

HAMMERSON PLC

COMPANY NO: 360632

ANNUAL REPORT AND ACCOUNTS 2021



Annual Report 2021

Hammerson



Our purpose

We are an owner, operator and developer of sustainable prime urban real estate

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Our Board evaluation in 2021 was again internally facilitated. The Board evaluation report and Board composition reports were discussed at our December 2021 Nomination Committee and Board meetings. The Board evaluation report made a number of recommendations, which were agreed and will be implemented. We will commission an external review during 2022 and report on this next year. I am pleased that the significant changes to the Board over the last two years have heralded different ways of working which have been welcomed by colleagues. The Board remains cognisant of the importance of diversity in light of the Parker and Hampton-Alexander reviews. I am pleased to report that currently 36% of the Board are female, and 27% identify as non-white.

Further details are contained in the Governance and Nomination Committee Reports on pages 50 to 61.

Environment, Social and Governance

Hammerson aims to be a sustainable business. To achieve this, we need to maintain the support of our occupiers, customers, partners, the communities affected by our operations, our colleagues and our equity and debt investors. 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. Hammerson endeavours to treat everyone in line with our values.

The Board is fully committed to the Group's continuing recognition as a sustainability leader and ensuring the highest standards of operational performance and corporate governance. Following COP26, environmental issues will remain an area of focus in the coming year and we will endeavour to set out a clear pathway to Net Positive. Details of our sustainability performance, plans and our response to the Taskforce on Climate-related Financial Disclosure (TCFD) are set out on pages 16 to 21, with more detail available in our Sustainability Report 2021, and are available on our website www.hammerson.com.

Looking ahead

We have continued to work with our occupiers throughout the pandemic, to support them where appropriate. It has been a challenging year for our colleagues in the business as we have regrouped and reorganised. I would like to thank them again for their hard work and commitment.

Given the market conditions, we have made good progress in stabilising, re-shaping and strengthening the business during 2021. This work must continue. Our financial leverage remains high and the Board is keen to see this reduced through selective disposals in order to reduce debt in the near term, and then to free-up capital to reinvest for long-term growth. With a new management team in place led by Rita-Rose Gagné, and a refreshed strategy, the Board is confident Hammerson is on the right path to create sustainable value for all its stakeholders.

Robert Noel
Chair of the Board

Chief Executive's statement

Our operating environment has changed extensively. Occupiers are thinking differently and people are engaging with spaces in new ways. Covid-19 has changed habits across how we consume, work and live, and technology is continuing to drive behaviours both online and physically. The strategic changes we have made in 2021 mean we are future-focused with our assets at the centre of driving value creation.

Rita-Rose Gagné
Chief Executive

2021 was always going to be a year of change. We announced a review of our strategy, portfolio and operating model whilst at the same time recognising the need to strengthen our balance sheet. The review showed that fundamentally Hammerson has a unique market position and considerable opportunities for future value creation. In order to address that potential, we needed radical change to adapt and thrive.

Our operating environment has changed extensively in the last few years. Covid-19 accelerated trends impacting how we consume, work and live. People are engaging with spaces in a new way; at the same time occupiers are recognising the importance of their physical channels alongside digital. Our portfolio and offering had not kept pace with these changes. As a Group, our organisation, culture and working practices were not forward looking, and our organisational review identified the need to bring in new talent, to change our operating model and our culture. We are now focused on new ways of working, agility, innovation, and ultimately on driving performance.

Our team has shown incredible resilience, commitment and resourcefulness, and has delivered an improved performance. This has all been achieved alongside managing the continued impact of Covid-19 through periods of enforced closure for all but essential retail and additional restrictions in line with government guidance.

I would like to take this opportunity to thank all colleagues. A lot has been accomplished. Clear action has been taken and this will continue to drive the business forward and position it for the future:

- The first half of the year was about stabilising and de-risking the balance sheet; reducing debt through non-core asset sales and refinancing

- We set out a new strategic vision for the business at the half year, giving us a clear focus on a core portfolio of prime urban estates
- We introduced new brands and concepts throughout to reposition our destinations
- In the second half, we accelerated organisational changes across the business to foster a high performance culture with a focus on value creation.

Financial performance

Adjusted earnings increased from £37 million to £81 million. Gross rental income was £242 million, down £45 million largely due to in-year disposals, which will have a full year effect in 2022. The increase in adjusted earnings, therefore, was principally a result of stronger rent collections, higher than usual surrender premiums, a strong contribution from Value Retail, and reduced finance costs. 2021 earnings benefit from a £17 million year-on-year increase in surrender premiums and a £12 million net rental income contribution from in year disposals.

EPRA NTA was £2,840 million at 31 December 2021, a decline of 14% over the year (2020: -26%), largely attributable to the continuing effect of the global Covid-19 pandemic on property valuations in the first half of the year. Yields showed signs of stabilising in the second half of the year, and rental levels were more resilient in France and Ireland, while the decline in the UK is slowing as we approach trough values and investment markets gain more confidence in pricing income streams.

Nonetheless, the revaluation deficit drove an IFRS loss of £429 million (2020: £1,735 million).

Our financial position has improved. Net debt was £415 million lower, principally arising from disposals completed during the year. Headline loan to value improved to 39% (2020: 40%), while fully proportionally consolidated loan to value, including the Group's proportionate share of Value Retail debt, was 47% (2020: 46%). Net debt to EBITDA improved to 12.4x (2020: 14.1x), reflecting both the lower net debt and the recovery in earnings.

Our strategy

We own flagship destinations around which we can curate and reshape entire neighbourhoods and city centre spaces. Our new strategy recognises the unique position that Hammerson has in urban locations and the opportunities to leverage our experience and capabilities to create appealing destinations, serving occupiers, customers and communities.

Our aim is simple and clear - to create total returns for shareholders through consistent execution against our four strategic elements:

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

Underpinning our strategy is our commitment to sustainability. In a year where COP26 highlighted the urgency for individuals, businesses and nations to tackle climate change, our strong commitment to sustainability was manifested in our issue of the first sustainability linked bond in the real estate sector. In 2022, we will review our sustainability strategy in the light of COP26.

Deliver a sustainable and resilient capital structure

Our strategy review identified that we own and operate unique assets in some of the fastest growing cities in the UK, Ireland and France, and hold investments in the best-in-class premium outlet villages. Equally, we identified assets where we did not see opportunities to deliver a sustainable return on capital over the long term.

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

We have made considerable progress in 2021, reducing our net debt by 19% to £1.8 billion, extending our debt maturities, and simplifying and focusing our portfolio. We achieved this through completed sales of £433 million of assets including minority stakes in Espace Saint-Quentin and Nicetoile in France, and a collection of non-strategic retail and commercial properties in the UK.

This work continues and since the year end, we have completed the sale of Victoria, Leeds for £120 million, and expect to complete the sale of Silverburn, Glasgow for £70 million, at our share, by the end of March. On a pro forma basis reflecting these post year end sales, net debt reduces to £1.6 billion and headline LTV to 37%.

In a first for the real-estate sector, in June 2021, we successfully issued a €700 million sustainability-linked bond with a six year maturity period and a 1.75% coupon. With the proceeds of sales and this issue, we refinanced near term debt maturities, repaying the €500 million 2022 and 53% of the €500 million 2023 bonds, and £297 million of private placement notes. These actions have materially extended and de-risked our maturity profile.

At 31 December 2021, the Group had liquidity, in the form of cash balances and undrawn RCFs, totalling £1.5 billion and has no significant unsecured refinancing requirements until 2025 not covered by existing liquidity.

Create an agile platform

At the start of the year, Hammerson was at an inflection point and we needed to reset the organisation to be more efficient and effective. Our operating model was dated, fragmented and too costly, and our decision making was overly bureaucratic. Creating an agile platform is about a shift to a high performance culture and a leaner, flatter, more empowered, asset-centric and customer-focused organisation.

Our strategy is to continually evolve our skills and capabilities to respond to the changing needs of our occupiers and customers, and the environments in which we operate; to create a more efficient organisation with more decision-making power for the teams closest to our assets and customers; to build new skill sets and strategic partnerships; and to increase the digitalisation and automation of our business.

Our organisational review identified the need to strengthen our leadership and capability in a number of key areas. I was pleased to be joined by Himanshu Raja, CFO, who brings a wealth of experience in transformation and in operating in UK listed plcs, and Harry Badham, Chief Development and Asset Repositioning Officer, who has a strong track record in urban regeneration as we look to reinvigorate and reshape our prime urban estates and adjacent development land to a greater mix of future uses.

During 2021 we also implemented a new operating model which is already delivering results, reducing layers of management to create a flatter structure centred on our assets. Sadly, these changes resulted in a number of colleagues leaving the Group over the financial year. Combined with a higher than usual level of voluntary turnover, this meant headcount was down 18% over the year. Further changes will occur as the portfolio evolves through disposals and reinvestment.

At the same time, we have taken the opportunity to bring the business together in a more connected way, with greater empowerment and accountability. We have brought in new talent and future-focused skills and capabilities. This will help us realise the full potential of our destinations and achieve greater value creation and performance in the future.

Reinvigorate our assets

We have some of the best assets in the very best prime city centre catchments, and, due to the strong ties we have in the communities in which we operate, supportive local authorities. There are near term opportunities to grow income and significant opportunities for repositioning these assets in the medium term. We will do this by maximising income through optimising use of space including: the repurposing of department stores; redeveloping under-utilised space to alternative uses; curating new and engaging spaces; and attracting new occupiers and services.

My experience from other international markets inspires me when I think about the future of our destinations. Creating a more asset-focused portfolio and changing the makeup of occupiers to a broader mix of uses is a real opportunity. This is already happening.

In 2021, a key focus of our teams was reviving the leasing pipeline. We had a busy year signing 371 leases, 70% more than in 2020 and broadly in line with 2019. In value terms, we secured £24.7 million in 2021, 150% higher than in 2020, and 27% higher than 2019.

Net effective rent for principal deals was 11% below ERV; there has been a noticeable difference in the negotiating tension across our portfolio, and a clear improvement in the second half, as shown in Table 1. The UK remains the most challenging and fast-moving market, while France continues to exhibit stability and even some growth, and the fundamentals in Ireland remain strong.

We also continued to sign temporary leases of less than one year and we signed 109 short-term leases in 2021. These help to maintain vibrancy at our destinations, trial new concepts, mitigate potential annual vacancy costs of approximately £6.5 million, and allow time to secure a longer term lease with the best occupier for each destination's catchment.

Table 1

	No. of deals	Leasing activity £m	NER vs ERV %	Headline rent vs previous passing rent
H1	127	9.6	-18%	+4%
H2	135	13.5	-5%	-6%
Principal	262	23.1	-11%	-2%
Temporary	109	1.6	-61%	-44%
Total	371	24.7	-18%	-7%

Bicester Village

Iconik urban food market - Italie Deux



We will forge new partnerships, try new concepts, create new customer experiences, and tap into new sources of revenue to generate future growth for the business.

To be successful, our destinations need to attract the best occupiers and provide an engaging offer for customers with greater entertainment and social spaces and a broader range of occupiers - including healthcare, wellbeing and education partners - to deliver experiences that are hard to get online. To support this, a new leasing approach has been taken in 2021, with 69% of principal leasing to restaurants, leisure, services and non-fashion brands. In fashion, our focus continues to be on best-in-class brands and exciting new concepts.

A more targeted and appealing offer to our customers, communities and local industry will create the most connected and vibrant places. We will forge new partnerships, try new concepts, create new customer experiences, and tap into new sources of revenue for the future. We have started to see a more symbiotic relationship between physical and digital commerce - recognition that it is not an either/or situation and that customers want both.

For example, in 2021:

- We commenced the repurposing of the former Debenhams department store in the Bullring, Birmingham, for a new consolidated Marks & Spencer with food, clothing and home offers. Moving from the High Street, it will open in late 2022/early 2023. In 2023, TOCA Social will introduce its immersive sports-led entertainment experience to the upper levels
- At Dundrum Town Centre, Dublin high-end specialist grocer Donnybrook Fair opened an extensive food hall and restaurant that also delivers culinary masterclasses and events. Supplementing Brown Thomas moving into part of the former House of Fraser, JC Penney has taken the remaining former department store space, upgrading its in-centre offer and giving us opportunity to repurpose the existing footprint
- We also continued to partner with digital native brands - those having started their journey online and taking their first steps into physical - and helped them grow their consumer visibility. Two key successes this year were Kick Game in the Bullring, Birmingham and Colonei Moutarde in Les Terrasses du Port, Marseille.

Sales and footfall

Our focus on activating our destinations and partnering with ambitious occupiers has seen footfall in our UK destinations recover steadily over the year: Q3 vs Q2 was up 15% points and Q4 vs Q3 was up a further 4% points. Ireland had some partial restrictions in the latter months of the year but despite this, footfall for H2 was up 33% points vs H1. Even with lockdowns in the early part of 2021 and vaccine passes introduced in August, France saw a similar recovery with footfall in Q4 +5% points vs Q3.

Sales during the year showed encouraging trends, reflecting higher spend per visit and larger basket sizes, particularly in the UK where Q3 and Q4 sales were 98% and 97% of 2019 levels, respectively. Strong category performers throughout 2021 included jewellery and sportswear.

Occupancy and passing rent

Maintaining this vibrancy, even in a challenged environment, meant Group flagship occupancy levels remained robust at 96%, compared to 95% at the beginning of the year, and up from 93% at the half year. Occupancy at UK destinations at the end of 2021 was 94%, Ireland 98% and France 96%. There is a significant opportunity to drive incremental income from leasing up lower value space to new occupiers and uses.

Group passing rent at 31 December 2021 was £215 million, £55 million lower than at the start of the year. £40 million of this reduction related to properties sold in the year, principally UK retail parks. On a like-for-like basis, Group destinations were 4% lower, with the UK being -6%, France -1% and Ireland -2%.

Collections

Over the course of the year, we continued to support our occupiers, especially during periods of closure. During the third Covid-19 lockdown in the UK and Ireland, in early 2021, we offered occupiers 50% rent free for the period of closure, with some exceptions for businesses who were able to continue to trade strongly.

We rigorously reviewed our collections process and implemented improvements including enhanced reporting, which enabled us to maximise and drive collection rates higher as the year progressed. For FY20, based on billable rent, the Group rent collection rates currently stands at 99%; for FY21, 90%. FY21 collections for the UK are 90%, with Ireland at 95% and France at 86%. We have been open and fair with our occupiers during the pandemic but we have not hesitated to resort to legal proceedings where our approach has not been reciprocated.

Value Retail

The restrictions imposed in the early part of 2021 saw the temporary closure of all but one of the Villages and impacted income in the first half of the year due to prevalence of turnover rents. However, during this period, brands continued to take space in the Villages with 120 leases signed, demonstrating the continued popularity of the premium outlets sector. Isabel Marant and Jil Sander opened in Bicester and Dolce & Gabbana opened a fully refitted flagship boutique in Fidenza, all in the first half of 2021. Overall, Value Retail signed 288 new leases in 2021, and occupancy remained strong at 96%.

Domestic customers continued to remain loyal to the Villages with footfall of 26.9 million which was 23% above 2020 levels and 30% down on 2019 footfall. Brand sales saw recovery with €2.3 billion, 32% above 2020 levels.

Adjusted earnings were negative £2 million at half year but have recovered substantially in the second half of the year to finish at £15.9 million. This is primarily due to an increase in gross rental income driven by restrictions being lifted across Europe, and the drive to encourage domestic customers to the Villages, including virtual shopping. At 31 December 2021, the Group's interest in Value Retail's property portfolio was just under £1.9 billion and the net assets were £1.1 billion. The variance is principally due to the amount of secured debt within the Villages, with the average LTV across the Villages being 41%.

Accelerate development

By driving excitement and placemaking we create an amazing platform to enable future successful development and city-centre regeneration.

In the short term we are focused on where we can unlock value and enable development, especially where this can complement our existing assets.

During 2021, we completed the expansion of Italie 2, Paris, with Italik, creating a new restaurant and food pop-ups offer in the heart of Paris. The major extension to Les 3 Fontaines, Cergy will open in March 2022, currently more than three quarters pre-let and with the District Food Court already fully occupied and operating.

We have just over 100 acres of land ownerships and we are progressing detailed feasibility studies for mixed-use developments, largely adjacent to our existing retail destinations.

Today this land promotion portfolio can be roughly divided into three:

- First, four near term projects – Martineau Galleries, Birmingham; The Goodsyards, London; Dublin Central; and Grand Central, Birmingham – where we are either well advanced on detailed planning, or able to achieve rapid progress. Progressing these projects in the near term to a point where they are genuinely 'ready to go' development opportunities will create significant value and optionality about how we take them forward and/or look for liquidity opportunities
- Second, projects like Dundrum Village, Dublin; Eastgate, Leeds; Bristol Broadmead; and Croydon which are largely at earlier feasibility and planning stages, and therefore more mid-term prospects in terms of value creation and liquidity
- The strategic land in Swords is more long-term in nature

These projects offer the potential for us to become one of the leading city regeneration developers, creating lasting concepts and retaining long term custodianship using our placemaking and operational expertise.

Sustainability

Whilst the operation of our assets in 2021 continued to be impacted by the pandemic, we remained focused on our strong sustainability platform to deliver benefits to our stakeholders. In the first half of the year, we connected the Thassalia geothermal system to Les Terrasses du Port, Marseille, and in the second half, we installed solar panels, LED lighting and atrium vents in Dundrum Town Centre, Dublin. In the UK we continued with our roll-out of smart metering. All our projects led to a reduction in carbon emissions.



We are a stronger business today. We have developed a robust strategy to take advantage of future opportunities. We will further strengthen the balance sheet by continuing to simplify the portfolio, as well as generating capital for reinvestment to enable us to unlock the potential in our estates.

Our 2021 environmental targets were set against a 2019 baseline as the most recent normal operating year. Overall, carbon emissions fell by 17% in the year compared to 2019, reflecting the energy savings we were able to make in the second half of the year when our assets reopened and we were able to complete energy efficiency projects.

Table 2

Proportionally consolidated basis	2021	2019	Reduction	2021 target reduction
Carbon emissions (mtCO ₂ e)	9,928	11,928	-17%	-17%
Energy demand (MWh)	51,911	58,312	-11%	-8%
Water demand (m ³)	151,053	236,887	-36%	-7%

Our social impact work has delivered a strong programme of events with the use of available space for social enterprise and local initiatives. This resulted in 2021 in £2.0 million of investment through cash and in-kind donations. The exhibition celebrating the history of the Windrush generation in one of our units at the Whitgift Centre, Croydon proved to be particularly uplifting for the local community.

As the world transitions to a zero-carbon economy, it is essential that we continue to understand the implications this has for the Group's business and its wider stakeholders. Hammerson's long-standing sustainability strategy has put it in a strong position to respond to the forthcoming challenges. We will work actively with our occupier business communities to make further progress where energy consumption is not within our control.

Further details are in the Sustainability section on pages 16 to 21.

Outlook

The major changes across the consumer and occupier landscape mean it is an exciting time to be in real estate. We are anticipating and starting to set new trends in how physical space is used in Europe's major cities within our portfolio. Hammerson has a unique opportunity to be part of shaping future cities and transforming urban spaces.

We are a stronger business today. We have developed a robust strategy to take advantage of future opportunities. We will further strengthen the balance sheet by continuing to simplify the portfolio, as well as generating capital for reinvestment.

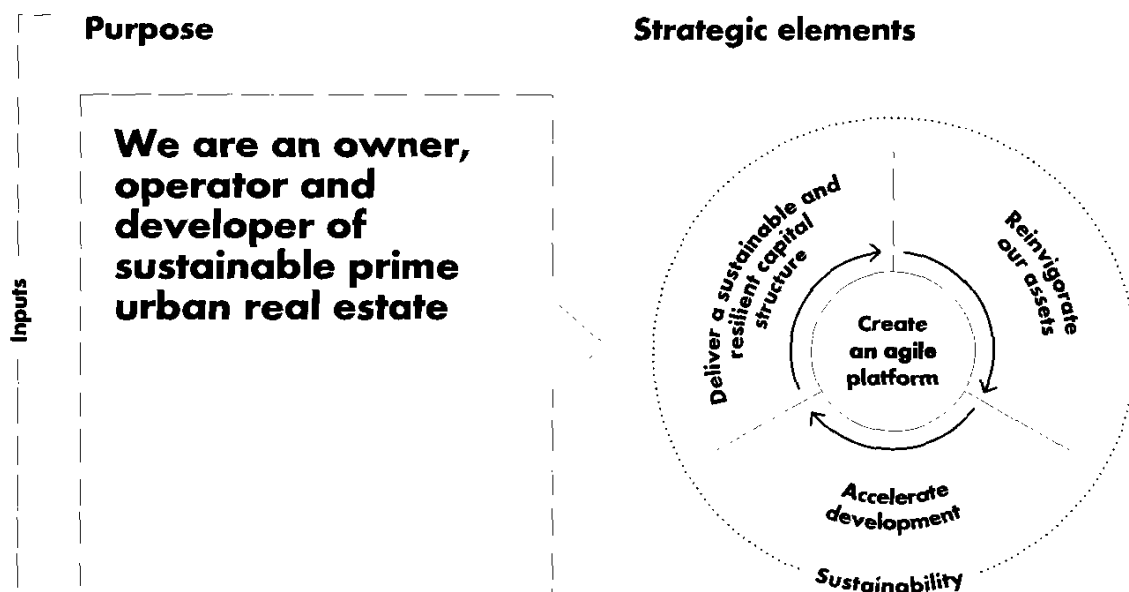
We are focused on: reducing vacancy and void costs; repurposing space; delivering a mix that occupiers and customers demand; and unlocking value from the development opportunities in the portfolio. By continuing to execute our strategy, we will continue to build a better business, and that will deliver value for shareholders.

When I joined, I was excited by the assets and how these can be curated. I am even more certain now that we have a unique opportunity to shape our cities and contribute positively to our communities.

This has once again been a busy year, and also one of great progress against our strategic priorities. I want to thank our investors, the Board, colleagues and all our stakeholders for their continued support as we continue to deliver our strategy during 2022 and beyond.

Rita-Rose Gagné
Chief Executive

Our business model



How we create value

We curate, manage and develop prime urban estates, shaping the future and transforming spaces for generations to come



For more information see page 10

Our asset-centric and customer-focused approach seeks to deliver value for all of our stakeholders through recycling capital to constantly improve our destinations for occupiers and customers in order to grow income streams for our investors

Our key stakeholders

Our key stakeholders

Occupiers	Customers	Colleagues	Communities	Partners	Investors
 We create a platform that fosters success for a diverse and evolving mix of occupiers to deliver unrivalled customer experiences and thrive	 We create vibrant destinations through continually evolving the mix of brands and experiences through placemaking and events that appeal to a broad range of customers	 Our colleagues are fundamental to achieve our strategic goals. We support our people and empower our operations teams to deliver best-in-class customer service, championing a diverse culture where everyone can thrive	 We continually strive to make a positive difference to the communities in which we operate	 We strive to be a responsible partner with a wide range of partners that enable us to deliver our strategy	 We have a broad range of institutional investors and private shareholders. We actively engage with them throughout the year and undertake regular communication to ensure they understand the performance of the business



For more information see pages 36 to 38



The Company's s172(1) statement can be found on page 58

Our strategy and priorities

In 2021 we undertook a thorough strategic and operational review. Championed by a new leadership team, we developed new strategic elements which put our assets and customers at the heart of our business, and we have started to reshape the organisation to create an agile platform. Growth will come from repositioning our assets and unlocking value by accelerating development.

We will invest in our digital capabilities to deliver an enhanced customer and occupier offer and drive efficiencies through automation and enhanced data analytics.

We will deliver a sustainable and resilient capital structure, realising capital for reinvestment by realigning our portfolio to core city centre

assets fit for the future. Investing in reinvigorating these assets with the right mix of occupiers and experiences, and combined with exceptional placemaking, will enable us to build stronger relationships with our occupiers and customers. Over the long term, with disciplined execution, and combined with unlocking value by accelerating development opportunities within our portfolio, this drives sustained growth in cash flows and total returns, which can be crystallised and reinvested in our business, starting the cycle again.

This can only be delivered through an agile, collaborative, high performance culture that retains and attracts the best people and embraces opportunities to positively impact the communities in which we operate.

	Progress in 2021	Focus for 2022
Deliver a sustainable and resilient capital structure	Net debt reduced from £2.2bn to £1.8bn £503m of disposals of UK non-core assets and French minority interests exchanged or contracted Issue of €700m 1.75% Sustainability-linked bond, the first in the sector Redeemed €500m 2022 bond and 53% of 2023 €500m bond £297m of private placement notes repaid £415m RCF maturing in 2022 refinanced to £200m of facilities maturing 2024 (3+1+1 year) No significant Group debt maturities until 2025 not covered by existing facilities	Assess capital to reduce debt and reinvest. £120m already completed from the sale of Victoria, Leeds Start to deploy capital into the existing portfolio - repositioning, consolidating, accelerating development - to balance earnings and NTA dilution from disposals IG Credit Rating reaffirmed – Moody's 'negative watch' removed in February 2022 Clear remaining SIIC obligations arising from the disposal of Italie Deux with scrip dividend, Board intends to return to cash dividend in 2023
Create an agile platform	New leadership: CFO and Chief Development and Asset Repositioning Officer New asset-centric and customer-focused organisation Improving speed and efficiency of key business processes: leasing; collections; procurement	Anticipate 15-20% reduction in gross administration costs by 2023 from 2019 base Further investment in new skills and talent Continue development of a culture of high-performance and accountability Encourage initiative with a fail fast mindset Accelerate automation and digitalisation of business processes to further increase efficiency
Reinvigorate our assets	Rent collection recovering, FY21 at 90% and FY20 at 99% Strong footfall recovery in second half of the year, particularly when restrictions were relaxed Encouraging leasing volumes: 371 leases exchanged – more than one per day, 70% higher than 2020 Temporary leases used to fill vacancy, c. £6.5m of vacancy costs avoided Occupancy improved to 96%: 94% UK; 96% France; 98% Ireland Leasing targeted to the right categories, 69% of leasing to F&B, leisure, services, non-fashion Increasing focus on digital brands – white-boxing in the UK and launch of Co-Lab in France, a fully fitted-out shop to welcome brands to test their concept Department store repurposing underway - Bullring; Italie Deux; Dundrum; Croydon Pace of valuation decline slowing, France stable, as pace of income decline slows and investment markets gain confidence in stabilised income streams. Reflected in narrowing leasing spreads in H2 Delivered new and exciting events programme, attracting and delighting our consumers	Further improvement on rent collections on the path towards normal levels Build on leasing momentum in 2022 Overall, clear strategic leasing focus on shifting mix and reducing vacancy, thereby maintaining vibrancy and minimising void cost Focus on placemaking through improved customer service, strategic partnerships and evolution of occupiers Continue to attract and support new occupiers Identify and start to engage with potential strategic partners
Accelerate development	Italik expansion at Italie Deux completed Planning achieved for majority of landmark redevelopment at Dublin Central Les 3 Fontaines (Phase I) opened – District food court a notable success Planning consent for stand alone 100+ unit residential development at The Podium, Dundrum	Les 3 Fontaines (Phase II) extension on track for opening in March 2022 Continue securing outline, detailed and hybrid planning consents across the regions we operate in for both strategic development sites and existing assets Deploy capital into four near term land promotion projects to create value and optionality: – The Goodsyard, straddling Shoreditch High Street station – Martineau Galleries, adjacent to future Curzon Street HS2 station in Birmingham – Dublin Central, intersecting upmarket Henry Street retail district with iconic Georgian O'Connell Street frontage – Grand Central, astride Birmingham New Street station with significant workspace potential from void department store space Identify sector specialists where appropriate, with potential to enter partnerships to maximise individual site and asset opportunities Develop and obtain feasibility studies, land draw down, and initial planning consents on other sites to secure value for minimum spend

Market overview

Economy	Consumer	Real estate market												
Fast growing cities Hammerson is uniquely positioned in some of the fastest growing cities in the UK & Ireland - population growth from 2022-2032: London c.8%, Dublin c.7%, Bristol c.5%, Southampton c.5% France - continued social and economic reforms key to longer term growth prospects Ireland - post Brexit multinational business relocations will help underpin continued economic growth Positive economic forecasts¹ <table> <tr> <th></th><th>GDP % p.a. 2022-32</th><th>Consumer expenditure % p.a. 2022-32</th></tr> <tr> <td>UK</td><td>1.7%</td><td>1.7%</td></tr> <tr> <td>France</td><td>1.3%</td><td>1.1%</td></tr> <tr> <td>Ireland</td><td>1.7%</td><td>1.7%</td></tr> </table>		GDP % p.a. 2022-32	Consumer expenditure % p.a. 2022-32	UK	1.7%	1.7%	France	1.3%	1.1%	Ireland	1.7%	1.7%	Hybrid working Recent surveys show that 73% of workers want to work in the office all or most of the time, demonstrating the importance of the workplace experience² City living Total demand for city properties has increased by 34% for sales and 46% for rental over the last two years as people return, following an initial flight from cities at the start of the pandemic³ Younger and more experiential 55% of Gen Z enjoy browsing shops and often prefer it to online⁴, with over 50% of online spend influenced by a physical store⁵ 50% of Gen Z are interested in retailers offering more immersive shopping experiences, such as personalised studios or interactive experiences⁶ Convenience and logistics 90% of consumers say that they spend more when brands offer seamless and flexible payment options that speed up their decision-making⁷ Rapid growth in adoption of 'Quick Commerce' delivery services e.g. Gorillas, with 13% of consumers already using these services⁸ Leisure and wellness Between 2019 and 2030, leisure and catering spend is expected to grow by 36% and 40% respectively versus non-grocery in-store spend, which is expected to grow by 1% across the same timeframe⁹ The health and wellness industry is set to grow at a rate of 5-10% per annum (worth £23 billion in 2020)¹⁰ Sustainability No new petrol or diesel cars to be sold in the UK after 2030 with Europe to follow shortly after Increased importance of public charging facilities. 94% of all electric vehicle owners say they would visit a retailer or service provider more if they offered charging facilities¹¹	Investment activity in UK retail assets increased in 2021, albeit remaining below historical levels Build to Rent will continue to perform well as an asset class; with investment volumes expected to increase by 65% in 2022 and offices will see a return to pre-pandemic leasing levels. As with the rest of Europe, hotel demand not expected to return until 2024¹² In France the market is mainly dominated by domestic investors. Limited investment activity in 2021 Rents to stabilise in 2022. The performance gap between primary and secondary assets will continue to widen Record investment in residential assets in 2020 and 2021¹³ Office sector rebounded in 2021 and is expected to continue to do so in 2022 Strong demand from new retail entrants continues to support performance of primary locations Logistics, office, healthcare, and residential are expected to be leading investment sectors in 2022 Strong Build to Rent demand supported both stable occupancy and high rent collection rates throughout the pandemic
	GDP % p.a. 2022-32	Consumer expenditure % p.a. 2022-32												
UK	1.7%	1.7%												
France	1.3%	1.1%												
Ireland	1.7%	1.7%												

How do we respond?

- Targeted disposals to focus on key cities with the strongest population and economic growth
- Consumer led insight to identify key trends in work, leisure and lifestyle to develop demand led propositions
- Repurpose large 'legacy' anchor operators by increasing the mix of leisure, F&B and services, and alternative uses e.g. workspace opportunity at Grand Central, Birmingham
- Introducing new exciting leisure occupiers appealing to younger consumers e.g. TOCA Social at Bullring, Birmingham
- Leverage key city centre locations to capitalise on rapid growth of 'quick commerce' and logistics
- Continued focus on placemaking to improve customer experience
- Further develop technology to enhance understanding of our consumers and support our occupiers e.g. CCTV artificial intelligence
- Increased number of EV charging bays

1. Oxford Economics. 2. Envoy. Jan 2022. 3. Rightmove. November 2021. 4. Retail Assist. 2021. 5. CACI. 2021. 6. Yahoo. Oct 2021. 7. Global Data. July 2021. 8. IGD. June 2021. 9. CACI. Jan 2022. 10. McKinsey & Wellness Creative. Jan 2021. 11. CACI. 2021. 12. and 13. CBRE

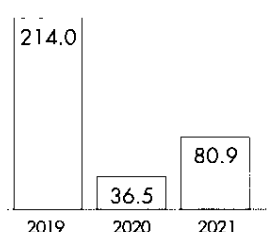
Key Performance Indicators

We monitor Key Performance Indicators, or KPIs, to measure our achievements against our strategic priorities. The KPIs comprise financial and operational measures and during the year, we elevated three of our metrics to KPIs to better link and align to our strategy. The new metrics are Adjusted earnings; EPRA NTA per share; and Passing rent which replace Changes in adjusted EPS; Change in like-for-like NRI; and Occupancy.

Financial KPIs

Chart 3

Adjusted earnings (£m)



Adjusted earnings is the Group's primary profit measure and reflects underlying profit calculated based on EPRA guidelines, factoring in some Company specific adjustments as explained on page 102.

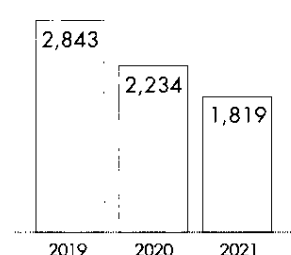
Performance

In 2021, adjusted earnings increased by £44.4 million to £80.9 million.

The most significant contributors were: an increase in adjusted net rental income of £20.2 million; a £23.4 million reduction in net finance costs; and an increase in adjusted earnings from our investment in Value Retail of £23.0 million. These increases were partially offset by the loss of adjusted earnings of £14.0 million from VIA Outlets following its disposal in 2020 and a £7.3 million increase in net administration expenses.

Chart 4

Net debt (£m)¹



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

Performance

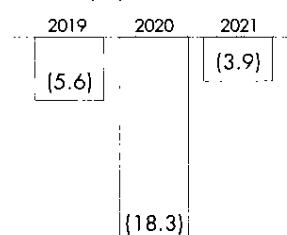
Our focus on strengthening the balance sheet drove a £415 million reduction in net debt year-on-year.

This was mainly generated from net disposal proceeds of £425 million, cash generated from operations of £118 million and foreign exchange and other movements totalling £129 million. These were partly offset by financing costs and capital expenditure of £135 million and £97 million respectively, the former including debt and loan facility cancellation costs relating to refinancing activity as detailed on page 33 of the Financial review.

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

Chart 5

Total property return (%)²



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.

Performance

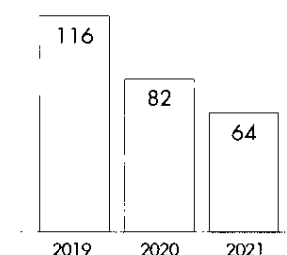
During 2021, the Group's property portfolio produced a total property return of -3.9%, reflecting a capital return of -7.9% and an income return of 4.3%.

The TPR for the managed portfolio was -6.7%, with UK flagships recording the lowest return of -10.8% due to the more challenging occupational and investment market in the year compared with France and Ireland. The strong operational recovery and resilient valuation performance resulted in Value Retail recording a 2.1% TPR.

The successful delivery of the Group's new strategy will drive future total property returns through disciplined disposals, reinvigorating our assets, and accelerating development opportunities.

Chart 6

EPRA NTA per share (p)



EPRA net tangible assets (NTA) per share is the key metric by which we measure the net asset position of the Group, calculated based on the net asset value of the Group, factoring in specific EPRA adjustments, principally in relation to deferred tax, divided by the number of shares at the balance sheet date.

Performance

At 31 December 2021, EPRA NTA per share was 64p, compared with 82p at the end of 2020. This reflects a total accounting return of -14.0%.

Whilst the year-on-year impact of scrip dividends reduced the metric by 7p, revaluation losses across the managed portfolio, principally arising in the first half of the year, reduced EPRA NTA per share by a further 11p. The positive impact of adjusted earnings was largely offset by debt and loan facility cancellation costs, losses on disposals, impairments of joint ventures and dividends.

More in the Financial review on page 24

1. Proportionally consolidated, excluding premium outlets
2. Proportionally consolidated, including premium outlets

More in the Financial review on page 33

More in the Financial review on page 31

More in the Financial review on page 28

Link to remuneration

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

For 2021 and 2020, the AIP contained the financial KPIs: change in adjusted earnings and net debt, plus a cost reduction target associated with the Group's reorganisation. It also contained a target for reductions in the Group's CO₂ emissions.

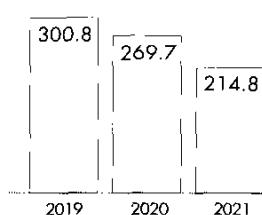
The performance against all of the KPIs is taken into account when considering the personal element of the AIP along with other specific objectives.



Further information on page 66

Operational KPIs

Chart 7

Passing rent (£m)

Passing rent is the annual rental income receivable from our properties after rent free periods, head and equity rents, car park costs and commercialisation costs.

Management believe that currently passing rent is a better forward indicator of revenue than NRI, which contains a number of significant non-cash accounting adjustments.

Performance

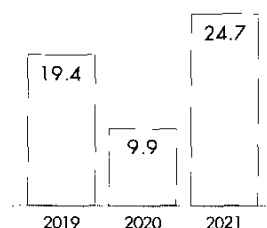
Passing rent fell by £54.9 million in 2021, of which £39.9 million was associated with disposals, principally UK retail parks.

On a like-for-like basis, passing rent for Group flagships was 4% lower, with the UK 6% lower consistent with the challenging leasing environment, particularly in the first half of the year. Passing rent at French flagships was 1% lower, while Ireland was 2% lower.

Increasing passing rent through leasing and improving occupancy is a key focus for 2022 and will feed directly into gross rental income.

More in Additional disclosures on page 159

Chart 8

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 flagship portfolio, including new lettings and lease renewals.

Performance

2021 was an active year for leasing, as occupiers looked to secure space in our flagships. Leasing activity increased by 150% to £24.7 million in 2021.

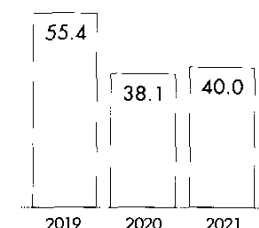
In total there were 371 lettings, compared to 218 in the prior year. For principal leases, the rent was 11% below ERV and 2% lower than passing rent.

The average incentive package for new tenants for 2021 equated to six months' rent, only marginally higher than in 2020.

There was a marked improvement in agreed rents relative to ERV in the second half of the year and this trend has continued into 2022 with occupiers looking to secure the strongest trading locations as the market recovers.

More in the Chief Executive's statement on page 6

Chart 9

Global Emissions (kgCO₂e/Common Parts Area)

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 the common parts area of the flagship portfolio, which is the portfolio which generates the majority of the Group's global emissions. This measure demonstrates our progress in emissions usage for the floor areas we manage.

Performance

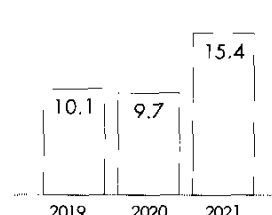
While we delivered a number of sustainability projects in 2021, including new on-site renewable energy generation, our global emissions intensity increased by 5%.

This was due to the impact of the pandemic as our assets were open for longer periods in the second half of 2021 compared to 2020.

When compared to 2019, greenhouse gas emissions in 2021 were 31% lower.

More in the Sustainability review on page 16 and Greenhouse gas emissions 2021 on page 173

Chart 10

Voluntary colleague turnover (%)

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

Performance

Voluntary colleague turnover increased to 15.4% in 2021, as confidence started to return to the recruitment market. The impact of uncertainty created by the organisational changes in 2021 has also created some voluntary movement in addition to reduced headcount through reorganisation.

Driven by the Group's new Chief People Officer, our focus for 2022 will be increasing our colleague engagement activity. This will include a refreshed colleague forum, an enhanced approach to surveying colleague engagement, a review of culture and values and a comprehensive career development and reward framework.

More in Our colleagues on page 14

Our colleagues

2021 was a year of significant change for the business and colleagues. The operating environment continued to shift and the ongoing uncertainty from Covid-19 meant we needed to evolve. Led by a new leadership team, the organisational review set out to deliver positive and impactful change by creating a new agile platform and a team that can continue to adapt in a fast changing world – a Hammerson that is future-focused.

At 31 December 2021, we employed 426 colleagues across the Group. 273 were based in the UK, 27 in Ireland, and 126 in France. This is a 18% reduction in colleague numbers from 2020.

Creating an agile platform

As we move to an asset-centric and customer-focused model, our success is driven by supporting our destinations. The organisational review took a holistic approach to change, including strategy, colleagues, structure and process. It was the most extensive and significant organisation change Hammerson has ever undertaken.

From a colleague perspective, the leadership team extensively reviewed talent and capabilities for both present and future opportunities. As part of the changes, headcount reduced through redundancy by 69. In addition, Group voluntary staff turnover increased from 9.7% in 2020 to 15.4% in 2021.

We have created Centres of Excellence in our support functions to assist our colleagues. We are introducing new ways of working and have removed the focus on our geographies to become asset-centric. The pandemic in many ways accelerated this.

The changes aim to empower our colleagues closest to our assets and to our occupiers. The new set up for teams is more than 'lines and boxes'. Some reporting lines have changed, but the changes have also carefully considered how we work, what we will focus on, and what skills we need. We are creating a mindset for the future.

The change agenda we have undertaken is greater than simply looking at teams and how we are structured. There was a rigorous look at the end-to-end processes and how further value can be created. Considerable simplification of decision making and streamlining of committees provides colleagues with clear visibility on what needs to be delivered. A significant number of processes have been radically improved. A bottom up approach allowed colleagues to consider what would make their roles easier, more efficient and importantly where greater value can be created.

Our aim is to work smarter. There were complex processes and fragmented teams across areas of the business. We have addressed this and are bringing the business together in a more connected and efficient way. We are focused on the digitalisation and automation of Hammerson. We have already simplified many processes by organising data. We will continue to use technology to automate processes that help colleagues to work more efficiently both internally, and over time, develop digital capabilities and propositions for our occupiers and customers.

Throughout the year we have been committed to communicating our changes to colleagues. Regular updates from leadership alongside in person and virtual Squads (Town Halls) have provided a strong level of engagement with colleagues for the future direction of the business. The Hammerson Colleague Forum, which was established in 2019 provided additional engagement between the leadership team and colleagues. With a new Forum Chair in place and new members, the focus for the Colleague Forum for 2022 is to ensure higher levels of colleague engagement to support the delivery of Hammerson's strategy and ongoing transformation, assist in cascading key decisions and developing the values while improving a high-performance culture. Carol Welch is our nominated Non-Executive Director for colleague engagement, and further information on colleague engagement is on page 51.

We are also looking outside of the sector to bring in new capabilities across the business to help accelerate our transformation. In February 2022, Jessica Oppenheimer joined as our new Chief People Officer. Working closely with the Executive Team to continue to drive change across all business areas, Jessica will initially focus on further developing our culture and values alongside business-wide talent development and succession planning.

Diversity & Inclusion (D&I)

The most successful businesses from both a colleague and value creation perspective are those that champion diversity. It can deliver great innovation, a far deeper understanding of customers, and colleagues develop a more varied range of skills and outlooks as a result.

Continuing on our journey to shape a more diverse and inclusive culture at Hammerson is a priority for both the Group Executive Committee and the Board. We are committed to accelerating progress in this important area and our work over the past 12 months continues to shape our colleague and D&I strategy.

Since their formation, our four colleague-led D&I Affinity Groups LGBTQ+, Race & Ethnicity, Women, and Wellbeing have made great strides in raising awareness, creating conversations and highlighting educational resources, sharing personal stories and support around these important topics.

Events during 2021 organised by the groups included activity to highlight and celebrate LGBTQ+ history month, Pride, Black History Month, support for colleagues during Mental Health Awareness Week, National Stress Awareness week, World Menopause Day, and creating a period friendly workplace.

A Group Executive member sponsors each Affinity Group to drive forward further momentum and action on matters of importance to our colleagues, partners and communities. This is a positive step forward in our D&I journey.

Twenty Hammerson colleagues also participated in the world's largest cross-company, cross-sector mentoring programme to advance workplace diversity and inclusion with Mission INCLUDE.

The nine month programme supports the personal and professional development of both mentors and mentees, and creates networking opportunities and conversations around diversity and inclusion.

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

Support during Covid-19

From the start of the year, the health and safety and the wellbeing of colleagues was a continued priority.

When restrictions eased, we supported a safe return to all our locations in line with government guidance, through an informed, safety-first approach, coordinated by a dedicated working group.

A colleague guide was produced highlighting support available, with regular updates from Group Executive Committee members, alongside sessions to support leaders in managing their teams through transition.

A colleague questionnaire looking at how teams wanted to work, shaped new ways of working, including a 3:2, office and asset:home model. This was based on the importance of collaborating in a physical working environment and the benefits of enhanced flexibility on productivity and colleague wellbeing. The Company continues to evolve its approach to new ways of working.

Colleague wellbeing

Wellbeing continues to be a priority with activity delivered throughout the year supported by the Wellbeing Affinity Group. To start 2021 a wellbeing week provided activities, content from colleagues and a reminder of all the resources and support that is available to colleagues. Highlights included virtual yoga, a wellness music edit and Friday Favourites. Given Covid-19 restrictions at the time, these initiatives supported and connected colleagues virtually.

Other activity during the year included encouraging physical activity during Mental Health Awareness Week in May, with great walking routes near our assets shared with colleagues and resources on Walking Mindfulness. To end the year content was created for both Men's Mental Health Month and National Stress Awareness Week.

// Since their formation, our four colleague-led D&I Affinity Groups have made great strides in raising awareness, creating conversations, and sharing personal stories. Events in 2021 organised by the groups included a range of activities to highlight and celebrate LGBTQ+ history month, national stress awareness week, Pride and Black History Month.

Gender representation

The gender representation across the Group as at 31 December 2021 was 223 (52.35%) female (2020: 54%) and 203 (47.65%) male (2020: 46%). As at 31 December 2021, gender representation at senior manager level (as defined in the Companies Act 2006) was 1 (20%) female (2020: 22.22%) to 4 (80%) male (2020: 77.78%). Information relating to the Board's diversity can be found on pages 60 to 61.

Gender pay reporting

As an organisation we are clear on our commitment to all aspects of equality and fair pay and reward is a key element of this. 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 2021 audit continued to demonstrate the fair reward practices in place. With regard to our UK Gender Pay Gap, the table below shows the latest data. The mean hourly pay and mean bonus pay gap have reduced, demonstrating progress has been made. 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.

Table 11

	2019	2020	2021
Difference in mean hourly rate of pay	42.2%	35.7%	34.9%
Difference in median hourly rate of pay	30.2%	31.4%	34.7%
Difference in mean bonus pay	73.4%	60.0%	38.6%
Difference in median bonus pay	50.2%	47.7%	50.1%
Proportion of male colleagues who received bonus pay	94.8%	90.1%	87.1%
Proportion of female colleagues who received bonus pay	92.0%	87.3%	91.3%

Sustainability review

With 2021 came COP26, bringing with it a further spotlight on the critical state of our planet and the need for everyone to play their part in driving change globally. Sustainability and climate change increasingly play a role in investment decisions. Consumers, partners and future talent also have high expectations of organisations to take action rather than just setting targets. Hammerson's sector-leading approach on sustainability, key to its overall strategy, has continued to deliver reductions in carbon, water, waste and socio-economic impacts.

The results of our Net Positive sustainability strategy, set out below and in our 2021 Sustainability Report, demonstrate our commitment to reducing carbon emissions, bringing down operational costs and making us a more climate resilient business.

Our Strategy in action

2021 was a year of further progress:

1. One of our key achievements in 2021 was the issuance of our €700 million sustainability-linked bond, linking our sustainability carbon emission targets with our financial objectives.
2. We became signatories of the BBP Climate Change Agreement in 2019 and published our 2030 transition pathway to Net Zero in 2020. In 2021, landlord controlled operational emissions (known as Scope 1 and 2 greenhouse gases) reduced by 17% against 2019 on a proportionally consolidated basis.
3. We expanded our renewable energy capacity with a new photovoltaic array installed at Dundrum Town Centre bringing our total capacity to 2.1 MWp, generating over 2.2 GWh of renewable electricity in 2021 across the portfolio, an increase of 92% on 2019.
4. We connected the Thassalia geothermal system to Les Terrasses du Port, Marseilles, to provide thermal heating and cooling using power generated from the sea.
5. Our focus on delivering offset through our value chain enabled us to deliver water savings for a further 21 occupiers saving an additional 32,500 litres/day. The Oracle, Brent Cross and Centrale became Net Positive for water in 2020 due to our work, and in 2021 we extended our water efficiency occupier work to Cabot Circus. Our work is helping to ensure landlord and occupied areas can remain open during future potential periods of drought.
6. Total community investment increased from £1.6 million in 2020 to £2.0 million in 2021 as we made space available in our destinations to local communities.
7. We used the CRREM tool to create pathways to deliver the Paris-aligned 1.5C target for 20 of our assets and three developments to help identify which of our assets, if any, are at risk of stranding, where our assets would not meet forthcoming legislative requirements or market expectations.
8. 87% of occupier units are compliant with the 2023 requirement to be rated E (2019: 62%), as required by the regulatory Minimum Energy Efficiency Standards. We will now be targeting a B rating for all units undergoing fit out works.



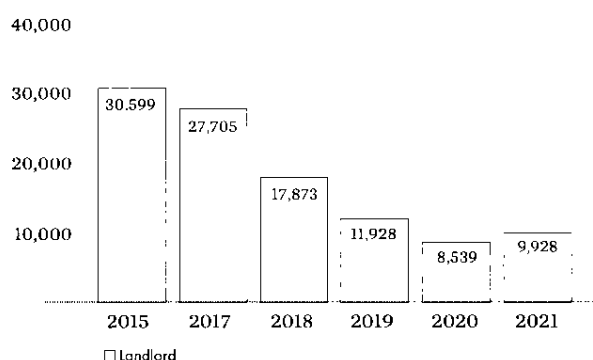
We outline more on our achievements in our **Sustainability Report 2021**, supported by our **Sustainability Data Book 2021**.

2021 Key highlights

We reduced our landlord emissions in 2021 by 68% to 9,928 tCO₂e from a 2015 baseline of 30,599 tCO₂e when we started our sustainability programme. Our global energy intensity ratio (which measures our emissions per square metre of landlord space) was down by 28% when compared to 2019 due to the continuing Covid-19 pandemic restrictions in the first half of 2021. Chart 12 shows our year-on-year progress on a proportionally consolidated basis.

Chart 12

Landlord Carbon Emissions 2015-2021 (tCO₂e)



Our performance for carbon, energy and water has been presented against a 2019 baseline to provide a more representative view of our progress in the light of the impact of Covid-19 in 2020 when our destinations were largely closed or significantly affected by pandemic restrictions.

Carbon emissions

-17%
(2021 vs 2020 +16%)

Waste diverted from landfill*

99%
(2020 99.9%)

Operational waste recycled*

59%
(2020 57%)

Energy demand

-11%
(2021 vs 2020 +9%)

Water demand

-36%
(2021 vs 2020 +100%)

Invested in local socio-economic projects*

£2.0m
(2020 £1.6m)

* On a total operations basis

The increases in carbon emissions together with increases in energy and water demand compared to 2020 are primarily due to there being fewer Covid-19 restrictions during 2021. Our destinations were still only open to the public on average for eight months of the year and increased ventilation rates, for example, meant our carbon emissions were higher compared to the previous year.

Our reporting

Our sustainability reporting complies with both GRI Core Standards and the EPRA Sustainability Best Practice Reporting Gold Standard. Key metrics reported under these standards are included in our non-financial disclosures in the 2021 Data Book published on the EPRA website via the EPRA Sustainability Reporting database.



Our full Net Positive, EPRA and GRI compliant data is shared in our Sustainability Data Book 2021. Further details of our basis of reporting can be found in Hammerson Basis of Reporting 2021.

Industry Benchmark Performance

We maintain consistently high scores across all benchmarks we participate in. During 2021, our GRESB score increased from 78 to 85 and we maintained a AA score for MSCI.

GRESB	MSCI	Sustainalytics	RobecoSAM CSA/DJSI
4 Stars	AA	10.9 Low Risk	Score 72
Score 85			

Our targets Carbon

In 2021 we continued to reduce our landlord and occupier emissions compared to 2019. We plan to be Net Zero for carbon by 2030.

Landlord operational emissions

In 2021 we installed a new photovoltaic array at Dundrum Town Centre, bringing capacity across the portfolio to 2.1 MWp generating over 2.2 GWh of clean electricity in 2021. On-site renewable electricity still only accounts for 3% of the landlord electricity demand across the portfolio and more work needs to be done.

The Thassalia geothermal system uses water from the Mediterranean to provide thermal heating and cooling at Les Terrasses du Port, Marseilles. This project was completed in 2021, helping to reduce carbon emissions at this centre by 68% vs 2019. This has enabled us to meet the 2039 CREM decarbonisation target for this centre in 2021.

We continued to rollout LED lighting upgrades in our mall areas in 2021. At Bullring we replaced 707 light fittings, projected to save over 368 MWh annually (7% of the total electricity demand at the centre). We delivered a similar project at Dundrum Town Centre.

Overall, we delivered a 7% reduction in the energy intensity of the flagship portfolio in 2021 on a LFI basis compared to 2019.

Occupier emissions

Our 2021 carbon footprint estimated carbon emissions from our occupiers to be five times more than from the areas we control as landlords. Following our issuance of our sustainability-linked bond in 2021, we increased our focus on occupier emissions. Environmental standards are set within our fit-out guidance and we engage with occupiers through the retail delivery process to improve their stores. In 2021 we went beyond the mandatory requirements for Energy Performance Certificates (EPCs) by targeting a B rating which exceeds the regulatory minimum E rating under the 2023 Minimum Energy Efficiency Standards. EPCs are used to assess and rate the energy performance of a building on a scale from A (Energy Efficient) to G (Energy Inefficient). Through this process our occupiers are already benefiting from lower energy demand and operational costs for their

units. Our total occupier carbon emissions have fallen by 40% over the last five years and by 12% in 2021 when compared to 2019.

We are working to increase the quantity of environmental data gathered each year from our occupiers, improving robustness of our scope 3 carbon footprint reporting.

Emissions from developments

Carbon emissions from our developments are produced from the building materials (called embodied carbon) and from onsite activities in the construction process. Reducing embodied carbon in our developments through adherence to our standards is a key part of our sustainability strategy. In 2021, we ensured:

- Early intervention with our supply chain for the extension at Les 3 Fontaines, Cergy
- Engagement with the design teams working on the developments at The Podium at Dundrum Town Centre, Dublin Central and Martineau Galleries in Birmingham, to deliver designs capable of achieving the London Energy Transformation Initiative (LETI) Net Zero carbon targets

In 2021 our work in this space was recognised when the Pembroke Square development in Dundrum Town Centre was Highly Commended in the Sustainability category of The Royal Institute of the Architects of Ireland (RIAI) 2021 awards. The development also achieved a BREEAM Excellent (design stage) rating in 2021.

As our programme begins to grow, we intend to report on embodied carbon intensity for each of our development projects.

Water

Our goal for 2030

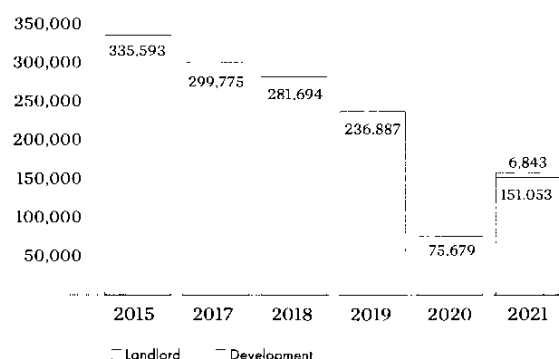
Water replenished or saved from landlord and occupier consumption and from external projects we support will exceed water consumed from mains supply for our business activities

We continued to install water-saving technology in some of our destinations and at Cabot Circus extended our occupier water efficiency work through supporting projects. We also engaged organisations beyond our value chain, including schools and community organisations, and partnered with a local not-for-profit social enterprise, Ethical Reading, to engage local businesses to take initiatives to save water, resulting in a reduction of 75,700 litres/day.

Water consumption has fallen steadily since we started our sustainability programme in 2015 as set out in the chart below which has been prepared on a like for like, proportionally consolidated basis. The significant reduction in 2020 was the result of the closure of our destinations during the pandemic.

Chart 13

Water Consumption (m³)



Resource use

Our goal for 2030

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

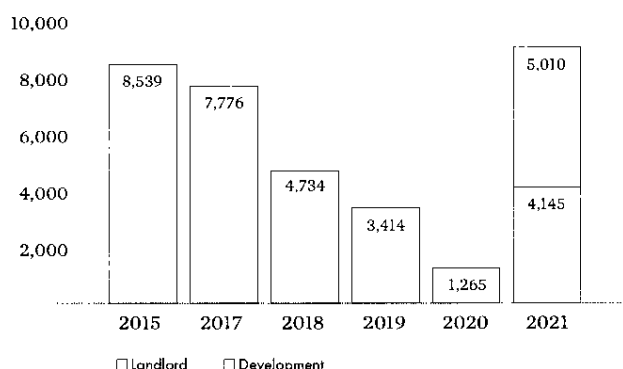
Our reduction strategy for resource use is focused on waste management and material in our landlord, occupier and development activities.

Our design work for our developments was a core activity in 2021. This included increasing recycled content in material specifications and the recyclability of buildings at the end of their life.

