Basis for opinion

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

Independence

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

To the best of our knowledge and belief, we declare that non-audit services prohibited by the FRC's Ethical Standard were not provided to the Group. As described in the Audit Committee Report on page 57, given the exceptional circumstances caused by Covid-19, approval was obtained from the FRC to waive the non-audit fee cap for the year ended 31 December 2020.

Other than those disclosed in note 5 to the financial statements, we have provided no non-audit services to the Group in the period under audit.

Material uncertainty related to going concern

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosures made in note 1 of the Group's financial statements and note A of the Company's financial statements concerning the Group's and Company's ability to continue as a going concern. Prior to considering the impact of secured debt within joint ventures and associates, under a severe but plausible scenario the Group is forecast to have minimal headroom on the gearing and interest cover covenants within its unsecured borrowings during the period to 30 June 2022. When combined with the volatility in the current retail real estate market, such that forecasting future rental income and property valuations is highly uncertain, this creates significant uncertainty around the Group's ability to comply with these covenants. Additionally within the Group's joint ventures and associates there are forecast to be certain interest cover and loan to value covenant breaches on secured debt, as well as four tranches of secured debt requiring refinancing, within the period to 30 June 2022. While the Group is not legally obliged to inject further capital into these joint ventures and associates, were unresolved breaches to eventuate or refinancing not be completed, the Group would be at risk of losing all or part of its equity investment in those joint ventures and associates. This, in turn, would cause the Group to breach the gearing covenant on its unsecured borrowings. The mitigating actions available to the Group, namely asset disposals, refinancing of secured debt, and obtaining covenant waivers, are not confirmed as at this time nor within the Group's control. These conditions, along with the other matters explained in those notes to the financial statements, indicate the existence of a material uncertainty which may cast significant doubt about the Group's and Company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the Group and the Company were unable to continue as a going concern.

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Our evaluation of the Directors' assessment of the Group's and Company's ability to continue to adopt the going concern basis of accounting included:

- We agreed the underlying cash flow projections to Board approved forecasts and assessed how these forecasts were compiled. We compared the prior year forecasts to actual performance to assess management's ability to forecast accurately, both in the period before Covid-19 but also considering the performance of the Group since the first lockdown in March 2020;
- We evaluated the key assumptions within the projections, namely forecast property valuations and the levels of forecast net rental income, under both a base scenario and severe but plausible scenario. We did so with reference to available 3rd party data sources, contractual rental income, together with the most recent data on levels of expected rental concessions/tenant failure. We considered whether the severe but plausible scenario included appropriate sensitivities to factor in severe but plausible variances from the base scenario in respect of both forecast property valuations and net rental income;
- We examined the minimum committed facility headroom under the base and severe but plausible scenarios, and evaluated whether the Directors' conclusion, that sufficient liquidity headroom existed to continue trading operationally throughout the period to 30 June 2022, was appropriate;
- We reviewed the terms of financing agreements to determine whether forecast covenant calculations were in line with those agreements and to determine whether the maturity profile of the debt included within the projections was accurate;
- We obtained and reperformed the Group's forecast covenant compliance calculations, under both the base and severe but plausible scenarios to assess the Directors' conclusions on covenant compliance. We reperformed the covenant compliance modelling both excluding the impact of secured debt issues within the joint ventures and associates, and then including the impact of the secured debt challenges;
- We obtained reporting from our component auditors in respect of going concern and considered the impact of their conclusions in our procedures. One component auditor included a material uncertainty in respect of going concern for their component within their reporting to us. We ensured management appropriately factored this conclusion into their Group going concern assessment;
- We assessed the impact of the mitigating actions available to management including their ability to obtain covenant waivers and enact asset disposals; and
- We reviewed the disclosures relating to the going concern basis of preparation and we found that these provided an explanation of the Directors' assessment that was consistent with the evidence we obtained.

In relation to the Company's reporting on how it has applied the UK Corporate Governance Code, other than the material uncertainty referred to above, we have nothing material to add or draw attention to in relation to the Directors' statement in the financial statements about whether the Directors considered it appropriate to adopt the going concern basis of accounting, or in respect of the Directors' identification in the financial statements of any material uncertainties to the Company's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

Our audit approach

Overview

Audit scope

- The UK, French and Value Retail components were subject to a full scope audit. Together these components account for 89% of the Group's total assets.
- The Irish component was subject to an audit over certain account balances (including investment property).

Key audit matters

- Material uncertainty related to going concern (Group and Company)
- Valuation of investment property, either held directly or within joint ventures (Group)
- Accounting for the investment in Value Retail and valuation of investment property held by Value Retail (Group)
- Expected Credit Losses on accounts receivable and unamortised tenant incentives (Group)
- Impact of Covid-19 (Group and Company)
- Valuation of investments in subsidiary companies and intercompany receivables (Company)

Materiality

- Overall Group materiality: £44.0 million (2019: £55.0 million) based on 0.75% of the Group's total assets.
 - Specific Group materiality: £7.3 million (2019: £10.6 million) based on 5% of the Group's weighted average adjusted earnings from 2018 to 2020.
 - Overall Company materiality: £53.5 million (2019: £66.0 million) based on 0.75% of the Company's total assets.
 - Overall performance materiality: £33.0 million (Group), specific performance materiality: £5.5 million (Group) and overall performance materiality: £40.1 million (Company).
-

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements.

Capability of the audit in detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined in the Auditors' responsibilities for the audit of the financial statements section, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the Group and industry, we identified that the principal risks of non-compliance with laws and regulations related to tax legislation including the Real Estate Investment Trust ("REIT") requirements, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the preparation of the financial statements such as the Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries to increase revenue, and management bias in accounting estimates. The Group engagement team shared this risk assessment with the component auditors so that they could include appropriate audit procedures in response to such risks in their work. Audit procedures performed by the Group engagement team and/or component auditors included:

- Discussions with management and internal audit, including consideration of known or suspected instances of non-compliance with laws and regulation and fraud;
- Evaluation of management's controls designed to prevent and detect irregularities;
- Evaluation of the Group's compliance with the REIT requirements, including considering the impact of the breach of the REIT interest cover test as disclosed in note 9, and validating that the Group received a waiver from HMRC to avoid any additional tax charges as a result;
- Challenging assumptions and judgements made by management in their significant accounting estimates, in particular in relation to the valuation of investment property and Expected Credit Loss provisions in respect of accounts receivable and unamortised tenant incentives (see related key audit matters below); and
- Identifying and testing journal entries, in particular any journal entries posted to revenue with unusual account combinations or posted by senior management.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

In addition to the Group and Company going concern, described in the Material uncertainty related to going concern section above, we determined the matters described below to be the key audit matters to be communicated in our report. This is not a complete list of all risks identified by our audit.

Expected Credit Losses on accounts receivable and unamortised tenant incentives and the impact of Covid-19 are new key audit matters this year. Otherwise, the key audit matters below are consistent with last year.

Key audit matter

Valuation of investment property, either held directly or within joint ventures (Group)

Refer to page 58 (Audit Committee Report), pages 101 to 102 (Significant estimates – Property valuations), page 107 (Significant accounting policies – Property portfolio) and pages 122 to 128 (Notes to the financial statements – notes 12 and 13).

The Group directly owns, or owns via joint ventures or associates, a property portfolio which includes shopping centres, retail parks, developments and premium outlets. The total value of this portfolio as at 31 December 2020 was £6,338 million (2019: £8,327 million) and has been impacted by the Covid-19 pandemic.

Of this portfolio £2,153 million (2019: £2,099 million) is held by subsidiaries within 'Investment and development properties', and £2,123 million (2019: £3,658 million) is held by joint ventures within 'Investment in joint ventures'. Additionally the portfolio includes £nil (2019: £456 million) of retail parks held within 'Assets held for sale' and £nil (2019: £694 million) relating to VIA Outlets previously held within 'Investment in joint ventures'. Together these properties are spread across the UK, French and Irish components.

The remainder of the portfolio is held within associates, £2,062 million (2019: £2,114 million), primarily in respect of Value Retail with the balance held in Italie Deux and Nicetoile. The Group's share of Value Retail's investment property is £1,924 million (2019: £1,966 million). The valuation of Value Retail's property is discussed within the subsequent key audit matter.

How our audit addressed the key audit matter

Given the inherent subjectivity involved in the valuation of investment properties, the need for deep market knowledge when determining the most appropriate assumptions and the technicalities of valuation methodology, we engaged our internal valuation experts (qualified chartered surveyors) to assist us in our audit of this matter.

Assessing the valuers' expertise and objectivity

We assessed each of the external valuers' qualifications and expertise and read their terms of engagement with the Group to determine whether there were any matters that might have affected their objectivity or may have imposed scope limitations upon their work. We also considered fee arrangements between the external valuers and the Group, and other engagements which might exist between the Group and the valuers. We found no evidence to suggest that the objectivity of the external valuers, in their performance of the valuations, was compromised.

Data provided to the valuers

We checked the accuracy of the underlying lease data and capital expenditure used by the external valuers in their valuation of the portfolio by tracing the data back to the relevant component accounting records and signed leases on a sample basis. No exceptions were identified from this work.

Assumptions and estimates used by the valuers

We read the external valuation reports for the properties and confirmed that the valuation approach for each was in accordance with RICS standards and suitable for use in determining the final value for the purpose of the financial statements.

Key audit matter

This was identified as a key audit matter given the valuation of the investment property portfolio is inherently subjective and complex due to, among other factors, the individual nature of each property, its location, and the expected future rental streams for that particular property. The wider challenges currently facing the retail real estate occupier and investor markets, which have been compounded by the impact of Covid-19, has resulted in a relative lack of both comparable transactions and leasing activity. These factors have, significantly increased the subjectivity within these valuations for the year ended 31 December 2020.

The closing valuations were carried out by CBRE, Jones Lang LaSalle and Cushman & Wakefield (the "external valuers"), in accordance with the RICS Valuation – Professional Standards and the Group accounting policies which incorporate the requirements of International Accounting Standard 40, 'Investment Property' and IFRS 13 'Fair value measurement'.

The external valuers engaged by management to value the £861 million of investment property within the Irish component have included a material valuation uncertainty clause in their report. This clause highlights that less certainty, and consequently a higher degree of caution, should be attached to the valuation as a result of the Covid-19 pandemic. This represents a significant estimation uncertainty in relation to the valuation of investment properties. No material valuation uncertainty clauses were included in the external valuations of the remaining properties in the Group's portfolio but the valuers instead included wording suggested by the RICS to describe market uncertainty and highlighting the importance of the valuation date. Therefore there still remains significant estimation uncertainty in relation to those valuations. The properties' fair value is primarily determined by their investment value reflecting the fact that the properties are largely existing operational properties currently generating rental income. Shopping centres and retail parks are primarily valued using the income capitalisation method.

Those development properties that are subject to an active ongoing development are valued using the residual valuation approach. Certain operational properties, which have development potential, are valued under the income capitalisation method but adjusted to account for development potential. Development land is valued on a land per acre basis.

Shopping centres and retail parks

In determining the valuation of a shopping centre the valuers take into account property specific information such as the current tenancy agreements and rental income. They then apply judgemental assumptions such as estimated rental value ("ERV") and yield, which are influenced by prevailing market yields and where available comparable market transactions and leasing evidence, to arrive at the final valuation. Due to the unique nature of each property the judgemental assumptions to be applied are determined having regard to the individual property characteristics at a detailed, tenant by tenant level, as well as considering the qualities of the property as a whole.

Developments

In determining the valuation of development property under a residual valuation the valuers take into account the property specific information such as the development plans for the site. They then apply a number of judgemental assumptions including ERV and yield within the gross development value, estimated costs to complete and developers profit to arrive at the valuation. Due to the unique nature of an ongoing development the judgemental assumptions to be applied are determined having regard to the nature and risks associated with each development. In determining the valuation of operational properties with development potential the valuers initially follow the same methodology as described previously to arrive at an income capitalisation value. Having regard to the unique nature of each property, the likelihood of the development progressing and the status of planning consents for the development, the valuers then make adjustments to the valuation to reflect development potential. In determining the value of development land the valuers primarily have regard for the value per acre achieved by recent comparable land transactions.

How our audit addressed the key audit matter

We held discussions with each of the external valuers to discuss and challenge the valuation process, the key assumptions, and the rationale behind the more significant valuation movements during the year. It was evident from our interaction with the external valuers, and from our review of the valuation reports, that close attention had been paid to each property's individual characteristics at a detailed, tenant by tenant level, as well as considering the property specific factors such as the latest leasing activity, tenant mix, the impact of CVAs and administrations, geographic location, the desirability of the asset as a whole, and the impact that Covid-19 has had on the asset.

In addition we performed the following procedures for each type of property. We were able to obtain sufficient evidence to support the valuation and did not identify any material issues during our work.

– Shopping centres and retail parks

For shopping centres and retail parks we obtained details of each property and set an expected range for yield and capital value movement, determined by reference to published benchmarks and using our experience and knowledge of the market. We compared the yield and capital movement of each property with our expected range. We also considered the reasonableness of other assumptions that are not so readily comparable with published benchmarks, in particular ERV where, for a sample of individual retail units, we specifically challenged the valuers to support their individual ERV assumption with reference to available evidence and in the context of the impact of Covid-19 on retailers. Where assumptions were outside the expected range or otherwise appeared unusual we undertook further investigations and, when necessary, obtained corroborating evidence to support explanations received. This enabled us to assess the property specific factors that had an impact on value, including recent comparable transactions and leasing evidence where available, and to conclude on the reasonableness of the assumptions utilised.

– Developments

For significant ongoing developments valued via the residual valuation method we obtained the development appraisal and assessed the reasonableness of the valuers' key assumptions. This included comparing the yield to comparable market benchmarks, comparing the costs to complete estimates to development plans and contracts, and considering the reasonableness of other assumptions that are not so readily comparable with published benchmarks, such as ERV, cost contingencies and developers profit. Where assumptions appeared unusual we undertook further investigations and, when necessary, obtained corroborating evidence to support explanations received.

For operational properties with development potential we performed the same procedures as described previously for shopping centres and retail parks. We also considered the reasonableness of any additional value recognised for development potential by reviewing the stage of progress of the proposed development including verifying any planning consents obtained.

For development land valued on a per acre basis we obtained details of the comparable land transactions utilised by the valuers. We verified the value of these transactions to supporting evidence and considered their comparability to the asset being valued.

Material valuation uncertainty clause in respect of the Irish investment and development properties

We considered the adequacy of the disclosures made in notes 1D (significant estimates) and 12 (investment properties) to the financial statements. These notes explain that there is significant estimation uncertainty in relation to the valuation of investment properties within the Irish component of £861 million included in the Consolidated balance sheet as at 31 December 2020. We challenged management regarding the key assumptions within the Irish valuations, including yield and ERV, in line with those procedures set out previously in this Key audit matter. Accordingly we obtained sufficient appropriate audit evidence to demonstrate that management's assessment of the suitability of the inclusion of the valuation in the Consolidated balance sheet is appropriate. Notwithstanding this we would highlight that the inclusion of the material valuation uncertainty clause means that there is a higher degree of caution attached to these valuations, and that there is a wider acceptable range as at 31 December 2020 for the valuations than would normally be the case. This is illustrated by the wider range used in the sensitivity analysis in respect of these properties as disclosed within note 1D. We are satisfied these disclosures are appropriate.

Key audit matter

How our audit addressed the key audit matter

Accounting for the investment in Value Retail and valuation of investment property held by Value Retail (Group)

Refer to pages 101 to 102 (Significant estimates – Property valuations), page 106 and 107 (Significant accounting policies – Joint operations, joint ventures and associates and Property portfolio) and pages 129 to 131 (Notes to the financial statements – note 14).

The Group has an investment in Value Retail, a separate group owning a number of premium outlets in the United Kingdom and across Europe. The Group equity accounts for its interest in Value Retail as an associate. The Group's investment as at 31 December 2020 was £1,154 million (2019: £1,355 million).

Investment property valuation

The valuation of the Group's investment in Value Retail is predominantly driven by the valuation of the property assets within the Value Retail portfolio. The value of the properties was £5,263 million as at 31 December 2020 (2019: £5,365 million). The Group's share of the Value Retail property, which is included within the wider Group portfolio of £6,338 million (2019: £8,327 million), was £1,924 million (2019: £1,966 million) and has been impacted by the Covid-19 pandemic.

The closing valuation was carried out by Cushman & Wakefield, in accordance with the RICS Valuation – Professional Standards and the Group accounting policies which incorporate the requirements of International Accounting Standard 40, 'Investment Property' and IFRS 13 'Fair value measurement'. The premium outlets' fair value is determined by their investment value utilising a discounted cash flow ("DCF") basis.

In determining the valuation of a premium outlet the valuers take into account property specific information such as current tenancy agreements, rental income generated by the asset, as well as property operating costs. They then apply judgmental assumptions such as yield, discount rate and expected rental income growth rates, which are influenced by prevailing market yields and where appropriate comparable market transactions, to arrive at the final valuation. Due to the unique nature of each property, the judgmental assumptions to be applied are determined having regard to the individual property characteristics at a detailed, unit by unit level, as well as considering the qualities of the property as a whole.

Accounting for the investment in Value Retail

Value Retail has a complex ownership structure whereby each investing party owns differing proportions of each of the entities, and hence properties, within the Value Retail group. As such this creates significant complexity in determining the overall investment in Value Retail held within the Group consolidated financial statements.

Therefore, on the basis of the significant judgement within the investment property valuation, and the complexity in determining the overall investment in Value Retail, we identified this as a key audit matter.

Overall findings

We found that the assumptions used in the valuations were predominantly consistent with our expectations and comparable benchmarking information for the asset type, and that the assumptions were applied appropriately and reflected available comparable market transactions and leasing evidence. Furthermore we found that the valuers had appropriately reflected the significant impact that Covid-19 has had on these properties within their valuations. Where assumptions did not fall within our expected range we were satisfied that variances were due to property specific factors such as location and tenant mix. Therefore, while subject to a greater degree of subjectivity than in previous years, we concluded that the assumptions used in the valuations by the external valuers were supportable.

Investment property valuation

As Group auditors we formally instructed the component auditors of Value Retail to perform a full scope audit over the financial information of Value Retail. This included audit work over the valuation of investment property within Value Retail.

Our component auditors obtained details of each property. They assessed the reasonableness of each property's key assumptions comparing its yield, discount rate and rental income growth rates to comparable market benchmarks. In doing so they had regard to property specific factors and knowledge of the market, including comparable transactions and leasing evidence where appropriate, as well as the impact that Covid-19 is likely to have on rental income levels in the short to medium term. They obtained corroborating evidence to support explanations received from the valuers where appropriate.

We have obtained reporting from the component auditors and have reviewed the results and quality of their work over investment property valuation.

In addition the Group audit team participated in the meeting held between Cushman & Wakefield and the component auditors and reviewed the component auditors' working papers.

We have no issues to report and have obtained sufficient audit comfort over the investment property balances within the Value Retail financial information.

Accounting for the investment in Value Retail

In respect of the complexity within the calculation of the Group's investment in Value Retail, we obtained the ownership structure for Value Retail as at 31 December 2020. We instructed the component auditor to verify the Group's percentage ownership of each entity within the Value Retail group. We have obtained reporting from the component auditors on this procedure and have reviewed the results and quality of their work.

We have tested the adjustments made within the Group consolidation in accordance with IAS 28 'Investments in associates and joint ventures', in arriving at the Group's equity accounted investment in Value Retail to determine whether they are appropriate.

We have no issues to report in respect of this work.

Key audit matter***Expected Credit Losses on accounts receivable and unamortised tenant incentives (Group)***

Refer to page 59 (Audit Committee Report), page 99 (Basis of preparation - Impairment provisioning), pages 102 to 103 (Significant estimates - Impairment of trade receivables and tenant incentives), page 106 (Significant accounting policies), page 132 (Notes to the financial statements – note 15) and pages 137 to 138 (Notes to the financial statements – note 21E).

The total value of accounts receivables recognised within the Group's subsidiaries is £83 million (2019: £42 million) and within joint ventures and associates (excluding Value Retail) was £87 million (2019: £19 million) at 31 December 2020, against which an Expected Credit Loss ('ECL') provision of £36 million (2019: £10 million) and £44 million (2019: £7 million) has been recognised. Total unamortised tenant incentives across the Group's subsidiaries is £44 million (2019: £37 million) and across joint ventures and associates (excluding Value Retail) was £24 million (2019: £23 million) at 31 December 2020, against which an ECL provision of £10 million (2019: £nil) and £5 million (2019: £nil) has been recognised.

The Covid-19 pandemic has resulted in the closure of the Group's properties at various times during the year. This, together with the wider pre-existing challenges in the retail market, has caused a significant increase in the level of arrears as at 31 December 2020. The effects of the pandemic are likely to continue to be experienced for some time. In this context the estimation of an ECL provision against accounts receivables and unamortised tenant incentives is highly subjective and contains significant estimation uncertainty.

The Directors have utilised a provisioning matrix methodology to determine the ECL provision. Under this approach each tenant has been placed into a risk category based on the perceived risk of tenant default. Multiple data points have been used to drive this categorisation including: the size and type of business, payment history, latest current trading performance, credit information, forward-looking economic factors and ongoing tenant negotiations. A provisioning percentage has then been applied to each category to reflect the expected portion of tenants within each category for which an ECL provision is required.

On the basis of the significant estimation uncertainty in determining the appropriate level of ECL provisions to be recognised given the ongoing impact that the Covid-19 pandemic is having on the retail sector, we identified this as a key audit matter.

Impact of Covid-19 (Group and Company)

Refer to pages 35 to 41 (Risks and uncertainties), pages 42 to 43 (Viability statement), pages 101 to 103 (Significant estimates), pages 104 to 105 (Going concern) and page 148 (Company – Going concern).

The Covid-19 pandemic has had a significant impact on the Group, severely reducing both property valuations and net rental income. The extent of the negative impact of the pandemic on future performance is difficult to predict as government intervention continues, such as the UK rent moratorium, and wider structural challenges in the retail sector remain.

The most significant impacts of Covid-19 on the Group and Company financial statements have been:

- The assessment of the Group's and Company's ability to continue as a going concern. The Directors' have forecast the expected impact of Covid-19 into their base scenario, and then applied appropriate sensitivities to ascertain a severe but plausible scenario. As described in the Material uncertainty related to going concern section of this report they have then modelled the impact on both liquidity and covenant compliance of these scenarios.
- The valuations of investment and development properties across the Group's shopping centres, retail parks, developments and premium outlets, have fallen, in some cases significantly, during the year. The lower levels of transactional activity and leasing evidence has also served to heighten the estimation uncertainty within the valuation, as described in the key audit matters above.

How our audit addressed the key audit matter

We have evaluated the methodology utilised by the Directors in determining the ECL provisions as at 31 December 2020. We are satisfied the approach is compliant with the requirements of IFRS 9 Financial Instruments.

We have tested the mathematical accuracy of the ECL provision on both accounts receivables and unamortised tenant incentives, and verified it is accurate.

On a sample basis, we have performed detailed testing over the underlying data and information used in the ECL analysis including but not limited to verifying: the tenant's year end outstanding receivable balance net of deposits; the tenant's year end unamortised lease incentive balance; tenant's credit histories and their current trading performance; status of ongoing discussions with tenants, the ageing of the balances; the level of cash collections both during the year and post year end; and the forward looking macroeconomic environment amongst other factors.

We have tested the key assumptions within the ECL provision calculation, being the categorisation of tenants and the percentage provisioning rates applied to each category. In doing so we had direct regard to the underlying data and information described above. We are satisfied the assumptions utilised are reasonable.

We have performed sensitivity analysis to understand the impact that reasonable changes in the provisioning percentage assumptions has on the overall ECL provision.

We have assessed the appropriateness of related disclosures included in the notes to the Group financial statements and consider them to be reasonable.

We have no issues to report in respect of this work.

Key audit matters and material uncertainty related to going concern

Our conclusions in respect of the Group and Company's going concern are set out separately within this report within the "Material uncertainty related to going concern section" above.

Our procedures in respect of the valuation of investment and development properties across shopping centres, retail parks, developments and premium outlets are covered in the related key audit matters above.

Our procedures in respect of the Expected Credit Losses provisions recognised against accounts receivable balances and unamortised tenant incentives are covered in the related key audit matter above.

Our procedures in respect of the Company's investments in subsidiary undertakings and intercompany receivables are covered in the related key audit matter below.

Business processes and controls

We considered whether changes to management's working practices as a result of Covid-19 had an adverse impact on the effectiveness of the Group's business processes and controls, including IT general controls. Our planned tests of controls did not identify any evidence of a material deterioration in the control environment in relation to financial reporting processes.

Key audit matter

- The Expected Credit Loss provisions recognised against accounts receivable balances and unamortised tenant incentives have significantly increased during the year as a result of the distress being experienced by retailers as a result of Covid-19. This is described in the key audit matter above.
- The assessment of the carrying value of the Company's investments in subsidiary companies and intercompany receivables, which are directly linked to the underlying property valuations, has resulted in significant valuation reductions during the year as described in the related key audit matter below.

Valuation of investments in subsidiary companies and intercompany receivables (Company)

Refer to page 148 (Accounting Policies) and page 149 (Notes to the financial statements – note C and D).

The Company has investments in subsidiary companies of £2,409 million (2019: £3,775 million) and intercompany receivables of £4,308 million (2019: £4,953 million) as at 31 December 2020. This is following the recognition of a £1,369 million (2019: £1,287 million) revaluation loss on investments in subsidiary companies and an Expected Credit Loss impairment of £310 million (2019: £nil) recognised on intercompany receivables in the year.

The Company's accounting policy for investments is to hold them at fair value, while intercompany receivables are carried at amortised cost but subject to the Expected Credit Loss impairment requirements. Given the inherent judgement and complexity in assessing both the fair value of a subsidiary company, and the Expected Credit Loss of intercompany receivables, this was identified as a key audit matter for our audit of the Company.

The primary determinant and key judgement within both the fair value of each subsidiary company and the Expected Credit Loss of intercompany receivables is the value of the investment property held by each investee/counterparty. As such it was over this area to which we applied the most focus and audit effort.

How our audit addressed the key audit matter

Disclosures

In addition to the procedures above, we assessed the disclosures presented in the Annual Report in relation to Covid-19, by reading the other information, including the Risks and uncertainties and Viability statement set out in the Strategic Report, and assessing its consistency with the financial statements and the evidence we obtained in our audit. We have nothing to report in respect of these disclosures.

We also considered the appropriateness of the disclosures in the financial statements around the increased estimation uncertainty on certain Group and Company accounting estimates. We consider these disclosures to be adequate.

We obtained the Directors' valuation for the value of investments held in subsidiary companies and their Expected Credit Loss assessment of intercompany receivables as at 31 December 2020.

We assessed the accounting policy for investments and intercompany receivables to ensure they were compliant with FRS 101 "Reduced Disclosure Framework".

We verified that the methodology used by the Directors in arriving at the fair value of each subsidiary, and the Expected Credit Loss 'general approach' provision for intercompany receivables, was compliant with FRS 101 "Reduced Disclosure Framework".

We identified the key judgement within both the valuation of investments held in subsidiary companies and intercompany receivables to be the valuation of investment property held by each investee/counterparty. For details of our procedures over investment property valuations please refer to the related Group key audit matter above.

We have no issues to report in respect of this work.

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the Group and the Company, the accounting processes and controls, and the industry in which they operate.

The Group owns and invests in a number of shopping centres, retail parks, developments and premium outlets across the United Kingdom and Europe. These are held within a variety of subsidiaries, joint ventures and associates.

Based on our understanding of the Group we focussed our audit work primarily on four components being: UK, France, Ireland and Value Retail.

The UK, French and Value Retail components were subject to a full scope audit given their financial significance to the Group. Ireland was subject to an audit over certain account balances (including investment property), based on our assessment of risk and materiality of the Group's operations at each component.

The UK, French and Value Retail components account for 89% (2019: 88%) of the Group's total assets. The UK and Irish components were audited by the Group team. The French and Value Retail components were audited by component teams.

Detailed instructions were sent to both component teams. These instructions covered the significant areas that should be addressed by the component auditors (which included the relevant risks of material misstatement) and set out the information required to be reported back to the Group audit team. In addition, regular meetings were held with the component audit teams, with the Group audit team attending the clearance meeting for all component audits. Finally the Group audit team performed a detailed review of the working papers of all component teams to ensure the work performed was appropriate.

These procedures, together with additional procedures performed at the Group level (including audit procedures over the consolidation and consolidation adjustments), gave us the evidence we needed for our opinion on the Group financial statements as a whole.

In respect of the audit of the Company, the Group audit team performed a full scope statutory audit.

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	Group financial statements	Company financial statements
Overall materiality	£44.0 million (2019: £55.0 million).	£53.5 million (2019: £66.0 million).
How we determined it	0.75% of the Group's total assets	0.75% of the Company's total assets
Rationale for benchmark applied	We determined materiality based on total assets given the valuation of investment properties, whether held directly or through joint ventures and associates, is the key determinant of the Group's value. This materiality was utilised in the audit of investing and financing activities.	Given the Hammerson plc entity is primarily a holding company we determined total assets to be the appropriate benchmark.
Specific materiality	£7.3 million (2019: £10.6 million).	Not applicable.
How we determined it	5% of the Group's weighted average adjusted earnings from 2018 to 2020 (2019: 5% of the Group's 2019 adjusted profit).	Not applicable.
Rationale for benchmark applied	In arriving at this materiality we had regard to the fact that adjusted earnings is a secondary financial indicator of the Group (refer to note 11 of the financial statements which includes a reconciliation between IFRS and adjusted earnings) and a weighted average of the last three years from 2018 to 2020 was utilised to reflect the one off impact of Covid-19 on the Group's results in 2020. This materiality was utilised in the audit of operating activities.	

For each component in the scope of our Group audit, we allocated a materiality that is less than our overall Group materiality. The range of materiality allocated across components for investing and financing activities was £22.0 million to £38.0 million. The range of materiality allocated across components for operating activities was £3.2 million to £6.5 million.

We use performance materiality to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds overall materiality. Specifically, we use performance materiality in determining the scope of our audit and the nature and extent of our testing of account balances, classes of transactions and disclosures, for example in determining sample sizes. Our performance materiality for investing and financing activities was 75% of overall materiality, amounting to £33.0 million for the Group financial statements and £40.1 million for the Company financial statements. Our performance materiality for operating activities was 75% of specific materiality, amounting to £5.5 million for the Group financial statements.

In determining the performance materiality, we considered a number of factors - the history of misstatements, risk assessment and aggregation risk and the effectiveness of controls - and concluded that an amount at the upper end of our normal range was appropriate.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £2.2 million (Group audit) (2019: £2.7 million) for investing and financing activities, £0.7 million (Group audit) (2019: £1.1 million) for operating activities, and £2.7 million (Company audit) (2019: £3.3 million) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

Reporting on other information

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

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

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

Strategic Report and Directors' report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' report for the year ended 31 December 2020 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

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

Directors' Remuneration

In our opinion, the part of the Directors' Remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.

Corporate governance statement

The Listing Rules require us to review the Directors' statements in relation to going concern, longer-term viability and that part of the corporate governance statement relating to the Company's compliance with the provisions of the UK Corporate Governance Code specified for our review. Our additional responsibilities with respect to the corporate governance statement as other information are described in the Reporting on other information section of this report.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the corporate governance statement, included within the Corporate Governance report is materially consistent with the financial statements and our knowledge obtained during the audit, and, except for the matters reported in the section headed 'Material uncertainty related to going concern', we have nothing material to add or draw attention to in relation to:

- The Directors' confirmation that they have carried out a robust assessment of the emerging and principal risks;
- The disclosures in the Annual Report that describe those principal risks, what procedures are in place to identify emerging risks and an explanation of how these are being managed or mitigated;
- The Directors' statement in the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them, and their identification of any material uncertainties to the Group's and Company's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements;
- The Directors' explanation as to their assessment of the Group's and Company's prospects, the period this assessment covers and why the period is appropriate; and
- The Directors' statement as to whether they have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the period of its assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Our review of the Directors' statement regarding the longer-term viability of the Group was substantially less in scope than an audit and only consisted of making inquiries and considering the Directors' process supporting their statement; checking that the statement is in alignment with the relevant provisions of the UK Corporate Governance Code; and considering whether the statement is consistent with the financial statements and our knowledge and understanding of the Group and Company and their environment obtained in the course of the audit.

In addition, based on the work undertaken as part of our audit, we have concluded that each of the following elements of the corporate governance statement is materially consistent with the financial statements and our knowledge obtained during the audit:

- The Directors' statement that they consider the Annual Report, taken as a whole, is fair, balanced and understandable, and provides the information necessary for the members to assess the Group's and Company's position, performance, business model and strategy;
- The section of the Annual Report that describes the review of effectiveness of risk management and internal control systems; and
- The section of the Annual Report describing the work of the Audit Committee.

We have nothing to report in respect of our responsibility to report when the Directors' statement relating to the Company's compliance with the Code does not properly disclose a departure from a relevant provision of the Code specified under the Listing Rules for review by the auditors.

Responsibilities for the financial statements and the audit

Responsibilities of the Directors for the financial statements

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

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

Auditors' responsibilities for the audit of the financial statements

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

Our audit testing might include testing complete populations of certain transactions and balances, possibly using data auditing techniques. However, it typically involves selecting a limited number of items for testing, rather than testing complete populations. We will often seek to target particular items for testing based on their size or risk characteristics. In other cases, we will use audit sampling to enable us to draw a conclusion about the population from which the sample is selected.

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

Use of this report

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

Other required reporting

Companies Act 2006 exception reporting

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

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

We have no exceptions to report arising from this responsibility.

Appointment

Following the recommendation of the Audit Committee, we were appointed by the members on 25 April 2017 to audit the financial statements for the year ended 31 December 2017 and subsequent financial periods. The period of total uninterrupted engagement is 4 years, covering the years ended 31 December 2017 to 31 December 2020.

Sonia Copeland (Senior Statutory Auditor)

for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London

11 March 2021

Consolidated income statement
for the year ended 31 December 2020

	Notes	2020 £m	2019 ¹ £m
Revenue	4	182.9	246.2
Operating profit before other net losses and share of results of joint ventures and associates^{2,3}	2	31.2	111.0
Profit/(Loss) on sale of properties		11.6	(105.8)
Net exchange gain previously recognised in equity, recycled on disposal of foreign operations		5.2	13.8
Revaluation losses on properties		(493.5)	(412.2)
Impairment relating to assets held for sale: VIA Outlets ⁴		(103.8)	-
Impairment recognised on reclassification to assets held for sale: Retail parks		-	(91.6)
Reversal of impairment on reclassification from assets held for sale: Retail parks		22.4	-
Other losses ⁵		(0.4)	-
Other net losses	2	(558.5)	(595.8)
Share of results of joint ventures	13A	(882.7)	(429.1)
Impairment of investment in joint ventures	13D	(9.6)	-
Share of results of associates	14A	(148.3)	209.4
Impairment of investment in associates	14E	(94.3)	-
Operating loss	2	(1,662.2)	(704.5)
Finance costs		(95.5)	(102.5)
Change in fair value of derivatives		13.7	6.2
Finance income		9.6	21.5
Net finance costs	8	(72.2)	(74.8)
Loss before tax		(1,734.4)	(779.3)
Tax charge	9A	(0.5)	(1.9)
Loss for the year		(1,734.9)	(781.2)
Attributable to:			
Equity shareholders		(1,734.8)	(781.2)
Non-controlling interests		(0.1)	-
Loss for the year		(1,734.9)	(781.2)
Basic loss per share⁶	11B	(76.9)p	(46.6)p
Diluted loss for share⁶	11B	(76.9)p	(46.6)p

- Retail parks presented as discontinued for the year ended 31 December 2019 have been re-presented as continuing operations as the IFRS 5 criteria ceased to be met in 2020 as detailed in note 1B.
- Included within 'Operating profit before other net losses and share of results of joint ventures and associates' is a loss allowance provision charge against trade receivables totalling £25.2 million, comprising £21.3 million in relation to income recognised up to 31 December 2020 (included in other property outgoings in note 2) and £3.9 million relating to amounts not yet recognised in the consolidated income statement (separately identified in note 2). The provision charge for the year ended 31 December 2019 was £1.4 million which all related to income for the year. Refer to note 1D for further details.
- Included within 'Operating profit before other net losses and share of results of joint ventures and associates' is a £9.5 million provision for impairment of lease incentives (2019: £nil). Refer to note 1D for further details.
- The Group reclassified substantially all of its investment in VIA Outlets to assets held for sale on 30 June 2020, recognising an impairment loss of £103.8 million. This investment was subsequently sold on 31 October 2020 for net proceeds of £270.7 million. Refer to note 18A for further details.
- Other losses comprise £0.3 million relating to indirect costs of the rights issue and £0.1 million change in fair value of other investments.
- The 2019 comparative per share data has been restated in accordance with IAS 33 following the share consolidation and rights issue in September 2020. Refer to note 11D for further details.

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

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

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

Consolidated balance sheet
As at 31 December 2020

	Notes	2020 £m	2019 £m
Non-current assets			
Investment and development properties	12	2,152.8	2,098.7
Interests in leasehold properties		38.6	34.3
Right-of-use assets		6.7	10.1
Plant and equipment		2.3	3.2
Investment in joint ventures	13A	1,813.6	3,017.1
Investment in associates	14C	1,298.4	1,504.5
Other investments	18A	9.7	–
Derivative financial instruments	21A	6.6	31.6
Restricted monetary assets	16	21.4	–
Receivables		3.4	3.4
		5,353.5	6,702.9
Current assets			
Receivables	15	105.9	96.3
Derivative financial instruments	21A	9.1	0.8
Restricted monetary assets	16	28.3	21.5
Cash and deposits	17	409.5	28.2
		552.8	146.8
Assets held for sale	18C	–	465.7
		552.8	612.5
Total assets		5,906.3	7,315.4
Current liabilities			
Loans	20	(115.0)	–
Payables	19	(205.0)	(193.5)
Tax		(1.3)	(1.5)
Derivative financial instruments	21A	(2.3)	(4.1)
		(323.6)	(199.1)
Liabilities associated with assets held for sale	18C	–	(19.7)
		(323.6)	(218.8)
Non-current liabilities			
Loans	20	(2,143.7)	(2,504.9)
Deferred tax		(0.4)	(0.4)
Derivative financial instruments	21A	(84.7)	(70.7)
Obligations under head leases	22	(41.8)	(36.9)
Payables	23	(103.2)	(106.5)
		(2,373.8)	(2,719.4)
Total liabilities		(2,697.4)	(2,938.2)
Net assets		3,208.9	4,377.2
Equity			
Share capital	24	202.9	191.6
Share premium		1,611.9	1,266.0
Translation reserve		666.0	520.9
Net investment hedge reserve		(519.2)	(430.8)
Cash flow hedge reserve		3.4	(1.4)
Merger reserve		374.1	374.1
Other reserves		207.1	25.6
Retained earnings		663.0	2,433.2
Investment in own shares		(0.4)	(2.2)
Equity shareholders' funds		3,208.8	4,377.0
Non-controlling interests	28C	0.1	0.2
Total equity		3,208.9	4,377.2
EPRA net tangible assets value per share	11E	£0.82	£1.16*

* Restated as a result of the rights issue. For more information refer to note 11F.

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

Rita-Rose Gagné
Director

James Lenton
Director

Registered in England No. 360632

Consolidated statement of changes in equity
for the year ended 31 December 2020

	Share capital £m	Share premium £m	Translation reserve £m	Net investment hedge reserve £m	Cash flow hedge reserve £m	Merger reserve £m	Other reserves ³ £m	Retained earnings £m	Investment in own shares ⁴ £m	Equity shareholders' funds £m	Non-controlling interests £m	Total equity £m
Balance at 1 January 2020	191.6	1,266.0	520.9	(430.8)	(1.4)	374.1	25.6	2,433.2	(2.2)	4,377.0	0.2	4,377.2
Capital reorganisation ¹	(183.9)	-	-	-	-	-	183.9	-	-	-	-	-
Rights issue ¹	183.9	372.7	-	-	-	-	-	-	-	556.6	-	556.6
Rights issue expenses ²	-	(26.8)	-	-	-	-	-	-	-	(26.8)	-	(26.8)
Share-based employee remuneration (note 5)	-	-	-	-	-	-	2.2	-	-	2.2	-	2.2
Cost of shares awarded to employees	-	-	-	-	-	-	(2.0)	-	2.0	-	-	-
Transfer on award of own shares to employees	-	-	-	-	-	-	(2.6)	2.6	-	-	-	-
Proceeds on award of own shares to employees	-	-	-	-	-	-	-	0.2	-	0.2	-	0.2
Purchase of own shares	-	-	-	-	-	-	-	-	(0.2)	(0.2)	-	(0.2)
Dividends (note 10)	-	-	-	-	-	-	-	(71.5)	-	(71.5)	-	(71.5)
Scrip dividend related share issue (note 10)	11.3	-	-	-	-	-	-	47.1	-	58.4	-	58.4
Exchange (gain)/loss previously recognised in equity recycled on disposal of foreign operations	-	-	(26.0)	20.8	-	-	-	-	-	(5.2)	-	(5.2)
Foreign exchange translation differences	-	-	171.1	-	-	-	-	-	-	171.1	-	171.1
Loss on net investment hedge	-	-	-	(109.2)	-	-	-	-	-	(109.2)	-	(109.2)
Loss on cash flow hedge	-	-	-	-	(3.4)	-	-	-	-	(3.4)	-	(3.4)
Loss on cash flow hedge recycled to net finance costs	-	-	-	-	8.2	-	-	-	-	8.2	-	8.2
Share of other comprehensive loss of associates (note 14E)	-	-	-	-	-	-	-	(1.0)	-	(1.0)	-	(1.0)
Net actuarial losses on pension schemes (note 7C)	-	-	-	-	-	-	-	(12.8)	-	(12.8)	-	(12.8)
Loss for the year	-	-	-	-	-	-	-	(1,734.8)	-	(1,734.8)	(0.1)	(1,734.9)
Total comprehensive income/(loss) for the year	-	-	145.1	(88.4)	4.8	-	-	(1,748.6)	-	(1,687.1)	(0.1)	(1,687.2)
Balance at 31 December 2020	202.9	1,611.9	666.0	(519.2)	3.4	374.1	207.1	663.0	(0.4)	3,208.8	0.1	3,208.9

1. During the year the Company completed a capital reorganisation and rights issue. For further information see note 24.

2. Only costs directly related to the rights issue have been recognised in the share premium account. A further £0.3 million of indirect costs have been recognised in the consolidated income statement.

3. Other reserves comprise capital redemption reserves of £198.2 million (2019: £14.3 million) and share-based employee remuneration reserves of £8.9 million (2019: £11.3 million). Capital redemption reserves comprise £14.3 million (2019: £14.3 million) relating to share buybacks and £183.9 million (2019: £nil) resulting from the cancellation of the Company's shares as part of the reorganisation of share capital in 2020. See note 24 for further details.

4. Investment in own shares is stated at cost.

	Share capital £m	Share premium £m	Translation reserve £m	Net investment hedge reserve £m	Cash flow hedge reserve £m	Merger reserve £m	Other reserves ¹ £m	Retained earnings £m	Investment in own shares ² £m	Equity shareholders' funds £m	Non-controlling interests £m	Total equity £m
Balance at 1 January 2019	191.6	1,266.0	794.3	(624.7)	(8.2)	374.1	27.2	3,415.3	(3.0)	5,432.6	0.3	5,432.9
Share buyback – release of 2018 accrual	-	-	-	-	-	-	-	0.8	-	0.8	-	0.8
Share-based employee remuneration (note 5)	-	-	-	-	-	-	3.0	-	-	3.0	-	3.0
Cost of shares awarded to employees	-	-	-	-	-	-	(2.6)	-	2.6	-	-	-
Transfer on award of own shares to employees	-	-	-	-	-	-	(2.0)	2.0	-	-	-	-
Proceeds on award of own shares to employees	-	-	-	-	-	-	-	0.2	-	0.2	-	0.2
Purchase of own shares	-	-	-	-	-	-	-	-	(1.8)	(1.8)	-	(1.8)
Dividends (note 10)	-	-	-	-	-	-	-	(198.4)	-	(198.4)	-	(198.4)
Exchange (gain)/loss previously recognised in equity recycled on disposal of foreign operations	-	-	(69.1)	55.3	-	-	-	-	-	(13.8)	-	(13.8)
Foreign exchange translation differences	-	-	(204.3)	-	-	-	-	-	-	(204.3)	(0.1)	(204.4)
Gain on net investment hedge	-	-	-	138.6	-	-	-	-	-	138.6	-	138.6
Loss on cash flow hedge	-	-	-	-	(8.4)	-	-	-	-	(8.4)	-	(8.4)
Loss on cash flow hedge recycled to net finance costs	-	-	-	-	15.2	-	-	-	-	15.2	-	15.2
Share of other comprehensive loss of associates (note 14E)	-	-	-	-	-	-	-	(4.0)	-	(4.0)	-	(4.0)
Net actuarial losses on pension schemes (note 7C)	-	-	-	-	-	-	-	(1.5)	-	(1.5)	-	(1.5)
Loss for the year	-	-	-	-	-	-	-	(781.2)	-	(781.2)	-	(781.2)
Total comprehensive (loss)/income for the year	-	-	(273.4)	193.9	6.8	-	-	(786.7)	-	(859.4)	(0.1)	(859.5)
Balance at 31 December 2019	191.6	1,266.0	520.9	(430.8)	(1.4)	374.1	25.6	2,433.2	(2.2)	4,377.0	0.2	4,377.2

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

2. Investment in own shares is stated at cost.

Consolidated cash flow statement
for the year ended 31 December 2020

	Notes	2020 £m	2019 £m
Operating activities			
Operating profit before other net losses and share of results of joint ventures and associates	2	31.2	111.0
Increase in receivables		(44.9)	(0.1)
Increase in restricted monetary assets		(25.2)	(0.2)
Decrease in payables ¹		(17.5)	(8.3)
Adjustment for non-cash items ²	26	41.4	8.9
Cash (incurred)/generated from operations		(15.0)	111.3
Interest received		19.6	21.4
Interest paid		(101.8)	(102.9)
Tax paid		(0.8)	(1.9)
Distributions and other income from joint ventures		15.6	139.2
Cash flows from operating activities		(82.4)	167.1
Investing activities			
Property acquisitions		(0.2)	(0.7)
Developments and major refurbishments		(49.6)	(40.2)
Other capital expenditure		(18.5)	(39.7)
Sale of properties		56.4	536.1
Sale of investment in VIA Outlets	1C	272.0	-
Advances to joint ventures	13D	(13.1)	(29.1)
Acquisition of interest in joint venture		-	(29.0)
Acquisition of interest in associates		-	(1.3)
Distributions received from associates		6.1	30.5
Cash flows from investing activities		253.1	426.6
Financing activities			
Proceeds from rights issue		556.6	-
Rights issue expenses		(24.9)	-
Proceeds from award of own shares		0.2	0.2
Purchase of own shares		(0.2)	(1.8)
Share buyback		-	(1.5)
Proceeds from new borrowings		75.0	48.2
Repayment of borrowings		(385.8)	(439.9)
Net decrease in borrowings	25	(310.8)	(391.7)
Equity dividends paid	10	(13.4)	(198.9)
Cash flows from financing activities		207.5	(593.7)
Net increase in cash and deposits		378.2	-
Opening cash and deposits		28.2	31.2
Cash and deposits reclassified from assets held for sale		1.6	-
Exchange translation movement		1.5	(1.4)
Closing cash and deposits		409.5	29.8
Less: cash and deposits classified as held for sale		-	(1.6)
Closing cash and deposits as stated on balance sheet³	17	409.5	28.2

1. £24.4 million (2019: £4.7 million) of the decrease in payables related to employer contributions and net benefits paid relating to the pension scheme.

2. In 2020 the adjustment for non-cash items has increased due to additional loss allowance provisioning against trade receivables and impairment provisions recognised against lease incentives, totalling £34.7 million (2019: £1.4 million).

3. An analysis of the movement in net debt is provided in note 25 on page 144.

I: Significant accounting policies

A. Statement of compliance

The consolidated financial statements of Hammerson plc have been prepared in accordance with both international accounting standards in conformity with the requirements of the Companies Act 2006 and International Financial Reporting Standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union, (IFRS adopted by the European Union as at 31 December 2020), as well as SAICA Financial Reporting Guides as issued by the Accounting Practices committee. The following new and revised Standards and Interpretations have been issued:

Issued, and effective:

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

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

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

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

Issued, but not yet effective:

- Interest Rate Benchmark Reform – Phase 2 – Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 (effective from 1 January 2021)
- Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current
- Amendments to IFRS 3 Business Combinations; IAS 16 Property, Plant and Equipment; IAS 37 Provisions, Contingent Liabilities and Contingent Assets

B. Basis of preparation

The financial statements are prepared on a going concern basis, as explained in the Financial review section of the Strategic report on page 25.

The financial statements are presented in sterling. They are prepared on the historical cost basis, except that investment and development properties and derivative financial instruments are stated at fair value.

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

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

- The inclusion of two additional line items relating to provisioning within note 2 as detailed in "Impairment provisioning" below;
- The restatement of comparative earnings per share and NAV per share to adjust for the impact of the rights issue in the year as detailed in note 11, to enable meaningful comparison year on year;
- The restatement to the new EPRA net asset value metrics, effective from 1 January 2020, for 2019 to enable meaningful comparison year on year; and
- Re-presentation of the retail parks as continuing operations as detailed in note 1C.

Impairment provisioning

As detailed in Risks and uncertainties section on page 35, the Group is operating in an environment of heightened uncertainty caused by Covid-19 and consequently additional scrutiny and judgement is required in assessing revenue recognition and the potential impairment of financial assets.

For the year ended 31 December 2020, the Group has applied the simplified approach under IFRS 9 and adopted a loss allowance provisioning matrix to determine the Expected Credit Loss (ECL), incorporating historic default information, latest credit metrics and expectations for future losses. This approach has been applied to both trade receivables and unamortised tenant incentives, which are presented within investment property. As disclosed in the 2018 and 2019 Annual Reports, up to and including 31 December 2019, the Group's collection rates were high, and therefore specific provision was made against trade receivables based on risk characteristics and ageing, with the effectiveness of this approach being measured retrospectively by comparing the actual loss experienced against provision estimates in prior periods. Historically, as previously disclosed, this approach provided an outcome which was consistent with the ECL model and was IFRS 9 compliant. However, the current uncertain operating environment has meant this approach is no longer valid given the increased risk profile. This does not constitute a change in accounting policy nor a change in estimate, but is a revision to methodology to incorporate recent market developments.

As a result of the current environment, two additional sources of impairment loss have been recognised within the consolidated income statement for the year ended 31 December 2020:

- Provision for impairment of unamortised tenant incentives: The movement in the loss allowance provision in the period against unamortised tenant incentives held within investment properties, including cash incentives and rent free periods, included within other property outgoings. Tenant incentive amortisation will continue to be recognised within revenue.
- Provision for amounts not yet recognised in the income statement: The movement in the loss allowance provision in the period against trade receivables at the balance sheet date which relate to a future reporting period and where the corresponding liability is classified within payables, including rent and service charge arrears. This principally relates to quarterly demands in advance in the UK which were due on 25 December 2020. This cost is not deemed to be a direct property operating expense, as it is not attributable to income recognised in the financial period and has therefore been excluded from property outgoings as defined in the Glossary, but included as a separate line item within net rental income in note 2: Loss for the period on page 109. Bad debt expense relating to amounts recognised in the income statement in the period will continue to be recorded within other property outgoings.

Analysis of the application of the provisioning matrix is provided in note 1D on page 103, together with an allocation of the loss allowance provision on arrears between those amounts recognised within net rental income in the income statement for the current reporting period, and those where the income recognition is deferred.

Alternative Performance Measures (APMs)

For the year ended 31 December 2020 and all subsequent reporting periods, the Group's adjusted earnings metric will include an adjustment for the "provision for amounts not yet recognised in the income statement" as management believes this distorts earnings by reflecting the cost and corresponding income in different periods. Recognition of the provision on deferred income in one period, with recognition of the associated income in the following period would otherwise lead to ongoing timing differences which a reader of the financial statements may find challenging to reconcile. Management believes the treatment adopted will present more relevant and useful information to users of financial statements by aligning the impairment cost with the period in which the revenue has been recognised.

1: Significant accounting policies continued

Under IFRS 5, equity accounting ceases from the date of reclassification of investments in associates and joint ventures to assets held for sale. For the year ended 31 December 2020 and subsequent reporting periods, the adjusted earnings from investments in joint ventures and associates from the date of reclassification to assets held for sale up to the completion date will be included within the Group's adjusted earnings metric. Management believes this provides more relevant and useful information to users of the financial statements by incorporating all of the adjusted earnings to which the Group is entitled and is consistent with the income from investments in joint ventures and associates which are sold without first being reclassified to assets held for sale. Supporting calculations are provided in note 18B to the financial statements.

C. Significant judgements

The preparation of the financial statements requires management to exercise judgement in applying the Group's accounting policies and may affect the reported amounts of assets, liabilities, income and expenses. These judgements are considered each year by the Audit Committee, as explained on pages 58 and 59, and are set out below.

Accounting for assets held for sale, previously recognised as discontinued operations – retail parks

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

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

At 31 December 2019, management completed their assessment and concluded that the UK retail parks met the IFRS 5 criteria for 'held for sale' at the balance sheet date as a portfolio of retail parks was being actively marketed at a reasonable price with an expectation of transacting within a year. This was further evidenced by the exchange of contracts for the disposal of a portfolio of seven properties to Orion European Real Estate Fund V ("Orion") in February 2020. Consequently, all assets and liabilities associated with retail parks were reclassified to assets held for sale at 31 December 2019. On transfer to 'assets held for sale', the retail parks property portfolio was re-measured at the lower of the carrying amount and fair value less costs to sell, in accordance with IFRS 5, resulting in a £91.6 million impairment loss (£92.0 million on a proportionally consolidated basis) being recognised in 2019, predominantly a reflection of the portfolio discount.

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

In April 2020, Orion notified the Group that it no longer intended to complete on the portfolio sale, despite unconditional contracts having been exchanged. The Group subsequently terminated the Sale and Purchase Agreement in May 2020, retaining the £21.0 million non-refundable deposit held by solicitors on exchange, which has been recognised within "profit on sale of properties" in the year as detailed in note 2.

Consequently, in May 2020, management concluded that whilst the Group remained committed to near-term disposals, this no longer met the criteria of 'held for sale' as defined by IFRS 5 as the properties were not being actively marketed and it was not anticipated that completion would be reached within the prescribed 12-month period.

Therefore the UK retail parks portfolio was reclassified from assets held for sale in May 2020, and £22.4 million of the aforementioned £91.6 million impairment was reversed, reflecting the reversal of the portfolio discount applied at 31 December 2019, resulting in a net revaluation deficit from the formal valuation at 31 December 2019 of £69.2 million. The formal valuation by Cushman and Wakefield LLP at 30 June 2020 was used as a materially reasonable approximation of the value upon reclassification in May 2020. Results for the comparative periods have been re-presented to disclose the retail parks portfolio as part of continuing operations, whilst balance sheet comparatives at 31 December 2019 remain unchanged. From May 2020 the retail park portfolio has been treated as a continuing operation in the consolidated income statement, and as part of investment and development properties in the balance sheet.

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

In June 2020, the Group entered into negotiations for the sale of substantially all of its investment in VIA Outlets (VIA), subject to retention of a 7.3% stake in VIA Outlets Zweibrücken B.V.. At 30 June 2020, management completed their assessment and concluded that the proportion of investment in VIA identified for disposal met the IFRS 5 criteria for 'held for sale' at 30 June 2020 as the investment was being actively marketed at a reasonable price with an expectation of transacting within a year. This was further evidenced by the exchange of contracts for the sale of the investment on 6 August 2020. Consequently, the proportion of the investment in joint venture to be sold was reclassified to assets held for sale at 30 June 2020 at its carrying value of £376.3 million and re-measured at the lower of the carrying amount and fair value less costs of disposal, in accordance with IFRS 5. The fair value was based upon the transaction price, which is in turn linked to the net asset value of VIA, and resulted in a £103.8 million impairment loss being recognised in the year ended 31 December 2020. Movements in the fair value of the Group's investment in VIA since initial reclassification include changes to retained earnings and foreign exchange from 1 July 2020 to completion on 31 October, specific price adjustments as agreed in the sale contract, and amendments to selling costs.

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

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

The residual investment in VIA Outlets Zweibrücken B.V., which is to be retained for the foreseeable future, was reclassified from investments in joint ventures to other investments when the sale of the majority stake in VIA completed on 31 October 2020, as the Group no longer exercises joint control or significant influence over this investment. The transfer to other investments was recognised at its fair value on 31 October 2020 of £9.8 million, based on the Group's retained 7.3% share of the underlying net assets of VIA Outlets Zweibrücken B.V., and subsequent changes in fair value have been recognised through the profit and loss account, resulting in a £0.1 million change in fair value of other investments being recognised in the year as detailed in note 2.

D. Significant estimates

Property valuations

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

Valuation backdrop

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

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

As detailed in note 12, following the tender of the Group's valuation instruction in late 2019, the valuation of the portfolio has been split between Cushman and Wakefield LLP (C&W), CBRE Limited (CBRE) and Jones Lang LaSalle Limited (JLL). At 30 June 2020, all three valuers stated that it had been necessary to make significant judgements at the balance sheet date in the context of the rapidly changing market conditions caused by Covid-19 and consequently reported the valuation of the property portfolio at 30 June 2020 on the basis of 'material valuation uncertainty' as per VPS3 and VPGA 10 of the RICS Red Book Global, citing a lack of transactional evidence, an increased level of tenant restructuring (CVAs and administrations) and reduced rent collections levels.

At 31 December 2020, C&W have stated that in respect of £860.5 million of the Irish property portfolio only, the valuations remain subject to 'material valuation uncertainty' as set out in VPS 3 and VPGA 10 of the RICS Valuation – Global Standards and a higher degree of caution should therefore be attached to these valuations than would normally be the case. It should be noted that this does not mean that these valuations cannot be relied upon, but is intended to ensure transparency and to provide further insight as to the market context under which the valuation opinion was prepared, recognising the potential for market conditions to move rapidly in response to changes in the control or future spread of Covid-19, and the uncertain impact of the Brexit agreement. There is therefore a higher likelihood that the assumptions upon which the external valuers have based their valuations may prove to be inaccurate. Consequently, there is a wider acceptable range for the Irish valuations as at 31 December 2020, and therefore the inputs to the sensitivity analysis on page 102 have been widened, relative to the rest of the portfolio, to reflect a 150 basis point yield movement and a 15% change in ERVs. C&W have, however, highlighted that on 18 January 2021, the Society of Chartered Surveyors Ireland made a recommendation that the material valuation uncertainty clause may no longer be appropriate for inclusion in valuation reports relating to retail property and that whilst the material valuation uncertainty clause remains in place at 31 December 2020, it would not be in place for valuation dates after 18 January 2021.

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

Valuation methodology

Investment properties, excluding properties held for development, are valued by adopting the 'investment method' of valuation. This approach involves applying capitalisation yields to estimated future rental income streams reflecting contracted income reverting to ERV with appropriate adjustments for income voids arising from vacancies, lease expiries or rent-free periods. These capitalisation yields and future income streams are derived from comparable property and leasing transactions and are considered to be the key inputs to the valuations. Where comparable evidence of yield movement is lacking, valuers are reliant on sentiment or the movement of less comparable assets. At 31 December 2020, the valuers have also incorporated a number of changes across all assets to reflect the impact of Covid-19, including deductions to rent of up to six months for non-essential retailers, reduced income due to vacancy and a widening of yields to reflect the greater risk of tenant failure. Other factors that are taken into account include, but are not limited to, the location and physical attributes of the property, tenure, tenancy details, local taxes and environmental and structural conditions.

A tailored approach is taken to the valuation of the Group's developments due to their unique nature. In the case of on-site developments, the approach applied is the 'residual method' of valuation, which is the investment method of valuation as described above with a deduction for all costs necessary to complete the development, together with a further allowance for remaining risk and developers' profit. Properties held for future development are valued using the highest and best use method, by adopting the higher of the residual method of valuation allowing for all associated risks, and the investment method of valuation for the existing asset.

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

Inputs to the valuations, some of which are 'unobservable' as defined by IFRS 13, include capitalisation yields (nominal equivalent yield) and market rental income (ERV). These inputs to the valuations are analysed by segment in the rental and valuation data tables on pages 155 and 159 and the valuation change analysis in the Property portfolio review on page 23. All other factors remaining constant, an increase in rental income would increase valuations, whilst increases in capitalisation yields and discount rates would result in a fall in values and vice versa. However, there are interrelationships between unobservable inputs as they are determined by market conditions. The existence of an increase of more than one unobservable input would augment the impact on valuation. The impact on the valuation would be mitigated by the interrelationship between unobservable inputs moving in opposite directions. For example, an increase in rents may be offset by an increase in yield, resulting in no net impact on the valuation.

As outlined on page 58 of the Audit Committee report, the Directors have satisfied themselves that the valuation process is sufficiently rigorous and supports the carrying value of the Group's properties in the financial statements.

A sensitivity analysis showing the impact on valuations of changes in yields and market rental income is detailed in the table on page 102.

1: Significant accounting policies continued

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

Impairment of non-financial assets and liabilities

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

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

Within the Group's investments in premium outlets, notional goodwill has arisen historically as the acquisition price has exceeded the fair value of the net assets acquired, principally associated with deferred tax liabilities. As a consequence of recognising notional goodwill, the carrying value of the investment in premium outlets exceeds the Group's share of the underlying net assets. Given the recent uncertainty and challenging investment markets following the pandemic, at 30 June 2020, management concluded it was no longer appropriate to maintain a carrying value in excess of the underlying net assets of the investee. The recoverable amount was determined by reference to the value in use of the underlying investment, the future cash flows of both investments having been captured by the formal property valuations. Consequently, the investments in VIA Outlets and Value Retail were impaired by £9.6 million and £94.3 million respectively in 2020 (2019: £nil), equivalent to the notional goodwill, as detailed in notes 13D and 14E. At 31 December 2020, management has reassessed the carrying value of its investment in Value Retail by reference to the value in use, and concluded that this impairment is still appropriate. No further impairment has been necessary as the underlying properties are carried at fair value.

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

Impairment of trade receivables and tenant incentives

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

Trade receivables

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

The closure of the vast majority of non-essential retail across all regions as a result of the global pandemic, coupled with government restrictions in the UK and France on landlords' ability to enforce rent collection, has resulted in a significant decline in rent collection rates and consequently, an increase in the level of trade receivables from £61.3 million at 31 December 2019 to £170.3 million at 31 December 2020 on a proportionally consolidated basis, excluding premium outlets.