For operational waste, we continued to work closely with our occupiers to drive down resource use. Operational waste during occupier fit-outs is managed down with our mandatory and voluntary standards for occupiers, and we are working at an asset level to support occupiers in food waste reduction schemes such as Too Good To Go. We send remaining organic waste for anaerobic digestion to create biogas. Our relationship with Globechain aims to facilitate centre teams and occupiers in repurposing materials. The platform offers surplus materials and equipment from store strip and fit out or seasonal display changes, for reuse by others, diverting potentially useful, valuable items from the waste stream. Across Cabot Circus and Highcross in 2021 we were able to divert 1.2 tonnes of materials from landfill, for reuse, up cycling and resale.

Chart 14

Resource use (tonnes)



Socio-economic impacts

Our goal for 2030

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

2021 continued to be a challenging time for our communities. Our strategy has always been to maintain strong relationships with local stakeholder organisations within our communities and these relationships have proved vital to shaping new ways of delivering socio-economic benefit.

In recognition of the challenges low-income households have faced during the pandemic, we developed a new financial inclusion strand to our health and wellbeing work. In Leeds and Barnet, we partnered with local organisations to support households to improve their financial capability and wellbeing. Our support enabled households struggling financially to access wrap-around services, including emergency debt advice, income maximisation checks, energy advice, and food and fuel vouchers.

The Teenage Market is an enterprise programme we have delivered over many years, providing a platform for young people to showcase their creative talents, selling products and merchandise. During 2021 we were unable to deliver our usual Teenage Market activity and adapted our young people and enterprise activity through a partnership with Young Enterprise to deliver a two-day schools workshop, focused on building key soft skills in young people that support enterprise.

We also responded to wider trends in socio-economic needs. Recognising that young people in rural communities are missing out on vital investment in skills and employment training, we extended our partnership with the BraveHeart Challenge in Scotland to partner with a rural school in Aberdeenshire engaging 50 pupils who would normally not benefit from the programme.

Table 15

	2021	2020
Total Community Investment*	£2.0m	£1.6m
Number of organisations that benefited from Hammerson direct and indirect contributions	194	256
Hours volunteered by Hammerson colleagues	2,408	3,304

* Calculated in accordance with B4SI reporting standards.

Stakeholder engagement

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

- Meetings with six investors or advisors through one-to-one meetings
- 45 partners completing our Supplier Survey
- 194 community groups benefitting 22,283 local people
- Engaging colleagues through townhall 'Squad' meetings and through regular team meetings



More on our stakeholder engagement work on sustainability in 2021 is provided in our Sustainability Report.

Charitable activities

Hammerson has long standing relationships with a range of charities, many of which have been hard hit these last two years. We are aware of the importance of maintaining our support and keeping in place our community bursary at asset level and extending our UK colleague charity partnership with The Outward Bound Trust by a further year to offer stability. We have remained committed to supporting our employees making a positive difference to communities through charitable fundraising and have retained our employee match funding for any fundraising undertaken.

Our focus in 2021 was to support these long-standing charities and we received fewer 'ad hoc' requests from other charities that are not connected to a Hammerson colleague, corporate or asset charity bursary partner.

Community fortnight

Community Day has always been a popular part of the Hammerson corporate calendar. We changed our approach to Community Day in 2020 when we introduced 'Community Fortnight' to accommodate the restrictions of the pandemic. We maintained this approach in 2021 with the participation of 236 colleagues across the Group. In the UK and Ireland, the Community Fortnight challenge involved colleagues walking, cycling or running the distance between all Hammerson destinations and offices. We made a donation to The Outward Bound Trust (UK employee charity partner) and three Ireland flagship charity bursary partners for each mile or kilometre covered by our colleagues during the challenge. In France, colleagues participated in a similar event, raising funds for "Octobre Rose", the national association increasing awareness of breast cancer screening for women.

Table 16

	2021	2020
Charitable donations (£000)	129	173

Managing climate risk

Hammerson responded early in 2020 to the TCFD recommendations. Table 17 shows where to find more on our response to each recommendation. Our ability to report early in line with the TCFD recommendations was an endorsement of the proactive, forward-looking stance Hammerson has taken on climate change.

Climate scenario planning delivered in 2021 with the support of third-party consultants enabled us to identify 12 key risks (a number potentially crystallising well beyond 2025) and 13 key opportunities for our business. We also developed a bespoke training programme for our Executive and Non-Executive Directors, ensuring those leading our business both understand the risks and opportunities presented by climate change and are able to respond to climate-related disclosure requirements.

Our work towards reducing our carbon footprint has positioned our assets well in terms of responding to transition risks with investments in onsite renewables and energy-efficient technologies such as removing gas from our landlord spaces. Overall, we delivered a 7% reduction in the energy intensity for our portfolio on a like-for-like basis in 2021 compared to 2019.

Looking ahead, our development pipeline design teams are targeting Net Zero carbon and adopting Passivhaus principles in all their work. A review carried out in 2019 confirmed our portfolio to have low exposure to the physical impacts of climate change, a view supported by our Sustainalytics rating, with the most significant impact coming from more extreme summer peak temperatures.



Our Managing Climate Risks report outlines our approach, governance, risk matrix and response to TCFD. You can find more on our climate scenario work delivered in 2021 of this Sustainability review

Streamlined Energy and Carbon Reporting requirements (SECR)

Having reported mandatory GHG emissions since 2013, we were pleased to see SECR carbon and energy reporting requirements extended to more businesses in 2019, offering greater transparency and availability of data. Our GHG emissions are reported on page 173.



Our full energy and carbon reporting which covers all SECR requirements is set out in our Sustainability Data Book 2021. Please also refer to our Basis of Reporting in our separate Sustainability report.

Our response to Task Force for Climate-Related Financial Disclosures (TCFD)

We have embraced the TCFD recommendations since 2018. For 2021 we have published a new Managing Climate Risks report, which covers our approach to risk, and provides our response to the TCFD recommendations. We have published this report on our website, www.hammerson.com, such that readers will be able to read it alongside our fuller Sustainability Report (also available in the same place). When read together, these two documents will provide a comprehensive overview of the Group's position on sustainability and climate change. The table below provides headline points in response to the TCFD recommendations and provides links to further information in our Managing Climate Risks Report, our 2021 Sustainability Report and our 2021 Annual Report and Accounts.

We have considered our 'comply or explain' obligation under the UK's Financial Conduct Authority's (FCA) Listing Rules, and confirm that we have made disclosures consistent with the TCFD Recommendation and Recommended Disclosures in our Managing Climate Risks Report. Table 17 below summarises our compliance in relation to the TCFD's eleven Recommended Disclosures and further detail can be found in our Managing Climate Risk Report. We will continue to refine our approach in line with the FCA's requirements.

In our assessment of the risks under the TCFD requirements, we did not identify any material financial impacts on either the 2021 financial position or income statements. Additionally, we did not identify any material impacts which would affect our going concern statement. We will continue to review the risks for new impacts each year as part of our standard sustainability governance.

Responding to the TCFD Reporting requirements

Table 17

Requirement	Progress
1 Describe the Board's oversight of climate-related risks and opportunities.	The Board collectively has overall accountability for climate risk and wider sustainability matters which are also addressed by the Group Executive Committee (GEC). The GEC responsibility for climate-related risk resides with the Chief Financial Officer (CFO) who is responsible for delivering the strategy. Pages 50 to 61 of this report and Section 1 of our Managing our Climate Risks Report 2021.
2 Describe management's role in assessing and managing climate-related risks and opportunities.	Asset plans, risks and targets are monitored by the GEC. The Group Management Committee and the Group Investment Committee ensure that a sustainability culture is embedded in the Group's activities. The Director of Audit, Enterprise Risk and Sustainability connects operations with the management of climate change risk. Page 37 of this report and Section 1 of our Managing our Climate Risks Report 2021.
3 Describe the climate-related risks and opportunities the organisation has identified over the short, medium, and long-term.	The Group performed a series of steps in 2021 to assess and plan for climate change risks: 1. Identification of specific physical and transition risks; 2. Physical risk deep dive; and 3. Stranding risk. Page 40 of this report and Section 3 of our Managing our Climate Risks Report 2021.
4 Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy and financial planning.	A commitment to mitigate or manage climate risks which threaten strategic objectives underpins the Group's strategy. Following our work in 2021 to identify risks and opportunities we will enhance our sustainability strategy to mitigate the high risks and exploit any opportunities. Further enhancement of Group strategy, where necessary, will come from its detailed assessment of physical risk, which continues in 2022. Section 4 of our Managing our Climate Risks Report 2021.
5 Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.	The Group has reviewed its climate risk for three separate scenarios - 1.5, 2 and 4°C increase, the first two of which are relevant to TCFD. For the first scenario (Steady Path to Sustainability), risks are assessed as materialising steadily through the 2020s with a generally slow onset, such that the Group can adapt its strategy accordingly. For the second scenario (Late Policy Action), risks are assessed as crystallising in quick succession in the early- to mid-2030s. Almost all the risks have a higher impact and likelihood under this scenario. Section 4 of our Managing Climate Risks Report 2021. Full climate change scenario report available on request.
6 Describe the organisation's processes for identifying and assessing climate-related risks.	The Group has an overall risk management framework for all operational, financial, reputational and regulatory risks, which allows the Board to identify, assess and manage the Group's key risks. Short, medium and long-term risks are also identified using our sustainability risk framework, taking into account economic, regulatory and scientific changes. Section 2 of our Managing Climate Risks Report 2021.

Requirement	Progress
7 Describe the organisation's process for managing climate-related risks.	The GEC and Board have oversight of climate-related risks. The Positive Places Operations and Development Working Groups (chaired by the Sustainability Team) feed into the Director of Audit, Enterprise Risk and Sustainability to ensure that the right mitigations are in place to manage those risks and that these are incorporated into annual asset business plans. Sections 2 and 5 of our Managing Climate Risks Report 2021.
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 fed into the Group's Risk Framework, and our response is managed by our senior-level Governance structure for climate-related risks. More work needs to be done in this area to formalise the overall risk management framework. Page 37 of this report and in Sections 1 and 2 of our Managing Climate Risks Report 2021.
9 Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management.	The Group uses a range of metrics to assess exposure to short-term climate related risks and opportunities including energy consumption in kWh and Scope 1, 2, and 3 carbon emissions. The Group plans to enhance metrics and targets for risks and opportunities identified in 2022. Section 4 of our Managing Climate Risks Report 2021.
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. Pages 173 of this report and our separate Sustainability Data Book 2021.
11 Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets.	Each year we set annual, like-for like and absolute targets for the business, shaped by medium and long-term goals. Sustainability Report 2021 - Section 1.4 Performance against 2021 targets and Section 1.6 Our short, medium and long-term targets.

Financial review

Himanshu Raja
Chief Financial Officer

Overview

Our financial focus for 2021 has been on strengthening the balance sheet to put in place a sustainable and resilient capital structure. At the beginning of the year, we embarked on a strategic and organisational review that set out a new strategy, and that has been underpinned by improved financial management disciplines in leasing, collections, reporting and performance management, and reducing our operating costs.

We contracted disposals of £503 million during the year, with a further £120 million of gross proceeds already received in 2022. Financing activities included the issuance of a €700 million 1.75% sustainability-linked bond maturing in 2027, the buyback of €765 million bonds maturing in 2022 and 2023, the buyback of £297 million private placement notes, and the refinancing of a €415 million Revolving Credit Facility by way of £200 million of new facilities.

Whilst our results continue to be impacted by the pandemic, with an IFRS loss of £429 million, this has been considerably less severe than the initial shock of Covid-19 in 2020 where the IFRS loss was £1,735 million. Adjusted earnings for the year were £80.9 million, compared to £36.5 million in the prior year. The broader economic recovery has facilitated the agreement of rent concessions and collection of arrears, albeit the continuing Government restrictions on landlords' ability to enforce payment has contributed to trade receivables remaining higher than pre-pandemic levels.

On 4 February 2022, Moody's re-affirmed the Group's Baa3 rating as well as changing the outlook to stable from negative. Moody's cited the following reasons for the change: the recovery in operating performance; recovering investment markets for retail reducing the likelihood of further significant valuation declines; the ongoing asset disposal plans that will aid further deleveraging; and the progress made in managing the balance sheet including accessing debt markets and refinancing upcoming debt maturities.

Revaluation losses for the year totalled £470 million, principally across our managed portfolio where the revaluation loss was £458 million. Approximately three quarters of the movement was recognised in the first half of the year, with values showing encouraging signs of stabilising in the second half of the year.

Our investment in Value Retail has remained resilient, contributing £15.9 million to adjusted earnings, driven by increased sales following the easing of Covid-19 restrictions, and the expansion of their virtual platform. Values have remained broadly unchanged.

IFRS loss for the year

£(429)m

(2020: £(1,735)m loss)

Adjusted earnings

£80.9m

(2020: £36.5m)

Net debt

£1,819m

(2020: £2,234m)

Shareholders' funds

£2,746m

(2020: £3,209m)

EPRA NTA per share¹

64p

(2020: 82p)

Gearing

67%

(2020: 70%)

1. See note 12D to the financial statements for calculation.

Presentation of financial information

Our property portfolio comprises properties that are either wholly owned or co-owned with third parties. Whilst the financial statements are prepared under IFRS, management reviews the results of the Group on a proportionally consolidated basis, accounting for our interests in joint ventures and associates on a line-by-line basis. The only exception to this relates to our investments in premium outlets, Value Retail and VIA Outlets (up to the date of its disposal in October 2020). As these are externally managed, independently financed and have differing operating metrics to the Group's managed portfolio, they are excluded from the proportional consolidation and consolidation of key metrics such as net debt or passing rent. However, for a number of the Group's Alternative Performance Measures (APMs), for enhanced transparency, we do disclose metrics combining all the Group's property interests. These include property valuations and returns and certain credit metrics.

This approach results in us splitting out property interests between our 'managed portfolio', being those properties we proportionally consolidate, and those owned by Value Retail and VIA Outlets prior to its disposal in 2020.

The information presented in this Financial review is derived from the Group's financial statements, prepared under IFRS. Within this 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'.

As detailed in note 10 to the financial statements, during the first half of 2021, we completed the sale of eight retail parks. As this formed substantially all of an identifiable segment of the business, the results from 'UK retail parks' for the current and comparative periods have been disclosed separately from the rest of the business as discontinued operations. However, for the purposes of the Financial review, proportionally consolidated figures include the results from the UK retail parks up to the date of their disposal.

Table 18 details the classification of the portfolio and accounting treatment thereof, both under IFRS and management reporting bases.

Table 18

Classification	Definition	Accounting treatment	
		IFRS	Management reporting
Managed portfolio: Reported Group	Wholly owned properties and those held within a joint operation*	Consolidated/joint operations are proportionally consolidated	Proportionally consolidated
Managed portfolio: Share of Property interests	Flagship and other properties in joint ventures and associates*	Single line item - share of results/ investment in joint ventures/associates	Proportionally consolidated
Managed portfolio: Discontinued operations	UK retail parks portfolio, wholly owned and joint venture*	Single line item - discontinued operations	Proportionally consolidated
Premium outlets	Investments in Value Retail and VIA Outlets (up to the date of disposal in October 2020)	Single line item - share of results/ investment in joint ventures/associates	Single line item - share of results/ investment in premium outlets

* As detailed in the property listing on page 171

Going concern statement

To assess whether it is appropriate to prepare the Group's 2021 financial statements on a going concern basis, the Directors have undertaken a detailed review of the current and projected financial position of the Group.

The review involved preparing and flexing two scenarios: a 'Base' scenario and a 'Severe but plausible' scenario as set out in note 1E to the financial statements on page 106.

The Group's balance sheet and financial position has significantly strengthened during the course of 2021 as a result of refinancing and disposals. Group net debt at 31 December 2021 was £1,819 million, £415 million lower than at the start of the year, and we had liquidity of £1,464 million, gearing of 67%, and interest cover of 2.5 times. Also, there are no material unsecured refinancing requirements which are not covered by existing cash balances until 2025.

At 31 December 2020 and 30 June 2021, the Group's going concern assessment included a material uncertainty clause, the latter associated with the material uncertainty concerning the refinancing of secured loans within the Group's investment in Value Retail.

Given the aforementioned improvements in net debt, liquidity and financial ratios, at 31 December 2021, under both the Base and Severe but plausible adverse scenarios, the Group now has sufficient forecast headroom in its unsecured banking covenants to withstand a full impairment of its net investment in two Value Retail Villages which have secured loans that mature over the going concern period.

Consequently, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence and meet its liabilities as they fall due for at least the next 12 months. The financial statements have therefore been prepared on the going concern basis, and the material uncertainty reported at the half year has been removed.

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 12 and 13. 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 75 within the Additional disclosures section on page 158. 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 176 to 178.

We present the Group's results on both an IFRS and adjusted basis. The adjusted basis enables us to monitor the underlying earnings as it excludes capital and non-recurring items such as revaluation movements, gains or losses on the disposal of properties, other one-off exceptional items or balances which skew the results such as the change in provision for amounts not yet recognised in the income statement, which results in the cost and corresponding income being recognised in different periods. We follow EPRA guidance to calculate adjusted figures, with any additional Group specific adjustments detailed in note 12B to the financial statements.

During 2021, following the implementation of the strategic review, £8.6 million has been incurred in relation to business transformation costs. These have been recognised as 'exceptional' by virtue of their nature and size and therefore removed from the Group's adjusted earnings metrics, as the Directors believe these costs distort the underlying recurring earnings of the Group.

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, have been 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 10F to the financial statements.

Income statement

Table 19

Summarised income statement

	Year ended 31 December 2021			Year ended 31 December 2020		
	Proportionally consolidated ¹ £m	Adjustments ¹ £m	Adjusted £m	Proportionally consolidated ¹ £m	Adjustments ¹ £m	Adjusted £m
Net rental income	197.9	(8.1)	189.8	157.6	12.0	169.6
Net administration expenses	(60.0)	8.6	(51.4)	(44.1)	–	(44.1)
(Loss)/Profit on sale of properties	(22.4)	22.4	–	11.6	(11.6)	–
Revaluation losses - managed portfolio	(457.5)	457.5	–	(1,438.8)	1,438.8	–
(Impairment)/Reversal of impairment on reclassification to/from assets held for sale	(0.9)	0.9	–	22.4	(22.4)	–
Other net gains ²	11.4	(11.4)	–	4.9	(4.8)	0.1
Share of results - Value Retail (VR)	20.0	(4.1)	15.9	(135.8)	128.7	(7.1)
Share of results - VIA Outlets (VIA) ⁴	–	–	–	(20.7)	34.7	14.0
Impairment of joint ventures and associates ⁵	(12.2)	12.2	–	(207.7)	207.7	–
Net finance costs	(103.6)	31.8	(71.8)	(83.6)	(11.8)	(95.4)
Tax charge	(1.8)	0.2	(1.6)	(0.6)	–	(0.6)
(Loss)/Profit for the year	(429.1)	510.0	80.9	(1,734.8)	1,771.3	36.5
Basic/Adjusted (loss)/ earnings per share (pence)³	(9.8)		1.8	(62.4)		1.3

1. As set out in note 2 to the financial statements.

2. Comprises net exchange gains and losses recycled on disposal of foreign operations and changes in fair value of other investments.

3. As detailed in note 12B to the financial statements. Comparatives for basic and adjusted earnings per share have been restated for the impact of the scrip dividend issue.

4. The Group sold its investment in VIA Outlets in October 2020. As explained on page 23, adjusted earnings from VIA Outlets include earnings for the period from reclassification to assets held for sale until completion.

5. Comprises impairment of the Group's investments in Highcross, Leicester and a related loan (2020: Value Retail and VIA Outlets).

The Group's IFRS loss for the year ended 31 December 2021 was £429 million, compared to a loss of £1,735 million in the prior year. The principal year-on-year changes comprised: a reduction in revaluation losses on the Group's managed portfolio totalling £981 million; the recognition of impairments in our investments in Highcross, Leicester in 2021 versus impairments in our investments in Value Retail and VIA Outlets in 2020; and an increase in the Group's share of results from Value Retail of £156 million, of which £115 million was derived from lower revaluation losses.

We recognised adjusted earnings for the year of £81 million, £44 million higher than the prior year. The table below bridges adjusted earnings and adjusted EPS between the two years. Explanations of variances are provided later in this Financial review.

Table 20

Reconciliation of adjusted earnings for the year

	Reported Group £m	Share of joint ventures £m	Share of associates £m	Adjusted earnings for the year £m	Adjusted EPS pence
Including premium outlets					
Adjusted earnings – year ended 31 December 2020	(51.2)	89.2	(1.5)	36.5	1.6
Restatement for impact of scrip dividend	–	–	–	–	(0.3)
Adjusted earnings restated - year ended 31 December 2020	(51.2)	89.2	(1.5)	36.5	1.3
Rights issue dilution	–	–	–	–	(0.5)
Increase/(Decrease) in adjusted net rental income ¹	1.0	20.0	(0.8)	20.2	0.5
Increase in net administration expenses ²	(7.0)	(0.3)	–	(7.3)	(0.2)
Decrease in net finance costs ³	24.0	(0.4)	–	23.6	0.5
(Decrease)/Increase in premium outlets earnings	–	(14.0)	23.0	9.0	0.2
Exchange and other	(1.1)	–	–	(1.1)	–
Adjusted (loss)/earnings – year ended 31 December 2021	(34.3)	94.5	20.7	80.9	1.8

1. Net of £8.1 million income (2020: £12.0 million cost) in respect of changes in provision for amounts not yet recognised in the income statement. This has been excluded from adjusted earnings as management believes this distorts earnings by reflecting the income and corresponding cost in different periods

2. Net of £8.6 million of exceptional administration expenses.

3. Net of £22.0 million of debt and loan facility cancellation costs.

Table 21

Net rental income (NRI)**Analysis of net rental income**

Proportionally consolidated, excluding premium outlets, including discontinued operations	Reported Group £m	Share of Property interests £m	Year ended 31 December 2021 £m	Year ended 31 December 2020 £m	Change £m
Like-for-like managed portfolio	51.7	89.3	141.0	115.9	25.1
Disposals	10.8	0.9	11.7	24.6	(12.9)
Developments and other	17.5	19.6	37.1	26.4	10.7
Exchange	-	-	-	2.7	(2.7)
Adjusted net rental income	80.0	109.8	189.8	169.6	20.2
Change in impairment provision relating to items not yet recognised in the income statement	2.9	5.2	8.1	(12.0)	20.1
Net rental income	82.9	115.0	197.9	157.6	40.3

Table 22

Like-for-like NRI change:	Year ended 31 December 2021
UK	+31.0%
France	-1.4%
Ireland	+26.1%
Managed portfolio	+21.7%

Net rental income increased by £40.3 million, or £20.2 million on an adjusted basis excluding the change in impairment provision relating to items not yet recognised in the income statement.

The key factors causing the increased NRI were improved collections which resulted in a reduced bad debt allowance, surrender premiums, increased variable net turnover rent and income from car parks and commercialisation, partly offset by higher void costs, and reduced rents associated with lease renewals and temporary leasing.

Properties sold in 2021 caused a £12.9 million reduction in NRI. £11.0 million of this reduction related to the sale of Brent South Shopping Park in February 2021 and the portfolio of seven retail parks in May 2021. The remaining £1.9 million reduction related principally to the sale of the Group's investments in Nicetoile, Nice and Espace Saint-Quentin in April 2021.

Further analysis of net rental income is provided in Table 81 of the Additional disclosures on page 161.

Table 23

Administration expenses**Administration expense analysis**

Proportionally consolidated, excluding premium outlets, including discontinued operations	Year ended 31 December 2021 £m	Year ended 31 December 2020 £m	(Decrease)/ increase in expense £m
Employee costs – excluding variable costs	37.5	39.6	(2.1)
Variable employee costs	9.6	3.8	5.8
Other corporate costs	24.6	24.4	0.2
Gross administration expenses	71.7	67.8	3.9
Property fee income	(13.2)	(15.2)	2.0
Management fees receivable	(7.1)	(8.5)	1.4
Adjusted net administration expenses¹	51.4	44.1	7.3
Business transformation costs - exceptional	8.6	-	8.6
Net administration expenses	60.0	44.1	15.9

1. In 2021 £0.7 million (2020: £0.4 million) of the Group's proportionally consolidated administration expenses related to the Group's Share of Property interests

Financial review continued

During 2021, adjusted net administration expenses increased by £7.3 million. While employee costs, excluding variable costs, fell by £2.1 million, these were more than offset by variable employee costs which increased by £5.8 million year-on-year due to the minimal bonus payouts in the 2020 pandemic year. Increases in Directors and Officers insurance premiums totalling £2.2 million were offset by a reduction in other professional fees.

At the beginning of the year, we announced our business transformation programme. The programme is designed to: right-size the business and reorganise team structures to align with the new strategy; streamline processes and systems to drive efficiency; simplify and embed a performance culture across the business; and deliver significant cost savings. Business transformation costs recognised in 2021 totalled £8.6 million and comprised incremental consultancy costs of £4.4 million and redundancy costs of £4.2 million directly attributable to the programme. These costs are not reflective of the underlying earnings of the Group and have therefore been excluded from the Group's adjusted earnings metrics.

Our accounting policy is to capitalise the cost of colleagues working directly on onsite development projects. In 2021, £1.5 million of employee costs were capitalised on this basis, compared with £2.2 million in 2020.

Loss on sale of properties

We raised net cash proceeds of £425 million during the year, relating to the disposals of Brent South Shopping Park, Espace Saint-Quentin and Nicetoile, the portfolio sale of seven retail parks in the first half of the year and the sale of six non-core assets in the second half of the year. These disposals, which were recognised at an aggregate discount to the December 2020 value of 4%, generated a loss on disposal of £22 million, principally in relation to the retail parks portfolio sale.

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

Our interests in joint ventures and associates are detailed in the property listing on page 171 and notes 14 and 15 to the financial statements. Our share of results from joint ventures and associates under IFRS for the year ended 31 December 2021 was a loss of £154.8 million (2020: £1,023.9 million loss). As detailed on page 22 of the Financial review, for the purposes of management reporting, joint ventures and associates are proportionally consolidated with the exception of our investments in Value Retail and VIA Outlets (up to the date of its disposal in 2020) which are reported as prescribed under IFRS as an associate and joint venture, respectively.

In 2021, due to the breach of financial covenants on the secured loan at Highcross, Leicester, we recognised an impairment of £11.5 million against our investment in the Highcross joint venture. During 2020, we reviewed our investments in joint ventures and associates for impairment, resulting in the recognition of impairments against the Group's investments in Value Retail and VIA Outlets of £94.3 million and £9.6 million respectively, equivalent to the goodwill previously reported.

Table 24, below shows the contribution to the Group's adjusted earnings from joint ventures and associates.

Table 24

Contribution to adjusted earnings

	Joint ventures ¹ £m	Associates (incl. VR) £m	Year ended 31 December 2021 Total £m	Joint ventures £m	Assets held for sale-VIA ² £m	Associates (incl. VR) £m	Year ended 31 December 2020 Total £m	Change £m
Share of results – IFRS	(170.4)	15.6	(154.8)	(882.7)	7.1	(148.3)	(1,023.9)	869.1
Revaluation losses on properties	274.6	21.2	295.8	957.9	–	144.7	1,102.6	(806.8)
Other adjustments (notes 14B/15B/10F)	(9.7)	(16.1)	(25.8)	5.9	1.0	2.1	9.0	(34.8)
Total adjustments	264.9	5.1	270.0	963.8	1.0	146.8	1,111.6	(841.6)
Adjusted earnings/(loss) contribution	94.5	20.7	115.2	81.1	8.1	(1.5)	87.7	27.5
Analysed as:								
Share of Property interests	94.5	4.8	99.3	75.2	–	5.6	80.8	18.5
Value Retail	–	15.9	15.9	–	–	(7.1)	(7.1)	23.0
VIA Outlets	–	–	–	5.9	8.1	–	14.0	(14.0)
	94.5	20.7	115.2	81.1	8.1	(1.5)	87.7	27.5

1. Includes discontinued operations and VIA Outlets up to the date of its disposal.

2. VIA Outlets was reclassified to assets held for sale in June 2020, prior to its disposal in October 2020.

Adjusted earnings from the Share of Property interests increased by £18.5 million year on year to £99.3 million. The increase was principally due to higher NRI in 2021, derived from the unwinding of provisions against trade receivables and surrender premiums received, partially offset by the net impact (after smoothing) of rent concessions completed in the year.

Value Retail

On an adjusted basis, the Group's investment in Value Retail generated adjusted earnings of £15.9 million compared to a £7.1 million adjusted loss in 2020. The year-on-year improvement principally reflects increased sales resulting from the easing of Covid-19 restrictions and the expansion of the virtual platform which was launched in May 2020. Additionally, due to the differing contract structures, rental adjustments granted by Value Retail have been recognised for accounting purposes in the period to which they relate and not as lease modifications. Consequently, the impact of rental adjustments was more weighted to 2020 when longer lockdown periods were suffered.

Table 25

Finance costs

Proportionally consolidated, excluding premium outlets, including discontinued operations	Year ended 31 December 2021 £m	Year ended 31 December 2020 £m	Change £m
Interest costs	92.2	110.2	(18.0)
Interest capitalised ¹	(5.3)	(5.0)	(0.3)
Finance income	(15.1)	(9.8)	(5.3)
Adjusted net finance costs	71.8	95.4	(23.6)
Debt and loan facility cancellation costs	22.0	–	22.0
Change in fair value of derivatives	9.8	(11.8)	21.6
Net finance costs	103.6	83.6	20.0

1. Interest capitalised on our two Paris development schemes, Italie Deux and Les 3 Fontaines, Cergy.

Net finance costs, calculated on a proportionally consolidated basis, totalled £103.6 million in 2021, £20.0 million higher than the prior year. £97.9 million related to the Reported Group and £5.7 million to the Share of Property interests as shown in note 2 to the financial statements.

Adjusted net finance costs, which exclude the change in fair value of derivatives, debt and loan facility cancellation costs (which include early redemption fees), totalled £71.8 million for the year ended 31 December 2021, a decrease of £23.6 million year-on-year. The reduction principally related to the refinancing undertaken over 2021 and 2020, with the former explained on page 33, and a reduction in net debt during the year from £2,234 million to £1,819 million, arising principally from disposals.

We incurred debt and loan facility cancellation costs of £22.0 million in the year, primarily relating to the repayment of bonds and private placement notes as detailed on page 34 of the Financial review.

The supporting calculation for adjusted finance costs is shown in Table 92 of the Additional disclosures on page 168.

Tax and dividends

The Group's tax charge was £1.8 million in 2021, or £1.6 million on an adjusted basis excluding £0.2 million relating to disposals, compared to £0.6 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 and certain excessive interest payments to a 20% withholding tax. The residual businesses in the UK, France and Ireland are subject to corporate taxes as normal. Further details of these tax regimes are provided in note 9A to the financial statements.

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

On 5 August 2021, the Company declared a 2021 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 11 of the financial statements, the total dividend of £73.0 million was paid on 7 December 2021. 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 be offering an enhanced PID scrip dividend alternative of 2.0 pence per share.

Net assets

Table 26

	31 December 2021				31 December 2020			
	Reported Group £m	Share of Property interests £m	Adjustments ¹ £m	EPRA Net tangible assets £m	Reported Group £m	Share of Property interests £m	Adjustments ¹ £m	EPRA Net tangible assets £m
Property portfolio	1,595	1,883	~	3,478	2,153	2,261	~	4,414
Investment in joint ventures	1,452	(1,452)	~	~	1,814	(1,814)	~	~
Investment in associates: Value Retail	1,141	~	95	1,236	1,154	~	116	1,270
Other	106	(106)	~	~	144	(144)	~	~
Assets held for sale	71	(71)	~	~	~	~	~	~
Trade receivables (net)	28	18	~	46	62	29	~	91
Net debt	(1,565)	(254)	~	(1,819)	(1,920)	(314)	(8)	(2,242)
Other net liabilities	(82)	(18)	~	(100)	(198)	(18)	~	(216)
Total shareholders' equity/Net assets	2,746	~	95	2,841	3,209	~	108	3,317
EPRA NTA per share (pence)				64				82

1. Adjustments in accordance with EPRA best practice, principally in relation to deferred tax, as shown in note 12D to the financial statements.

During 2021, equity shareholders' funds decreased by £463 million, or 14%, to £2,746 million, principally due to the revaluation deficit on the managed property portfolio totalling £458 million. Net assets, calculated on an EPRA Net Tangible Assets (NTA) basis, were £2,841 million, or 64 pence per share, a reduction of 18 pence year-on-year. This is equivalent to a total accounting return of -14.0%. The movement in net assets during the year is shown in Table 27, below.

Table 27

Movement in net assets

	Equity shareholders' funds £m	Adjustments ¹ £m	EPRA net tangible assets £m	EPRA NTA pence per share
Proportionally consolidated, including Value Retail				
31 December 2020	3,209	108	3,317	82
Scrip dividend - share dilution	~	~	~	(7)
Property revaluation: Managed portfolio	(458)	~	(458)	(11)
Premium outlet properties	(12)	~	(12)	~
	(470)	~	(470)	(11)
Adjusted earnings for the year - managed portfolio	65	~	65	1
Adjusted earnings for the year - Value Retail	16	~	16	~
Exceptional finance costs	(22)	~	(22)	~
Loss on sale of properties	(22)	~	(22)	(1)
Impairment of joint ventures	(12)	~	(12)	~
Change in deferred tax	(8)	(5)	(13)	~
Dividends	(13)	~	(13)	~
Exchange and other movements	3	(8)	(5)	~
31 December 2021	2,746	95	2,841	64

1. Adjustments in accordance with EPRA best practice shown in note 12D to the financial statements.

Property portfolio analysis

Investment markets

During the first half of 2021, the retail investment market continued to be adversely impacted by the closure of non-essential shops, compounding the recent structural changes and accelerating the shift online, particularly in the UK. The second half of 2021 saw a noticeable improvement in investment sentiment and transaction activity.

In the UK, shopping centre transaction volumes totalled £1.6 billion, compared to £0.3 billion in 2020, still significantly lower than the ten year average of c. £3 billion, but higher than the five year average of £1.2 billion (Source: C&W). Key transactions in the year were the sale of a 25% stake in Bluewater in December 2021 and Touchwood, Solihull in the first half of the year.

In France, shopping centre transactions totalled €0.7 billion (2020: €1.8 billion), the most significant being the sale by Wereldhave of a portfolio of shopping centres for €305 million at a yield of 8.1%. In addition, market evidence was provided by the sale of Shopping Centre Sud in Austria at a yield of 4.35% and creation of a new joint venture of two portfolios between Altarea and Crédit Agricole Assurances which translated at a yield of around 5% (Source: JLL).

In the Irish property investment market, there was limited activity with retail transactions of approximately €300 million with no major shopping centre transactions.

During 2021 there was one outlet transaction in Europe at Outlet Aubonne, Switzerland for a reported €95 million at a 7% yield. Additionally, VIA Outlets proceeded with a bond issue raising €600 million. The bond was six times over subscribed, reflecting returning market confidence in the sector. Demand appears to remain for the best outlet assets, driven by their perceived resilience, potential rental growth and a lack of supply, and it is anticipated that a number of European outlets will come to market in 2022. (Source: C&W).

Portfolio valuation

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

At 31 December 2021, the Group's portfolio was valued at £5,372 million, a reduction of £966 million or 15% during the year. This movement was primarily due to revaluation losses of £470 million and disposals totalling £452 million, including £386 million relating to the disposal of the Group's remaining UK retail parks properties.

Movements in the portfolio valuation are shown in Table 28, below.

Table 28

Movements in portfolio valuation

Proportionally consolidated ¹	Flagships £m	UK retail parks £m	Developments and other £m	Managed portfolio £m	Value Retail £m	Group portfolio £m
Value at 31 December 2020	3,415	384	615	4,414	1,924	6,338
Revaluation losses	(379)	-	(79)	(458)	(12)	(470)
Capital expenditure	49	2	51	102	41	143
Disposals	(43)	(381)	(23)	(452)	-	(452)
Reclassifications ²	(137)	(5)	142	-	-	-
Capitalised interest	1	-	5	6	-	6
Exchange	(117)	-	(17)	(134)	(59)	(193)
Value at 31 December 2021	2,784	-	694	3,478	1,894	5,372

1. Includes the Group's investments in Italik, Paris where 75% was transferred to trading properties and Silverburn, Glasgow which was moved to assets held for sale in 2021.

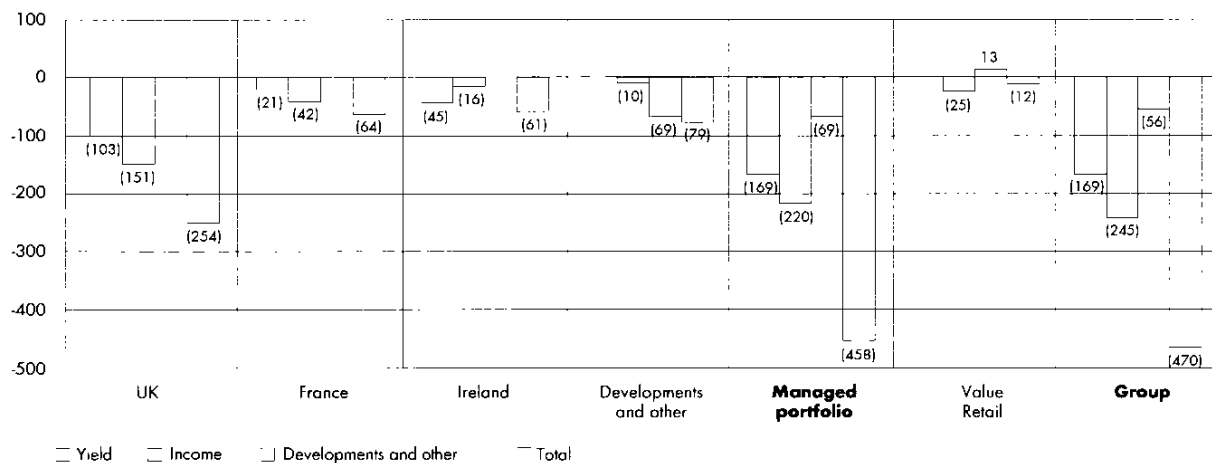
2. Comprises the reclassification of Grand Central, Birmingham and Highcross, Leicester from Flagships and ancillary UK retail parks properties. Further details are set out in note 3 to the financial statements.

Valuation change

Chart 29 below analyses the valuation change for the Group's portfolio, allocating the underlying valuation movement between yield, income and development and other impacts.

Chart 29

Components of valuation change (£m)



During 2021, we recognised a £470 million revaluation deficit on the Group portfolio, principally comprising £458 million in respect of the managed portfolio. Reflecting improved investor sentiment, this was split £109 million in the second half of the financial year compared to £361 million in the first half of the financial year.

UK flagship destinations suffered a revaluation deficit of £254 million, of which £103 million was attributable to outward yield shift, averaging 52 basis points across the portfolio. All UK flagships suffered revaluation deficits in the year. The remaining £151 million was attributable to lower income.

Financial review continued

The underlying value of the French portfolio fell by £64 million, with outward yield movements averaging 15 basis points accounting for £21 million of the reduction and lower income causing a further loss of £42 million. All assets were subject to some yield expansion.

In Ireland, a combination of yield expansion, averaging 26 basis points across the portfolio, and a 3% reduction in ERVs, resulted in a valuation deficit of £61 million.

A deficit of £79 million was recognised on the 'Developments and other' portfolio. This principally reflected the scheme revisions at Les 3 Fontaines, Cergy and reductions to the value of the Group's land holdings in Birmingham, Bristol, Croydon, Dublin, Leeds and London.

The Value Retail portfolio was more resilient, reporting a deficit of £12 million.

Further analysis is included in Table 84 in the Additional disclosures on page 163.

Change in ERV

Table 30

ERV change (like-for-like)

Proportionally consolidated, excluding Value Retail	UK %	France %	Ireland %	Flagship destinations %
2021	(10.6)	(1.5)	(3.0)	(6.7)
2020	(14.3)	(4.9)	(6.5)	(10.6)

ERVs for the Group's flagships fell by 6.7% in 2021 comprising a 4.1% reduction in the first half of the year but a lesser reduction of 2.7% in the second half of the year. This compared to a reduction of -10.6% in 2020.

ERVs at UK flagships fell by 10.6% in 2021, compared with a decline of 14.3% in 2020, and 6.8% in the first half of 2021. This was largely due to continued weak occupational demand and an over-supply of retail space following CVAs and administrations, principally in 2020. This was further exacerbated by the forced closures of non-essential stores during lockdown periods. The most significant ERV reductions were at Victoria, Leeds and Union Square, Aberdeen.

ERVs in France reduced by 1.5%, following a 4.9% decline in 2020, and a 0.3% decline in the first half of 2021. Rental values were reduced at all properties with the most significant movements at Italie 2, Paris and Les 3 Fontaines, Cergy, where in the latter case the ongoing extension work has increased the supply of space at the centre.

In Ireland, ERVs fell by 3.0% following a decline of 6.5% in 2020 and 1.1% in the first half of 2021. Covid-19 closures continued to have an adverse impact on the occupational market.

Capital expenditure

In 2021, capital expenditure totalled £102 million. Table 31 shows the expenditure on a segmental basis and analyses spend between the creation of additional area and the creation of value through the enhancement of existing space.

Table 31

Capital expenditure analysis

Proportionally consolidated, excluding Value Retail	UK £m	France £m	Ireland £m	Flagship destinations £m	Developments and other £m	UK retail parks £m	Managed portfolio £m
Capital expenditure – no additional area	9	6	4	19	6	–	25
Capital expenditure – creating additional area	–	11	–	11	43	–	54
Capital expenditure – tenant incentives	6	8	5	19	2	2	23
	15	25	9	49	51	2	102

Further analysis of capital expenditure between Reported Group and Share of Property interests is provided in Table 86 on page 164.

Capital expenditure where no additional area was created of £25 million included the progression of development schemes at Croydon, Dublin Central, Martineau Galleries and The Goodsynd totalling £9 million, with a further £16 million relating to other asset management initiatives including cladding works and car park works in Birmingham and reconfiguration of anchor space at Dundrum Town Centre, Dublin.

Capital expenditure creating area of £54 million principally related to the two extension projects in France at Les 3 Fontaines, Cergy and Italik, Paris. Italik was opened in June 2021 and at Les 3 Fontaines, Cergy, the main extension is due to open at the end of March 2022.

The extension scheme at Les 3 Fontaines is currently valued at £211 million, recognising a small revaluation loss of £9 million in the year. Pre-letting for the extension is currently 75% and when fully complete and let, the project is forecast to achieve an estimated yield on cost of 5%.

Disposals

Disposals reduced the property portfolio by £452 million. The total proceeds were £430 million and related to the sale of Brent South Shopping Park in February 2021 for £22 million, Espace Saint-Quentin and Nicetoile in April 2021 for £48 million, the Group's remaining UK retail parks for £330 million in May 2021 and the sale of other non-core properties totalling £30 million in the second half of the year.

Returns

Table 32

Property returns analysis

2021

Proportionally consolidated	UK %	France %	Ireland %	Flagship destinations %	Developments and other %	UK retail parks %	Managed portfolio %	Value Retail %	Group portfolio %
Income return	7.0	3.8	4.8	5.4	2.9	2.6	5.1	2.7	4.3
Capital return	(16.7)	(6.6)	(8.3)	(11.6)	(9.3)	(8.5)	(11.3)	(0.6)	(7.9)
Total return	(10.8)	(3.0)	(3.9)	(6.8)	(6.6)	(6.1)	(6.7)	2.1	(3.9)

The Group's property portfolio generated a total property return of -3.9% in 2021, comprising a capital return of -7.9% and an income return of 4.3%. The capital return is consistent with the underlying valuation performance explained in the 'Valuation change' section on page 29 and an analysis of the capital and total property returns by business segment is included in Table 84 in the Additional disclosures on page 163.

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 2021 reported a total property return for UK shopping centres of -7.0%, 380 basis points higher than the Group's UK flagship return of -10.8%.

In 2021, the Reported Group portfolio produced a total property return of -5.0%, whilst properties held by our joint ventures and associates generated a total property return of -8.1%.

Shareholder returns

Table 33

Return	Cash basis %	Scrip basis ¹ %	Benchmark	%
Total shareholder return over one year	33.6	47.5	FTSE EPRA/NAREIT UK index over one year	25.2
Total shareholder return over three years p.a.	(37.5)	(33.6)	FTSE EPRA/NAREIT UK index over three years p.a.	8.8
Total shareholder return over five years p.a.	(31.1)	(28.6)	FTSE EPRA/NAREIT UK index over five years p.a.	3.2

3. Cash and scrip bases represent the return assuming investors opted for cash or scrip dividends, respectively, with the assumption that those opting for scrip dividends continued to hold the additional shares issued.

Hammerson's total shareholder return for 2021 was 47.5% on a scrip basis (33.6% on a cash basis), an outperformance compared with the FTSE EPRA/NAREIT UK index of 25.2% as the retail property sub-sector (which was hit harder by the Covid-19 global pandemic than the wider property index) recovered.

Investment in joint ventures and associate

Details of the Group's joint ventures and associates are shown in notes 14 and 15 to the financial statements. Table 34 shows the Group's investment in joint ventures and associates on both IFRS and EPRA net tangible assets (NTA) bases, split between the proportionally consolidated Share of Property interests and investments in premium outlets.

Table 34

Investment in joint ventures and associates

	31 December 2021			31 December 2020		
	Total joint ventures and associates £m	Deduct: Share of Property interests £m	Value Retail £m	Total joint ventures and associates £m	Deduct: Share of Property interests £m	Value Retail £m
Excludes assets held for sale						
Investment properties	3,708	(1,814)	1,894	4,185	(2,261)	1,924
Net debt	(936)	256	(680)	(1,003)	314	(689)
Other net liabilities	(73)	–	(73)	(70)	(11)	(81)
Net assets	2,699	(1,558)	1,141	3,112	(1,958)	1,154
EPRA NTA adjustments - see notes 14D and 15D:						
Deferred tax	94	–	94	98	–	98
Other	3	(2)	1	24	(6)	18
	97	(2)	95	122	(6)	116
Investment in joint ventures/associates - EPRA NTA basis	2,796	(1,560)	1,236	3,234	(1,964)	1,270

During the year, on an EPRA NTA basis, our total investment in the Group's Share of Property interests reduced by £404 million to £1,560 million. The most significant movements were net revaluation losses totalling £284 million, disposals of Nicetoile, Espace Saint-Quentin and Brent South Shopping Park, London totalling £77 million, and the transfer of Silverburn, Glasgow, to assets held for sale totalling £72 million. These variances were partially offset by adjusted earnings of £99million.

Value Retail

The Group's total investment in Value Retail, on a net tangible asset basis, reduced by £34 million during the year. This principally comprised adverse foreign exchange movements of £32 million and revaluation losses of £12 million (all derived from income changes), partially offset by adjusted earnings of £16 million. As explained earlier, the premium outlets sector remained more resilient than the flagship portfolio during the year.

Trade receivables

The Group applies the simplified approach under IFRS 9 and adopts a provisioning matrix to determine the Expected Credit Loss (ECL). This involves grouping receivables dependent on the risk level, taking into account historical 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.

Trade receivables have reduced from £170 million at 31 December 2020 to £100 million at 31 December 2021. Whilst continuing government restrictions on landlords' ability to enforce collection has resulted in trade receivables remaining higher than normal, collection rates have improved across the Group, facilitated by the conclusion of many Covid-related rent concession agreements.

On a proportionally consolidated basis, a total provision of £53 million was recognised at 31 December 2021, compared to £80 million at 31 December 2020, equating to a 76% provision against trade receivables net of deposits and VAT. The reduction includes £13 million utilisation of the opening provision associated with amounts written off. Management recognises that remaining trade receivables which relate to periods of Covid-19 related closures have become more challenging to recover with the passage of time. This is reflected in the increase in the overall provision rate from 64% at 31 December 2020.

The table below analyses the total provision by country against the respective trade receivable balances. Further information on the ageing of receivables, application of the provisioning matrix and credit risk is provided in notes 1D, 16B and 21E to the financial statements.

Table 35

Trade receivables and provisioning

	31 December 2021			31 December 2020		
	Trade receivables £m	Trade receivables net of deposits and VAT £m	Total provision £m	Trade receivables £m	Trade receivables net of deposits and VAT £m	Total provision £m
Proportionally consolidated excluding Value Retail						
UK	47	38	27	101	82	53
France	45	26	22	51	28	19
Ireland	8	7	4	18	15	8
Managed portfolio	100	71	53	170	125	80
Less Share of Property interests	(45)	(37)	(26)	(87)	(67)	(44)
Reported Group	55	34	27	83	58	36

Assets held for sale

In December 2021, we exchanged contracts for the sale of Silverburn, Glasgow, with completion due in March 2022. At the date of exchange, the investment in Silverburn met the IFRS 5 criteria for 'held for sale'. Consequently, the assets and liabilities relating to the Group's investment in Silverburn were reclassified to assets held for sale and impaired to their fair value, based on the agreed sale price, less costs of disposal.

Financing and cash flow

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

The Group's borrowings are arranged to maintain short term liquidity and to ensure an appropriate maturity profile. Acquisitions may initially be financed using short term funds before being refinanced with longer term funding depending on the Group's financing position in terms of maturities, future commitments, disposals and market conditions. 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. In 2021, the Group's guideline loan to value and net debt:EBITDA metrics have been changed to reflect the strategy update and the focus on maintaining an investment grade rating. These guidelines, together with the relevant metrics, are summarised in Table 36 which shows the Group's much improved financial position at 31 December 2021.

Key financial metrics

Table 36

Proportionally consolidated, excluding Value Retail unless stated	Group debt covenants	Guideline	31 December 2021	31 December 2020
Net debt (£m)	n/a	n/a	1,819	2,234
Liquidity (£m)	n/a	n/a	1,464	1,748
Weighted average interest rate (%)	n/a	n/a	3.0	3.0
Weighted average maturity of debt (years)	n/a	n/a	4.1	3.5
FX hedging (%)	n/a	70-90%	89	73
Gearing (%) ^{2,3}	Maximum 150%/175%	Maximum 85%	67	70
Unencumbered asset ratio ⁶ (times)	At least 1.5	At least 1.75	1.82	1.89
Interest cover (times) ²	At least 1.25	At least 2.0	2.51	1.81
Loan to value – headline (%) ⁴	n/a	Maintain Investment Grade credit rating	39	40
Loan to value (%) – fully proportionally consolidated ⁴	n/a	Maintain Investment Grade credit rating	47	46
Net debt/EBITDA (times) ⁵	n/a	Maintain Investment Grade credit rating	12	14.1
Secured borrowings/equity shareholders' funds (%) ²	Maximum 50%	Maximum 50%	14	13
Debt fixed (%)	n/a	At least 50%	85	97

1. Guidelines should not be exceeded for an extended period.

2. Included in borrowing covenants as detailed on page 35

3. See Table 98 on page 170 for supporting calculation.

4. See Table 97 on page 169 for supporting calculation.

5. See Table 95 on page 169 for supporting calculation.

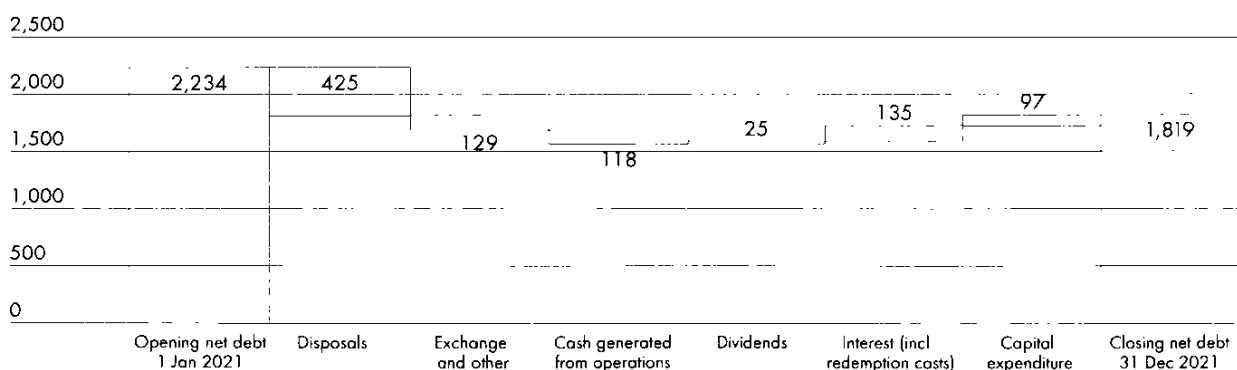
6. See Table 99 on page 170 for supporting calculation.

Net debt

Chart 37

Movement in net debt (£m)

Proportionally consolidated, excluding Value Retail



Financial review continued

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

On a proportionally consolidated basis, net debt reduced by £415 million to £1,819 million at 31 December 2021. This comprised loans of £2,209 million and the fair value of currency swaps of £44 million, less cash and deposits of £434 million.

The Group's weighted average interest rate was 3.0% for 2021, consistent with the average rate for 2020, and 85% of debt was at fixed interest rates at 31 December 2021.

The Group's liquidity at 31 December 2021, comprising cash and undrawn committed facilities, was £1,464 million, £284 million lower than at the beginning of the year, substantially as a result of the repayment of debt and refinancing of revolving credit facilities. The Group's weighted average maturity of debt increased to 4.1 years (2020: 3.5 years).

On 3 June 2021, the Group issued a new €700 million sustainability-linked bond with a 1.75% coupon and a maturity in 2027. The bond incentivises the reduction of carbon emissions. The coupon is linked to the achievement of two Sustainability Performance Targets: 60% reduction in Scope 1 and 2 and selected Scope 3 Greenhouse gas (GHG) emissions under the Group's direct control and 50% reduction in Scope 3 GHG emissions (which relate to space operated by brands within its destinations) both against the Group's 2019 (pre-Covid-19) baseline. If these targets are not met, an additional margin will be payable of 37.5 basis points per annum for the last year of the bond from June 2026 to the June 2027 maturity date for each of the two targets, 75 basis points in total, payable at the final interest payment date.

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

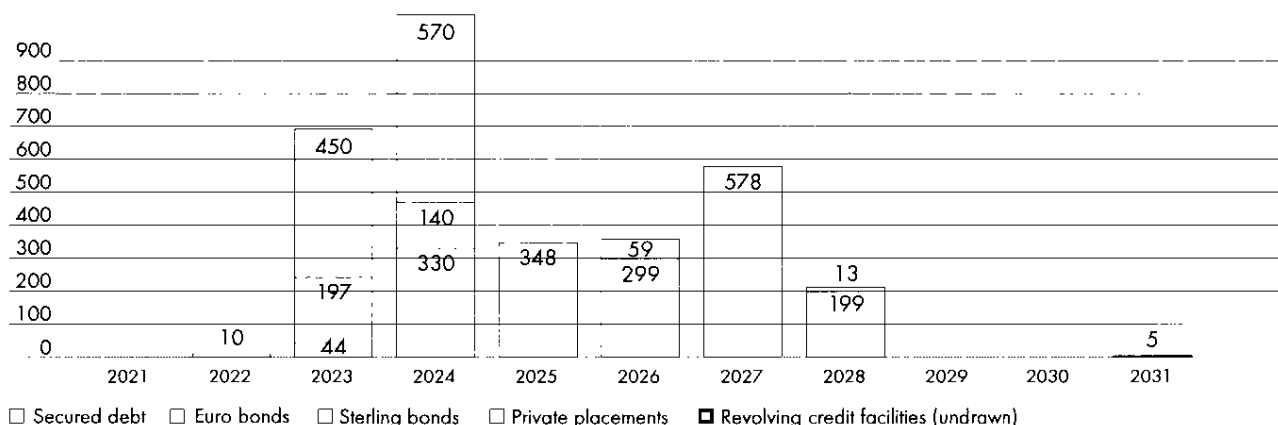
On 18 June 2021, Hammerson refinanced its £415 million Revolving Credit Facility (RCF) maturing in April 2022 with two new RCFs totalling £200 million at an initial margin of 115 basis points and maturing in 2024, with an option to extend to 2026 at the Group's request. The existing £415 million facility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

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

Chart 38

Debt and facility maturity at 31 December 2021

Proportionally consolidated, excluding premium outlets



The above chart excludes unamortised fees of £3 million relating to revolving credit facilities.

Leverage

At 31 December 2021, the Group's gearing ratio was 67% (2020: 70%) and headline loan to value ratio was 39% (2020: 40%). Supporting calculations are in Tables 98 and 97 in Additional disclosures on pages 170 and 169.

At 31 December 2021, the Group's share of net debt in Value Retail (VR) totalled £680 million (2020: £689 million). 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 47% (2020: 46%).

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 33, the Group's financial metrics were all in compliance with the Board's internal guidelines, with significant improvements on the 2020 comparatives.

Following an amendment to the unencumbered asset ratio in the private placement notes agreed in June 2020, the Group was obliged to make an offer of prepayment at par (i.e. not including a make-whole amount) for 30% of any applicable proceeds from disposals or capital raisings in excess of £50 million. Following completion in the first half of the year of the disposal of the UK retail parks portfolio and our stakes in Brent South Shopping Park, Nicetoile and Espace Saint-Quentin, we prepaid at par a total of £297 million, comprising £65 million relating to an offer in accordance with this condition, a further £119 million following an additional voluntary offer and £113 million relating to the repayment of notes which matured in June 2021. Combined, these repayments will save approximately £7 million of interest cost on an annualised basis.