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

The table at the top of page 103 analyses the total loss allowance by region against the respective trade receivable balances, allocating the provision between amounts recognised before 31 December 2020 and those for which the corresponding credit to the consolidated income statement has yet to be recognised. On a proportionally consolidated basis, a 10 percentage point increase in the loss allowance rate, to 74%, would reduce earnings by £12.5 million, or £10.6 million on an adjusted basis. On a Reported Group basis, increasing the provision rate by 10 percentage points to 72% would reduce earnings by £5.8 million, or £5.2 million on an adjusted basis.

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

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

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

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

Tenant incentives

The ECL approach has also been applied to tenant incentives, by grouping unamortised incentives dependent on the risk level, taking into account historic default rates, future expectations, credit ratings and the anticipated impact of Covid-19, and applying an appropriate provision percentage. Unamortised lease incentives at 31 December 2020 totalled £68.0 million on a proportionally consolidated basis, excluding premium outlets, against which a provision of £14.8 million has been recognised.

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

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

1: Significant accounting policies continued

E. Going concern

Introduction

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

This involved preparing two forecast scenarios: a Base case and a Severe but plausible adverse case. The scenarios take into account the current and near term assessment of the Group's principal risks and uncertainties, which are explained on page 35 and where five of the Group's principal risks currently exceed the Board's risk appetite. The underlying assumptions therefore reflect the unprecedented levels of uncertainty caused by the Covid-19 pandemic and the ongoing challenges from a macroeconomic perspective, and in the Group's retail and property investment markets. Both scenarios consider the market outlook and incorporate assumptions from an accounting and cash flow perspective in respect of:

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

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

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

Financing overview

As explained on page 31 of the Financial Review, the Group predominantly borrows on an unsecured basis, although a number of joint ventures and associates have secured debt facilities. These borrowings contain covenants that require specified financial ratios to be maintained and compliance with certain other financial restrictions.

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

i. Unsecured borrowings

The Group's unsecured borrowings are in the form of bonds, bank facilities and private placement notes and totalled £2,259 million at 31 December 2020. These contain a number of financial covenants, which are explained on page 33. Covenants on the bank facilities and private placement notes are tested semi-annually in June and December, while covenants under the Group's unsecured bonds are tested annually in December.

ii. Secured borrowings

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

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

joint venture loan also benefiting from a loan to value waiver, such that as at 31 December 2020 all applicable borrowing requirements were complied with.

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

Scenario assumptions

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

i. Base case scenario

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

ii. Severe but plausible adverse scenario

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

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

Scenario outcome

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

i. Scenario outcomes excluding secured debt risks

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

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

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

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

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

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

ii. Scenario outcomes including secured debt risks

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

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

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

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

Mitigating actions

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

i. Lender and partner negotiations

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

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

Also, if a breach of the Group's unsecured borrowing covenants was deemed likely, the Group would negotiate with its lenders to seek to obtain covenant waivers or amendments, or renegotiate terms to avoid breaches. This approach was demonstrated in the first half of 2020 when the Group agreed a short-term amendment to reduce the unencumbered asset ratio covenant in the private placement notes over the period to 31 December 2021, further details are on page 33.

ii. Disposals

As explained on page 22, the Group is committed to near term disposals to strengthen the Group's financial position. Even in challenging markets, the Group has raised disposal proceeds of £1.0 billion over the last 24 months, including £73 million already in 2021, and the diversity of the Group's portfolio, in terms of location and sector, provides access to a range of investment markets.

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

Conclusion

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

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

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

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

1: Significant accounting policies continued

F. Other financial information

Basis of consolidation

Subsidiaries

Subsidiaries are entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. All intragroup transactions, balances, income and expenses are eliminated on consolidation.

Joint operations, joint ventures and associates

The accounting treatment for joint operations, joint ventures and associates requires an assessment to determine the degree of control or influence that the Group may exercise over them and the form of that control.

The Group's interest in joint arrangements is classified as either:

1. a joint operation, not operated through an entity, whereby the joint controlling parties have rights to the assets and obligations for the liabilities, relating to the arrangement; or
2. a joint venture, whereby the joint controlling parties have rights to the net assets of the arrangement.

The Group's interests in its joint arrangements are commonly driven by the terms of partnership agreements, which ensure that control is shared between the partners.

Associates are those entities over which the Group is in a position to exercise significant influence, but not control or joint control.

The Group's share of interests in joint operations is proportionally consolidated into the Group financial statements.

The results, assets and liabilities of joint ventures and associates are accounted for using the equity method. Investments in joint ventures and associates are carried in the consolidated balance sheet at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the joint venture or associate, less any impairment. Losses of a joint venture or associate in excess of the Group's interest in that entity are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the entity.

Loans to joint ventures and associates are separately presented from equity interests within the notes to the financial statements, although aggregated in the Group's consolidated balance sheet. Where the Group's share of losses in a joint venture equals or exceeds its interest in the entity, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the other entity. The Group eliminates upstream and downstream transactions with its joint ventures, including interest and management fees.

Distributions and income associated with the underlying operating profit of joint ventures are included within "Cash flows from operating activities" within the Cash flow statements, whilst all other cash flows are recognised as investing activities.

Accounting for acquisitions

An acquisition is recognised when the risks and rewards of ownership have transferred. This is usually on completion of the transaction.

Business combinations are accounted for using the acquisition method. Any excess of the purchase consideration over the fair value of the net assets acquired is recognised as goodwill, and reviewed annually for impairment. Any discount received or acquisition-related costs are recognised in the consolidated income statement.

Foreign currency

Foreign currency transactions

Transactions in foreign currencies are translated into sterling at exchange rates approximating to the exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated into sterling at the exchange rate ruling at that date and, unless they relate to the hedging of the net investment in foreign operations, differences arising on translation are recognised in the consolidated income statement.

Financial statements of foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on consolidation, are translated into sterling at the exchange rates ruling at the balance sheet date.

The operating income and expenses of foreign operations are translated into sterling at the average exchange rates for the year. Significant transactions, such as property sales, are translated at the foreign exchange rate ruling at the date of each transaction.

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

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

Net investment in foreign operations

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

Cash, receivables, other investments, payables and borrowings

Cash and cash equivalents and restricted monetary assets

Cash and cash equivalents comprise cash and short term bank deposits with an original maturity of three months or less which are readily accessible.

Restricted monetary assets relate to cash balances which legally belong to the Group but which the Group cannot readily access, including cash and monies held in escrow accounts for a specified purpose. These do not meet the definition of cash and cash equivalents and consequently are presented separately from cash and deposits in the consolidated balance sheet.

Trade and other receivables and payables

Trade and other receivables and payables are initially measured at fair value, subsequently measured at amortised cost and, where the effect is material, discounted to reflect the time value of money. Trade receivables are shown net of any loss allowance provision.

Loans receivable

Loans receivable are financial assets which are initially measured at fair value, plus acquisition costs, and are subsequently measured at amortised cost, using the effective interest method, less any impairment.

Other investments

Other investments are initially recognised at fair value and subsequently remeasured at fair value, with changes recognised in the consolidated income statement.

Borrowings

Borrowings are recognised initially at fair value, after taking account of any discount on issue and attributable transaction costs. Subsequently, borrowings are held at amortised cost, such that discounts and costs are charged to the consolidated income statement over the term of the borrowing at a constant return on the carrying amount of the liability.

Derivative financial instruments

The Group uses derivative financial instruments to economically hedge its exposure to foreign currency movements and interest rate risks. Hedge accounting is applied in respect of net investments in foreign operations and of debt raised in non-functional currencies. Derivative financial instruments are recognised initially at fair value, which equates to cost and subsequently remeasured at fair value, with changes in fair value being included in the income statement, except where hedge accounting is applied.

Derivative financial instruments are presented as current assets or liabilities if they are expected to be settled within 12 months after the end of the reporting period, otherwise they are held as non-current assets or liabilities.

The fair value gain or loss on remeasurement of derivative financial instruments and the exchange differences on non-derivative financial instruments that are designated in a net investment hedge are recognised in the net investment hedge reserve in total comprehensive income, to the extent they are effective, and the ineffective portion is recognised in the income statement within net finance costs. Amounts are reclassified from the net investment hedge reserve to the income statement when the associated hedged item is disposed of.

The fair value gain or loss on re-measurement of derivative financial instruments that are designated in a cash flow hedge are recognised in the cash flow hedge reserve in total comprehensive income, to the extent they are effective, and the ineffective portion is recognised in the income statement within net finance costs. Amounts are reclassified from the cash flow hedge reserve to the consolidated income statement when the associated hedged transaction affects the consolidated income statement.

Cash movements relating to derivative financial instruments are included within the net increase or decrease in borrowings in the Cash flow statement.

Finance costs

Net finance costs

Net finance costs include interest payable on debt, derivative financial instruments, interest on head leases and other lease obligations, debt and loan facility cancellation costs, net of interest capitalised, interest receivable on funds invested and derivative financial instruments, and changes in the fair value of derivative financial instruments.

Capitalisation of interest

Interest is capitalised if it is directly attributable to the acquisition, construction or production of development properties or the significant redevelopment of investment properties. Capitalisation commences when the activities to develop the property start on site and continues until the property is substantially ready for its intended use, normally practical completion. Capitalised interest is calculated with reference to the actual rate payable on borrowings for development purposes or, for that part of the development cost financed out of general funds, at the Group's weighted average interest rate.

Property portfolio

Investment and development properties

Investment properties are stated at fair value, being market value determined by professionally qualified external valuers, and changes in fair value are included in the consolidated income statement.

Properties acquired with the intention of redevelopment are classified as development properties and stated at fair value, being market value determined by professionally qualified external valuers. Changes in fair

value are included in the consolidated income statement. All costs directly associated with the purchase and construction of a development property are capitalised. When development properties are completed, they are reclassified as investment properties. Further details are given in note 12.

Accounting for disposals

The Group accounts for the disposal of a property or corporate entity when the risks and rewards of ownership transfer, usually on the date of completion of a contract for sale.

Gains or losses on the sale of properties are calculated by reference to the carrying value at the end of the previous year, adjusted for subsequent capital expenditure, unless reclassified to assets held for sale prior to disposal. Where a corporate entity, whose primary asset is a property, is disposed, the associated gains or losses on the sale of the entity are included within the gain or loss on sale of properties.

A property may be classed as 'held for sale' and excluded from investment and development properties if it meets the criteria of IFRS 5 at the balance sheet date.

If an investment in a joint venture or associate is reclassified to assets held for sale, equity accounting ceases on the date of reclassification and any subsequent movements in the fair value are recognised as impairment gains or losses. However, earnings relating to this period are included in adjusted earnings as detailed on page 118.

In the event that assets held for sale form an identifiable business segment, the results for both the current and prior year are reclassified as 'discontinued operations'.

Leasehold properties

The Group owns a number of properties on long leaseholds. These are leased out to tenants under operating leases, are classified as investment properties or development properties as appropriate, and included in the balance sheet at fair value. The obligation to the freeholder or superior leaseholder for the buildings element of the leasehold is included in the balance sheet at the present value of the minimum lease payments at inception. Payments to the freeholder or superior leaseholder are apportioned between a finance charge and a reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Contingent rents payable, such as rent reviews or those related to rental income, are charged as an expense in the period in which they are incurred. An asset equivalent to the leasehold obligation is recorded in the consolidated balance sheet within 'Interests in leasehold properties', and is depreciated over the lease term.

Right-of-use assets

The Group has leases for each of its offices in London, Dublin, Paris and Reading. IFRS 16 requires a lessee to recognise, for each lease, a right-of-use asset and related lease liability representing the obligation to make lease payments. Interest expense on the lease liability and depreciation on the right-of-use asset is recognised in the consolidated income statement.

Tenant leases

Management has exercised judgement in considering the potential transfer of the risks and rewards of ownership, in accordance with IFRS 16 Leases, for properties leased to tenants and has determined that such leases are operating leases. Payments made under operating leases are charged to the consolidated income statement on a straight line basis over the lease term.

Depreciation

In accordance with IAS 40 Investment Property, no depreciation is provided in respect of investment and development properties, which are carried at fair value.

1: Significant accounting policies continued

Plant and equipment

Plant and equipment is stated at cost less accumulated depreciation. Depreciation is charged to the consolidated income statement on a straight-line basis over the estimated useful life, which is generally between three and five years, or in the case of leasehold improvements, the lease term.

Revenue

Revenue comprises gross rental income (consisting of base and turnover rents, income from car parks, lease incentive recognition and other rental income), service charge income, property fee income and joint venture and associate management fees as set out in note 4 of the financial statements.

Rental income and lease incentives are recognised in accordance with IFRS 16 Leases. Rental income from investment property is recognised as revenue on a straight-line basis over the lease term. Lease incentives and costs associated with entering into tenant leases are amortised over the lease term. Rent waivers granted during the Covid-19 period have been recognised as lease modifications under IFRS 16 and amortised from the date of agreement to the end of the lease term. Rent reviews are recognised when such reviews have been agreed with tenants.

Car park income, service charge income, property fee income and joint venture and associate management fees are recognised in accordance with IFRS 15 Revenue from contracts with customers, which prescribes the use of a five-step model for the recognition of revenue. These income streams are recognised as revenue in the period in which they are earned.

Government grants

In accordance with IAS 20, any government grants received in relation to the Covid-19 period are being recognised as income over the period for which it is intended to compensate.

Management fees

Management fees are recognised in the period to which they relate. Performance fee-related elements are recognised when the fee can be reliably estimated.

Employee benefits

Defined contribution pension plans

Obligations for contributions to defined contribution pension plans are charged to the consolidated income statement as incurred.

Defined benefit pension plans

The Group's net obligation in respect of defined benefit pension plans comprises the amount of future benefit that employees have earned, discounted to determine a present value, less the fair value of the pension plan assets. The calculation is performed by a qualified external actuary using the projected unit credit method. Actuarial gains and losses are recognised in equity. Where the assets of a plan are greater than its obligations, the asset included in the balance sheet is limited to the present value of any future refunds from the plan or reduction in future contributions to the plan.

Share-based employee remuneration

Share-based employee remuneration is determined with reference to the fair value of the equity instruments at the date at which they are granted and charged to the consolidated income statement over the vesting period on a straight-line basis. The fair value of share options is calculated using the binomial option pricing model and is dependent on factors including the exercise price, expected volatility, option life and risk-free interest rate. The fair value of the market-based element of the Long-Term Incentive Plans is calculated using the Monte Carlo Model and is dependent on factors including the expected volatility, vesting period and risk-free interest rate.

Tax

Tax exempt status

The Company has elected for UK REIT, French SIIC and Irish QIAIF status. To continue to benefit from these tax regimes, the Group is required to comply with certain conditions as outlined in note 9A to the financial statements. Management intends that the Group will continue as a UK REIT, a French SIIC and an Irish QIAIF for the foreseeable future.

Current and deferred tax

Tax is included in the consolidated income statement except to the extent that it relates to items recognised directly in equity, in which case the related tax is recognised in equity.

Current tax is the expected tax payable on the non-tax exempt income for the period, net of allowable expenses and tax deductions, using the tax rate(s) prevailing during the accounting period, together with any adjustment in respect of previous periods.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for tax purposes. The following temporary differences are not provided for:

- goodwill not deductible for tax purposes
- the initial recognition of assets or liabilities that affect neither accounting nor taxable profit
- differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future

The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates that are expected to apply in the period when the liability is settled or the asset is realised.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised.

2: Loss for the year

As stated in the Financial review on page 25 and in note 3, management reviews the performance of the Group's property portfolio on a proportionally consolidated basis. Management does not proportionally consolidate the Group's premium outlet investments in Value Retail and VIA Outlets (up to its sale in October 2020), and reviews the performance of these investments separately from the rest of the proportionally consolidated portfolio.

The following tables have been prepared on a basis consistent with how management reviews the performance of the business and show the Group's loss for the year on a proportionally consolidated basis in column C, by aggregating the Reported Group results (shown in column A) with those from its Share of Property interests (shown in column B), the latter being reallocated to the relevant financial statement lines. Further analysis of Share of Property interests is in Table 79 of the Additional disclosures.

The Group's share of results arising from its interests in premium outlets has not been proportionally consolidated and hence has not been reallocated to the relevant financial statement lines, but is shown within 'Share of results of joint ventures' and 'Share of results of associates' in column C. The Group's proportionally consolidated loss for the year in column C is then allocated between 'Adjusted' and 'Capital and other' for the purposes of calculating figures in accordance with EPRA best practice. Company specific adjustments which differ from EPRA guidelines are detailed in note 11B. As detailed in note 1C, the retail parks operations presented as discontinued for the year ended 31 December 2019 have been re-presented as continuing operations as the IFRS 5 criteria ceased to be met in May 2020.

2020

Notes (see page 110)	Notes	Reported Group £m	Share of Property interests £m	Proportionally consolidated £m	Proportionally consolidated			
					Adjusted £m	Capital and other £m		
		A	B	C	D	D		
		Gross rental income^E	3A	131.5	155.4	286.9	286.9	-
		Ground and equity rents payable		(1.3)	(1.0)	(2.3)	(2.3)	-
		Gross rental income, after rents payable		130.2	154.4	284.6	284.6	-
		Service charge income		27.7	28.6	56.3	56.3	-
		Service charge expenses		(31.7)	(34.2)	(65.9)	(65.9)	-
		Net service charge expenses		(4.0)	(5.6)	(9.6)	(9.6)	-
		Inclusive lease costs recovered through rent		(3.0)	(3.4)	(6.4)	(6.4)	-
		Other property outgoings		(44.4)	(54.6)	(99.0)	(99.0)	-
		Property outgoings		(51.4)	(63.6)	(115.0)	(115.0)	-
		Change in the provision for amounts not yet recognised in the income statement ¹	1D	(3.9)	(8.1)	(12.0)	-	(12.0)
		Net rental income	3A	74.9	82.7	157.6	169.6	(12.0)
		Administration costs		(67.4)	(0.4)	(67.8)	(67.8)	-
		Property fee income		15.2	-	15.2	15.2	-
		Employee and corporate costs		(52.2)	(0.4)	(52.6)	(52.6)	-
		Joint venture and associate management fees		8.5	-	8.5	8.5	-
		Net administration expenses		(43.7)	(0.4)	(44.1)	(44.1)	-
		Operating profit/(loss) before other net losses and share of results of joint ventures and associates		31.2	82.3	113.5	125.5	(12.0)
		Profit on sale of properties ²		11.6	-	11.6	-	11.6
		Net exchange gain previously recognised in equity, recycled on disposal of foreign operations		5.2	-	5.2	-	5.2
		Revaluation losses on properties		(493.5)	(945.3)	(1,438.8)	-	(1,438.8)
		Impairment relating to assets held for sale: VIA Outlets	1C, 18A	(103.8)	-	(103.8)	8.1	(111.9)
		Reversal of impairment on reclassification from assets held for sale: Retail parks	1C, 18C	22.4	-	22.4	-	22.4
		Indirect costs of rights issue		(0.3)	-	(0.3)	-	(0.3)
		Change in fair value of other investments	1C, 18A	(0.1)	-	(0.1)	-	(0.1)
		Other net (losses)/gains		(558.5)	(945.3)	(1,503.8)	8.1	(1,511.9)
		Share of results of joint ventures	13A, 13B	(882.7)	862.0	(20.7)	5.9	(26.6)
		Impairment of investment in joint ventures	13D	(9.6)	-	(9.6)	-	(9.6)
		Share of results of associates	14A, 14B	(148.3)	12.5	(135.8)	(7.1)	(128.7)
		Impairment of investment in associates	14E	(94.3)	-	(94.3)	-	(94.3)
		Operating (loss)/profit		(1,662.2)	11.5	(1,650.7)	132.4	(1,783.1)
		Net finance (costs)/income ^F	8	(72.2)	(11.4)	(83.6)	(95.4)	11.8
		(Loss)/Profit before tax		(1,734.4)	0.1	(1,734.3)	37.0	(1,771.3)
		Tax charge	9A	(0.5)	(0.1)	(0.6)	(0.6)	-
		(Loss)/Profit for the year		(1,734.9)	-	(1,734.9)	36.4	(1,771.3)
		Non-controlling interests	28C	0.1	-	0.1	0.1	-
		(Loss)/Profit for the year attributable to equity shareholders	11B	(1,734.8)	-	(1,734.8)	36.5	(1,771.3)

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

2: Loss for the year continued

	Notes	Reported Group £m	Share of Property interests £m	Proportionally consolidated £m	2019	
					Proportionally consolidated	
					Adjusted £m	Capital and other £m
		A	B	C	D	D
Gross rental income^E	3A	182.1	178.9	361.0	361.0	–
Ground and equity rents payable		(1.4)	(1.8)	(3.2)	(3.2)	–
Gross rental income, after rents payable		180.7	177.1	357.8	357.8	–
Service charge income		39.5	32.7	72.2	72.2	–
Service charge expenses		(43.5)	(37.6)	(81.1)	(81.1)	–
Net service charge expenses		(4.0)	(4.9)	(8.9)	(8.9)	–
Inclusive lease costs recovered through rent		(4.7)	(2.9)	(7.6)	(7.6)	–
Other property outgoings		(13.2)	(19.6)	(32.8)	(32.8)	–
Property outgoings		(21.9)	(27.4)	(49.3)	(49.3)	–
Net rental income	3A	158.8	149.7	308.5	308.5	–
Administration costs		(72.4)	(0.5)	(72.9)	(72.9)	–
Property fee income		15.7	–	15.7	15.7	–
Employee and corporate costs		(56.7)	(0.5)	(57.2)	(57.2)	–
Joint venture and associate management fees		8.9	–	8.9	8.9	–
Net administration expenses		(47.8)	(0.5)	(48.3)	(48.3)	–
Operating profit before other net losses and share of results of joint ventures and associates		111.0	149.2	260.2	260.2	–
(Loss)/Profit on sale of properties ^G		(105.8)	14.1	(91.7)	–	(91.7)
Net exchange gain previously recognised in equity, recycled on disposal of foreign operations		13.8	–	13.8	–	13.8
Revaluation losses on properties ^G		(412.2)	(615.8)	(1,028.0)	–	(1,028.0)
Impairment recognised on reclassification to held for sale: retail parks	1C	(91.6)	(0.4)	(92.0)	–	(92.0)
Other net losses		(595.8)	(602.1)	(1,197.9)	–	(1,197.9)
Share of results of joint ventures	13A, 13B	(429.1)	463.4	34.3	14.6	19.7
Share of results of associates	14A, 14B	209.4	1.2	210.6	31.2	179.4
Operating (loss)/profit		(704.5)	11.7	(692.8)	306.0	(998.8)
Net finance (costs)/income ^F	8	(74.8)	(11.4)	(86.2)	(89.8)	3.6
(Loss)/Profit before tax		(779.3)	0.3	(779.0)	216.2	(995.2)
Tax charge	9A	(1.9)	(0.3)	(2.2)	(2.2)	–
(Loss)/Profit for the year attributable to equity shareholders	11B	(781.2)	–	(781.2)	214.0	(995.2)

Notes

A. Reported Group results as shown in the consolidated income statement on page 93.

B. Property interests reflect the Group's share of results of Property joint ventures as shown in note 13A plus the Group's share of Nicetoile and Italie Deux as included within note 14A.

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

D. Aggregated results on a proportionally consolidated basis allocated between 'Adjusted' and 'Capital and other' for the purposes of calculating adjusted earnings per share as shown in note 11B.

E. Included in gross rental income on a proportionally consolidated basis in Column C is £3.8 million (2019: £8.9 million) of contingent rents calculated by reference to tenants' turnover.

F. Adjusted net finance costs presented on a proportionally consolidated basis are shown in Table 84 on page 164.

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

3: Segmental analysis

The factors used to determine the Group's reportable segments are the sectors in which it operates and geographic locations. These are generally managed by separate teams and are the basis on which performance is assessed and resources allocated. As stated in the Financial review on page 25, the Group has property interests in a number of sectors and management reviews the performance of the Group's property interests in flagship destinations, retail parks, other UK properties and developments on a proportionally consolidated basis to reflect the Group's different ownership shares. Management does not proportionally consolidate the Group's premium outlet investments in Value Retail and VIA Outlets (substantially all of which was sold in October 2020), which are externally managed by experienced outlet operators, independently financed and have operating metrics which differ from the Group's other sectors. We review the performance of our premium outlet investments separately from the proportionally consolidated portfolio. The key financial metrics for our premium outlet investments are: income growth; earnings contribution; property valuations and returns; and capital growth. However, for a number of the Group's APM's we aggregate the premium outlets for enhanced disclosure. These include like-for-like net rental, LTV ratios, property valuations and returns.

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

Gross rental income represents the Group's revenue from its tenants and customers. As stated in the Key Performance Indicators section on page 14, net rental income is the Group's primary revenue measure and is used to determine the performance of each sector. Total assets are not monitored by segment and resource allocation is based on the distribution of property assets between segments.

A: Income and profit by segment

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

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

3: Segmental analysis continued

B: Investment and development property assets by segment

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

- At 31 December 2019, the Group's UK retail parks portfolio was reclassified to assets held for sale and impaired to the anticipated transaction price less selling costs. In May 2020, following the termination of the sale agreement, the remaining retail parks were reclassified out of assets held for sale. Further details of the movements are provided in note 18D. For the purposes of segmental reporting for the "Total Group" detailed above, revaluation (losses)/gains and additions exclude the accounting impact of the reclassification to assets held for sale, which has then been added back to reach the Reported Group position under IFRS. Accordingly, revaluation losses of £121.6 million for 2020 include £69.2 million comprising the impairment loss of £91.6 million recognised on reclassification to assets held for sale at 31 December 2019 and the subsequent reversal on reclassification from assets held for sale of £22.4 million as detailed in note 2. Similarly, property additions from 1 January 2020 until the date of reclassification out of assets held for sale totalling £(5.7) million, principally in relation to the amortisation of tenant incentives, have been included within the total UK retail parks additions of £(6.6) million.
- Included in the £453.3 million retail parks property valuation at 31 December 2019 is £24.9 million relating to Brent South Shopping Park which was held in investment in joint ventures.

C: Analysis of non-current assets employed

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

Included in the above table are investments in joint ventures of £1,813.6 million (2019: £3,017.1 million), which are further analysed in note 13 on pages 123 to 128. The Group's share of the property valuations held within Property interests of £2,261.0 million (2019: £3,112.5 million) has been included in note 3B above, of which £1,427.8 million (2019: £2,145.5 million) relates to the UK, £229.9 million (2019: £281.6 million) relates to Continental Europe and £603.3 million (2019: £685.4 million) relates to Ireland.

4: Revenue

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

- Comparatives for the year ended 31 December 2019 have been re-presented to recognise revenue relating to retail parks within continuing operations. See note 1C.
- The above income streams reflect revenue recognised under IFRS 15 Revenue from Contracts with Customers and total £61.0 million (2019: £78.8 million). All other revenue streams relate to income recognised under IFRS 16 Leases.

5: Administration costs

Administration costs include the following items:

Employee costs

	Note	2020 £m	2019 ¹ £m
Salaries and wages		36.2	35.7
Performance-related bonuses		1.5	6.2
– payable in cash			
– payable in shares ²		–	0.6
Other share-based employee remuneration ²		1.5	6.8
Social security		2.2	2.4
Net pension expense		6.7	7.2
– defined contribution scheme	7A	3.5	3.2
Government Covid-19 employee assistance programs in the UK and France ³		(1.2)	–
Total		48.9	55.3

- Administration costs of £1.3 million relating to the retail parks portfolio and presented as discontinued for the year ended 31 December 2019 have been re-presented as continuing operations as the IFRS 5 criteria ceased to be met in the current year.
- Total share-based employee remuneration is £2.2 million (2019: £3.0 million) comprising 'performance-related bonuses – payable in shares' of £nil (2019: £0.6 million) and 'other share-based employee remuneration' of £2.2 million (2019: £2.4 million).
- Of the £1.2 million received from Government Covid-19 employee assistance programs, £0.5 million was attributable to the service charge.

Of the total in the above table, £2.2 million (2019: £1.8 million) was capitalised in respect of development projects.

Employees throughout the Company, including Executive Directors, participate in a performance-related bonus scheme which, for certain senior employees, is part payable in cash and part payable in shares. The Company also operates a number of share plans under which employees, including Executive Directors, are eligible to participate. Further details of share-based payment arrangements, some of which have performance conditions, are provided in the Directors' Remuneration report on pages 60 to 79.

Employee numbers

	2020 Number	2019 Number
Average number of employees	538	536
Employees recharged to tenants, included above	232	232

Other information

	2020 £m	2019 £m
Auditors' remuneration:		
Audit of the Company's annual financial statements	0.5	0.3
Audit of subsidiaries, pursuant to legislation	0.4	0.3
Audit-related assurance services ¹	0.3	0.2
Audit and audit-related assurance services	1.2	0.8
Other fees ²	0.9	–
Total auditor's remuneration ³	2.1	0.8
Depreciation of plant and equipment	1.4	1.6
Depreciation of right-of-use assets	3.5	3.5

- Relates principally to the review of the Group's half year financial statements and other audit related services.
- £0.9 million of other fees relate to the reporting accountant work on the rights issue as detailed in note 24.
- In addition, £0.3 million (2019: £0.4 million) relates to the Group's share of the audit services undertaken on behalf of its joint ventures. In 2020, other fees were payable to the Group's auditor, PwC, for reporting accountant work to support the rights issue. Further details on audit and non-audit fees are given in the Audit Committee report on page 57.

6: Directors' emoluments

Full details of the Directors' emoluments, as required by the Companies Act 2006, are disclosed in the audited sections of the Directors' Remuneration report on pages 60 to 79. The Company did not grant any credits, advances or guarantees of any kind to its Directors during the current and preceding years.

7: Pensions

A: Defined contribution pension scheme

The Company operates a UK funded approved Group Personal Pension Plan, which is a defined contribution pension scheme. The Group's cost for the year was £3.5 million (2019: £3.2 million), as disclosed in note 5.

B: Defined benefit pension schemes

Hammerson Group Management Limited Pension & Life Assurance Scheme (the Scheme).

The Scheme is funded and the funds, which are administered by trustees, are independent of the Group's finances. The Scheme was closed to new entrants on 31 December 2002 and was closed to future accrual for all participating employees on 30 June 2014.

Unfunded Unapproved Retirement Schemes

The Company also operates three Unfunded Unapproved Retirement Schemes. Two schemes provide pension benefits to two former Executive Directors, the other meets pension commitment obligations to former US employees.

C: Changes in present value of defined benefit pension schemes

	2020			2019		
	Obligations £m	Assets £m	Net £m	Obligations £m	Assets £m	Net £m
At 1 January	(125.2)	79.9	(45.3)	(117.6)	69.8	(47.8)
Amounts recognised in the income statement						
– interest (cost)/income ¹	(2.5)	1.8	(0.7)	(3.3)	2.0	(1.3)
Amounts recognised in equity						
– actuarial experience gains	2.1	2.3	4.4	0.3	7.9	8.2
– actuarial losses from changes in financial assumptions	(16.8)	–	(16.8)	(10.3)	–	(10.3)
– actuarial (losses)/gains from changes in demographic assumptions	(0.4)	–	(0.4)	0.6	–	0.6
	(15.1)	2.3	(12.8)	(9.4)	7.9	(1.5)
Contributions by employer ²	–	23.2	23.2	–	3.5	3.5
Benefits	10.4	(9.2)	1.2	4.5	(3.3)	1.2
Exchange (losses)/gains	(0.1)	–	(0.1)	0.6	–	0.6
At 31 December	(132.5)	98.0	(34.5)	(125.2)	79.9	(45.3)
Analysed as:						
Present value of the Scheme	(121.1)	98.0	(23.1)	(112.6)	79.9	(32.7)
Present value of Unfunded Retirement Schemes	(11.4)	–	(11.4)	(12.6)	–	(12.6)
	(132.5)	98.0	(34.5)	(125.2)	79.9	(45.3)
Analysed as:						
Current liabilities (note 19)			(0.9)			(0.9)
Non-current liabilities (note 23)			(33.6)			(44.4)
			(34.5)			(45.3)

1. Included in Other interest payable (note 8).

2. The Group expects to make contributions totalling £14.9 million to the Scheme during 2021 and 2022, and a further £6.3 million in 2023.

D: Summary of Scheme assets

	2020 £m	2019 £m
Diversified Growth Funds	64.5	54.4
Equities	21.1	24.1
Total invested assets	85.6	78.5
Cash and other net current assets	12.4	1.4
Total Scheme assets	98.0	79.9

E: Principal actuarial assumptions used for defined benefit pension schemes

		2020 %	2019 %
Discount rate for Scheme liabilities		1.3	2.1
Increase in retail price index		2.8	2.9
Increase in pensions in payment		2.8	2.9
		Years	Years
Life expectancy from age 60 for Scheme members:	Male aged 60 at 31 December	27.6	27.5
	Male aged 40 at 31 December	29.1	29.0
		Years	Years
<i>Weighted average maturity</i>			
The Scheme		18.2	17.4
UK Unfunded Retirement Scheme		12.2	12.2
French Unfunded Retirement Scheme		11.0	12.0
US Unfunded Retirement Scheme		6.2	5.9

The present value of defined benefit obligations has been calculated by an external actuary. This was taken as the present value of accrued benefits and pensions in payment calculated using the projected unit credit method.

F: Sensitivities to changes in assumptions and conditions

(Decrease)/Increase in net balance sheet liability of the Scheme at 31 December	2020 £m	2019 £m
Discount rate + 0.1%	(1.9)	(1.9)
Price inflation + 0.1%	1.9	1.8
Long-term improvements in longevity 1.5% per annum	1.2	1.0
Asset value falls 5%	4.9	4.0

8: Net finance costs

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

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

9: Tax

A: Tax charge

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

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

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

B: Tax charge reconciliation

	Notes	2020 £m	2019 £m
Loss before tax	2	(1,734.4)	(779.3)
Less: Loss after tax of joint ventures	13A	882.7	429.1
Less: Loss/(Profit) after tax of associates	14A	148.3	(209.4)
Loss on ordinary activities before tax		(703.4)	(559.6)
Loss multiplied by the UK corporation tax rate of 19% (2019: 19%)		(133.6)	(106.3)
UK REIT tax exemption		61.1	68.1
French SIIC tax exemption		27.6	30.9
Irish QIAIF tax exemption		12.9	5.9
Losses for the year not utilised		28.8	2.0
Non-deductible and other items		3.7	1.3
Tax charge		0.5	1.9

C: Unrecognised deferred tax

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

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

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

10: Dividends

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

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

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

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

In February 2020, the Board recommended a 2019 final dividend of 14.8 pence per share for approval at the Annual General Meeting in April 2020. In March 2020, the Company announced that given the significant uncertainty around the duration of the Covid-19 pandemic and the resultant impact on cash and liquidity, the Board had withdrawn the dividend resolution.

	Pence per share	Equity dividends 2020 £m	Equity dividends 2019 £m
Current year			
2020 final dividend	0.2 (enhanced scrip 2.0)	–	–
2020 interim dividend	0.2 (enhanced scrip 2.0)	71.5	–
	0.4 (enhanced scrip 4.0)		
Prior years			
2019 interim dividend ¹	5.1	–	84.9
2018 final dividend		–	113.5
Dividends as reported in the consolidated statement of changes in equity²		71.5	198.4
Less: settled as a scrip dividend ³		(47.1)	–
Dividends impact on retained earnings		24.4	198.4
Less: settled as a scrip dividend – increase in share capital ⁴		(11.3)	–
Dividends payable in cash		13.1	198.4
2018 interim dividend withholding tax (paid 2019)		–	12.7
2019 interim dividend withholding tax (paid 2020)		12.2	(12.2)
2020 interim dividend withholding tax (payable 2021)		(11.9)	–
Dividends paid as reported in the consolidated cash flow statement		13.4	198.9

- The comparative per share data has been restated following the capital reorganisation and rights issue in September 2020. Per note 11 below, the rights issue adjustment factor relating to the post-consolidation number of shares is stated as 10.95. As the 'per share' information for 2019 above relates to pre-consolidation share numbers, the rights issue adjustment factor applied to the 2019 interim dividend is 2.19, as the consolidation was done on a 1 for 5 basis.
- Equity dividends are shown at the market value of the shares issued to satisfy the scrip dividend, in addition to cash dividends payable.
- Represents the difference between the market value and nominal value of scrip dividends settled in shares.
- Represents the nominal value of shares issued as a result of the scrip dividend.

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

The European Public Real Estate Association (EPRA) has issued recommended bases for the calculation of certain per share information and these are included in the following tables B and E. Commentary on (loss)/earnings and net asset value per share is provided in the Financial review on pages 25 to 34. Headline earnings per share has been calculated and presented in note 11C as required by the Johannesburg Stock Exchange listing requirements.

In September 2020, following a 1 for 5 share consolidation, the Company issued 3,678,209,328 new ordinary shares through a rights issue. Further details are provided in note 24. To reflect the rights issue, the number of shares previously used to calculate the 'per share' data, has been amended as per the table in note 11A below. An adjustment factor of 10.95 has been applied to the post-consolidation number of shares. This is based on the ratio of the Company's share price of £2.806 per share on 23 September 2020, the day before the Record Date for the rights issue, and the theoretical ex-rights price at that date of 25.6p per share. For a summary of the restated metrics refer to note 11D.

A: Number of shares for per share calculations

	2020 ²		2019 restated ^{1,2}	
	Basic, EPRA and adjusted	Diluted	Basic, EPRA and adjusted	Diluted
Shares (million)	2,257.3	2,257.3	1,676.2	1,676.2

- The number of shares in 2019 has been restated from 765.3 million shares to 1,676.2 million shares, as a result of the rights issue detailed above.
- In 2020 and 2019, there was no difference in the weighted average number of shares used for the calculation of basic and diluted loss per share as the effect of all potentially dilutive shares outstanding was anti-dilutive. The total number of shares including potentially dilutive shares at 31 December 2020 was 2,263.0 million (2019: 1,677.3 million).

The calculations for (loss)/earnings per share use the weighted average number of shares, which excludes those shares held in the Hammerson Employee Share Ownership Plan, which are treated as cancelled. The calculations for net asset value per share use the number of shares in issue at 31 December as shown in note 11E.

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

B: (Loss)/Earnings per share

		2020		2019 restated ¹		
		(Loss)/ Earnings £m	Pence per share	(Loss)/ Earnings £m	Pence per share	
Basic and diluted		(1,734.8)	(76.9)	(781.2)	(46.6)	
Adjustments:						
Revaluation losses on properties:	Reported Group	2	493.5	21.9	412.2	24.6
	Share of Property interests ²	2	945.3	41.8	615.8	36.7
			1,438.8	63.7	1,028.0	61.3
(Profit)/Loss on sale of properties:	Reported Group	2	(11.6)	(0.5)	105.8	6.3
	Share of Property interests ²	2	–	–	(14.1)	(0.8)
			(11.6)	(0.5)	91.7	5.5
Net exchange gain previously recognised in equity, recycled on disposal of foreign operations:	Reported Group	2	(5.2)	(0.2)	(13.8)	(0.8)
Impairment recognised/(reversed) on reclassification to/(from) held for sale: Retail parks	Reported Group	2	(22.4)	(1.0)	91.6	5.5
	Share of Property interests	2	–	–	0.4	–
			(22.4)	(1.0)	92.0	5.5
Impairment recognised on assets held for sale: VIA Outlets	Reported Group	2	103.8	4.6	–	–
Impairment of investments in joint ventures and associates	Reported Group	1D, 2	103.9	4.6	–	–
Change in fair value of derivatives	Reported Group	8	(13.7)	(0.6)	(6.2)	(0.4)
	Share of Property interests	13B	1.9	0.1	2.6	0.2
			(11.8)	(0.5)	(3.6)	(0.2)
Other adjustments	Reported Group					
	Change in fair value of other investments	2	0.1	–	–	–
	Indirect costs of rights issue		0.3	–	–	–
			0.4	–	–	–
Premium outlets	Revaluation losses/(gains) on properties	13B, 14B	157.3	7.0	(199.8)	(11.9)
	Change in fair value of derivatives	13B, 14B	14.7	0.7	(5.1)	(0.3)
	Deferred tax	13B, 14B	(17.3)	(0.8)	6.4	0.3
	Other adjustments	13B, 14B	0.1	–	(0.3)	–
			154.8	6.9	(198.8)	(11.9)
Total adjustments			1,750.7	77.6	995.5	59.4
EPRA			15.9	0.7	214.3	12.8
Other adjustments	Translation movement on intragroup funding loan: VIA Outlets	13B	0.5	–	(0.3)	–
	Change in provision for amounts not recognised in the income statement	1D, 2	12.0	0.5	–	–
	Adjusted earnings from investment in VIA Outlets since reclassification to assets held for sale	18B	8.1	0.4	–	–
Adjusted			36.5	1.6	214.0	12.8

1. The number of shares in note 11A, and consequently the (loss)/earnings per share figures presented above, have been restated following the rights issue. For further information refer to note 24.

2. The revaluation losses on properties relating to the Share of Property interests includes: £927.2 million (2019: £598.9 million) in respect of Property joint ventures (note 13B), £18.1 million (2019: £2.8 million) in respect of associates (note 14B) and the reclassification of £nil (2019: £14.1 million) from 'loss on sale of properties', referred to in footnote G of note 2, to reflect the sale of a 75% interest in Italie Deux.

C: Headline earnings per share

	Notes	2020 Earnings £m	2019 Earnings £m
Loss for the year attributable to equity shareholders		(1,734.8)	(781.2)
Revaluation losses on properties: Reported Group and Share of Property interests	11B	1,438.8	1,028.0
(Profit)/Loss on sale of properties: Reported Group and Share of Property interests	11B	(11.6)	91.7
Net exchange gain previously recognised in equity, recycled on disposal of foreign operations: Reported Group	11B	(5.2)	(13.8)
Impairment recognised/(reversed) on reclassification to held for sale – Retail parks: Reported Group and Share of Property interests	11B	(22.4)	92.0
Impairment of assets held for sale: VIA Outlets: Reported Group	11B	103.8	–
Impairment of investments: Reported Group	11B	103.9	–
Indirect costs of rights issue	11B	0.3	–
Revaluation losses/(gains) on properties: Premium outlets	11B	157.3	(199.8)
Deferred tax: Premium outlets	11B	(17.3)	6.4
Translation movements on intragroup funding loan: Premium outlets	14B	0.5	(0.3)
Headline earnings		13.3	223.0
Basic headline earnings per share (pence)		0.6p	13.3p*
Diluted headline earnings per share (pence)		0.6p	13.3p*

	Notes	2020 Earnings £m	2019 Earnings £m
Reconciliation of headline earnings to adjusted earnings			
Headline earnings as above		13.3	223.0
Change in fair value of derivatives: Reported Group and Share of Property interests	11B	(11.8)	(3.6)
Change in fair value of other investments	11B	0.1	–
Change in fair value of derivatives: Premium outlets	11B	14.7	(5.1)
Change in fair value of financial assets: Premium outlets	14B	0.1	(0.3)
Change in provision for amounts not yet recognised in the income statement	14B	12.0	–
Adjusted earnings from investment in VIA Outlets since reclassification to assets held for sale	18B	8.1	–
Adjusted earnings		36.5	214.0

* Restated as a result of the rights issue. For more information refer to note 24.

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

	Notes	2019 Previously stated (pence)	2019 Restated (pence)
Basic and diluted loss per share	11B	(102.1)	(46.6)
EPRA earnings per share	11B	28.0	12.8
Adjusted earnings per share	11B	28.0	12.8
Basic and diluted headline earnings per share	11C	29.1	13.3

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

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

E: Net asset value per share

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

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

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

In addition to the above changes, in September 2020, the Company completed a share consolidation followed by a rights issue which increased the number of issued shares. The comparative NAV metrics have been restated as a result, and note 11F summarises the restated NAV metrics after taking account of the rights issue. This ensures a fair comparison of the metrics across periods.

31 December 2020	Notes	Previously reported metrics		New metrics		
		NAV £m	NNNAV £m	NRV £m	NTA £m	NDV £m
Basic and diluted NAV		3,208.8	3,208.8	3,208.8	3,208.8	3,208.8
Exclude: Deferred tax ¹						
– Reported Group		0.4	–	0.4	0.2	–
– Share of Property interests	13C	0.1	–	0.1	–	–
– Premium outlets	14D	197.3	–	197.3	98.7	–
		197.8	–	197.8	98.9	–
Fair value of interest rate swaps						
– Share of Property interests	13C	5.9	–	5.9	5.9	–
– Premium outlets	14D	17.7	–	17.7	17.7	–
		23.6	–	23.6	23.6	–
Include: Purchasers' costs ²		–	–	415.9	–	–
Fair value of currency swaps as a result of interest rates						
– Reported Group ³		–	–	(14.4)	(14.4)	–
Fair value of borrowings						
– Reported Group	21H	–	(55.8)	–	–	(55.8)
– Share of Property interests		–	(1.8)	–	–	(1.8)
		–	(57.6)	–	–	(57.6)
NAV metrics		3,430.2	3,151.2	3,831.7	3,316.9	3,151.2
Number of shares for per share calculations (millions)		4,057.3	4,057.3	4,057.3	4,057.3	4,057.3
NAV per share metrics		£0.85	£0.78	£0.94	£0.82	£0.78

1. For the purposes of the NTA metric, the Group has applied the EPRA guidance in excluding 50% of deferred taxes. Previously reported NAV and the new NRV metrics exclude all deferred tax balances.
2. In line with EPRA guidance this represents property transfer taxes and fees payable should the Group's property portfolio, including premium outlets, be acquired at period end market values.
3. The fair value adjustment to currency swaps as a result of interest rates after ignoring the impact of foreign exchange rates.

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

See page 120 for footnotes

31 December 2019	Notes	Previously reported metrics		New metrics		
		NAV £m	NNNAV £m	NRV £m	NTA £m	NDV £m
Basic NAV		4,377.0	4,377.0	4,377.0	4,377.0	4,377.0
Dilutive share schemes		1.6	1.6	1.6	1.6	1.6
Diluted NAV		4,378.6	4,378.6	4,378.6	4,378.6	4,378.6
Exclude: Deferred tax ¹						
– Reported Group		0.4	–	0.4	0.2	–
– Share of Property interests		0.1	–	0.1	0.1	–
– Premium outlets		270.2	–	270.2	135.1	–
		270.7	–	270.7	135.4	–
Fair value of interest rate swaps						
– Reported Group		(0.7)	–	(0.7)	(0.7)	–
– Share of Property interests		3.9	–	3.9	3.9	–
– Premium outlets		16.7	–	16.7	16.7	–
		19.9	–	19.9	19.9	–
Goodwill as a result of deferred tax		(70.6)	–	(70.6)	(70.6)	–
Include: Purchasers' costs ²		–	–	555.4	–	–
Fair value of currency swaps as a result of interest rates						
– Reported Group ³		–	–	17.0	17.0	–
Other goodwill per IFRS balance sheet						
– Premium outlets		–	–	–	(27.6)	(98.2)
Fair value of borrowings						
– Reported Group	21H	–	(180.9)	–	–	(180.9)
– Share of Property interests		–	(2.4)	–	–	(2.4)
		–	(183.3)	–	–	(183.3)
NAV metrics		4,598.6	4,195.3	5,171.0	4,452.7	4,097.1
Number of shares for per share calculations (millions)		765.6	765.6	765.6	765.6	765.6
NAV per share metrics		£6.01	£5.48	£6.75	£5.82	£5.35

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

	Notes	2019 Previously stated (£)	2019 Restated (£)
Basic NAV		5.71	1.14
Diluted NAV		5.72	1.14
EPRA NNNNAV	11E	5.48	1.10
EPRA NAV	11E	6.01	1.20
EPRA NRV	11E	6.75	1.35
EPRA NTA	11E	5.82	1.16
EPRA NDV	11E	5.35	1.07

As disclosed in note 11E, the 2019 NAV 'per share' metrics have been restated to take account of the rights issue. Further information on the rights issue can be found in note 24.

12: Investment and development properties

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

* On 31 December 2019, properties valued at £523.2 million included within the Reported Group were transferred to assets held for sale and subsequently impaired by £91.6 million, resulting in a carrying value of £431.6 million as disclosed in note 18C. As detailed in note 1C, with the exception of Abbey Retail Park whose sale completed in February 2020, the remaining properties were transferred from assets held for sale to investment properties in May 2020 as the criteria for IFRS 5 were no longer met, resulting in a £22.4 million reversal of the impairment. See note 18D for an analysis of the movements during the year.

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

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

Cushman and Wakefield LLP (C&W)	Brent Cross, Irish portfolio, UK retail parks and premium outlets (as included in note 14)
CBRE Limited (CBRE)	UK flagships and UK other
Jones Lang LaSalle Limited (JLL)	UK flagships and UK other, French portfolio

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

In the case of leasehold properties, valuations are net of any obligation to freeholders or superior leaseholders. To comply with IAS 40 and IFRS 16 these obligations and the related leasehold assets are shown separately in the balance sheet within 'Obligations under head leases' (note 22) and 'Interests in leasehold properties' respectively. Further information is provided in 'Significant accounting policies' on page 107.

As noted in note 1D on page 101, real estate valuations are complex, derived from data which is not widely publicly available and involve a significant degree of estimation. For these reasons, and consistent with EPRA's guidance, we have classified the valuations of our property portfolio as Level 3 as defined by IFRS 13. The potential impact on property valuations of changes in the underlying input assumptions has been outlined in the sensitivity analysis in note 1D on page 102.

At 31 December 2020, C&W have stated that in respect of the Irish properties only, the valuations remain subject to 'material valuation uncertainty' as set out in VPS 3 and VPGA 10 of the RICS Valuation – Global Standards and a higher degree of caution should therefore be attached to these valuations than would normally be the case. For further details refer to note 1D on page 101.

The total amount of interest included in development properties at 31 December 2020 was £8.0 million (2019: £3.8 million). Capitalised interest is calculated using the cost of secured debt or the Group's weighted average cost of borrowings, as appropriate, and the effective rate applied in 2020 was 3.0% (2019: 2.6%). At 31 December 2020, the historical cost of investment and development properties was £2,660.9 million (2019: £2,698.6 million, including properties classified as assets held for sale and included in note 18C).

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

Joint operations

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

13: Investment in joint ventures

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

As explained in the Financial review on page 25, management reviews the business principally on a proportionally consolidated basis, except for its premium outlet investments. Prior to the disposal of substantially all of the Group's investment in VIA Outlets, as explained below, the Group's share of assets and liabilities of joint ventures is split between Property joint ventures, being joint ventures which are proportionally consolidated, and VIA Outlets, a premium outlets investment, which is not proportionally consolidated. The Group's significant joint venture interests are set out in the table below. Further details of the Group's interests in joint ventures at 31 December 2020 are shown in note G on pages 152 and 153.

At 30 June 2020, substantially all of the Group's investment in VIA Outlets, held through its investments in VIA Limited Partnership, VIA Outlets B.V and VIA Germany B.V., was transferred to assets held for sale and impaired to the selling price less costs of disposal. The sale to APG completed on 31 October 2020. Following reclassification to assets held for sale, equity accounting ceased and the Group's share of profit from VIA Outlets for the period from 1 July 2020 to the completion date have been included within the movement in impairment, as these drive the underlying net asset value of the investment and therefore the transaction price and fair value. Accordingly, note 13A comprises the results of VIA Outlets up to 30 June 2020 when the investment was reclassified to assets held for sale and the results of the residual investment in Zweibrücken B.V up to 31 October 2020 when the sale completed, following which this investment was reclassified to other investments. As detailed in note 18B, the adjusted earnings for this period have been incorporated into the Group's adjusted earnings metric. The 7.3% retained stake in Zweibrücken has been included in 'other investments' on the consolidated balance sheet.

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

- The names of the principal properties operated by each partnership have been used in the summary income statements and balance sheets in note 13A. The two Dundrum partnerships are presented together as 'Dundrum'. The Goodsyard, Espace Saint-Quentin and O'Parinor are presented together as 'Other'.
- At 31 December 2019, the Group's investment in Brent South Shopping Park was reclassified as 'assets held for sale' as detailed in note 18C and its results for 2019 were classified as discontinued operations. In 2020, following the termination of the sale agreement, the Group's investment was reclassified to investment in joint ventures and its results for 2019 and 2020 are included within continuing operations.
- Registered in Jersey (see note G on page 153).
- On 5 February 2021, the Group completed the sale of Brent South Shopping Park for £22 million as detailed in note 29 to the financial statements.
- On 4 March 2021, the Group exchanged contracts to sell its 25% interest in Espace Saint-Quentin for £28 million as detailed in note 29.

The Reported Group's investment in joint ventures at 31 December 2020 was £1,813.6 million (2019: £3,017.1 million). An analysis of the movements in the year is provided in note 13D on page 128. The figures in the summarised income statements and balance sheets in note 13A, which show 100% of the results, assets and liabilities of joint ventures, have been restated to the Group's accounting policies where applicable and exclude all balances which are eliminated on consolidation.

13: Investment in joint ventures continued

A. Summary financial statements of joint ventures

Share of results of joint ventures for the year ended 31 December 2020

	Brent Cross £m	Cabot Circus £m	Bullring £m	Grand Central £m	The Oracle £m	Westquay £m
Ownership (%)	41	50	50	50	50	50
Gross rental income	35.9	29.6	45.2	10.2	24.9	28.5
Net rental income	23.5	12.2	24.5	4.2	9.2	12.5
Net administration expenses	(0.1)	-	-	(0.1)	-	-
Operating profit before other net losses	23.4	12.2	24.5	4.1	9.2	12.5
Revaluation losses	(252.6)	(152.7)	(335.7)	(76.6)	(173.5)	(198.2)
Operating loss	(229.2)	(140.5)	(311.2)	(72.5)	(164.3)	(185.7)
Change in fair value of derivatives	-	-	-	-	-	-
Translation movement on intragroup funding loan	-	-	-	-	-	-
Other finance (costs)/income	(0.4)	(0.8)	-	(0.1)	-	(0.4)
Net finance (costs)/income	(0.4)	(0.8)	-	(0.1)	-	(0.4)
Loss before tax	(229.6)	(141.3)	(311.2)	(72.6)	(164.3)	(186.1)
Current tax (charge)/credit	-	-	-	-	(0.1)	-
Deferred tax credit	-	-	-	-	-	-
Loss for the year	(229.6)	(141.3)	(311.2)	(72.6)	(164.4)	(186.1)
Hammerson share of loss for the year	(93.2)	(70.7)	(155.6)	(36.3)	(82.2)	(93.0)
Hammerson share of distributions payable¹	4.7	-	2.4	-	-	-

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

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

1. In addition to the distributions payable, the Group received interest from its joint ventures of £1.5 million (2019: £12.3 million). See note 28A.

2. Other non-current assets include interests in leasehold properties.

3. Included within the 100% other current assets figures are restricted monetary assets totalling £30.9 million (2019: £30.8 million) and £5.2 million (2019: £nil) in respect of Croydon and Dundrum, which relate to cash held in escrow for specified development costs and restricted cash as a condition of the loan covenant waiver, respectively.

4. Included within the 100% cash and deposits figures are balances of £2.7 million (2019: £5.0 million) and £8.0 million (2019: £7.2 million) in respect of Highcross and Dundrum respectively, which are classed as 'restricted' under the terms of the loan agreements.

5. The Group and its partners invest in joint ventures principally by way of equity investment. To provide further clarity of this investment, those balances which are not equity have been included within other payables as a liability of the joint venture, and the Group's interest has been shown separately.

6. The Group's policy is to initially recognise its share of the losses in joint ventures against its equity investment. Once the Group's equity investment is nil, its share of the losses of joint ventures are recognised against other long term interests. In accordance with this policy the Group's equity investment in the Westquay joint venture is nil as at 31 December 2020, with the Group's share of losses for the year recognised against the long term loan due to Hammerson, which has a closing carrying value of £171.7 million at 31 December 2020. In the prior year financial statements the Group's share of cumulative Westquay losses were incorrectly presented against the Group's equity interest rather than against the long term loan, resulting in the equity investment being negative. Accordingly the Group's investment in Westquay at 31 December 2019 has been re-presented to present the Group's equity investment in the Westquay joint venture as nil and the Group's loan to the Westquay joint venture as £264.9m as at 31 December 2019.

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

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

13: Investment in joint ventures continued

A. Summary financial statements of joint ventures

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

See page 124 for footnotes.

	Brent Cross £m	Cabot Circus £m	Bullring £m	Grand Central £m	The Oracle £m	Westquay ⁶ £m
Ownership (%)	41	50	50	50	50	50
Gross rental income	43.7	35.5	55.0	11.3	33.1	34.6
Net rental income	40.2	29.9	46.1	9.1	28.0	26.8
Net administration expenses	(0.1)	–	–	(0.1)	–	–
Operating profit before other net (losses)/gains	40.1	29.9	46.1	9.0	28.0	26.8
Revaluation (losses)/gains on properties	(214.4)	(107.1)	(189.0)	(83.1)	(120.1)	(124.8)
Impairment recognised on reclassification to assets held for sale	(1.0)	–	–	–	–	–
Operating (loss)/profit	(175.3)	(77.2)	(142.9)	(74.1)	(92.1)	(98.0)
Change in fair value of derivatives	–	–	–	–	–	–
Translation movement on intragroup funding loan	–	–	–	–	–	–
Other finance (costs)/income	(0.4)	(0.7)	–	(0.1)	–	(0.3)
Net finance (costs)/income	(0.4)	(0.7)	–	(0.1)	–	(0.3)
(Loss)/Profit before tax	(175.7)	(77.9)	(142.9)	(74.2)	(92.1)	(98.3)
Current tax charge	–	–	–	–	(0.2)	–
Deferred tax charge	–	–	–	–	–	–
(Loss)/Profit for the year	(175.7)	(77.9)	(142.9)	(74.2)	(92.3)	(98.3)
Hammerson share of (loss)/profit for the year	(71.4)	(38.9)	(71.4)	(37.1)	(46.1)	(49.1)
Hammerson share of distributions payable¹	16.7	21.6	24.0	5.1	14.9	5.3

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

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

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

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

13: Investment in joint ventures continued

B. Reconciliation to adjusted earnings

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

1. Comparatives for 2019 have been re-presented to show Brent South Shopping Park as part of continuing operations. See note 1C
2. Comprises results of VIA Outlets up to 30 June 2020 when this was reclassified to assets held for sale and the results of the Group's investment in Zweibrücken B.V. up to 31 October 2020 when it was transferred to other investments upon completion of the sale of substantially all of VIA Outlets.
3. Foreign exchange differences on intragroup loan balances which are either commercially hedged or arise upon retranslation of euro-denominated loans between entities with different functional currencies from the euro-denominated VIA Outlets group. These exchange differences do not give rise to any cash flow exposures in the VIA Outlets group and are therefore excluded from the Group's adjusted earnings.

C. Reconciliation to adjusted investment in joint ventures

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

* Per note 11E, the Group has adopted the Net Tangible Assets (NTA) metric for measuring EPRA net asset value per share. The adjusted figures in the above table are prepared on an NTA basis and the Group has chosen to exclude 50% of deferred tax balances in accordance with EPRA guidance.

D. Reconciliation of movements in investment in joint ventures

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

14: Investment in associates

At 31 December 2020, the Group had three associates: Value Retail PLC and its group entities ('VR'), a 25% interest in Italie Deux and a 10% interest in Nicetoile. Hammerson is the asset manager for both Italie Deux and Nicetoile. The three investments are equity accounted under IFRS, although the share of results in Italie Deux and Nicetoile are included with the Group's Share of Property interests when presenting figures on a proportionally consolidated basis. Further details are provided in the Financial review on page 25.

Summaries of aggregated income and investment for the interest in premium outlets, which includes VR and the Group's investment in VIA Outlets which was accounted for as a joint venture up to its reclassification to assets held for sale on 30 June 2020 (see note 18), are provided in Tables 81 and 82 of the Additional disclosures on page 162.

A: Share of results of associates

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

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

14: Investment in associates continued

B: Reconciliation to adjusted earnings

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

When aggregated, the Group's share of Value Retail's adjusted earnings for the year ended 31 December 2020 amounted to 23% (2019: 52%). This figure is dependent on the relative profitability of the component Villages in which the Group has differing ownership shares.

C: Share of assets and liabilities of associates

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

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

The analysis in the tables above excludes liabilities in respect of distributions received in advance from Value Retail amounting to £25.4 million (2019: £24.1 million) which are included within payables – non-current liabilities in note 23.

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

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

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

D: Reconciliation to adjusted investment in associates

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

1. Per note 11E, the Group has adopted the Net Tangible Assets (NTA) metric for measuring EPRA net asset value per share. The adjusted figures in the above table have been prepared on an NTA basis and the Group has chosen to exclude 50% of deferred tax balances in accordance with EPRA guidance.

2. Shown net of a deferred tax asset of £0.7 million (2019: £0.2 million), which is included in non-current assets in note 14C.

3. An adjustment for goodwill has not been included in 2020 following the impairment of an amount equal to notional goodwill as detailed in note 14C.

E: Reconciliation of movements in investment in associates

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

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

15: Receivables: current assets

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

Trade receivables are shown after deducting a loss allowance provision of £35.8 million (2019: £9.9 million), as set out in the table below. Further details of the methodology applied, together with analysis of the provisioning rates, are provided in notes 1D and 21E.

Other receivables are shown after deducting a loss allowance provision of £2.8 million (2019: £nil). Further details are provided in note 21E.

Credit risk is explained further in note 21E.

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

16: Restricted monetary assets

	2020 £m	2019 £m
Cash held by managing agents	28.3	21.5
Cash held in escrow	21.4	–
	49.7	21.5
Analysed as:		
Non-current assets ¹	21.4	–
Current assets ²	28.3	21.5
	49.7	21.5

1. Non-current restricted monetary assets relate to funds held in escrow which are available to satisfy the Company's obligations under indemnities granted by the Company in favour of indemnified persons under the Company's Articles of Association, if such obligations are not satisfied by the Company or covered by Directors' and Officers' liability insurance. Unless suitable insurance can be procured, the funds will remain in trust until the later of December 2026, or, if there are outstanding claims at that date, the date on which all claims are resolved.
2. Current restricted monetary assets relate to cash held by managing agents on behalf of Group's tenants and co-owners to meet future service charge costs and related expenditure, and amounts held in escrow accounts for a specified purpose. The cash has restricted use and, as such, does not meet the definition of cash and cash equivalents as defined in IAS 7 Statement of Cash Flows.

17: Cash and deposits

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

* At 31 December 2019, £1.6 million of cash was reclassified to assets held for sale. See note 18C.