The Group retains significant headroom to its financial metrics and covenants. From a stress test perspective, the valuation of the Group's property portfolio at 31 December 2021, would have to fall by 18%, to breach the unencumbered asset covenant in the private placement notes, or by 28% to breach the Group's tightest gearing covenant. Net rental income would need to fall by 50% compared to 2021 levels in order to breach the interest cover covenant in the Group's revolving credit facilities and private placement notes. Compliance with covenants is a key consideration for the going concern assessment as detailed on page 23 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 financial covenants in relation to the secured assets, typically loan to value and interest cover. Where deemed necessary to address the adverse financial effect of Covid-19 due to lower collection rates or property valuations, short term covenant waivers have been obtained during the year in relation to a number of these debt facilities to avoid covenant breach. At 31 December 2021, there were no waivers in place on secured borrowings in joint ventures. During 2021 the secured loan at Highcross, Leicester, breached its covenants and therefore an impairment of the full equity value of £11.5 million was recognised against our investment in the Highcross joint venture. Discussions with the lenders are underway to find a mutually acceptable solution. There is no recourse to the Group.

Credit ratings

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

On 4 February 2022, Moody's re-affirmed the Baa3 rating as well as changing the outlook to stable from negative due to: the recovery in operating performance (including footfall and retail sales that are now close to their pre-pandemic levels); recovering investment markets for retail assets making further large value drops in asset values far less likely (and reducing the risk of decreased capacity under covenants); the Group's ongoing asset disposal plans that will aid further deleveraging; and the progress the Group has made in managing its balance sheet including accessing debt markets and refinancing its upcoming debt maturities.

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 2021, the value of euro-denominated liabilities as a proportion of the value of euro-denominated assets was 89%, vs 73% at the beginning of the year. Interest on euro debt also acts as a partial hedge against exchange differences arising on net income from our overseas operations. Sterling strengthened against the euro during the year by 6.6%.

Risks and uncertainties

Risk overview

As the restrictions from the pandemic were lifted during 2021, the Group's destinations re-opened with only minimal restrictions, and business optimism grew in all of the Group's markets. The optimism was evident from the increase in footfall and sales and an improvement in collections by landlords. Valuations of our portfolio started to stabilise and the demand for new leases and lease renewals started to grow. Through our targeted disposal of assets and new bond issuance, we were able to effectively strengthen the Group's financial position to support delivery of its strategic objectives.

The Board maintained its focus on effectively managing its risks and at the end of 2021 re-assessed several risks downwards. Of note, the residual rating for the Capital structure risk (formerly Treasury risk) was reduced from High to Medium following the steps taken during the year to strengthen the Group's balance sheet.

The Board confirms that during 2021 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 has overall responsibility for determining the Group's approach to managing financial, regulatory, operational and reputational risk. It ensures that effective risk management is integrated throughout the business and embedded within the Group's policies, processes, culture and values. Chart 40 illustrates the key roles and responsibilities for risk management in the Group.

The Board also sets the Group's risk appetite to ensure that risks are managed within certain parameters with efficient use of resource. Where controllable risks are outside the Group's risk appetite, the Board seeks to manage these down by implementing appropriate controls wherever possible. The Board ensures each year that its risk appetite is consistent with its strategy. In 2021, the Board re-assessed its risk appetite for each principal risk to identify those risks which were outside appetite.

Risk review process

The Group's key risks are derived from a systematic review of the Group's strategic priorities and approved each year by the Board. Both the Group Executive Committee and the Board regularly monitor these risks, including its 11 principal risks. These are the risks which have the potential to significantly affect the Group's strategic objectives, operations or financial performance. The risks are classed as either "external" risks, where market factors are the main influence on change, or "operational" risks which, while subject to external influence, are more in the control of management. The risks are assessed for likelihood of occurrence and impact, after considering suitable mitigations. Chart 39 is a heat map of the Group's principal risks.

The Board monitors the status of the principal risks each quarter using a Risk Dashboard which comprises several key risk indicators for each of the principal risks. The risk indicators help the Board identify whether those risks are beginning to crystallise or how they may change in the future.

New and emerging risks are identified using horizon scanning by members of the Group Executive Committee and the Board. These risks are monitored on an ongoing basis to ensure that the Group is well positioned to manage them if needed. Two new risks were identified but no significant emerging risks have been identified in 2021.

In 2022, the Group will be reviewing its risk management framework to ensure it has satisfactorily included the assessment of longer-term risks outside the current three-year strategic horizon. It is expected that this will apply chiefly to climate-related risks.

Assurance activity

The Audit Committee agrees the annual Internal Audit Plan which is based on the principal risks. For 2022, the Audit Committee has additionally introduced an annual cyclical plan which will each year test the Group's key financial controls. The Audit Committee will continue to review the reports from the Internal Audit team and monitor agreed actions to completion.

The Group has recently recruited a Director of Audit, Enterprise Risk and Sustainability to strengthen its risk management and assurance activity in 2022 and beyond. It is also in the process of hiring an additional auditor with a strong background in financial control and will continue to co-source those audits which require subject matter expertise.

Risk detail

The Group's overall risk profile reduced during the year with fewer principal risks being assessed as having a high impact and likelihood. The main movements in 2021 were as follows:

Decrease in risk

- Retail market and valuations (risk 2)* – The Covid-19 vaccination programme has proved to be effective across the UK, France and Ireland, thereby enabling our prime urban estates to re-open. The macroeconomic environment in which the Group operates had also started to recover as a consequence. Retailers started to trade again across the Group's assets in 2021, with increased business optimism leading to a fall in the rate of property valuation decline. See Market overview on page 11.
- Capital structure (risk 7, formerly named Treasury) – The Group further strengthened its balance sheet by raising in excess of £400 million in 2021 through disposals and through re-financing activity such as the issuance of the €700 million 1.75% sustainability-linked bond.

* The Retail market and Property investment risks were combined in 2021 to reflect their interdependence.

Increase in risk

- People (risk 9) – Both the impacts of Covid-19 and the organisational review were assessed as potentially affecting the morale of colleagues, leading to an increase in voluntary colleague turnover. This risk is expected to fall again within the next 2-3 years as the impact of the pandemic subsidies and the transformation benefits begin to crystallise.
- Partnerships (risk 11) – The Group has identified in its strategy that it will develop its assets for non-retail/mixed-use purposes. Some JV partners are not aligned to the strategy, such that the Group will need to explore alternative arrangements to achieve its goals.

New risks

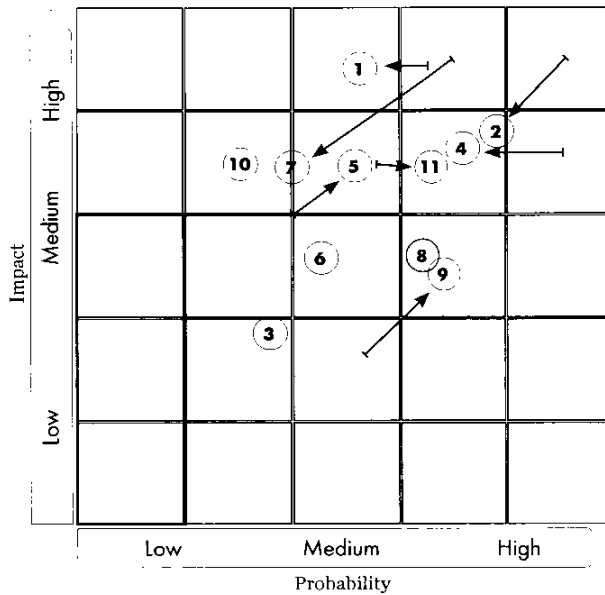
The Board also identified two new risks following its strategic review in October 2021. These were:

- Non-retail/mixed-use market (risk 3) – as the Group seeks to accelerate its development pipeline with a broader mix of uses, the Board will monitor the Group's internal and external capabilities, including potential partnerships to underpin the development portfolio.
- Transformation (risk 10) – the Board will monitor the progress of the Group's digitalisation and automation plans.

The Board identified risks falling outside the Group's risk appetite to ensure that specific measures were being taken, wherever possible, to reduce the residual risk. These risks have been identified in the heat map.

Chart 39

Residual Risk Heat Map



The Group continues to monitor the effects of the pandemic on the economy and its stakeholders and will continue to plan to mitigate the relevant risks. Similarly, even though the risks to the Group from the UK's exit from the EU in January 2021 are considered less material than previously, the Group continues to monitor any relevant changes to regulations.

Climate change

Both the physical and transitional risks associated with climate change were assessed in 2021 through workshops with colleagues across a range of areas. The risks and opportunities identified through that exercise are outlined in the Sustainability review on pages 20 to 21, in the Group's separate Sustainability Report and in the Group's separate Managing Climate Risks report on www.hammerson.com/sustainability. The Group has continued to reduce its carbon emissions and waste and keeps its Net Positive strategy under review.

Future outlook

The impact of external factors continues to be the main concern for the Group. However, there is growing optimism that as Covid-19 restrictions are lifted and the retail market continues to recover, the Group will be able to act decisively to ensure the longer-term success and viability of the business for the benefit of all stakeholders.

Group's principal risks

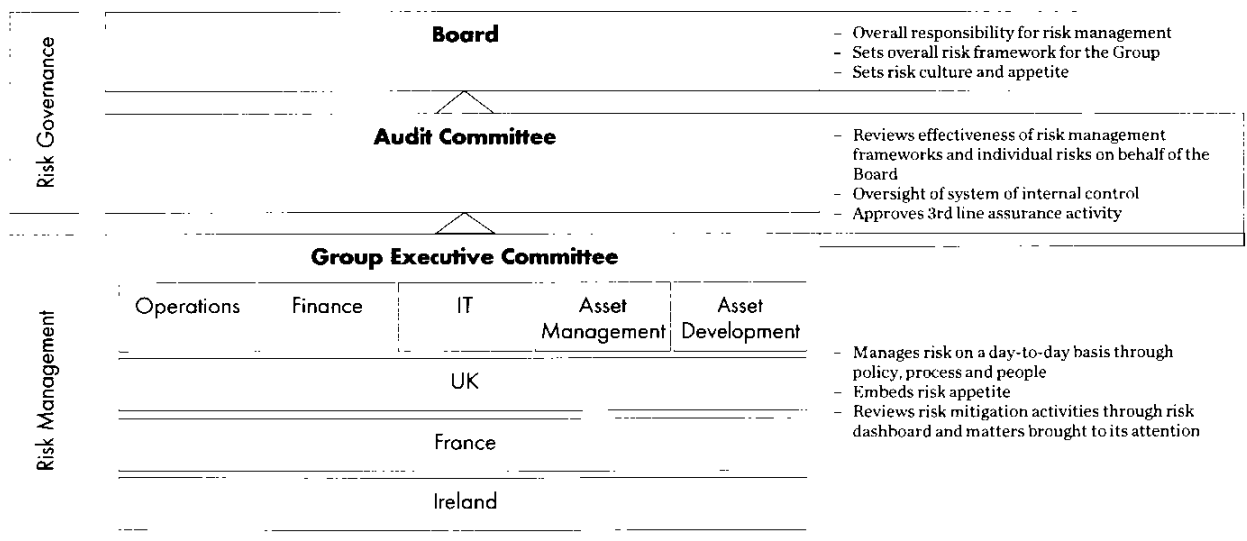
- | | |
|-------------------------------------|-------------------------|
| 1 Macroeconomic* | 7 Capital structure* |
| 2 Retail market and valuations* | 8 Property development |
| 3 Non-retail/mixed-use market (new) | 9 People |
| 4 Catastrophic event* | 10 Transformation (new) |
| 5 Tax and regulation* | 11 Partnerships* |
| 6 Climate | |
- * Exceeds the Group's risk appetite

Residual Risk Assessment

☒ High risk ☐ Medium risk ☐ Low risk

Chart 40

Key roles and responsibilities for the Group's management of risk



Detailed risks

Further details of the Group's 11 principal risks are shown below.

External risks

1. Macroeconomic

Residual risk assessment:
High

Risk

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

Mitigating factors/actions

- Diversified portfolio (sectors, geography and occupiers)
- Balanced approach to rent collection during periods of lockdown/ centre closures
- 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
- Ongoing assessment of post-Brexit impacts

2021 commentary

2021 change:



While Covid-19 caused a severe economic downturn across Europe, the second half of 2021 witnessed a return to growth with continued low unemployment levels. As take up of the vaccine grew in the UK, Ireland and France, both business and government confidence grew during the year.

Outlook commentary

Medium term change:



The roll-out of the booster vaccination programmes and the protection models adopted by several European governments across Europe has provided optimism for a future economic recovery. GDP in the UK and France is forecast to reach 2019 levels towards the end of 2022 and significantly surpass this in Ireland (source: *A Balancing Act*, OECD Economic Outlook, December 2021).

However, the recovery from the pandemic is likely to be impacted by several factors such as inflationary pressures arising from supply chain shortages and significant energy price increases. Small interest rate rises have recently been enacted and future increases are expected to follow. Governments will need to address their heightened debt levels and ensure future tax rises do not impair economic recovery.

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

2. Retail market and valuations*

Residual risk assessment:
High

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. These pressures are filtering through from retailers to landlords during lease negotiations
- Changing consumer shopping habits, including channel shift, are adversely affecting certain retail categories, such as high street fashion and traditional department stores. This has resulted in tenant failures and shrinking store portfolios, causing an oversupply of physical retail space and falling rents
- Retail property valuations have fallen in the last few years, adversely affecting the delivery of future strategic plans and the Group's financial position, particularly debt covenants (see Capital structure, risk 7)
- Opportunities to divest properties are missed, or are limited by market conditions, which reduces financial returns and adversely affects the Group's credit metrics and funding strategy
- Poor investment decisions involving acquisitions and disposals result in sub-optimal returns

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 occupiers
- Disposals to focus on key markets and provide capital for repurposing space away from challenged retail categories
- Digital innovation strategy to provide detailed customer insight and communication with our customers
- Diversified portfolio limits impact of downturn or liquidity squeeze in a single market
- Business planning incorporates valuation forecasts with downside scenarios and stress tests

2021 commentary

2021 change:



Covid-19 restrictions have significantly impacted the retail market. The pandemic has continued to accelerate the shift towards omnichannel retailing and adversely affected profitability/viability of retailers, several of which have closed stores. However, yields in the second half of 2021 started to stabilise as investor outlook turned less negative.

Outlook commentary

Medium term change:



With a continuing strong vaccination and booster programme, there are signs that footfall is beginning to recover to 2019 levels, and that centres will not need to close again. Whilst the recovery of the retail market is fragile, retailers increasingly recognise the importance of physical retail (which still formed more than 65% of UK retail sales in 2021) as part of their omnichannel strategy. The rate of decline in valuations is stabilising with medium-term forecasts indicating a slow improvement.

Whilst yields are beginning to stabilise, downside risk remains with the rebasing of rental levels.

* The Retail market and Property investment risks from 2020 were combined in 2021 to reflect their interdependence



See Chief Executive's statement on pages 4 to 8 and Market overview on page 11

Change:

▲ Increasing ▼ Decreasing ◀▶ No change

3. Non-retail and mixed-use property (new)

Residual risk assessment:
Low

Risk

- The Group targets the wrong part of the property sector for its developments
- Development projects take significant time to deliver in which time markets and local environments have changed
- Lack of access to capital on attractive terms, leads to lower profitability or reduced liquidity
- The Group is unable to attract senior individuals with the correct skills, knowledge and experience to successfully implement the future strategy

Mitigating factors/actions

- Development plans include monitoring of macro and local economic research. The Board approves all major commitments and performs formal development reviews twice-yearly
- An organisational review has been undertaken to transform the Group's teams, operational activities and systems to align with the delivery of the Group's future strategic objectives and a more diversified portfolio
- Hiring of experienced leaders and managers with mixed-use and city centre development experience and backgrounds
- Engage or partner with experts and/or advisors to gain a deeper understanding of alternative sectors and systematically identify which developments will result in the greatest return and alignment with the assets

2021 commentary

2021 change: N/A

Risk is new in 2021

Outlook commentary

Medium term change: ◀▶

Non-retail sectors, such as residential have proven resilient during the pandemic with the trend forecast to be longer-term and are likely to be relevant in our city centre estates. Office market demand varies across our assets depending on several factors and is also evolving in response to employers' policies for office and remote working practices.

4. Catastrophic event

Residual risk assessment:
High

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, customer safety, reputation or financial performance could be adversely affected by a major event such as a terrorist attack, significant geopolitical volatility, 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

- Health and Safety team maintain ISO45001 system
- 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 threat regularly reviewed (see Climate, risk 6)
- Insurance cover for terrorism and property damage
- Good cybersecurity posture, continuously under review

2021 commentary

2021 change: ▼

Rollout of the vaccination programme across the UK and Europe has reduced the probability of further significant and prolonged closure of our destinations resulting from Covid-19.

Outlook commentary

Medium term change: ▼

The terrorism threat has recently been downgraded in the UK although cyber risks continue to be heightened as threat actors continue to exploit changes in working due to Covid-19. The Group's cyber security controls have continued to be strengthened and no major breaches were reported during the year.

Although the risks of new Covid-19 variants such as Omicron will remain in the medium term, our destinations are forecast to recover as workers and customers return to city centres and brands focus their store portfolios on high footfall flagship venues.

5. Tax and regulation

Residual risk assessment:
Medium

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 occupiers and the Group's financial performance
- There is an increasing burden from compliance and regulatory requirements which can impede operational and financial performance
- The UK's exit from the EU continues to create some uncertainty over the future tax and regulatory environment
- Tax laws that apply to the Group's businesses may be amended by the relevant authorities, for example, as a result of changes in fiscal circumstances or priorities

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.
- Monitoring of future regulation changes, especially in relation to Brexit
- Potential amendments or re-interpretations to tax laws and their application to the Group are monitored regularly and, if relevant, appropriate reflection in the financial statements is made. Any necessary actions are taken to ensure ongoing efficiency while remaining fully in compliance with regulations

2021 commentary

2021 change:



There were no significant regulatory changes in 2021, though the full impact from Brexit will continue to crystallise over the next few years. Tax laws that apply to the Group's businesses continue to be subject to amendment or change by the relevant authorities whereby the Group continues to monitor closely these potential instances, seeking independent advice where necessary.

Outlook commentary

Medium term change:



An increase of six percentage points in corporation tax in the UK from 2023 has already been announced and other tax increases may be necessary to pay for Covid-19 related support, ultimately impacting occupier cashflows. Future risks also remain around the maintenance of the Group's REIT/SIIC status including the obligation to make accumulated distributions of £113 million by the end of 2022.

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



See Financial review on page 27 and note 9 to the financial statements

6. Climate

Residual risk assessment:
Medium

Risk

- Asset-based actions to reduce carbon emissions are not sufficiently focused or delivered at pace
- Failure to establish and communicate a strategy that properly addresses climate risk including the setting and meeting of appropriate targets could adversely impact the Group's reputation (with occupiers and customers), financial performance and investor demand
- Failure to provide assets in line with market standards or customer preferences
- As the economy transitions to a more circular system, there could be increased focus on minimising resource input and waste creation, impacting the Group's ability to obtain appropriate resources and materials throughout its value chain
- Emerging environmental regulations and legislation, including local climate-related initiatives, will increase reporting and compliance requirements and potential for non-compliance if not effectively managed
- Climate risk considerations adversely impact valuations
- Extreme weather events and other physical manifestations of climate change impact our assets

Mitigating factors/actions

- Preliminary physical risk review completed, and exposure identified as low
- Senior management and Board provided with TCFD training
- Experienced sustainability team designs and implements our sustainability strategy in collaboration with the wider business
- Established sustainability 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 drive sustainability initiatives and communicate performance, with external assurance of environmental reporting
- Regular engagement with investors and across the wider property industry on sustainability

2021 commentary

2021 change:



The Group has continued to respond positively through its sustainability initiatives. 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 improvements to lighting, heating or air-conditioning units when new leases are signed or when existing occupiers renew leases. We continue to report in line with TCFD requirements (see page 20).

Outlook commentary

Medium term change:



The Group's focus remains on reducing carbon emission through better energy management and adoption of technology to improve energy efficiency. It also intends to fund a Corporate Power Purchasing Agreement to bring new clean energy to the UK grid.

However, climate-related risks continue to attract increasing external attention, and this is expected to continue. National Carbon Budgets are driving the need for real estate to reduce carbon emissions significantly within the next ten years, as do investors' Net Zero Carbon portfolio targets. We continue to review our Net Positive strategy and the risk implications in the long-term for our assets.



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

Operational risks

7. Capital structureResidual risk assessment:
Medium**Risk**

- Investor sentiment towards shopping centres as an asset class is weak, driving down valuations. Reductions in valuations or income could result in a breach of debt covenants, relating to both secured and unsecured borrowings. Future strategic plans may not be delivered as a result
- Poor treasury planning or external factors, including failures in the banking market, ratings agency downgrades, or lack of access to capital on attractive terms, leads to the Group having insufficient liquidity to enable the delivery of our strategy objectives
- Major fluctuations in sterling or euro exchange rates, or a significant increase in interest rates, could result in financial losses

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

2021 commentary

2021 change:



Significant refinancing and disposal activity was successfully completed in 2021 to strengthen the Group's capital structure, in particular, disposals raised £425 million and by the issuance of a €700 million 1.75% sustainability-linked bond.

Outlook commentary

Medium term change:



The Group has plans for further disposals to boost liquidity and deliver on its long-term strategic goals, including its commitment to retain its investment grade rating.



See Financial review on pages 29 to 35 and Going concern assessment on page 23

Change:

▲ Increasing ▼ Decreasing ◀▶ No change

8. Property developmentResidual risk assessment:
Medium**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
- Development plans and exposure included in annual business planning process
- Board approves all major commitments and performs formal development reviews twice-yearly
- Projects typically use fixed price contracts and appraisals contain appropriate contingencies
- Group's land holdings provide flexible future delivery options, such as phasing, and require limited near term expenditure to progress to the next decision stages

2021 commentary

2021 change:



The Italik project in France was opened in June 2021 and the Les 3 Fontaines, Cergy extension also in France progressed in line with Board approval and is expected to open in March 2022.

Outlook commentary

Medium term change:



The Group's land holdings are a key element of the future strategy, and they currently require low levels of expenditure to maintain or secure planning consents and unlock other development constraints. As the Group seeks to accelerate its development pipeline, the Board will continue to monitor the expected returns from these projects (also see Risk 3).



See Financial review on pages 29 to 32

9. People

Residual risk assessment:
Medium

Risk

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

Mitigating factors/actions

- Appointment at the beginning of 2022 of a new Chief People Officer who will set-out a new people strategy
- Refresh of the Group's vision, purpose and values
- 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
- Internal diversity and inclusion programme increases awareness and fosters engagement
- Colleague Forum established to enable formal Board engagement with feedback incorporated in management plans
- New Affinity Groups established to promote equality, diversity and inclusion

2021 commentary

2021 change: ▲

There have been significant demands on colleagues throughout the year from the impact of Covid-19 and the subsequent organisational review which will have affected morale and increased uncertainty.

Outlook commentary

Medium term change: ▼

As the Group evolves its strategy towards the re-purposing of urban estates with mixed use, it will need to continue to motivate and retain people, ensure it offers the right colleague proposition as workforce demands evolve and attract new skills in a changing market.



See Our colleagues on page 14

10. Transformation (new)

Residual risk assessment:
Medium

Risk

- Execution of the transformation programme, with its interdependencies, is inherently risky
- Poor planning, delivery and review results in process and control gaps
- The Group does not effectively manage cultural change
- Impact and level of distraction on business-as-usual activity could be high
- Transformation costs may be higher than budget

Mitigating factors/actions

- Hire of an experienced Chief Information Officer
- Commitment to hiring strong transformation professionals
- Adoption of standard project delivery methodology
- Prioritisation of solutions to avoid stress and conflicts
- Engagement with process/business owners to ensure delivery of the right solution
- Good governance planned to oversee costs, quality and timing

2021 commentary

2021 change:

N/A

Risk is new in 2021 but the Group has been in transformation since 2020.

Outlook commentary

Medium term change:



The Group will require new skills and capabilities in order to transform selected aspects of its operations by automating and digitalising processes and systems. There are also significant challenges to manage and sequence a transformation programme whilst maintaining business as usual and controlling the cost and delivery times of various workstreams.

Risks are being mitigated as new skills have been planned as part of the reorganisation work, including programme management and external expertise to support the Group's transformation plans.

Change:

▲ Increasing

▼ Decreasing

◄► No change

11. Partnerships

Residual risk assessment:

High

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
- Several joint ventures and Value Retail contain secured debt facilities. Weak collections and valuations (due to Covid-19) could impact covenants
- Our Value Retail investment is externally managed, and this reduces control and transparency over performance and governance. The interests also contain transaction pre-emption rights in favour of the Group and other investors and limit the liquidity and investor appetite for this investment

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 is subject to local external audit and valuations, with oversight by the Audit Committee and the Group's external auditor

2021 commentary

2021 change:



While three jointly held assets have been sold in 2021, JV exposure remains high as a number of co-ownerships are currently not fully aligned to the Group's development strategy.

Outlook commentary

Medium term change:



The Group may need to enter new partnerships as it moves into the mixed-use/ non-retail market.



See notes 14 and 15 to the financial statements on pages 127 to 135 and the Financial review on pages 26 and 32

Focus on health, safety and security

Health, safety and security management is at the forefront of considerations in the Group's decision-making and risk management activities.

Keeping safe under Covid-19

The Group continued to manage its response to the pandemic through its dedicated core crisis group, made up of senior colleagues from the UK, Ireland and France, with regular updates to the GEC. The Group continued to comply with country specific government guidelines and legal requirements and ensured best practice precautions were adopted to keep colleagues, customers, occupiers and suppliers safe.

Our destinations were closed for part of the year, with only essential retail operating during this time. Once opened, our destinations complied with specific restrictions according to jurisdiction and sector.

The closure of our offices largely mirrored the closure of our destinations and colleagues were told to work from home unless it was necessary to travel to the office (either for business purposes or personal wellbeing). The Group promoted control measures such as social distancing, increased ventilation and encouraged all our colleagues to receive a vaccination in line with government guidance and to take a lateral flow test before coming into work. In total, the number of Covid-19 cases identified in our offices was less than 50 and our investigations found that there was no evidence that these cases were contracted in the work environment. The Group ensured all colleagues were provided with face coverings and hand sanitizer as required and the H&S management tool was used to track Covid-19 cases for colleagues and suppliers.

Covid-19 test centres and vaccination centres could be found in most of our assets in 2021.

Operational safety

With a continued focus on operational safety, the Group retained its strong safety record in 2021 with only two RIDDOR incidents and no outstanding 'intolerable' risks at the year-end. Intolerable risks are defined as those risks which the Group must mitigate before any associated business activity can take place.

In 2021, the Group updated its health and safety management system from OHSAS 18001 to the ISO 45001. The new standard adopts a more proactive approach to prevention of work-related injuries, illness and fatalities. It places greater emphasis on leadership involvement and incorporates health and safety into existing business processes. The Group also introduced a new Security management system in the year, in response to the 2022 "Protect Duty" legislation to make publicly accessible places safe from terrorist attacks. The teams managing both systems work closely together.

The Group started using 'health, safety and security moments' at the beginning of operational meetings to reinforce the importance of safety and security. A health, safety and security moment can be a short presentation or discussion about a recent incident or observation and lessons learnt. The practice is used widely across organisations to reinforce the desired culture.

Group governance

In 2021, the Group's health, safety and security working group met quarterly and was chaired by Grégoire Peureux, Chief Operating Officer (COO), as the executive sponsor for health, safety and security. The purpose of the group was to:

- Provide assurance to the GEC that relevant risks were being mitigated to the industry standard known as "As Low As Reasonably Practicable" (the ALARP model)
- Implement the Group's health, safety and security strategy and ensure that the management system manuals and business decision-making are aligned to it
- Set objectives and targets relating to customers, occupiers and assets and cascade them to colleagues in Operations as part of an annual objective setting process. Examples of targets are achieving zero intolerable risks or maintain the ISO 450001 accreditation

All health, safety and security incidents were managed via the health and safety or security management systems. Data from these systems was used to produce performance reporting against KPIs (relating, for example, to RIDDORs, incidents, compliance) which was reviewed monthly at the UK & Ireland and France operational health, safety and security working groups, and quarterly at the Group's health, safety and security working group. Key decisions and any significant issues are escalated to the GEC and the Board.

Health, safety and security matters will be governed entirely through the GEC in 2022.

Looking forward to 2022

Throughout the year opportunities were identified to improve health, safety and security management. The Group plans to begin to implement these improvements in 2022:

- Conducting a health, safety and security survey with all colleagues to gain further insight into the nature of the Group's health, safety and security culture and to identify areas for improvement
- Moving the Computer Aided Facilities Management (CAFM) system, used to manage planned preventative and reactive asset maintenance, which was previously administered by our mechanical and engineering subcontractor, to being administered internally. The move to internal administration will increase management control and visibility of the end-to-end processes and make impacts on health, safety and security more effective
- Implementing a new destination contractor management system (ePermit) to harmonise the approach to contractor management across our destinations, including contractor inductions, verification of contractor requirements and records of contractor activity.

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

Following the appointment of a new Chief Executive in November 2020, the Group completed a strategic review in 2021, with the new strategy announced at the time of the Group's half-year results in August. The new strategy is explained in the Chief Executive's statement on page 5 with the four strategic elements being:

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

The strategy is underpinned by the Group's commitment to sustainability and the Chief Executive's statement also includes a review of performance during 2021 and future outlook.

The Strategic report includes an updated business model on page 9; current assessments of market trends on page 11, risks and uncertainties on pages 36 to 43; and sets out the strategic priorities in 2022 on page 10.

Assessment of viability period

The Directors have assessed the viability of the Group taking account of the Group's current financial position and the potential impact of our principal risks. The assessment takes account of the Group's new strategy which needs to be delivered against a still uncertain economic backdrop arising from the pandemic, supply chain challenges, inflation and rising global tensions.

A key tool to support the assessment is the Group's Business Plan (the Plan), which was approved by the Board in December 2021. This was prepared against the backdrop explained above and is summarised below. The Plan took account of the significant progress made in 2021 with the Group's financial position strengthened following the disposals and refinancing undertaken in the year. At 31 December 2021, the Group's net debt, excluding Value Retail, was £415 million, 19% lower than at the previous year end; liquidity was £1.46 billion (2020: £1.75 billion); the average debt maturity profile was 4.1 years (2020: 3.5 years); and the Group had no unsecured debt maturities not covered by available liquidity until 2025.

At 31 December 2021, Value Retail has net debt of £1.8 billion (Group's share £680 million). This comprises borrowings of £2.0 billion and cash of £0.2 billion (Group's share £757 million and £77 million respectively). The borrowings represent secured loans which mature over the five years, with 75% of the debt maturing over the period to 31 December 2024.

Other factors considered in assessing viability were the Group's lower average unexpired lease term, subject to a tenant break or expiry, of 4.7 years compared to 5.1 years in the prior year. At 31 December 2021, 45% of the Group's passing rent is subject to a tenant break or expiry over the next three years. There are also uncertainties associated with forecasting how the redeployment of capital will reshape the Group in the future.

While the Group's position has improved compared to the prior year, significant work remains to deliver the Group's new strategy and the level of uncertainty remains elevated, with four of the Group's principal risks still being judged as "high" residual risk. Having considered all of the above factors, the Directors have concluded that a three year period to 31 December 2024 reflects an appropriate viability assessment period (Viability period) for the Group.

Plan summary

The Plan contained income statement, balance sheet and cash flow forecasts, financing strategies and portfolio plans, including disposals, asset management initiatives and development projects. The Plan forecasts financing and debt covenant metrics including headroom calculations and compliance with the Group's unsecured debt covenants being maintained throughout the Viability period.

The forecasts were compiled on a detailed, lease-by-lease basis and the key Plan assumptions included:

- A slow but steady recovery from the Covid-19 pandemic over the course of 2022 with leasing volumes and collections returning to pre-pandemic levels from 2023
- Valuation capitalisation yields remaining stable in the near-term supported by, as witnessed in investment markets since 30 June 2021, strengthening liquidity and investor appetite for retail assets
- A recovery in international travel and growing demand for discounted luxury goods at Value Retail Villages
- The completion of a disciplined disposals programme and reinvestment of proceeds into asset repositioning and mixed-use development opportunities
- The retention of the Group's investment grade rating and access to debt capital markets on reasonable commercial terms, in relation to both unsecured and secured borrowings, to refinance maturing facilities, loans and bonds
- Delivery of sustainability-related projects to ensure compliance with environmental regulations and legislation such as EPCs and MEES and achieve the Group's targets under its €700 million sustainability-linked bond

To enable the Board to understand the Group's projected performance and resilience, a number of different scenarios were prepared, principally varying disposal and capital deployment assumptions. From a viability assessment perspective a "Viability" scenario of the Plan was prepared. This incorporated the same adverse outlook assumptions as in the Severe but plausible scenario used in the Group's going concern assessment.

Assessment of viability

For the purposes of reviewing the Group's viability, the Viability scenario included assumptions concerning adverse changes to rental income, property values, capital expenditure and refinancing plans and did not assume any non-contracted future disposals. These key assumptions reflect the Group's principal risks which are most likely to impact the Group over the three-year Viability period, all of which, except Capital structure, are currently deemed to have a high residual risk. The risks and assumptions are explained in the table on the following page:

Viability statement continued

Principal risk explanation

Macroeconomic, Catastrophic event

The future performance of the Group is dependent on the speed and strength of the forecast recovery from the Covid-19 pandemic in the countries in which the Group operates.

This will be affected by the speed that current government restrictions are lifted and the pressures on customers and occupiers from rising costs.

Retail market and valuation

The Covid-19 pandemic severely impacted the majority of the Group's occupiers. While 2021 saw an improvement in trade, footfall and sales have yet to fully recover to pre-pandemic levels. Any significant adverse impact from Covid-19, rising costs, or supply chain issues, will increase the likelihood of tenant restructuring and will make the collection of arrears and negotiating future rents more challenging.

Capital structure, Partnerships

The Group's debt covenants could be breached if there was a significant downturn in valuations or income.

The Group must maintain access to credit markets, on reasonable commercial terms, to enable refinancing of maturing borrowings.

These issues also apply to secured borrowings in the Group's joint ventures and Value Retail. While non-recourse to the Group's unsecured borrowings, covenant or refinancing issues with these loans would adversely impact the Group's financial position.

Viability scenario key assumptions

The emergence of new variants of Covid-19 resulting in the re-imposition of containment measures, such as social distancing or trading restrictions on certain types of commercial activity. This results in a weak economic and consumer recovery over the Viability period.

Also, lower levels of international travel and tourism over the same period.

A deterioration in the occupational retail market resulting in lower footfall and collections, the granting of concessions to support occupiers, and the write-off of outstanding arrears and impairment of incentives from tenant restructuring.

This results in lower income projections, with Group NRI, on a like-for-like basis excluding Value Retail, being approximately two-thirds lower in 2022 than in 2019. NRI is forecast to begin to recover after 2023, such that like-for-like NRI is approximately 35% lower in 2024 than in 2019.

It is also assumed that any Covid-19 trading restrictions, would also significantly reduce the Group's share of earnings from Value Retail, where income is more heavily turnover-based. This scenario assumes that, compared to 2019, the Group's share of adjusted earnings would be approximately two-thirds lower in 2022, and approximately 40% lower in 2023 and 2024.

The adverse occupational market assumptions are forecast to result in weaker property values and non-committed capital expenditure is reduced by 25%. This results in a Group capital return, including Value Retail Villages, over the three year Viability period being around -12%.

The Group retains access to debt capital markets and is able to refinance maturing bank facilities ahead of their maturities in 2023 and 2024 on reasonable commercial terms.

The Viability scenario assumes that the unsecured bond maturing in 2023 of £197 million is repaid using existing liquidity. In addition, the adverse valuation reductions result in the unencumbered asset ratio at 30 June 2023 falling just below the covenant of 150%. This covenant is only applicable to the Group's private placement notes, which totalled £216 million at 31 December 2021, and in the Viability scenario are assumed to be redeemed from forecast liquidity in June 2023 for their outstanding value plus a make-whole amount.

There is also £1.0 billion (Group's share) of secured debt, maturing by 31 December 2024. The two most significant borrowings are £623 million of secured loans held by Value Retail, and £252 million relating to the loan secured against Dundrum Town Centre, Dublin. The Viability scenario assumes these loans are fully refinanced ahead of maturity.

Scenario outcome

Under the Viability scenario, the Group continues to retain comfortable levels of liquidity and from an unsecured borrowing covenant perspective over the Viability period the following is forecast:

- Gearing remains below 100% compared with tightest covenant level of 150% in the bank facilities and private placement notes. At the end of the Viability period, this is equivalent to the Group being able to withstand further valuation reductions of 16%
- The lower NRI forecast reduces interest cover over the assessment period although it remains comfortably above the covenant level of 125%. At the lowest covenant level in December 2022, the Group could withstand further NRI reductions of 20%. Interest cover is then forecast to improve over the rest of the Viability period

Mitigation actions

While the Viability scenario does not assume any future disposals, the Group will continue with its disciplined disposal programme of non-core assets which were included in the Plan.

Even in challenging markets, the Group has completed or exchanged disposals with gross proceeds of £1.0 billion since the beginning of 2020, 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 period.

Conclusion

Based on their detailed assessment of the Viability scenario 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 three year period to 31 December 2024.

Non-financial information statement

The Companies Act 2006 requires the Company to disclose certain non-financial information within this Annual Report. This information can be found in the following locations within the Strategic report (or are incorporated into the Strategic report by reference for these purposes):

Table 41

Index of non-financial reporting disclosures	
Non-financial information	Page/s
Business model	9
Principal risks	36 - 44
Non-financial key performance indicators	12 - 13

The Group also applies a range of policies and procedures relating to colleagues, environmental and social matters, human rights and anti-bribery and corruption. A description of these policies, the due diligence measures we undertake to implement them and the results of applying these policies, are all set out in Table 42:

Key



Environmental matters



Social matters



Employees



Human rights



Anti-bribery and corruption

Table 42

Key policies and procedures relevant to non-financial reporting disclosures

Policy	Description	Policy application and outcomes	Associated reporting requirement
Energy policy	Sets out the Group's commitment to endeavour to use best practice in the design and operation of the Group's assets to minimise energy demand across multiple time horizons and procure energy in a responsible manner	The Group procured 100% renewable electricity in 2021, as well as undertaking audits and compliance reviews within the ISO 50001 compliant energy management system. We have continued to manage the Group's significant energy users by delivering smart metering, LED, PV and ventilation projects across selected assets. Also see page 16 for the Group's Sustainability review.	
Environmental policy	Includes the Group's overarching commitment to design and build properties using sustainable materials and practices and manage properties under the Group's control efficiently to reduce waste, emissions and consumption of natural resources	In 2021 we maintained our ISO 14001 and ISO 50001 accreditation across the UK and Ireland. To ensure we continue to improve and embed proactive environmental management we have also implemented an ISO 14001 compliant management system in Rue Cambon (our principal office in France), Nicetoile and Les Terrasses du Port in France. Also see page 16 for the Group's Sustainability review.	
Climate change policy	Sets out the Group's commitment to develop and implement climate change management and mitigation strategies at business and asset level	The Group identified colleagues in core roles within the business to participate in a Climate Scenarios workshop in 2021. This workshop identified the potential impacts of climate change and mitigation we can implement to strengthen our resilience against climate-related risks. To support this we have adopted the LETI guidance with a view to ensuring that our developments respond to the demands of future climates and minimise negative climate-related impacts by addressing climate change within the design process. Also see page 20 for the Group's response to TCFD reporting requirements.	
Biodiversity policy	Aims to ensure that opportunities to protect, enhance and restore biodiversity are maximised while ensuring that any negative impacts resulting from the Group's business operations are minimised	In 2021 we completed a number of projects to enhance biodiversity across our assets, including installing a bug hotel at Union Square and supporting seagrass research at Westquay, as well as increasing green space and planting across our assets. Also see page 16 for the Group's Sustainability review.	
Code of conduct	Sets out expectations for colleagues' personal behaviour including treating others with respect, acting fairly in dealing with stakeholders, complying with laws and maintaining integrity in financial reporting	The Code of conduct is issued to all colleagues across the Group and supported by training during new colleague induction, as well as being reinforced by the Board's and senior leadership's actions and communications. No material breaches were alleged or identified during 2021. Also see page 14 for more information on our colleagues.	

Non-financial information statement continued

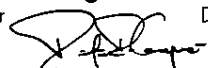
Policy	Description	Policy application and outcomes	Associated reporting requirement
Equal opportunities policy	Confirms the Group's commitment to equal opportunities and diversity and the Group's opposition to all forms of unlawful discrimination	The policy is available to all colleagues and applied in relation to all hiring and promotion decisions at all levels, including when considering disabled colleagues or applicants. No breaches of the policy were alleged or identified during 2021. The ethos of the policy is supported by four colleague-led affinity groups (LGBTQ+, Race and Ethnicity, Women and Wellbeing), each of which has a sponsor on the Group Executive Committee and partners with Group Communications and HR to deliver relevant news, events and initiatives to colleagues across the Group. Also see page 14 for more information on our colleagues.	 
Health, safety and security policy	Sets out measures designed to ensure a culture of health and safety best practice that leads to the elimination or reduction in risks to health, safety and security of all associated with the Group	The policy is applied through our robust management system across the UK and Ireland (externally certified to ISO 45001 standard). In 2021, updated risk management processes (including reporting more safety observations and near misses) led to more potential risks being dealt with before becoming substantive risks - this was reflected in a reduction in RIDDOR reportable incidents to two (2020: four) - and no intolerable risks were outstanding as at 31 December 2021. One Improvement Notice was received from an Environmental Health Officer in relation to a non-core property within one of our estates in 2021. The Group immediately took steps to address the areas for improvement raised and has subsequently received confirmation that these measures are adequate and no further action is required. Also see page 44 for more information on health, safety and security matters.	 
Modern slavery and human trafficking statement	Sets out the approach taken by the Group to understand the potential modern slavery risks associated with the Group's business and explains the actions taken to prevent slavery and human trafficking within the Group's operations and supply chains	Modern slavery awareness is maintained across the Group's operational teams and specific training is provided to colleagues through the Group's online training system. Key risk areas identified are within the Group's supply chain and relate to construction activities and low-skilled support services - both areas remained low as part of the Group's overall risk assessment in 2021. No incidents of modern slavery or human trafficking were identified or alleged during 2021.	 
Responsible procurement policy	Sets out the Group's objectives to promote responsible procurement through the purchase of environmentally and socially sustainable goods and services and engage with key suppliers to encourage better performance and effective management of environmental and social risks within the Group's supply chain	The policy was applied to all procurement activities undertaken across both operational and development activities in 2021. The policy is also linked to the Recommendation for Appointment process necessary to approve third party consultants, contractors and suppliers. No material breaches were alleged or identified during 2021.	  
Supply chain code of conduct and procurement	Outlines a set of best practice standards that apply to all Group suppliers (covering legal requirements, labour standards, health and safety and environmental responsibility) and explains how the Group measures and monitors supplier adherence to such standards	This is fully embedded in the new procurement process - each new supplier to the Group must subscribe to the code of conduct and complete the accompanying questionnaire in order to gain Approved Supplier status. This is also linked to the Recommendation for Appointment process necessary to approve third party consultants, contractors and suppliers. No material breaches were alleged or identified during 2021.	   
Anti-bribery and corruption policy*	Sets out the Group's zero tolerance policy in relation to bribery and corruption, including prohibitions on improper and facilitation payments, and penalties for breach of policy	The policy is issued to all colleagues across the Group alongside the Gifts and entertainment policy (see below) and supported by training delivered during the new colleague induction. A declaration of conformity is included in the Recommendation for Appointment process necessary to approve third party consultants, contractors and suppliers. No incidents of bribery or corruption were alleged or identified during 2021.	 
Whistleblowing policy*	Encourages colleagues to report any concerns they may have in relation to health and safety matters, the environment, or any other unethical, unfair, dangerous or illegal behaviour, sets out the process for doing so and confirms that whistleblowers will not be victimised	The policy is issued to all colleagues across the Group and supported by training during new colleague induction. During 2021 one allegation of fraud was raised but, on further investigation, was not substantiated.	 
Gifts and entertainment policy*	Explains the forms of, and circumstances in which, gifts or entertainment might be acceptable and the reporting and approval procedures to follow where colleagues wish to offer, or receive, hospitality	The policy is issued to all colleagues across the Group and supported by training during new colleague induction Gifts and entertainment registers maintained across the Group and are reviewed periodically. No breaches were alleged or identified during 2021.	 

All policies are available on the Company's website at www.hammerson.com save for those marked with a * which are available to all colleagues through the Company's intranet.

2021 Strategic report

Pages 1 to 48 of this Annual Report constitute the Strategic report which was approved and signed on behalf of the Board on 3 March 2022.

Rita-Rose Gagné
Director



Himanshu Raia
Director



Board of Directors

Key to Committee membership

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

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

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

I N

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 to the Board having built a long and successful career spanning over 30 years in the real estate sector. Most notably, Robert was Chief Executive Officer at Land Securities Group Plc (Landsec) from 2012 until March 2020. Prior to joining Landsec in 2010, Robert was 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.

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.

Himanshu Raja
Chief Financial Officer

Appointed to the Board

26 April 2021

Himanshu brings to the Board strong financial, strategic and leadership qualities as well as extensive experience in business transformation and debt and equity markets. He was most recently CFO at Countrywide Ltd (formerly Countrywide plc) from 2017 until 2021. Prior to that he served as CFO at G4S plc where he was responsible for finance, treasury, tax, investor relations, M&A, IT and procurement. Previously, Himanshu was CFO of Misys plc and also Logica plc, where he led the sale of the group to CGI in a £2.1bn transaction.

A N R

Habib Annous
Non-Executive Director

Appointed to the Board

5 May 2021

Habib brings to the Board 30 years' experience in investment management across a range of sectors. Most recently, he was a partner at Capital Group, from 2002 to 2020, where he was responsible for the European Real Estate sector as well as a number of other industries. He started his career as an equity analyst in 1988 with responsibility for UK Real Estate. He became a Fund Manager in 1989 at Lazard Investors and then moved to Barclays Global Investors and subsequently to Merrill Lynch Investment Managers. Habib is an adviser to the Investor Forum.

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 Eurosc in 2006. In 2009, she joined Ivanhoe Cambridge as European President before returning to Gecina in 2014 as a Non-Executive Director and was appointed CEO in 2017. Méka is Chair of the European Public Real Estate Association.

External Listed Directorships

CEO and Board member of Gecina.

N R

Gwyn Burr
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, human resources, sustainability and strategy gained through senior roles at major retail brands, including Asda and Sainsbury's. Gwyn's extensive board experience and understanding of different points of view and business circumstances underpin her role as the Senior Independent Director.

External Listed Directorships

Non-Executive Director of Taylor Wimpey plc and Senior Independent Director of Made.com Group Plc. 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, Stock Spirits Group plc and Cambian Group plc.

External Listed Directorships

Non-Executive Director and Chair of the Audit Committee of Pressure Technologies plc and Focusrite 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. Adam sits on the boards of four Morgan Stanley fund entities

External Listed Directorships

Non-Executive Director of Galata Acquisition Corp.

N R

Carol Welch
Non-Executive Director

Appointed to the Board

1 March 2019

Carol brings a wealth of experience in commercial, 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 role as Chief Marketing Officer at Costa Coffee as well as her current role as Managing Director UK & Ireland and European Commercial Officer at ODEON. Carol is our Designated Non-Executive Director for Colleague Engagement.

Corporate Governance report

Dear Shareholders

I am pleased to present the Corporate Governance report for 2021. The Company is subject to the UK Corporate Governance Code 2018 (the Code). The Code is available on the website of the Financial Reporting Council at www.frc.org.uk. The purpose of the Code is to promote the highest ethical and governance standards for UK premium listed businesses to contribute to long-term sustainable success. I confirm that the Company has applied all of the principles and complied with all of the provisions of the Code in full during 2021.

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.

The Company's disclosures on the way it has applied the principles of the Code can be found throughout this Annual Report on the following pages:

Table 43

Code section	Page
Board leadership and Company purpose	
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Board leadership and Company purpose

The 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 its stakeholders. It aligns the Group's culture with its strategy, purpose and values and sets the strategic direction and governance of the Group. The Board has ultimate responsibility for the Group's management, direction and performance and ensuring that sufficient resources are available to enable management to meet the strategic objectives set.

The Board undertakes various duties in accordance with the Matters Reserved to the Board, including approving major acquisitions, disposals, capital expenditure and financing. The Board also oversees the system of internal controls, corporate governance and risk management, including climate-related risks and opportunities, and approves the annual Business Plan.

Details of the Board of Directors of the Company are set out on page 49 and further information on each Director can be found on the Company's website at www.hammerson.com. Details of the various Director roles are set out in the 'Division of responsibilities' section on page 52.

Purpose and strategy

The Group has a clear purpose: we are an owner, operator and developer of sustainable prime urban real estate.

The Board has been focused on providing leadership and support to the Executive team as well as an objective, independent and constructive view on strategy and the business. The Executive team and senior management undertook a strategic and organisational review in the first half of the year. The review was aimed at reducing operating costs and ensuring the Group concentrates on optimising our current space, accelerating our development pipeline and building the right capabilities for an owner, operator and developer of prime urban estates. The results of the review were set out in August in the form of a strategy for long-term success based on a more conservative capital structure; a more accountable and empowered culture; and the ability and capability to innovate and exploit opportunities within our existing portfolio and beyond. Further detail on how the Company generates and preserves value over the long term is set out in the Chief Executive's statement on pages 4 to 8 and Our business model on page 9.

Culture and values

The values of ambition, respect, collaboration and responsibility are embedded in the business. Following the strategic review and the organisational changes during 2021, the senior leadership team will work with colleagues in 2022 to review and refine Hammerson's values to reflect our new strategy, with appropriate oversight and input from the Board.

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 wider 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 online induction programme includes compulsory modules on unconscious bias and equality, health and safety, anti-bribery, cyber security, sustainability, protection of confidential and inside information, data protection, and management of expenses which are delivered in the UK, France and Ireland 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 receives annual Anti-Bribery and Corruption, Fraud and Whistleblowing Reports and reviews the arrangements in place for individuals to raise concerns. During 2021 one allegation of fraud was raised but, on further investigation, was not substantiated.

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.

Engagement with stakeholders

In order to comply with Section 172 of the Companies Act 2006 (the Act), the Board takes into consideration the interests of all stakeholders when making decisions and includes a statement setting out the way in which Directors have discharged this duty during the year. Further information on the actions carried out in 2021 by the Board to comply with its obligations to the Group's stakeholders is detailed on pages 56 to 57 and the statement of compliance with Section 172 of the Companies Act 2006 is set out on page 58.

Engagement with colleagues

Our colleagues are central to the business and their performance is critical to its long-term sustainable success. Colleague engagement in our business is therefore high on our agenda at both Board and senior management levels.

The Colleague Forum (the Forum) enhances two-way dialogue between the Board and colleagues, offering a structured environment for the Board to listen to feedback from our colleagues, allowing issues to be highlighted and informs future Board decision-making.

Carol Welch has been the Designated Non-Executive Director for Colleague Engagement since May 2020. 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 Forum, on achieving effective internal communication;
- provide independent advice and guidance to the Chief Executive, Chief People Officer and other Group Executive Committee (GEC) members on matters of colleague engagement;
- speak on behalf of the Board at the Forum's events; and
- assist the Board in understanding colleagues' views based on insight from the Forum and provide guidance to the Board on how their decisions may impact colleagues.

Carol attends quarterly meetings with the Forum in addition to separate discussions with its Chair and the Chief People Officer. In January 2021, Carol attended a GEC meeting to discuss colleague engagement and future areas of focus. In October 2021, Carol carried out an engagement session with the Forum specifically to explain how executive remuneration was aligned with colleague pay. Carol's report on colleague engagement in 2021 and her recommendations for engagement priorities for 2022 were reviewed by the Nomination Committee and discussed by the Board in December 2021.

In 2021, the Forum's focus has been to listen and support colleagues as they navigated the ongoing Covid-19 pandemic, the return to offices and destinations, and throughout the organisational review process. The Company also established colleague affinity groups (LGBTQ+, Women's, Race & Ethnicity, Wellbeing) to integrate with the Forum to support colleague engagement, each of which have a designated GEC sponsor to provide senior leadership support for the work of each group. Finally, the Forum provided colleague feedback on workplace culture to the GEC.

Further details on colleagues, including our approach to investing in and rewarding our workforce as well as the policies and procedures applicable to colleagues, can be found on pages 14 to 15 and 47 to 48.

Conflicts of interest and concerns

The Board has a well-established and detailed process for the management of conflicts of interests. On appointment, each 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 or matters for authorisation. 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.

Division of responsibilities

Role of the Chair of the Board and the Chief Executive

The Chair of the Board and the Chief Executive have separate roles and responsibilities which are clearly defined, set out in writing and available upon request.

As Chair of the Board, I am responsible for the overall effectiveness of the Board in directing the Company. The conclusion of the 2021 Board effectiveness review was that Board meetings were chaired well, that the views of all Directors are sought and that all members of the Board participated in and contributed to Board discussions equally. The results of the Board effectiveness review carried out in 2021 are summarised on page 54.

The Chief Executive leads and manages the business in line with the strategy, policies and parameters set by the Board. To ensure the effective day-to-day running of the business, authority for operational management of the Group has been delegated to the Chief Executive and some powers are further delegated by her to senior managers across the Group.

For further detail of the division of responsibilities amongst Board Committees see page 53.

Role of the Non-Executive Directors and the Senior Independent Director

The Non-Executive Directors are identified in their biographies on page 49 and play a key role in providing constructive challenge to management and offering strategic guidance through their participation at Board and Committee meetings. The Non-Executive Directors hold a meeting without me present annually to discuss my performance, in addition to playing a key role in appointing and removing Executive Directors and scrutinising management performance against objectives. I also hold meetings with the Non-Executive Directors at the end of every Board meeting without the Executive Directors present.

Over half of the Board are considered to be independent as at the date of this Report, in accordance with the provisions of the Code. I was independent on appointment to the Board in September 2020 and continue to be considered as independent for the purposes 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 as Chair of the Board in my absence, act as a sounding board and serve as an intermediary for other Board members. Her full role is clearly defined in writing and available upon request. Mike Butterworth will replace Gwyn as the Senior Independent Director immediately following the conclusion of the 2022 AGM.

Table 44

Board and Committee meetings attendance – 2021

	Scheduled Board meetings	Additional, unscheduled Board meetings	Audit Committee meetings	Nomination Committee meetings	Remuneration Committee meetings	Investment and Disposal Committee meetings (scheduled and additional)
Robert Noel	7/7	3/3	N/A	1/1	5/5	7/7
Rita-Rose Gagné	7/7	3/3	N/A	N/A	N/A	N/A
Himanshu Raja ¹	5/5	0/0	N/A	N/A	N/A	N/A
James Lenton ²	2/2	3/3	N/A	N/A	N/A	N/A
Habib Annous ³	4/4	0/0	3/3	1/1	2/2	N/A
Pierre Bouchut ⁴	3/3	1/3	2/2	0/0	N/A	N/A
Méka Brunel	6/7	2/3	N/A	1/1	4/5	6/7
Gwyn Burr ⁵	7/7	2/3	2/2	1/1	5/5	N/A
Mike Butterworth	7/7	3/3	5/5	1/1	N/A	N/A
Dcs de Beer	7/7	3/3	N/A	1/1	N/A	7/7
Andrew Formica	7/7	2/3	5/5	1/1	N/A	N/A
Adam Metz	7/7	3/3	4/5	1/1	N/A	6/7
Carol Welch	7/7	3/3	N/A	1/1	5/5	N/A

1. Himanshu Raja joined the Board on 26 April 2021.

2. James Lenton resigned from the Board on 26 April 2021.

3. Habib Annous joined the Board, together with the Audit, Nomination and Remuneration Committees, on 5 May 2021.

4. Pierre Bouchut resigned from the Board, Audit and Nomination Committees on 4 May 2021.

5. Gwyn Burr stepped down from the Audit Committee on 5 May 2021.

Where Directors are indicated as not having attended Board or Committee meetings, this is attributable to pre-existing and unavoidable commitments. In each case, the Director was provided with all Board papers and the opportunity to provide comments to the Chair of the Board or Committee, as appropriate.

Directors' time commitment and additional appointments

All Directors are thoroughly engaged with the work of the Group, as evidenced by their attendance at Board and Board Committee meetings during the year, which is disclosed in Table 44. In addition to Board and Board Committee meeting attendance, a number of the Non-Executive Directors also visited the Company's assets in the UK, France and Ireland during the year once local Covid-19 restrictions had eased.

As part of the selection process for any potential new Directors, any significant external time commitments are considered before an appointment is agreed. In 2020, the Board adopted a Directors' Overboarding Policy (Overboarding Policy) to set limits on the number of external appointments which can be held by Directors in line with the guidelines published by Institutional Shareholder Services (ISS). 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 Overboarding Policy states that Directors may hold up to five mandates on publicly-listed companies (including their role as a Director of the Company). For the purpose of calculating this limit:

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

None of the Directors' external directorships exceed the limit in the Overboarding Policy.

During the year, the Board considered that there was no conflict associated with Gwyn Burr being appointed as non-executive director and senior independent director at Made.com on 21 June 2021. Having considered the demands associated with the role, the Board was content that this would not impact Gwyn's continued commitment to the Company.