18: Assets and liabilities classified as held for sale

A: Assets held for sale: VIA Outlets

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

	Investment in joint ventures £m	Other investments £m	Assets held for sale £m	Total £m
Balance at 1 January 2020	379.0	-	-	379.0
Share of results to 30 June 2020	(20.9)	-	-	(20.9)
Impairment of investment	(9.6)	-	-	(9.6)
Advances	12.6	-	-	12.6
Exchange and other movements to 30 June 2020	24.8	-	-	24.8
Reclassification to assets held for sale	(376.3)	-	376.3	-
Share of results of Zweibrücken B.V. from 1 July to 31 October 2020	0.2	-	-	0.2
Reclassification to other investments	(9.8)	9.8	-	-
Exchange movements	-	-	(1.8)	(1.8)
Share of results from 1 July 2020 to 31 October 2020 (note 18B)	-	-	7.1	7.1
Transaction price adjustments from 1 July 2020 to 31 October 2020	-	-	(1.6)	(1.6)
Remainder of the impairment	-	-	(109.3)	(109.3)
Impairment relating to assets held for sale: VIA Outlets	-	-	(103.8)	(103.8)
Disposal at transaction price less selling costs	-	-	(270.7)	(270.7)
Fair value movement on other investments	-	(0.1)	-	(0.1)
Investment in VIA Outlets – 31 December 2020	-	9.7	-	9.7

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

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

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

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

C: Assets held for sale: Retail parks

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

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

18: Assets and liabilities classified as held for sale continued

D: Movements in assets held for sale: retail parks

	Investment properties £m	Other assets and liabilities £m	Net assets held for sale £m
Net assets associated with assets held for sale: Retail parks – 1 January 2020 ¹	431.6	14.4	446.0
Disposal ²	(32.6)	32.6	–
Other movements	(5.7)	–	(5.7)
Reversal of impairment on reclassification from assets held for sale (note 1C)	22.4	–	22.4
Reclassification from assets held for sale – transfer to Reported Group	(415.7)	(47.0)	(462.7)
Assets held for sale: Retail parks – 31 December 2020	–	–	–

- Included within assets held for sale at 1 January 2020 was £24.7 million relating to Brent South Shopping Park which was transferred to assets held for sale on 31 December 2019 at its carrying value of £25.1 million and subsequently impaired by £0.4 million. In May 2020, the impairment was reversed by £0.4 million and Brent South Shopping Park was transferred from assets held for sale to joint ventures at £25.1 million as detailed in note 13D.
- On 12 February 2020, the Group exchanged and completed contracts for the sale of Hammerson (Abbey) Limited which owned Abbey Retail Park, Belfast.

19: Payables: current liabilities

	2020 £m	2019 £m
Trade payables	19.2	13.1
Net pension liability (note 7C)	0.9	0.9
Withholding tax on interim dividends (note 10)	11.9	12.2
Capital expenditure payables	22.5	24.1
Other payables*	63.9	57.6
Accruals	76.4	78.1
Deferred income	10.2	7.5
	205.0	193.5

* Other payables include lease liabilities of £3.2 million (2019: £3.5 million) in relation to the Group's offices in London, Reading, Dublin and Paris. The non-current portion is included in note 23.

20: Loans

	2020 £m	2019 £m
Unsecured¹		
£200 million 7.25% sterling bonds due April 2028	198.7	198.6
£300 million 6% sterling bonds due February 2026	298.6	298.4
£350 million 3.5% sterling bonds due October 2025	347.2	346.7
€500 million 1.75% euro bonds due March 2023	446.5	422.3
€500 million 2% euro bonds due July 2022	446.5	422.0
Sterling bank loans and overdrafts ²	(2.9)	127.6
Senior notes due January 2031 ³	16.4	20.3
Senior notes due January 2028 ³	62.1	88.1
Senior notes due June 2026 ³	81.2	84.8
Senior notes due January and June 2024 ³	249.4	352.4
Senior notes due June 2021 ³	115.0	143.7
	2,258.7	2,504.9
Analysed as:		
Current liabilities	115.0	–
Non-current liabilities	2,143.7	2,504.9
	2,258.7	2,504.9

- During the year, the Group secured a 'Covid Corporate Financing Facility' (CCFF) in conjunction with HM Treasury and the Bank of England. The £300 million facility, is repayable within 12 month, bears interest at LIBOR plus a margin of forty basis points, is unsecured and has no covenants. In July 2020, £75 million was drawn down on the facility and repaid in full in December 2020.
- The debit balance of £2.9 million in 2020 relates to unamortised fees in relation to the Revolving Credit Facility (RCF) against which no funds had been drawn at 31 December 2020.
- Senior notes are analysed in note 21F on page 139. During the year, £169.1 million of senior notes were repaid at par, comprising £29.6 million denominated in Sterling, £39.8 million denominated in Euro and £99.7 million denominated in US dollar.

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

21: Financial instruments and risk management

A: Financing strategy

The Group borrows predominantly on an unsecured basis under its standard financial covenants in order to maintain operational flexibility at a low operational cost. Borrowings are arranged to maintain short term liquidity and ensure an appropriate maturity profile. Acquisitions may be financed initially using short term funds before being refinanced for the longer term when market conditions are appropriate. Long term debt mainly comprises the Group's fixed rate unsecured bonds and private placement senior notes. Short term funding is raised principally through syndicated revolving credit facilities from a range of banks and financial institutions with which the Group maintains strong working relationships. An analysis of the maturity of the undrawn element of these revolving credit facilities is shown in note 21D.

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

	Derivative financial instruments				Loans < 1 year £m	Loans > 1 year £m	2020 Total £m
	Current assets £m	Non-current assets £m	Current liabilities £m	Non-current liabilities £m			
Note					20	20	
Bonds	-	-	-	-	-	1,737.5	1,737.5
Bank loans and overdrafts	-	-	-	-	-	(2.9)	(2.9)
Senior notes	-	-	-	-	115.0	409.1	524.1
Fair value of currency swaps	(9.1)	(6.6)	2.3	84.7	-	-	71.3
Borrowings, loans and derivative financial instruments	(9.1)	(6.6)	2.3	84.7	115.0	2,143.7	2,330.0

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

	Derivative financial instruments				Loans > 1 year £m	2019 Total £m
	Current assets £m	Non-current assets £m	Current liabilities £m	Non-current liabilities £m		
Note					20	
Bonds	-	-	-	-	1,688.0	1,688.0
Bank loans and overdrafts	-	-	-	-	127.6	127.6
Senior notes	-	-	-	-	689.3	689.3
Fair value of currency swaps	(0.1)	(31.6)	4.1	70.7	-	43.1
Borrowings	(0.1)	(31.6)	4.1	70.7	2,504.9	2,548.0
Fair value of interest rate swaps	(0.7)	-	-	-	-	(0.7)
Loans and derivative financial instruments	(0.8)	(31.6)	4.1	70.7	2,504.9	2,547.3

21: Financial instruments and risk management continued

B: Interest rate and foreign currency management

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. Interest rate swaps are used to manage the interest rate basis of the Group's debt, allowing changes from fixed to floating rates or vice versa. Clear guidelines exist for the Group's ratio of fixed to floating rate debt and management regularly reviews the interest rate profile against these guidelines.

In April 2020, the Group's interest rate swaps of £250.0 million matured, leaving no interest rate swaps in place at 31 December 2020.

At 31 December 2019, the Group had interest rate swaps of £250.0 million, on which interest was paid at a rate linked to LIBOR and interest was received at a rate of 6.875%. At 31 December 2019, the fair value of interest rate swaps was an asset of £0.7 million which was excluded from the Group's borrowings as the fair value crystallised over the life of the instruments rather than at maturity. The Group does not hedge account for its interest rate swaps and states them at fair value with changes in fair value included in the consolidated income statement.

Interest rate profile	%	Fixed rate borrowings		Floating rate borrowings	2020 Total
		Years	£m	£m	£m
Sterling	6.2	6	558.7	122.8	681.5
Euro	2.1	3	1,771.9	(116.4)	1,655.5
US dollar	-	-	-	(7.0)	(7.0)
	3.1	4	2,330.6	(0.6)	2,330.0

Interest rate profile	%	Fixed rate borrowings		Floating rate borrowings	2019 Total
		Years	£m	£m	£m
Sterling	5.4	11	337.2	104.4	441.6
Euro	2.2	4	1,829.0	284.5	2,113.5
US dollar	-	-	-	(7.1)	(7.1)
	2.7	5	2,166.2	381.8	2,548.0

Net investment hedge

To manage the foreign currency exposure on its net investments in euro-denominated entities, the Group has designated all euro borrowings or synthetic euro borrowings, including euro-denominated bonds, senior notes and currency swaps, as net investment hedges. This designation allows exchange differences on hedging instruments to be recognised directly in equity and offset against the exchange differences on net investments in euro-denominated entities also recognised in equity. The notional and carrying amount of these euro-denominated liabilities designated in a net investment hedge, and the average hedged exchange rate is shown below.

2020	Bonds ¹	Senior notes	Cross currency swaps	Foreign exchange swaps	Total
Euro notional ² (€m)	1,000.0	192.9	796.5	(130.0)	1,859.4
Carrying amount ³ (£m)	893.0	172.7	75.9	1.9	1,143.5
Average hedged exchange rate	£1=€1.264	£1=€1.172	£1=€1.298	£1=€1.099	

2019	Bonds ¹	Senior notes	Cross currency swaps	Foreign exchange swaps	Total
Euro notional ² (€m)	1,000.0	237.0	905.0	335.7	2,477.7
Carrying amount ³ (£m)	844.3	200.8	41.0	3.6	1,089.7
Average hedged exchange rate	£1=€1.264	£1=€1.176	£1=€1.282	£1=€1.195	

1. The fair value of euro-denominated bonds at 31 December 2020 was £871.8 million (2019: £879.8 million).

2. The euro notional is the amount due at maturity without netting any receivable of different currency under the same instrument.

3. The carrying amount is the book value at which euro-denominated financial instruments are recognised within borrowings.

Cash flow hedge

To manage the impact of foreign exchange movements on the Group's \$392 million US dollar borrowings, the Group has used derivatives at an average hedged exchange rate of £1 = \$1.418, to swap all the cash flows to either euro or sterling, the sterling element of which is designated as a cash flow hedge. At 31 December 2020, the carrying value of derivatives designated in a cash flow hedge was an asset of £13.9 million (2019: £22.1 million). Currency basis is not included in this designation and a cost of hedging reserve is not presented separately as it is considered to be immaterial. This designation allows exchange differences on hedging instruments to be recognised in the cash flow hedge reserve and then recycled to net finance costs in the consolidated income statement, to offset against the exchange differences on US dollar borrowings also recognised in net finance costs. The critical terms of the US dollar borrowings and the derivatives match.

C: Income statement and balance sheet management

The Group maintains internal guidelines for interest cover, gearing, unencumbered assets and other credit ratios. Management monitors the Group's current and projected financial position against these guidelines. Further details of these ratios are provided in the Financial review on page 32.

D: Cash management and liquidity

Cash levels are monitored to ensure sufficient resources are available to meet the Group's operational requirements. Short term money market deposits are used to manage cash resources to maximise the rate of return, giving due consideration to risk. Liquidity requirements are met with an appropriate mix of short and longer term debt as explained in note 21A.

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

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

E: Credit risk

The Group's credit risk arises from trade receivables, other receivables, restricted monetary assets, cash and deposits, balances due from joint ventures, other investments, loans receivable, participative loans to associates and derivative financial instruments. The Group determines the level of risk associated with financial assets, and whether this has increased, by reference to changes in the levels of default experienced, tenant credit ratings and increasing tenant failure, and wider macroeconomic factors, ensuring that all receivables are regularly monitored. The credit risk of loans due from joint ventures and associates is monitored by reference to changes in the underlying assets, principally driven by investment property valuation changes. The impact of the Covid-19 pandemic has resulted in increased risk across a number of the Group's financial assets.

Risk management

The credit risk on cash and deposits and derivative financial instruments is limited because the counterparties are banks, who are committed lenders to the Group, with high credit ratings assigned by international credit-rating agencies. At 31 December 2020, the fair value of interest rate and currency swap assets was £15.7 million (2019: £32.4 million), and the fair value of currency swap liabilities was £87.0 million (2019: £74.8 million), as shown in note 21A. These financial instruments have interest accruals of £1.3 million (2019: £11.0 million) which are recognised within other receivables in note 15. After taking into account the netting impact included within our International Swap and Derivatives Association (ISDA) agreements with each counterparty (which are enforceable on the occurrence of future credit events such as a default), the net positions, including accrued interest would be derivative financial assets of £2.3 million (2019: £9.3 million) and derivative financial liabilities of £72.3 million (2019: £40.7 million). The combined value of derivative financial instruments at 31 December 2020 was therefore a liability of £70.0 million (2019: £31.4 million).

The credit risk on restricted monetary assets, being cash held by the Group and its managing agents on behalf of third parties, and cash held for restricted purposes, is similarly considered low.

Trade receivables consist principally of rents and service charges due from tenants. Prior to 2020, outstanding trade receivables balances were low relative to the scale of the consolidated balance sheet due to a diversified tenant base. However, due to structural changes in the retail environment, exacerbated by the Covid-19 pandemic and resultant moratorium restricting the Group's ability to enforce rent collections, there has been a significant increase in the level of trade receivables and therefore the associated credit risk. The Group's most significant tenants are set out in Table 74 of the Additional disclosures (unaudited) on page 158. To mitigate the risk of default, the Group reviews the creditworthiness of tenants prior to entering into contractual arrangements and requests cash deposits where appropriate.

Balances due from joint ventures comprise loans from the Group to establish and fund the partnership. These form part of the total investment in joint ventures and have been assessed for recoverability under the IFRS 9 Expected Credit Loss model. Management has concluded that the resultant impairment is immaterial.

Participative loans to associates and other investments are carried at fair value based on the underlying assets and the credit risk is low.

Other receivables include VAT recoverable, deposits, floats, forward funding on service charges and accrued income in relation to management fees receivable. The credit risk ranges from low to moderate dependent on the nature of the receivable.

At 31 December 2020, the Group's maximum exposure to credit risk was £760.6 million (2019: £347.0 million) which excludes derivative financial instruments and balances supported by investment properties.

Security

For most trade receivables, the Group obtains security in the form of rental deposits or guarantees which can be called upon if the counterparty is in default. Both of these serve to limit the potential exposure to credit risk.

Impairment of financial assets

Detailed below are those financial assets subject to the Expected Credit Loss (ECL) model, a summary of the movements in the year and details of the application of the ECL model across the Group's financial assets.

	Trade receivables £m	Other receivables £m	Unamortised tenant incentives ¹ £m
Loss allowance at 1 January 2020	9.9	–	–
Loss allowance measured under lifetime ECL	28.8	1.6	9.5
Amounts written off during the year ²	(1.7)	–	–
Reversal of loss allowance brought forward	(1.2)	–	–
Loss allowance at 31 December 2020	35.8	1.6	9.5

1. Unamortised tenant incentives are included as capital expenditure additions within investment and development properties.

2. £3.9 million was written off in the year in relation to unamortised tenant incentives. However, as there was no opening loss allowance, an unwinding of the provision is not required.

21: Financial instruments and risk management continued

(i) Trade receivables

The Group has applied the IFRS 9 simplified approach to measuring expected credit losses, using a lifetime expected loss allowance for all trade receivables.

To measure the expected credit losses, trade receivables have first been grouped based on the level of credit risk, determined by reference to credit scores, latest information on tenants' financial standing, and the relative risk of the retail subsector in which they operate. Expected loss allowance rates have then been applied, taking into consideration: historic default rates; anticipated concessions specific to the Covid-19 pandemic; and the wider macroeconomic impact of the pandemic. Loss allowance rates have been applied to the net trade receivables balance, after making deductions for VAT and deposits held which are both fully recoverable.

An additional loss allowance provision has been applied to those trade receivables more than 120 days old to reflect the heightened risk associated with aged balances.

Where the likelihood of default is deemed to be very high, due to latest information on tenant failure or restructuring, trade receivables have been provided against in full. Trade receivables are written off when there is no feasible possibility of recovery and enforcement activity has ceased.

As a result of the application of the expected credit loss model, a total loss allowance of £35.8 million has been recognised for the year ended 31 December 2020, equivalent to 62% of the trade receivables net of VAT and deposits, compared to £9.9 million in 2019. Refer to notes 1D and 15 for further information. The increase in the loss allowance provision during the year ended 31 December 2020 comprised £27.6 million relating to increased provisioning less £1.7 million relating to amounts written off during the year as uncollectable.

As this is a significant area of estimation for the Group, sensitivity analysis has been prepared and included in note 1D.

Loss allowances on trade receivables are presented as part of other property outgoings within operating profit, with the exception of loss allowance provisions relating to amounts not yet recognised in the consolidated income statement, which are identified as a separate line item as detailed in note 1B.

(ii) Unamortised tenant incentives

The Group has applied the IFRS 9 simplified approach to measuring expected credit losses, using a lifetime expected loss allowance for all unamortised tenant incentives. Prior to 2020, provision had not been made for the impairment of unamortised tenant incentives due to the low credit risk and therefore relative immateriality. The adoption of the expected credit loss model for the year ended 31 December 2020 reflects the heightened risk of tenant failure.

To measure the expected credit losses, unamortised tenant incentives have first been grouped based on the level of credit risk, determined by reference to credit scores, latest information on tenants' financial standing, and the relative risk of the retail subsector within which they operate. Expected loss allowance rates have then been applied, taking into consideration: historic default rates and anticipated default specific to the Covid-19 pandemic.

Where the likelihood of default is deemed to be very high, due to latest information on tenant failure or restructuring, unamortised tenant incentives have been provided against in full. Unamortised tenant incentives are written off when tenants have vacated the unit.

As a result of the application of the expected credit loss model, a total loss allowance of £9.5 million has been recognised for the year ended 31 December 2020, equivalent to 22% of unamortised tenant incentives. Refer to note 1D for further information. The increase in the loss allowance provision during the year ended 31 December 2020 is solely related to increased provisioning. In addition to this, £3.9 million of unamortised tenant incentives were written off during the year.

As this is a significant area of estimation for the Group, sensitivity analysis has been prepared and included in note 1D.

Impairment losses on unamortised tenant incentives have been presented as part of other property outgoings within operating profit.

(iii) Other receivables

Other receivables include VAT, deposits, floats, forward funding, accrued management fees and other sundry receivables. The Group has reviewed other receivables for potential impairment given the increased uncertainty and heightened risk environment. In assessing the expected credit loss arising, other receivables were first categorised, excluding those such as VAT for which the credit risk is deemed to be extremely low. The remaining receivables were then grouped based on type, contractual terms, the financial standing of the debtor and the ageing. The simplified approach was then adopted, applying a loss allowance rate dependent on categorisation based on historic default information, factoring in the impact of Covid-19 on both the current and future levels of credit risk. This has resulted in a total loss allowance of £1.6 million being recognised within other property outgoings for the year ended 31 December 2020 (2019: £nil).

Other receivables are written off when there is no feasible possibility of recovery and enforcement activity has ceased.

(iv) Amounts due from joint ventures

Amounts due from joint ventures have been assessed for impairment under IFRS 9 dependent on the terms of agreement. The most material balance, relating to loans due from Westquay Limited Partnership, is repayable on demand, although the Group does not expect this loan to be recalled in the foreseeable future. Consequently, the expected credit loss has been calculated by discounting the outstanding loan balance over the period until it is anticipated that the cash will be realised, at the interest rate implicit in the loan. The resultant expected credit loss was not material to the Group and therefore no loss has been recognised for the year ended 31 December 2020.

(v) Investments in joint ventures and associates

Following the impairment of investments in joint ventures and associates of £103.8 million during the year, as detailed in note 1C, the carrying value of investments in joint ventures and associates equates to the Group's share of the underlying net assets of the investment. The most significant component of underlying net assets is investment properties, which are carried at fair value. Consequently, the expected credit loss is very low and therefore no loss has been recognised for the year ended 31 December 2020.

Significant estimates and judgements

As detailed in note 1D, the loss allowances for financial assets are based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on historical data, existing macroeconomic and tenant specific information, and forward-looking estimations.

F: Financial maturity analysis

The following table is a maturity analysis for the Group's borrowings, cash and deposits and loans receivable. Borrowings are stated net of unamortised fees of £11.8 million (2019: £15.4 million), the maturity of which is analysed in note 21J.

	2020 Maturity				
	Less than one year £m	One to two years £m	Two to five years £m	More than five years £m	Total £m
Unsecured sterling fixed rate bonds	-	-	347.2	497.3	844.5
Unsecured euro fixed rate bonds	-	446.5	446.5	-	893.0
Senior notes					
- £65 million Sterling	-	-	30.6	34.4	65.0
- €193 million Euro	13.9	-	32.9	125.2	172.0
- \$392 million US dollar	101.1	-	186.0	-	287.1
Unsecured sterling bank loans and overdrafts	-	(0.5)	(2.4)	-	(2.9)
Fair value of currency swaps*	(6.8)	-	78.1	-	71.3
Borrowings (note 21A)	108.2	446.0	1,118.9	656.9	2,330.0
Cash and deposits (note 17)	(409.5)	-	-	-	(409.5)
Loans receivable (note 14C)	-	-	-	(1.8)	(1.8)
	(301.3)	446.0	1,118.9	655.1	1,918.7

	2019 Maturity				
	Less than one year £m	One to two years £m	Two to five years £m	More than five years £m	Total £m
Unsecured sterling fixed rate bonds	-	-	-	843.7	843.7
Unsecured euro fixed rate bonds	-	-	844.3	-	844.3
Senior notes					
- £95 million Sterling	-	-	45.0	50.0	95.0
- €237 million Euro	-	19.1	38.5	143.2	200.8
- \$523 million US dollar	-	124.6	268.9	-	393.5
Unsecured sterling bank loans and overdrafts	-	-	127.6	-	127.6
Fair value of currency swaps*	4.0	(18.9)	(6.5)	64.5	43.1
Borrowings (note 21A)	4.0	124.8	1,317.8	1,101.4	2,548.0
Cash and deposits (note 17)	(28.2)	-	-	-	(28.2)
Loans receivable (note 14C)	-	-	-	(1.7)	(1.7)
	(24.2)	124.8	1,317.8	1,099.7	2,518.1

* The fair value of currency swaps of £71.3 million (2019: £43.1 million) is included within derivative financial instruments as shown in note 21A.

G: Sensitivity analysis

In managing interest rate and currency risks, the Group aims to reduce the impact of short term fluctuations on the Group's earnings. Changes in foreign exchange and interest rates may have an impact on consolidated earnings over the longer term. The tables below provide indicative sensitivity data.

Effect on loss before tax:	2020		2019	
	Increase in interest rates by 1% £m	Decrease in interest rates by 1% £m	Increase in interest rates by 1% £m	Decrease in interest rates by 1% £m
Increase/(Decrease)	-	-	3.8	(3.8)

There would have been no effect on amounts recognised directly in equity. The sensitivity has been calculated by applying the interest rate change to the floating rate borrowings, net of interest rate swaps, at the year end.

Effect on financial instruments:	2020		2019	
	Strengthening of sterling against euro by 10% £m	Weakening of sterling against euro by 10% £m	Strengthening of sterling against euro by 10% £m	Weakening of sterling against euro by 10% £m
Increase/(Decrease) in net gain taken to equity	151.3	(185.0)	190.9	(233.3)
(Decrease)/Increase in loss before tax	(8.1)	9.9	(9.4)	11.5

The effect on the net gain taken to equity would be more than offset by the effect of exchange rate changes on the euro-denominated assets included in the Group's financial statements. This has been calculated by retranslating the year end euro-denominated financial instruments at the year end foreign exchange rate changed by 10%. Forward foreign exchange contracts have been included in this estimate.

21: Financial instruments and risk management continued

H: Fair values of financial instruments

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

	Hierarchy level	2020			2019		
		Book value £m	Fair value £m	Variance £m	Book value £m	Fair value £m	Variance £m
Unsecured bonds	1	1,737.5	1,765.4	27.9	1,688.0	1,847.2	159.2
Senior notes	2	524.1	549.1	25.0	689.3	706.6	17.3
Unsecured bank loans and overdrafts	2	(2.9)	–	2.9	127.6	132.0	4.4
Fair value of currency swaps	2	71.3	71.3	–	43.1	43.1	–
Borrowings		2,330.0	2,385.8	55.8	2,548.0	2,728.9	180.9
Fair value of interest rate swaps	2	–	–	–	(0.7)	(0.7)	–
Fair value of other investments	3	9.7	9.7	–	–	–	–
Participative loans to associates	3	189.9	189.9	–	195.2	195.2	–

The following valuation techniques have been applied to determine the fair values of financial instruments:

Valuation technique	Financial instrument
Quoted market prices	Unsecured bonds
Calculating present value of cash flows using appropriate market discount rates	Senior notes, unsecured bank loans and overdrafts, fair value of currency swaps and fair value of interest rate swaps
Calculation based on the underlying net asset values of the Villages/Centre in which the Reported Group holds interests; the assets of the Villages/Centre mainly comprise properties held at professional valuation (see note 14C)	Participative loans to associates and other investments

Level 3 financial instruments		2020		2019
		Participative loans £m	Other investments £m	Total £m
Balance at 1 January		195.2	–	169.4
Total gains	– in share of results of associates	(16.5)	–	39.6
	– in the income statement	–	(0.1)	–
	– in other comprehensive income	11.2	–	(9.9)
Other movements	– reclassified from investment in joint ventures	–	9.8	–
	– acquisitions	–	–	0.9
	– movement in advances	–	–	4.8
Balance at 31 December		189.9	9.7	195.2

The valuation technique applied for Level 3 financial instruments is described in the above table. All other factors remaining constant, an increase of 5% in the net asset values of the Villages would increase the carrying amount of the Level 3 financial instruments by £10.3 million. Similarly, a decrease of 5% would decrease the carrying amount by £10.3 million. The fair values of all other financial assets and liabilities equate to their book values.

I: Carrying amounts, gains and losses on financial instruments

The tables below show the classification of financial instruments under accounting standards IFRS 9.

			2020	
	Notes	Carrying amount £m	Gain/(Loss) to income £m	Gain/(Loss) to equity £m
Balances due from joint ventures	13A	261.4	–	–
Loans receivable: non-current assets	14C	1.8	0.1	–
Other receivables: non-current assets		1.6	–	–
Restricted monetary assets: non-current assets		21.4	–	–
Trade and other receivables: current assets	15	98.4	(25.2)	–
Restricted monetary assets: current assets	16	28.3	–	–
Cash and deposits	17	409.5	–	–
Assets held for sale*		–	(103.8)	–
Financial assets at amortised cost		822.4	(128.9)	–
Participative loans to associates	14C	189.9	(16.5)	11.2
Other investments		9.7	(0.1)	–
Assets at fair value through profit and loss		199.6	(16.6)	11.2
Derivative financial instruments	21A	(71.3)	(6.1)	(24.3)
Net liabilities at fair value through profit and loss		(71.3)	(6.1)	(24.3)
Payables	21J	(251.6)	(0.1)	–
Loans	20	(2,258.7)	(84.3)	(59.3)
Obligations under head leases	22	(41.8)	(2.3)	–
Financial liabilities at amortised cost		(2,552.1)	(86.7)	(59.3)
Total for financial instruments		(1,601.4)	(238.3)	(72.4)

			2019	
	Notes	Carrying amount £m	Gain/(Loss) to income £m	Gain/(Loss) to equity £m
Balances due from joint ventures	13A	360.4	–	–
Loans receivable: non-current assets	14C	1.7	0.1	–
Other receivables: non-current assets		1.7	–	–
Trade and other receivables: current assets	15	92.5	(1.4)	–
Restricted monetary assets: current assets	16	21.5	–	–
Cash and deposits	17	28.2	–	–
Assets held for sale/discontinued operations		6.2	–	–
Financial assets at amortised cost		512.2	(1.3)	–
Participative loans to associates	14C	195.2	39.6	(9.9)
Assets at fair value through profit and loss		195.2	39.6	(9.9)
Derivative financial instruments	21A	(42.4)	(43.0)	139.8
Net liabilities at fair value through profit and loss		(42.4)	(43.0)	139.8
Payables	21J	(235.0)	(0.2)	–
Loans	20	(2,504.9)	(84.3)	60.9
Obligations under head leases	22	(36.9)	(2.2)	–
Liabilities associated with assets held for sale/discontinued operations		(13.1)	(0.2)	–
Financial liabilities at amortised cost		(2,789.9)	(86.9)	60.9
Total for financial instruments		(2,124.9)	(91.6)	190.8

* 'Loss to income' represents the net impairment of assets held for sale on VIA Outlets. See note 18A.

21: Financial instruments and risk management continued

The equity losses of £83.6 million, on hedging instruments, shown as the total movement in the net investment and cash flow hedge reserves in the consolidated statement of changes in equity on page 96 comprise losses in relation to derivative financial instruments of £24.3 million and losses in relation to loans of £59.3 million as shown in the table on page 141. This includes cumulative losses of £20.8 million recycled from the net investment hedge reserve to the income statement on disposal of foreign operations. In 2019, the equity gains of £200.7 million, on hedging instruments, shown as the total movement in the net investment and cash flow hedge reserves on page 96 comprise gains in relation to derivative financial instruments of £139.8 million and gains in relation to loans of £60.9 million. This included a loss of £55.3 million recycled from the net investment hedge reserve. The Group risk management strategies and hedge documentation comply with the requirements of IFRS 9 and are thus treated as continuing hedges. As at 31 December 2020, amounts relating to continuing hedges in the net investment hedge reserve were £207.7 million (2019: £120.2 million). These hedges are due to mature between 2021 and 2031.

The movements in the net investment hedge reserve offset foreign exchange translation gains during the year of £171.1 million (2019: £204.3 million losses) which arise from the retranslation of the net investment in foreign operations and £26.0 million (2019: £69.1 million) of cumulative gains recycled on disposal of foreign operations. These are shown in the consolidated statement of changes in equity as movements in the translation reserve on pages 96 and 97.

The Group designated as a cash flow hedge the cross currency swaps used to manage its foreign currency risk on US dollar loans. In 2020, a loss of £3.4 million (2019: £8.4 million) was recognised in the cash flow hedge reserve in respect of these derivatives of which a £8.2 million loss (2019: £15.2 million) was recycled to net finance costs. At 31 December 2020, the cash flow hedge reserve includes a gains of £3.4 million (2019: £1.4 million loss), all of which relates to continuing cash flow hedges. The cash flows are expected to occur between 2021 and 2024.

The ratio for hedging instruments designated in both net investment and cash flow hedge relationships was 1:1. Ineffectiveness could be recognised on either hedging relationship due to significant changes in counterparty credit risk or a reduction in the notional amount of the hedged item during the designated hedging period. No ineffectiveness was recognised in 2020 or 2019.

J: Maturity analysis of financial liabilities

The remaining contractual non-discounted cash flows for financial liabilities are as follows:

Notes	2020 Maturity					Total £m
	Less than one year £m	One to two years £m	Two to five years £m	Five to 25 years £m	More than 25 years £m	
Payables*	182.0	11.6	11.3	46.7	–	251.6
Derivative financial liability cash inflows	(139.5)	(16.1)	(514.4)	–	–	(670.0)
Derivative financial liability cash outflows	138.4	12.7	596.8	–	–	747.9
Non-derivative borrowings	115.0	446.0	1,040.8	656.9	–	2,258.7
Non-derivative unamortised borrowing costs	–	1.7	7.4	2.7	–	11.8
Non-derivative interest	77.9	74.0	170.5	69.6	–	392.0
Head leases	2.4	2.4	7.3	48.8	100.7	161.6
	376.2	532.3	1,319.7	824.7	100.7	3,153.6

Notes	2019 Maturity					Total £m
	Less than one year £m	One to two years £m	Two to five years £m	Five to 25 years £m	More than 25 years £m	
Payables*	182.6	9.5	13.6	39.3	–	245.0
Derivative financial liability cash inflows	(297.3)	(17.9)	(226.0)	(362.3)	–	(903.5)
Derivative financial liability cash outflows	296.4	12.8	215.3	415.0	–	939.5
Non-derivative borrowings	–	143.7	1,324.4	1,036.8	–	2,504.9
Non-derivative unamortised borrowing costs	–	–	8.1	7.3	–	15.4
Non-derivative interest	84.9	84.8	231.8	166.8	–	568.3
Head leases	2.3	2.3	7.0	46.5	99.4	157.5
	268.9	235.2	1,574.2	1,349.4	99.4	3,527.1

* Comprises current and non-current payables excluding withholding tax on interim dividends of £11.9 million (2019: £12.2 million), deferred income of £10.2 million (2019: £14.2 million) and net pension liabilities of £34.5 million (2019: £45.3 million) as these do not meet the definition of financial liabilities. Total payables of £245.0 million in 2019 includes £235.0 million relating to continuing operations and £10.0 million relating to discontinued operations.