During the year, the Board also considered that there was no conflict associated with Adam Metz's appointment as a non-executive director of Galata Acquisition Corp. on 9 July 2021 and confirmed that Adam would still have sufficient time to fulfil his duties to the Company.

The Board also confirmed that there was no conflict associated with Mike Butterworth's appointment as non-executive director and chair of the audit committee of Focusrite plc on 1 January 2022. While Mike also serves as non-executive director and chair of the audit committee of Pressure Technologies plc (an AIM-listed business), he has demonstrated ample commitment since joining the Company, visiting assets with me and Habib Annous once travel restrictions were lifted, and the Board noted Mike's very positive contribution to the Audit Committee in the 2021 Board effectiveness review. The Board is satisfied that Mike will have sufficient time to devote to his new role as Senior Independent Director in addition to these pre-existing commitments.

Board Committees

The Board has delegated certain responsibilities to its Audit, Nomination, Remuneration and Investment and Disposal Committees, each of which reports regularly to the Board. Each of these Committees' terms of reference is available on the Company's website at www.hammerson.com. Further detail on the work of each of the Audit, Nomination and Remuneration Committees can be found on pages 59, 62 and 66 respectively.

The Investment and Disposal Committee oversees the Group's acquisitions, capital expenditure and disposals, and assists the Board in fulfilling its oversight responsibilities to deliver the strategy. I chair this Committee and its members are all Non-Executive Directors, each bringing significant experience in the development of strategy and the review and execution of the proposals presented by the Executive Directors and the senior management team. During 2021, the Committee met seven times and the agenda for each meeting reflects the status of investment and disposal projects under consideration by management. The Committee reviews progress by receiving update reports and also receives regular updates on market conditions. Proposals are scrutinised by the Committee and recommendations to proceed with transactions valued over £50 million 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.

The Board is also supported by three further committees, the principal of which is the GEC, which provides executive management of the Group within the agreed strategy and Business Plan. The GEC is chaired by the Chief Executive and comprises the senior leadership team. The members of the GEC and their biographies are available to view on the Group's website at www.hammerson.com. The GEC manages the operation of the business on a day-to-day basis, sets financial and operational targets, oversees the Group's risk management and has responsibility for the Company's sustainability objectives. The GEC is supported in turn by the Group Investment Committee, which supports the GEC and the Investment and Disposal Committee in the execution of their respective capital allocation responsibilities, and by the Group Management Committee which supports the GEC in the execution of its operational duties.

Board support

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 and ensures that the Board has the policies, process, information, time and resources it needs in order to function effectively. This includes ensuring that the Board regularly receives training and updates on relevant legal and governance developments as well as assisting with the induction of new Directors.

Composition, succession and evaluation

Composition and succession

Appointments to the Board are subject to a formal, rigorous and transparent procedure based on merit and objective criteria, which is overseen by the Board's Nomination Committee. The Nomination Committee also oversees the effective succession planning of the Directors and the process for succession planning to the senior management team.

The Board and its Committees have an appropriate and diverse combination of skills, experience and knowledge that are relevant to the Group in its operating context. For further detail of each Director's skills, experience and knowledge, see Table 46 on page 60. The Nomination Committee also promotes diversity on the Board and throughout the Group.

Further information on composition, succession and the work of the Nomination Committee can be found in the Nomination Committee report on pages 59 to 61.

Board effectiveness review

The process

The Board's policy, in line with the Code, is to carry out an externally facilitated Board effectiveness review every three years. Hammerson conducted its last external effectiveness review in 2019, and the 2021 evaluation was conducted internally by the Company Secretary.

The Chair and Company Secretary agreed that the 2021 review should consist of 30 questions for each Director centred on the following themes:

- Board meetings; chairing, Director participation and conduct
- Strategy, culture and purpose
- Board composition, skills, and Committee chairs
- Stakeholder engagement
- Priorities for 2022-23

Finally, members of the senior management team, who are regular presenters to the Board, were also asked to comment on the feedback and challenge they received from the Board, and the level of engagement by Directors.

The responses to the questions were provided through the NBV Board portal and collated anonymously, and then reviewed by the Chair and Company Secretary, and a report was presented to the December 2021 Board meeting.

Recommendations and actions

The Directors unanimously agreed that the Chair of the Board chaired meetings well, despite the challenges of virtual meetings, and that he drew out views and solicited contributions from all Directors, describing him as an effective chair, hardworking and well organised. Directors agreed that all members of the Board participated in, and contributed to, Board discussions.

All Directors agreed that the Board had achieved the correct balance of strategy against review of other priorities during the year. In light of the new management team now in place, and the organisational changes undertaken in 2021, it was agreed that the Board should focus in 2022 on the new team's realignment of values to the new strategy, and the degree to which the evolving culture met those values. Finally, the Directors agreed that Carol Welch's work as Designated Non-Executive Director for Colleague Engagement was thorough and effective.

The Board agreed that it currently had the right composition of skills and experience, but that it would keep under review its consumer, retail and digital technology expertise once Gwyn Burr had stepped down following the 2022 AGM. The Directors expressed confidence in the Chairs of the Committees, with particular acknowledgement of the improvements introduced by the new Chair of the Audit Committee in 2021.

The Directors agreed the following key priorities for 2022-23:

- Consideration of the evolving retail environment and its impact on leasing strategy and colleague skillset
- Values and culture
- Board and senior management succession planning
- Sustainability

Audit, risk and internal control

Financial statements and audit

The Board has established formal and transparent policies and procedures in relation to the production of the financial statements and the audit functions. The Audit Committee oversees the Group's financial reporting and monitors the independence and effectiveness of the internal and external audits. The Committee oversees the valuation of the property portfolio and is responsible for the relationship with the External Auditor. Further information can be found in the Audit Committee report on pages 62 to 65.

Fair, balanced and understandable assessment

The Board is responsible for presenting a fair, balanced and understandable assessment of the Company's position and prospects. The full statement confirming this can be found in the Statement of Directors' responsibilities on page 85. Additionally, the Group's Viability statement can be found on pages 45 to 46 and the Going concern statement can be found on page 23.

Risk management and internal controls

The Board recognises that it has overall responsibility for monitoring risk management and internal control systems so as to protect the assets of the Group and ensure risks are appropriately managed. Further information on the Group's approach to risk can be found on pages 36 to 44 and in the Audit Committee report on pages 62 to 65.

Remuneration

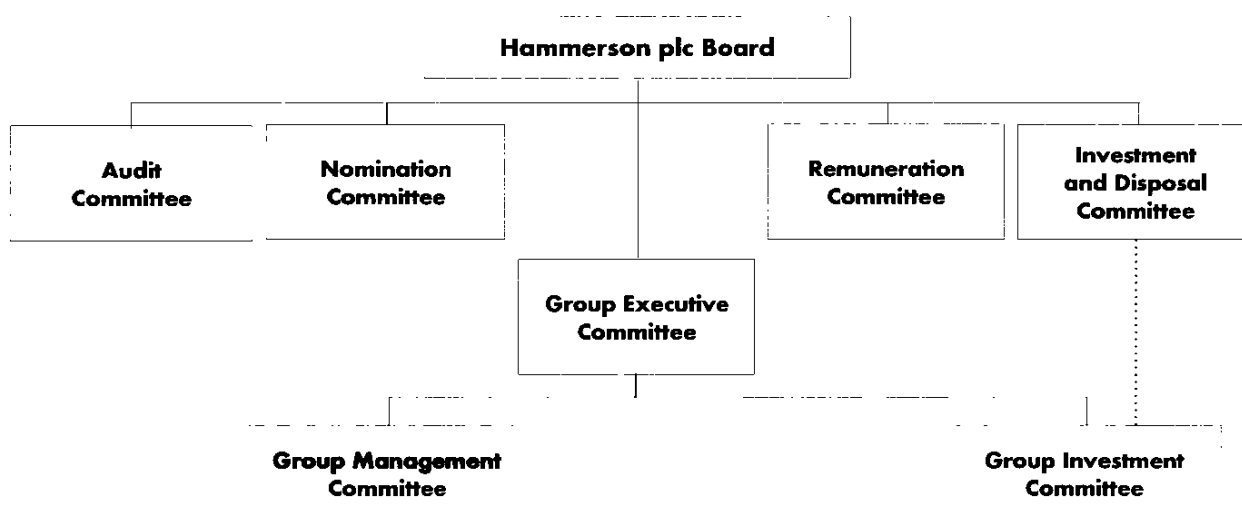
Remuneration Committee

The Remuneration Committee is responsible for establishing a remuneration policy which is designed to support the Company's strategy and promote its long-term sustainable success. The Remuneration Committee sets the remuneration for the Chair of the Board, Executive Directors and members of the GEC. It also 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. Further information can be found in the Remuneration Committee report on pages 66 to 82.

Robert Noel
Chair of the Board

Chart 45

Governance structure



Our stakeholders

Key stakeholders

Key areas of interest

	Occupiers We create a platform that fosters success for a diverse and evolving mix of occupiers to deliver unrivalled customer experiences and thrive	- Shared commercial objectives; attracting consumers - Vibrant and well-operated destinations - Sustainability - Occupancy cost
	Customers We create vibrant destinations through continually evolving the mix of brands and experiences through placemaking and events that appeal to a broad range of customers	- Vibrant destinations with engaging occupier mix - Future winning brands - Continuous improvement to enhance consumer engagement and experience - Sustainability
	Colleagues Our colleagues are fundamental to achieve our strategic goals. We support our people and empower our operations teams to deliver best-in-class customer service, championing a diverse culture where everyone can thrive	- Strategy - Colleague engagement - Reward - Diversity and inclusion - Training and development - Health and wellbeing - Sustainability
	Communities We continually strive to make a positive difference to the communities in which we operate	- 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 wellbeing
	Partners We strive to be a responsible partner with a wide range of partners that enable us to deliver our strategy	- Current and future financial performance - Operational excellence - Corporate governance - Innovation - Consumer trends and insight - Sustainability
	Investors We have a broad range of institutional investors and private shareholders. We actively engage with them throughout the year and undertake regular communication to ensure they understand the performance of the business	- Current and future financial performance - Strategy - Corporate governance - Sustainability - Regular and transparent communication and reporting

How we engage

- Our dedicated leasing team has a leasing strategy for each asset, underpinned by the Group's strategic objectives
- We hold regular executive management meetings with our occupiers
- The Board receives reports from the senior management team on the performance of our occupiers, which are discussed at its meetings
- We have a targeted programme of engagement for future occupiers and partners
- We run a brand experience survey with our occupiers to gather feedback on their satisfaction to help drive stronger, mutually beneficial relationships

- We undertake both quantitative and qualitative insight to understand consumer needs
- Our marketing, leasing and asset management strategies are focused on ensuring that we curate vibrant destinations for mixed used estates
- We invest in optimising space and occupier mix and improving customer facilities
- The Board 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 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 "Squad" meetings
- The Colleague Forum was established in May 2019 and we have a designated Non-Executive Director for colleague engagement
- The Forum established affinity groups which champion diversity and equality, for LGBTQ+, women, race and ethnicity and wellbeing
- Our comprehensive programme for new joiners includes an online training programme

- 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 hold quarterly joint venture board meetings to 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
- We are signatories to the Prompt Payment Code, to support our partners and suppliers

- 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 recovery from the Covid-19 pandemic, progress on strategic update, rent collections and operational updates, as well as questions of governance.
- Key shareholder publications including the annual report, the full year and half year results announcements, operational updates, sustainability report and press releases and the information for investors are available on the Company's website.
- The AGM provides the opportunity to engage with shareholders and allows all shareholders to vote on resolutions. Although the 2021 AGM had to be held behind closed doors in response to the pandemic to comply with UK government regulations, we held a virtual shareholder event beforehand at which shareholders were given the opportunity to submit questions to directors. In the November 2021 a general meeting was held to approve a special resolutions for the Enhanced Scrip Dividend Alternative. The Chair of the Board, the General Counsel and Company Secretary and Director of Audit, Enterprise Risk and Sustainability undertook a range of governance discussions with investors.

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 2006, 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, occupiers, 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.

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 colleagues
- The need to foster the Company's business relationships with partners, consumers 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: occupiers; consumers; colleagues; communities; partners; and investors. 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.

Nomination Committee report

Ensuring the Board and its Committees have the right combination of skills, experience and knowledge, with engaged Directors and suitable succession planning

Nomination Committee members

Robert Noel (Chair)
Habib Annous (appointed 5 May 2021)
Pierre Bouchut (resigned 4 May 2021)
Méka Brunel
Gwyn Burr
Mike Butterworth (appointed 1 January 2021)
Des de Beer
Andrew Formica
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 2021.

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 to the Board and the senior management team with the necessary skills and experience, while also taking into account diversity.

During the year, the Committee has undertaken searches for the Chief Financial Officer and a new Non-Executive Director. In accordance with the Board's succession planning, the Committee engaged an external search consultancy, Odgers Berndtson, to assist with these processes and to identify potential candidates from the wider market. Other than in the provision of recruitment services, Odgers Berndtson did not have any connection with the Company or any of its Directors. Odgers Berndtson has also been accredited as complying with the Enhanced Voluntary Code of Conduct for Executive Search Firms (FTSE 350), in line with objectives of the Board Diversity Policy (see further information on pages 60 and 61) and the Company's commitment to maintaining a diverse pipeline of talent. More details of the recruitment and appointment processes are set out below.

Appointment of the Chief Financial Officer

Following James Lenton's notice of resignation in January 2021, the Committee engaged Odgers Berndtson to assist with the search for his successor. Odgers Berndtson drew up a shortlist of external and internal candidates, each of whom was interviewed by members of the Committee as part of a rigorous, multi-stage process. The Committee subsequently made a recommendation to the Board for the appointment of Himanshu Raja due to his significant experience as Chief Financial Officer of listed companies across multiple sectors, the benefit of his extensive prior experience in transformation and capital markets, and his blend of strong financial, strategic and leadership qualities. Himanshu joined the Board as Executive Director and Chief Financial Officer on 26 April 2021.

Appointment of a Non-Executive Director

During February 2021, Odgers Berndtson also assisted the Committee with the appointment of an additional Non-Executive Director. The Board indicated that it wished to bring wider investment market knowledge and an investor perspective to its discussions. On 5 May 2021, Habib Annous joined the Board as a Non-Executive Director, and joined the Nomination, Audit and Remuneration Committees.

On appointment, both Himanshu and Habib each received a thorough and tailored induction to the Group which involved 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. Both Directors subsequently visited the majority of the Group's assets by value once the travel restrictions had been lifted and met with local management to gain important insights into the business and its strategy.

Appointment of an Alternate Director

On 22 February 2022, the Company announced that Des de Beer, Non-Executive Director, appointed Alan Olivier to act as his alternate when he is unable to attend Hammerson plc Board and Committee meetings due to his ongoing commitments as CEO of a listed company in South Africa. This is in accordance with the Company's Articles of Association.

Board balance, composition and skills

The Board currently comprises 11 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 and its Committees. The review considered: each Director's skills, experience and knowledge; the membership of the Committees of the Board; the balance on the Board between Executive and Non-Executive Directors; the tenure of the Board as a whole; multiple forms of diversity on the Board; and the independence of the Non-Executive Directors.

As demonstrated by the skills and experience summarised in Table 46, the Board members have a wide range of relevant skills gained in diverse business environments and different sectors. This gives the Board varying perspectives during debates on a wide range of issues and the Committee is satisfied that the Board has the necessary mix of skills and experience to fulfil its role effectively (as confirmed by the Board effectiveness review conducted in 2021 - see page 54).

The Committee is also satisfied that the Board is comprised of an appropriate combination of Executive and Non-Executive Directors. All Non-Executive Directors other than Des de Beer are currently considered to be independent for the purposes of the UK Corporate Governance Code (the Code) as at the date of this Report. Des is a director of a large shareholder, Lighthouse Capital, and is therefore not considered by the Board to be independent. On appointment to the Board and to date, I am considered to be independent in accordance with the terms of the Code.

Gwyn Burr had served on the Board for nine years in May 2021 and had been planning to step down at the 2021 AGM in compliance with the Board's policy that Non-Executive Directors should serve a maximum of three three-year terms. However, as part of the Company's succession planning, the Committee recommended to the Board prior to the 2021 AGM that Gwyn remain on the Board for an extended period of up to 12 months to provide continuity through a period of transition for the Board. Gwyn's re-election on this basis was approved by shareholders at the 2021 AGM. As this extension is now coming to an end, Gwyn will not stand for re-election at the 2022 AGM. The Board is satisfied that Gwyn has continued to demonstrate independent character and judgement throughout her tenure. The Board has agreed that:

- Habib Annous will replace Gwyn as Chair of the Remuneration Committee in light of his membership of the Remuneration Committee of the Company since his appointment in May 2021 and with the benefit of his insights as an adviser to the Investor Forum; and

- Mike Butterworth will replace Gwyn as the Senior Independent Director immediately following the conclusion of the 2022 AGM. The Board decided that Mike was the most appropriate successor given his extensive experience as a non-executive director on multiple listed company boards, the strong professional rapport he has developed with both Executive Directors and Non-Executive Directors and the positive contribution he has made to the Board and its Committees during his tenure at the Company.

Andrew Formica will also be stepping down from the Board at the conclusion of the 2022 AGM having served six years as a Non-Executive Director. Andrew has been a strong and engaged Board member and will be missed.

All Directors are subject to annual re-election. The biographies of the Directors, set out on page 49, contain more information on the reasons why the Board recommends the re-election or election of each Director. Directors are expected to devote sufficient time to the Company's affairs to enable them to fulfil their duties as Directors effectively. The attendance at the meetings for each Director during 2021 is shown in Table 44 on page 52 and details of the Company's Overboarding Policy and decisions made during the year in relation to Directors' additional external appointments are set out on page 53. The Committee remains satisfied that each Director continues to devote an appropriate amount of time to the Company.

Board Diversity Policy and objectives

The current Board Diversity Policy was approved in December 2020. It sets out the Company's approach to diversity in respect of the Board and senior management team. 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.

The Board continues to make progress in achieving the objectives of its diversity policy as set out in Table 47. The Directors believe that the benefits of a diverse Board, and wider workforce, will help the Company to achieve its strategic objectives by bringing different perspectives on how to innovate and exploit opportunities within the Group's existing portfolio and building the range of capabilities necessary to thrive as an owner, operator and developer of prime urban estates. The Company exceeds the targets in relation to gender diversity set out in the Hampton-Alexander Review and in relation to ethnic diversity set out in the Parker Review.

Table 46

Board skills matrix

	Rita-Rose Gagné	Himanshu Raja	Robert Noel	Habib Annous	Gwyn Burr	Mike Butterworth	Méka Brunel	Des de Beer	Andrew Formica	Adam Metz	Carol Welch
Audit; Risk Management		○		●		●					
Finance, Banking; Financial Services				●		●			●	●	
Fund Management											
Mergers & Acquisitions	○	○				●	●		●	●	
Asset and Property Management, Regeneration & Development	○		●				●	●			
Business Transformation & Innovation	○	○	●				●				●
Retail	○				●					●	●
Marketing					●						●
Customer Service & Customer Behaviours & Digital Technology		○			●						●
Shareholder Relations		○	●	●	●			●			
International Business & Markets								●	●	●	
Environmental, Social & Governance		○	●	●		●	●	●	●		

○ Executive Director

● Non-Executive Director

Table 47

Board Diversity Policy objective	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.	Diversity is carefully considered as part of the Board's annual review of both Board and Committee composition.
Aim to improve gender diversity at Board and senior management level by working to achieve the target that at least one third of the Board and the Company's senior management are women by 2020.	The Board comprises 36.4% women Directors and notably the role of Chief Executive Officer is held by a woman. Gender diversity at senior management level (GEC) has improved on 2020: at year end 28.6% of the GEC was female and following the appointment of Jessica Oppenheimer as Chief People Officer on 7 February 2022, this now stands at 37.5% as at the date of this report. As at 31 December 2021, 33% of direct reports to senior management (excluding executive assistants) were female and by the date of this report this had improved to 43.8%. Further statistics regarding gender diversity are set out on page 15.
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.	More than one Director (27% of the Board) identifies as non-white.
Encourage and monitor the development of talented colleagues.	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.	Following the organisational review conducted in 2021, the Committee will review Board and management succession plans in 2022.
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 in 2022.
Only engage executive search firms who have signed up to the voluntary Code of Conduct on gender diversity and best practice.	The Committee engaged Odgers Berndtson, who has been accredited as compliant with the Enhanced Voluntary Code of Conduct for Executive Search Firms (FTSE 350).
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 list for the appointment of Habib Annous met the criteria, as did the candidate list for the appointment of Himanshu Raja as an Executive Director.

Chart 48

Board: Gender diversity

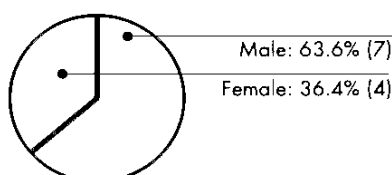
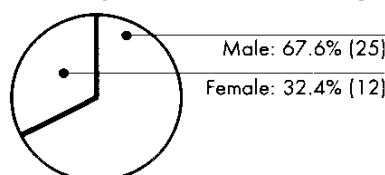


Chart 49

Senior management and direct reports*: Gender diversity



All data as at 31 December 2021
* as defined in the UK Corporate Governance Code (excluding executive assistants)

Other Committee work: Diversity, Colleague Engagement, and Succession Planning

In its December 2021 meeting, the Committee considered the Company's Annual HR report, including a report on progress with diversity and inclusion objectives across the Group, and agreed objectives for 2022. Significant changes to the GEC and the wider senior management team had been made in 2021, as part of the organisational review, and the Committee asked the management team to prepare proposals for succession planning and development for the GEC and wider senior management team for review with the Committee at its July 2022 meeting.

Charts 48 and 49 illustrate the gender diversity at Board level and senior management and direct reports level (as defined in the Code). Details of gender diversity at senior manager level (as defined in the Companies Act 2006) and across the workforce can be found on page 15.

The Committee is also involved in overseeing colleague engagement activities. The Company did not carry out a colleague survey in 2021, as the Board did not believe this would be particularly informative against the backdrop of the ongoing organisational change. The Committee agreed that the Company would conduct a survey in March 2022 and the results reviewed by the Committee at its July 2022 meeting. Carol Welch, as Designated Director for Colleague Engagement, reported to the Committee in December 2021 on her work during 2021 and on her engagement with colleagues and in particular with the Colleague Forum. You can read further details on this on page 51.

Robert Noel
Chair of the Nomination Committee

Audit Committee report

Supporting the Board and acting in the long-term interests of stakeholders by thoroughly reviewing and monitoring the integrity and accuracy of the Group's financial and narrative reporting; its compliance with laws and regulations, the internal control and risk management systems; and managing the external and internal audit processes

Audit Committee members

Mike Butterworth (Chair from 4 May 2021)

Habib Annous (appointed 5 May 2021)

Pierre Bouchut (retired as Chair and as a member on 4 May 2021)

Gwyn Burr (retired 5 May 2021)

Andrew Formica

Adam Metz

- Ensuring the Group has appropriate levels of scrutiny through oversight of the Company's internal and external audit arrangements
- Managing the relationship and reviewing the effectiveness, objectivity and the independence of the External Auditor, including agreeing the scope of work and the level of fees
- Monitoring and reviewing systems and processes to ensure the Group has an effective internal controls environment and complies with laws and regulations
- Reviewing the Group's contingent liabilities and related disclosures
- Reviewing the Group's valuation process and valuations of the Group's property portfolio

Audit Committee meetings

The Committee met five times during the year. The agenda for each meeting is planned around the Group's annual reporting cycle 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 Director of Audit, Enterprise Risk and Sustainability, who is responsible for the internal audit function.

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

Audit Committee effectiveness review

For 2021, the review of the Audit Committee was carried out internally. I can confirm that the Committee continues to perform its role effectively with no significant concerns. The private sessions of the Committee also provide further opportunities to discuss matters in connection with its effectiveness and to highlight any areas for improvement or change.

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 2021 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

Dear Shareholders

As Chair of the Audit Committee (the Committee) I am pleased to present my first report of the Committee for the year ended 31 December 2021. This report provides insight into the activities undertaken by the Committee during the year and explains its performance against the terms of reference and information on its key activities in accordance with the annual work plan.

The Committee continues to have a key governance role for the Company and reviews, on behalf of the Board and shareholders, important matters relating to financial reporting, internal controls, risk management, and compliance with laws and regulations. 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 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 49.

The role of the Audit Committee

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

- Ensuring that management has systems and procedures in place to ensure the integrity and accuracy of financial information
- Considering significant financial issues, judgements and estimates
- Reviewing the internal control and risk management systems, including those to identify emerging risks

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 2021 effectively and efficiently.

During the year the Committee reviewed and approved the proposed audit fees and terms of engagement for the 2021 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 28 April 2022.

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. The external audit contract will be put out to tender at least every 10 years. Given the effectiveness of the external audit process, there are no current plans to re-tender the services of the External Auditor, which was last undertaken in 2016, earlier than 2026. 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 2021 was £1.1 million (2020: £1.2 million). PwC also received £0.2 million (2020: £0.1 million) for the Company's share of the audit services undertaken on behalf of its joint ventures. The External Auditor also received £0.2 million (2020: £0.3 million) for audit related assurance services, being principally the half-year review of the Company's financial statements. Further details of the provision of services and fees paid to PwC during the year are shown in note 5 to the financial statements on page 116.

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.

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.

The Group's non-audit services policy was revised and published on the Company's website at www.hammerson.com in March 2021. The policy reflects the requirements of the Financial Reporting Council's (FRC) Revised Ethical Standard 2019 and the principal elements 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

I can confirm that the Group was compliant with the policy during the year and that PwC received £0.1 million in relation to non-audit services, representing 7% of the Group's audit fee for the year.

Regulator communication

During the year, the Company received letters from the FRC and Irish Auditing and Accounting Supervisory Authority (IAASA) concerning the Group's 2020 financial statements. The FRC did not require a formal response to its letter, while the Company satisfactorily answered the queries raised by the IAASA. To address a number of points raised in both letters, the Group has implemented some minor disclosure enhancements in the 2021 financial statements.

Risk management

On behalf of the Board, the Audit Committee continued to review the heightened risks and challenges to the Group from Covid-19, market conditions, the macro economy and the financial position of the Group throughout 2021. The Committee uses a number of tools to review the Group's risk management processes including the Group's Risk Management Framework, Risk Heat Map and Risk Dashboard. These tools are regularly reviewed by the senior management team to ensure that risks, both existing and emerging, are properly identified and managed and the potential impact on the Group assessed. The Committee also supported the Board in its annual review of the Group's risk appetite completed in December 2021.

The Committee confirms that it has carried out a robust assessment of the Group's risk management approach in 2021 and further details on the Group's approach to risk management is in the Risks and uncertainties section on pages 36 to 43.

Internal audit and controls

Internal audit

The Group appointed a Director of Audit, Enterprise Risk and Sustainability in late 2021 to strengthen the Group's approach towards controls assurance. The team reporting to the Director will comprise a mix of dedicated in-house professionals and a co-source provider for specialist assurance work such as relating to cybersecurity controls. The Group is in the process of hiring an additional internal audit manager with a background in financial control.

2021 internal audit plan

The 2021 internal audit plan was proposed by management for approval by the Committee. The proposal took account of the Group's Risk Management Framework, and in particular the heightened principal risks affecting the Group. Other key factors for consideration were key areas of change for the Group and other audit areas which had not been subject to recent internal audit. Examples of the processes audited in 2021 are given below:

- Invoice approval and processing
- Capital expenditure controls (France only)
- Service charge management (France only)

Each of the audits confirmed the related areas were appropriately controlled. Some recommendations for improvement were agreed with management with clear timelines and responsibilities for implementation. 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 effective to fully complete reviews concerning flagship destination operations and turnover rents which had been planned for 2021. The turnover rent review has been incorporated into the 2022 internal audit plan (see below).

The Committee received internal audit updates throughout the year to review progress of the plan and to track the completion of any outstanding actions from earlier audits.

2022 internal audit plan

The Audit Committee approved the 2022 annual internal audit plan based on the Group's principal risks and a new annual cyclical plan which will each year test the Group's key financial controls.

The high-level plan for 2022 is given below:

Cyclical annual plan	Risk-based plan
– Turnover rents	– Transformation programme controls
– Balance sheet reconciliations	– Lease management
– Managing agents – accounting services	– Cybersecurity controls
– Capital expenditure controls	– Non-core portfolio
– Receivables	– Business continuity planning

Audit Committee report continued

The Audit Committee will continue to review the reports from the Internal Audit team and monitor agreed actions to completion.

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

Internal control

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 received regular updates on the Group's internal control systems, including material financial,

operational and compliance controls. 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.

In addition, the Committee reviewed the Group's approach to compliance with legislation and the prevention of fraud, anti-bribery and corruption. During 2021, one allegation of fraud was raised but following a detailed investigation was not substantiated.

The Committee confirms that its review was able to demonstrate that the Group continues to operate an effective internal control environment.

Significant issues, judgements and estimates

The Committee considered a number of significant issues, judgements and estimates during the year. The Committee assessed whether the judgements and estimates made by management were reasonable and appropriate, and how they were addressed by the Committee in the year is set out below:

Significant issue, judgement and estimate

How the issue was addressed by the Committee

Going concern

The appropriateness of preparing the Group and Company 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, particularly the improved outlook and financial position compared with the assessment at the previous year end and the 2021 interim financial statements. This included reviewing and challenging financial forecasts, and their underlying assumptions, of the Group's income statement, balance sheet, cash flows and liquidity position and projected financial covenants within the Group's borrowing facilities. The Committee also reviewed and discussed the going concern disclosures in the Annual Report.

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

Through its review, the Committee satisfied itself that the going concern basis of preparation remained appropriate. The Committee therefore recommended to the Board that it could approve the Going concern statement.



See the **Going concern statement assessment** in **note 1E of the financial statements on page 106**

Viability statement

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

The Committee reviewed and challenged 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 proposal of a viability assessment period of three years. The Committee therefore recommended to the Board that it could approve the Viability statement.



See the **Viability statement** on **page 45**

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) and other factors including the location, physical attributes of the property, and environmental and structural conditions.

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 2021 valuations, the external valuers each presented their valuations to the Committee in January 2022. These were scrutinised, challenged and debated with a focus on the key judgements adopted by the valuers while recognising that, while lower than long term averages, there was a greater range of transactional evidence on which to base the 2021 year end valuation compared with the prior year.

The Committee also discussed the RICS Guidance Note, Sustainability and ESG in Commercial Property Valuation, which took effect from 31 January 2022, and the recommendations in the RICS Independent Review of Real Estate Investment Valuations. While recognising the latter recommendations are under review, the Committee expects that the Company and its valuers to comply in full with the proposed recommendations.

The Committee also held private meetings with each valuer to discuss and challenge the valuation process and asked the valuers to highlight any disagreements with management during the valuation process. This allowed the Committee to satisfy itself that the valuation process was independent and objective.

The Committee received a report from the External Auditors detailing their review of the valuation process and year end values. This matter was discussed in the private meeting between 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 103**

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. Corporate transactions also often entail complex accounting treatments and judgements.

The Committee reviewed management's report explaining the proposed accounting treatment and disclosure for both ongoing transactions or those completed during 2021, in particular the portfolio sale of, and exit from, UK retail parks in May 2021, the exchange of contracts for the sale of Silverburn, Glasgow in December 2021 and the sale of Victoria, Leeds in February 2022.

The former transaction resulted in results from the UK retail parks segment being disclosed separately from the rest of the business as discontinued operations. While Silverburn, Glasgow was reclassified to assets held for sale with effect from 14 December 2021 and Victoria, Leeds did not meet the criteria for reclassification to assets held for sale at the year end. The accounting for these transactions was also addressed in the External Auditor's year end report to the Committee.

The Committee reviewed and challenged management's proposed accounting treatment and was satisfied with the treatment and disclosures adopted in the 31 December 2021 financial statements.



See **note 1C of the financial statements on page 102**

Significant issue, judgement and estimate

Impairment of trade receivables and tenant incentives

The Covid-19 pandemic continued to adversely impact the Group's operations in 2021, with the enforced closure of non-essential retail at the start of the year. Restrictions have also been imposed on landlords' ability to enforce rent collection in the UK and France.

The improved trading conditions post lockdown resulted in an improvement in collections, although collection rates still remain materially below pre-pandemic levels. At 31 December 2021, on a proportionally consolidated basis excluding Value Retail, the Group had trade receivables of £99.5 million, a decrease of £70.8 million compared with the start of the year.

The estimation of expected credit losses against arrears and capitalised tenant incentives requires estimation about future events and is therefore inherently subjective.

How the issue was addressed by the Committee

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

The paper 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 historical default rates; credit ratings; ageing; and future trading and recovery expectations. This judgement resulted in an appropriate provision percentage, after taking account of VAT, rent deposits and personal or corporate guarantees held, being applied to trade receivables and tenant incentives. 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 2021 financial statements.



[See note 1D of the financial statements on page 105](#)

Impairment of non-financial assets

Management concluded that the ongoing 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 and these were assessed for impairment, particularly the Group's investment in the Highcross joint venture, where the secured debt was in breach of its covenants at 31 December 2021.

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 IAS 40.

The Group's investments 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 assets and liabilities. As the Group's investment in these joint ventures and associates already equals the Group's share of the underlying net assets of the relevant investee, of which the principal asset, investment property, is already carried at fair value, the NAV is a reasonable approximation for the recoverable amount under IAS 36, being the higher of the value in use and fair value less cost of disposal, and no impairment is required.

The exception to this methodology is in relation to the Highcross, Leicester joint venture where, at 31 December 2021, the loan secured against the property was in breach of its covenants. Discussions with the lenders are underway to find a mutually acceptable solution, although in the event that agreement is not reached, the lenders may elect to exercise their right to force the joint venture entities into administration in order to recover their loans. This situation means that there are factors outside of the Group's control which are likely to result in both the fair value less cost of disposal and the value in use being adversely impacted. Consequently, the Committee agreed with management's reassessment of the Group's investment in the Highcross joint venture and its proposal to impair the carrying value of the investment to nil. This resulted in an impairment charge of £11.5 million being recognised in the income statement in the year.



[See note 1D of the financial statements on page 104](#)

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 remains an area of focus for users of the accounts, given the significant 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.

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 proposed changes to APMs for the year ended 31 December 2021 and concluded these presented the most relevant and useful information to users of financial statements. The most significant of these being the exclusion of "exceptional" gross administration costs associated with business transformation of £8.6 million from the Group's adjusted earnings. Further details are in note 1B to the financial statements on page 102 and page 23 of the Financial review.

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 the opportunity to provide feedback on the Annual Report which was incorporated into the report 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 2021 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.

Mike Butterworth

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 supports the ongoing focus on strengthening our balance sheet

Remuneration Committee members during 2021

Gwyn Burr (Chair)
Habib Annous
Méka Brunel
Robert Noel
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 2021.

Context for the Committee's decisions

As noted in the Chief Executive's statement, 2021 was a year of challenge but also of opportunity and transformation. We changed our Chief Executive in November 2020 and our CFO in April 2021. Together, they have led a change in many other of the senior leadership positions and the new management team have delivered improved Group performance alongside managing the impact of Covid. They have strengthened the balance sheet through disposals and refinancing and started to build a performance-based culture focused on value creation and an asset-centric mindset.

In 2021 the Company delivered an improved financial performance with Adjusted Earnings for 2021 of £80.9 million, significantly ahead of the targets set for the year. This has been delivered with very significant improvement in our collections with almost 90% of rent due in 2021 collected as at the year-end.

With the half year results in August, the Company set out its new strategic vision, focused on the four key building blocks of creating an agile platform, delivering a sustainable and resilient capital structure, reinvigorating our assets and accelerating development. Significant progress has already been made during 2021 in each of these steps with:

- £503 million of disposals exchanged or completed in 2021
- The launch of a €700 million Sustainability Linked Bond with a six-year maturity period and a 1.75% coupon, and new revolving credit facilities which both extended and de-risked our debt maturity profile
- Net debt reduced by £415 million
- Adjusted earnings increased from £37 million in 2020 to £80.9 million in 2021
- Significant progress made in managing the cost base leading to annualised future savings of £14.3 million

Overall, this was, therefore, a strong year in the context of de-risking the balance sheet and reshaping the business in line with the strategy.

I am conscious that shareholders may be interested in how we utilised the various UK government subsidies available. In 2021 there was very limited use of furlough (c.£120,000). The Company has voluntarily repaid this amount to Government.

Remuneration policy

The current policy was approved at the AGM on 28 April 2020 with 91.34% of shares voted in favour. The last Report, which explained how we applied that policy in 2020 and intended to do so in 2021, was also approved with 95.5% of shares voted in favour. The policy will remain in force until a revised policy is approved by shareholders at next year's AGM at the latest. Further information on the application of the Policy during 2021 is detailed on pages 69 to 78. 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 performance-related incentives

Executive Director changes

As I explained in my Report last year, the Company announced on 15 January 2021 that James Lenton would be stepping down as CFO and from the Board on 26 April 2021, with his 12 months' notice of resignation taking effect on 18 January 2021. Mr Lenton was not eligible for a bonus for 2021 and did not receive any RSS awards in the year. After he stepped down, Mr Lenton received his salary and benefits until 31 July, and subsequently continued membership of the Company's medical insurance scheme until 20 September. Because he had resigned, all his outstanding LTIP/ RSS awards and deferred bonuses lapsed.

Himanshu Raja joined the Company on 26 April 2021 as CFO and Executive Director. Further details on his terms of appointment are set out in the Report but briefly comprise:

- A lower pension allowance than Mr Lenton. The Committee took the opportunity to reduce the pension salary supplement to align with the Chief Executive, and both Executive Directors now receive pension contributions at or below that offered to colleagues
- Equivalent ongoing bonus and RSS (compared with that envisaged for Mr Lenton)

Long term incentive arrangements

Rita-Rose Gagné was granted an RSS award equivalent to 100% of base salary in 2021, in line with the Policy. Following his appointment, Himanshu Raja was granted an RSS award equivalent to 75% of base salary, again in line with the Policy.

Incentive pay performance

Annual bonus (AIP) is determined based on a combination of financial and non-financial performance measures.

The financial performance measures in 2021 were Adjusted Earnings, Group net debt and reduction in the cost base (22.3% of AIP each):

- Adjusted Earnings performance was fully achieved with performance significantly ahead of the target range. For completeness, the Committee noted that Adjusted Earnings included some lease surrender premiums which are unlikely to be repeated but that the stretch target was exceeded even had these amounts been excluded. Consistent with established practice, the targets were adjusted for variances from assumed disposals to ensure that management did not benefit from the contribution of properties which were either not sold or sold later than planned
- Net debt performance in 2021 was achieved as to 32.0%, between the threshold and on-target performance levels
- A reduction in the cost base was achieved as to 70.0% (i.e. ahead of the on-target performance level), with annualised savings of £14.3 million

The non-financial elements achieved:

- A 25% reduction in CO₂ emissions which formulaically resulted in a 100% outturn under the ESG performance measure, although this was reduced to 50% reflecting that it had benefitted from closures
- Personal performance was achieved as to 85% for each of the Chief Executive and the CFO reflecting their achievements in delivering a strong performance for the business, developing a clear strategy, deleveraging the business and supporting key disposals in the year

Overall, this resulted in an outcome of 70.4% of the maximum which the Remuneration Committee considered appropriate and approved without the exercise of discretion other than the reduction in the ESG component as explained above, having regard to the Company's strong performance and having considered its performance relative to other owners of retail property. More details are shown on page 70.

No LTIP or RSS award was due to vest to any Executive Director in 2021.

Stakeholder engagement

We communicate with, and receive feedback from, the Company's colleagues through a variety of channels, notably through The Colleague Forum (the Forum) which you can read about it on page 51. Carol Welch, as Designated Non-Executive Director for Colleague Engagement, met the Forum in October 2021 to discuss executive remuneration and explain how it aligns with the wider Company pay policy.

The Committee is regularly updated on colleague pay and benefits throughout the Group and considers colleague remuneration, as well as feedback from Carol Welch, as part of its review of executive remuneration.

No formal consultation with shareholders on remuneration has been 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.

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 strengthening the business, the Committee has determined that the 2022 AIP financial performance measures will again be based on an equal weighting of adjusted earnings; reduction of net debt; and reduction in the cost base. The non-financial component will again include an 8% weighting on ESG and 25% on personal and strategic objectives. Further information on the 2022 AIP performance measures and targets is on page 80.

2022 pay approach

The Committee approved a 2% salary increase for each of the Executive Directors, noting that this is below the current level of inflation and in line with the average to be awarded to colleagues generally.

Exercise of discretion and judgement

The Remuneration Committee considered the AIP outturn to be appropriate and to reflect strong performance against a highly challenging backdrop. As such, the Remuneration Committee did not exercise its discretion to override formulaic variable pay outturns in the year other than the reduction in the ESG component of the AIP as explained above.

Conclusion

In summary:

- The AIP delivered 70.4% of the maximum, with 40% of this deferred in shares for two years
- The former CFO left the Company and was succeeded by a new CFO on equivalent terms but with a lower pension allowance
- The new CFO was eligible for a time pro-rated AIP bonus in 2021 and received an initial RSS grant in accordance with the Policy (at 75% of salary)
- Recognising the need to balance the impact of high inflation with the continuing focus on cost control, a 2% salary increase was awarded to the Executive Directors

This will be my final Report as Chair of the Remuneration Committee, and I will step down from the Board at the 2022 AGM, and my colleague Habib Annous will succeed me as Committee Chair from that date.

At the 2022 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 50

Summary of major activities and decisions of the Committee in 2021

Salary and benefits	2021 review of Executive Directors' pay and the fee for the Chair of the Board Review and approval of the resignation arrangements for James Lenton Review and approval of the service agreement for Himanshu Raja Review and approval of the service agreements for new members of the GEC
Annual Incentive Plan and Long Term Incentive Schemes	Consideration of AIP 2020 outturn Review and approval of 2021 AIP structure, performance targets and personal objectives Consideration of 2017 LTIP performance outturn and approval of vesting outcomes Review of likely 2021 AIP outturn and potential targets for 2022 Review and approval of the RSS award levels Review of RSP awards for GEC members
Governance	Review of AGM season remuneration report results, and shareholders' and proxy agencies' views on remuneration Review of the Remuneration Committee's terms of reference
Other	Review of Directors' Remuneration Report Employee share plan award activity Review of remuneration consultant costs and re-appointment Review of emerging remuneration practice Consideration of the treatment of share awards to reflect the Enhanced Scrip Dividend In consultation with the Designated Non-Executive Director for Colleague Engagement, engagement with the wider workforce on how executive pay aligns with pay for the wider workforce

Annual Remuneration report

The Annual Remuneration Report (Report) sets out how the Directors' Remuneration Policy (Policy) was put into practice in 2021 and how we intend to implement it in 2022. It is divided into three sections:

Section 1: Single figure tables

Section 2: Further information on 2021 remuneration

Section 3: Implementation of Remuneration Policy in 2022

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 79 to 82.

Section 1: Single figure tables

This section contains the single figure tables showing 2021 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 51.

Executive Directors' remuneration: Single Figure Table *

Table 51 below shows the remuneration of the Executive Directors for the year ended 31 December 2021, and the comparative figures for the year ended 31 December 2020. The figures for 2020 only include directors who served for part of 2021 and, therefore, do not equal to the totals for 2020 as reported in last year's report.

Table 51

Executive Directors' remuneration for the year ended 31 December 2021

		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	2021	672	421	67	1,160	946	–	946	2,106
	2020	112	25	11	148	–	–	–	148
Himanshu Raja ²	2021	295	16	30	341	311	–	311	652
	2020	–	–	–	–	–	–	–	–
James Lenton ^{3,4}	2021	137	6	19	162	–	–	–	162
	2020	409	18	57	484	–	–	–	484
Total	2021	1,104	443	116	1,663	1,257	–	1,257	2,920
	2020	521	43	68	632	–	–	–	632

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

2. Himanshu Raja was appointed as a Director of Hammerson plc with effect from 26 April 2021.

3. James Lenton ceased to be a Director of Hammerson plc with effect from 26 April 2021 but remained an employee until 31 July 2021. These disclosures only include his emoluments while a Director.

4. The Executive Directors took a salary reduction of 20% from 1 April 2020 to 30 June 2020. James Lenton's 2020 figures are shown net of the salary and pension waived (£24,510).



For further information on the AIP and LTIP see pages 70 to 71.

Commentary on the Single Figure Table *

Fixed Remuneration

Salary

In accordance with the terms of her service contract, Rita-Rose Gagné was not eligible to be considered for an increase to her base salary for 2021. James Lenton was also not considered for an increase to salary in February 2021.

Benefits

The taxable benefits shown in the Single Figure Table include a car allowance (£16,000), private health insurance and permanent health insurance. In addition, the Company paid for tax advice for Rita-Rose Gagné, and for legal advice to Himanshu Raja in respect of the negotiation of his service contract. As stated in last year's report, Rita-Rose Gagné also received a gross relocation allowance of £400,000 following her relocation from Canada in February 2021.

UK Executive Directors are eligible to participate in the Company's all-employee share plan arrangements (SIP and Sharesave) but no Executive Director participated in 2021.

Directors' Remuneration report continued

Pension

Executive Directors receive a salary supplement in lieu of pension benefits. Rita-Rose Gagné and Himanshu Raja each received a salary supplement of 10% of base salary which is consistent with the rate available to new joiners and below the rate for longer-serving employees. James Lenton received a salary supplement of 14% of base salary for the period employed up until 31 July 2021. All salary supplements paid to Executive Directors in lieu of pension benefits are subject to deductions required for income tax in the UK.

Variable Remuneration *

Annual bonus for 2021

The Annual Incentive Plan (AIP) is the Company's annual bonus scheme. The bonus awards are based on performance conditions that were approved by the Committee. The AIP bonus is split 67% for performance against financial measures, 8% for sustainability and 25% for performance against personal objectives. The Committee has the ability to override the indicative formulaic outcome if it considers that not to be appropriate given the Company's performance during the year.

The performance targets were not disclosed in advance of the year, as they were considered by the Board to be commercially sensitive information, but full details of the conditions and performance against them are now set out below.

Table 52

	Financial measures (% of bonus achieved, max 67%)	ESG measures (% of bonus achieved, max 8%)	Personal measures (% of bonus achieved, max 25%)	Total vesting percentage (%, max 100%)	Vesting amount as % of salary	AIP amount (£000) (Shown in Single Figure Table)
Rita-Rose Gagné (max bonus – 200% of salary)	45.1%	4.0%	21.3%	70.4%	140.7%	946
Himanshu Raja (max bonus – 150% of salary, time pro-rated)	45.1%	4.0%	21.3%	70.4%	105.5%	311
James Lenton (not eligible for a bonus in 2021)	–	–	–	–	–	–

Table 53

AIP outcome

	Performance against targets ¹					Bonus achieved	
	Entry threshold (% vesting at threshold)	On-target (50% vesting)	Full vesting target (100% vesting)	Result achieved	Vesting percentage against target	Weighting (% of max bonus available)	% of max bonus achieved
Adjusted earnings ²	£38.3m (0%)	£42.75m	£47.2m	£80.9m	100.0%	22.3%	22.3%
Net debt ³	£1.914bn (0%)	£1.682bn	£1.574bn	£1.819bn	32.0%	22.3%	7.2%
Reduction in cost base ⁴	£8.0m (0%)	£12.5m	£17.0m	£14.3m	70.0%	22.3%	15.6%
Reduction in CO ₂ Emissions ⁵	17% (25%)	18%	20%	25%	50.0%	8.0%	4.0%
Personal Objectives	See below				85.0%	25.0%	21.3%
Total						–	70.4%

Notes

- Each of the AIP performance conditions is subject to a straight-line payment scale between threshold, on-target and full vesting points.
- The 2020 Annual Report referred to this being intended to be Adjusted EPS although the Committee approved Adjusted Earnings. Consistent with established practice, the original performance targets were increased to reflect variances in the timing of planned disposals.
- Net debt is as shown in Table 94 on page 168. Again, consistent with established practice, the original targets were increased to reflect changes in foreign exchange rates in the year. This target also had an intermediate target of £1.899 bn at which point 25% was payable.
- Reduction in the cost base means the annualised cost savings attributable to the reorganisation work completed by year-end and to savings on the D&O renewal.
- Reduction in CO₂ emissions compared with the 2019 portfolio as adjusted for 2021 disposals. The total reduction for 2021 was 25% but the Remuneration Committee made two changes, first determining that it was more appropriate to measure this element of the AIP based on the reduction for H2 2021, which was lower at 20%, as this represented a period when assets were largely open and was, therefore, considered a better reflection of management's performance. This still resulted in a 100% vesting level which was then reduced by 50% on a discretionary basis.

The Chief Executive's personal objectives included establishing a new strategy; this was clearly met with the Board's approval of the strategy based on the four pillars of delivering a sustainable capital structure, creating an agile platform, reinvigorating our assets and accelerating the development pipeline.

Particular highlights of operational excellence included a return to profit, significant improvement in collections, repurposing of a number of large vacant units, the signing of 371 new leases during the year, renewal of the senior management team, and significant cost savings, right-sizing the business for the future.

Against this backdrop, an outturn of 85% of the maximum was proposed to the Committee which was approved without adjustment.

The CFO's objectives were set on his joining and focused on a number of similar objectives to those of the Chief Executive, including leading the refinancing (particularly the €700m sustainability linked bond and new revolving credit facilities), significantly improving collections and creating a more agile platform.

Against this backdrop, an outturn of 85% of the maximum was proposed to the Committee which was approved without adjustment.

Long Term Incentive Plan

The LTIP was replaced by the Restricted Share Scheme (RSS) in April 2020 for future awards. In 2021, no RSS award was due to vest to any Executive Director.

Non-Executive Directors: Single Figure Table*

Table 54 below shows the remuneration of Non-Executive Directors for the year ended 31 December 2021 and the comparative figures for the year ended 31 December 2020. The figures for 2020 only include directors who served for part of 2021 and, therefore, do not equal to the totals for 2020 as reported in last year's report.

Table 54

Non-Executive Directors' remuneration for the year ended 31 December 2021

	Committee membership and other responsibilities			Fees ⁹		Benefits		Total	
	Audit Committee	Remuneration Committee	Other	2021 £000	2020 £000	2021 £000	2020 £000	2021 £000	2020 £000
Robert Noel ¹		Member	Chair of the Board	300	96	4	1	304	97
Pierre Bouchut ²				26	73	5	6	31	79
Gwyn Burr ³	Member	Chair	Senior Independent Director	88	87	–	–	88	87
Habib Annous ⁴	Member	Member		47	–	–	–	47	–
Méka Brunel ⁵		Member		67	62	–	3	67	65
Mike Butterworth ⁶	Chair			73	–	–	–	73	–
Desmond de Beer ⁷				62	33	1	–	63	33
Andrew Formica	Member			67	63	–	–	67	63
Adam Metz ⁸	Member			67	62	2	33	69	95
Carol Welch		Member	Designated Non-Executive Director for Colleague Engagement	75	63	–	–	75	63
Total				872	539	12	43	884	582

- Robert Noel was appointed as a Director on 1 September 2020 and as Chair of the Board on 7 September 2020.
- Pierre Bouchut resigned as a Director on 4 May 2021. He was based in France, and this is reflected in his benefits figure – see Benefits note on page 72.
- Gwyn Burr stepped down as a member of the Audit Committee with effect from 5 May 2021.
- Habib Annous was appointed as a Director and a member of the Remuneration, Audit, IDC and Nomination Committees on 5 May 2021.
- Méka Brunel is based in France. This is reflected in her benefits figure – see Benefits note on page 72.
- Mike Butterworth was appointed as a Director on 1 January 2021 and as Audit Committee Chair with effect from 4 May 2021.
- Desmond de Beer was appointed as a Director on 15 June 2020 and is based in South Africa.
- Adam Metz is based in the USA. This is reflected in his benefits figure – see Benefits note on page 72.
- 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.

Directors' Remuneration report continued

Benefits

The benefits disclosed in Table 55 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 March 2021. No increase was made to Non-Executive Director fees or to the Chair's fee. The annual fees payable to Non-Executive Directors are set out in Table 55 below. There is no fee for membership of the Nomination Committee or the Investment and Disposal Committee.

Table 55

Chair of the Board and Non-Executive Directors' 2021 annual fees		£
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

Section 2: Further information on 2021 remuneration

Directors' shareholdings and share plan interests *

Table 56

Summary of all Directors' shareholdings and share plan interests as at 31 December 2021 * (including Persons Closely Associated)

Outstanding scheme interests at 31/12/21					Actual shares held		Total of all share scheme interests and shareholdings at 31/12/21 (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	As at 1 January 2021 (or joining date if later)	As at 31 December 2021 (or leaving date if earlier)		
Executive Directors							
Rita-Rose Gagné	8,946,861	–	–	8,946,861	–	306,748	9,253,609
Himanshu Raja (appointed as a Director on 26 April 2021)	943,506	–	–	943,506	10,000	211,060	1,154,566
James Lenton (ceased to be a Director on 26 April 2021)	–	–	–	–	–	–	–
Non-Executive Directors							
Robert Noel	–	–	–	–	815,387	911,189	911,189
Pierre Bouchut (ceased to be a Director on 4 May 2021)	–	–	–	–	108,445	108,445	108,445
Gwyn Burr	–	–	–	–	27,706	30,646	30,646
Habib Annous (appointed as a Director on 5 May 2021)	–	–	–	–	–	281,697	281,697
Méka Brunel	–	–	–	–	24,650	27,266	27,266
Mike Butterworth	–	–	–	–	–	86,422	86,422
Desmond de Beer	–	–	–	–	40,540,256	44,821,071	44,821,071
Andrew Formica	–	–	–	–	239,180	267,281	267,281
Adam Metz	–	–	–	–	497,806	975,010	975,010
Carol Welch	–	–	–	–	41,131	45,497	45,497

Notes

- RSS awards still subject to performance measures.
- DBSS and Sharesave awards that have not vested.
- DBSS awards that have vested but remain unexercised plus any notional dividend shares.

Between 1 January 2022 and 3 March 2022, the Executive and Non-Executive Directors' beneficial interests in Table 56 above remained unchanged.

Directors' share ownership guidelines *

Table 57 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 57

Executive Directors' shareholdings as a percentage of salary

	Shares held as at 31 December 2021 (or leaving date if earlier)	Vested but unexercised share scheme interests	Guideline on share ownership as % of salary	Actual beneficial share ownership as % of salary ²	Guideline met
Rita-Rose Gagné	306,748	–	250%	15%	Building
Himanshu Raja (appointed as a Director on 26 April 2021)	211,060	–	250%	16%	Building

Notes

- The number of vested but unexercised share scheme interests shown is on a net of income tax and national insurance basis in accordance with the Company's share ownership guidelines.
- As at, and based on the share price of 32.8p on, 31 December 2021.
- Rita-Rose Gagné was appointed on 2 November 2020 and is expected to achieve the share ownership guideline by November 2027. Himanshu Raja was appointed on 26 April 2021 and is expected to achieve the share ownership guideline by April 2028.

Executive Directors' share plan interests (including share options) *

Table 54 below set out the Executive Directors' interests under the Deferred Bonus Share Scheme (DBSS) and the Restricted Share Scheme (RSS). No Executive Director participates in the Sharesave scheme or holds awards under the LTIP.

Performance conditions and form of awards *

Awards under the DBSS are not subject to any performance conditions (other than continued employment on the vesting date). The RSS awards are subject to a material underperformance underpin.

Awards to UK based Executive Directors under the RSS and DBSS are made in the form of nil-cost options.

Accrual of dividend shares

DBSS and RSS awards accrue notional dividend shares to the date of vesting (including any holding period).

Face values *

Face values for the DBSS and RSS awards are calculated by multiplying the number of shares granted during 2021 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

RSP and DBSS awards are satisfied using market purchased shares and the 2021 RSS awards will also be satisfied using market purchased shares. SIP and LTIP awards would be satisfied with new issued shares. 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.

Table 58

Executive Directors' share plan interests 2021 *

	Date of award	Vesting date ¹	Number of awards held as at 1 January 2021	Awarded	Notional dividend shares accrued	Exercised/ vested	Lapsed	Number of awards held as at 31 December 2021	Grant price in pence	Face value of awards granted during 2021 £000
Rita-Rose Gagné										
RSS	02/11/2020	Nov-23	6,087,302	-	646,296	-	-	6,733,598	17.71	-
RSS	31/03/2021	Mar-24	-	2,000,833	212,430	-	-	2,213,263	33.59	672
	Date of award	Vesting date ¹	Number of awards held as at 1 January 2021	Awarded	Notional dividend shares accrued	Exercised/ vested	Lapsed	Number of awards held as at 31 December 2021	Grant price in pence	Face value of awards granted during 2021 £000
Himanshu Raja										
RSS	27/04/2021	Apr-24	-	852,948	90,558	-	-	943,506	37.81	322
	Date of award	Vesting date ¹	Number of awards held as at 1 January 2021	Awarded	Notional dividend shares accrued	Exercised/ vested	Lapsed	Number of awards held as at 31 December 2021	Grant price in pence	Face value of awards granted during 2021 £000
James Lenton										
RSS	02/11/2020	Nov-23	1,947,485	-	-	-	1,947,485	-	17.71	-
LTIP	20/09/2019	Sep-23	186,961	-	-	-	186,961	-	269.42	-
DBSS	10/03/2020	Mar-20	41,996	-	-	-	41,996	-	186.05	-

Notes:

1. RSS awards vest one third on each of the third, fourth and fifth anniversaries of the date of award.
2. The performance period for the purpose of the performance conditions is the same as the vesting period.
3. James Lenton remained an employee of the Company until 31 July 2021. As Mr Lenton resigned, all outstanding share awards lapsed.
4. The grant price refers to the average closing price over the 5 days prior to grant consistent with the general approach to determining the awards.