K: Capital structure

The Group's financing policy is to optimise the weighted average cost of capital by using an appropriate mix of debt and equity, the latter in the form of share capital. Further information on debt is provided in the Financial review on pages 31 to 34, and information on share capital and changes therein is set out in note 24 on page 143 and in the consolidated statement of changes in equity on pages 96 and 97.

22: Obligations under head leases

Head lease obligations in respect of rents payable on leasehold properties are payable as follows:

	2020			2019*		
	Minimum lease payments £m	Interest £m	Present value of minimum lease payments £m	Minimum lease payments £m	Interest £m	Present value of minimum lease payments £m
After 25 years	100.7	(64.2)	36.5	73.3	(41.2)	32.1
From five to 25 years	48.8	(44.0)	4.8	44.2	(39.9)	4.3
From two to five years	7.3	(7.0)	0.3	6.6	(6.3)	0.3
From one to two years	2.4	(2.3)	0.1	2.2	(2.1)	0.1
Within one year	2.4	(2.3)	0.1	2.2	(2.1)	0.1
	161.6	(119.8)	41.8	128.5	(91.6)	36.9

* Excludes £3.0 million associated with assets held for sale, as shown in note 18C, being minimum lease payments of £29.0 million, less interest of £26.0 million.

23: Payables: non-current liabilities

	2020 £m	2019 £m
Net pension liability (note 7C)	33.6	44.4
Other payables*	69.6	62.1
	103.2	106.5

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

24: Share capital

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

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

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

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

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

Share schemes

In 2020, the Restricted Share Scheme replaced the Long Term Incentive Plan, and the latter, although closed to new awards, will continue until the end of the 2019 award's vesting period in 2024. The number and weighted average exercise price of share options which remain outstanding in respect of the Savings-Related Share Option Scheme are shown in the tables below, together with details of expiry periods and range of exercise price. The number of ordinary shares which remain outstanding in respect of the Restricted Share Plan, Restricted Share Scheme, and Long Term Incentive Plan are shown, together with their year of grant.

	Share options				Ordinary shares of 5p each	
	Number	Year of expiry	Weighted average exercise price	Exercise price (pence)	Number	Year of grant
Savings-Related Share Option Scheme	1,270,053	2021-2025	n/a*	76.2-214.6	-	-
Restricted Share Plan	-	-	-	-	13,772,868	2018-2020
Restricted Share Scheme	-	-	-	-	7,511,007	2020
Long Term Incentive Plan	-	-	-	-	3,376,305	2017-2019

* The 'exercise price' column represents the range of possible exercise prices for the options outstanding at 31 December 2020. During the year no options under the Savings-Related Share Option scheme were exercised and as a result there was no weighted average exercise price.

	Share options*				Ordinary shares of 25p each	
	Number	Year of expiry	Weighted average exercise price	Exercise price (pence)	Number	Year of grant
Savings-Related Share Option Scheme	541,480	2020-2025	£3.57	170.4-540.4	-	-
Restricted Share Plan	-	-	-	-	1,383,179	2017-2019
Long Term Incentive Plan	-	-	-	-	2,065,609	2016-2019

* The number and exercise price of share options has not been adjusted for the rights issue.

25: Analysis of movement in net debt

Notes	2020			2019		
	Cash and deposits £m	Borrowings £m	Net debt £m	Cash and deposits £m	Borrowings £m	Net debt £m
	17	21F		17	21F	
At 1 January	28.2	(2,548.0)	(2,519.8)	31.2	(3,098.8)	(3,067.6)
Cash and deposits transferred from assets held for sale	1.6	–	1.6	–	–	–
Cash flow	378.2	310.8	689.0	–	391.7	391.7
Change in fair value of currency swaps	–	23.9	23.9	–	10.7	10.7
Exchange	1.5	(116.7)	(115.2)	(1.4)	148.4	147.0
At 31 December	409.5	(2,330.0)	(1,920.5)	29.8	(2,548.0)	(2,518.2)
Cash and deposits reclassified as assets held for sale	–	–	–	(1.6)	–	(1.6)
At 31 December – excluding assets held for sale	409.5	(2,330.0)	(1,920.5)	28.2	(2,548.0)	(2,519.8)

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

	2020 £m	2019 £m
Amortisation of lease incentives and other costs	7.7	6.2
Increase in loss allowance provision	25.2	1.4
Increase in impairment of unamortised tenant incentives	9.5	–
Increase in accrued rents receivable	(6.7)	(1.3)
Depreciation	4.9	5.1
Share-based employee remuneration (note 5)	2.2	3.0
Other	(1.4)	(5.5)
	41.4	8.9

27: Contingent liabilities and capital commitments

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

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

The risks and uncertainties facing the Group are detailed on pages 35 to 41.

28: Related party transactions and non-controlling interests

A. Joint ventures and associates

Related party transactions with the Group's joint ventures and associates primarily comprise management fees, interest receivable, loan balances and other amounts due. The amounts shown below represent the Group's transactions and balances with its related parties and are shown before any consolidation adjustments.

	2020 £m	2019 £m
Management fees from joint ventures	13.2	14.7
Management fees from associates	1.5	1.1
Interest receivable from joint ventures	1.5	12.3
Interest receivable from associates	0.1	0.1
Loan balances due from joint ventures (note 13A)	261.4	443.7
Other amounts due from joint ventures	12.3	8.0
Other amounts due to joint ventures	(17.6)	(14.4)
Participative loans to associates (note 14C)	189.9	195.2
Loans to associates (note 14C)	1.8	1.7

On 31 October 2020, the Group sold substantially all of its investment in VIA Outlets to joint venture partner, APG for £277.0 million, see note 1C for further details.

B. Key management

The remuneration of the Directors and other members of the Group Executive Committee (GEC), who are the key management of the Group, is set out below in aggregate. The members of the GEC, including their biographies, are set out on the Group's website. Further information about the remuneration of the individual Directors is disclosed in the audited sections of the Directors' Remuneration report on pages 60 to 79.

	2020 £m	2019 £m
Salaries and short-term benefits	5.4	5.5
Post-employment benefits	0.6	0.7
Share-based payments	0.6	1.0
Total remuneration	6.6	7.2

C. Non-controlling interests

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

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

29: Post balance sheet events

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

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

Company balance sheet
as at 31 December 2020

	Notes	2020 £m	2019 £m
Non-current assets			
Investments in subsidiary companies	C	2,409.0	3,774.9
Derivative financial instruments	F	6.6	31.6
Receivables	D	4,331.2	4,955.5
		6,746.8	8,762.0
Current assets			
Receivables		3.3	11.2
Derivative financial instruments	F	9.1	0.8
Cash and deposits		374.9	2.1
		387.3	14.1
Total assets		7,134.1	8,776.1
Current liabilities			
Loans	F	(115.0)	-
Payables	E	(1,579.5)	(1,819.2)
Derivative financial instruments	F	(2.3)	(4.1)
		(1,696.8)	(1,823.3)
Non-current liabilities			
Loans	F	(2,143.7)	(2,504.9)
Derivative financial instruments	F	(84.7)	(70.7)
		(2,228.4)	(2,575.6)
Total liabilities		(3,925.2)	(4,398.9)
Net assets		3,208.9	4,377.2
Equity			
Called up share capital	24	202.9	191.6
Share premium		1,611.9	1,266.0
Merger reserve		374.1	374.1
Other reserves		198.2	14.3
Revaluation reserve		299.0	1,668.3
Retained earnings		523.2	865.1
Investment in own shares		(0.4)	(2.2)
Equity shareholders' funds		3,208.9	4,377.2

The loss for the year attributable to equity shareholders and included within retained earnings was £320.9 million (2019: £428.6 million profit).

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

Signed on behalf of the Board

Rita-Rose Gagné
Director

James Lenton
Director

Registered in England No. 360632

**Company statement of changes in equity
for the year ended 31 December 2020**

	Share capital £m	Share premium £m	Merger reserve £m	Other reserves ¹ £m	Revaluation reserve £m	Retained earnings £m	Investment in own shares ² £m	Equity shareholders' funds £m
Balance at 1 January 2020	191.6	1,266.0	374.1	14.3	1,668.3	865.1	(2.2)	4,377.2
Capital reorganisation ³	(183.9)	-	-	183.9	-	-	-	-
Rights issue ³	183.9	372.7	-	-	-	-	-	556.6
Rights issue expenses ⁴	-	(26.8)	-	-	-	-	-	(26.8)
Cost of shares awarded to employees	-	-	-	-	-	-	2.0	2.0
Purchase of own shares	-	-	-	-	-	-	(0.2)	(0.2)
Dividends (note 10)	-	-	-	-	-	(71.5)	-	(71.5)
Scrip dividend related share issue (note 10)	11.3	-	-	-	-	47.1	-	58.4
Revaluation losses on investments in subsidiary companies (note C)	-	-	-	-	(1,369.3)	-	-	(1,369.3)
Foreign exchange translation differences on net investment in subsidiaries (note C)	-	-	-	-	-	3.4	-	3.4
Loss for the year attributable to equity shareholders	-	-	-	-	-	(320.9)	-	(320.9)
Total comprehensive loss for the year	-	-	-	-	(1,369.3)	(317.5)	-	(1,686.8)
Balance at 31 December 2020	202.9	1,611.9	374.1	198.2	299.0	523.2	(0.4)	3,208.9

1. Other reserves comprise capital redemption reserves of £14.3 million (2019: £14.3 million) relating to share buybacks and £183.9 million (2019: £nil) resulting from the cancellation of the Company's shares as part of the reorganisation of share capital. See note 24 for further details.
2. Investment in own shares is stated at cost.
3. During the year the Company completed a capital reorganisation and rights issue. For further information see note 24.
4. Only costs directly related to the rights issue have been recognised in the share premium account. A further £0.3 million of indirect costs have been recognised in the Company's loss for the year.

	Share capital £m	Share premium £m	Merger reserve £m	Other reserves ¹ £m	Revaluation reserve £m	Retained earnings £m	Investment in own shares ² £m	Equity shareholders' funds £m
Balance at 1 January 2019	191.6	1,266.0	374.1	14.3	2,955.4	634.5	(3.0)	5,432.9
Share buyback – release of 2018 accrual	-	-	-	-	-	0.8	-	0.8
Cost of shares awarded to employees	-	-	-	-	-	-	2.6	2.6
Purchase of own shares	-	-	-	-	-	-	(1.8)	(1.8)
Dividends (note 10)	-	-	-	-	-	(198.4)	-	(198.4)
Revaluation losses on investments in subsidiary companies (note C)	-	-	-	-	(1,287.1)	-	-	(1,287.1)
Foreign exchange translation differences on net investment in subsidiaries (note C)	-	-	-	-	-	(0.4)	-	(0.4)
Profit for the year attributable to equity shareholders	-	-	-	-	-	428.6	-	428.6
Total comprehensive (loss)/income for the year	-	-	-	-	(1,287.1)	428.2	-	(858.9)
Balance at 31 December 2019	191.6	1,266.0	374.1	14.3	1,668.3	865.1	(2.2)	4,377.2

1. Other reserves comprise a capital redemption reserve relating to share buybacks.
2. Investment in own shares is stated at cost.

The merger reserve comprises the premium on the share placing in September 2014. With regard to this transaction, no share premium is recorded in the Company's financial statements, through the operation of the merger relief provisions of the Companies Act 2006.

A: Accounting policies

Basis of accounting

The Hammerson plc Company financial statements presented in this section are prepared in accordance with Financial Reporting Standard 101 (FRS 101) 'Reduced Disclosure Framework' as issued by the Financial Reporting Council.

The financial statements are presented in sterling. They are prepared on the historical cost basis, except that the investments in subsidiary companies and derivative financial instruments are included at fair value. Historical cost is generally based on the fair value of the consideration given in exchange for the goods and services.

Disclosure exemptions adopted

In preparing these financial statements, Hammerson plc has taken advantage of certain exemptions conferred by FRS 101. Therefore these financial statements do not include:

- certain comparative information as otherwise required by IFRS
- certain disclosures regarding the Company's capital
- a statement of cash flows
- certain disclosures in respect of financial instruments
- the effect of future accounting standards not yet adopted
- disclosure of related party transactions with wholly-owned members of the Group

The above disclosure exemptions have been adopted because equivalent disclosures are included in the consolidated Group financial statements into which Hammerson plc is consolidated.

Going concern

The Company from a going concern perspective is inextricably linked to the Group. As explained in note 1E to the Group financial statements, the Directors have concluded that it is appropriate to prepare the Group's financial statements on a going concern basis. This conclusion also applies to the preparation of the Company's financial statements for the reasons set out in that note.

However, consistent with the rationale and conclusion set out in note 1E for the Group financial statements, the Directors have concluded that there is a material uncertainty which may cast significant doubt on both the Group's and Company's ability to continue as a going concern. No adjustments have been made to the financial statements that would result if the Company were unable to continue as a going concern. For further details refer to note 1E of the Group financial statements.

Accounting policies

The significant accounting policies relevant to the Company are the same as those set out in the accounting policies for the Group in note 1, except for significant judgements and key estimates and investments in subsidiary companies, which are included at fair value. Revaluation movements are included within equity in the revaluation reserve.

The Company's key areas of estimation uncertainty are in respect of the valuation of investments in subsidiary companies, and the impairment of amounts due from subsidiaries as detailed below.

The Directors determine the valuations of investments in subsidiary companies with reference to the net assets of the entities. The principal assets of the entities are the investment and development properties either held by the subsidiary or its fellow group undertakings which are valued by professional external valuers. The Directors must ensure they are satisfied that the Company's investment in subsidiary companies is appropriate for the financial statements. The basis of valuation of the Group's investment and development properties is set out in the notes to the financial statements. See note 1 on page 101 and note 12 on page 122. Consistent with the Group's deferred tax recognition treatment, as explained in note 9C, in calculating the net asset values of the subsidiaries, no deduction is made for deferred tax.

Additionally, as required by IFRS 9, management has assessed the recoverability of amounts due to Hammerson plc from its subsidiaries and other related undertakings, including joint ventures. The principal assets of the subsidiaries and related undertakings are investment and development properties which are valued by professional external valuers. In assessing the Company's strategy for the recovery of amounts due, management has considered the value of these underlying assets, incorporating any illiquidity impact in the event of an immediate recovery being required. At 31 December, the Company has recognised a £310.4 million impairment in the Company's financial statements, principally in relation to loans with WestQuay and Croydon joint ventures.

There are no other significant areas of judgement.

B: Result for the year and dividend

As permitted by section 408 of the Companies Act 2006, the income statement of the Company is not presented as part of these financial statements. The loss for the year attributable to equity shareholders within the financial statements of the Company was £320.9 million (2019: £428.6 million profit) and includes a net loss of £116.3 million (2019: £125.2 million gain) in respect of foreign exchange translation movements on the Company's euro and US dollar denominated receivables and borrowings, and an impairment of amounts owed by subsidiaries and other related undertakings of £310.4 million (2019: £nil).

Dividend information is provided in note 10 to the financial statements.

C: Investments in subsidiary companies

	2020		2019	
	Cost £m	Valuation £m	Cost £m	Valuation £m
Balance at 1 January	2,072.7	3,774.9	1,561.7	4,551.0
Additions	–	–	511.4	511.4
Exchange adjustment	3.4	3.4	(0.4)	(0.4)
Revaluation loss	–	(1,369.3)	–	(1,287.1)
Balance at 31 December	2,076.1	2,409.0	2,072.7	3,774.9

Investments are stated at Directors' valuation, as explained on page 148.

A list of the subsidiary companies and other related undertakings at 31 December 2020 is included in note G.

D: Receivables: non-current assets

	2020 £m	2019 £m
Amounts owed by subsidiaries and other related undertakings*	4,308.0	4,953.8
Loans receivable from associate (note 14C)	1.8	1.7
Restricted monetary asset (note 16)	21.4	–
	4,331.2	4,955.5

* Includes an expected credit loss impairment provision of £310.4 million (2019: £nil).

Amounts owed by subsidiaries and other related undertakings are unsecured and bear interest at floating rates based on LIBOR. This includes amounts which are repayable on demand; however, it is the Company's current intention not to seek repayment of these amounts before 31 December 2021.

E: Payables: current liabilities

	2020 £m	2019 £m
Amounts owed to subsidiaries and other related undertakings	1,530.9	1,765.1
Withholding tax on interim dividends (note 10)	11.9	12.2
Accruals	36.7	41.9
	1,579.5	1,819.2

The amounts owed to subsidiaries and other related undertakings are unsecured, repayable on demand and bear interest at floating rates based on LIBOR.

F: Loans and derivative financial instruments

	Derivative financial instruments				Loans < 1 year £m	Loans > 1 year £m	2020 Total £m	2019 Total £m
	Current assets £m	Non-current assets £m	Current liabilities £m	Non-current liabilities £m				
Bonds	–	–	–	–	–	1,737.5	1,737.5	1,688.0
Bank loans and overdrafts	–	–	–	–	–	(2.9)	(2.9)	127.6
Senior notes	–	–	–	–	115.0	409.1	524.1	689.3
Fair value of currency swaps	(9.1)	(6.6)	2.3	84.7	–	–	71.3	43.1
Borrowings	(9.1)	(6.6)	2.3	84.7	115.0	2,143.7	2,330.0	2,548.0
Fair value of interest rate swaps	–	–	–	–	–	–	–	(0.7)
Loans and derivative financial instruments	(9.1)	(6.6)	2.3	84.7	115.0	2,143.7	2,330.0	2,547.3

Details of the Group's loans and derivative financial instruments are given in notes 20 and 21 to the financial statements. The fair value of the Company's loans and derivative financial instruments is equal to that of the Reported Group as shown in note 21H.

G: Subsidiaries and other related undertakings

The Company's subsidiaries and other related undertakings at 31 December 2020 are listed below. No Group entities have been excluded from the consolidated financial results.

Direct subsidiaries

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

England and Wales

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

Grantchester Holdings Limited	Hammerson International Holdings Limited
Hammerson Company Secretarial Limited	Hammerson Pension Scheme Trustees Limited
Hammerson Employee Share Plan Trustees Limited	Hammerson Share Option Scheme Trustees Limited
Hammerson Group Management Limited	Hammerson Via No 1 Limited
Hammerson Group Management Limited – Irish branch*	Hammerson Via No 2 Limited
Hammerson Group Limited	

* Registered office: Riverside One, Sir John Rogerson's Quay, Dublin 2, Ireland.

France

Registered office: 40/48 rue Cambon – 23 rue des Capucines 75001 Paris

Hammerson Holding France SAS	Hammerson plc – French branch
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Indirect subsidiaries and other wholly-owned entities

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

England and Wales

Registered office: Kings Place, 90 York Way, London N1 9GE (See page 151 for footnotes)

280 Bishopsgate Investments Limited	Hammerson (Milton Keynes) Limited
Abbey Retail Park Limited (Northern Ireland) ¹	Hammerson (Moor House) Properties Limited
Christchurch UK Limited	Hammerson (Newcastle) Limited
Crocusford Limited	Hammerson (Newtownabbey) Limited
Governeffect Limited	Hammerson (Oldbury) Limited
Grantchester Developments (Birmingham) Limited	Hammerson (Renfrew) Limited
Grantchester Developments (Falkirk) Limited	Hammerson (Rugby) Limited
Grantchester Group Limited	Hammerson (Silverburn) Limited (Isle of Man) ²
Grantchester Investments Limited	Hammerson (Staines) Limited
Grantchester Limited	Hammerson (Telford) Limited
Grantchester Properties (Gloucester) Limited	Hammerson (Value Retail Investments) Limited
Grantchester Properties (Luton) Limited	Hammerson (VIA GP) Limited
Grantchester Properties (Middlesbrough) Limited	Hammerson (Victoria Gate) Limited
Grantchester Properties (Nottingham) Limited	Hammerson (Victoria Investments) Limited
Grantchester Properties (Port Talbot) Limited	Hammerson (Victoria Quarter) Limited
Grantchester Properties (Sunderland) Limited	Hammerson (Watermark) Limited
Grantchester Property Management Limited	Hammerson (Whitgift) Limited
Hammerson (60 Threadneedle Street) Limited	Hammerson Birmingham Properties Limited
Hammerson (9-13 Grosvenor Street) Limited	Hammerson Bull Ring Limited
Hammerson (Bicester No. 2) Limited	Hammerson Croydon (GP1) Limited
Hammerson (Brent Cross) Limited	Hammerson Croydon (GP2) Limited
Hammerson (Brent South) Limited	Hammerson Investments (No. 12) Limited
Hammerson (Bristol Investments) Limited	Hammerson Investments (No. 13) Limited
Hammerson (Bristol) Limited	Hammerson Investments (No. 16) Limited
Hammerson (Cardiff) Limited	Hammerson Investments (No. 23) Limited
Hammerson (Centurion) Limited	Hammerson Investments (No. 26) Limited
Hammerson (Coventry) Limited	Hammerson Investments (No. 35) Limited
Hammerson (Cramlington I) Limited	Hammerson Investments (No. 36) Limited
Hammerson (Cricklewood) Limited	Hammerson Investments (No. 37) Limited
Hammerson (Croydon) Limited	Hammerson Investments Limited
Hammerson (Didcot) Limited	Hammerson Junction (No 3) Limited
Hammerson (Didcot II) Limited	Hammerson Junction (No 4) Limited
Hammerson (Euston Square) Limited	Hammerson LLC (United States) ³
Hammerson (Exeter II) Limited	Hammerson Martineau Galleries Limited
Hammerson (Folkestone) Limited	Hammerson MGLP Limited
Hammerson (Grosvenor Street) Limited	Hammerson MGLP 2 Limited
Hammerson (Kingston) Limited	Hammerson MLP Limited
Hammerson (Leeds Developments) Limited	Hammerson Moor House (LP) Limited
Hammerson (Leeds GP) Limited	Hammerson Operations Limited
Hammerson (Leeds Investments) Limited	Hammerson Oracle Investments Limited
Hammerson (Leeds) Limited	Hammerson Oracle Properties Limited
Hammerson (Leicester GP) Limited	Hammerson Peterborough (GP) Limited
Hammerson (Lichfield) Limited	Hammerson Peterborough (No 1) Limited
Hammerson (Merthyr) Limited	Hammerson Peterborough (No 2) Limited

Indirect subsidiaries and other wholly-owned entities continued

England and Wales continued

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

Hammerson Project Management Limited	Precis (1474) Limited (Ordinary and Deferred)
Hammerson Ravenhead Limited	Hammerson Renewable Energy Limited
Hammerson (Milton Keynes) Limited	Hammerson Retail Parks Holdings Limited
Hammerson (Moor House) Properties Limited	Hammerson Sheffield (NRQ) Limited
Hammerson (Newcastle) Limited	RT Group Developments Limited
Hammerson Shelf Co 10 Limited	RT Group Property Investments Limited
Hammerson Shelf Co 11 Limited	SEVCO 5025 Limited ⁴
Hammerson Shelf Co 12 Limited	Spitalfields Developments Limited
Hammerson Shelf Co 13 Limited	Spitalfields Holdings Limited (Ordinary and Preference)
Hammerson Shelf Co 14 Limited	The Junction (General Partner) Limited
Hammerson UK Properties plc	The Junction (Thurrock Shareholder GP) Limited
Hammerson Wrekin LLP ⁶	The Junction Limited Partnership ⁶
Junction Nominee 1 Limited	The Junction Thurrock (General Partner) Limited
Junction Nominee 2 Limited	The Junction Thurrock Limited Partnership ⁶
Leeds (GP1) Limited	The Martineau Galleries Limited Partnership ⁶
Leeds (GP2) Limited	Thurrock Shares 1 Limited
London & Metropolitan Northern	Thurrock Shares 2 Limited
LWP Limited Partnership ⁶	Union Square Developments Limited (Scotland) ⁵
Martineau Galleries (GP) Limited	West Quay (No.1) Limited
Martineau Galleries No. 1 Limited	West Quay (No.2) Limited
Martineau Galleries No. 2 Limited	West Quay Shopping Centre Limited
Mentboost Limited	Westchester Holdings Limited
Monesan Limited (Northern Ireland) ¹	Westchester Property Holdings Limited
New Southgate Limited	

Registered offices: (1) 50 Bedford Street, Belfast, BT2 7FW (2) First Names House, Victoria Road, Douglas, Isle of Man IM2 4DF (3) 2711 Centerville Road, Suite 400, Wilmington, Delaware 19808, United States; country of operation is the United Kingdom (4) SG House, 6 St. Cross Road, Winchester, Hampshire, SO23 9HX (5) 1 George Square, Glasgow, G2 1AL (6) No shares in issue for Limited Partnerships.

France

Registered office: 40/48 rue Cambon - 23 rue des Capucines, 75001 Paris

BFN10 GmbH (Germany) ¹	SCI Cergy Cambon SCI
Cergy Expansion 1 SAS	SCI Cergy Capucine SCI
Espace Plus SCI	SCI Cergy Honoré SCI
Hammerson SAS	SCI Cergy Lynx SCI
Hammerson Asset Management SAS	SCI Cergy Madeleine SCI
Hammerson Centre Commercial Italie SAS	SCI Cergy Office 1 SCI
Hammerson Cergy SASU	SCI Cergy Office 2 SCI
Hammerson Cergy 1 SCI	SCI Cergy Office 3 SCI
Hammerson Cergy 2 SCI	SCI Cergy Office 4 SCI
Hammerson Cergy 4 SCI	SCI Cergy Office 5 SCI
Hammerson Cergy 5 SCI	SCI Cergy Office 6 SCI
Hammerson Développement SCI	SCI Cergy Opéra SCI
Hammerson Europe BV (Netherlands) ²	SCI Cergy Paix SCI
Hammerson Fontaine SCI	SCI Cergy Royale SCI
Hammerson France SAS	SCI Cergy Trois SCI
Hammerson Marketing et Communication SAS	SCI Cergy Tuileries SCI
Hammerson Marseille SC	SCI Cergy Vendôme SCI
Hammerson Property Management SAS	SCI Nevis SCI
Hammerson Troyes SCI	SCI Paris Italik SCI
Les Pressing Réunis SARL	SNC Cergy Expansion 2
RC Aulnay 3 SCI	Teycpac-H-Italie SAS

Registered offices: (1) Schlossstraße 1, 12163 Berlin, Germany (2) Spoorsinge, 2871 TT, Schoonhoven, Netherlands.

G: Subsidiaries and other related undertakings continued

Indirect subsidiaries and other wholly-owned entities continued

Ireland

Dublin Central GP Limited ²	Dundrum Village Management Company Limited ²
Dublin Central Limited Partnership ^{1,2}	Hammerson Ireland Investments Limited ²
Dundrum R&O Park Management Limited ²	Hammerson Operations (Ireland) Limited ²
Dundrum Town Centre Management Limited ²	The Hammerson ICAV ³

(1) No shares in issue for Limited Partnerships. Registered offices: (2) Riverside One, Sir John Rogerson's Quay, Dublin 2, Ireland (3) 1-2 Victoria Buildings, Haddington Road, Dublin 4, Ireland.

Jersey

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

Hammerson Birmingham Investments Limited ²	Hammerson VIA (Jersey) Limited
Hammerson Bull Ring (Jersey) Limited ²	Hammerson VRC (Jersey) Limited
Hammerson Croydon Investments Limited	Hammerson Whitgift Investments Limited
Hammerson Highcross Investments Limited	The Junction Thurrock Unit Trust ¹
Hammerson Junction (No 1) Limited	The Junction Unit Trust ¹
Hammerson Junction (No 2) Limited	The Telford Forge Retail Park Unit Trust ¹
Hammerson Victoria Quarter Unit Trust ¹	

(1) No shares in issue for Unit Trusts. The registered office address is that of the appropriate trustee (2) Registered office: 44 Esplanade, St. Helier, Jersey JE4 9WG.

Indirectly held joint venture entities

See page 153 for footnotes

	Country of registration or operation	Class of share held	Ownership %
Bishopsgate Goodyard Regeneration Limited	England and Wales ¹	Ordinary	50
Brent Cross Partnership	England and Wales ¹	N/A	41
Bristol Alliance (GP) Limited	England and Wales ¹	Ordinary	50
Bristol Alliance Limited Partnership	England and Wales ¹	N/A	50
Bristol Alliance Nominee No. 1 Limited	England and Wales ¹	Ordinary	50
Bristol Alliance Nominee No. 2 Limited	England and Wales ¹	Ordinary	50
BRLP Rotunda Limited	England and Wales ¹	Ordinary	50
Bull Ring (GP) Limited	England and Wales ¹	Ordinary	50
Bull Ring (GP2) Limited	England and Wales ¹	Ordinary	50
Bull Ring Joint Venture Trust	Jersey ²	N/A	50
Bull Ring No. 1 Limited	England and Wales ¹	Ordinary	50
Bull Ring No. 2 Limited	England and Wales ¹	Ordinary	50
Croydon (GPI) Limited	England and Wales ¹	Ordinary	50
Croydon (GP2) Limited	England and Wales ¹	Ordinary	50
Croydon Car Park Limited	England and Wales ¹	Ordinary	50
Croydon Jersey Unit Trust	Jersey ³	N/A	50
Croydon Limited Partnership	England and Wales ¹	N/A	50
Croydon Management Services Limited	England and Wales ¹	Ordinary	50
Croydon Property Investments Limited	England and Wales ¹	Ordinary	50
Dundrum Car Park GP Limited	Ireland ⁴	Ordinary	50
Dundrum Car Park Limited Partnership	Ireland ⁴	N/A	50
Dundrum Retail GP Designated Activity Company	Ireland ⁴	Ordinary	50
Dundrum Retail Limited Partnership	Ireland ⁴	N/A	50
Grand Central (GP) Limited	England and Wales ¹	Ordinary	50
Grand Central Limited Partnership	England and Wales ¹	N/A	50
Grand Central No 1 Limited	England and Wales ¹	Ordinary	50
Grand Central No 2 Limited	England and Wales ¹	Ordinary	50
Grand Central Unit Trust	Jersey ²	N/A	50
Highcross (GP) Limited	England and Wales ¹	Ordinary	50
Highcross Leicester (GP) Limited	England and Wales ¹	Ordinary	50
Highcross Leicester Holdings Limited	England and Wales ¹	Ordinary	50
Highcross Leicester Limited	Jersey ³	N/A	50
Highcross Leicester Limited Partnership	England and Wales ¹	N/A	50

Indirectly held joint venture entities continued

	Country of registration or operation	Class of share held	Ownership %
Highcross (No.1) Limited	Jersey ³	N/A	50
Highcross (No.2) Limited	Jersey ³	N/A	50
Highcross Residential (Nominees 1) Limited	England and Wales ¹	Ordinary	50
Highcross Residential (Nominees 2) Limited	England and Wales ¹	Ordinary	50
Highcross Residential Properties Limited	England and Wales ¹	Ordinary	50
Highcross Shopping Centre Limited	England and Wales ¹	Ordinary	50
Moor House General Partner Limited	England and Wales ¹	Ordinary	67
Oracle Nominees (No. 1) Limited	England and Wales ¹	Ordinary	50
Oracle Nominees (No. 2) Limited	England and Wales ¹	Ordinary	50
Oracle Nominees Limited	England and Wales ¹	Ordinary	50
Oracle Shopping Centre Limited	England and Wales ¹	Ordinary	50
RC Aulnay 1 SCI	France ⁵	Ordinary	25
RC Aulnay 2 SCI	France ⁵	Ordinary	25
Reading Residential Properties Limited	England and Wales ¹	Ordinary	50
Retail Property Holdings Limited	Isle of Man ⁶	Ordinary	50
Retail Property Holdings (SE) Limited	Guernsey ⁷	Ordinary	50
SCI ESQ SCI	France ⁸	Ordinary	25
Société Civile de Développement du Centre Commercial de la Place des Halles SDPH SC	France ⁹	Ordinary	65
Silverburn Investment Advisor Limited	England and Wales ¹	Ordinary	50
Silverburn Unit Trust	Jersey ³	N/A	50
The Bull Ring Limited Partnership	England and Wales ¹	N/A	50
The Highcross Limited Partnership	England and Wales ¹	N/A	50
The Oracle Limited Partnership	England and Wales ¹	N/A	50
The West Quay Limited Partnership	England and Wales ¹	N/A	50
Triskelion Property Holding Designated Activity Company	Ireland ⁴	Ordinary	50
Whitgift Limited Partnership	England and Wales ¹	N/A	50

Registered offices: (1) Kings Place, 90 York Way, London N1 9GE (2) 44 Esplanade, St Helier, Jersey JE4 9WG (3) 47 Esplanade, St Helier, Jersey JE1 0BD (4) Riverside One, Sir John Rogerson's Quay, Dublin 2, Ireland (5) 129 rue Turenne, 75003 Paris (6) First Names House, Victoria Road, Douglas, Isle of Man IM2 4DF (7) Fiman House, St. George's Place, St. Peter Port, Guernsey GY1 2BH (8) 1 cours Michelet – CS 30051, 92076 Paris La Defense (9) 40/48 rue Cambon – 23 rue des Capucines, 75001 Paris.