Detail of RSS awards

RSS awards were made on 31 March 2021 over shares worth 100% of salary to Rita-Rose Gagné. Following his appointment as CFO, RSS awards were made on 27 April 2021 to Himanshu Raja over shares worth 75% of salary. No RSS awards were granted to James Lenton in the year.

Details of the RSS awards are shown in Table 58 above.

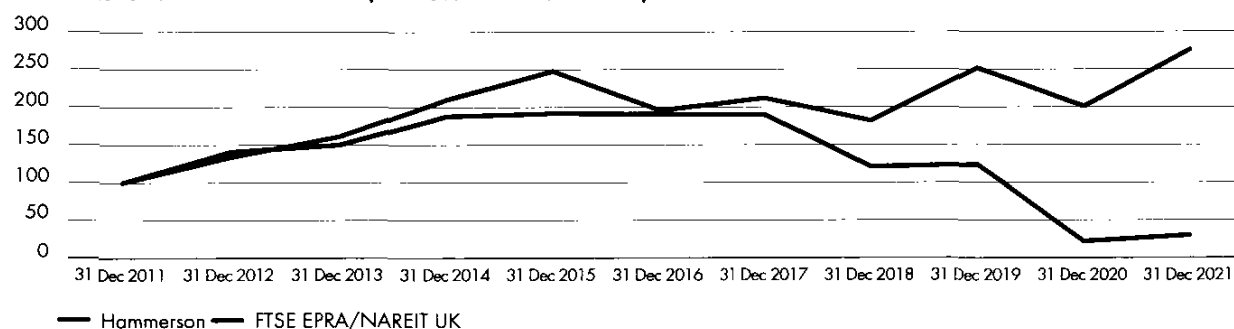
These awards were granted subject to an underpin in respect of the entire awards so that the Remuneration Committee may reduce the level of vesting if it feels that it is not appropriate in all the circumstances.

Total Shareholder Return

Chart 59 below shows the Total Shareholder Return (TSR) in respect of the Company's ordinary shares of 5p each for the 10 years ended 31 December 2021 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 2011. The other points shown on the chart are the values at intervening financial year ends.

Chart 59

Total Shareholder return index (31 December 2011=100)



Notes

- Consistent with normal practice, the chart above assumes receipt of cash dividends which are reinvested in company shares. The majority of shareholders elected for an enhanced scrip dividend which results in a higher TSR and, therefore, this chart understates the Company's TSR to some extent.

Remuneration of the Chief Executive over the last 10 years

Table 60 shows the remuneration of the holder of the office of Chief Executive for the period from 1 January 2012 to 31 December 2021.

Table 60

Chief Executive's remuneration history

Year	Total remuneration £000	Annual bonus ¹	LTIP vesting ¹
2021	2,106	70.4%	n/a
2020 (Rita-Rose Gagné) from 2 November 2020	148	0.0%	n/a
2020 (David Atkins) to 2 November 2020	667	0.0%	0.0%
2019	1,408	37.1%	29.7%
2018	1,109	n/a	51.5%
2017	1,795	47.5%	56.4%
2016	2,681	65.3%	64.9%
2015	2,147	77.3%	0.0%
2014	1,568	65.3%	0.0%
2013	2,216	56.2%	51.6%
2012	2,451	88.9%	52.6%

Notes

- All numbers are expressed as a percentage of the maximum that could have vested in that year.

Relative importance of spend on pay

Table 61 below shows the Company's total employee costs compared with dividends paid.

Table 61

Total employee costs compared with dividends paid

	Employee costs	Dividends ¹
2021	£53.0m	£135.7m
2020	£48.9m	£71.5m
Percentage change	8.38%	89.80%

Notes

- These figures have been extracted from note 5 (Administration expenses) to the financial statements on page 116.
- These figures have been extracted from note 11 (Dividends) to the financial statements on page 122.

Remuneration for the Executive Directors and Non-Executive Directors compared with UK employees of the Hammerson Group

Tables 62 and 63 show the percentage change from 31 December 2020 to 31 December 2021 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 only. The three Executive Directors have been excluded from the UK employees' calculation.

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 62 and Table 63.

Table 62

Percentage change in the Executive Directors' base salary, taxable benefits and bonus

	Change % (2020 to 2021)			Change % (2019 to 2020)		
	Salary	Benefits	Annual bonus	Salary	Benefits	Annual bonus
Rita-Rose Gagné (Chief Executive)	–	180.5%	N/A	N/A	N/A	N/A
Himanshu Raja (CFO)	N/A	N/A	N/A	N/A	N/A	N/A
James Lenton (ceased to be a Director and CFO on 26 April 2021)	5.6%	-1.0%	N/A	-5.7%	4.5%	-100.0%
Total UK employees	9.5%	18.6%	324.7%	3.7%	-5.3%	-73.8%

Rita-Rose Gagné's 2021 benefits principally relate to the agreed relocation allowance of £400,000 and are compared against the annualised benefits received in 2020.

Table 63

Percentage change in the Non-Executive Directors' fee and taxable benefits

	Change % (2020 to 2021)			Change % (2019 to 2020)		
	Salary	Benefits	Annual bonus	Salary	Benefits	Annual bonus
Robert Noel – Chair of the Board	3.8%	19.0%	N/A	N/A	N/A	N/A
Pierre Bouchut (ceased to be a Director on 4 May 2021)	5.7%	139.3%	N/A	-5.2%	-50.0%	N/A
Gwyn Burr – Senior Independent Director and Chair of the Remuneration Committee	1.5%	N/A	N/A	-4.4%	–	N/A
Habib Annous	N/A	N/A	N/A	N/A	N/A	N/A
Méka Brunel	7.4%	-100.0%	N/A	-1.9%	-87.7%	N/A
Mike Butterworth – Chair of the Audit Committee	N/A	N/A	N/A	N/A	N/A	N/A
Desmond de Beer	1.3%	N/A	N/A	N/A	N/A	N/A
Andrew Formica	5.3%	N/A	N/A	-6.0%	–	N/A
Adam Metz	7.4%	-93.7%	N/A	-1.7%	-77.8%	N/A
Carol Welch – Designated Non-Executive Director for Colleague Engagement	17.9%	N/A	N/A	-4.3%	–	N/A
Total UK employees	9.5%	18.6%	324.7%	3.7%	-5.3%	-73.8%

Notes:

1. The Executive and 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.
2. The changes shown for the Non-Executive Directors reflect the voluntary fee reductions in 2020 and changes to responsibilities. The additional fee for acting as Designated Non-Executive Director for Colleague Engagement was introduced with effect from 1 January 2021. There were no other changes to Non-Executive Director fees in the year.

Table 64 shows the ratio of Chief Executive pay to that of the UK employees whose pay is at the 25th percentile, median and 75th percentile.

Table 64

Chief Executive 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
2021	Option A	48:1	30:1	18:1

Total UK employee pay and benefits figures used to calculate the 2021 Chief Executive Pay Ratio

	25th percentile pay £000	Median pay £000	75th percentile pay £000
Salary	37	58	75
Total UK employee pay and benefits	44	71	120

Supporting information for the Chief Executive Pay Ratio

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.

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 2021. 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 are included on the basis of their FTE salary and benefits and pro-rata short-term incentives. No other calculation adjustments or assumptions have been made.

Chief Executive pay is per the single total figure of remuneration for 2021, as set out in Table 51 on page 69.

The primary reason for the increase in the Chief Executive pay ratio from 2020 to 2021 was that Rita-Rose Gagné received an AIP for 2021, having received no variable pay in the previous year.

Each of the three individuals identified was a full-time employee during the year and received remuneration in line with the Policy.

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 and median employees identified this year are not participants in either the RSS or RSP but did receive an annual bonus for 2021. The upper quartile employee participates in the RSP and received an annual bonus for 2021. The median pay ratio is consistent with the pay, reward and progression policies for the Company's UK employees, reflecting the Company's policy to pay market-based levels of 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 Himanshu Raja

Himanshu Raja joined the Board as CFO on 26 April 2021. His employment terms are in line with the Policy. His gross annual salary is £430,000 and his pension allowance is 10% of base salary which was set below the rate available to the majority of colleagues. Upon joining, he received an award under the RSS of 75% of salary in line with the Policy.

Payments to past Directors *

No LTIP awards vested in 2021 to former Executive Directors. There were no payments to past Directors other than those disclosed in the 2020 Directors' Remuneration Report.

Payments for loss of office *

James Lenton ceased to be a Director on 26 April 2021 but remained an employee until 31 July 2021 and continued to receive salary and benefits during this period in accordance with his contractual terms. He subsequently continued membership of the Company's medical insurance scheme until 20 September 2021. As he resigned, he was not eligible to receive any bonus or an RSS grant in respect of 2021. His outstanding LTIP/ RSS awards all lapsed on his departure.

Table 65

Service agreements and notice periods for current Executive Directors

	Rita-Rose Gagné	Himanshu Raja
Date of service contract	29 September 2020	19 April 2021
Notice period	12 months' notice (both from and to the Executive Director).	
Payment in lieu of notice (PILON)	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. No PILON in event of gross misconduct. The Company has the discretion to make any PILON on a phased basis, subject to mitigation.	

Rita-Rose Gagné and Himanshu Raja 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.

Directors' Remuneration report continued

Table 66 below shows the dates of the appointments of the Non-Executive Directors in office as at 31 December 2021.

Table 66

	Date of original appointment to Board	Commencement date of current term	Unexpired term as at April 2022
Robert Noel	1 September 2020	1 September 2020	1 year, 5 months
Gwyn Burr	21 May 2012	21 May 2021	N/A
Habib Annous	1 January 2021	1 January 2021	1 year, 9 months
Méka Brunel	1 December 2019	1 December 2019	8 months
Mike Butterworth	5 May 2021	5 May 2021	2 years, 2 months
Des de Beer	15 June 2020	15 June 2020	1 year, 3 months
Andrew Formica	26 November 2015	26 November 2018	N/A
Adam Metz	22 July 2019	22 July 2019	3 months
Carol Welch	1 March 2019	1 March 2022	2 years 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 Himanshu Raja 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 advisors annually to ensure that advice is independent, appropriate and cost-effective. The members of the Committee are shown on page 66.

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 67

Advisor	Appointed by	Services provided to the Committee	Fees paid for services to the Committee in 2021 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	£67,040 (excluding VAT) (2020: £62,698, 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, CFO and Chief People Officer attend Committee meetings by invitation. The General Counsel and Company Secretary is the Secretary to the Committee. No one is present during discussions concerning their own remuneration.

Statement of voting at Annual General Meeting

Table 68 below shows votes cast by proxy at the AGM held on 4 May 2021 in respect of the Directors' Remuneration Report.

Table 68

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 2020 Directors' Remuneration Report (2021 AGM)	2,921,519,395 95.50%	137,742,653 4.50%	5,516,215
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 2022

This section sets out information on how the Remuneration Policy will be implemented in 2022. The full Directors' Remuneration Policy as approved by shareholders at the April 2020 AGM can be found in the 2019 Annual Report on the Company website at www.hammerson.com.

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 69

Summary of planned implementation of the Remuneration Policy during 2022

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

An increase of 2% was approved for each of the Executive Directors to take effect on 1 April 2022.

2022 Executive Directors' salaries	£
Rita-Rose Gagné	685,440
Himanshu Raja	438,600

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 2022, 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 receive a 10% 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		

Implementation

Executive Directors will continue to receive a 10% salary supplement by way of pension provision.

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 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	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 Awards are subject to clawback and malus provisions

Implementation

The AIP maximum will remain at 200% of base salary for the Chief Executive and 150% of base salary for the CFO.

Performance measures for the AIP for Executive Directors in 2022 will again be weighted at 22.33% on each of Adjusted Earnings, Net Debt and Gross administration costs, 8% on Group ESG and 25% on personal objectives.

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.

Full details of the specific targets and key personal objectives set will be disclosed in the 2022 Annual Report.

40% of the 2022 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 2022.

Restricted Share Scheme

Policy

Purpose and link to strategy	Performance measures	Operation
To incentivise the creation of long-term returns for shareholders To align interests of Executive Directors with shareholders and support retention To create alignment with the workforce	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	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 Awards are subject to clawback and malus provisions

Implementation

Annual award of 100% of base salary for the Chief Executive and 75% of base salary for the CFO. Vesting of the award is subject to the underpin described above.

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

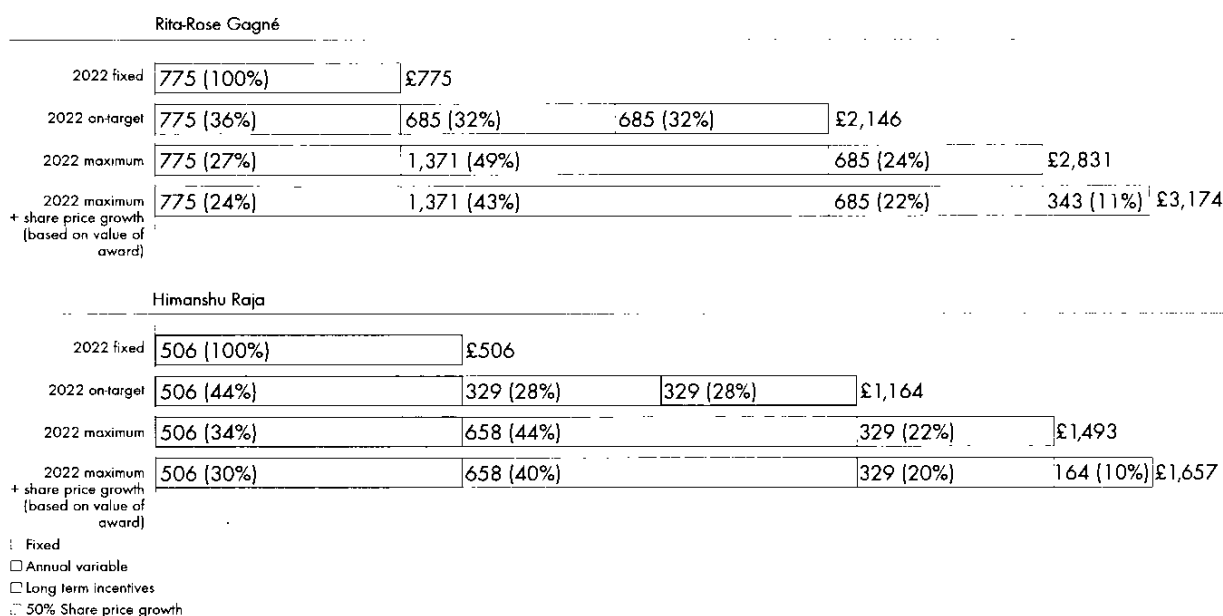
Implementation

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 2022.

Set out below is an illustration of the reward mix for Rita-Rose Gagné and Himanshu Raja at minimum, on target, and maximum performance under the Policy.

Chart 70

Illustration of application of the Policy (£000s)



Consistent with the Regulations, the charts above illustrate the impact of 50% share price growth on the value of long term incentives.

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. This includes vested shares and shares which are unvested but have met the performance conditions or underpins on a net of tax basis.

Implementation

250% of base salary for the Chief Executive and all other Executive Directors.

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

Chair and Non-Executive Directors' 2022 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

These remain unchanged from 2021 levels.

Remuneration for employees below Board level in 2022

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.

The Designated Non-Executive Director for Colleague Engagement is a member of the Remuneration Committee and held a number of Employee Forums in the year, including one specifically focused on discussing executive remuneration to explain how executive remuneration aligns with the wider company pay policy, as required by the UK Corporate Governance Code.

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:

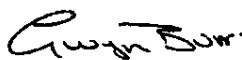
Factor	How addressed
Clarity – remuneration arrangements should be transparent and promote effective engagement with shareholders and the workforce	Remuneration policy and arrangements are clearly disclosed each year in the Annual Report. The Committee proactively seeks engagement with shareholders on 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 81.
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

3 March 2022



Directors' report

The Directors' report forms part of the management report as required under the Disclosure Guidance and Transparency Rules (DTR).

The Company has chosen, in accordance with Section 414C(1) of the Companies Act 2006 (the Act), to include certain information in the Strategic report that would otherwise be required to be included in this Directors' report, as follows:

Table 71

Information	Page/s
Likely future developments in the Company	10-11
Information about final dividends	2
Employment of disabled persons	14, 48
Engagement with colleagues	14-15

The Strategic report is set out on pages 1 to 48 and is incorporated into this Directors' report by reference. Other information, which forms part of this Directors' report by reference, can be found in the following sections of the Annual Report:

Table 72

Section	Page/s
Directors' biographies	49
Corporate Governance report	50-58
Engagement with customers, suppliers and other external stakeholders	56-58
Statement of Directors' responsibilities, including confirmation of disclosure of information to the auditors	85
Share capital of the Company	146
Subsidiaries and other related undertakings outside the UK	154-157
Disclosures concerning greenhouse gas emissions and energy consumption	173
Shareholder information	174-175

The Directors' report (including the information specified as forming part of this report) fulfils the requirements of the Corporate Governance Statement for the purposes of DTR 7.2.

Articles of Association

The Company's Articles of Association (Articles) may be amended by special resolution in accordance with the Act and are available at www.hammerson.com.

Authority to allot shares in the Company

At the 2021 Annual General Meeting (AGM), the Company was granted authority by shareholders to allot shares up to an aggregate nominal value of £67,621,636 generally, with a further authority to allot additional shares up to an aggregate nominal value of £67,621,636 where the allotment is in connection with a rights issue only. This authority will expire on the earlier of 4 August 2022 or the conclusion of the 2022 AGM, at which a resolution will be proposed for its partial renewal. Under this authority, the Company allotted a total of 146,446,064 ordinary shares on 13 May 2021 as part of the Company's enhanced scrip dividend alternative in relation to the final dividend for the financial year ended 31 December 2020, and a total of 215,712,923 ordinary shares on 7 December 2021 as part of the Company's enhanced scrip dividend alternative in relation to the interim dividend for the financial year ended 31 December 2021.

Colleagues

Colleagues 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. Further details of engagement with colleagues can be found on pages 14 to 15.

Directors and their share interests

Details of the Directors who served during the year ended 31 December 2021 and continue to serve at the date of approval of the Directors' report are set out on page 49. James Lenton stepped down as a Director on 26 April 2021 and Pierre Bouchut stepped down as a Director on 4 May 2021. Himanshu Raja was appointed as a Director on 26 April 2021. Mike Butterworth and Habib Annous were also appointed as Directors on 1 January 2021 and 5 May 2021 respectively. Gwyn Burr and Andrew Formica have each informed the Board that they will not be standing for re-election at the 2022 AGM and they will each step down as a Director at the end of the meeting, scheduled for 28 April 2022 (see page 2 for further detail). Alan Olivier was appointed by Des De Beer as his alternate on 22 February 2022 (see page 59 for further detail).

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.

The Directors' interests in ordinary shares in the Company are set out in the table on pages 73 to 74 of the Directors' Remuneration report.

Going concern and viability statements

The Company's going concern and viability statements can be found on pages 23 and 45 to 46.

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 appropriately insured in accordance with standard practice. Directors are indemnified under the Articles and through a Deed Poll of Indemnity.

Political donations

It is the Company's policy not to make political donations and no political donations, contributions or political expenditure were made in the year ended 31 December 2021.

Post-balance sheet events

Details of post-balance sheet events can be found in note 29 to the financial statements on page 148.

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 2021 AGM, the Company was granted authority by shareholders to purchase up to 405,729,817 ordinary shares (representing approximately 10% of the Company's issued ordinary share capital as at 19 March 2021). This authority will expire at the conclusion of the 2022 AGM, at which a resolution will be proposed for its renewal, or, if earlier, on 4 August 2022.

On 6 December 2021, Hammerson announced the commencement of a share repurchase programme (the Programme). The sole purpose of the Programme was to reduce the issued share capital of the Company to meet obligations arising from employee share option programmes. Following the conclusion of the Programme on 16 December 2021, the Company held a total of 7,691,247 ordinary shares of £0.05p nominal value in treasury. The aggregate cost of the repurchase was £2.5 million.

Interests disclosed under DTR 5

As at 31 December 2021, the following information had been received by the Company, in accordance with Chapter 5 of the Disclosure Guidance and Transparency Rules, from holders of notifiable interests in the Company's issued share capital. It should be noted that these holdings may have changed since they were notified to the Company.

Table 73

	Number of voting rights	% of issued share capital carrying voting rights*
Lighthouse Capital Limited	927,628,656	22.07
APG Asset Management N.V.	924,893,992	22.00
Morgan Stanley & Co. International Plc	397,291,546	9.01
BlackRock, Inc	270,259,604	6.41

* Percentage based on ordinary shares in issue, excluding treasury shares, as at the date the notification was received by the Company.

Between 1 January 2022 and 14 March 2022 (the latest practicable date before the publication of this Report), the Company received the following additional notifications of interests in accordance with chapter 5 of the Disclosure Guidance and Transparency Rules from Morgan Stanley & Co. International plc:

- Notification received by the Company on 4 January 2022 of a decrease in voting rights from 397,291,546 to 392,275,285 (representing 8.89% of the Company's issued share capital carrying voting rights as at the date of that notification).
- Notification received by the Company on 12 January 2022 of an increase in voting rights from 392,275,285 to 398,629,399 (representing 9.04% of the Company's issued share capital carrying voting rights as at the date of that notification).
- Notification received by the Company on 13 January 2022 of a decrease in voting rights from 398,629,399 to 396,576,374 (representing 8.99% of the Company's issued share capital carrying voting rights as at the date of that notification).
- Notification received by the Company on 14 February 2022 of an increase in voting rights from 396,576,374 to 397,210,013 (representing 9.00% of the Company's issued share capital carrying voting rights as at the date of that notification).
- Notification received by the Company on 18 February 2022 of an increase in voting rights from 397,210,013 to 397,794,632 (representing 8.90% of the Company's issued share capital carrying voting rights as at the date of that notification).

The Company received no other notifications in the period between 1 January 2022 and 14 March 2022.

Share capital

Details of the Company's capital structure are set out in note 21K to the financial statements on page 145 and in note 24 on page 146. The rights and obligations attached to the Company's shares are set out in the Articles, in addition to those conferred on shareholders by law. There are no restrictions on the transfer of shares except the UK Real Estate Investment Trust restrictions and certain restrictions imposed by law and the Company's Share Dealing Policy. The Company is not aware of any agreements between holders of securities that are known to the Company and may result in restrictions on the transfer of securities or on voting rights. No dividends are paid in respect of shares held in treasury.

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 2021, 2,290,410 shares were held in trust for employee share plans purposes.

Listing Rule 9.8.4R disclosures

Table 74 sets out where disclosures required by Listing Rule 9.8.4R are located and these disclosures are incorporated into this Directors' Report by reference.

Table 74

LR 9.8.4R requirement	Page
Interest capitalised and tax relief	118
Details of long-term incentive schemes	146
Shareholder waivers of dividends	84
Shareholder waivers of future dividends	84

Alice Darwall

General Counsel and Company Secretary
3 March 2022



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 UK-adopted international accounting standards and the 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.

Under Company law, 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 for that period. In preparing the financial statements, the Directors are required to:

- Select suitable accounting policies and then apply them consistently
- State whether applicable UK-adopted international accounting standards and international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union 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 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 also responsible for keeping adequate accounting records that are sufficient to show and explain the Group's 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 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:

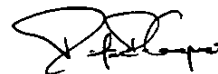
- The Group financial statements, which have been prepared in accordance with UK-adopted international accounting standards and international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union, give a true and fair view of the assets, liabilities, financial position and loss of the Group
- The Company financial statements, which have been prepared in accordance with United Kingdom Accounting Standards, comprising FRS 101, give a true and fair view of the assets, liabilities and financial position of the Company
- 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 it faces

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's and Company's auditors are aware of that information

By order of the Board

Rita-Rose Gagné
Chief Executive



Himanshu Raja
Chief Financial Officer

Himanshu Raja

3 March 2022

Independent auditors' report to the members of Hammerson plc

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 2021 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 UK-adopted international accounting standards;
- 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 2021; 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 UK-adopted international accounting standards, 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.

Other than those disclosed in note 5, we have provided no non-audit services to the Company or its controlled undertakings in the period under audit.

Our audit approach

Overview

Audit scope

- The UK, French, Irish and Value Retail components were subject to a full scope audit. Together these components account for 100% of the Group's total assets.
-

Key audit matters

- 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)
 - Valuation of investments in subsidiary companies and amounts owed by subsidiaries and other related undertakings (Company)
-

Materiality

- Overall Group materiality: £36.8 million (2020: £44.0 million) based on 0.75% of Group's total assets.
 - Specific Group materiality: £5.7 million (2020: £7.3 million) based on 5% of the Group's weighted average adjusted earnings from 2018 to 2021.
 - Overall Company materiality: £47.7 million (2020: £53.5 million) based on 0.75% of the Company's total assets.
 - Overall performance materiality: £27.6 million (2020: £33.0 million) (Group); specific performance materiality: £4.3 million (2020: £5.5 million) and Company performance materiality: £35.8 million (2020: £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.

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.

This is not a complete list of all risks identified by our audit.

The impact of Covid-19, which was a key audit matter last year, is no longer included because we have assessed the impact of the pandemic on key judgements or estimates within the Group and Company financial statements through other key audit matters included within this report, and the Directors have no longer identified a material uncertainty in respect of the Group's or the Company's ability to continue as a going concern. 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 64 (Audit Committee Report), pages 103 and 104 (Significant estimates – Property valuations), pages 109 and 110 (Significant accounting policies – Property portfolio) and pages 126 to 132 (Notes to the financial statements – notes 13 and 14).

The Group directly owns, or owns via joint ventures or associates, a property portfolio which includes shopping centres, developments and premium outlets. The total value of this portfolio as at 31 December 2021 was £5,372.2 million (2020: £6,338.0 million) and has continued to be impacted by the Covid-19 pandemic.

Of this portfolio £1,561.4 million (2020: £2,152.8 million) is held by subsidiaries within 'Investment properties', and £1,712.2 million (2020: £2,122.8 million) is held by joint ventures within 'Investment in joint ventures'. Additionally the portfolio includes £69.1 million (2020: £nil) held within 'Assets held for sale', and £34.3 million (2020: £nil) held within 'Trading properties'. Properties held within 'Assets held for sale' and 'Trading properties' do not form part of this key audit matter. Together these properties are spread across the UK, French and Irish components.

The remainder of the portfolio is held within associates, £1,995.2 million (2020: £2,062.4 million), primarily in respect of Value Retail with the balance held in Italie Deux. The Group's share of Value Retail's investment property is £1,893.5 million (2020: £1,924.2 million). The valuation of Value Retail's property is discussed within the subsequent 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, together with considerations around the impact of climate change. The wider challenges currently facing the retail real estate occupier and investor markets, which have been compounded by the continued impact of Covid-19, has resulted in a relative lack of comparable transactions and leasing activity continues to remain below pre-pandemic levels. As a result significant subjectivity remains within these valuations for the year ended 31 December 2021.

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'.

No material valuation uncertainty clauses were included in the external valuations of the properties in the Group's portfolio as at 31 December 2021, but the valuers continue to include wording suggested by the RICS to describe market uncertainty and highlighting the importance of the valuation date.

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 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 and are included in developments, are valued under the income capitalisation method but adjusted to account for development potential. Development land is valued on a value per acre basis.

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.

We held discussions with each of the external valuers to 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, vacancy levels, 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. We also questioned the external valuers as to the extent to which recent market transactions and expected rental values which they made use of in deriving their valuations took into account the impact of climate change and related ESG considerations.

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

For shopping centres 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 new leases signed in the year, we challenged the valuers to support how they had factored this new letting evidence into their ERV assumptions. 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.

Independent auditors' report to the members of Hammerson plc

Key audit matter

Shopping centres

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 method 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

– 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. 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.

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 continued 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 continuing to be subject to a greater degree of subjectivity than prior to the Covid-19 pandemic, we concluded that the assumptions used in the valuations by the external valuers were supportable.

Accounting for the investment in Value Retail and valuation of investment property held by Value Retail (Group)

Refer to pages 103 and 104 (Significant estimates – Property valuations), pages 109 and 110 (Significant accounting policies – Property portfolio) and pages 133 to 135 (Notes to the financial statements – note 15).

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 2021 was £1,140.8 million (2020: £1,154.1 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 total value of the properties was £5,055.6 million as at 31 December 2021 (2020: £5,263.1 million). The Group's share of the Value Retail property, which is included within the wider Group portfolio of £5,372.2 million (2020: £6,338.0 million), was £1,893.5 million (2020: £1,924.2 million) and has also been impacted by the continued 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 judgemental assumptions such as yield, discount rate and expected rental income levels and subsequent 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, and the differing ways in which Covid-19 has impacted, each property the judgemental 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.

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 expected rental income and subsequent 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 continued 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.

The Group audit team participated in the meeting held between Cushman & Wakefield and the component auditors. We have obtained reporting from the component auditors and have reviewed the results and underlying working papers over investment property valuation.

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 2021. 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 their underlying working papers.

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**How our audit addressed the key audit matter**

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 and estimation uncertainty within the investment property valuation, and the complexity in determining the overall investment in Value Retail, we identified this as a key audit matter.

Expected Credit Losses on accounts receivable and unamortised tenant incentives (Group)

Refer to page 65 (Audit Committee Report), pages 105 and 106 (Significant estimates - Impairment of trade receivables and tenant incentives), page 110 (Significant accounting policies), page 136 (Notes to the financial statements - note 16) and pages 140 to 142 (Notes to the financial statements - note 21E).

The total value of accounts receivable recognised within the Group's subsidiaries is £54.9 million (2020: £82.8 million) and within joint ventures and associates (excluding Value Retail) was £44.6 million (2020: £87.5 million) at 31 December 2021, against which an Expected Credit Loss ('ECL') provision of £27.4 million (2020: £35.8 million) and £25.9 million (2020: £44.0 million) has been recognised.

Total unamortised tenant incentives across the Group's subsidiaries are £25.1 million (2020: £44.3 million) and across joint ventures and associates (excluding Value Retail) was £30.8 million (2020: £23.7 million) at 31 December 2021, against which an ECL provision of £6.8 million (2020: £9.5 million) and £6.1 million (2020: £5.3 million) has been recognised.

The continued impact of the Covid-19 pandemic resulted in lockdowns and other government measures at different times during the year. Together with the wider pre-existing challenges in the retail market, this has caused the level of arrears as at 31 December 2021 to continue to be higher than pre-pandemic, albeit lower than as at 31 December 2020 as collections have improved. The effects of the pandemic are likely to continue to be experienced for some time, with a large proportion of outstanding accounts receivable being related to 2020. In this context the estimation of an ECL provision against accounts receivable and unamortised tenant incentives remains 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, with the applied percentages determined based on the age of the arrears, 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 in the current retail environment, we identified this as a key audit matter.

We have evaluated the methodology utilised by the Directors in determining the ECL provisions as at 31 December 2021. 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 receivable 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 post year end; and the forward looking macroeconomic environment.

We have challenged and 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, in particular the ageing of the arrears. We are satisfied that the assumptions utilised are reasonable.

We have performed a 'look back' analysis to assess management's historical accuracy of forecasting and assessed the release of the provision in the year.

We have performed a sensitivity analysis to understand the impact that reasonable changes in the provisioning percentage assumptions have 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

Independent auditors' report to the members of Hammerson plc

Key audit matter	How our audit addressed the key audit matter
Valuation of investments in subsidiary companies and intercompany receivables (Company) Refer to page 151 (Accounting Policies) and page 152 (Notes to the financial statements – notes C and D). The Company has investments in subsidiary companies of £1,279.3 million (2020: £2,409.0 million) and amounts owed by subsidiaries and other related undertakings of £4,727.5 million (2020: £4,308.0 million) as at 31 December 2021. This is following the recognition of a £1,136.1 million (2020: £1,369.3 million) revaluation loss on investments in subsidiary companies and an Expected Credit Loss provision of £471.6 million (2020: £310.4 million) recognised on amounts owed by subsidiaries and other related undertakings in the year. The Company's accounting policy for investments is to hold them at fair value, while amounts owed by subsidiaries and other related undertakings 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 amounts owed by subsidiaries and other related undertakings, 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 amounts owed by subsidiaries and other related undertakings is the value of the investment property held by each investee/counterparty. As such it was over this area that we applied the most focus and audit effort.	We obtained the Directors' valuation for the value of investments held in subsidiary companies and their Expected Credit Loss assessment of amounts owed by subsidiaries and other related undertakings as at 31 December 2021. We assessed the accounting policy for investments and amounts owed by subsidiaries and other related undertakings to verify 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 amounts owed by subsidiaries and other related undertakings, was compliant with FRS 101 "Reduced Disclosure Framework". We identified the key judgement within both the valuation of investments held in subsidiary companies and amounts owed by subsidiaries and other related undertakings 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, 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. All four components were subject to a full scope audit given their financial significance to the Group. The UK, French, Irish and Value Retail components account for 100% (2020: UK, French and Value Retail components accounted for 89%) 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 and in line with our instructions. 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. As part of our audit we made enquiries of management to understand the process they have adopted to assess the potential impact of climate change on the financial statements. Management considers that the impact of climate change does not give rise to a material financial statement impact in the current year. We used our knowledge of the Group to evaluate management's assessment. We particularly considered how climate change risks would impact the assumptions made in the valuation of investment property. We also considered the consistency of the disclosures in relation to climate change made in the other information within the Annual Report with the financial statements and our knowledge from our 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	£36.8 million (2020: £44.0 million).	£47.7 million (2020: £53.5 million).
How we determined it	0.75% of Group's total assets.	0.75% of the Company's total assets.
Rationale for benchmark applied	We determined this 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	£5.7 million (2020: £7.3 million).	Not applicable.
How we determined it	5% of the Group's weighted average adjusted earnings from 2018 to 2021 (2020: 5% of the Group's weighted average adjusted earnings from 2018 to 2020).	Not applicable.
Rationale for benchmark applied	In determining this materiality we had regard to the fact that adjusted earnings is a secondary financial indicator of the Group (refer to note 12 of the financial statements which includes a reconciliation between IFRS and adjusted earnings) and a weighted average of the last four years from 2018 to 2021 was utilised to reflect the continued impact of Covid-19 on the Group's results in 2021. This materiality was utilised in the audit of operating activities.	Not applicable.

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 £18.0 million to £32.0 million. The range of materiality allocated across components for operating activities was £2.5 million to £5.0 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% (2020: 75%) of overall materiality, amounting to £27.6 million (2020: £33.0 million) for the Group financial statements and £35.8 million (2020: £40.1 million) for the Company financial statements. Our performance materiality for operating activities was 75% of specific materiality, amounting to £4.3 million (2020: £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 £1.8 million (Group audit) (2020: £2.2 million) for investing and financing activities, £0.6 million (Group audit) (2020: £0.7 million) for operating activities, and £2.4 million (Company audit) (2020: £2.7 million) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

Independent auditors' report to the members of Hammerson plc

Conclusions relating the going concern

Our evaluation of the Directors' assessment of the Group's and the 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;
- 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 third party data sources, contractual rental income, together with the most recent data on levels of expected collections, rental concessions and 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 2023, 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 the refinancing risk in Value Retail, and then including the Value Retail refinancing risk. In particular we verified the Directors' conclusion regarding the Group's ability to withstand the Value Retail refinancing risk without breaching its gearing covenant;
- 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 within their reporting to us, drew attention to a material uncertainty in respect of going concern for their component that had been identified by the component management team. We verified Group management appropriately factored this conclusion into their Group going concern assessment; 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.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group's and the Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

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.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the Group's and the Company's ability to continue as a going concern.

In relation to the Directors' reporting on how they have applied the UK Corporate Governance Code, 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.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

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, which includes reporting based on the Task Force on Climate-related Financial Disclosures (TCFD) recommendations. 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 2021 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 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.

Independent auditors' report to the members of Hammerson plc

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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, 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, UK Companies Act 2006 requirements and listing requirements including the UK FCA Listing Rules, and we considered the extent to which non-compliance might have a material effect on the financial statements. 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, internal audit and those charged with governance, including consideration of known or suspected instances of non-compliance with laws and regulation and fraud;
- Reviewing minutes of meetings of those charged with governance;
- Evaluation of management's controls designed to prevent and detect irregularities;
- Designing audit procedures to incorporate unpredictability into our testing;
- Evaluation of the Group's compliance with the REIT requirements;
- 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 above);
- Identifying and testing journal entries, in particular any journal entries posted to revenue with unusual account combinations or posted by senior management; and
- Reviewing financial statement disclosures and testing to supporting documentation to assess compliance with applicable laws and regulations.

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.

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 5 years, covering the years ended 31 December 2017 to 31 December 2021.

Other matter

In due course, as required by the Financial Conduct Authority Disclosure Guidance and Transparency Rule 4.1.14R, these financial statements will form part of the ESEF-prepared annual financial report filed on the National Storage Mechanism of the Financial Conduct Authority in accordance with the ESEF Regulatory Technical Standard ('ESEF RTS'). This auditors' report provides no assurance over whether the annual financial report will be prepared using the single electronic format specified in the ESEF RTS.



Sonia Copeland (Senior Statutory Auditor)

for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London

3 March 2022

**Consolidated income statement
for the year ended 31 December 2021**

	Notes	2021 £m	2020 ¹ £m
Revenue	4	134.8	145.8
Operating profit before other net losses and share of results of joint ventures and associates^{2,3}	2	12.1	13.5
Profit/(Loss) on sale of properties	2	9.8	(3.5)
Loss on sale of joint venture and associate	2	(0.9)	-
Net exchange gain previously recognised in equity, recycled on disposal of foreign operations	2	11.0	5.2
Revaluation losses on properties	2	(173.7)	(442.7)
Impairment relating to assets held for sale	10D/10E	(0.9)	(103.8)
Other losses ⁴	2	(0.3)	(0.4)
Other net losses	2	(155.0)	(545.2)
Share of results of joint ventures	14A	(171.3)	(880.2)
Impairment of investment in joint ventures	14D	(11.5)	(9.6)
Share of results of associates	15A	15.6	(148.3)
Impairment of investment in associates	15E	-	(94.3)
Operating loss	2	(310.1)	(1,664.1)
Finance costs		(99.0)	(95.5)
Change in fair value of derivatives		(14.0)	13.7
Finance income		15.1	9.6
Net finance costs	8	(97.9)	(72.2)
Loss before tax		(408.0)	(1,736.3)
Tax charge	9A	(1.3)	(0.5)
Loss from continuing operations		(409.3)	(1,736.8)
(Loss)/Profit from discontinued operations	10B	(19.8)	1.9
Loss for the year		(429.1)	(1,734.9)
Attributable to:			
Equity shareholders		(429.1)	(1,734.8)
Non-controlling interests		-	(0.1)
Loss for the year		(429.1)	(1,734.9)
Basic and diluted (loss)/earnings per share⁵			
Continuing operations	12B	(9.3)p	(62.5)p
Discontinued operations	12B	(0.5)p	0.1p
Total⁵		(9.8)p	(62.4)p

- The results reported for the year ended 31 December 2020 have been reclassified to represent discontinued operations in line with the requirements of IFRS 5 'Non-current assets held for sale and discontinued operations'. Refer to note 1C for further details.
- Included within 'Operating profit before other net losses and share of results of joint ventures and associates' is a provision credit against trade receivables totalling £0.1 million (2020: £18.9 million charge), comprising a charge of £1.5 million (2020: £16.4 million) in relation to income recognised up to year end (included in other property outgoings in note 2) and a credit of £1.6 million (2020: £2.5 million charge) relating to amounts not yet recognised in the consolidated income statement (separately identified in note 2). 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 £1.6 million (2020: £9.5 million) provision for impairment of lease incentives. Refer to notes 1D and 26 for further details.
- Other losses in 2021 comprise £0.7 million relating to the impairment of a receivable balance due from a joint venture entity, less £0.4 million credit from the change in fair value of other investments. Other losses in 2020 comprise £0.3 million relating to indirect costs of the rights issue and £0.1 million change in fair value of other investments.
- For 2020 the loss per share figures have been restated from (77.0) pence per share for continuing operations and (76.9) pence in total, to the figures stated above, as a result of the application of International Accounting Standard 33 'Earnings per share' (IAS 33), in respect of the bonus element of scrip dividends declared by the Company. See note 12B for further details.

**Consolidated statement of comprehensive income
for the year ended 31 December 2021**

	2021 £m	2020 £m
Items recycled through the consolidated income statement on disposal of foreign operations		
Exchange gains previously recognised in the translation reserve	(55.2)	(26.0)
Exchange losses previously recognised in the net investment hedge reserve	44.2	20.8
Net exchange loss relating to equity shareholders ¹	(11.0)	(5.2)
Items that may subsequently be recycled through the consolidated income statement		
Foreign exchange translation differences	(139.7)	171.1
Gain/(Loss) on net investment hedge	112.2	(109.2)
Net (loss)/gain on cash flow hedge	(1.7)	4.8
Share of other comprehensive gain/(loss) of associates	1.3	(1.0)
	(27.9)	65.7
Items that may not subsequently be recycled through the consolidated income statement		
Net actuarial gains/(losses) on pension schemes	18.9	(12.8)
Total other comprehensive (loss)/income ²	(20.0)	47.7
Loss for the year from continuing operations	(409.3)	(1,736.8)
(Loss)/Profit for the year from discontinued operations	(19.8)	1.9
Loss for the year	(429.1)	(1,734.9)
Total comprehensive loss for the year	(449.1)	(1,687.2)
Attributable to:		
Equity shareholders	(449.1)	(1,687.1)
Non-controlling interests	–	(0.1)
Total comprehensive loss for the year	(449.1)	(1,687.2)

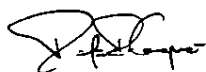
1. Relates to the sale of the Group's 25% interest in Espace Saint-Quentin, Saint Quentin-En-Yvelines and 10% interest in Nicetoile, Nice in 2021, and the sale of substantially all of the Group's investment in VIA Outlets in 2020.
2. All items within total other comprehensive (loss)/income relate to continuing operations as defined by IFRS 5.

Consolidated balance sheet
As at 31 December 2021

	Notes	2021 £m	2020 £m
Non-current assets			
Investment properties	13	1,561.4	2,152.8
Interests in leasehold properties		32.9	38.6
Right-of-use assets		3.8	6.7
Plant and equipment		1.4	2.3
Investment in joint ventures	14A	1,451.8	1,813.6
Investment in associates	15C	1,247.0	1,298.4
Other investments	10E	9.5	9.7
Derivative financial instruments	21A	18.6	6.6
Restricted monetary assets	17	21.4	21.4
Receivables	16A	19.5	3.4
		4,367.3	5,353.5
Current assets			
Receivables	16B	84.8	105.9
Trading properties	13	34.3	-
Derivative financial instruments	21A	7.3	9.1
Restricted monetary assets	17	39.1	28.3
Cash and deposits	18	309.7	409.5
		475.2	552.8
Assets held for sale	10D	71.4	-
		546.6	552.8
Total assets		4,913.9	5,906.3
Current liabilities			
Loans	20	-	(115.0)
Payables	19	(179.4)	(205.0)
Tax		(0.6)	(1.3)
Derivative financial instruments	21A	-	(2.3)
		(180.0)	(323.6)
Non-current liabilities			
Loans	20	(1,834.8)	(2,143.7)
Deferred tax		(0.4)	(0.4)
Derivative financial instruments	21A	(59.7)	(84.7)
Obligations under head leases	22	(36.4)	(41.8)
Payables	23	(56.6)	(103.2)
		(1,987.9)	(2,373.8)
Total liabilities		(2,167.9)	(2,697.4)
Net assets		2,746.0	3,208.9
Equity			
Share capital	24	221.0	202.9
Share premium		1,593.2	1,611.9
Translation reserve		471.1	666.0
Net investment hedge reserve		(362.8)	(519.2)
Cash flow hedge reserve		1.7	3.4
Merger reserve		374.1	374.1
Other reserves		207.6	207.1
Retained earnings		243.5	663.0
Investment in own shares		(3.5)	(0.4)
Equity shareholders' funds		2,745.9	3,208.8
Non-controlling interests	28C	0.1	0.1
Total equity		2,746.0	3,208.9
EPRA net tangible assets value per share (pence)	12D	64	82

These financial statements were approved by the Board of Directors on 3 March 2022. Signed on behalf of the Board:

Rita-Rose Gagné
Director



Himanshu Raja
Director

Himanshu Raja

Registered in England No. 360632

**Consolidated statement of changes in equity
for the year ended 31 December 2021**

	Share capital £m	Share premium £m	Translation reserve £m	Net investment hedge reserve £m	Cash flow hedge reserve £m	Merger reserve £m	Other reserves ¹ £m	Retained earnings £m	Investment in own shares ² £m	Equity shareholders' funds £m	Non- controlling interests £m	Total equity £m
Balance at 1 January 2021	202.9	1,611.9	666.0	(519.2)	3.4	374.1	207.1	663.0	(0.4)	3,208.8	0.1	3,208.9
Share-based employee remuneration (note 5)	-	-	-	-	-	-	3.3	-	-	3.3	-	3.3
Cost of shares awarded to employees	-	-	-	-	-	-	(0.4)	-	0.4	-	-	-
Transfer on award of own shares to employees	-	-	-	-	-	-	(2.4)	2.4	-	-	-	-
Purchase of own shares	-	-	-	-	-	-	-	-	(3.5)	(3.5)	-	(3.5)
Dividends (note 11)	-	-	-	-	-	-	-	(135.7)	-	(135.7)	-	(135.7)
Scrip dividend related share issue (note 11)	18.1	(18.1)	-	-	-	-	-	122.7	-	122.7	-	122.7
Scrip dividend related share issue costs	-	(0.6)	-	-	-	-	-	-	-	(0.6)	-	(0.6)
Exchange (gain)/loss previously recognised in equity recycled on disposal of foreign operations	-	-	(55.2)	44.2	-	-	-	-	-	(11.0)	-	(11.0)
Foreign exchange translation differences	-	-	(139.7)	-	-	-	-	-	-	(139.7)	-	(139.7)
Gain on net investment hedge	-	-	-	112.2	-	-	-	-	-	112.2	-	112.2
Loss on cash flow hedge	-	-	-	-	(1.9)	-	-	-	-	(1.9)	-	(1.9)
Loss on cash flow hedge recycled to net finance costs	-	-	-	-	0.2	-	-	-	-	0.2	-	0.2
Share of other comprehensive gain of associates (note 15E)	-	-	-	-	-	-	-	1.3	-	1.3	-	1.3
Net actuarial gains on pension schemes (note 7C)	-	-	-	-	-	-	-	18.9	-	18.9	-	18.9
Loss for the year ³	-	-	-	-	-	-	-	(429.1)	-	(429.1)	-	(429.1)
Total comprehensive (loss)/income for the year	-	-	(194.9)	156.4	(1.7)	-	-	(408.9)	-	(449.1)	-	(449.1)
Balance at 31 December 2021	221.0	1,593.2	471.1	(362.8)	1.7	374.1	207.6	243.5	(3.5)	2,745.9	0.1	2,746.0

1. Other reserves comprise capital redemption reserves of £198.2 million (2020: £198.2 million) and share-based employee remuneration reserves of £9.4 million (2020: £8.9 million). Capital redemption reserves comprise £14.3 million (2020: £14.3 million) relating to share buybacks and £183.9 million (2020: £183.9 million) resulting from the cancellation of the Company's shares as part of the reorganisation of share capital in 2020.

2. Investment in own shares is stated at cost and at 31 December 2021, includes 2,290,410 shares (at a cost of £1.0 million) held in the employee share trust, and 7,691,247 shares (at a cost of £2.5 million) held in treasury. At 31 December 2020, 962,180 shares (at a cost of £0.4 million) were held in the employee share trust.

3. Relates to continuing and discontinued operations.

Consolidated statement of changes in equity continued

	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	
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 11)	-	-	-	-	-	-	-	(71.5)	-	(71.5)	-	(71.5)
Scrip dividend related share issue (note 11)	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 15E)	-	-	-	-	-	-	-	(1.0)	-	(1.0)	-	(1.0)
Net actuarial losses on pension schemes (note 7C)	-	-	-	-	-	-	-	(12.8)	-	(12.8)	-	(12.8)
Loss for the year ⁵	-	-	-	-	-	-	-	(1,734.8)	-	(1,734.8)	(0.1)	(1,734.9)
Total comprehensive income/(loss) for the year	-	-	145.1	(88.4)	4.8	-	-	(1,748.6)	-	(1,687.1)	(0.1)	(1,687.2)
Balance at 31 December 2020	202.9	1,611.9	666.0	(519.2)	3.4	374.1	207.1	663.0	(0.4)	3,208.8	0.1	3,208.9

1. During 2020, the Company completed a capital reorganisation and rights issue.

2. Only costs directly related to the rights issue have been recognised in the share premium account. A further £0.3 million of indirect costs were recognised in the consolidated income statement in 2020.

3. Other reserves comprise a capital redemption reserve of £198.2 million (2019: £14.3 million) and share based employee remuneration 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.

4. Investment in own shares is stated at cost and comprises 962,180 shares (at a cost of £0.4 million) held in the employee share trust.

5. Relates to continuing and discontinued operations.

**Consolidated cash flow statement
for the year ended 31 December 2021**

	Notes	2021 £m	2020 £m
Operating activities			
Operating profit before other net losses and share of results of joint ventures and associates			
– continuing operations	2	12.1	13.5
– discontinued operations	10B	11.5	17.7
		23.6	31.2
Decrease/(Increase) in receivables ¹		32.7	(44.9)
Increase in restricted monetary assets		(12.3)	(25.2)
Decrease in payables ²		(22.5)	(17.5)
Adjustment for non-cash items ³	26	(8.8)	41.4
Cash generated/(utilised) from operations		12.7	(15.0)
Interest received		20.5	19.6
Interest paid		(101.4)	(101.8)
Bond redemption premium		(19.8)	–
Bond issue costs		(5.2)	–
Purchase of interest rate swap		(20.8)	–
Tax paid		(2.0)	(0.8)
Distributions and other receivables from joint ventures		45.7	15.6
Cash flows from operating activities		(70.3)	(82.4)
Investing activities			
Property acquisitions		–	(0.2)
Developments and major refurbishments		(55.8)	(49.6)
Other capital expenditure		(21.1)	(18.5)
Sale of properties		355.4	56.4
Sale of investment in joint ventures		48.5	272.0
Sale of investments in associates		21.2	–
Advances to joint ventures		(14.0)	(13.1)
Capital return from associates		2.0	–
Distributions received from associates		0.1	6.1
Cash flows from investing activities		336.3	253.1
Financing activities			
Net proceeds from rights issue		–	556.6
Rights issue expenses		(2.2)	(24.9)
Proceeds from award of own shares		0.1	0.2
Purchase of own shares		(3.5)	(0.2)
Scrip dividend related share issue costs		(0.3)	–
Proceeds from new borrowings		596.5	75.0
Repayment of borrowings		(929.4)	(385.8)
Net decrease in borrowings	25	(332.9)	(310.8)
Equity dividends paid	11	(24.9)	(13.4)
Cash flows from financing activities		(363.7)	207.5
Net (decrease)/increase in cash and deposits		(97.7)	378.2
Opening cash and deposits		409.5	29.8
Cash and deposits reclassified from joint ventures to assets held for sale	10D	4.6	–
Exchange translation movement		(2.1)	1.5
Closing cash and deposits		314.3	409.5
Less: cash and deposits classified as held for sale	10D	(4.6)	–
Closing cash and deposits as stated on balance sheet⁴	18	309.7	409.5

1. The decrease in receivables in 2021 relates primarily to a decrease in gross trade receivables of £27.9 million as shown in note 16B.

2. £22.4 million (2020: £24.4 million) of the decrease in payables related to employer contributions and net benefits paid relating to the pension scheme.

3. The adjustment for non-cash items includes a £1.7 million decrease (2020: £34.7 million increase) in provisioning against trade receivables and impairment provisions recognised against capitalised lease incentives.

4. An analysis of the movement in net debt is provided in note 25 on page 147

1: Significant accounting policies

A. Statement of compliance

The consolidated financial statements of Hammerson plc have been prepared in accordance with both UK-adopted international accounting standards 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:

- Covid-19-Related Rent Concessions – Amendment to IFRS 16, 'Leases'
- Covid-19 related rent concessions
- Amendments to IFRS 7, IFRS 4 and IFRS 16

Issued, but not yet endorsed:

- Amendments to IFRS 3, 'Business combinations' updated reference in IFRS 3 to the Conceptual Framework for Financial Reporting
- Amendments to IAS 16, 'Property, plant and equipment'
- Amendments to IAS 37, 'Provisions, contingent liabilities and contingent assets'
- Annual improvements make minor amendments to IFRS 1, 'First-time Adoption of IFRS', IFRS 9, 'Financial instruments', and the Illustrative Examples accompanying IFRS 16, 'Leases'

None of the above standards has had a material impact on the Group's financial statements for the year ended 31 December 2021.

Issued, but not yet effective:

- Amendments to IAS 1, 'Presentation of financial statements' on classification of liabilities
- Narrow scope amendments to IAS 1, Practice statement 2 and IAS 12- deferred tax related to assets and liabilities
- IFRS 17, 'Insurance contracts' as amended in December 2021. This standard replaces IFRS 4

B. Basis of presentation

The financial statements are prepared on a going concern basis, as explained in the Financial review section of the Strategic report on page 23.

The financial statements are presented in sterling. They are prepared on the historical cost basis, except that investment properties, other investments and derivative financial instruments are stated at fair value.

The accounting policies have been applied consistently year on year. In 2021, two new accounting policies have been introduced relating to trading properties and exceptional costs, as detailed below:

- Trading properties: Investment properties held for future sale are transferred to Trading properties at the fair value at the date of transfer and subsequently measured at the lower of cost and net realisable value
- Exceptional costs: costs which are exceptional by virtue of their size, nature or incidence, have been excluded in calculating adjusted earnings where their inclusion would otherwise distort the underlying recurring earnings of the Group. Further details are provided within the Alternative Performance Measures section below and in note 1F on page 111.

Additionally, earnings per share (EPS) for the comparative period has been restated for the impact of scrip dividends issued in accordance with IAS 33.

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 year on year.

Alternative Performance Measures (APMs)

The Group uses a number of APMs to monitor the performance of the business. Adjusted earnings is the Group's primary profit measure and reflects underlying profit by excluding capital and non-recurring items such as revaluation movements and gains or losses on the disposal of properties in accordance with EPRA guidelines. In addition, certain Company specific adjustments are made to EPRA earnings.

Furthermore, the performance of the Group's property portfolio is reviewed on a proportionally consolidated basis and is reconciled to reported measures in note 2. A reconciliation between reported versus adjusted and EPRA measures is presented in notes 2 and 12.

For the year ended 31 December 2020 and all subsequent reporting periods, adjustment is made for the "change in the provision for amounts not yet recognised in the income statement" principally in relation to the impairment of receivables which relate to a future accounting period and where the corresponding liability is classified in payables, as management believes this distorts earnings by reflecting the cost and corresponding income in different accounting periods. The adjustment presents more relevant and useful information to users of the financial statements by aligning the impairment cost with the period in which the revenue has been recognised.

In 2021, an additional adjustment has been made of £8.6 million for "business transformation costs" relating to the transformation programme which followed a strategic and operational review undertaken by the new management team and which is an integral part of the Group's new strategy announced during the year. The transformation programme will lead to a major change within the business and the associated incremental costs are considered to be exceptional by virtue of being unusual in size and nature. Whilst the majority of the transformation programme was undertaken in 2021, delivery of the revised strategy and associated transformation will take place in 2022 and beyond. Care has been taken to treat only incremental costs directly attributable to the transformation project as exceptional. This treatment presents more relevant and useful information to users of financial statements by excluding 'exceptional' costs which are unusual in nature and size and therefore not reflective of the Group's recurring earnings.

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 64 and 65, and are set out below.

Accounting for assets held for sale and discontinued operations

For properties identified for disposal at the balance sheet date, the Directors must assess whether the property should be classified as 'held for sale' and excluded from investment 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.

Retail parks

Year ended 31 December 2020

At 31 December 2019, management completed an assessment on whether the retail parks portfolio should be classified as 'held for sale' and concluded that the retail parks did meet the IFRS 5 criteria for 'held for sale' at the balance sheet date as a portfolio of retail parks was being actively marketed at a reasonable price with an expectation of transacting within a year. Consequently, all assets and liabilities associated with the retail parks were reclassified to assets held for sale at 31 December 2019. On transfer to 'assets held for sale', the retail parks property portfolio was re-measured at the lower of the carrying amount and fair value less costs to sell, in accordance with IFRS 5, resulting in a £92 million impairment loss being recognised in 2019, predominantly a reflection of the portfolio discount. Contracts were subsequently exchanged for the disposal of a portfolio of seven properties in February 2020.

In April 2020, the purchaser 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 contract in May 2020, retaining the £21 million non-refundable deposit held by solicitors on exchange, which was recognised within “(loss)/profit on sale of properties” in 2020.

Consequently, in May 2020, the Directors concluded that whilst the Group remained committed to the plan to dispose of the retail parks portfolio, this no longer met the criteria of ‘held for sale’ as defined by IFRS 5 as the properties were not being actively marketed and it was not anticipated that completion would be reached within the prescribed 12-month period. Therefore, the UK retail parks portfolio was reclassified from assets held for sale in May 2020, and £22 million of the aforementioned £92 million impairment was reversed, reflecting the reversal of the portfolio discount applied at 31 December 2019, resulting in a net revaluation deficit from the formal valuation at 31 December 2019 of £70 million.

At 31 December 2020, these properties did not meet the criteria for reclassification to assets held for sale as discussions had not commenced, they were not being actively marketed, and completion within 12 months of the balance sheet date was not highly probable. Consequently, these properties were neither reclassified to assets held for sale nor separately identified as discontinued operations.

Year ended 31 December 2021

On 5 February 2021, the Group sold its 41% interest in Brent South Shopping Park for gross proceeds of £22 million. On 19 May 2021, the Group completed the sale of a further seven retail parks for gross proceeds of £330 million. As this formed substantially all of an identifiable segment of the business, the results from ‘UK retail parks’ for the current and comparative periods have been disclosed separately from the rest of the business as discontinued operations. Refer to note 10 for details.

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

Investment in VIA Outlets

Year ended 31 December 2020

In June 2020, the Group entered into negotiations for the sale of substantially all of its investment in VIA Outlets (VIA), subject to retention of a 7.3% stake in VIA Outlets Zweibrücken B.V. At 30 June 2020, management completed their assessment and concluded that the proportion of investment in VIA identified for disposal met the IFRS 5 criteria for ‘held for sale’ at 30 June 2020 as the investment was being actively marketed at a reasonable price with an expectation of transacting within a year. This was further evidenced by the exchange of contracts for the sale of the investment on 6 August 2020. Consequently, the proportion of the investment in joint venture to be sold was reclassified to assets held for sale at 30 June 2020 at its carrying value of £376 million and re-measured at the lower of the carrying amount and fair value less costs of disposal, in accordance with IFRS 5. The fair value was based upon the transaction price, which was in turn linked to the net asset value of VIA, and resulted in a £104 million impairment loss being recognised in the year ended 31 December 2020.

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

The residual investment in VIA Outlets Zweibrücken B.V., which is to be retained for the foreseeable future, was reclassified from investments in joint ventures to other investments when the sale of the majority stake in VIA completed on 31 October 2020, as the Group no longer exercised

joint control or significant influence over the investment. The transfer to other investments was recognised at its fair value on 31 October 2020 of £9.8 million, based on the Group’s retained 7.3% share of the underlying net assets of VIA Outlets Zweibrücken B.V., and subsequent changes in fair value have been recognised in the consolidated income statement, resulting in a £0.4 million increase in fair value of other investments being recognised in 2021 (2020: £0.1 million decrease) as detailed in note 10E.

Investment in Silverburn joint venture

Year ended 31 December 2021

On 14 December 2021, the Group exchanged contracts for the sale of all of its 50% investment in Silverburn, Glasgow, with completion due in March 2022. At the date of exchange, management concluded that the IFRS 5 criteria were met as a reasonable price had been agreed, management were committed to a plan to sell, the asset was available in its present condition and completion within 12 months is highly probable. Consequently, after revaluing the underlying property, based on a Directors’ valuation at 14 December 2021, the Group’s investment in the joint venture was reclassified to assets held for sale at its carrying value of £72.3 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 and resulted in a £0.9 million impairment loss after accounting for disposal costs being recognised in the year ended 31 December 2021.

Following reclassification to assets held for sale, equity accounting ceased and consequently, the Group’s share of results from Silverburn from reclassification on 14 December 2021 to the date of its disposal will be 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.

D. Significant estimates

Property valuations

The property portfolio is valued six-monthly by external valuers in accordance with RICS Valuation – Global Standards and is split between Cushman and Wakefield (C&W), CBRE Limited (CBRE) and Jones Lang LaSalle Limited (JLL).

Valuation backdrop

The valuation of the Group’s properties, which are carried in the consolidated balance sheet at fair value, totalling £5,372 million, on a proportionally consolidated basis, including Value Retail, is the most material area of estimation due to its inherent subjectivity, reliance on assumptions and sensitivity to market fluctuations.

During the first half of 2021, the retail investment market continued to be adversely impacted by the closure of non-essential shops, compounding the recent structural changes and accelerating the shift online, particularly in the UK. The second half of 2021 saw a noticeable improvement in investment sentiment and transaction activity.

Key areas of estimate highlighted in the external valuers’ valuation reports included estimation of market rents based on an increased level of activity, the consideration of appropriate levels of void costs and rent-free periods, the impact of extension of the rent moratorium in the UK and the basis of yield assumptions recognising the selective return of investor appetite towards the retail sector. However, the key unobservable inputs into valuation as defined by IFRS 13 continue to be yields (nominal equivalent yield) and market rental income (ERV).

At 31 December 2021, the material valuation uncertainty clause has been removed from all of the Group’s valuations including Ireland, where it was still in place at 31 December 2020. This has been replaced with a market conditions explanatory note, in accordance with RICS guidance, outlining the ongoing impact Covid-19 continues to have on global real estate markets. The guidance states that property markets are mostly functioning again, with transaction levels and sufficient other relevant evidence available on which to base opinions of value.

1: Significant accounting policies continued

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 2021, the valuers had removed most of the specific Covid-19 allowances included at the prior year end. Other factors that are taken into account include, but are not limited to, the location and physical attributes of the property, tenure, tenancy details, lease expiry profile, rent collection, local taxes, structural and environmental conditions. With regards to the latter factor, the valuers made no explicit adjustment to their valuations as at 31 December 2021 in respect of ESG matters. However, both the Group and the valuers anticipate that ESG will have a greater influence on valuations in the future as investment markets place a greater emphasis on this topic and valuers comply with the RICS Guidance Note Sustainability and ESG in Commercial Property Valuation, which took effect from 31 January 2022.

A tailored approach is taken to the valuation of the Group's development properties 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 premium outlets held by Value Retail 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 are dependent on individual market characteristics, with markets in France and Ireland being stronger than in the UK and are analysed by segment in the rental and valuation data tables on pages 159 and 163 and the valuation change analysis in the Financial review on page 29. 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. For example, an increase in rents may be offset by an increase in yield, resulting in no net impact on the valuation.

As outlined in the Audit Committee report on page 64, the Directors have satisfied themselves that the valuation process is sufficiently rigorous and supports the carrying value of the Group's properties in the financial statements.

The tables below provide a sensitivity analysis, showing the impact on valuations of changes in yields and market rental income, and details of the maximum, minimum and average values of the key unobservable inputs.

		Impact on valuation of 100bp change in nominal equivalent yield		Impact on valuation of 10% change in ERV	
	Investment properties valuation £m	Decrease £m	Increase £m	Increase £m	Decrease £m
Key unobservable inputs sensitivity analysis – 31 December 2021					
UK flagships	1,135	170	(131)	114	(114)
France flagships	990	248	(165)	99	(99)
Ireland flagships	659	155	(105)	66	(66)
Value Retail ¹	1,894	332	(188)	196	(196)
Group portfolio (excluding Developments and other)	4,678	905	(589)	475	(475)
Developments and other	694				
Group portfolio (note 3B)	5,372				

1. For Value Retail, the nominal equivalent yield and ERV are not key observable inputs. Exit yields and net operating income have therefore been used as proxies.

Key unobservable inputs – 31 December 2021	Minimum £	Maximum £	ERV p/m	Minimum %	Nominal equivalent yield	
			Average £		Maximum %	Average %
UK flagships	177	587	328	6.8	9.4	7.7
France flagships	362	551	427	4.5	6.3	5.0
Ireland flagships	342	492	436	5.2	5.7	5.3
Value Retail ¹	700	4,100	1,700	5.3	6.3	5.7

1. For Value Retail, valuations are performed on a discounted cash flow basis and ERV and the nominal equivalent yield are not key unobservable inputs. Net operating income and exit yields have therefore been used as proxies. In addition, discount rates are used ranging from 8.5% and 10.0% (average of 9.3%).

Impairment of non-financial assets and liabilities

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

Year ended 31 December 2020

Within the Group's investments in premium outlets, notional goodwill had arisen historically as the acquisition price exceeded the fair value of the net assets acquired, principally associated with deferred tax liabilities. As a consequence of recognising notional goodwill, the

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

Year ended 31 December 2021

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

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

One exception to the conclusion that the recoverable amount of investments in joint ventures equates to the Group's share of their underlying net assets is in relation to the Highcross, Leicester joint venture. At 31 December 2021, the secured loan within the Highcross joint venture was in breach of its loan covenants. The Directors of the joint venture are in discussions with the lenders to find a mutually acceptable solution. In the event that agreement is not reached with the lenders, there is a risk that the lenders accelerate the loan repayment, which would precipitate the loan falling due immediately, or the lenders could seek to enforce their rights over the joint venture's assets.

Management have factored the above circumstances into the impairment review for this investment in joint venture. Accordingly they have concluded that both the fair value less cost of disposal and the value in use of the joint venture are £nil. Consequently, the Group's investment in the Highcross joint venture has been impaired to £nil, resulting in an impairment charge of £11.5 million being recognised in the year.

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. In assessing the current year provision, consideration has been given to the outturn of the prior year provision.

Trade receivables

Consistent with the approach adopted at 31 December 2020, the Group has applied the simplified approach under IFRS 9 and adopted a provisioning matrix to determine the Expected Credit Loss (ECL). Receivables have been grouped dependent on the risk level, taking into account historical default rates, future expectations, credit ratings and ageing and applying an appropriate provision percentage after taking account of VAT, rent deposits and personal or corporate guarantees held. Where information is available to suggest that a higher level of provisioning is required, provision is made against 100% of the trade receivable.

Intermittent closures throughout 2020 and 2021 of the vast majority of non-essential retail across all regions as a result of the global pandemic, coupled with government restrictions in the UK and France on landlords' ability to enforce rent collection, have continued to impact rent collection rates. Although significantly lower than the prior year, trade receivables remain higher than pre-pandemic levels at £99.5 million at 31 December 2021 (2020: £170.3 million) on a proportionally consolidated basis. Whilst the easing of restrictions has supported the conclusion of occupier negotiations resulting in improved collection rates, particularly in the UK and Ireland, and a resulting reduction in gross trade receivables, the residual trade receivables are older and more challenging to recover with the passage of time.

On a proportionally consolidated basis, after taking account of tenant deposits, guarantees and VAT, a total provision of £53.3 million was recognised at 31 December 2021, compared to £79.8 million at 31 December 2020, equivalent to a 76% provision (2020: 64%) against receivables, net of VAT and rent deposits.

Differing provision rates across the segments reflect their respective ageing profiles and government restrictions on ability to enforce collection.

The table below analyses the total provision by region against the respective trade receivable balances, and splits the provision between amounts recognised before 31 December 2021 and those for which the corresponding credit to the income statement has yet to be recognised. On a proportionally consolidated basis, a 10 percentage point increase in the loss allowance rate to 86% would reduce earnings by £7.1 million, or £6.7 million on an adjusted basis.

	2021				2020			
Proportionally consolidated, excluding premium outlets and assets held for sale, including trading properties	Trade receivables £m	Trade receivables net of deposits and VAT £m	Loss allowance provision for amounts recognised in the income statement £m	Loss allowance provision for amounts not yet recognised in the income statement £m	Total loss allowance provision £m	Total loss allowance provision (net) %	Trade receivables £m	Total loss allowance provision £m
UK	46.3	38.4	23.4	3.8	27.2	71	101.4	53.1
France	45.2	25.6	21.7	-	21.7	85	51.3	18.9
Ireland	8.0	6.5	4.2	0.2	4.4	68	17.6	7.8
Managed portfolio	99.5	70.5	49.3	4.0	53.3	76	170.3	79.8
Less Share of Property interests	(44.6)	(36.8)	(22.9)	(3.0)	(25.9)	70	(87.5)	(44.0)
Reported Group	54.9	33.7	26.4	1.0	27.4	81	82.8	35.8

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 2021, shown on both a proportionally consolidated and Reported Group basis.

	2021 Proportionally consolidated			2021 Reported Group			2020 Proportionally consolidated			2020 Reported Group		
Credit risk	Trade receivables £m	Loss allowance £m	Net receivable £m	Trade receivables £m	Loss allowance £m	Net receivable £m	Trade receivables £m	Loss allowance £m	Net receivable £m	Trade receivables £m	Loss allowance £m	Net receivable £m
Low	35.3	(8.1)	27.2	22.4	(6.3)	16.1	52.7	(12.1)	40.6	25.4	(4.4)	21.0
Medium	8.6	(3.2)	5.4	6.3	(2.2)	4.1	18.7	(4.4)	14.3	12.3	(2.9)	9.4
High	17.0	(12.9)	4.1	9.3	(7.4)	1.9	34.0	(16.1)	17.9	16.0	(7.0)	9.0
Very high	38.6	(29.1)	9.5	16.9	(11.5)	5.4	64.9	(47.2)	17.7	29.1	(21.5)	7.6
Total	99.5	(53.3)	46.2	54.9	(27.4)	27.5	170.3	(79.8)	90.5	82.8	(35.8)	47.0

1: Significant accounting policies continued

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 2021 totalled £55.9 million (2020: £68.0 million) on a proportionally consolidated basis, against which a provision of £12.9 million (2020: £14.8 million) has been recognised.

The table below analyses the provision across the regions between the proportionally consolidated portfolio and Reported Group. Provisioning rates against unamortised tenant incentives are lower than those against trade receivables as the credit risk of tenants not paying rent for future periods, and hence unamortised tenant incentives not being recovered, is lower than the credit risk on trade receivables currently overdue as a result of the pandemic. A 10 percentage point increase in the impairment provision rate would increase the total impairment charge by £5.6 million on a proportionally consolidated basis.

	2021			2020		
	Unamortised tenant incentives £m	Total loss allowance provision £m	Total loss allowance provision %	Unamortised tenant incentives £m	Total loss allowance provision £m	Total loss allowance provision %
UK ¹	37.2	9.6	26	56.6	12.8	23
France	11.8	1.5	13	8.2	1.1	13
Ireland	6.9	1.8	26	3.2	0.9	28
Managed portfolio	55.9	12.9	23	68.0	14.8	22
Less Share of Property interests	(30.8)	(6.1)	20	(23.7)	(5.3)	22
Reported Group	25.1	6.8	27	44.3	9.5	21

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

E. Going concern

Introduction

The Directors have considered the adoption of the going concern basis of preparation for the financial statements. To support the assessment the Directors have performed a detailed review of the current and projected financial position of the Group over the period to 30 June 2023. The assessment period was chosen as it represents the first six monthly covenant test date for the Group's unsecured borrowing facilities falling due after the minimum 12 months going concern assessment period.

This review took account of the Group's risk environment as explained on pages 36 to 43 and involved preparing two scenarios: a 'Base' scenario and a 'Severe but plausible' scenario. The scenarios assessed the Group's income statement, balance sheet, cash flow and liquidity positions and included projections and stress tests for the financial covenants within the Group's borrowing facilities and secured loans held within joint ventures and associates.

Financial position backdrop

Over the last 12 months, the uncertainties and disruption caused by the Covid-19 pandemic have eased and trading conditions have improved following relaxation of Covid-19 restrictions across the Group's operations.

Over this period, the Group has completed a number of major transactions as follows:

- Completed or exchanged disposals totalling £623 million, including the sale of a portfolio of UK retail parks for £330 million
- Issuance of a €700 million 1.75% sustainability-linked bond maturing in 2027. The proceeds of this issue, along with the proceeds from disposals, were used to repay €765 million of bonds, due to mature in 2022 and 2023, and £297 million of private placement notes
- Refinancing of a £415 million revolving credit facility ("RCF"), which was due to mature in April 2022, with two new RCFs totalling £200 million maturing in 2024 but with options, subject to lender consent, to extend annually for up to an additional two years

These, when combined with the stabilisation and improved outlook of the Group's property valuations, have significantly strengthened the Group's balance sheet and financial position. At 31 December 2021, the Group net debt was £1,819 million, £415 million lower than at the start of the year. The Group had liquidity of £1,464 million, gearing of 67%, and interest cover of 2.5 times. There is also no material unsecured refinancing required until 2025 which is not covered by available liquidity.

At 31 December 2021, all borrowings in the Reported Group were unsecured and were subject to covenants relating to the Group's gearing, interest cover and unencumbered asset ratio, the latter covenant only being applicable to the private placement notes.

In addition, three of the Group's joint ventures and Value Retail have secured loans; the Group's share of these borrowings is £374 million and £757 million respectively. These secured facilities are subject to covenants, principally relating to loan-to-value and interest cover. They are non-recourse to the Group which means that the lenders only have security over the property assets held by the joint venture or Value Retail and the Group is not liable for any repayment shortfall. Also a covenant breach or acceleration of any of these facilities would not cause a cross-default under any of the Group's unsecured borrowings or any of the other secured loans.

The Group's going concern assessment has taken into account the forecast position of each of the secured loans relative to their individual covenants. The loan secured on Highcross, Leicester was in breach of its covenants at 31 December 2021 while the loan secured on O'Parinor, Aulnay-Sous-Bois matures at the end of the going concern period. Therefore, for modelling purposes only, it has been assumed that the banks enforce their security over both of the loans and the Group fully impairs its equity investments which totals £22 million at 31 December 2021. The loan secured against Dundrum is forecast to remain compliant with its covenants over the going concern assessment period in both the Base and Severe but plausible scenarios. Further details of the Group's financing are explained in the Financial review on page 33.

Scenario assumptions

The Base scenario was constructed from the Group's annual business plan (the "Plan"), which was approved by the Board in December 2021. Although for the purposes of assessing going concern, the scenarios excluded disposals and refinancing forecast in the Plan. As levels of uncertainty reduced in the second half of 2021 and trading conditions improved, this scenario envisages a slow but steady recovery from the Covid-19 pandemic over the course of 2022 with leasing volumes and collections returning to pre-pandemic levels from 2023. It also assumes that valuation capitalisation yields remain stable and, as witnessed in investment markets since 30 June 2021, liquidity and investor appetite for retail assets continue to strengthen.

However, the Board recognises that uncertainty and downside risks remain, particularly from the emergence of new variants of the Covid-19 virus that may result in governments re-imposing containment measures, such as social distancing or trading restrictions on certain types of commercial activity. The Group's Severe but plausible scenario has been prepared to incorporate the downside impact on occupational and investment markets that it would envisage in such a challenging environment. Under this scenario, NRI in both 2022 and 2023 is forecast to be over 40% lower, on a like-for-like basis, when compared with 2019 due to:

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

In the Severe but plausible scenario, it is also assumed that any Covid-19 trading restrictions would also significantly reduce the Group's share of earnings from Value Retail, where income is more heavily turnover-based. This scenario assumes that, compared to 2019, the Group's share of adjusted earnings would be approximately two-thirds lower in 2022 and almost 50% lower in 2023.

Associated with this adverse occupational environment, in the Severe but plausible scenario, property valuations are predicted to fall and forecast returns are materially worse than the Base scenario and available external benchmarks. The assumptions in the Severe but plausible scenario result in the Group recording a capital return of -8% over the going concern period. This reflects total forecast valuation reductions for the managed portfolio of approximately -10% and Value Retail of approximately -5%.

Value Retail is financed independently of the Group, predominately with borrowings secured against individual Villages. While Value Retail is incorporated into the Group's going concern assessment, it also undertakes its own assessment.

Excluding refinancing requirements (see below), from an operational perspective, Value Retail is forecast to have adequate resources to meet its liabilities over at least the next 12 months in both a Base and Severe but plausible scenario. Two of the Villages have secured loans maturing over the Group's going concern assessment period as follows:

Village	Maturity	Loan at 100% £m	Group's share £m
La Vallée	June 2022	285	75
Bicester	December 2022	750	376
		1,035	451

Figures reflect gross borrowings, excluding unamortised finance fees.

Both the Group's Directors and Value Retail management remain confident that the loans maturing in 2022 will be successfully refinanced. This confidence is based on a number of factors:

- Value Retail's trading performance and outlook has recovered strongly during 2021
- Recent refinancing performance, where since 30 June 2021, Value Retail has refinanced two maturing loans, increasing their size, on broadly unchanged terms
- The maturing loans currently have low loan-to-value levels of less than 40%
- Lender discussions have already commenced on both the loans maturing in 2022, with the La Vallée refinancing in advance discussions

From a going concern perspective, Value Retail does not forecast having sufficient liquidity to fully repay these maturing loans in either their Base or Severe but plausible scenarios. Therefore, this refinancing risk creates a material uncertainty for Value Retail's going concern assessment that has been factored into the Group's overall going concern assessment.

Scenario outcomes

i. Outcomes excluding Value Retail refinancing risks

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

In the Base scenario, the Group remains comfortably compliant with all its unsecured borrowing covenants.

In the Severe but plausible scenario, the adverse valuation reductions in this scenario result in the unencumbered asset ratio at 30 June 2023 falling just below the covenant of 150%. This covenant is only applicable to the Group's private placement notes, which totalled £216 million at 31 December 2021. Hence, in this scenario only, the Group is assumed to use its forecast liquidity to redeem the notes ahead of their maturities for their outstanding value plus a make-whole amount to remove this covenant and hence remain in compliance with the other unsecured borrowing covenants over the going concern period.

ii. Outcomes including Value Retail refinancing risks

Value Retail has £1,035 million (Group's share £451 million) of loans maturing over the period to 30 June 2023. While, as explained above, the Group's Directors and Value Retail management remain confident that the maturing loans will be successfully refinanced, at the date of this assessment this refinancing has not yet been completed and for going concern purposes the Directors have assessed the impact on the Group if these loans were not refinanced ahead of maturity.

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

Mitigating actions

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

1: Significant accounting policies continued

Whilst not factored into the going concern assessment, as transactions have not yet been contracted, the Directors remain confident over the Group's ability to complete disposals as planned. Even in challenging markets, the Group has completed or exchanged disposals with proceeds in excess of £1.0 billion since the beginning of 2020 and the diversity of the Group's portfolio, in terms of location and sector, provides access to a range of investment markets. The precise impact of disposals on the Group's going concern projections would be dependent on the timing of a sale, the level of proceeds relative to book value, the ownership structure and whether any debt is secured against the properties sold.

Conclusion

Having undertaken the assessment described above, given the significant forecast liquidity and the unsecured borrowing gearing and interest cover covenant headroom over the going concern period which is able to withstand Value Retail's refinancing risks, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence and meet its liabilities as they fall due for at least the next 12 months. Therefore, the financial statements have been prepared on the going concern basis.

F. Other financial information

Transition from LIBOR

The Group currently references GBP LIBOR in a number of areas across the business. These include treasury and financing transactions. With effect from 31 December 2021, GBP LIBOR has been replaced by SONIA (Sterling Overnight Index Average). As at the date of signing the financial statements, the Group is in the process of updating all relevant agreements, and the transition is not expected to have any material impact on the business. Further details relating to the Group's assessment of the risks regarding the transformation can be found in 'Risks and uncertainties' on page 36 of the Annual Report. In addition, specific transition-related disclosures as required by IFRS 7 'Financial Instruments – disclosures' are as disclosed in note 21.

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. Distributions reduce the carrying value of the Group's investments in joint ventures and associates.

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 = €1.191 (2020: £1 = €1.117). The principal exchange rates used for the consolidated income statement are the following quarterly average rates:

	2021	2020
Quarter 1	£1 = €1.145	£1 = €1.161
Quarter 2	£1 = €1.160	£1 = €1.127
Quarter 3	£1 = €1.169	£1 = €1.105
Quarter 4	£1 = €1.179	£1 = €1.108

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 and other 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 as finance costs 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 consolidated 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 consolidated income statement within net finance costs. Amounts are reclassified from the net investment hedge reserve to the consolidated 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 consolidated 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 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.

Expenditure incurred on investment properties is capitalised where it is probable that the future economic benefits associated with the *investment property* will flow to the entity, and the cost can be reliably measured. This includes the recognition of capitalised tenant incentives, less amortisation and impairment, capitalised interest and other capital expenditure.

Further details are given in note 13.

Accounting for disposals

Properties are recognised as disposed when control transfers to the buyer. Ordinarily, as the Group maintains significant outstanding obligations after exchange, control passes to the buyer on completion.

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 profit or loss on sale of properties.

Accounting for assets held for sale

A property may be classed as 'held for sale' and excluded from investment 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 in note 12.

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'.

1: Significant accounting policies continued

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, 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.

Trading properties

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

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 properties, which are carried at fair value.

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. These income streams are recognised in the period to which they relate.

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. Revenue across these streams is recognised in accordance with the following performance obligations:

- Car park income is recognised as a point in time when the customer has utilised their car parking space
- Service charge income, property fee income and joint venture and associate management fees are recognised over the period the respective services are provided to corresponding third parties

Impairment provisioning

The Group applies the simplified approach under IFRS 9 to determine the Expected Credit Loss (ECL) on trade receivables and unamortised tenant incentives. In addition to the existing loss allowance provision, which is based on income earned to the end of the current reporting period, two additional sources of impairment losses became material in 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
- Provision for amounts not yet recognised in the income statement: The movement in the loss allowance 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

Government grants

In accordance with IAS 20, any government grants received in relation to the Covid-19 pandemic 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 consolidated balance sheet is limited to the present value of any future refunds from the plan or reduction in future contributions to the plan.

In accordance with IFRIC 14, the Group recognises a pension surplus on a defined benefit pension plan if it has a legal right to receive that surplus on winding up.

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.

Exceptional costs

Items are classified as exceptional by virtue of their size, nature or incidence, where their inclusion would otherwise distort the underlying recurring earnings of the Group. Examples include, but are not limited to, business transformation costs, early redemption costs of financial instruments and tax charges specific to disposals. Exceptional costs are excluded from the Group's adjusted earnings.

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 22 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 D, by aggregating the Reported Group results (shown in column A) with those from its Share of Property interests (shown in column B), and discontinued operations shown in column C. Columns B and C have been reallocated to the relevant financial statement lines. Further analysis of Share of Property interests is in Table 87 of the Additional disclosures.

The Group's share of results arising from its interests in premium outlets has not been proportionally consolidated and hence these have not been reallocated to the relevant financial statement lines, but are shown within 'Share of results of joint ventures' and 'Share of results of associates' in column D. The Group's proportionally consolidated loss for the year in column D is then allocated between 'Adjusted' and 'Capital and other' for the purposes of calculating figures in accordance with EPRA best practice. Company specific adjustments which differ from EPRA guidelines are detailed in note 12B. As detailed in notes 1B and 10, the UK retail parks operations are presented as discontinued for the years ended 31 December 2021 and 2020 as the IFRS 5 criteria were met during 2021. These have been reallocated to the relevant financial statement lines in column C.

Notes to the financial statements continued
for the year ended 31 December 2021

2: Loss for the year continued

	Notes	Reported Group £m	Share of Property interests £m	Discontinued operations (see note 10B) £m	Proportionally consolidated £m	2021 Proportionally consolidated	
						Adjusted £m	Capital and other £m
		A	B	C	D	E	E
Gross rental income^F	3A,4	87.9	143.0	10.7	241.6	241.6	–
Ground and equity rents payable		(1.1)	(0.6)	(0.1)	(1.8)	(1.8)	–
Gross rental income, after rents payable		86.8	142.4	10.6	239.8	239.8	–
Service charge income		26.6	23.6	1.3	51.5	51.5	–
Service charge expenses		(29.5)	(28.3)	(2.1)	(59.9)	(59.9)	–
Net service charge expenses		(2.9)	(4.7)	(0.8)	(8.4)	(8.4)	–
Inclusive lease costs recovered through rent		(2.7)	(5.3)	–	(8.0)	(8.0)	–
Other property (outgoings)/income		(11.5)	(22.7)	0.6	(33.6)	(33.6)	–
Property outgoings		(17.1)	(32.7)	(0.2)	(50.0)	(50.0)	–
Change in the provision for amounts not yet recognised in the income statement ^G		1.6	5.1	1.4	8.1	–	8.1
Net rental income		71.3	114.8	11.8	197.9	189.8	8.1
Gross administration expenses ^H		(79.5)	(0.7)	(0.1)	(80.3)	(71.7)	(8.6)
Property fee income		13.2	–	–	13.2	13.2	–
Joint venture and associate management fees		7.1	–	–	7.1	7.1	–
Net administration expenses		(59.2)	(0.7)	(0.1)	(60.0)	(51.4)	(8.6)
Operating profit/(loss) before other net losses and share of results of joint ventures and associates		12.1	114.1	11.7	137.9	138.4	(0.5)
Profit/(Loss) on sale of properties		9.8	(0.9)	(31.3)	(22.4)	–	(22.4)
Loss on sale of joint venture and associate ^I		(0.9)	0.9	–	–	–	–
Net exchange gains previously recognised in equity, recycled on disposal of foreign operations ^J		11.0	–	–	11.0	–	11.0
Revaluation losses on properties	3B	(173.7)	(283.8)	–	(457.5)	–	(457.5)
Impairment recognised on reclassification to assets held for sale	10D	(0.9)	–	–	(0.9)	–	(0.9)
Other impairments ^L		(0.7)	–	–	(0.7)	–	(0.7)
Change in fair value of other investments	10E	0.4	–	–	0.4	–	0.4
Other net losses		(155.0)	(283.8)	(31.3)	(470.1)	–	(470.1)
Share of results of joint ventures	14A	(171.3)	171.3	–	–	–	–
Impairment of investments in joint ventures	14D	(11.5)	–	–	(11.5)	–	(11.5)
Share of results of associates	15A, 15B	15.6	4.4	–	20.0	15.9	4.1
Operating (loss)/profit		(310.1)	6.0	(19.6)	(323.7)	154.3	(478.0)
Net finance costs ^K	8	(97.9)	(5.7)	–	(103.6)	(71.8)	(31.8)
(Loss)/Profit before tax		(408.0)	0.3	(19.6)	(427.3)	82.5	(509.8)
Tax charge	9A	(1.3)	(0.3)	(0.2)	(1.8)	(1.6)	(0.2)
(Loss)/Profit for the year from continuing operations		(409.3)	–	(19.8)	(429.1)	80.9	(510.0)
Loss for the year from discontinued operations		(19.8)	–	19.8	–	–	–
(Loss)/Profit for the year attributable to equity shareholders	12B	(429.1)	–	–	(429.1)	80.9	(510.0)
Attributable to:							
Continuing operations	12B	(409.3)	–	–	(409.3)	70.6	(479.9)
Discontinued operations	12B	(19.8)	–	–	(19.8)	10.3	(30.1)
	12B	(429.1)	–	–	(429.1)	80.9	(510.0)

Notes

- Reported Group results as shown in the consolidated income statement on page 96.
- Share of Property interests reflect the Group's share of results from continuing operations of Property joint ventures as shown in note 14A and Nicetoile and Italie Deux as included within note 15A.
- Discontinued operations including properties wholly owned and held by joint ventures (see note 10)
- Aggregated results on a proportionally consolidated basis showing Reported Group together with Share of Property interests and discontinued operations.
- 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 12B.
- Included in gross rental income on a proportionally consolidated basis in Column D is £8.2 million (2020: £3.8 million) of contingent rents calculated by reference to tenants' turnover.
- Relates to the impairment of trade receivables relating to the period after 1 January 2022 (2020: 1 January 2021), where the corresponding deferred income balance is classified in payables <1yr
- Gross administration expenses include £8.6 million (2020: £nil) relating to business transformation costs, which have been classified as 'Capital and other' for the purposes of calculating adjusted earnings per share as detailed in note 12B.
- Relates to the disposal of the Group's interests in Espace Saint-Quentin and Nicetoile.
- Relates to the impairment of a balance receivable from a joint venture entity.
- Adjusted finance costs presented on a proportionally consolidated basis are shown in Table 92 on page 168.
- Re-presented for discontinued operations, see note 10 for further details.

						2020 ⁴	
		Reported Group £m	Share of Property interests £m	Discontinued operations (see note 10B) £m	Proportionally consolidated £m	Proportionally consolidated	
	Notes	A	B	C	D	Adjusted £m	Capital and other £m
						E	E
Notes (see page 112)							
Gross rental income^F	3A,4	98.1	153.7	35.1	286.9	286.9	-
Ground and equity rents payable		(1.0)	(1.0)	(0.3)	(2.3)	(2.3)	-
Gross rental income, after rents payable		97.1	152.7	34.8	284.6	284.6	-
Service charge income		24.0	28.4	3.9	56.3	56.3	-
Service charge expenses		(27.5)	(34.0)	(4.4)	(65.9)	(65.9)	-
Net service charge expenses		(3.5)	(5.6)	(0.5)	(9.6)	(9.6)	-
Inclusive lease costs recovered through rent		(2.8)	(3.4)	(0.2)	(6.4)	(6.4)	-
Other property outgoings		(32.2)	(54.2)	(12.6)	(99.0)	(99.0)	-
Property outgoings		(38.5)	(63.2)	(13.3)	(115.0)	(115.0)	-
Change in the provision for amounts not yet recognised in the income statement ^G		(2.5)	(8.0)	(1.5)	(12.0)	-	(12.0)
Net rental income		56.1	81.5	20.0	157.6	169.6	(12.0)
Gross administration expenses		(66.3)	(0.4)	(1.1)	(67.8)	(67.8)	-
Property fee income		15.2	-	-	15.2	15.2	-
Joint venture and associate management fees		8.5	-	-	8.5	8.5	-
Net administration expenses		(42.6)	(0.4)	(1.1)	(44.1)	(44.1)	-
Operating profit/(loss) before other net losses and share of results of joint ventures and associates		13.5	81.1	18.9	113.5	125.5	(12.0)
(Loss)/Profit on sale of properties		(3.5)	-	15.1	11.6	-	11.6
Net exchange gain previously recognised in equity, recycled on disposal of foreign operations		5.2	-	-	5.2	-	5.2
Revaluation losses on properties	3B	(442.7)	(941.6)	(54.5)	(1,438.8)	-	(1,438.8)
Impairment recognised on reclassification to assets held for sale	10E	(103.8)	-	-	(103.8)	8.1	(111.9)
Reversal of impairment on reclassification from assets held for sale	10B	-	-	22.4	22.4	-	22.4
Indirect costs of rights issue		(0.3)	-	-	(0.3)	-	(0.3)
Change in fair value of other investments	10E	(0.1)	-	-	(0.1)	-	(0.1)
Other net (losses)/gains		(545.2)	(941.6)	(17.0)	(1,503.8)	8.1	(1,511.9)
Share of results of joint ventures	14A, 14B	(880.2)	859.5	-	(20.7)	5.9	(26.6)
Impairment of investment in joint ventures	14D	(9.6)	-	-	(9.6)	-	(9.6)
Share of results of associates	15A, 15B	(148.3)	12.5	-	(135.8)	(7.1)	(128.7)
Impairment of investment in associates	15E	(94.3)	-	-	(94.3)	-	(94.3)
Operating (loss)/profit		(1,664.1)	11.5	1.9	(1,650.7)	132.4	(1,783.1)
Net finance (costs)/income ^K	8	(72.2)	(11.4)	-	(83.6)	(95.4)	11.8
(Loss)/Profit before tax		(1,736.3)	0.1	1.9	(1,734.3)	37.0	(1,771.3)
Tax charge	9A	(0.5)	(0.1)	-	(0.6)	(0.6)	-
(Loss)/Profit for the year		(1,736.8)	-	1.9	(1,734.9)	36.4	(1,771.3)
Non-controlling interests	28C	0.1	-	-	0.1	0.1	-
(Loss)/Profit for the year from continuing operations		(1,736.7)	-	1.9	(1,734.8)	36.5	(1,771.3)
Profit for the year from discontinued operations		1.9	-	(1.9)	-	-	-
(Loss)/Profit for the year attributable to equity shareholders	12B	(1,734.8)	-	-	(1,734.8)	36.5	(1,771.3)
Attributable to:							
Continuing operations	12B	(1,736.7)	-	-	(1,736.7)	16.1	(1,752.8)
Discontinued operations	12B	1.9	-	-	1.9	20.4	(18.5)
	12B	(1,734.8)	-	-	(1,734.8)	36.5	(1,771.3)

3: Segmental analysis

The factors used to determine the Group's reportable segments are the sectors in which it operates and geographic locations as these demonstrate different characteristics and risks. These are generally managed by separate teams and are the basis on which performance is assessed and resources allocated. As stated in the Financial review on page 22, the Group has property interests in a number of sectors and management reviews the performance of the Group's property interests in flagship destinations, UK retail parks (to date of disposal), and developments and other properties 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 (up to its disposal in October 2020), as these are externally managed by experienced outlet operators, independently financed and have operating metrics which differ from the Group's other sectors. We review the performance of our premium outlet investments separately from the proportionally consolidated portfolio. The key financial metrics for these investments are: income growth; earnings contribution; property valuations and returns; and capital growth. However, for a number of the Group's APM's we aggregate these investments for enhanced disclosure. These include LTV ratios, property valuations and returns.

During 2021, to better align with the Group's new strategy, particularly concerning accelerating the Group's development opportunities, the business segments used by the Group Executive Committee (the 'GEC'), who are deemed to be the chief decision makers, to review the performance of the business were amended to combine the two operating segments 'UK other' and 'Developments' into one operating business segment 'Developments and other'. Consequently, comparative data within notes 3A and 3B have been re-presented accordingly.

In addition, one of the Group's primary income measures used by the GEC was amended in 2021 from Net rental income to Adjusted net rent income, the latter measure excludes the "change in the provision for amounts not yet recognised in the income statement" as explained in the alternative performance measures on page 102. Comparative data within note 3A has therefore been re-presented.

As detailed in notes 1B and 10, following the sale of substantially all of the remainder of the UK retail parks segment, the results from the retail parks have been re-presented as discontinued operations. Sundry residual properties with a total value of £5.9 million were reclassified at 30 June 2021 from UK retail parks to 'Developments and other', although the income statement activity for these properties remained in UK retail parks until 30 June 2021.

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

The Group's investment in Grand Central, Birmingham, was transferred from the UK flagships segment to 'Developments and other' with effect from 1 July 2021, reflecting the change in focus following the major department store closure, which has led to plans being worked up for its redevelopment. Additionally, the Group's investment in Highcross, Leicester, has been transferred from UK flagships to 'Developments and other' at 31 December 2021. As detailed in note 1D on page 105, the Group's investment in Highcross, Leicester, has been impaired to £nil, reflecting the risk associated with the loan covenants at the year end. The reclassification to 'Developments and other' reflects the fact that the asset is now being managed, and its performance reviewed, outside the core flagship portfolio. Comparative figures for 2020 have not been re-presented following the reclassifications of Grand Central and Highcross from UK flagships to 'Developments and other' in 2021.

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

A: Income and profit by segment

	2021		2020 ¹	
	Gross rental income £m	Adjusted net rental income ² £m	Gross rental income £m	Adjusted net rental income ² £m
Flagship destinations				
UK	114.3	90.1	128.0	63.2
France	52.5	39.4	63.1	47.8
Ireland	34.5	32.4	37.7	26.5
	201.3	161.9	228.8	137.5
Developments and other ^{3,4}	29.6	17.5	22.7	10.8
UK retail parks ³	10.7	10.4	35.4	21.3
Managed portfolio	241.6	189.8	286.9	169.6
Less Share of Property interests – continuing operations	(143.0)	(109.7)	(153.7)	(89.5)
Less discontinued operations	(10.7)	(10.4)	(35.1)	(21.5)
Reported Group	87.9	69.7	98.1	58.6

1. Comparatives for the year ended 31 December 2020 have been re-presented to recognise gross and adjusted net rental income relating to disposed retail parks within discontinued operations.

2. 'Adjusted net rental income' has replaced 'Net rental income' as one of the Group's primary income measures as explained above.

3. The results of the residual UK retail parks have been included in 'Developments and other' from 1 July 2021.

4. In 2021, 'UK other' and 'Developments' have been combined into 'Developments and other', and the comparatives have been re-presented accordingly.

B: Investment properties by segment

	Property valuation £m	Capital expenditure £m	2021 Revaluation losses £m	Property valuation £m	Capital expenditure £m	2020 Revaluation losses £m
Flagship destinations						
UK	1,135.3	15.0	(254.0)	1,511.2	(1.5)	(838.6)
France	989.7	25.1	(63.4)	1,146.9	19.4	(202.7)
Ireland	659.3	8.6	(61.1)	757.1	8.0	(158.0)
	2,784.3	48.7	(378.5)	3,415.2	25.9	(1,199.3)
Developments and other ¹	694.4	51.1	(79.0)	614.6	48.2	(187.1)
UK retail parks ²	–	2.3	–	384.0	(0.9)	(52.4)
Managed portfolio	3,478.7	102.1	(457.5)	4,413.8	73.2	(1,438.8)
Premium outlets	1,893.5	41.2	(12.0)	1,924.2	43.9	(157.3)
Group portfolio	5,372.2	143.3	(469.5)	6,338.0	117.1	(1,596.1)
Less premium outlets	(1,893.5)	(41.2)	12.0	(1,924.2)	(43.9)	157.3
Less Share of Property interests	(1,813.9)	(24.7)	283.8	(2,261.0)	(15.9)	941.6
Less trading properties ³	(34.3)	(6.2)	–	–	–	–
Less assets held for sale/discontinued operations ⁴	(69.1)	–	–	–	–	54.5
Reported Group	1,561.4	71.2	(173.7)	2,152.8	57.3	(442.7)

1. Comparatives have been re-presented by combining 'UK other' and 'Developments', into 'Developments and other'.

2. For 2020, the £52.4 million revaluation loss comprises £121.6 million revaluation loss less £69.2 million relating to the unwinding of the impairment recognised on the UK retail parks portfolio in 2019 on reclassification to assets held for sale. Sundry residual properties with a total value of £5.9 million have been reclassified at 30 June 2021 from 'UK retail parks' to 'Developments and other', although the results of these properties have been reported within UK retail parks up to 30 June 2021.

3. In December 2019, the Group exchanged contracts for the forward sale of Italik, Paris, subject to completion of the development works. The development was opened during the first half of the year. On 30 June 2021, 75% of Italik contracted for sale was transferred to trading properties at the agreed sale price less forecast costs to complete. It is envisaged that the property sale will complete in June 2022.

4. Refer to notes 10B and 10D for further details.

C: Analysis of non-current assets employed

	Non-current assets employed	
	2021 £m	2020 £m
UK	1,428.8	2,172.0
Continental Europe	2,418.2	2,569.6
Ireland	520.3	611.9
	4,367.3	5,353.5

Included in the above table are investments in joint ventures of £1,451.8 million (2020: £1,813.6 million), which are further analysed in note 14 on pages 127 to 132. The Group's share of the property valuations held within Property interests of £1,813.9 million (2020: £2,261.0 million) has been included in note 3B above, of which £1,121.0 million (2020: £1,427.8 million) relates to the UK, £165.9 million (2020: £229.9 million) relates to Continental Europe and £527.0 million (2020: £603.3 million) relates to Ireland.

4: Revenue

	Notes	2021 £m	2020 ¹ £m
Base rent		62.1	79.5
Turnover rent		2.7	1.0
Car park income ²		9.6	9.5
Lease incentive recognition		8.9	4.4
Other rental income		4.6	3.7
Gross rental income	2	87.9	98.1
Service charge income ²	2	26.6	24.0
Property fee income ²	2	13.2	15.2
Joint venture and associate management fees ²	2	7.1	8.5
Revenue – continuing operations		134.8	145.8
Revenue – discontinued operations ¹	10B	11.9	37.1
Revenue – Reported Group		146.7	182.9

1. Comparatives for the year ended 31 December 2020 have been re-presented to recognise revenue relating to disposed retail parks within discontinued operations. See note 10B.

2. The above income streams reflect revenue recognised under IFRS 15 Revenue from Contracts with Customers and total £56.5 million (2020: £57.2 million). All other revenue streams relate to income recognised under IFRS 16 Leases.

Notes to the financial statements continued
for the year ended 31 December 2021

5: Administration expenses

Gross administration expenses include the following items:

Employee costs

	Note	2021 £m	2020 £m
Salaries and wages		33.8	35.6
Performance-related bonuses		5.7	1.4
– payable in cash		1.0	–
– payable in shares ²		6.7	1.4
Other share-based employee remuneration ²		2.3	2.2
Social security		7.1	6.6
Net pension expense		3.0	3.5
– defined contribution scheme	7A	–	(1.2)
Government Covid-19 employee assistance programs in the UK and France ³		–	(1.2)
Continuing operations		52.9	48.1
Discontinued operations ¹		0.1	0.8
Total		53.0	48.9

1. Gross administration expenses of £1.1 million relating to the UK retail parks portfolio and previously presented as continuing operations for the year ended 31 December 2020 have been re-presented as discontinued operations following the sale of substantially all of the retail parks segment in 2021. Included in this figure is £0.8 million relating to employee costs. Refer to note 10B for further details.
2. Total share-based employee remuneration is £3.3 million (2020: £2.2 million) comprising 'performance-related bonuses – payable in shares' of £1.0 million (2020: £nil) and 'other share-based employee remuneration' of £2.3 million (2020: £2.2 million).
3. Of the £1.2 million received from Government Covid-19 employee assistance programs in 2020, £0.5 million was attributable to the service charge.
4. Administration expenses for continuing operations include £8.6 million (2020: £nil) relating to business transformation costs, which are excluded from adjusted earnings in note 12B. Of the £8.6 million, £4.2 million relates to redundancy payments to employees, with the balance relating to consultancy costs.

Of the total in the above table, £1.5 million (2020: £2.2 million) was capitalised in respect of development projects.

Employees throughout the Group, 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 Group 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 66 to 82.

Employee numbers

	2021 Number	2020 Number
Average number of employees	494	538
Employees recharged to tenants, included above	195	232

Other information

	2021 £m	2020 £m
Auditors' remuneration:		
Audit of the Company's annual financial statements	0.6	0.5
Audit of subsidiaries, pursuant to legislation	0.5	0.4
Audit-related assurance services ¹	0.2	0.3
Audit and audit-related assurance services	1.3	1.2
Other fees ²	0.1	0.9
Total auditors' remuneration ³	1.4	2.1
Depreciation of plant and equipment	1.1	1.4
Depreciation of right-of-use assets	3.3	3.5

1. Relates principally to the review of the Group's half year financial statements and other audit related services.
2. Other fees relate to reporting accountant work in respect of the €700 million bond issue and the rights issue in 2021 and 2020 respectively.
3. Total auditors' remuneration shown above excludes the following additional amounts: £0.2 million (2020: £0.1 million) incurred in respect of the Group's share of audit services undertaken on behalf of its joint ventures; and in respect of the year ended 31 December 2020, an additional £0.3 million arising as a result of additional audit work incurred in respect of Covid-19 impacts and going concern matters for the Group and its subsidiary financial statements.

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 66 to 82. 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 £3.0 million (2020: £3.5 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

			2021			2020
	Obligations £m	Assets £m	Net £m	Obligations £m	Assets £m	Net £m
At 1 January	(132.5)	98.0	(34.5)	(125.2)	79.9	(45.3)
Amounts recognised in the consolidated income statement						
– interest (cost)/income ¹	(1.6)	1.3	(0.3)	(2.5)	1.8	(0.7)
Amounts recognised in equity						
– actuarial experience gains	2.5	11.0	13.5	2.1	2.3	4.4
– actuarial gains/(losses) from changes in financial assumptions	4.3	–	4.3	(16.8)	–	(16.8)
– actuarial gains/(losses) from changes in demographic assumptions	1.1	–	1.1	(0.4)	–	(0.4)
	7.9	11.0	18.9	(15.1)	2.3	(12.8)
Contributions by employer ²	–	21.3	21.3	–	23.2	23.2
Benefits	10.1	(9.0)	1.1	10.4	(9.2)	1.2
Exchange gains/(losses)	0.2	–	0.2	(0.1)	–	(0.1)
At 31 December	(115.9)	122.6	6.7	(132.5)	98.0	(34.5)
Analysed as:						
Present value of the Scheme	(105.8)	122.6	16.8	(121.1)	98.0	(23.1)
Present value of Unfunded Retirement Schemes	(10.1)	–	(10.1)	(11.4)	–	(11.4)
	(115.9)	122.6	6.7	(132.5)	98.0	(34.5)
Analysed as:						
Non-current receivables ³ (note 16A)			16.8			–
Current liabilities (note 19)			(0.9)			(0.9)
Non-current liabilities (note 23)			(9.2)			(33.6)
			6.7			(34.5)

1. Included in Other interest payable (note 8).

2. The Group expects to make contributions totalling £14.9 million to the Scheme during 2022.

3. As permitted by IFRIC 14 the Group has recognised the pension surplus on the Scheme as it has a legal right to receive that surplus on winding up.

D: Summary of Scheme assets

	2021 £m	2020 £m
Diversified Growth Funds	121.0	64.5
Equities	–	21.1
Total invested assets	121.0	85.6
Cash and other net current assets	1.6	12.4
Total Scheme assets	122.6	98.0

Notes to the financial statements continued
for the year ended 31 December 2021

7: Pensions continued

E: Principal actuarial assumptions used for defined benefit pension schemes

		2021 %	2020 %
Discount rate for Scheme liabilities		2.0	1.3
Increase in retail price index		3.3	2.8
Increase in pensions in payment		3.3	2.8
		Years	Years
Life expectancy from age 60 for Scheme members:	Male aged 60 at 31 December	27.4	27.6
	Male aged 40 at 31 December	28.9	29.1
		Years	Years
Weighted average maturity			
The Scheme		18.0	18.2
UK Unfunded Retirement Scheme		11.6	12.2
French Unfunded Retirement Scheme		11.0	11.0
US Unfunded Retirement Scheme		5.7	6.2

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

	2021 £m	2020 £m
2021: Increase/(Decrease) in net balance sheet asset of the Scheme at 31 December (2020: (Decrease)/Increase in net balance sheet liability of the Scheme at 31 December)		
Discount rate + 0.1%	1.8	(1.9)
Price inflation + 0.1%	(1.7)	1.9
Long-term improvements in longevity 1.5% per annum	(1.1)	1.2
Asset value falls 5%	(6.1)	4.9

8: Net finance costs

	2021 £m	2020 £m
Interest on bank loans and overdrafts	5.8	9.1
Interest on other borrowings ¹	73.4	87.7
Interest on obligations under head leases	2.2	2.3
Interest on other lease obligations	0.1	0.1
Debt and loan facility cancellation costs ²	21.6	–
Other interest payable	1.2	1.3
Gross interest costs	104.3	100.5
Less: Interest capitalised	(5.3)	(5.0)
Finance costs	99.0	95.5
Change in fair value of derivatives	14.0	(13.7)
Finance income	(15.1)	(9.6)
Reported Group – continuing operations	97.9	72.2

1. Includes bond interest of £59.5 million (2020: £62.6 million).

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

9: Tax

A: Tax charge

	2021 £m	2020 £m
UK current tax	-	0.1
Foreign current tax	1.3	0.4
Tax charge – continuing operations	1.3	0.5
Tax charge – discontinued operations*	0.2	-
Tax charge – Reported Group	1.5	0.5

* Relates to tax arising on the disposal of UK retail parks and is included within 'Capital and other' in note 2

The Group's tax charge remains low because it has tax exempt status in its principal operating countries.

In the UK, the Group has been a REIT since 2007. As a REIT, the Group does not pay corporation tax on its UK property income or gains on property sales provided that at least 90% of the Group's UK tax exempt profit is distributed to shareholders as property income distributions (PIDs). In addition, the Group has to pass certain business tests on an annual basis. Based on preliminary calculations, the Group has met the REIT conditions for 2021.

Hammerson has been a French SIIC since 2004. As a SIIC, the Group does not pay corporation tax on its French property income or gains on property sales provided that at least 95% of the Group's French tax exempt property profits and 70% of French tax exempt property gains are distributed to shareholders. In addition, the Group has to meet certain conditions such as ensuring the property rental business of each French subsidiary represents more than 80% of its assets.

The residual businesses in both the UK and France are subject to corporation tax as normal.

The Irish assets are held in a QIAIF, an alternative investment fund regulated by the Central Bank of Ireland. A QIAIF provides similar tax benefits to those of a UK REIT but subjects dividends and certain excessive interest payments to a 20% withholding tax.

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

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

B: Tax charge reconciliation

	Notes	2021 £m	2020 £m
Loss before tax	2	(427.3)	(1,734.4)
Less: Loss after tax of joint ventures	14A	170.4	882.7
Less: (Profit)/Loss after tax of associates	15A	(15.6)	148.3
Loss on ordinary activities before tax		(272.5)	(703.4)
Loss multiplied by the UK corporation tax rate of 19% (2020: 19%)		(51.8)	(133.6)
UK REIT tax exemption		20.4	61.1
French SIIC tax exemption		8.9	27.6
Irish QIAIF tax exemption		12.5	12.9
Losses for the year not utilised		10.1	28.8
Non-deductible and other items		1.4	3.7
Tax charge – Reported Group		1.5	0.5
Tax charge – continuing operations		1.3	0.5
Tax charge – discontinued operations		0.2	-
Tax charge – Reported Group		1.5	0.5

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 2021, the total of such losses was £599 million (2020: £524 million) and £570 million (2020: £489 million) respectively, and the potential tax effect of these was £150 million (2020: £99 million) and £143 million (2020: £92 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 2021, the total of such gains was £212 million (2020: £290 million) and the potential tax effect before the offset of losses was £53 million (2020: £55 million).

If a UK REIT sells a property within three years of completion of development, the REIT exemption will not apply. At 31 December 2021, the value of such completed properties was £nil (2020: £62 million). If these properties were to be sold without the benefit of the tax exemption, the tax arising would be £nil (2020: £nil) due to the availability of capital losses.

10: Discontinued operations and assets classified as held for sale

A: Retail Parks disposals reclassified as discontinued operations

On 19 May 2021 substantially all of the remaining UK retail parks segment was sold. The profits and losses arising on these properties in 2020 and 2021 have been reclassified as discontinued operations, in accordance with IFRS 5. Residual properties previously included within the UK retail parks portfolio have been reclassified to the 'Developments and other' segment of the business at their value as at 30 June 2021 and do not form part of discontinued operations. Further explanations surrounding the judgements reached in relation to the reclassification are provided in note 1C.

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

1. Disposed in February 2021. Results included within Share of Property interests in note 10B.

2. Disposed in September 2021.

B: (Loss)/Profit for the year from discontinued operations

	2021			2020		
	Reported Group £m	Share of Property interests £m	Proportionally consolidated £m	Reported Group £m	Share of Property interests £m	Proportionally consolidated £m
Revenue	11.9	0.1	12.0	37.1	1.9	39.0
Gross rental income	10.6	0.1	10.7	33.4	1.7	35.1
Ground and equity rents payable	(0.1)	-	(0.1)	(0.3)	-	(0.3)
Gross rental income after rents payable	10.5	0.1	10.6	33.1	1.7	34.8
Service charge income	1.3	-	1.3	3.7	0.2	3.9
Service charge expenses	(2.1)	-	(2.1)	(4.2)	(0.2)	(4.4)
Net service charge expenses	(0.8)	-	(0.8)	(0.5)	-	(0.5)
Inclusive lease costs recovered through rent	-	-	-	(0.2)	-	(0.2)
Other property income/(outgoings)	0.6	-	0.6	(12.2)	(0.4)	(12.6)
Property outgoings	(0.2)	-	(0.2)	(12.9)	(0.4)	(13.3)
Change in the provision for amounts not yet recognised in the income statement*	1.3	0.1	1.4	(1.4)	(0.1)	(1.5)
Net rental income	11.6	0.2	11.8	18.8	1.2	20.0
Net administration expenses	(0.1)	-	(0.1)	(1.1)	-	(1.1)
Operating profit before other net losses and share of results of joint ventures	11.5	0.2	11.7	17.7	1.2	18.9
(Loss)/Profit on sale of properties	(32.0)	0.7	(31.3)	15.1	-	15.1
Revaluation losses on properties	-	-	-	(50.8)	(3.7)	(54.5)
Other net gains	-	-	-	22.4	-	22.4
Net (losses)/gains	(32.0)	0.7	(31.3)	(13.3)	(3.7)	(17.0)
Share of results of joint ventures	0.9	(0.9)	-	(2.5)	2.5	-
(Loss)/Profit before tax	(19.6)	-	(19.6)	1.9	-	1.9
Tax charge	(0.2)	-	(0.2)	-	-	-
(Loss)/Profit from discontinued operations	(19.8)	-	(19.8)	1.9	-	1.9

* Relates to the impairment of trade receivables relating to the period after 1 January 2022 (2020: 1 January 2021), where the corresponding deferred income balance is classified within current payables.