Indirectly held associate entities

	Country of registration or operation	Class of share held	Ownership % ¹
Bicester Investors Limited Partnership	Bermuda ²	N/A	25
Bicester Investors II Limited Partnership	Bermuda ²	N/A	25
Master Holding BV	Netherlands ³	Ordinary	44
SAS Angel Shopping Centre SAS	France ⁴	Ordinary	10
SNC Italie Theatre SNC	France ⁵	Ordinary	25
SNC Reinventer Italie Vendrezanne SNC	France ⁵	Ordinary	25
SNC Vendrezanne SNC	France ⁵	Ordinary	25
Value Retail Investors Limited Partnership	Bermuda ²	N/A	79
Value Retail Investors II Limited Partnership	Bermuda ²	N/A	89
Value Retail Investors III Limited Partnership	Bermuda ²	N/A	50
Value Retail PLC	UK ⁶	Ordinary	24
VR Bavaria GmbH	Germany ⁷	Ordinary	5
VR European Holdings BV	Netherlands ³	Ordinary	25
VR Franconia GmbH	Germany ⁷	Ordinary	66
VR Ireland BV	Netherlands ³	Ordinary	57
VR La Vallée BV	Netherlands ³	Ordinary	28
VR Maasmechelen Tourist Outlets Comm. VA	Belgium ⁸	B-shares	29

(1) Ownership % represents Hammerson's effective ownership which is held directly and indirectly in the entities listed above. Registered offices: (2) Victoria Place, 31 Victoria Street, Hamilton, HM10, Bermuda (3) TMF, Luna Arena, Herikerbergweg 238, 1101 CM Amsterdam, Netherlands (4) 1 cours Michelet – CS 30051, 92076 Paris La Defense (5) 40/48 rue Cambon, 75001 Paris (6) 19 Berkeley Street, London W1J 8ED (7) Almosenberg, 97877, Wertheim, Germany (8) Zetellaan 100, 3630 Maasmechelen, Belgium.

Additional disclosures

Unaudited

EPRA measures

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

As with other real estate companies, we have adopted the EPRA Best Practice Recommendations (BPR) and were again awarded an EPRA Gold Award for compliance with the EPRA BPR and sustainability BPR for our 2019 Annual Report. Further information on EPRA and the EPRA BPR can be found on their website www.epra.com. Details of our key EPRA metrics are shown in Table 68.

Table 68

EPRA performance measures

Performance measure	2020	2019	Definition and commentary	Page
Earnings	£15.9m	£214.3m	Recurring earnings from core operational activities. In 2020, EPRA earnings were £20.6 million lower (2019: £0.3 million higher) than the Group's adjusted earnings due to the inclusion of 'Company specific' adjustments. For 2020, these principally related to the removal of the provision for amounts not yet recognised in the income statement of £12.0 million and earnings from VIA Outlets of £8.1 million following its reclassification at 30 June as an "asset held for sale" until its disposal in October. Management believes these adjustments better reflect the underlying earnings of the Group and are shown in note 11B of the financial statements.	118
Earnings per share (EPS) ¹	0.7p	12.8p	EPRA earnings divided by the weighted average number of shares in issue during the period. Due to the "Company specific" adjustments explained above, EPRA EPS is 0.9p lower than adjusted EPS (2019: no change).	118
Net Reinvestment Value (NRV) per share ^{1,2}	£0.94	£1.35	Equity shareholders' funds excluding the fair values of certain financial derivatives, deferred tax balances, and any associated goodwill. In addition, an allowance is made for potential purchasers' costs payable in the event that the Group's property portfolio, including premium outlets, were to be repurchased at market values. This total is then divided by the diluted number of shares in issue.	120
Net Tangible Assets value (NTA) per share ^{1,2,3}	£0.82	£1.16	Equity shareholders' funds excluding the fair values of certain financial derivatives, deferred tax balances which are expected to crystallise in the future, and goodwill balances, divided by the diluted number of shares in issue.	120
Net Disposal Value (NDV) per share ^{1,2}	£0.78	£1.07	Equity shareholders' funds including the fair value of borrowings and excluding goodwill balances, divided by the diluted number of shares in issue.	120
Net Initial Yield (NIY)	5.7%	5.1%	Annual cash rents receivable, less head and equity rents and any non-recoverable property operating expenses, as a percentage of the gross market value of the property, including estimated purchasers' costs, as provided by the Group's external valuers.	160
Topped-up NIY	5.8%	5.2%	EPRA NIY adjusted for the expiry of rent-free periods and future rent on signed leases.	160
Vacancy rate	5.7%	2.8%	The estimated market rental value (ERV) of vacant space divided by the ERV of the lettable area. Occupancy is the inverse of vacancy.	155
Cost ratio (incl. net service charge expenses – vacancy)	54.9%	25.7%	Total operating costs as a percentage of gross rental income, after rents payable. Both operating costs and gross rental income are adjusted for costs associated with inclusive leases.	158
Cost ratio (excl. net service charge expenses – vacancy)	51.7%	23.3%	Calculated as per the above metric, except this metric excludes net service charges in relation to vacancy.	158

Sustainability (LFL annual change)⁴

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

1. 2019 per share metric restated for rights issue.

2. From 1 January 2020, three new net asset value metrics replaced EPRA NAV and NNNAV. For comparison purposes, the new metrics and previously reported metrics for the current and comparative reporting periods are disclosed in note 11E on pages 120 to 121.

3. The Group has chosen to exclude 50% of deferred tax balances when calculating NTA in accordance with EPRA guidance.

4. Further details of the Group's Positive Places sustainability strategy can be found on our website www.hammerson.com.

Portfolio analysis

Rental information

Table 69

Rental data for the year ended 31 December 2020

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

Data for the year ended 31 December 2019

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

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

Vacancy

Table 70

Vacancy data as at 31 December 2020

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

1. Total ERV differs from Table 69 due to the exclusion of car park ERV, which distorts the vacancy metric, and the inclusion of head and equity rents.

Additional disclosures continued

Unaudited

Rent reviews

Table 71

Rent reviews as at 31 December 2020

Proportionally consolidated excluding premium outlets	Rents passing subject to review in ¹					Current ERV of leases subject to review in ²				
	Outstanding £m	2021 £m	2022 £m	2023 £m	Total £m	Outstanding £m	2021 £m	2022 £m	2023 £m	Total £m
UK	19.4	13.3	12.9	10.9	56.5	19.8	13.4	13.0	11.6	57.8
Ireland	16.6	4.1	3.0	3.6	27.3	18.4	4.3	3.2	3.6	29.5
Flagship destinations	36.0	17.4	15.9	14.5	83.8	38.2	17.7	16.2	15.2	87.3
UK retail parks	8.4	4.1	4.1	2.7	19.3	8.5	4.1	4.1	2.8	19.5
UK other	1.8	0.6	0.6	0.8	3.8	1.9	0.6	0.6	0.8	3.9
Investment portfolio³	46.2	22.1	20.6	18.0	106.9	48.6	22.4	20.9	18.8	110.7

1. The amount of rental income, based on rents passing at 31 December 2020, for leases which are subject to review in each year.

2. Projected rental income for leases that are subject to review in each year, based on the higher of the current rental income and the ERV at 31 December 2020.

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

Lease expiries and breaks

Table 72

Lease expiries and breaks as at 31 December 2020

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

1. The amount of rental income, based on rents passing at 31 December 2020, for leases which expire or, for the UK and Ireland only, are subject to tenant break options, which fall due in each year.

2. The ERV at 31 December 2020 for leases that expire or, for the UK and Ireland only, are subject to tenant break options which fall due in each year and ignoring the impact of rental growth and any rent-free periods.

Net rental income

Table 73

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

Net rental income for the year ended 31 December 2020

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

Net rental income for the year ended 31 December 2019

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

1. The above portfolios include both investment and development properties for each sector/segment.

2. The Property portfolio value on which LFL growth is based was £3,541.5 million as at 31 December 2020 (2019:£4,619.8 million).

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

Additional disclosures continued

Unaudited

Top ten tenants

Table 74

Ranked by passing rent at 31 December 2020

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

Cost ratio

Table 75

EPRA cost ratio

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

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

Valuation analysis

Table 76

Valuation analysis at 31 December 2020

	Properties at valuation ¹ £m	Revaluation in the year £m	Capital return %	Total return %	Initial yield %	True equivalent yield %	Nominal equivalent yield ² %
Proportionally consolidated including premium outlets							
UK	1,511.2	(838.6)	(35.8)	(33.7)	6.6	7.6	7.3
France	1,146.9	(202.7)	(15.3)	(11.9)	4.4	5.0	4.9
Ireland	757.1	(158.0)	(17.5)	(14.8)	4.6	5.2	5.0
Flagship destinations	3,415.2	(1,199.3)	(26.2)	(23.6)	5.4	6.2	6.0
UK retail parks ³	384.0	(121.6)	(23.3)	(19.5)	7.9	8.8	8.3
UK other	106.2	(27.8)	(19.8)	(16.8)	6.2	9.6	9.0
Investment portfolio	3,905.4	(1,348.7)	(25.8)	(23.1)	5.7	6.5	6.3
Developments	508.4	(159.3)	(24.2)	(23.3)			
Property portfolio – excluding premium outlets	4,413.8	(1,508.0)	(25.6)	(23.1)			
Premium outlets ⁴	1,924.2	(157.3)	(10.0)	(7.5)			
Total Group⁵	6,338.0	(1,665.3)	(20.9)	(18.3)			

Data for the year ended 31 December 2019

UK	2,351.3	(581.8)	(19.9)	(15.8)	5.5	6.2	6.0
France	1,269.0	(130.6)	(10.2)	(6.5)	4.1	4.7	4.6
Ireland	860.0	(71.6)	(7.5)	(3.6)	4.1	4.7	4.6
Flagship destinations	4,480.3	(784.0)	(14.8)	(10.8)	4.8	5.5	5.3
UK retail parks	453.3	(124.9)	(19.5)	(14.0)	7.3	7.6	7.3
UK other	134.5	(41.2)	(23.6)	(19.3)	7.4	9.4	8.8
Investment portfolio	5,068.1	(950.1)	(15.6)	(11.5)	5.1	5.8	5.6
Developments	599.6	(77.9)	(10.7)	(9.2)			
Property portfolio – excluding premium outlets	5,667.7	(1,028.0)	(15.8)	(11.9)			
Premium outlets ⁴	2,659.1	199.8	8.2	13.6			
Total Group⁵	8,326.8	(828.2)	(9.8)	(5.6)			

1. Includes impairment of £91.6 million at 31 December 2019, following reclassification of the UK retail parks to assets held for sale. Valuation movements, returns and yields for 2019 have been calculated excluding this impairment loss.
2. Nominal equivalent yields are included within the unobservable inputs to the portfolio valuations as defined by IFRS 13. This information has been subject to audit. The nominal equivalent yield for the Reported Group at 31 December 2020 was 6.3% (2019: 5.8%).
3. Revaluation in the year includes £69.2 million relating to the impairment recognised following reclassification of the UK retail parks to assets held for sale of £91.6 million and its subsequent reversal, totalling £22.4 million, in 2020, consistent with the basis upon which returns and yields have been calculated.
4. Represents the Group's share of premium outlets through its investments in Value Retail and VIA Outlets. Substantially all of the Group's investment in VIA Outlets was sold on 31 October 2020.
5. Further analysis of capital expenditure between Reported Group and Share of Property interests is included in note 3B on page 112.

Additional disclosures continued

Unaudited

EPRA Net Initial Yield (NIY)

Table 77

Investment portfolio as at 31 December 2020

		2020 £m	2019 £m
Proportionally consolidated excluding premium outlets			
Property portfolio – excluding premium outlets – wholly owned	Note 3B	2,152.8	2,098.7
Property portfolio – excluding premium outlets – share of property interests	Note 3B	2,261.0	3,112.5
Property portfolio – excluding premium outlets – assets held for sale/discontinued operations	Note 3B	–	456.5
Net investment portfolio valuation on a proportionally consolidated basis	Note 3B	4,413.8	5,667.7
Less: Developments	Note 3B	(508.4)	(599.6)
Completed investment portfolio		3,905.4	5,068.1
Add: Impairment recognised on reclassification to held for sale		–	92.0
Purchasers' costs ¹		272.1	353.7
Grossed up completed investment portfolio (A)		4,177.5	5,513.8
Annualised cash passing rental income		269.7	299.5
Non recoverable costs		(26.1)	(11.6)
Rents payable		(4.5)	(4.5)
Annualised net rent (B)		239.1	283.4
Add:			
Notional rent expiration of rent free periods ²		3.0	4.8
Future rent on signed leases		1.5	1.0
Topped-up annualised net rent (C)		243.6	289.2
Add back: Non recoverable costs		26.1	11.6
Passing rents³	Table 69	269.7	300.8
EPRA net initial yield (B/A)	Table 76	5.7%	5.1%
EPRA 'topped-up' net initial yield (C/A)		5.8%	5.2%

1. Purchasers' costs equate to 7.0% (2019: 6.9%) of the net portfolio value prior to impairment.

2. The weighted average remaining rent-free period is 0.5 years (2019: 0.4 years)

3. Passing rents are the annual rental income receivable from an investment property, after any rent-free periods and after deducting head and equity rents and car parking and commercialisation running costs.

EPRA – capital expenditure

Table 78

	2020			2019		
	Reported Group £m	Share of Property interests £m	Proportionally consolidated £m	Reported Group £m	Share of Property interests £m	Proportionally consolidated £m
Proportionally consolidated excluding premium outlets						
Acquisitions	–	–	–	1	–	1
Developments	44	3	47	48	3	51
Capital expenditure – creating area	10	7	17	13	3	16
Capital expenditure – no additional area	8	10	18	14	10	24
Tenant incentives	(10)	(5)	(15)	3	3	6
Total capital expenditure	52	15	67	79	19	98
Conversion from accruals to cash basis	16	–	16	2	10	12
Total capital expenditure on cash basis (Table 86)	68	15	83	81	29	110

Further analysis of capital expenditure between the creation of additional area and the creation of value through enhancement of existing space is provided in the Property portfolio review on page 22.

Share of Property interests

The Group's Share of Property interests reflects the Group's Property joint ventures as shown in note 13 to the financial statements on pages 123 to 128 and the Group's interests in Italie Deux and Nicetoile, which are accounted for as associates, as shown in note 14 to the financial statements on pages 129 to 131.

Income statement

Table 79

	2020			2019		
	Property joint ventures £m	Italie Deux and Nicetoile £m	Share of Property interests £m	Property joint ventures £m	Italie Deux and Nicetoile £m	Share of Property interests £m
Gross rental income	148.4	7.0	155.4	177.1	1.8	178.9
Net rental income	77.1	5.6	82.7	148.1	1.6	149.7
Administration expenses	(0.4)	-	(0.4)	(0.5)	-	(0.5)
Operating profit before other net losses	76.7	5.6	82.3	147.6	1.6	149.2
Revaluation losses on properties	(927.2)	(18.1)	(945.3)	(598.9)	(2.8)	(602.1)
Operating loss	(850.5)	(12.5)	(863.0)	(451.7)	(1.2)	(452.9)
Change in fair value of derivatives	(1.9)	-	(1.9)	(2.6)	-	(2.6)
Other finance costs	(9.5)	-	(9.5)	(8.8)	-	(8.8)
Net finance costs	(11.4)	-	(11.4)	(11.4)	-	(11.4)
Loss before tax	(861.9)	(12.5)	(874.4)	(463.1)	(1.2)	(464.3)
Current tax charge	(0.1)	-	(0.1)	(0.3)	-	(0.3)
Loss for the year	(862.0)	(12.5)	(874.5)	(463.4)	(1.2)	(464.6)

Balance sheet

Table 80

	2020			2019		
	Property joint ventures £m	Italie Deux and Nicetoile £m	Share of Property interests £m	Property joint ventures £m	Italie Deux and Nicetoile £m	Share of Property interests £m
Non-current assets						
Investment and development properties	2,122.8	138.2	2,261.0	2,964.6	147.9	3,112.5
Other non-current assets	18.1	-	18.1	18.2	-	18.2
	2,140.9	138.2	2,279.1	2,982.8	147.9	3,130.7
Current assets						
Other current assets	99.7	4.6	104.3	78.0	1.2	79.2
Cash and deposits	87.8	5.7	93.5	65.3	2.3	67.6
	187.5	10.3	197.8	143.3	3.5	146.8
Total assets	2,328.4	148.5	2,476.9	3,126.1	151.4	3,277.5
Current liabilities						
Loans - secured	(49.5)	-	(49.5)	-	-	-
Other payables	(76.6)	(3.4)	(80.0)	(69.0)	(1.0)	(70.0)
	(126.1)	(3.4)	(129.5)	(69.0)	(1.0)	(70.0)
Non-current liabilities						
Loans - secured	(357.6)	-	(357.6)	(391.9)	-	(391.9)
Derivative financial instruments	(5.9)	-	(5.9)	(3.9)	-	(3.9)
Obligations under head leases	(15.8)	-	(15.8)	(15.8)	-	(15.8)
Other payables	(9.3)	(0.8)	(10.1)	(7.3)	(1.2)	(8.5)
Deferred tax	(0.1)	-	(0.1)	(0.1)	-	(0.1)
	(388.7)	(0.8)	(389.5)	(419.0)	(1.2)	(420.2)
Total liabilities	(514.8)	(4.2)	(519.0)	(488.0)	(2.2)	(490.2)
Net assets	1,813.6	144.3	1,957.9	2,638.1	149.2	2,787.3

Additional disclosures continued

Unaudited

Premium outlets

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

Due to the nature of the Group's control over these externally managed investments, Value Retail is accounted for as an associate and VIA Outlets was accounted for as a joint venture. Tables 81 and 82 provide analysis of the impact of the two premium outlet investments on the Group's financial statements. Further information on Value Retail is provided in note 14 to the financial statements on pages 129 to 131 and for VIA Outlets in note 13 to the financial statements on pages 123 to 128.

Income statement

Table 81

Aggregated premium outlets income summary

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

Balance sheet

Table 82

Aggregated premium outlets investment summary

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

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

2. The £239.0 million of VIA net debt at 31 December 2019, comprises £237.5 million relating to loans and cash and £1.5 million included in other payables relating to currency swaps.

In addition to the above figures, at 31 December 2020 the Group had provided loans of £1.8 million (2019: £1.7 million) to Value Retail for which the Group received interest of £0.1 million in 2020 (2019: £0.1 million) which is included within finance income in note 8 to the financial statements on page 115.

Proportionally consolidated information

Note 2 to the financial statements on pages 108 to 110 shows the Group's proportionally consolidated income statement. The Group's proportionally consolidated balance sheet, adjusted finance costs and net debt are shown in Tables 83, 84 and 85 respectively.

In each of the tables, column A represents the Reported Group figures as shown in the financial statements; column B shows the Group's Share of Property interests being the Group's Property joint ventures as shown in note 13 to the financial statements on pages 123 to 128 and Italie Deux and Nicetoile as shown in note 14 to the financial statements on pages 129 to 131. Column C shows the Group's proportionally consolidated figures by aggregating the Reported Group and Share of Property interests figures. As explained on page 25 of the Financial review, the Group's interests in premium outlets are not proportionally consolidated as management does not review these interests on this basis.

Balance sheet

Table 83

Balance sheet as at 31 December 2020

	2020			2019		
	Reported Group £m	Share of Property interests £m	Proportionally consolidated £m	Reported Group £m	Share of Property interests £m	Proportionally consolidated £m
	A	B	C	A	B	C
Non-current assets						
Investment and development properties	2,152.8	2,261.0	4,413.8	2,098.7	3,112.5	5,211.2
Interests in leasehold properties	38.6	15.5	54.1	34.3	15.6	49.9
Right of use assets	6.7	-	6.7	10.1	-	10.1
Plant and equipment	2.3	-	2.3	3.2	-	3.2
Investment in joint ventures	1,813.6	(1,813.6)	-	3,017.1	(2,638.1)	379.0
Investment in associates	1,298.4	(144.3)	1,154.1	1,504.5	(149.2)	1,355.3
Other investments	9.7	-	9.7	-	-	-
Derivative financial instruments	6.6	-	6.6	31.6	-	31.6
Restricted monetary assets	21.4	-	21.4	-	-	-
Receivables	3.4	2.6	6.0	3.4	2.6	6.0
	5,353.5	321.2	5,674.7	6,702.9	343.4	7,046.3
Current assets						
Receivables	105.9	62.7	168.6	96.3	30.5	126.8
Derivative financial instruments	9.1	-	9.1	0.8	-	0.8
Restricted monetary assets	28.3	41.6	69.9	21.5	48.7	70.2
Cash and deposits	409.5	93.5	503.0	28.2	67.6	95.8
	552.8	197.8	750.6	146.8	146.8	293.6
Assets held for sale	-	-	-	465.7	1.3	467.0
	552.8	197.8	750.6	612.5	148.1	760.6
Total assets	5,906.3	519.0	6,425.3	7,315.4	491.5	7,806.9
Current liabilities						
Loans	(115.0)	(49.5)	(164.5)	-	-	-
Payables	(205.0)	(80.0)	(285.0)	(193.5)	(70.0)	(263.5)
Tax	(1.3)	-	(1.3)	(1.5)	-	(1.5)
Derivative financial instruments	(2.3)	-	(2.3)	(4.1)	-	(4.1)
	(323.6)	(129.5)	(453.1)	(199.1)	(70.0)	(269.1)
Liabilities associated with assets held for sale	-	-	-	(19.7)	(1.3)	(21.0)
	(323.6)	(129.5)	(453.1)	(218.8)	(71.3)	(290.1)
Non-current liabilities						
Loans	(2,143.7)	(357.6)	(2,501.3)	(2,504.9)	(391.9)	(2,896.8)
Deferred tax	(0.4)	(0.1)	(0.5)	(0.4)	(0.1)	(0.5)
Derivative financial instruments	(84.7)	(5.9)	(90.6)	(70.7)	(3.9)	(74.6)
Obligations under head leases	(41.8)	(15.8)	(57.6)	(36.9)	(15.8)	(52.7)
Payables	(103.2)	(10.1)	(113.3)	(106.5)	(8.5)	(115.0)
	(2,373.8)	(389.5)	(2,763.3)	(2,719.4)	(420.2)	(3,139.6)
Total liabilities	(2,697.4)	(519.0)	(3,216.4)	(2,938.2)	(491.5)	(3,429.7)
Net assets	3,208.9	-	3,208.9	4,377.2	-	4,377.2

Unaudited

Adjusted finance costs

Table 84

Adjusted finance costs for the year ended 31 December 2020

	2020			2019		
	Reported Group £m	Share of Property interests £m	Total £m	Reported Group £m	Share of Property interests £m	Total £m
Notes (see page 163)	A	B	C	A	B	C
Gross finance costs	100.5	9.7	110.2	105.3	9.0	114.3
Less: Interest capitalised	(5.0)	–	(5.0)	(2.8)	–	(2.8)
Finance costs	95.5	9.7	105.2	102.5	9.0	111.5
Finance income	(9.6)	(0.2)	(9.8)	(21.5)	(0.2)	(21.7)
Adjusted finance costs	85.9	9.5	95.4	81.0	8.8	89.8

Net debt

Table 85

Net debt as at 31 December 2020

	2020			2019		
	Reported Group £m	Share of Property interests £m	Total £m	Reported Group £m	Share of Property interests £m	Total £m
Notes (see page 163)	A	B	C	A	B	C
Cash and deposits ¹	409.5	93.5	503.0	29.8	67.6	97.4
Fair value of currency swaps	(71.3)	–	(71.3)	(43.1)	–	(43.1)
Loans	(2,258.7)	(407.1)	(2,665.8)	(2,504.9)	(391.9)	(2,896.8)
Net debt	(1,920.5)	(313.6)	(2,234.1)	(2,518.2)	(324.3)	(2,842.5)

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

Movement in net debt

Table 86

Movement in net debt for the year ended 31 December 2020

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

Net debt:EBITDA

Table 87

Net debt:EBITDA for the year ended 31 December 2020

		2020 £m	2019 £m
Adjusted operating profit	Note 2	132.4	306.0
Amortisation of tenant incentives and other items within net rental income		19.0	6.4
Share-based remuneration		2.2	3.0
Depreciation	Note 5	4.9	5.1
EBITDA		158.5	320.5
Net debt	Table 85	2,234.1	2,842.5
Net debt:EBITDA (times)		14.1	8.9

Interest cover

Table 88

Interest cover for the year ended 31 December 2020

		2020 £m	2019 £m
Net rental income	Note 2	157.6	308.5
Less:			
Net rental income in associates: Italie Deux and Nicetoile	Note 14A	(5.6)	(1.6)
Add:			
Change in provision for amounts not yet recognised in the income statement	Note 2	12.0	–
Net rental income for VIA Outlets while classified as a joint venture	Note 13A	12.9	31.8
Net rental income for VIA Outlets while classified as an asset held for sale	Table 81	13.2	–
Net rental income for interest cover		190.1	338.7
Net finance costs	Note 2	95.4	89.8
Less:			
Interest on lease obligations and pensions interest		(4.0)	(3.5)
Add:			
Capitalised interest	Note 8	5.0	2.8
Net finance cost for VIA Outlets while classified as a joint venture	Note 13A	5.1	7.9
Net finance cost for VIA Outlets while classified as an asset held for sale	Table 81	3.7	–
Net finance cost for interest cover		105.2	97.0
Interest cover (%)		181	349

Loan to value

Table 89

Loan to value as at 31 December 2020

		2020 £m	2019 £m
Net debt – ‘Loan’ (A)	Table 85	2,234.1	2,842.5
Property portfolio – excluding premium outlets (B)	Note 3B	4,413.8	5,667.7
Investment in VIA Outlets	Note 13A	–	379.0
Investment in Value Retail	Note 14C	1,154.1	1,355.3
‘Value’ (C)		5,567.9	7,402.0
Loan to value – headline (%) – (A/C)		40.1	38.4
Net debt – premium outlets (D)	Table 82	689.3	897.2
Property portfolio – premium outlets (E)	Table 82	1,924.2	2,659.1
Loan to value – fully proportionally consolidated (%) – ((A+D)/(B+E))		46.1	44.9

Additional disclosures continued

Unaudited

Gearing

Table 90

Gearing as at 31 December 2020

		2020 £m	2019 £m
Net debt	Table 85	2,234.1	2,842.5
Add:			
VIA Outlets net debt	Note 13A	–	239.0
Less:			
Unamortised borrowing costs – Group		13.6	17.8
Unamortised borrowing costs – VIA Outlets		–	2.2
Cash held within investments in associates: Italie Deux and Nicetoile	Note 14C	5.7	2.3
Net debt for gearing		2,253.4	3,103.8
Equity shareholders' funds		3,208.8	4,377.0
Less:			
Goodwill – VIA Outlets	Note 13A	–	(8.9)
Consolidated net tangible worth		3,208.8	4,368.1
Gearing (%)		70.2	71.1

Unencumbered asset ratio

Table 91

Unencumbered asset ratio as at 31 December 2020

		2020 £m	2019 £m
Property portfolio – excluding premium outlets	Note 3B	4,413.8	5,667.7
Property value – VIA Outlets	Note 13A	–	693.5
Less: properties held in associates: Italie Deux and Nicetoile	Note 14C	(138.2)	(147.9)
Less: encumbered assets ¹		(759.9)	(1,607.0)
Total unencumbered assets		3,515.7	4,606.3
Net debt – proportionally consolidated	Table 85	2,234.1	2,842.5
Less: cash held in investments in associates: Italie Deux and Nicetoile	Note 14C	5.7	2.3
Less: cash held in investments in encumbered joint ventures		17.8	20.9
Add: VIA cash with no security interests		–	(6.8)
Less: unamortised borrowing costs – Group		13.6	17.8
Less: encumbered debt ¹		(408.9)	(394.3)
Total unsecured debt		1,862.3	2,482.4
Unencumbered asset ratio (times)		1.89	1.86

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

Key property listing

Unaudited

	Ownership	Area, m ²	No. of tenants	Passing rent, £m
Flagship destinations				
UK				
Brent Cross, London	41%	85,400	110	12.9
Bullring, Birmingham	50%	122,900	149	22.9
Cabot Circus, Bristol	50%	113,400	112	11.0
Centrale, Croydon ¹	50%	64,300	43	2.6
Grand Central, Birmingham	50%	37,700	60	5.1
Highcross, Leicester	50%	100,000	117	11.7
Silverburn, Glasgow	50%	100,500	99	9.4
The Oracle, Reading	50%	72,100	100	12.2
Union Square, Aberdeen	100%	51,800	77	14.9
Victoria, Leeds ²	100%	56,300	84	14.0
Westquay, Southampton	50%	94,600	101	14.1

France

Espace Saint-Quentin, Saint Quentin-En-Yvelines ^{3,4,6}	25%	33,700	107	3.1
Italie Deux, Paris	25%	62,100	121	5.6
Les 3 Fontaines, Cergy ^{4,5}	100%	33,000	102	14.5
Les Terrasses du Port, Marseille	100%	62,900	168	27.8
Nicetoile, Nice ⁶	10%	17,300	105	1.3
O'Parinor, Aulnay-Sous-Bois ⁴	25%	68,600	158	6.1

Ireland

Dundrum Town Centre, Dublin	50%	121,700	156	27.3
Ilac Centre, Dublin	50%	27,000	64	3.9
Pavilions, Swords	50%	43,700	94	7.6

UK retail parks

Brent South Shopping Park, London ⁶	41%	8,700	9	1.5
Central Retail Park, Falkirk	100%	37,600	28	5.3
Cleveland Retail Park, Middlesbrough	100%	27,700	18	4.2
Cyfarthfa Retail Park, Merthyr Tydfil	100%	30,900	23	5.9
Elliott's Field Shopping Park, Rugby	100%	24,100	25	5.1
Ravenhead Retail Park, St. Helen	100%	27,700	18	4.2
Telford Forge Retail Park, Telford	100%	27,700	19	3.7
The Orchard Centre, Didcot	100%	29,200	63	5.2

Developments

Whitgift, Croydon	50%	96,600	84	7.3
Dublin Central, Dublin	100%	21,800	22	2.1

1. Included within the UK Other properties portfolio.
2. Comprises Victoria Quarter and Victoria Gate.
3. Key properties only.
4. Held under co-ownership. Figures reflect Hammerson's ownership interests.
5. Includes Cergy 3 which was acquired in 2017 and is classified within the development portfolio.
6. Disposal completed or exchanged in 2021.