C: Cash flows from discontinued operations

	2021 £m	2020 £m
Cash flows from operating activities	7.1	5.7
Cash flows from investing activities	347.7	46.4
Total cash flows from discontinued operations	354.8	52.1

D: Assets held for sale 2021: UK flagships

On 14 December 2021 the Group exchanged contracts for the sale of its 50% interest in the entities which own the Silverburn, Glasgow ('Silverburn') with completion due in March 2022. As a result, the net assets of Silverburn have been reclassified to assets held for sale at that date, and subsequently impaired to its fair value less costs of disposal. A summary of the assets and liabilities reclassified to 'assets held for sale' in the consolidated balance sheet is provided in the table below:

	2021 £m
Investment properties	69.1
Non-current receivables	0.6
Current receivables	2.0
Cash and deposits	4.6
Assets held for sale	76.3
Current payables	(3.8)
Non-current payables	(0.2)
Liabilities associated with assets held for sale	(4.0)
Net assets reclassified from investments in joint ventures	72.3
Impairment	(0.9)
Net assets associated with assets held for sale (as presented in the consolidated balance sheet)	71.4

E: Assets held for sale 2020: 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 and preceding 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 2020 to 31 October 2020	0.2	-	-	0.2
Reclassification to other investments	(9.8)	9.8	-	-
Exchange movements	-	-	(1.8)	(1.8)
Share of results from 1 July 2020 to 31 October 2020	-	-	7.1	7.1
Transaction price adjustments from 1 July 2020 to 31 October 2020	-	-	(1.6)	(1.6)
Remainder of the impairment	-	-	(109.3)	(109.3)
Impairment relating to assets held for sale: VIA Outlets	-	-	(103.8)	(103.8)
Disposal at transaction price less selling costs	-	-	(270.7)	(270.7)
Fair value movement on other investments	-	(0.1)	-	(0.1)
Investment in VIA Outlets - 31 December 2020	-	9.7	-	9.7
Exchange movements	-	(0.6)	-	(0.6)
Fair value movement on other investments	-	0.4	-	0.4
Investment in VIA Outlets - 31 December 2021	-	9.5	-	9.5

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

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

	£m
Profit for the period 1 July 2020 to 31 October 2020*	7.1
Change in fair value of derivatives	(0.2)
Translation movements on intragroup funding loan	1.2
Total adjustments	1.0
Adjusted earnings	8.1

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

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11: Dividends

The proposed final dividend of 0.2 pence per share, was recommended by the Board on 3 March 2022 and, subject to approval by shareholders, is payable on 10 May 2022 to shareholders on the register at the close of business on 1 April 2022. 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 2.0 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 2021 interim dividend to be paid as an enhanced scrip dividend. This clearance also applies to the proposed 2021 final dividend.

The aggregate amount of the 2021 final dividend is £88.4 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 2021, at their estimated market value.

The interim dividend of 0.2 pence per share in cash, or 2.0 pence per share as an enhanced scrip alternative, was paid on 7 December 2021, entirely as a non-PID, hence no withholding tax is payable thereon.

	Pence per share	Equity dividends 2021 £m	Equity dividends 2020 £m
Current year			
2021 final dividend ¹	0.2 (enhanced scrip 2.0)	–	–
2021 interim dividend	0.2 (enhanced scrip 2.0)	73.0	–
	0.4 (enhanced scrip 4.0)		
Prior year			
2020 final dividend ¹	0.2 (enhanced scrip 2.0)	62.7	–
2020 interim dividend ¹	0.2 (enhanced scrip 2.0)	–	71.5
Total dividends²		135.7	71.5

Reconciliation to dividends paid as reported in the consolidated cash flow statement

Total dividends	135.7	71.5
Less: settled as a scrip dividend ³	(122.7)	(47.1)
Dividend impact on retained earnings	13.0	24.4
Less: settled as a scrip dividend – share capital increase ⁴	(18.1)	(11.3)
Less: settled as a scrip dividend – share premium utilised ⁵	18.1	–
Dividends payable in cash	13.0	13.1
2019 interim dividend withholding tax (paid 2020)	–	12.2
2020 interim dividend withholding tax (paid 2021)	11.9	(11.9)
Dividends paid as reported in the consolidated cash flow statement	24.9	13.4

1. Paid as a PID.
2. Equity dividends are shown at the market value of the shares issued to satisfy the scrip dividend, totalling £122.7 million (2020: £47.1 million), in addition to cash dividends payable.
3. Represents the difference between the market value and nominal value of scrip dividends settled in shares.
4. Represents the nominal value of shares issued as a result of the scrip dividend.
5. For the 2021 interim dividend and the 2020 final dividend, the Company elected to utilise the share premium account to fund the nominal value of the scrip dividend settled in shares and it is the intention of the Company to do the same for the proposed 2021 final dividend.

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

The European Public Real Estate Association (EPRA) has issued recommended bases for the calculation of certain per share information and these are included in notes 12B and 12D. Commentary on (loss)/earnings and net asset value per share is provided in the Financial review on pages 22 to 35. Headline earnings per share has been calculated and presented in note 12C as required by the Johannesburg Stock Exchange listing requirements.

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

	2021 ¹		2020 ^{1,2}	
	Basic, EPRA and adjusted	Diluted	Basic, EPRA and adjusted	Diluted
Shares (million)	4,392.9	4,392.9	2,779.3	2,779.3

1. In 2021 and 2020, there was no difference in the weighted average number of shares used for the calculation of basic and diluted (loss)/earnings 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 2021 was 4,400.5 million (2020: 2,263.0 million).
2. Previously reported as 2,257.3 million shares, restated as a result of the application of accounting standard IAS 33 in respect of the bonus element of the scrip dividends declared by the Company. IAS 33 requires a retrospective adjustment to the weighted average number of ordinary shares used to determine the Group's (loss)/earnings per share. See note 12B for details regarding the impact of this change on basic, diluted and adjusted (loss)/earnings per share metrics.

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, and those held as treasury shares, 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 12D.

B: (Loss)/Earnings per share

			2021		2020 ¹
	Notes	(Loss)/ Earnings £m	Pence per share	(Loss)/ Earnings £m	Pence per share
Basic – continuing operations	2	(409.3)	(9.3)	(1,736.7)	(62.5)
Basic – discontinued operations	2	(19.8)	(0.5)	1.9	0.1
Basic and diluted – total	2	(429.1)	(9.8)	(1,734.8)	(62.4)
Adjustments:					
Revaluation losses on managed portfolio	2	457.5	10.4	1,438.8	51.8
Loss/(Profit) on sale of properties	2	22.4	0.5	(11.6)	(0.4)
Tax charge: discontinued operations	9A	0.2	–	–	–
Net exchange gain previously recognised in equity, recycled on disposal of foreign operations	2	(11.0)	(0.2)	(5.2)	(0.2)
Reversal of impairment on reclassification from assets held for sale	2	–	–	(22.4)	(0.8)
Impairment recognised on reclassification to assets held for sale	2	0.9	–	103.8	3.7
Impairment of investments in joint ventures and associates	2	11.5	0.3	103.9	3.7
Other impairments	2	0.7	–	–	–
Change in fair value of derivatives ²		9.8	0.2	(11.8)	(0.4)
Debt and loan facility cancellation costs ³		22.0	0.5	–	–
Change in fair value of other investments	2	(0.4)	–	0.1	–
Indirect costs of rights issue	2	–	–	0.3	–
Premium outlets:					
Revaluation losses on properties	14B, 15B	12.0	0.3	157.3	5.7
Change in fair value of derivatives	14B, 15B	(14.8)	(0.4)	14.7	0.5
Deferred tax credit	14B, 15B	(1.2)	–	(17.3)	(0.6)
Other adjustments	15B	(0.1)	–	0.1	–
		(4.1)	(0.1)	154.8	5.6
Total adjustments		509.5	11.6	1,750.7	63.0
EPRA earnings		80.4	1.8	15.9	0.6
Business transformation costs	5	8.6	0.2	–	–
Change in provision for amounts not yet recognised in the income statement	2	(8.1)	(0.2)	12.0	0.4
Adjusted earnings from investment in VIA Outlets since reclassification to assets held for sale	10F	–	–	8.1	0.3
Translation movement on intragroup funding loan: VIA Outlets	14B	–	–	0.5	–
Adjusted earnings		80.9	1.8	36.5	1.3

1. Restated as a result of the application of accounting standard IAS 33. See note 12A for further details. The previously reported basic and diluted total loss per share in 2020 was (76.9) pence, the EPRA earnings per share was previously 0.7 pence and the adjusted earnings per share was 1.6 pence.

2. Comprises £14.0 million (2020: £(13.7) million) relating to the Reported Group and £(4.2) million (2020: £1.9 million) from Share of Property interests.

3. Comprises £21.6 million (2020: £nil) relating to the Reported Group and £0.4 million (2020: £nil) from Share of Property interests.

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

C: Headline earnings per share

	Notes	2021 (Loss)/Earnings £m	2020 (Loss)/Earnings £m
Loss for the year attributable to equity shareholders	2	(429.1)	(1,734.8)
Revaluation losses on managed portfolio: Reported Group and Share of Property interests	12B	457.5	1,438.8
Loss/(Profit) on sale of properties: Reported Group and Share of Property interests	12B	22.4	(11.6)
Net exchange gain previously recognised in equity, recycled on disposal of foreign operations: Reported Group	12B	(11.0)	(5.2)
Reversal of impairment on reclassification from assets held for sale: Reported Group	12B	–	(22.4)
Impairment recognised on reclassification to assets held for sale: Reported Group	12B	0.9	103.8
Impairment of investments in joint ventures and associates: Reported Group	12B	11.5	103.9
Other impairments: Reported Group	12B	0.7	–
Indirect costs of rights issue: Reported Group	12D	–	0.3
Revaluation losses on properties: Premium outlets	12B	12.0	157.3
Deferred tax: Premium outlets	12B	(1.2)	(17.3)
Translation movements on intragroup funding loan: VIA Outlets	12B	–	0.5
Other movements: Premium outlets	12B	(0.1)	–
Headline earnings		63.6	13.3

Basic headline earnings per share (pence)	1.4p	0.5p*
Diluted headline earnings per share (pence)	1.4p	0.5p*

	Notes	2021 (Loss)/Earnings £m	2020 (Loss)/Earnings £m
Reconciliation of headline earnings to adjusted earnings			
Headline earnings as above		63.6	13.3
Tax charge: discontinued operations	12B	0.2	–
Change in fair value of derivatives: Reported Group and Share of Property interests	12B	9.8	(11.8)
Debt and loan facility cancellation costs: Reported Group and Share of Property interests	12B	22.0	–
Change in fair value of other investments: Reported Group	12B	(0.4)	0.1
Change in fair value of derivatives: Premium outlets	12B	(14.8)	14.7
Business transformation costs: Reported Group	12B	8.6	–
Change in provision for amounts not yet recognised in the income statement: Reported Group and Share of Property interests	12B	(8.1)	12.0
Change in fair value of financial assets: Premium outlets	12B	–	0.1
Adjusted earnings from investment in VIA Outlets since reclassification to assets held for sale	12B	–	8.1
Adjusted earnings		80.9	36.5

* Restated from 0.6 pence to 0.5 pence per share as a result of the application of IAS 33, see note 12A for further details.

D: Net asset value per share

31 December 2021		Metrics		
	Notes	NRV £m	NTA £m	NDV £m
Basic and diluted NAV		2,745.9	2,745.9	2,745.9
Exclude: Deferred tax ¹				
– Reported Group		0.4	0.2	–
– Share of Property interests	14A	0.1	–	–
– Value Retail	15D	187.9	94.0	–
		188.4	94.2	–
Fair value of interest rate swaps				
– Reported Group	21A	(10.3)	(10.3)	–
– Share of Property interests	14C	1.6	1.6	–
– Value Retail	15D	1.2	1.2	–
		(7.5)	(7.5)	–
Include: Purchasers' costs ²		346.4	–	–
Fair value of currency swaps as a result of interest rates				
– Reported Group ³		7.5	7.5	–
Fair value of borrowings				
– Reported Group	21H	–	–	(94.0)
– Share of Property interests		–	–	(1.4)
		–	–	(95.4)
NAV metrics		3,280.7	2,840.1	2,650.5
Number of shares for per share calculations (millions)	24	4,419.5	4,419.5	4,419.5
Diluted NAV per share (pence)		74	64	60

31 December 2020		Metrics		
	Notes	NRV £m	NTA £m	NDV £m
Basic and diluted NAV		3,208.8	3,208.8	3,208.8
Exclude: Deferred tax ¹				
– Reported Group		0.4	0.2	–
– Share of Property interests	14A	0.1	–	–
– Value Retail	15D	197.3	98.7	–
		197.8	98.9	–
Fair value of interest rate swaps				
– Share of Property interests	14C	5.9	5.9	–
– Value Retail	15D	17.7	17.7	–
		23.6	23.6	–
Include: Purchasers' costs ²		415.9	–	–
Fair value of currency swaps as a result of interest rates				
– Reported Group ³		(14.4)	(14.4)	–
Fair value of borrowings				
– Reported Group	21H	–	–	(55.8)
– Share of Property interests		–	–	(1.8)
		–	–	(57.6)
NAV metrics		3,831.7	3,316.9	3,151.2
Number of shares for per share calculations (millions)	24	4,057.3	4,057.3	4,057.3
Diluted NAV per share (pence)		94	82	78

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 consolidated income statement, equivalent to the carrying value of the notional goodwill. For the purposes of the calculations above, no adjustment has been recognised for the notional goodwill, as it is deemed fully impaired.

1. For the purposes of the NTA metric, the Group has applied the EPRA guidance in excluding 50% of deferred taxes.

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

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

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13: Properties

	Investment properties £m	Trading properties £m	2021 Total properties £m	2020 Investment properties £m
Balance at 1 January	2,152.8	-	2,152.8	2,098.7
Exchange adjustment	(83.3)	(0.6)	(83.9)	80.2
Capital expenditure	71.2	6.2	77.4	57.3
Transfer from assets held for sale – retail parks	-	-	-	415.7
Disposals	(382.2)	-	(382.2)	(10.6)
Transfer to trading properties ¹	(28.7)	28.7	-	-
Capitalised interest	5.3	-	5.3	5.0
Revaluation losses	(173.7)	-	(173.7)	(493.5)
Balance at 31 December	1,561.4	34.3	1,595.7	2,152.8

1. In December 2019, the Group exchanged contracts for the forward sale of Italik, Paris, subject to completion of the development works. The development was opened during the first half of the year. On 30 June 2021, 75% of Italik contracted for sale was transferred to trading properties at the agreed sales price less forecast costs to complete. There were no trading properties in the previous year.

Analysis of properties by tenure	Freehold £m	Long leasehold £m	Total £m
Valuation at 31 December 2021	889.4	706.3	1,595.7
Valuation at 31 December 2020	1,231.4	921.4	2,152.8

Properties are stated at fair value as at 31 December 2021, valued by professionally qualified external valuers, in accordance with RICS Valuation – Global Standards, and based on certain assumptions as set out in note 1D. Valuations at 31 December 2021 have been performed by the following:

Cushman and Wakefield LLP (C&W)	Brent Cross, Irish portfolio, Value Retail (not included in the tables above)
CBRE Limited (CBRE)	UK flagships, Developments and other properties
Jones Lang LaSalle Limited (JLL)	UK flagships, Developments and other properties, 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 110.

As set out in note 1D on page 103, 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 104.

Unamortised tenant incentives are included within capital expenditure, net of impairment provisions as detailed in notes 1D and 21E.

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 2021 was 3.2% (2020: 3.0%). At 31 December 2021, the historical cost of investment properties was £2,081.3 million (2020: £2,660.9 million).

Joint operations

At 31 December 2021, investment properties included a 50% interest in the Ilac Centre, Dublin and a 50% interest in Swords Pavilions, Dublin, totalling £149.8 million (2020: £175.3 million). These properties are both held within joint operations which are jointly controlled in co-ownership with Irish Life Assurance plc, and proportionally consolidated.

14: 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 22, management reviews the business principally on a proportionally consolidated basis, except for its premium outlet investments. Following the sale of substantially all of the Group's investment in VIA Outlets in October 2020, which was excluded from the proportional consolidation, the Group's share of assets and liabilities of joint ventures comprises solely property joint ventures which are proportionally consolidated. 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 2021 are shown in note G on page 156.

On 5 February 2021, the Group sold its 41% interest in Brent South Shopping Park for gross proceeds of £22 million. As this formed part of the UK retail parks segment, the majority of which was also sold during 2021, the Group's share of results from Brent South Shopping Park for both 2021 and 2020 have been reclassified to discontinued operations. See note 10 for additional information.

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

On 14 December 2021, the Group exchanged contracts for the sale of all of its investment in Silverburn, Glasgow, with completion anticipated in early 2022. At the date of exchange the Group's investment in the joint venture was reclassified to assets held for sale, in accordance with IFRS 5. Following this reclassification, equity accounting ceased. Further details are provided in notes 1C and 10D.

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 was included within the movement in impairment, as this drives the underlying net asset value of the investment and therefore the transaction price and fair value. Accordingly, note 14A 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 10F, the adjusted earnings for this period were 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.

Joint ventures at 31 December 2021	Partner	Principal property ¹	Group share %
United Kingdom			
Bishopsgate Goodsyards Regeneration Limited	Ballymore Properties	The Goodsyards	50
Brent Cross Partnership	Aberdeen Standard Investments	Brent Cross	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 ²	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 RC Aulnay 1 and SCI RC Aulnay 2	Client of Rockspring Property Investment Managers	O'Parinor	25

1. The names of the principal properties operated by each partnership have been used in the summary income statements and balance sheets in note 14A. The two Dundrum partnerships are presented together as 'Dundrum'. The Goodsyards, Espace Saint-Quentin (up to date of disposal) and O'Parinor are presented together as 'Other'.

2. Registered in Jersey (see note G on page 156). Assets and liabilities in respect of Silverburn were reclassified to assets held for sale on 14 December 2021. See note 10D for further details.

The Reported Group's investment in joint ventures at 31 December 2021 was £1,451.8 million (2020: £1,813.6 million). An analysis of the movements in the year is provided in note 14D. The figures in the summarised income statements and balance sheets in note 14A, 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.

14: Investment in joint ventures continued

A. Summary financial statements of joint ventures

Share of results of joint ventures for the year ended 31 December 2021

	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	26.6	25.0	39.2	28.0	20.5	23.1
Net rental income	26.5	19.4	32.6	22.4	14.0	18.2
Net administration expenses	(0.1)	-	(0.1)	(0.1)	-	-
Operating profit before other net losses	26.4	19.4	32.5	22.3	14.0	18.2
Revaluation (losses)/gains on properties	(80.7)	(56.8)	(80.8)	(45.8)	(37.0)	(20.9)
Operating (loss)/profit	(54.3)	(37.4)	(48.3)	(23.5)	(23.0)	(2.7)
Change in fair value of derivatives	-	-	-	-	-	-
Other finance costs	(0.4)	(0.8)	-	(0.1)	-	(0.4)
Net finance (costs)/income	(0.4)	(0.8)	-	(0.1)	-	(0.4)
(Loss)/Profit before tax	(54.7)	(38.2)	(48.3)	(23.6)	(23.0)	(3.1)
Current tax charge	-	-	-	-	-	-
(Loss)/Profit for the year – continuing operations	(54.7)	(38.2)	(48.3)	(23.6)	(23.0)	(3.1)
Profit for the year – discontinued operations	2.2	-	-	-	-	-
(Loss)/Profit for the year	(52.5)	(38.2)	(48.3)	(23.6)	(23.0)	(3.1)
Hammerson share of (loss)/profit for the year – continuing operations	(22.4)	(19.1)	(24.2)	(11.8)	(11.5)	(1.6)
Hammerson share of profit for the year – discontinued operations	0.9	-	-	-	-	-
Hammerson share of (loss)/profit for the year	(21.5)	(19.1)	(24.2)	(11.8)	(11.5)	(1.6)
Hammerson share of distributions payable¹	12.6	5.0	-	-	6.0	1.7

Share of assets and liabilities of joint ventures as at 31 December 2021

	Brent Cross £m	Cabot Circus £m	Bullring £m	Grand Central £m	The Oracle £m	Westquay £m
Non-current assets						
Investment properties	431.1	263.5	561.0	88.3	243.3	312.5
Other non-current assets ²	13.1	14.0	2.4	2.7	-	4.2
	444.2	277.5	563.4	91.0	243.3	316.7
Current assets						
Other current assets ³	8.8	7.3	12.8	6.0	5.9	7.6
Cash and deposits ⁴	11.5	31.7	42.1	24.9	14.8	28.0
	20.3	39.0	54.9	30.9	20.7	35.6
Current liabilities						
Loans – secured ⁵	-	-	-	-	-	-
Other payables	(13.9)	(14.8)	(20.4)	(6.3)	(10.3)	(12.8)
	(13.9)	(14.8)	(20.4)	(6.3)	(10.3)	(12.8)
Non-current liabilities						
Loans – secured	-	-	-	-	-	-
Derivative financial instruments	-	-	-	-	-	-
Obligations under head leases	(12.8)	(14.1)	-	(2.8)	-	(4.2)
Other payables	(0.5)	(0.6)	(0.9)	(0.6)	(0.5)	(697.0)
Deferred tax	-	-	-	-	(0.2)	-
	(13.3)	(14.7)	(0.9)	(3.4)	(0.7)	(701.2)
Net assets/(liabilities)	437.3	287.0	597.0	112.2	253.0	(361.7)
Hammerson share of net assets	177.6	143.5	298.5	56.1	126.5	-
Balances due to Hammerson ^{6,7}	-	-	-	-	-	167.4
Impairment of investment (note 1D)	-	-	-	-	-	-
Total investment in joint ventures	177.6	143.5	298.5	56.1	126.5	167.4

- In addition to the distributions payable, the Group's net interest receivable from joint ventures was £1.3 million (2020: £1.5 million). See note 28A. Figures for distributions and interest include discontinued operations.
- Other non-current assets include interests in leasehold properties.
- Included within the 100% other current assets figures are restricted monetary assets totalling £61.8 million (2020: £61.8 million) and £4.9 million (2020: £5.2 million) 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.
- Included within the 100% cash and deposits figures are balances of £1.4 million (2020: £2.7 million) and £16.4 million (2020: £8.0 million) in respect of Highcross and Dundrum respectively, which are classed as 'restricted' under the terms of the loan agreements.
- The secured debt in Highcross has been presented in current liabilities as the entity was in breach of its loan covenants at 31 December 2021.
- 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.
- 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 2021 and 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 at 31 December 2021 of £167.4 million (2020: £171.7 million).

Silverburn £m	Croydon £m	Highcross £m	Dundrum £m	Other £m	100% Total 2021 £m	Hammerson share Total 2021 £m
50	50	50	50	Various		
14.1	24.9	17.0	50.5	21.7	290.6	137.2
14.0	12.3	12.7	46.1	14.9	233.1	110.0
(0.1)	(0.2)	(0.3)	(0.5)	(0.1)	(1.5)	(0.7)
13.9	12.1	12.4	45.6	14.8	231.6	109.3
(20.6)	(55.7)	(76.4)	(95.3)	11.5	(558.5)	(274.6)
(6.7)	(43.6)	(64.0)	(49.7)	26.3	(326.9)	(165.3)
-	-	6.1	2.4	-	8.5	4.2
-	-	(5.0)	(11.2)	(4.1)	(22.0)	(9.9)
-	-	1.1	(8.8)	(4.1)	(13.5)	(5.7)
(6.7)	(43.6)	(62.9)	(58.5)	22.2	(340.4)	(171.0)
-	(0.6)	-	-	-	(0.6)	(0.3)
(6.7)	(44.2)	(62.9)	(58.5)	22.2	(341.0)	(171.3)
-	-	-	-	-	2.2	0.9
(6.7)	(44.2)	(62.9)	(58.5)	22.2	(338.8)	(170.4)
(3.4)	(22.1)	(31.5)	(29.2)	5.5	(171.3)	(171.3)
-	-	-	-	-	0.9	0.9
(3.4)	(22.1)	(31.5)	(29.2)	5.5	(170.4)	(170.4)
9.5	-	-	2.8	-	37.6	

Silverburn £m	Croydon £m	Highcross £m	Dundrum £m	Other £m	100% Total 2021 £m	Hammerson share Total 2021 £m
-	132.2	176.2	1,054.0	371.9	3,634.0	1,712.2
-	0.4	-	2.4	-	39.2	18.3
-	132.6	176.2	1,056.4	371.9	3,673.2	1,730.5
-	91.1	7.8	14.0	11.9	173.2	75.0
-	22.8	10.7	37.6	11.0	235.1	113.7
-	113.9	18.5	51.6	22.9	408.3	188.7
-	-	(158.6)	-	-	(158.6)	(79.3)
-	(18.4)	(11.0)	(10.4)	(9.9)	(128.2)	(72.2)
-	(18.4)	(169.6)	(10.4)	(9.9)	(286.8)	(151.5)
-	-	-	(502.2)	(175.7)	(677.9)	(295.0)
-	-	(1.0)	(2.1)	-	(3.1)	(1.6)
-	-	-	-	-	(33.9)	(15.8)
-	(66.6)	(1.1)	(41.3)	(96.2)	(905.3)	(3.4)
-	-	-	-	-	(0.2)	(0.1)
-	(66.6)	(2.1)	(545.6)	(271.9)	(1,620.4)	(315.9)
-	161.5	23.0	552.0	113.0	2,174.3	
-	80.7	11.5	276.0	37.5	1,207.9	
-	24.6	-	20.2	43.2	255.4	
-	-	(11.5)	-	-	(11.5)	
-	105.3	-	296.2	80.7	1,451.8	1,451.8

Notes to the financial statements continued
for the year ended 31 December 2021

14: 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

See page 128 for additional footnotes

	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	31.8	29.6	45.2	10.2	24.9	28.5
Net rental income	20.6	12.2	24.5	4.2	9.2	12.5
Net administration expenses	(0.1)	–	–	(0.1)	–	–
Operating profit before other net losses	20.5	12.2	24.5	4.1	9.2	12.5
Revaluation losses on properties	(243.6)	(152.7)	(335.7)	(76.6)	(173.5)	(198.2)
Operating loss	(223.1)	(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	(223.5)	(141.3)	(311.2)	(72.6)	(164.3)	(186.1)
Current tax (charge)/credit	–	–	–	–	(0.1)	–
Deferred tax credit	–	–	–	–	–	–
Loss for the year – continuing operations	(223.5)	(141.3)	(311.2)	(72.6)	(164.4)	(186.1)
Loss for the year – discontinued operations	(6.1)	–	–	–	–	–
Loss for the year	(229.6)	(141.3)	(311.2)	(72.6)	(164.4)	(186.1)
Hammerson share of loss for the year – continuing operations	(90.7)	(70.7)	(155.6)	(36.3)	(82.2)	(93.0)
Hammerson share of loss for the year – discontinued operations	(2.5)	–	–	–	–	–
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 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	–
Balances due to Hammerson ^{6,7}	–	–	–	–	–	171.7
Total investment in joint ventures	233.2	168.6	323.8	68.7	144.3	171.7

* Comparatives for 31 December 2020 have been re-presented to show the results of Brent South Shopping Park as discontinued operations. See note 10.

Silverburn £m	Croydon £m	Highcross £m	Dundrum £m	VIA Outlets £m	Other £m	100% Total 2020 £m	Hammerson share		
							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	358.1	146.7	20.0	166.7
10.2	4.3	8.0	37.9	30.9	24.4	198.9	75.9	12.9	88.8
(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	191.3	75.5	9.6	85.1
(80.3)	(134.1)	(145.0)	(254.0)	(62.7)	(201.0)	(2,057.4)	(923.5)	(30.7)	(954.2)
(70.2)	(129.9)	(137.1)	(216.4)	(38.5)	(176.7)	(1,866.1)	(848.0)	(21.1)	(869.1)
-	-	(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)	(1,901.5)	(859.4)	(26.3)	(885.7)
-	(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)	(1,891.2)			
-	-	-	-	-	-	(6.1)			
(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)	(880.2)	(859.5)	(20.7)	(880.2)
-	-	-	-	-	-	(2.5)	(2.5)	-	(2.5)
(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% Total 2020 £m	Hammerson share		
							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

Notes to the financial statements continued
for the year ended 31 December 2021

14: Investment in joint ventures continued

B. Reconciliation to adjusted earnings

	Total 2021 £m	Property joint ventures* £m	VIA Outlets £m	Total 2020 £m
Loss for the year	(170.4)	(862.0)	(20.7)	(882.7)
Revaluation losses – continuing operations	274.6	923.5	30.7	954.2
Revaluation losses – discontinued operations	–	3.7	–	3.7
Profit on sale of properties – discontinued operations	(0.7)	–	–	–
Change in the provision for amounts not yet recognised in the income statement – continuing operations	(5.1)	8.0	–	8.0
Change in the provision for amounts not yet recognised in the income statement – discontinued operations	(0.1)	0.1	–	0.1
Change in fair value of derivatives	(4.2)	1.9	0.1	2.0
Debt and loan facility cancellation costs	0.4	–	–	–
Translation movements on intragroup funding loan	–	–	0.5	0.5
Deferred tax credit	–	–	(4.7)	(4.7)
Total adjustments	264.9	937.2	26.6	963.8
Adjusted earnings	94.5	75.2	5.9	81.1

* Comparatives to 31 December 2020 have been re-presented to show the results of Brent South Shopping Park as discontinued operations. See note 10.

C. Reconciliation to EPRA NTA value of investment in joint ventures

	Total 2021 £m	Total 2020 £m
Investment in joint ventures	1,451.8	1,813.6
Fair value of derivatives	1.6	5.9
EPRA NTA value of investment in joint ventures	1,453.4	1,819.5

D. Reconciliation of movements in investment in joint ventures

	Total 2021 £m	Property joint ventures £m	VIA Outlets £m	Total 2020 £m
Balance at 1 January	1,813.6	2,638.1	379.0	3,017.1
Share of results of joint ventures	(170.4)	(862.0)	(20.7)	(882.7)
Impairment of investment in joint ventures	(11.5)	–	(9.6)	(9.6)
Advances	14.0	0.5	12.6	13.1
Distributions and other receivables	(43.8)	(16.5)	–	(16.5)
Transfer (to)/from assets held for sale	(72.3)	25.1	(376.3)	(351.2)
Transfer to other investments	–	–	(9.8)	(9.8)
Disposals	(53.9)	–	–	–
Exchange and other movements	(23.9)	28.4	24.8	53.2
Balance at 31 December	1,451.8	1,813.6	–	1,813.6

15: Investment in associates

At 31 December 2021, following the disposal of the Group's 10% interest in Nicetoile, Nice on 1 April 2021 for €25 million (£21 million), the Group had two associates: Value Retail PLC and its group entities ('VR'), and a 25% interest in Italie Deux, Paris. Hammerson is the asset manager for Italie Deux. Both investments are equity accounted under IFRS, although the share of results in Italie Deux and Nicetoile (until date of disposal) 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 22.

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 10), are provided in Tables 89 and 90 of the Additional disclosures on page 166.

A: Share of results of associates

	Value Retail		Nicetoile		Italie Deux		2021 Total	
	100% £m	Hammerson share £m	100% £m	Hammerson share £m	100% £m	Hammerson share £m	100% £m	Hammerson share £m
Gross rental income	305.5	96.6	3.1	0.3	22.3	5.6	330.9	102.5
Net rental income	204.9	66.7	2.7	0.3	17.8	4.5	225.4	71.5
Net administration expenses	(116.3)	(33.8)	-	-	(0.1)	-	(116.4)	(33.8)
Operating profit before other net (losses)/gains	88.6	32.9	2.7	0.3	17.7	4.5	109.0	37.7
Revaluation (losses)/gains on properties	(33.0)	(12.0)	0.2	-	(36.3)	(9.2)	(69.1)	(21.2)
Operating profit/(loss)	55.6	20.9	2.9	0.3	(18.6)	(4.7)	39.9	16.5
Change in fair value of derivatives	18.2	9.3	-	-	-	-	18.2	9.3
Change in fair value of participative loans – revaluation movement	-	5.5	-	-	-	-	-	5.5
Change in fair value of participative loans – other movement	-	3.6	-	-	-	-	-	3.6
Other net finance costs	(55.1)	(18.7)	-	-	-	-	(55.1)	(18.7)
Net finance costs	(36.9)	(0.3)	-	-	-	-	(36.9)	(0.3)
Profit/(Loss) before tax	18.7	20.6	2.9	0.3	(18.6)	(4.7)	3.0	16.2
Current tax charge	(8.5)	(1.8)	-	-	(0.1)	-	(8.6)	(1.8)
Deferred tax credit	6.0	1.2	-	-	-	-	6.0	1.2
Profit/(Loss) for the year	16.2	20.0	2.9	0.3	(18.7)	(4.7)	0.4	15.6

	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
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)

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for the year ended 31 December 2021

15: Investment in associates continued

B: Reconciliation to adjusted earnings

	Value Retail £m	Nicotaile £m	Italie Deux £m	Total 2021 £m	Value Retail £m	Nicotaile £m	Italie Deux £m	Total 2020 £m
Profit/(Loss) for the year	20.0	0.3	(4.7)	15.6	(135.8)	(3.9)	(8.6)	(148.3)
Revaluation losses on properties	12.0	–	9.2	21.2	126.6	5.0	13.1	144.7
Change in fair value of derivatives	(9.3)	–	–	(9.3)	(3.0)	–	–	(3.0)
Change in fair value of participative loans – revaluation movement	(5.5)	–	–	(5.5)	17.6	–	–	17.6
Deferred tax credit	(1.2)	–	–	(1.2)	(12.6)	–	–	(12.6)
Other adjustments	(0.1)	–	–	(0.1)	0.1	–	–	0.1
Total adjustments	(4.1)	–	9.2	5.1	128.7	5.0	13.1	146.8
Adjusted earnings/(loss) of associates	15.9	0.3	4.5	20.7	(7.1)	1.1	4.5	(1.5)

When aggregated, the Group's share of Value Retail's adjusted earnings for the year ended 31 December 2021 amounted to 66% (2020: 23%). 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 Hammerson share £m		Italie Deux Hammerson share £m		2021 Total Hammerson share £m	
	100% £m	100% £m	100% £m	100% £m	100% £m	100% £m
Goodwill on acquisition ¹	–	94.3	–	–	–	94.3
Investment properties	5,055.6	1,893.5	406.7	101.7	5,462.3	1,995.2
Derivative financial instruments	5.5	2.2	–	–	5.5	2.2
Other non-current assets	231.1	61.1	–	–	231.1	61.1
Non-current assets	5,292.2	2,051.1	406.7	101.7	5,698.9	2,152.8
Other current assets	70.1	29.6	13.1	3.2	83.2	32.8
Cash and deposits	233.6	77.0	23.9	6.0	257.5	83.0
Current assets	303.7	106.6	37.0	9.2	340.7	115.8
Total assets	5,595.9	2,157.7	443.7	110.9	6,039.6	2,268.6
Other payables	(121.0)	(88.9)	(15.4)	(3.9)	(136.4)	(92.8)
Loans	(1,090.1)	(465.1)	–	–	(1,090.1)	(465.1)
Current liabilities	(1,211.1)	(554.0)	(15.4)	(3.9)	(1,226.5)	(557.9)
Loans	(934.6)	(292.2)	–	–	(934.6)	(292.2)
Derivative financial instruments	(13.4)	(3.4)	–	–	(13.4)	(3.4)
Other payables	(36.7)	(14.8)	(3.3)	(0.8)	(40.0)	(15.6)
Participative loan liabilities	(347.8)	(86.0)	–	–	(347.8)	(86.0)
Deferred tax	(559.2)	(157.0)	–	–	(559.2)	(157.0)
Non-current liabilities	(1,891.7)	(553.4)	(3.3)	(0.8)	(1,895.0)	(554.2)
Total liabilities	(3,102.8)	(1,107.4)	(18.7)	(4.7)	(3,121.5)	(1,112.1)
Net assets	2,493.1	1,050.3	425.0	106.2	2,918.1	1,156.5
Participative loans	347.8	184.8	–	–	347.8	184.8
Impairment of investment¹	–	(94.3)	–	–	–	(94.3)
Investment in associates	2,840.9	1,140.8	425.0	106.2	3,265.9	1,247.0

1. In 2021, management performed a review of the carrying value of its investments in associates and concluded that no additional impairment was required. The impairment recognised in the year ended 31 December 2020 was equivalent to the notional goodwill on the investment in Value Retail. Further details are provided in note 1D.
2. The analysis in the tables above excludes liabilities in respect of distributions received in advance from Value Retail amounting to £21.5 million (2020: £25.4 million) which are included within payables – non-current liabilities in note 23.
3. In addition to the above investments, non-current receivables of the Group include loans to Value Retail European Holdings BV, totalling €2.0 million (£1.7 million). (2020: €2.0 million, £1.8 million) secured against a number of VR assets and maturing on 30 November 2043.
4. At 31 December 2021, Hammerson's economic interest in Value Retail is calculated as 40% (2020: 40%) adjusting for the participative loans, which are included within non-current liabilities.

	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*	-	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.

D: Reconciliation to EPRA NTA value of associates

	Value Retail £m	Italie Deux £m	Total 2021 £m	Value Retail £m	Nicetoile £m	Italie Deux £m	Total 2020 £m
Investment in associates	1,140.8	106.2	1,247.0	1,154.1	23.8	120.5	1,298.4
Fair value of derivatives	1.2	-	1.2	17.7	-	-	17.7
Deferred tax ^{1,2}	78.3	-	78.3	82.1	-	-	82.1
Deferred tax within participative loans ¹	15.7	-	15.7	16.6	-	-	16.6
Total adjustments	95.2	-	95.2	116.4	-	-	116.4
EPRA NTA value of investment in associates	1,236.0	106.2	1,342.2	1,270.5	23.8	120.5	1,414.8

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

2. Shown net of a deferred tax asset of £0.4 million (2020: £0.7 million) which is included in non-current assets in note 15C.

E: Reconciliation of movements in investment in associates

	Value Retail £m	Nicetoile £m	Italie Deux £m	Total 2021 £m	Value Retail £m	Nicetoile £m	Italie Deux £m	Total 2020 £m
Balance at 1 January	1,154.1	23.8	120.5	1,298.4	1,355.3	26.6	122.6	1,504.5
Share of results of associates	20.0	0.3	(4.7)	15.6	(135.8)	(3.9)	(8.6)	(148.3)
Impairment of investment in associates	-	-	-	-	(94.3)	-	-	(94.3)
Capital return	-	-	(2.0)	(2.0)	-	-	-	-
Distributions ¹	(2.4)	-	(0.1)	(2.5)	(5.9)	(0.1)	(0.1)	(6.1)
Share of other comprehensive gain/(loss) of associate ²	1.3	-	-	1.3	(1.0)	-	-	(1.0)
Disposals	-	(23.2)	-	(23.2)	-	-	-	-
Exchange and other movements	(32.2)	(0.9)	(7.5)	(40.6)	35.8	1.2	6.6	43.6
Balance at 31 December	1,140.8	-	106.2	1,247.0	1,154.1	23.8	120.5	1,298.4

1. The Value Retail distributions include £2.4 million (2020: £nil) which were declared but not paid at the balance sheet date.

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

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16: Receivables

A: Receivables: non-current assets

	2021 £m	2020 £m
Net pension asset (see note 7C)	16.8	–
Other receivables	2.7	3.4
	19.5	3.4

B: Receivables: current assets

	2021 £m	2020 £m
Trade receivables	27.5	47.0
VAT receivable	15.7	18.6
Balances due from joint venture entities	7.5	12.3
Accrued interest receivable	11.0	1.3
Other receivables [*]	17.9	19.2
Corporation tax	0.7	0.8
Prepayments	4.5	6.7
	84.8	105.9

* Other receivables totalled £51.4 million in 2020. This total has been represented above as follows: VAT receivable (£18.6 million), balances due from joint venture entities (£12.3 million), accrued interest receivable (£1.3 million) and other receivables (£19.2 million).

Trade receivables are shown after deducting a loss allowance provision of £27.4 million (2020: £35.8 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 £2.2 million (2020: £1.6 million). Further details are provided in note 21E. In addition, balances due from joint venture entities are shown after an impairment provision of £0.7 million (2020: £nil).

Credit risk is explained further in note 21E.

	2021			2020		
	Gross receivable £m	Loss allowance £m	Net receivable £m	Gross receivable £m	Loss allowance £m	Net receivable £m
Not yet due	5.6	(1.9)	3.7	7.9	(0.7)	7.2
1-30 days overdue	5.0	(2.2)	2.8	7.1	(3.2)	3.9
31-60 days overdue	2.4	(1.1)	1.3	4.7	(2.0)	2.7
61-90 days overdue	0.8	(0.3)	0.5	1.0	(0.6)	0.4
91-120 days overdue	3.2	(0.9)	2.3	10.2	(4.8)	5.4
More than 120 days overdue	37.9	(21.0)	16.9	51.9	(24.5)	27.4
	54.9	(27.4)	27.5	82.8	(35.8)	47.0

17: Restricted monetary assets

	2021 £m	2020 £m
Cash held by managing agents ¹	19.1	28.3
Cash held in escrow ^{1,2,3}	41.4	21.4
	60.5	49.7
Analysed as:		
Non-current assets ²	21.4	21.4
Current assets ^{1,3}	39.1	28.3
	60.5	49.7

1. 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.
2. 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.
3. Included in current assets is a £20.0 million deposit received in respect of the sale of Silverburn, Glasgow held in escrow by the Group's solicitors.

18: Cash and deposits

	2021 £m	2020 £m
Cash at bank	309.7	409.5
Currency profile		
Sterling	259.9	376.0
Euro	49.8	33.5
	309.7	409.5

19: Payables: current liabilities

	2021 £m	2020 £m
Trade payables	17.0	19.2
Pension liability (note 7C)	0.9	0.9
Withholding tax on interim dividends (note 11)	-	11.9
Capital expenditure payables	14.2	22.5
VAT payable	18.8	23.1
Balances due to joint venture entities	9.3	17.6
Balances due to co-owners ¹	13.7	19.3
Property disposal costs	7.6	3.5
Other payables ^{2,3}	12.4	0.4
Interest accruals	38.9	42.9
Other accruals ⁴	23.1	33.5
Deferred income	23.5	10.2
	179.4	205.0

1. Represents amounts owing to the Group's co-owners, in respect of cash balances held on their behalf in order to meet future service charge costs and related expenditure. The cash balances are included in restricted monetary assets as shown in note 17.

2. Other payables include lease liabilities of £2.5 million (2020: £3.2 million) in relation to the Group's offices in London, Reading, Dublin and Paris. The non-current portion is included in note 23.

3. Other payables totalled £63.9 million in 2020. This total has been represented above as follows: VAT payable (£23.1 million), balances due to joint venture entities (£17.6 million), balances due to co-owners (£19.3 million), property disposal costs (£3.5 million) and other payables (£0.4 million).

4. Other accruals totalled £76.4 million in 2020. This total has been represented above as follows: interest accruals (£42.9 million) and other accruals (£33.5 million).

20: Loans

	2021 £m	2020 £m
Unsecured		
£200 million 7.25% sterling bonds due April 2028	198.8	198.7
€700 million 1.75% euro bonds due June 2027 ¹	578.3	-
£300 million 6% sterling bonds due February 2026	298.8	298.6
£350 million 3.5% sterling bonds due October 2025	347.8	347.2
€235.5 million (2020: €500 million) 1.75% euro bonds due March 2023 ²	197.4	446.5
€nil (2020: €500 million) 2% euro bonds due July 2022 ²	-	446.5
Sterling bank loans and overdrafts ³	(2.7)	(2.9)
Senior notes due January 2031 ⁴	4.9	16.4
Senior notes due January 2028 ⁴	13.3	62.1
Senior notes due June 2026 ⁴	58.8	81.2
Senior notes due January and June 2024 ⁴	139.4	249.4
Senior notes due June 2021 ⁴	-	115.0
	1,834.8	2,258.7
Analysed as:		
Current liabilities	-	115.0
Non-current liabilities	1,834.8	2,143.7
	1,834.8	2,258.7

1. On 3 June 2021, the Group issued a €700 million sustainability-linked euro bond. Net proceeds amounted to €690.3 million (£593.5 million) after issuance discount and underwriting fees. The bond has a coupon which is linked to the achievement of two sustainability performance targets, both of which will be tested in December 2025 against a 2019 benchmark. If the targets are not met, a total of 75 basis points per annum, representing a cost of €5.25 million, will be payable in addition to the final year's bond coupon. The Group has made certain assumptions which support not increasing the effective interest rate on the bond, as a result of the possibility of failing to meet the targets. Planned future initiatives which will assist the Group in achieving the targets include the introduction of energy efficient projects, the generation of additional energy through a Corporate Purchase Power Agreement and driving compliance with relevant energy performance legislation. At 31 December 2021, the Group continued to make steady progress against both of its targets.

2. During the year €264.5 million (£227.4 million) of the 2023 bonds and all of the 2022 bonds were repaid at a premium of €20.8 million (£17.9 million), which is included in 'debt and loan facility cancellation costs' in note 8.

3. The debit balance of £2.7 million (2020: £2.9 million) relates to unamortised fees in relation to the Revolving Credit Facility (RCF) against which no funds had been drawn at 31 December 2021 or 31 December 2020.

4. Senior notes are analysed in note 21F on page 142. During the year, £296.5 million of senior notes were repaid at par comprising £34.4 million denominated in sterling, £62.3 million denominated in euro and £199.8 million denominated in US dollar.

5. At 31 December 2021 and 2020, 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 depending on the Group's financing position in terms of maturities, future commitments, disposals and market conditions. 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 2021 is summarised below:

Note	Derivative financial instruments				Loans < 1 year £m	Loans > 1 year £m	2021 Total £m
	Current assets £m	Non-current assets £m	Current liabilities £m	Non-current liabilities £m			
Bonds	-	-	-	-	-	1,621.1	1,621.1
Bank loans and overdrafts	-	-	-	-	-	(2.7)	(2.7)
Senior notes	-	-	-	-	-	216.4	216.4
Fair value of currency swaps	(7.3)	(8.3)	-	59.7	-	-	44.1
Borrowings	(7.3)	(8.3)	-	59.7	-	1,834.8	1,878.9
Interest rate swaps	-	(10.3)	-	-	-	-	(10.3)
Loans and derivative financial instruments	(7.3)	(18.6)	-	59.7	-	1,834.8	1,868.6

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

Note	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			
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

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 2021, the Group entered into interest rate swap agreements totalling £300 million, which mature in February 2023. Under these swaps the Group pays interest at a rate linked to SONIA, and receives interest at a fixed rate of 6% per annum. At 31 December 2021, the fair value of interest rate swaps was an asset of £10.3 million which was excluded from the Group's borrowings as the fair value crystallises 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	2021 Total
		Years	£m	£m	
Sterling	6.9	6	226.0	(170.5)	55.5
Euro	2.0	4	1,362.9	465.7	1,828.6
US dollar	-	-	-	(5.2)	(5.2)
	2.7	5	1,588.9	290.0	1,878.9

Interest rate profile	%	Fixed rate borrowings		Floating rate borrowings	2020 Total
		Years	£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

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.

2021	Bonds ¹	Senior notes	Cross currency swaps	Foreign exchange swaps	Total
Euro notional ² (£m)	935.5	120.4	570.2	554.6	2,180.7
Carrying amount ³ (£m)	775.7	100.8	45.9	(7.2)	915.2
Average hedged exchange rate	£1 = €1.189	£1 = €1.152	£1 = €1.352	£1 = €1.173	

2020	Bonds	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	172.0	75.9	1.9	1,142.8
Average hedged exchange rate	£1 = €1.264	£1 = €1.172	£1 = €1.298	£1 = €1.099	

1. The fair value of euro-denominated bonds at 31 December 2021 was £778.9 million (2020: £871.8 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 \$115 million US dollar borrowings (2020: \$392 million), the Group has used derivatives at an average hedged exchange rate of £1 = \$1.439 (2020: £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 2021, the carrying value of derivatives designated in a cash flow hedge was an asset of £6.7 million (2020: £13.9 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 33.

21: Financial instruments and risk management continued

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 2021 is summarised below:

	2021 £m	2020 £m
Expiry		
Within one year	10.0	–
Within one to two years	450.0	425.0
Within two to five years	569.8	820.0
	1,029.8	1,245.0

E: Credit risk

The Group's credit risk arises from trade receivables, unamortised tenant incentives, 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 2021, the fair value of interest rate and currency swap assets was £25.9 million (2020: £15.7 million), and the fair value of currency swap liabilities was £59.7 million (2020: £87.0 million), as shown in note 21A. These financial instruments have interest accruals of £10.6 million (2020: £1.3 million) which are recognised within receivables in note 16B. 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 £6.3 million (2020: £2.3 million) and derivative financial liabilities of £29.5 million (2020: £72.3 million). The combined value of derivative financial instruments at 31 December 2021 was therefore a liability of £23.2 million (2020: £70.0 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 occupier 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. Whilst the easing of restrictions has supported the conclusion of occupier negotiations resulting in improved collection rates, particularly in the UK and Ireland, and a resultant reduction in gross trade receivables, the residual trade receivables are older and more challenging to recover with the passage of time. The Group's most significant occupiers are set out in Table 82 of the Additional disclosures (unaudited) on page 162. 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 partnerships. 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 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 2021, the Group's maximum exposure to credit risk was £645.5 million (2020: £742.0 million), which excludes derivative financial instruments and balances supported by investment properties. The Group's maximum exposure to credit risk as at 31 December 2020 was previously reported as £760.6 million. This has been amended to exclude VAT receivable of £18.6 million.

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.

	2021			2020		
	Trade receivables £m	Other receivables £m	Unamortised tenant incentives ¹ £m	Trade receivables £m	Other receivables £m	Unamortised tenant incentives £m
Loss allowance at 1 January	35.8	1.6	9.5	9.9	–	–
Loss allowance measured under lifetime ECL	11.3	1.7	1.7	28.8	1.6	9.5
Change in provision rate	2.2	–	–	–	–	–
Disposal of UK retail parks	(2.1)	–	(4.3)	–	–	–
Reversal of loss allowance brought forward	(16.6)	(1.1)	(0.1)	(1.2)	–	–
Reversal of loss allowance due to amounts written off	(2.1)	–	–	(1.7)	–	–
Exchange	(1.1)	–	–	–	–	–
Loss allowance at 31 December	27.4	2.2	6.8	35.8	1.6	9.5

1. Unamortised tenant incentives are included as capital expenditure additions within investment properties.

(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 occupiers' 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: historical 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 taking account of VAT, rent deposits and personal and corporate guarantees held.

Additional loss allowance provisions have been applied according to the ageing of trade receivables, reflecting 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 £27.4 million has been recognised for the year ended 31 December 2021, equivalent to 81% of the trade receivables net of VAT and deposits, compared to £35.8 million (62%) in 2020. Refer to notes 1D and 16B for further information. The reduction in the loss allowance provision during the year ended 31 December 2021 principally related to the reversal of loss allowances brought forward, reflecting collections and concessions agreed, partially offset by additional provision relating to 2021 receivables and an increase in the overall provision rate.

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.

(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.

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 historical 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 £6.8 million has been recognised at 31 December 2021, equivalent to 27% of unamortised tenant incentives, compared to £9.5 million (21%) at 31 December 2020. The decrease in the loss allowance provision during the year ended 31 December 2021 arises primarily from the disposal of properties. Further information is provided in note 1D and movements in the provision are analysed in the table above.

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 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 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 historical default information, factoring in the impact of Covid-19 on both the current and future levels of credit risk. This has resulted in a £0.6 million (2020: £1.6 million) increase in the total loss allowance which is included within other property outgoings for the year ended 31 December 2021.

Other receivables are written off when there is no feasible possibility of recovery and enforcement activity has ceased.

21: Financial instruments and risk management continued

(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 2021.

(v) Investments in joint ventures and associates

Following the impairment of investments in joint ventures and associates of £103.8 million in 2020, 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 2021. As detailed in note 1D to the financial statements on page 105, the exception to this was at Highcross, Leicester where the breach of secured loan covenants at the year end, and potential outcomes thereof, resulted in a full impairment of the investment of £11.5 million

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 £17.4 million (2020: £11.8 million), the maturity of which is analysed in note 21J. A debt maturity profile, on a proportional basis, is also provided in the Financial review on page 34.

	2021 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					
– £350 million 3.5% sterling bonds due October 2025	–	–	347.8	–	347.8
– £300 million 6% sterling bonds due February 2026	–	–	298.8	–	298.8
– £200 million 7.25% sterling bonds due April 2028	–	–	–	198.8	198.8
Unsecured euro fixed rate bonds					
– €235.5 million 1.75% euro bonds due March 2023	–	197.4	–	–	197.4
– €700 million 1.75% euro bonds due June 2027	–	–	–	578.3	578.3
Senior notes					
– £31 million Sterling	–	–	30.8	–	30.8
– €120 million Euro	–	–	82.6	18.2	100.8
– \$115 million US dollar	–	–	84.8	–	84.8
Unsecured sterling bank loans and overdrafts	–	(0.5)	(2.2)	–	(2.7)
Fair value of currency swaps*	(7.3)	–	51.4	–	44.1
Borrowings (note 21A)	(7.3)	196.9	894.0	795.3	1,878.9
Cash and deposits (note 18)	(309.7)	–	–	–	(309.7)
Loans receivable (note 15C)	–	–	–	(1.7)	(1.7)
	(317.0)	196.9	894.0	793.6	1,567.5

	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					
– £350 million 3.5% sterling bonds due October 2025	–	–	347.2	–	347.2
– £300 million 6% sterling bonds due February 2026	–	–	–	298.6	298.6
– £200 million 7.25% sterling bonds due April 2028	–	–	–	198.7	198.7
Unsecured euro fixed rate bonds					
– €500 million 2% euro bonds due July 2022	–	446.5	–	–	446.5
– €235.5 million 1.75% euro bonds due March 2023	–	–	446.5	–	446.5
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 18)	(409.5)	–	–	–	(409.5)
Loans receivable (note 15C)	–	–	–	(1.8)	(1.8)
	(301.3)	446.0	1,118.9	655.1	1,918.7

* The fair value of currency swaps of £44.1 million (2020: £71.3 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.

		2021		2020
	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
Effect on loss before tax:				
Increase/(Decrease)	6.4	(6.5)	–	–

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.

		2021		2020
	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
Effect on financial instruments:				
Increase/(Decrease) in net gain taken to equity	165.5	(202.3)	151.3	(185.0)
(Decrease)/Increase in loss before tax	(4.5)	5.5	(8.1)	9.9

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.

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 consolidated balance sheet, are as follows:

		2021			2020		
	Hierarchy level	Book value £m	Fair value £m	Variance £m	Book value £m	Fair value £m	Variance £m
Unsecured bonds	1	1,621.1	1,707.0	85.9	1,737.5	1,765.4	27.9
Senior notes	2	216.4	221.8	5.4	524.1	549.1	25.0
Unsecured bank loans and overdrafts	2	(2.7)	–	2.7	(2.9)	–	2.9
Fair value of currency swaps	2	44.1	44.1	–	71.3	71.3	–
Borrowings		1,878.9	1,972.9	94.0	2,330.0	2,385.8	55.8
Fair value of interest rate swaps	2	(10.3)	(10.3)	–	–	–	–
Fair value of other investments	3	9.5	9.5	–	9.7	9.7	–
Participative loans to associates	3	184.8	184.8	–	189.9	189.9	–

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 fair value (see note 1D)	Participative loans to associates and fair value of other investments

				2021	2020
		Participative loans £m	Other investments £m	Total £m	Total £m
Level 3 financial instruments					
Balance at 1 January		189.9	9.7	199.6	195.2
Total gains/(losses)	– in share of results of associates	9.1	–	9.1	(16.5)
	– in the consolidated income statement	–	0.4	0.4	(0.1)
	– in other comprehensive income	(11.8)	(0.6)	(12.4)	11.2
Other movements	– reclassified from investment in joint ventures	–	–	–	9.8
	– movement in advances	(2.4)	–	(2.4)	–
Balance at 31 December		184.8	9.5	194.3	199.6

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/Centre would increase the carrying amount of the Level 3 financial instruments by £10.1 million. Similarly, a decrease of 5% would decrease the carrying amount by £10.1 million. The fair values of all other financial assets and liabilities equate to their book values.

Notes to the financial statements continued
for the year ended 31 December 2021

21: Financial instruments and risk management continued

I: Carrying amounts, gains and losses on financial instruments

The tables below show the classification of financial instruments under accounting standards IFRS 9.

			2021	
	Notes	Carrying amount £m	Gain/(Loss) to income £m	(Loss)/Gain to equity £m
Balances due from joint ventures	14A	255.4	-	-
Loans receivable: non-current assets	15C	1.7	0.1	-
Other receivables: non-current assets		1.0	-	-
Restricted monetary assets: non-current assets	17	21.4	-	-
Trade and other receivables (excluding VAT, corporation tax and prepayments): current assets	16B	63.9	0.1	-
Restricted monetary assets: current assets	17	39.1	-	-
Cash and deposits	18	309.7	-	-
Assets held for sale ¹		4.1	(0.9)	-
Discontinued operations – UK retail parks		-	3.0	-
Financial assets at amortised cost		696.3	2.3	-
Participative loans to associates	15C	184.8	9.1	(11.8)
Other investments	10E	9.5	0.4	(0.6)
Assets at fair value through profit and loss		194.3	9.5	(12.4)
Derivative financial instruments	21A	(33.8)	(43.9)	91.6
Net liabilities at fair value through profit and loss		(33.8)	(43.9)	91.6
Payables	21J	(183.6)	(0.1)	-
Loans	20	(1,834.8)	(95.6)	63.1
Obligations under head leases	22	(36.4)	(2.2)	-
Financial liabilities at amortised cost		(2,054.8)	(97.9)	63.1
Total for financial instruments		(1,198.0)	(130.0)	142.3

1. The carrying amount comprises cash and deposits, trade and other receivables (excluding prepayments) and payables (excluding VAT and deferred income), relating to Silverburn, Glasgow. 'Loss to income' represents the net impairment of assets held for sale on Silverburn, Glasgow. See note 10D.