	Ownership	Area, m ²	No. of tenants	Income ¹ , £m
Premium outlets				
Value Retail				
Bicester Village, UK	50%	28,100	163	40.9
La Roca Village, Barcelona	41%	22,800	130	9.2
Las Rozas Village, Madrid	38%	16,600	100	7.4
La Vallée Village, Paris	26%	21,600	105	12.3
Maasmechelen Village, Brussels	27%	20,000	100	3.6
Fidenza Village, Milan	34%	21,100	116	4.1
Wertheim Village, Frankfurt	45%	21,200	118	7.8
Ingolstadt Village, Munich	15%	21,100	114	2.5
Kildare Village, Dublin	41%	16,200	97	5.7

1. Income represents annualised base and turnover rent for 2020 at Hammerson's ownership share.

Ten-year financial summary

	2020 £m	2019 ¹ £m	2018 £m	2017 £m	2016 £m	2015 £m	2014 ¹ £m	2013 ¹ £m	2012 £m	2011 £m
Income statement										
Net rental income	157.6	308.5	347.5	370.4	346.5	318.6	305.6	290.2	282.9	296.0
Operating profit before other net (losses)/gains	113.5	260.2	302.8	321.5	300.4	276.3	259.1	247.9	239.6	249.1
Other net (losses)/gains	(1,503.8)	(1,197.9)	(517.9)	27.1	(36.1)	381.0	430.3	102.0	(7.3)	209.8
Share of results of joint ventures	(20.7)	34.3	24.6	13.6	20.7	13.1	(1.1)	-	-	-
Share of results of associates	(135.8)	210.6	56.8	221.6	135.2	159.3	109.9	101.5	47.5	-
Impairment of investments in joint ventures and associates	(103.9)	-	-	-	-	-	-	-	-	-
Net cost of finance	(83.6)	(86.2)	(132.9)	(170.4)	(96.6)	(98.1)	(95.1)	(110.2)	(137.6)	(112.6)
(Loss)/Profit before tax	(1,734.3)	(779.0)	(266.6)	413.4	323.6	731.6	703.1	341.2	142.2	346.3
Current tax	(0.6)	(2.2)	(1.9)	(1.8)	(2.7)	(1.6)	(0.9)	(0.8)	(0.4)	(0.7)
Deferred tax	-	-	-	-	-	-	(0.1)	0.1	-	-
Non-controlling interests	0.1	-	0.4	(23.2)	(3.6)	(3.2)	(3.0)	(3.1)	(3.4)	(9.9)
(Loss)/Profit for the year attributable to equity shareholders	(1,734.8)	(781.2)	(268.1)	388.4	317.3	726.8	699.1	337.4	138.4	335.7
Balance sheet										
Investment and development properties	4,413.8	5,667.7	7,479.5	8,326.3	8,281.7	7,130.5	6,706.5	5,931.2	5,458.4	5,719.6
Investment in joint ventures	-	379.0	326.3	361.3	222.0	110.8	104.2	-	-	-
Investment in associates	1,154.1	1,355.3	1,211.1	1,068.6	959.1	743.8	628.8	545.4	428.4	-
Cash and short-term deposits	503.0	97.4	102.4	265.8	130.5	70.5	59.4	56.7	57.1	100.7
Borrowings ²	(2,743.0)	(2,939.9)	(3,508.1)	(3,776.3)	(3,543.0)	(3,068.3)	(2,329.3)	(2,309.0)	(2,038.1)	(2,079.9)
Other assets	338.7	275.8	280.4	264.2	339.9	1,025.0	268.6	271.2	462.3	435.6
Other liabilities	(457.2)	(457.6)	(458.2)	(481.9)	(532.7)	(425.5)	(392.6)	(358.5)	(441.9)	(327.1)
Deferred tax	(0.5)	(0.5)	(0.5)	(0.5)	(0.5)	(0.5)	(0.5)	(0.4)	(0.5)	(0.5)
Non-controlling interests	(0.1)	(0.2)	(0.3)	(14.0)	(81.4)	(69.0)	(71.4)	(76.7)	(74.5)	(76.5)
Equity shareholders' funds	3,208.8	4,377.0	5,432.6	6,023.5	5,775.6	5,517.3	4,973.7	4,059.9	3,851.2	3,771.9
Cash flow										
Operating cash flow after tax	(79.5)	167.1	114.5	139.3	179.9	171.2	128.1	129.4	139.9	147.8
Dividends	(13.4)	(198.9)	(204.1)	(191.7)	(135.7)	(163.8)	(139.1)	(129.4)	(118.4)	(86.1)
Property and corporate acquisitions	(0.2)	(0.7)	(12.0)	(122.5)	(499.7)	(43.7)	(302.7)	(191.1)	(397.3)	(374.1)
Capital expenditure additions	(68.1)	(79.9)	(149.6)	(113.4)	(182.4)	(182.3)	(203.8)	(201.9)	(170.9)	(114.8)
Disposals	325.5	536.1	553.2	490.8	639.0	185.2	155.4	256.3	585.0	271.8
Investments in joint ventures	(13.1)	(58.1)	114.2	53.2	(155.0)	(735.6)	(118.9)	-	-	-
Other cash flows	6.1	29.2	(71.0)	111.9	87.9	(14.0)	12.4	(30.8)	(72.4)	(34.9)
Net cash flow before financing	157.3	394.8	345.2	367.6	(66.0)	(783.0)	(468.6)	(167.5)	(34.1)	(190.3)
Per share data³										
Basic (loss)/earnings per share	(76.9)p	(46.6)p	(15.6)p	22.4p	18.3p	42.4p	43.7p	21.6p	8.9p	21.6p
Adjusted earnings per share	1.6p	12.8p	14.0p	14.2p	13.3p	12.3p	10.9p	10.5p	9.5p	8.8p
Dividend per share	0.4p	5.1p	11.8p	11.6p	11.0p	10.2p	9.3p	8.7p	8.1p	7.6p
Diluted net asset value per share	£0.79	£1.14	£1.42	£1.52	£1.46	£1.41	£1.27	£1.14	£1.08	£1.06
EPRA net tangible asset value per share (NTA) ⁴	£0.82	£1.16	£1.48	£1.55	£1.48	£1.42	£1.28	£1.15	£1.08	£1.06
Financial ratios										
Return on shareholders' equity	(23.9)%	(14.8)%	(3.2)%	8.3%	7.8%	14.3%	16.3%	8.8%	5.3%	11.2%
Gearing	70%	71%	63%	58%	59%	54%	46%	56%	53%	52%
Interest cover	1.8x	3.5x	3.4x	3.4x	3.5x	3.6x	2.8x	2.8x	2.8x	2.6x
Dividend cover	0.5x	1.1x	1.2x	1.2x	1.2x	1.2x	1.2x	1.2x	1.2x	1.2x

1. Comprises continuing and discontinued operations.

2. Borrowings comprises loans and currency swaps. In 2020, £15.7 million (2019: £31.7 million, 2018: £25.9 million) of currency swaps were included in 'other assets'. For the purposes of this summary, these have been reclassified to 'borrowings'.

3. Comparative per share data has been restated following the rights issue in September 2020.

4. As detailed in note 11E, NTA has replaced EPRA net asset value per share (NAV), from 1 January 2020. For the purposes of the summary above, years 2011 to 2018 are shown on a NAV basis and years 2019 to 2020 are shown on an NTA basis, consistent with the disclosures in note 11E.

The Income statement, Balance sheet and Financial ratios for 2014 to 2020 have been presented on a proportionally consolidated basis, excluding the Group's investment in Premium outlets. Cash flow information has been presented on an IFRS basis throughout.

Reporting period and methodology

In line with requirements set out in the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013, this statement reports the Company's GHG emissions for the reporting period 1 January 2020 to 31 December 2020. Our GHG emissions reporting period is the same as the financial reporting year, in accordance with the DEFRA Environmental Reporting Guidance. The data has been calculated and recorded in accordance with the Greenhouse Gas (GHG) Protocol and ISO 14064. We are required by the Scope 2 GHG Protocol to report our Scope 2 emissions using both market and location-based methods.

In accordance with Streamlined Energy and Carbon Reporting (SECR) annual energy consumption is reported this year, our first reporting year since the implementation of this requirement in April 2019.

Independent assurance

Total Scope 1, Scope 2, Scope 3, and Total GHG emissions intensity data have been independently assured by Deloitte LLP who have carried out limited assurance in accordance with the International Standards on Assurance Engagements 3000. Their assurance statement is available on the sustainability pages of our website.

Reporting boundaries

We have adopted operational control as our reporting approach. GHG emissions data is provided for those assets where we have authority to introduce and implement operating policies.

This includes properties held in joint ventures where JV Board approval is required. We have reported 100% of GHG emissions data for these reported assets. It excludes the VIA and Value Retail portfolios where we do not have authority to introduce or implement operating policies. A detailed basis of reporting statement and full list of operating entities and assets included within the reporting boundary can be found on the Positive Places pages of our website.

GHG emissions 2020

Table 92

Baseline year	1/1/15 – 31/12/15
Boundary summary	All assets and facilities under Hammerson's direct operational control are included.
Consistency with financial statements	Consistency with the financial statements and reporting period are set out above.
Emissions factor data source	We have sourced our emissions factors from 2020 DEFRA GHG Conversion Factors for Company Reporting, and additional sources including, but not limited, to International Energy Agency and Engie.
Assessment methodology	GHG Protocol and ISO 14064 (2006).
Materiality threshold	Activities generating emissions of <5% relative to total Group emissions have been excluded.
Intensity ratio	Denominator is adjusted profit before tax for the year ended 31 December 2020 of £37 million.
Target	20% reduction in carbon emissions intensity by 2020 against 2015 baseline using location-based approach.

Emissions disaggregated by country

Table 93

Source	Group emissions (mtCO ₂ e)	UK emissions (mtCO ₂ e)	France emissions (mtCO ₂ e)	Ireland emissions (mtCO ₂ e)	Group emissions intensity (mtCO ₂ e/£m)
Total GHG emissions metric tonnes (mt)¹	7,465	3,782	3,015	669	202
Total GHG emissions metric tonnes (mt)	17,845	10,628	3,296	3,922	482
Scope 1: Direct emissions from owned/controlled operations					
a. Direct emissions from stationary operations	3,295	1,786	1,026	483	90
b. Direct emissions from mobile combustion	14	3	11	0	0
c. Direct emissions from fugitive sources	0	0	0	0	0
Totals	3,309	1,789	1,037	483	90
Scope 2: Indirect emissions from the use of purchased electricity, steam, heating and cooling					
a. Indirect emissions from purchased/acquired electricity ¹	2,400	1,358	1,019	23	65
a. Indirect emissions from purchased/acquired electricity	12,780	8,204	1,300	3,276	345
b. Indirect emissions from purchased/acquired steam	0	0	0	0	0
c. Indirect emissions from purchased/acquired heating	916	165	751	0	25
d. Indirect emissions from purchased/acquired cooling	15	15	0	0	0
Totals¹	3,331	1,538	1,770	23	90
Totals	13,711	8,384	2,051	3,276	370
Scope 3					
Business travel	200	92	50	58	5
Waste	381	240	85	56	10
Water	244	123	73	48	7
Totals	825	455	208	163	22
Energy Consumption (kWh)	94,067,440	46,707,648	34,852,517	12,507,276	2,535,511

1. Emissions using Market Based Method.

Shareholder information

Registered office and principal UK address

Hammerson plc, Kings Place, 90 York Way, London, N1 9GE
Registered in England No. 360632
+44 (0)20 7887 1000

Principal address in France

Hammerson France SAS, 40 - 48 rue Cambon, 75001, Paris
+33 (0)156 69 30 00

Principal address in Ireland

Hammerson Group Management Ireland, Pembroke District,
Dundrum Town Centre, Dublin 14
+353 (0)1695 0550

Advisors

Valuers: CBRE Limited, Cushman and Wakefield Debenham Tie
Leung Limited, and Jones Lang LaSalle Limited
Auditor: PricewaterhouseCoopers LLP
Solicitor: Herbert Smith Freehills LLP
Joint Brokers and Financial Advisors: J. P. Morgan Cazenove and
Morgan Stanley & Co. International plc
Financial Advisor: Lazard Ltd
JSE Equity Sponsor: Investec Bank Limited
Euronext Dublin Equity Sponsor: Goodbody Stockbrokers UC

Primary and secondary listings

The Company has its primary listing on the London Stock Exchange
and secondary inward listings on the Johannesburg Stock Exchange
and on Euronext Dublin.

Shareholder administration

For assistance with queries about the administration of shareholdings,
such as lost share certificates, change of address, change of ownership
or dividend payments, please contact the relevant Registrar or
Transfer Secretaries.

UK Registrar

Link Group, 10th Floor, Central Square, 29 Wellington Street, Leeds,
LS1 4DL

shareholderenquiries@linkgroup.co.uk
www.signalshares.com
+44 (0)371 664 0300

Calls are charged at the standard geographic rate and will vary by
provider. Calls outside the United Kingdom will be charged at the
applicable international rate. Lines are open between 09:00 - 17:30,
Monday to Friday excluding public holidays in England and Wales.

South African Transfer Secretaries

Computershare Investor Services Proprietary Limited, Rosebank
Towers, 15 Biermann Avenue, Rosebank 2196, South Africa or Private
Bag X9000, Saxonwold, 2132, South Africa

0861 100 933 (local in South Africa)
web.queries@computershare.co.za

Annual General Meeting

The Annual General Meeting will be held at 8.30 am (UK time) on
4 May 2021. Details of the Annual General Meeting and the resolutions
to be voted upon can be found in the Notice of Meeting which is
available on our website at www.hammerson.com.

Payment of dividends

UK shareholders who do not currently have their dividends paid direct
to a bank or building society account and who wish to do so should
complete a mandate instruction available from the Registrar or
register their mandate at www.signalshares.com. Shareholders outside
the UK can have any dividends in excess of £10 paid into their bank
account directly via Link Group international payments service.
Details and terms and conditions may be viewed at
ips.linkassetservices.com.

Distributable reserves

As at 31 December 2020, the Company had distributable reserves of
£523 million (2019: £771 million).

In 2020, dividends amounting to £24.4 million (2019: £198.4 million)
were recognised through distributable reserves.

UK Dividend Reinvestment Plan (DRIP)

Shareholders can reinvest dividend payments in additional shares in
the Company under the DRIP operated by the Registrar by completing
an application form online at www.signalshares.com.

Elections to participate in the DRIP (or cancellation of previous
instructions) in respect of the final dividend must be received by the
Company's Registrar no later than 15 business days before the
dividend payment date. The DRIP will continue to be available to
shareholders who have already completed an application form. Such
shareholders should take no action unless they wish to receive their
dividend in cash, in which case they should contact the Registrar to
cancel their instruction.

South African DRIP

Shareholders registered on the South African branch register who hold
their shares through the Strate system and who wish to participate in
the DRIP should contact their Central Securities Depository
Participants or brokers.

Link share dealing services

An online and telephone share dealing facility is available to UK
shareholders wishing to deal in shares on the UK share register. For
more information visit www.linksharedeal.com.

ShareGift

Shareholders with a small number of shares, the value of which makes
it uneconomic to sell them, may wish to consider donating them to
charity through ShareGift, a registered charity (registered charity no:
1052686). Further information about ShareGift is available at
www.sharegift.org, by email at help@sharegift.org or by writing to
ShareGift, PO Box 72253, London, SW1P 9LQ. To donate shares, please
contact ShareGift or Link Group.

Strate Charity Shares

South African shareholders for whom the cost of selling their shares
would exceed the market value of such shares may wish to consider
donating them to charity. An independent non-profit organisation
called Strate Charity Shares has been established to administer this
process. For further details or donations contact the Strate Charity
Shares' toll-free helpline on 0800 202 363 (if calling from South
Africa) or +27 11 870 8207 (if calling from outside South Africa),
email charityshares@computershare.co.za, or visit www.strate.co.za.

Shareholder security

Share fraud includes scams where fraudsters cold-call investors
offering them overpriced, worthless or non-existent shares, or
offer to buy shares owned by investors at an inflated price. We advise
shareholders to be vigilant of unsolicited mail or telephone calls
regarding buying or selling shares. For more information visit
www.fca.org.uk/scams or call the FCA Consumer Helpline on
+44(0)800 111 6768. This is a freephone number from the UK. Lines
are open Monday to Friday, 8:00am to 6:00pm and Saturday, 9:00am
to 1:00pm.

Unsolicited mail

Hammerson is obliged by law to make its share register available on
request to other organisations. This may result in shareholders
receiving unsolicited mail. To limit the receipt of unsolicited mail UK
shareholders may register with the Mailing Preference Service, an
independent organisation whose services are free, by visiting
www.mpsonline.org.uk. Once a shareholder's name and address details
have been registered, the Mailing Preference Service will advise
companies and other bodies that subscribe to the service not to send
unsolicited mail to the address registered.

UK Real Estate Investment Trust (REIT) taxation

As a UK REIT, Hammerson plc is exempt from corporation tax on rental income and gains on UK investment properties but is required to pay Property Income Distributions (PIDs). UK shareholders will be taxed on PIDs received at their full marginal tax rates. A REIT may in addition pay normal dividends.

For most shareholders, PIDs will be paid after deducting withholding tax at the basic rate. However, certain categories of UK shareholder are entitled to receive PIDs without withholding tax, principally UK resident companies, UK public bodies, UK pension funds and managers of ISAs, PEPs and Child Trust Funds. Further information on UK REITs is available on the Company's website, including a form to be used by shareholders to certify if they qualify to receive PIDs without withholding tax.

PIDs paid to overseas shareholders are subject to withholding tax at 20%. South African shareholders may apply to Her Majesty's Revenue and Customs after payment of a PID for a refund of the difference between the 20% withholding tax and the prevailing UK/South African double tax treaty rate. Other overseas shareholders may be eligible to apply for similar refunds of UK withholding tax under the terms of the relevant tax treaties.

Normal dividends paid to overseas shareholders are paid gross but may be subject to taxation in the shareholder's country of residence. For South African shareholders, dividends tax at 20% will be withheld and paid over to the South African Revenue Service on the shareholders' behalf. Certain shareholders, including South African tax resident companies, retirement funds and approved public benefit organisations, are exempt from dividends tax but it is the responsibility of each shareholder to seek their own advice. Dividends tax does not apply to scrip dividends, whether paid as a PID or a normal dividend.

Dividend timetable

Table 94

Recommended final dividend	Enhanced Scrip Dividend Alternative (Scrip) reference price calculation dates	15 March - 19 March 2021
	Last day to effect removal of shares between the United Kingdom (UK) principal register and the South African (SA) branch register	19 March 2021
	Currency conversion and Scrip reference price announcement released	23 March 2021
	Publication and posting of the Scrip Circular	29 March 2021
	Last day to trade on the Johannesburg Stock Exchange (JSE) to qualify for the dividend	30 March 2021
	Ex-dividend on the JSE from commencement of trading on	31 March 2021
	Last day to trade on the London Stock Exchange (LSE) and on Euronext Dublin to qualify for the dividend	31 March 2021
	Ex-dividend on the LSE and on Euronext Dublin from the commencement of trading on	1 April 2021
	Announcement of fraction reference price to JSE, LSE and Euronext Dublin	1 April 2021
	Record date (applicable to both the UK principal register and the SA branch register)	6 April 2021
	Removal of shares between the UK and SA registers permissible from	7 April 2021
	Last day for receipt of dividend mandates by Central Securities Depository Participants (CSDPs) and Scrip elections by SA Transfer Secretaries	20 April 2021
	Last date for UK registrar to receive Forms of Election from shareholders on the UK principal register holding certificated shares electing to receive the Scrip	20 April 2021
	Last date for shareholders on the UK principal register holding uncertificated shares on CREST to elect to receive the Scrip	20 April 2021
	Voting Record Date for Annual General Meeting (SA only)	23 April 2021
	Voting Record Date for Annual General Meeting (UK and Ireland)	29 April 2021
	Latest time and date for receipt of Forms of Proxy (UK, Ireland and SA)	29 April 2021
Annual General Meeting		4 May 2021
	Final dividend payable (UK and Ireland). Expected date of issue, admission and first day of dealings in the new shares on the LSE and on Euronext Dublin	13 May 2021
	Final dividend payable (SA). CSDP accounts credited on the SA register. Expected date of issue, admission and first day of dealings in the new shares on the JSE	13 May 2021
Anticipated 2021 interim dividend		October 2021

Analysis of shares held as at 31 December 2020

Table 95

Number of shares held	Number of shareholders	% of total shareholders	Holding	% of total capital
0-500	967	45.2927	130,538	0.0032
501-1,000	169	7.9157	120,128	0.0030
1,001-2,000	130	6.0890	186,316	0.0046
2,001-5,000	175	8.1967	577,610	0.0142
5,001-10,000	102	4.7775	715,344	0.0176
10,001-50,000	183	8.5714	4,298,348	0.1059
50,001-100,000	61	2.8571	4,429,550	0.1092
100,001-500,000	126	5.9016	31,778,126	0.7832
500,001-1,000,000	54	2.5293	40,045,758	0.9870
1,000,001 +	168	7.8689	3,975,016,456	97.9720
Total	2,135	100	4,057,298,174	100

Glossary

Adjusted figures (per share)	Reported amounts adjusted in accordance with EPRA guidelines to exclude certain items as set out in note 11 to the financial statements.
Annual Incentive Plan (AIP)	The annual bonus plan for all employees, including Executive Directors.
Average cost of debt or weighted average interest rate (WAIR)	The cost of finance expressed as a percentage of the weighted average debt during the period.
BREEAM	An environmental rating assessed under the Building Research Establishment's Environmental Assessment Method.
Capital return	The change in property value during the period after taking account of capital expenditure, calculated on a monthly time-weighted and constant currency basis.
Cost ratio (or EPRA cost ratio)	Total operating costs (being property outgoings, administration costs less management fees) as a percentage of gross rental income, after rents payable. Both property outgoings and gross rental income are adjusted for costs associated with inclusive leases as shown in Table 75 on page 158.
Consumer Price Index (CPI)	A measure of inflation based on the weighted average of prices of consumer goods and services.
Compulsory Voluntary Arrangement (CVA)	A legally binding agreement with a company's creditors to restructure its liabilities, including future lease liabilities.
Deferred Bonus Share Scheme (DBSS)	The deferred element of the AIP, payable in shares, two years after the awards date.
Dividend cover	Adjusted earnings per share divided by dividend per share.
Earnings/(Loss) per share (EPS)	Profit/(Loss) attributable to equity shareholders divided by the average number of shares in issue during the period.
EBITDA	Earnings before interest, tax, depreciation and amortisation, as shown in Table 87 on page 165.
EPRA	The European Public Real Estate Association, a real estate industry body, of which the Company is a member. This organisation has issued Best Practice Recommendations with the intention of improving the transparency, comparability and relevance of the published results of listed real estate companies in Europe.
Equivalent yield (true and nominal)	The capitalisation rate applied to future cash flows to calculate the gross property value. The cash flows reflect future rents resulting from lettings, lease renewals and rent reviews based on current ERVs. The true equivalent yield (TEY) assumes rents are received quarterly in advance, while the nominal equivalent yield (NEY) assumes rents are received annually in arrears. These yields are determined by the Group's external valuers.
ERV	The estimated market rental value of the total lettable space in a property calculated by the Group's external valuers. It is calculated after deducting head and equity rents, and car parking and commercialisation running costs.
ESG	Using environmental, social and government factors to evaluate companies and countries on how far advanced they are with sustainability.
F&B	Food and beverage ranging from "grab and go" to fine dining.
Flexible lettings	Leases of less than three years, which often contain break options to provide flexibility for landlords and tenants.
Gearing	Net debt expressed as a percentage of equity shareholders' funds calculated as per the covenant definition in the Group's unsecured bank facilities and private placement senior notes. See Table 90 on page 166.
Gross property value or Gross asset value (GAV)	Property value before deduction of purchasers' costs, as provided by the Group's external valuers.
Gross rental income (GRI)	Income from rents, car parks and commercialisation income, after accounting for the effect of the amortisation of lease incentives.
IAS/IFRS	International Accounting Standard/International Financial Reporting Standard.
Inclusive lease	A lease, often for a short period, under which the rent includes costs such as service charge, rates and utilities. Instead, the landlord incurs these costs as part of the overall commercial arrangement.
Income return	The income derived from a property as a percentage of the property value, taking account of capital expenditure on a constant currency basis, calculated on a monthly time-weighted basis.
Initial yield (or Net initial yield (NIY))	Annual cash rents receivable (net of head and equity rents and the cost of vacancy, and, in the case of France, net of an allowance for costs of approximately 5%, primarily for management fees), as a percentage of gross property value, as provided by the Group's external valuers. Rents receivable following the expiry of rent-free periods are not included. Rent reviews are assumed to have been settled at the contractual review date at ERV.
Interest cover	Gross rental income less rents payable and property outgoings, divided by net cost of finance before exceptional finance costs, capitalised interest and change in fair value of derivatives calculated as per 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.
Like-for-like (LFL) NRI	The percentage change in gross rental income less rents payable and property outgoings for investment properties owned throughout both current and prior periods, calculated on a constant currency basis. Properties undergoing a significant extension project are excluded from this calculation during the period of the works. For interim reporting periods properties sold between the balance sheet date and the date of the announcement are also excluded from this metric.
Loan to value (LTV)	Net debt expressed as a percentage of property portfolio value. See Tables 89 on page 165.
Long term incentive plan (LTIP)	Long term incentive scheme for Executive Directors, replaced by the Restricted Share Scheme with effect for awards made from 2020.
Medium Sized Unit (MSU)	Retail unit of between 10,000ft ² (929m ²) and 50,000ft ² (4,645m ²)

MSCI	Property market benchmark indices produced by MSCI, rebranded from IPD in 2018.
Net asset value (NAV) per share	Equity shareholders' funds divided by the number of shares in issue at the balance sheet date as set out in note 11E to the financial statements on page 120.
Net rental income (NRI)	Gross rental income less head and equity rents payable, property outgoings, and amounts not yet recognised in the income statement. The latter balance is excluded when calculating "adjusted" NRI.
Occupancy rate	The ERV of the area in a property or portfolio, excluding developments, which is let, expressed as a percentage of the total ERV of that property or portfolio.
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.
Over-rented	The amount, or percentage, by which the ERV falls short of rents passing, together with the ERV of vacant space.
Passing rents or rents passing	The annual rental income receivable from an investment property, after: rent-free periods; head and equity rents; car park costs; and commercialisation costs. This may be more or less than the ERV (see over-rented and reversionary or under-rented).
Pre-let	A lease signed with a tenant prior to the completion of a development or other major project.
Principal lease	A lease signed with a tenant with a secure term of greater than three years and where the unit is not significantly reconfigured. This enables letting metrics to be stated on a comparable basis.
Property fee income	Amounts recharged to tenants or co-owners for property management services.
Property Income Distribution (PID)	A dividend, generally subject to withholding tax, that a UK REIT is required to pay from its tax-exempt property rental business and which is taxable for UK-resident shareholders at their marginal tax rate.
Property interests (Share of)	The Group's non-wholly owned properties which management proportionally consolidate when reviewing the performance of the business. These exclude the Group's premium outlets interests which are not proportionally consolidated.
Property joint ventures (Share of)	The Group's joint ventures which management proportionally consolidate when reviewing the performance of the business, but excluding the Group's interests in the VIA Outlets joint venture, which was sold in 2020.
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 together with the Group's share of Property interests being the Group's share of Property joint ventures as shown in note 13, and Nicetoile and Italie Deux as shown in note 14.
QIAIF	Qualifying Investor Alternative Investment Fund. A regulated tax regime in the Republic of Ireland which exempts participants from Irish tax on property income and chargeable gains subject to certain requirements.
REIT	Real Estate Investment Trust. A tax regime which in the UK exempts participants from corporation tax both on UK rental income and gains arising on UK investment property sales, subject to certain requirements.
Reported Group	The financial results as presented under IFRS which represent the Group's 100% owned properties and share of joint operations, transactions and balances and equity accounted Group's interests in joint ventures and associates.
Restricted Share Scheme (RSS)	A long term incentive scheme for Executive Directors launched in 2020 to replace the LTIP scheme.
Return on shareholders' equity (ROE)	Capital growth and profit for the period expressed as a percentage of equity shareholders' funds at the beginning of the year, all excluding deferred tax and certain non-recurring items.
Reversionary or under-rented	The amount, or percentage, by which the ERV exceeds the rents passing, together with the estimated rental value of vacant space.
Scope 1 emissions	Direct emissions from owned or controlled sources.
Scope 2 emissions	Indirect emissions from the generation of purchased energy.
Scope 3 emissions	All indirect emissions (not included in scope 2) that occur in the value chain of the reporting company, including both upstream and downstream emissions.
SIIC	Sociétés d'Investissements Immobiliers Côtées. A tax regime in France which exempts participants from the French tax on property income and gains subject to certain requirements.
Stranding risk	Assets that have suffered from unanticipated or premature write-downs, devaluations, require costly refitting or become liabilities.
Task Force for Climate-related Financial Disclosures (TCFD)	An organisation established with the goal of developing a set of voluntary climate-related financial risk disclosures to be adopted by companies to inform investors and the public about the risks they face relating to climate change.
Tenant restructuring	CVAs and administrations.
Total development cost	All capital expenditure on a development or other major project, including capitalised interest.
Total property return (TPR) (or total return)	NRI, excluding the change in provision for amounts not yet recognised in the income statement, and capital growth expressed as a percentage of the opening book value of property adjusted for capital expenditure, calculated on a monthly time-weighted and constant currency basis.
Total shareholder return (TSR)	Dividends and capital growth in a Company's share price, expressed as a percentage of the share price at the beginning of the year.
Transitional risk	Business risk posed by regulatory and policy changes implemented to tackle climate change.
Turnover rent	Rental income which is related to an occupier's turnover.
UK other (portfolio)	High street and other properties held for strategic purposes.
Vacancy rate	The ERV of the area in a property, or portfolio, excluding developments, which is currently available for letting, expressed as a percentage of the ERV of that property or portfolio.
Yield on cost	Passing rents expressed as a percentage of the total development cost of a property.



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Pureprint Ltd aims to reduce at source the effect its operations have on the environment and is committed to continual improvement, prevention of pollution and compliance with any legislation or industry standards.

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