			2020	
	Notes	Carrying amount £m	Gain/(Loss) to income £m	Gain/(Loss) to equity £m
Balances due from joint ventures	14A	261.4	-	-
Loans receivable: non-current assets	15C	1.8	0.1	-
Other receivables: non-current assets		1.6	-	-
Restricted monetary assets: non-current assets	17	21.4	-	-
Trade and other receivables (excluding VAT, corporation tax and prepayments): current assets ¹	16B	79.8	(25.2)	-
Restricted monetary assets: current assets	17	28.3	-	-
Cash and deposits	18	409.5	-	-
Assets held for sale ²	10E	-	(103.8)	-
Financial assets at amortised cost		803.8	(128.9)	-
Participative loans to associates	15C	189.9	(16.5)	11.2
Other investments	10E	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 ³	21J	(228.5)	(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		(2,529.0)	(86.7)	(59.3)
Total for financial instruments		(1,596.9)	(238.3)	(72.4)

1. The carrying amount for trade and other receivables as at 31 December 2020 was previously reported as £98.4 million. This has been amended to exclude VAT receivable of £18.6 million which this year has been analysed separately within receivables in note 16B.

2. 'Loss to income' represents the net impairment of assets held for sale on V1A Outlets. See note 10E.

3. The carrying amount for payables as at 31 December 2020 was previously reported as £251.6 million. This has been amended to exclude VAT payable of £23.1 million which this year has been analysed separately within payables in note 19.

The equity losses of £154.7 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 99 comprise gains in relation to derivative financial instruments of £91.6 million and gains in relation to loans of £63.1 million as shown in the table on page 144. This includes cumulative losses of £44.2 million recycled from the net investment hedge reserve to the consolidated income statement on disposal of foreign operations. In 2020, the equity losses of £83.6 million, on hedging instruments, shown as the total movement in the net investment and cash flow hedge reserves on page 100 comprise losses in relation to derivative financial instruments of £24.3 million and losses in relation to loans of £59.3 million. This included a loss of £20.8 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 2021, amounts relating to continuing hedges in the net investment hedge reserve were £45.1 million (2020: £207.7 million). These hedges are due to mature between 2022 and 2031.

The movements in the net investment hedge reserve offset foreign exchange translation losses during the year of £139.7 million (2020: £171.1 million gains) which arise from the retranslation of the net investment in foreign operations and £55.2 million (2020: £26.0 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 99 and 100.

The Group designated as a cash flow hedge the cross currency swaps used to manage its foreign currency risk on US dollar loans. In 2021, a loss of £1.9 million (2020: £3.4 million) was recognised in the cash flow hedge reserve in respect of these derivatives of which a £0.2 million loss (2020: £8.2 million) was recycled to net finance costs. At 31 December 2021, the cash flow hedge reserve includes a gain of £1.7 million (2020: £3.4 million), all of which relates to continuing cash flow hedges. The cash flows are expected to occur between 2022 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 2021 or 2020.

J: Maturity analysis of financial liabilities

The remaining contractual non-discounted cash flows for financial liabilities are as follows:

Notes	2021 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 ¹	136.2	10.1	4.9	32.4	-	183.6
Derivative financial liability cash inflows	(13.2)	(13.2)	(405.9)	-	-	(432.3)
Derivative financial liability cash outflows	10.5	10.5	453.4	-	-	474.4
Non-derivative borrowings	20	196.9	842.6	795.3	-	1,834.8
Non-derivative unamortised borrowing costs	-	0.8	6.0	10.6	-	17.4
Non-derivative interest	65.1	65.1	162.0	40.2	-	332.4
Head leases	22	2.1	6.9	45.7	68.3	125.1
	200.7	272.3	1,069.9	924.2	68.3	2,535.4

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 ^{1,2}	158.9	11.6	11.3	46.7	-	228.5
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	20	115.0	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	22	2.4	7.3	48.8	100.7	161.6
	353.1	532.3	1,319.7	824.7	100.7	3,130.5

1. Comprises current and non-current payables excluding VAT of £18.8 million (2020: £23.1 million), withholding tax on interim dividends of £nil (2020: £11.9 million), deferred income of £23.5 million (2020: £10.2 million) and pension liabilities of £10.1 million (2020: £34.5 million) as these do not meet the definition of financial liabilities.

2. Total payables as at 31 December 2020 was previously reported as £251.6 million. This has been amended to exclude VAT payable of £23.1 million which this year has been analysed separately within payables in note 19.

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 33 to 35, and information on share capital and movements therein is set out in note 24 and in the consolidated statement of changes in equity on pages 99 and 100.

L: Transition to LIBOR

As mentioned in note 1F the Group has assessed its exposure to GBP LIBOR contracts and the consequences of the LIBOR benchmark reform.

Exposures to LIBOR were identified in the Group's revolving credit facilities, certain joint venture funding agreements and associated interest rate swaps. The Group's revolving credit facilities are subject to floating interest rates and were amended in October 2021 to reference SONIA instead of LIBOR. In December 2021, the Group agreed binding terms to change the interest rate references for the Highcross joint venture secured debt facility, and associated interest rate swaps, from LIBOR to SONIA. The revised agreements in this regard were finalised in February 2022.

22: Obligations under head leases

Head lease obligations in respect of rents payable on leasehold properties are payable as follows:

	2021			2020		
	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	68.3	(37.5)	30.8	100.7	(64.2)	36.5
From five to 25 years	45.7	(40.7)	5.0	48.8	(44.0)	4.8
From two to five years	6.9	(6.5)	0.4	7.3	(7.0)	0.3
From one to two years	2.1	(2.0)	0.1	2.4	(2.3)	0.1
Within one year	2.1	(2.0)	0.1	2.4	(2.3)	0.1
	125.1	(88.7)	36.4	161.6	(119.8)	41.8

23: Payables: non-current liabilities

	2021 £m	2020 £m
Pension liability (note 7C)	9.2	33.6
Distributions received in advance from Value Retail	21.5	25.4
Guarantee and tenant deposits	9.5	13.6
Other payables ^{1,2}	16.4	30.6
	56.6	103.2

1. Other payables includes lease liabilities of £1.5 million (2020: £3.6 million) which are payable as follows: £1.2 million (2020: £2.1 million) from one to two years and £0.3 million (2020: £1.5 million) from two to five years. Additional maturity analysis of payables is included in note 21J.
2. Other payables totalled £69.6 million in 2020. This total has been represented above as follows: Distributions received in advance from Value Retail (£25.4 million), guarantee and tenant deposits (£13.6 million) and other payables (£30.6 million).

24: Share capital

Called up, allotted and fully paid	2021 £m	2020 £m
Ordinary shares of 5p each	221.0	202.9

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 2021	4,057,298,174
Issued in respect of scrip dividends	362,158,987
Number of shares in issue at 31 December 2021	4,419,457,161

Share schemes

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*		2022-2026	n/a	28.0-214.6	-	-
Restricted Share Plan	-	-	-	-	16,570,535	2019-2021
Restricted Share Scheme	-	-	-	-	9,890,367	2020-2021
Long Term Incentive Plan	-	-	-	-	1,210,375	2018-2019

	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 2021 and 2020. During the current and preceding year no options under the Savings-Related Share Option scheme were exercised and as a result there was no weighted average exercise price.

25: Analysis of movement in net debt

Notes	2021			2020		
	Cash and deposits £m	Borrowings £m	Net debt £m	Cash and deposits £m	Borrowings £m	Net debt £m
	18	21F		18	21F	
At 1 January	409.5	(2,330.0)	(1,920.5)	29.8	(2,548.0)	(2,518.2)
Cash and deposits reclassified from joint ventures to assets held for sale	4.6	–	4.6	–	–	–
Cash flow	(97.7)	332.9	235.2	378.2	310.8	689.0
Change in fair value of currency swaps	–	(14.2)	(14.2)	–	23.9	23.9
Exchange	(2.1)	132.4	130.3	1.5	(116.7)	(115.2)
At 31 December	314.3	(1,878.9)	(1,564.6)	409.5	(2,330.0)	(1,920.5)
Less cash and deposits classified as held for sale	(4.6)	–	(4.6)	–	–	–
At 31 December – excluding assets held for sale	309.7	(1,878.9)	(1,569.2)	409.5	(2,330.0)	(1,920.5)

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

	2021 £m	2020 £m
Amortisation of lease incentives and other costs	2.8	7.7
(Decrease)/Increase in loss allowance provision*	(3.1)	25.2
Increase in impairment of unamortised tenant incentives	1.6	9.5
Increase in accrued rents receivable	(12.7)	(6.7)
Depreciation (note 5)	4.4	4.9
Share-based employee remuneration (note 5)	3.3	2.2
Other	(5.1)	(1.4)
	(8.8)	41.4

* Includes decrease of £0.1 million (2020: £18.9 million increase) relating to continuing operations (as shown in footnote 2 of the consolidated income statement on page 96) and £3.0 million decrease (2020: £6.3 million increase) relating to discontinued operations.

27: Contingent liabilities and capital commitments

At 31 December 2021, the Reported Group had contingent liabilities of £52 million (2020: £104 million) relating to guarantees given by the Reported Group and a further £27 million (2020: £58 million) relating to claims arising in the normal course of business, which are considered to be unlikely to crystallise. The Reported Group's share of contingent liabilities arising within joint ventures is £14 million (2020: £7 million).

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

The Reported Group also had capital commitments of £19 million (2020: £57 million) in relation to future capital expenditure on investment properties. The Reported Group's share of the capital commitments arising within joint ventures is £40 million (2020: £39 million).

The risks and uncertainties facing the Group are detailed on pages 36 to 43.

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. Further details are also provided in notes 14 and 15 to the financial statements.

	2021 £m	2020 £m
Management fees from joint ventures	10.1	13.2
Management fees from associates	0.7	1.5
Net interest receivable from joint ventures	1.3	1.5
Interest receivable from associates	0.1	0.1
Hammerson share of distributions from joint ventures (note 14A)	37.6	10.6
Hammerson share of distributions from associates (note 15E)	2.5	6.1
Loan balances due from joint ventures (note 14A)	255.4	261.4
Advances from joint ventures (note 14D)	14.0	13.1
Other amounts due from joint ventures (note 16B)	7.5	12.3
Other amounts due to joint ventures (note 19)	(9.3)	(17.6)
Participative loans to associates (note 15C)	184.8	189.9
Loans to associates	1.7	1.8
Capital return from associate (note 15E)	2.0	-
Distributions received in advance from associates (note 23)	(21.5)	(25.4)

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 66 to 82.

	2021 £m	2020 £m
Salaries and short-term benefits	6.4	5.4
Post-employment benefits	0.5	0.6
Share-based payments	1.5	0.6
Total remuneration	8.4	6.6

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 incurred post-disposal costs of £0.4 million in 2018. No further costs have been incurred since that date.

At 31 December 2021, non-controlling interests in the consolidated balance sheet were £0.1 million (2020: £0.1 million). No distributions were paid to Assurbail in the current or prior year.

29: Post balance sheet events

On 25 February 2022, the Group exchanged and completed the sale of Victoria, Leeds for gross proceeds of £120 million. At the balance sheet date, this asset did not meet the criteria for reclassification to assets held for sale under IFRS 5 as it was not being actively marketed and substantive terms had yet to be agreed. Consequently as at 31 December 2021, it has been included within investment properties at its fair value of £120 million.

Company balance sheet
as at 31 December 2021

	Notes	2021 £m	2020 £m
Non-current assets			
Investments in subsidiary companies	C	1,279.3	2,409.0
Derivative financial instruments	F	18.6	6.6
Receivables	D	4,750.6	4,331.2
		6,048.5	6,746.8
Current assets			
Receivables		27.4	3.3
Derivative financial instruments	F	7.3	9.1
Cash and deposits		274.0	374.9
		308.7	387.3
Total assets		6,357.2	7,134.1
Current liabilities			
Loans	F	–	(115.0)
Payables	E	(2,295.0)	(1,579.5)
Derivative financial instruments	F	–	(2.3)
		(2,295.0)	(1,696.8)
Non-current liabilities			
Loans	F	(1,256.5)	(2,143.7)
Derivative financial instruments	F	(59.7)	(84.7)
		(1,316.2)	(2,228.4)
Total liabilities		(3,611.2)	(3,925.2)
Net assets		2,746.0	3,208.9
Equity			
Called up share capital	24	221.0	202.9
Share premium		1,593.2	1,611.9
Merger reserve		374.1	374.1
Other reserves		198.2	198.2
Revaluation reserve		(837.1)	299.0
Retained earnings		1,200.1	523.2
Investment in own shares		(3.5)	(0.4)
Equity shareholders' funds		2,746.0	3,208.9

The profit for the year attributable to equity shareholders and included within retained earnings was £693.9 million (2020: £320.9 million loss).

These financial statements were approved by the Board of Directors on 3 March 2022.

Signed on behalf of the Board

Rita-Rose Gagné
Director

Himanshu Raja
Director

Registered in England No. 360632

**Company statement of changes in equity
for the year ended 31 December 2021**

	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 2021	202.9	1,611.9	374.1	198.2	299.0	523.2	(0.4)	3,208.9
Cost of shares awarded to employees	-	-	-	-	-	-	0.4	0.4
Purchase of own shares	-	-	-	-	-	-	(3.5)	(3.5)
Dividends (note 11)	-	-	-	-	-	(135.7)	-	(135.7)
Scrip dividend related share issue (note 11)	18.1	(18.1)	-	-	-	122.7	-	122.7
Scrip dividend related share issue costs	-	(0.6)	-	-	-	-	-	(0.6)
Revaluation losses on investments in subsidiary companies (note C)	-	-	-	-	(1,136.1)	-	-	(1,136.1)
Foreign exchange translation differences on net investment in subsidiaries (note C)	-	-	-	-	-	(4.0)	-	(4.0)
Profit for the year attributable to equity shareholders	-	-	-	-	-	693.9	-	693.9
Total comprehensive (loss)/income for the year	-	-	-	-	(1,136.1)	689.9	-	(446.2)
Balance at 31 December 2021	221.0	1,593.2	374.1	198.2	(837.1)	1,200.1	(3.5)	2,746.0

1. Other reserves comprise capital redemption reserves of £14.3 million relating to share buybacks and £183.9 million resulting from the cancellation of the Company's shares as part of the reorganisation of share capital in 2020.
2. Investment in own shares is stated at cost and is comprised of shares held in the employee share trust and in shares held in treasury. see footnote 2 of the consolidated statement of changes in equity on page 99 for further details.

	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 ⁴	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 11)	-	-	-	-	-	(71.5)	-	(71.5)
Scrip dividend related share issue (note 11)	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 relating to share buybacks and £183.9 million resulting from the cancellation of the Company's shares as part of the reorganisation of share capital in 2020.
2. Investment in own shares is stated at cost and is comprised of shares held in the employee share trust. see footnote 4 of the consolidated statement of changes in equity on page 100 for further details.
3. During 2020 the Company completed a capital reorganisation and rights issue.
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 were recognised in the Company's loss for the year.

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.

**Notes to the Company financial statements
for the year ended 31 December 2021**

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 has net current liabilities as at 31 December 2021, due primarily to amounts payable to its subsidiaries and other related undertakings. 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.

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 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 properties is set out in the notes to the financial statements. See note 1D on page 103 and note 13 on page 126. 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 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. As at 31 December 2021, the Company recognised an impairment provision of £471.6 million (2020: £310.4 million), 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 profit for the year attributable to equity shareholders within the financial statements of the Company was £693.9 million (2020: £320.9 million loss) and includes dividends receivable from subsidiaries of £813.0 million (2020: £105.9 million), a net gain of £114.2 million (2020: £116.3 million loss) 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 £177.1 million (2020: £310.4 million).

Dividend information is provided in note 11 to the consolidated financial statements.

C: Investments in subsidiary companies

	2021		2020	
	Cost £m	Valuation £m	Cost £m	Valuation £m
Balance at 1 January	2,076.1	2,409.0	2,072.7	3,774.9
Additions	10.4	10.4	-	-
Exchange adjustment	(4.0)	(4.0)	3.4	3.4
Revaluation loss	-	(1,136.1)	-	(1,369.3)
Balance at 31 December	2,082.5	1,279.3	2,076.1	2,409.0

Investments are stated at Directors' valuation, as explained above. A list of the subsidiary and other related undertakings is included in note G.

D: Receivables: non-current assets

	2021 £m	2020 £m
Amounts owed by subsidiaries and other related undertakings*	4,727.5	4,308.0
Loans receivable from associate (note 15C)	1.7	1.8
Restricted monetary asset (note 17)	21.4	21.4
	4,750.6	4,331.2

* Includes an expected credit loss impairment provision of £471.6 million (2020: £310.4 million). The movement in the year comprises an additional impairment provision of £177.1 million (2020: £310.4 million) less utilisation of impairment provision of £15.9 million (2020: £nil).

Amounts owed by subsidiaries and other related undertakings are unsecured and bear interest at floating rates based on SONIA (2020: 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 2022.

E: Payables: current liabilities

	2021 £m	2020 £m
Amounts owed to subsidiaries and other related undertakings	2,261.6	1,530.9
Withholding tax on interim dividends (note 11)	-	11.9
Accruals	33.4	36.7
	2,295.0	1,579.5

The amounts owed to subsidiaries and other related undertakings are unsecured, repayable on demand and bear interest at floating rates based on SONIA (2020: LIBOR).

F: Loans and derivative financial instruments

The Company's borrowing position at 31 December 2021 and 2020 are summarised below:

	Derivative financial instruments				Loans < 1 year £m	Loans > 1 year £m	2021 Total £m
	Current assets £m	Non-current assets £m	Current liabilities £m	Non-current liabilities £m			
Bonds	-	-	-	-	-	1,042.8	1,042.8
Bank loans and overdrafts	-	-	-	-	-	(2.7)	(2.7)
Senior notes	-	-	-	-	-	216.4	216.4
Fair value of currency swaps	(7.3)	(8.3)	-	59.7	-	-	44.1
Borrowings	(7.3)	(8.3)	-	59.7	-	1,256.5	1,300.6
Interest rate swaps	-	(10.3)	-	-	-	-	(10.3)
Loans and derivative financial instruments	(7.3)	(18.6)	-	59.7	-	1,256.5	1,290.3

	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			
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 fair values of the Company's borrowings and derivative instruments, together with their book value included in the Company's balance sheet are set out below. Further information is also provided in notes 20 and 21 to the consolidated financial statements.

	Hierarchy level	2021			2020		
		Book value £m	Fair value £m	Variance £m	Book value £m	Fair value £m	Variance £m
Unsecured bonds	1	1,042.8	1,128.4	85.6	1,737.5	1,765.4	27.9
Senior notes	2	216.4	221.8	5.4	524.1	549.1	25.0
Unsecured bank loans and overdrafts	2	(2.7)	-	2.7	(2.9)	-	2.9
Fair value of currency swaps	2	44.1	44.1	-	71.3	71.3	-
Borrowings		1,300.6	1,394.3	93.7	2,330.0	2,385.8	55.8
Fair value of interest rate swaps	2	(10.3)	(10.3)	-	-	-	-

Transition from LIBOR

As explained in note 21L, the Group has assessed its exposure to GBP LIBOR contracts and the consequences of the LIBOR benchmark reform. The consequences for the Company are the same as for the Group, and in addition, in October 2021, the terms of the Company's LIBOR referencing intragroup loans were updated to reference SONIA instead of LIBOR.

G: Subsidiaries and other related undertakings

The Company's subsidiaries and other related undertakings at 31 December 2021 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, D02 X576 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 155 for footnotes)

280 Bishopsgate Investments Limited	Hammerson (Watermark) Limited
Abbey Retail Park Limited (Northern Ireland) ¹	Hammerson (Whitgift) Limited
Crocusford Limited	Hammerson Birmingham Properties Limited
Governeffect Limited	Hammerson Bull Ring Limited
Grantchester Developments (Birmingham) Limited	Hammerson Croydon (GP1) Limited
Grantchester Group Limited	Hammerson Croydon (GP2) Limited
Grantchester Investments Limited	Hammerson Investments (No. 12) Limited
Grantchester Limited	Hammerson Investments (No. 16) Limited
Grantchester Properties (Gloucester) Limited	Hammerson Investments (No. 23) Limited
Grantchester Properties (Luton) Limited	Hammerson Investments (No. 26) Limited
Grantchester Properties (Nottingham) Limited	Hammerson Investments (No. 36) Limited
Grantchester Properties (Port Talbot) Limited	Hammerson Investments (No. 37) Limited
Grantchester Properties (Sunderland) Limited	Hammerson Investments Limited
Hammerson (Brent Cross) Limited	Hammerson Junction (No 3) Limited
Hammerson (Brent South) Limited	Hammerson Junction (No 4) Limited
Hammerson (Bristol Investments) Limited	Hammerson LLC (United States) ³
Hammerson (Bristol) Limited	Hammerson Martineau Galleries Limited
Hammerson (Cardiff) Limited	Hammerson MGLP Limited
Hammerson (Coventry) Limited	Hammerson MGLP 2 Limited
Hammerson (Cramlington I) Limited	Hammerson Moor House (LP) Limited
Hammerson (Cricklewood) Limited	Hammerson Operations Limited
Hammerson (Croydon) Limited	Hammerson Oracle Investments Limited
Hammerson (Euston Square) Limited	Hammerson Oracle Properties Limited
Hammerson (Exeter II) Limited	Hammerson Project Management Limited
Hammerson (Folkestone) Limited	Hammerson Renewable Energy Limited
Hammerson (Leeds Developments) Limited	Hammerson Retail Parks Holdings Limited
Hammerson (Leeds GP) Limited	Hammerson Sheffield (NRQ) Limited
Hammerson (Leeds Investments) Limited	Hammerson Shelf Co 10 Limited
Hammerson (Leeds) Limited	Hammerson Shelf Co 11 Limited
Hammerson (Leicester GP) Limited	Hammerson Shelf Co 12 Limited
Hammerson (Milton Keynes) Limited	Hammerson Shelf Co 13 Limited
Hammerson (Moor House) Properties Limited	Hammerson Shelf Co 14 Limited
Hammerson (Newcastle) Limited	Hammerson UK Properties plc
Hammerson (Newtownabbey) Limited	Hammerson Wrekin LLP ⁷
Hammerson (Oldbury) Limited	Junction Nominee 1 Limited
Hammerson (Renfrew) Limited	Junction Nominee 2 Limited
Hammerson (Silverburn) Limited (Isle of Man) ²	Leeds (GP1) Limited
Hammerson (Telford) Limited	Leeds (GP2) Limited
Hammerson (Value Retail Investments) Limited	London & Metropolitan Northern
Hammerson (VIA GP) Limited	LWP Limited Partnership ⁷
Hammerson (Victoria Gate) Limited	Martineau Galleries (GP) Limited
Hammerson (Victoria Investments) Limited	Martineau Galleries No. 1 Limited
Hammerson (Victoria Quarter) Limited	Martineau Galleries 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

Monesan Limited (Northern Ireland)¹

Precis (1474) Limited (Ordinary and Deferred)

RT Group Developments Limited

RT Group Property Investments Limited

SEVCO 5025 Limited⁴

Spitalfields Developments Limited

Spitalfields Holdings Limited (Ordinary and Preference)

The Junction (General Partner) Limited

The Junction (Thurrock Shareholder GP) Limited

The Junction Limited Partnership⁷

The Junction Thurrock (General Partner) Limited

The Junction Thurrock Limited Partnership⁷The Martineau Galleries Limited Partnership⁷

Thurrock Shares 1 Limited

Thurrock Shares 2 Limited

Union Square Developments Limited (Scotland)⁵Victoria Quarter (Lux)⁶

West Quay (No.1) Limited

West Quay (No.2) Limited

West Quay Shopping Centre Limited

Westchester Holdings Limited

Westchester Property Holdings 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) 1 rue Jean Piret, L-2350, Luxembourg (7) No shares in issue for Limited Partnerships.

France

Registered office: 40/48 rue Cambon – 23 rue des Capucines, 75001 Paris

BFN10 GmbH (Germany)¹

Cergy Expansion 1 SAS

Espace Plus SCI

Hammerson SAS

Hammerson Asset Management SAS

Hammerson Centre Commercial Italie SAS

Hammerson Cergy SASU

Hammerson Cergy 1 SCI

Hammerson Cergy 2 SCI

Hammerson Cergy 4 SCI

Hammerson Cergy 5 SCI

Hammerson Développement SCI

Hammerson Europe BV (Netherlands)²

Hammerson Fontaine SCI

Hammerson France SAS

Hammerson Iconik SAS

Hammerson Marketing et Communication SAS

Hammerson Marseille SCI

Hammerson Property Management SAS

Hammerson Troyes SCI

Les Pressing Réunis SARL

RC Aulnay 3 SCI

SCI Cergy Cambon SCI

SCI Cergy Capucine SCI

SCI Cergy Honoré SCI

SCI Cergy Lynx SCI

SCI Cergy Madeleine SCI

SCI Cergy Office 1 SCI

SCI Cergy Office 2 SCI

SCI Cergy Office 3 SCI

SCI Cergy Office 4 SCI

SCI Cergy Office 5 SCI

SCI Cergy Office 6 SCI

SCI Cergy Opéra SCI

SCI Cergy Paix SCI

SCI Cergy Royale SCI

SCI Cergy Trois SCI

SCI Cergy Tuileries SCI

SCI Cergy Vendôme SCI

SCI Nevis SCI

SCI Paris Italik SCI

SNC Cergy Expansion 2

Teycpac-H-Italie SAS

Registered offices: (1) Schlossstraße 1, 12163 Berlin, Germany (2) Spoorsing, 2871 TT, Schoonhoven, Netherlands.

IrelandDublin Central GP Limited²Dublin Central Limited Partnership¹²Dundrum R&O Park Management Limited²Dundrum Town Centre Management Limited²Dundrum Village Management Company Limited²Hammerson Ireland Finance Designated Activity Company²Hammerson Ireland Investments Limited²Hammerson Operations (Ireland) Limited²The Hammerson ICAV³

(1) No shares in issue for Limited Partnerships. Registered offices: (2) Riverside One, Sir John Rogerson's Quay, Dublin 2, D02 X576 Ireland (3) 1-2 Victoria Buildings, Haddington Road, Dublin 4, Ireland.

Jersey

Registered office: 47 Esplanade, St Helier, Jersey JE1 0BD

Hammerson Birmingham Investments Limited²Hammerson Bull Ring (Jersey) Limited²

Hammerson Croydon Investments Limited

Hammerson Highcross Investments Limited

Hammerson Junction (No 1) Limited

Hammerson Junction (No 2) Limited

Hammerson Victoria Quarter Unit Trust¹

Hammerson VIA (Jersey) Limited

Hammerson VRC (Jersey) Limited

Hammerson Whitgift Investments Limited

The Junction Thurrock Unit Trust¹The Junction Unit Trust¹

(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.

Notes to the Company financial statements continued

G: Subsidiaries and other related undertakings continued

Indirectly held joint venture entities

	Country of registration or operation	Class of share held	Ownership %
Bishopsgate Goodsyards 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 (GP1) 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	Ordinary	50
Highcross Leicester Limited Partnership	England and Wales ¹	N/A	50
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
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
Société Civile de Développement du Centre Commercial de la Place des Halles SDPH SC	France ⁸	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, D02 X576 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) 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
SNC Italie Theatre SNC	France ⁴	Ordinary	25
SNC Reinventer Italie Vendrezanne SNC	France ⁴	Ordinary	25
SNC Vandrezanne SNC	France ⁴	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 ⁵	Ordinary	24
VR European Holdings BV	Netherlands ³	Ordinary	25
VR Franconia GmbH	Germany ⁶	Ordinary	66
VR Ireland BV	Netherlands ³	Ordinary	57
VR La Vallée BV	Netherlands ³	Ordinary	28
VR Maasmechelen Tourist Outlets Comm. VA	Belgium ⁷	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) 40/48 rue Cambon, 75001 Paris (5) 19 Berkeley Street, London W1J 8ED (6) Almosenberg, 97877, Wertheim, Germany (7) Zetellaan 100, 3630 Maasmechelen, Belgium.

Subsidiary undertakings exempt from audit

The following subsidiaries are exempt from the requirements of the Companies Act 2006 relating to the audit of individual financial statements by virtue of Section 479A of that Act.

	Company registration number		Company registration number
Grantchester Developments (Birmingham) Limited	4295332	Hammerson Croydon (GP1) Limited	8230396
Grantchester Group Limited	1887040	Hammerson Croydon (GP2) Limited	8284202
Grantchester Holdings Limited	4035681	Hammerson Group Management Limited	574728
Grantchester Limited	2489293	Hammerson International Holdings Limited	666151
Grantchester Properties (Gloucester) Limited	3691896	Hammerson Investments (No. 23) Limited	4186905
Grantchester Properties (Luton) Limited	3691887	Hammerson Investments Limited	3109232
Hammerson (Brent Cross) Limited	3377460	Hammerson Junction (No 4) Limited	8218055
Hammerson (Brent South) Limited	6644658	Hammerson Martineau Galleries Limited	4161246
Hammerson (Bristol Investments) Limited	6663404	Hammerson MGLP Limited	9084398
Hammerson (Cardiff) Limited	6668272	Hammerson MGLP 2 Limited	3768311
Hammerson (Cricklewood) Limited	4789711	Hammerson Operations Limited	4125216
Hammerson (Croydon) Limited	4044457	Hammerson Oracle Investments Limited	3289109
Hammerson (Milton Keynes) Limited	6671304	Hammerson UK Properties plc	298351
Hammerson (Oldbury) Limited	8218034	Hammerson Via No 2 Limited	12279332
Hammerson (Renfrew) Limited	8180149	Martineau Galleries (GP) Limited	3744383
Hammerson (Value Retail Investments) Limited	6654800	RT Group Developments Limited	3699545
Hammerson (Victoria Investments) Limited	8047957	RT Group Property Investments Limited	4357520
Hammerson (Victoria Quarter) Limited	8230241	Spitalfields Developments Limited	2025411
Hammerson (Watermark) Limited	6763965	The Junction (General Partner) Limited	4278233
Hammerson Bull Ring Limited	5447873	West Quay Shopping Centre Limited	643320

The following partnerships are exempt from the requirements to prepare, publish and have audited individual financial statements by virtue of regulation 7 of the Partnerships (Accounts) Regulations 2008. The results of these partnerships are consolidated within these consolidated Group financial statements.

The Junction Thurrock Limited Partnership	The Martineau Galleries Limited Partnership
The Junction Limited Partnership	

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 2020 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 75, below.

Table 75

EPRA performance measures

Performance measure	2021	2020	Definition and commentary	Page
Earnings	£80.4m	£15.9m	Recurring earnings from core operational activities. In 2021, EPRA earnings were £0.5 million lower (2020: £20.6 million lower) than the Group's adjusted earnings due to the inclusion of 'Company specific' adjustments. For 2021, these principally related to business transformation costs of £8.6 million largely offset by the change in provision for amounts not yet recognised in the income statement of £8.1 million. Management believes these adjustments better reflect the underlying earnings of the Group and are shown in note 12B of the financial statements.	123
Earnings per share (EPS) ¹	1.8p	0.6p	EPRA earnings divided by the weighted average number of shares in issue during the period. In 2021 EPRA EPS is equal to adjusted EPS (2020: 0.7p lower).	123
Net Reinvestment Value (NRV) per share	74p	94p	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.	125
Net Tangible Assets (NTA) per share ²	64p	82p	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.	125
Net Disposal Value (NDV) per share	60p	78p	Equity shareholders' funds including the fair value of borrowings and excluding goodwill balances, divided by the diluted number of shares in issue.	125
Net Initial Yield (NIY)	5.6%	5.7%	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.	163
Topped-up NIY	5.8%	5.8%	EPRA NIY adjusted for the expiry of rent-free periods and future rent on signed leases.	164
Vacancy rate	5.7%	5.7%	The estimated market rental value (ERV) of vacant space divided by the ERV of the lettable area. Occupancy is the inverse of vacancy.	160
Cost ratio (including vacancy costs)	40.3%	54.9%	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.	162
Cost ratio (excluding vacancy costs)	34.9%	51.7%	Calculated as per the above metric, except this metric excludes net service charges in relation to vacancy.	162

Sustainability (LFL annual change)³

Greenhouse Gas (GHG) Direct	+54%	-31%	Greenhouse gas emissions emitted from onsite combustion of energy.
GHG Indirect	-4%	-28%	Annual greenhouse gas emissions emitted from offsite combustion (purchased electricity and heat).

1. 2020 per share metric restated for scrip dividends. See note 12B of the financial statements for further details.

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

3. LFL is based on properties under Hammerson's direct operational control and owned throughout 2021 and 2020. Properties undergoing a significant extension project are excluded from this calculation during the period of the works. Further details of the Group's sustainability strategy can be found on our website www.hammerson.com.

Portfolio analysis

During 2021, to better align with the Group's new strategy, particularly concerning accelerating the Group's development opportunities, the business segments used by the Group Executive Committee, who are deemed to be the chief decision makers, to review the performance of the business were amended to combine the two operating segments 'UK other' and 'Developments' into one operating business segment 'Developments and other', which therefore includes both investment and developments properties. A listing of the key properties within this segment is shown on page 171.

The Group's investment in Grand Central, Birmingham, was transferred from the UK flagships segment to 'Developments and other' with effect from 1 July 2021, reflecting the change in focus following the major department store closure, which has led to plans being worked up for its redevelopment. Additionally, the Group's investment in Highcross, Leicester, has been transferred from UK flagships to 'Developments and other' at 31 December 2021. These reclassifications are reflected in the tables within this section. Where applicable, the information presented within the 'Development and other' segment only reflects available data in relation to the investment properties within this segment.

Rental information

Table 76

Rental data

	Gross rental income £m	Adjusted net rental income £m	Average rents passing ¹ £/m	Rents passing ² £m	Estimated rental value (ERV) ³ £m	Reversion/(over-rented) %
Proportionally consolidated excluding premium outlets						
UK	114.3	90.1	400	104.5	102.0	(7.3)
France	52.5	39.4	415	52.3	57.5	5.3
Ireland	34.5	32.4	460	35.6	36.5	0.9
Flagship destinations	201.3	161.9	415	192.4	196.0	(2.1)
Developments and other	29.6	17.5	195	22.4	23.4	(9.5)
UK retail parks	10.7	10.4	n/a	n/a	n/a	n/a
Managed portfolio	241.6	189.8	370	214.8	219.4	(2.9)
Data for the year ended 31 December 2020						
UK	128.0	63.2	395	128.2	132.4	(2.5)
France	63.1	47.8	490	58.6	62.9	2.1
Ireland	37.7	26.5	485	38.8	39.0	(1.0)
Flagship destinations	228.8	137.5	435	225.6	234.3	(1.0)
Developments and other	22.7	10.8	120	8.9	10.0	1.3
UK retail parks	35.4	21.3	200	35.2	35.4	(6.5)
Managed portfolio	286.9	169.6	365	269.7	279.7	(1.6)

1. Average rents passing at the year end before deducting head and equity rents and excluding rents passing from anchor units, car parks and commercialisation.
2. Passing rents is the annual rental income receivable at the year end from an investment property, after any rent-free periods and after deducting head and equity rents and car parking and commercialisation running costs totalling £17.8 million.
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 2021 was £84.1 million (2020: £125.3 million).

Table 77

Gross rental income

	2021 £m	2020 £m
Base rent	158.6	243.5
Turnover rent	8.2	3.8
Car park income	22.3	20.8
Commercialisation income	10.3	7.5
Lease incentive recognition	19.5	4.6
Other rental income ¹	22.7	6.7
Gross rental income	241.6	286.9

1. For the year ended 31 December 2021, includes surrender premiums of £20.0 million (2020: £2.9 million).

Additional disclosures continued

Unaudited

Table 78

Vacancy data

	31 December 2021 £m			31 December 2020 £m		
	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 %
Proportionally consolidated excluding premium outlets						
UK	5.1	86.0	5.9	7.6	111.9	6.8
France	2.3	59.1	4.0	3.0	64.3	4.7
Ireland	0.6	33.0	1.7	0.6	35.1	1.8
Flagship destinations	8.0	178.1	4.5	11.2	211.3	5.3
Developments and other	3.2	20.4	15.7	0.9	9.8	9.0
UK retail parks	-	-	-	2.5	35.8	7.0
Managed portfolio	11.2	198.5	5.7	14.6	256.9	5.7

1. Total ERV differs from Table 76 due to the exclusion of car park ERV, which distorts the vacancy metric, and the inclusion of head and equity rents.

Table 79

Rent reviews

	Rents passing subject to review in ¹					Current ERV of leases subject to review in ²				
	Outstanding £m	2022 £m	2023 £m	2024 £m	Total £m	Outstanding £m	2022 £m	2023 £m	2024 £m	Total £m
Proportionally consolidated excluding premium outlets										
UK	15.9	11.1	7.2	10.0	44.2	17.9	11.8	7.4	11.1	48.2
Ireland	17.5	2.6	3.4	2.2	25.7	19.4	2.7	3.4	2.2	27.7
Flagship destinations	33.4	13.7	10.6	12.2	69.9	37.3	14.5	10.8	13.3	75.9
Developments and other	3.4	1.0	2.8	0.6	7.8	3.8	1.0	2.9	0.6	8.3
Managed portfolio³	36.8	14.7	13.4	12.8	77.7	41.1	15.5	13.7	13.9	84.2

1. The amount of rental income, based on rents passing at 31 December 2021, for leases which are subject to review in each year.

2. Projected rental income for leases that are subject to review in each year, based on the higher of the current rental income and the ERV at 31 December 2021.

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

Table 80

Lease expiries and breaks

	Rents passing that expire/break in ¹					ERV of leases that expire/break in ²					Weighted average unexpired lease term	
	Outstanding £m	2022 £m	2023 £m	2024 £m	Total £m	Outstanding £m	2022 £m	2023 £m	2024 £m	Total £m	to break years	to expiry years
Proportionally consolidated excluding premium outlets												
UK	7.9	15.6	15.0	15.4	53.9	8.3	16.2	11.9	12.5	48.9	6.0	11.7
France	3.5	1.8	5.3	11.1	21.7	3.4	2.4	5.1	12.0	22.9	1.7	4.5
Ireland	1.5	1.9	2.9	3.5	9.8	1.9	2.8	2.9	2.6	10.2	6.3	8.0
Flagship destinations	12.9	19.3	23.2	30.0	85.4	13.6	21.4	19.9	27.1	82.0	4.7	8.8
Developments and other	2.7	2.2	3.9	2.6	11.4	2.9	2.6	3.0	2.0	10.5	4.4	8.8
Managed portfolio	15.6	21.5	27.1	32.6	96.8	16.5	24.0	22.9	29.1	92.5	4.7	8.8

1. The amount of rental income, based on rents passing at 31 December 2021, for leases which expire or, for the UK and Ireland only, are subject to tenant break options which fall due in each year.

2. The ERV at 31 December 2021 for leases that expire or, for the UK and Ireland only, are subject to tenant break options which fall due in each year and ignoring the impact of rental growth and any rent-free periods.

Net rental income

Table 81

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

Year ended 31 December 2021	Properties owned throughout 2020/21 £m	Change in like-for-like NRI %	Disposals £m	Developments and other £m	Total adjusted NRI £m
Proportionally consolidated excluding premium outlets					
UK	79.5	31.0	–	10.6	90.1
France	29.1	(1.4)	0.8	9.5	39.4
Ireland	32.4	26.1	–	–	32.4
Flagship destinations	141.0	21.7	0.8	20.1	161.9
Developments and other	–	–	0.5	17.0	17.5
UK retail parks	–	–	10.4	–	10.4
Managed portfolio^{1,2}	141.0	21.7	11.7	37.1	189.8

Year ended 31 December 2020	Properties owned throughout 2020/21 £m	Exchange £m	Disposals £m	Developments and other £m	Total adjusted NRI £m
Proportionally consolidated excluding premium outlets					
UK	60.7	–	–	2.5	63.2
France	29.7	1.7	3.3	13.1	47.8
Ireland	25.5	1.0	–	–	26.5
Flagship destinations	115.9	2.7	3.3	15.6	137.5
Developments and other	–	–	–	10.8	10.8
UK retail parks	–	–	21.3	–	21.3
Managed portfolio^{1,2}	115.9	2.7	24.6	26.4	169.6

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 £2.605 million as at 31 December 2021 (2020: £2,966 million).

Additional disclosures continued
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Table 82

Top ten occupiers ranked by passing rent

Proportionally consolidated, excluding premium outlets	Passing rent £m	% of total passing rent
Inditex	8.5	3.8
H&M	6.4	2.9
Next	4.3	1.9
JD Sports	3.4	1.5
Boots	3.3	1.5
CK Hutchison Holdings	3.0	1.3
River Island Clothing Company	3.0	1.3
Marks & Spencer	2.8	1.3
Frasers Group	2.7	1.2
Printemps	2.5	1.1
Total	39.9	17.8

Table 83

EPRA cost ratio

Proportionally consolidated excluding premium outlets	Year ended 31 December 2021 £m	Year ended 31 December 2020 £m
Gross administration expenses	71.7	67.8
Property fee income	(13.2)	(15.2)
Management fees receivable	(7.1)	(8.5)
Property outgoings	50.0	115.0
Less inclusive lease costs recovered through rent	(8.0)	(6.4)
Total operating costs (A)	93.4	152.7
Less vacancy costs	(12.6)	(8.9)
Total operating costs excluding vacancy costs (B)	80.8	143.8
Gross rental income	241.6	286.9
Ground and equity rents payable	(1.8)	(2.3)
Less inclusive lease costs recovered through rent	(8.0)	(6.4)
Gross rental income (C)	231.8	278.2
EPRA cost ratio including vacancy costs (%) – (A/C)	40.3	54.9
EPRA cost ratio excluding vacancy costs (%) – (B/C)	34.9	51.7

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 colleagues 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 2021, employee costs of £1.5 million (2020: £2.2million) were capitalised as development costs and are not included within 'Gross administration expenses'.

Table 84

Valuation analysis

Proportionally consolidated including premium outlets	Properties at valuation £m	Revaluation in the year £m	Capital return %	Total return %	Initial yield %	True equivalent yield %	Nominal equivalent yield ¹ %
UK ²	1,135.3	(254.0)	(16.7)	(10.8)	7.0	8.1	7.7
France ³	989.7	(63.4)	(6.6)	(3.1)	4.4	5.2	5.0
Ireland	659.3	(61.1)	(8.3)	(3.9)	4.9	5.4	5.3
Flagship destinations	2,784.3	(378.5)	(11.6)	(6.8)	5.6	6.4	6.2
Developments and other	694.4	(79.0)	(9.3)	(6.6)	6.2	9.6	9.0
UK retail parks ⁴	-	-	(8.5)	(6.1)	n/a	n/a	n/a
Managed portfolio	3,478.7	(457.5)	(11.3)	(6.7)	5.6	6.6	6.4
Premium outlets ⁵	1,893.5	(12.0)	(0.6)	2.1			
Group portfolio⁶	5,372.2	(469.5)	(7.9)	(3.9)			

Data for the year ended 31 December 2020

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
Developments and other	614.6	(187.1)	(19.8)	(16.8)	6.2	9.6	9.0
UK retail parks	384.0	(52.4)	(23.3)	(19.5)	7.9	8.8	8.3
Managed portfolio	4,413.8	(1,438.8)	(25.6)	(23.1)	5.7	6.5	6.3
Premium outlets ⁵	1,924.2	(157.3)	(10.0)	(7.5)			
Group portfolio⁶	6,338.0	(1,596.1)	(20.9)	(18.3)			

1. 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 2021 was 6.2% (2020: 6.3%).

2. Includes Silverburn which is classified as an asset held for sale as at 31 December 2021.

3. Includes Italik, 75% of which is classified as a trading property as at 31 December 2021.

4. UK retail parks were disposed during the year. Returns presented are up to the date of disposal.

5. Represents the Group's share of premium outlets through its investments in Value Retail and, in 2020, VIA Outlets prior to its sale on 31 October 2020.

6. Further analysis of capital expenditure is included in note 3B on page 115

Additional disclosures continued
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Table 85

EPRA Net Initial Yield (NIY)

		2021 £m	2020 £m
Proportionally consolidated excluding premium outlets			
Property portfolio – excluding premium outlets – wholly owned	Note 38	1,561.4	2,152.8
Property portfolio – excluding premium outlets – share of property interests	Note 38	1,813.9	2,261.0
Property portfolio – excluding premium outlets – trading properties	Note 38	34.3	–
Property portfolio – excluding premium outlets – assets held for sale	Note 38	69.1	–
Net investment portfolio valuation on a proportionally consolidated basis	Note 38	3,478.7	4,413.8
Less: Developments – within Developments and other		(469.4)	(508.4)
Completed investment portfolio		3,009.3	3,905.4
Purchasers' costs ¹		209.8	272.1
Grossed up completed investment portfolio (A)		3,219.1	4,177.5
Annualised cash passing rental income		214.7	269.7
Non recoverable costs		(29.3)	(26.1)
Rents payable		(3.6)	(4.5)
Annualised net rent (B)		181.8	239.1
Add:			
Notional rent expiration of rent free periods and other lease incentives ²		3.0	3.0
Future rent on signed leases		0.7	1.5
Topped-up annualised net rent (C)		185.5	243.6
Add back: Non recoverable costs		29.3	26.1
Passing rents³	Table 76	214.8	269.7
EPRA net initial yield (B/A)	Table 84	5.6%	5.7%
EPRA 'topped-up' net initial yield (C/A)		5.8%	5.8%

1. Purchasers' costs equate to 7.0% (2020: 7.0%) of the net portfolio value prior to impairment.

2. The weighted average remaining rent-free period is 0.6 years (2020: 0.5 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.

Table 86

EPRA Capital expenditure

	2021			2020		
	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						
Developments and other	49	2	51	44	3	47
Capital expenditure – creating additional area	11	–	11	10	7	17
Capital expenditure – no additional area	5	14	19	8	10	18
Tenant incentives	12	9	21	(10)	(5)	(15)
Total capital expenditure	77	25	102	52	15	67
Conversion from accruals to cash basis	-	(5)	(5)	16	–	16
Total capital expenditure on cash basis (Table 94)	77	20	97	68	15	83

Further analysis of capital expenditure on a segmental basis is provided in the Financial review on page 30.

Share of Property interests

The Group's Share of Property interests reflects the Group's Property joint ventures as shown in note 14 to the financial statements on pages 127 to 132 and the Group's interests in Italie Deux and Nicetoile (prior to its disposal in April 2021), which is accounted for as an associate, as shown in note 15 to the financial statements on pages 133 to 135.

Table 87

Income statement

	2021			2020		
	Property joint ventures £m	Italie Deux and Nicetoile £m	Share of Property interests £m	Property joint ventures £m	Italie Deux and Nicetoile £m	Share of Property interests £m
Gross rental income	137.2	5.9	143.1	146.7	7.0	153.7
Net rental income	110.0	4.8	114.8	75.9	5.6	81.5
Net administration expenses	(0.7)	–	(0.7)	(0.4)	–	(0.4)
Operating profit before other net losses	109.3	4.8	114.1	75.5	5.6	81.1
Revaluation losses on properties	(274.6)	(9.2)	(283.8)	(923.5)	(18.1)	(941.6)
Operating loss	(165.3)	(4.4)	(169.7)	(848.0)	(12.5)	(860.5)
Change in fair value of derivatives	4.2	–	4.2	(1.9)	–	(1.9)
Other finance costs	(9.9)	–	(9.9)	(9.5)	–	(9.5)
Net finance costs	(5.7)	–	(5.7)	(11.4)	–	(11.4)
Loss before tax	(171.0)	(4.4)	(175.4)	(859.4)	(12.5)	(871.9)
Current tax charge	(0.3)	–	(0.3)	(0.1)	–	(0.1)
Loss for the year – continuing operations	(171.3)	(4.4)	(175.7)	(859.5)	(12.5)	(872.0)
Profit for the year – discontinued operations	0.9	–	0.9	(2.5)	–	(2.5)
Loss for the year	(170.4)	(4.4)	(174.8)	(862.0)	(12.5)	(874.5)

1. Comparatives for the year ended 31 December 2020 have been re-presented to show the results of Brent South Shopping Park as discontinued operations.

Table 88

Balance sheet

	2021			2020		
	Property joint ventures £m	Italie Deux £m	Share of Property interests £m	Property joint ventures £m	Italie Deux and Nicetoile £m	Share of Property interests £m
Non-current assets						
Investment and development properties	1,712.2	101.7	1,813.9	2,122.8	138.2	2,261.0
Other non-current assets	18.3	–	18.3	18.1	–	18.1
	1,730.5	101.7	1,832.2	2,140.9	138.2	2,279.1
Current assets						
Other current assets	75.0	3.2	78.2	99.7	4.6	104.3
Cash and deposits	113.7	6.0	119.7	87.8	5.7	93.5
	188.7	9.2	197.9	187.5	10.3	197.8
Total assets	1,919.2	110.9	2,030.1	2,328.4	148.5	2,476.9
Current liabilities						
Loans - secured	(79.3)	–	(79.3)	(49.5)	–	(49.5)
Other payables	(72.2)	(3.9)	(76.1)	(76.6)	(3.4)	(80.0)
	(151.5)	(3.9)	(155.4)	(126.1)	(3.4)	(129.5)
Non-current liabilities						
Loans - secured	(295.0)	–	(295.0)	(357.6)	–	(357.6)
Derivative financial instruments	(1.6)	–	(1.6)	(5.9)	–	(5.9)
Obligations under head leases	(15.8)	–	(15.8)	(15.8)	–	(15.8)
Other payables	(3.4)	(0.8)	(4.2)	(9.3)	(0.8)	(10.1)
Deferred tax	(0.1)	–	(0.1)	(0.1)	–	(0.1)
	(315.9)	(0.8)	(316.7)	(388.7)	(0.8)	(389.5)
Total liabilities	(467.4)	(4.7)	(472.1)	(514.8)	(4.2)	(519.0)
Net assets	1,451.8	106.2	1,558.0	1,813.6	144.3	1,957.9

Additional disclosures continued

Unaudited

Premium outlets

At 31 December 2021, the Group's investment in premium outlets is through its interest in Value Retail, following the disposal of substantially all of its investment in VIA Outlets on 31 October 2020. The Group's adjusted earnings from VIA Outlets for the year ended 31 December 2020 comprised its share of adjusted earnings up to 30 June 2020, when the investment was reclassified to assets held for sale (AHFS), and separately its share of results from 1 July 2020 to the sale date of 31 October 2020. Refer to note 10 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 89 and 90 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 15 to the financial statements on pages 133 to 135 and for VIA Outlets in notes 10 and 14 to the financial statements on pages 127 to 132.

Table 89

Aggregated premium outlets income statement

	2021				2020
	Value Retail £m	Value Retail £m	VIA Outlets £m	AHFS - VIA Outlets £m	Total £m
Gross rental income	96.6	71.7	20.0	14.7	106.4
Net rental income	66.7	45.7	12.9	13.2	71.8
Net administration expenses	(33.8)	(33.9)	(3.3)	(2.0)	(39.2)
Operating profit before other net losses	32.9	11.8	9.6	11.2	32.6
Revaluation losses on properties	(12.0)	(126.6)	(30.7)	-	(157.3)
Operating profit/(loss)	20.9	(114.8)	(21.1)	11.2	(124.7)
Change in fair value of derivatives	9.3	3.0	(0.1)	0.2	3.1
Change in fair value of participative loans	9.1	(16.5)	-	-	(16.5)
Other net finance costs	(18.7)	(19.4)	(5.1)	(3.7)	(28.2)
Profit/(Loss) before tax	20.6	(147.7)	(26.3)	7.7	(166.3)
Current tax (charge)/credit	(1.8)	(0.7)	0.9	(0.6)	(0.4)
Deferred tax credit	1.2	12.6	4.7	-	17.3
Share of results (IFRS)	20.0	(135.8)	(20.7)	7.1	(149.4)
Less earnings adjustments (note 14B/5B):					
Revaluation losses on properties	12.0	126.6	30.7	-	157.3
Change in fair value of derivatives	(9.3)	(3.0)	0.1	(0.2)	(3.1)
Change in fair value of financial assets	(0.1)	0.1	-	-	0.1
Deferred tax credit	(1.2)	(12.6)	(4.7)	-	(17.3)
Other adjustments	(5.5)	17.6	0.5	1.2	19.3
	(4.1)	128.7	26.6	1.0	156.3
Adjusted earnings/(loss) of premium outlets	15.9	(7.1)	5.9	8.1	6.9

Table 90

Aggregated premium outlets balance sheet

	2021	2020
	Value Retail £m	Value Retail £m
Investment properties	1,893.5	1,924.2
Net debt	(680.3)	(689.3)
Other net liabilities	(72.4)	(80.8)
Share of net assets (IFRS)	1,140.8	1,154.1
Less adjustments: (note 12D)		
Fair value of derivatives	1.2	17.7
Deferred tax (50%)	94.0	98.7
	95.2	116.4
Investment - NTA basis	1,236.0	1,270.5

In addition to the above figures, at 31 December 2021 the Group had provided loans of £1.7 million (2020: £1.8 million) to Value Retail for which the Group received interest of £0.1 million in 2021 (2020: £0.1 million) which is included within finance income in note 8 to the financial statements on page 118.

Proportionally consolidated information

Note 2 to the financial statements on pages 111 to 113 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 91, 92 and 93 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 14 to the financial statements on pages 127 to 132 and Italie Deux and Nicetoile, up to the date of its disposal, as shown in note 15 to the financial statements on pages 133 to 135. Column C shows the Group's proportionally consolidated figures by aggregating the Reported Group and Share of Property interests figures. As explained on page 22 of the Financial review, the Group's interest in Value Retail, and VIA Outlets up to the date of its disposal are not proportionally consolidated.

Table 91

Balance sheet

	2021			2020		
	Reported Group £m	Share of Property interests £m	Proportionally consolidated £m	Reported Group £m	Share of Property interests £m	Proportionally consolidated £m
	A	B	C	A	B	C
Non-current assets						
Investment and development properties	1,561.4	1,813.9	3,375.3	2,152.8	2,261.0	4,413.8
Interests in leasehold properties	32.9	15.4	48.3	38.6	15.5	54.1
Right-of-use assets	3.8	-	3.8	6.7	-	6.7
Plant and equipment	1.4	-	1.4	2.3	-	2.3
Investment in joint ventures	1,451.8	(1,451.8)	-	1,813.6	(1,813.6)	-
Investment in associates	1,247.0	(106.2)	1,140.8	1,298.4	(144.3)	1,154.1
Other investments	9.5	-	9.5	9.7	-	9.7
Derivative financial instruments	18.6	-	18.6	6.6	-	6.6
Restricted monetary assets	21.4	-	21.4	21.4	-	21.4
Receivables	19.5	2.9	22.4	3.4	2.6	6.0
	4,367.3	274.2	4,641.5	5,353.5	321.2	5,674.7
Current assets						
Receivables	84.8	32.3	117.1	105.9	62.7	168.6
Trading properties	34.3	-	34.3	-	-	-
Derivative financial instruments	7.3	-	7.3	9.1	-	9.1
Restricted monetary assets	39.1	45.9	85.0	28.3	41.6	69.9
Cash and deposits	309.7	119.7	429.4	409.5	93.5	503.0
	475.2	197.9	673.1	552.8	197.8	750.6
Assets held for sale	71.4	-	71.4	-	-	-
	546.6	197.9	744.5	552.8	197.8	750.6
Total assets	4,913.9	472.1	5,386.0	5,906.3	519.0	6,425.3
Current liabilities						
Loans	-	(79.3)	(79.3)	(115.0)	(49.5)	(164.5)
Payables	(179.4)	(75.9)	(255.3)	(205.0)	(80.0)	(285.0)
Tax	(0.6)	(0.2)	(0.8)	(1.3)	-	(1.3)
Derivative financial instruments	-	-	-	(2.3)	-	(2.3)
	(180.0)	(155.4)	(335.4)	(323.6)	(129.5)	(453.1)
Non-current liabilities						
Loans	(1,834.8)	(295.0)	(2,129.8)	(2,143.7)	(357.6)	(2,501.3)
Deferred tax	(0.4)	(0.1)	(0.5)	(0.4)	(0.1)	(0.5)
Derivative financial instruments	(59.7)	(1.6)	(61.3)	(84.7)	(5.9)	(90.6)
Obligations under head leases	(36.4)	(15.8)	(52.2)	(41.8)	(15.8)	(57.6)
Payables	(56.6)	(4.2)	(60.8)	(103.2)	(10.1)	(113.3)
	(1,987.9)	(316.7)	(2,304.6)	(2,373.8)	(389.5)	(2,763.3)
Total liabilities	(2,167.9)	(472.1)	(2,640.0)	(2,697.4)	(519.0)	(3,216.4)
Net assets	2,746.0	-	2,746.0	3,208.9	-	3,208.9

Additional disclosures continued
Unaudited

Table 92

Adjusted finance costs

	2021			2020		
	Reported Group £m	Share of Property interests £m	Total £m	Reported Group £m	Share of Property interests £m	Total £m
Notes (see page 167)	A	B	C	A	B	C
Gross finance costs	82.7	9.5	92.2	100.5	9.7	110.2
Less: Interest capitalised	(5.3)	–	(5.3)	(5.0)	–	(5.0)
Finance costs	77.4	9.5	86.9	95.5	9.7	105.2
Finance income	(15.1)	–	(15.1)	(9.6)	(0.2)	(9.8)
Adjusted finance costs	62.3	9.5	71.8	85.9	9.5	95.4

Table 93

Net debt

	2021			2020		
	Reported Group £m	Share of Property interests £m	Total £m	Reported Group £m	Share of Property interests £m	Total £m
Notes (see page 167)	A	B	C	A	B	C
Cash and deposits ¹	314.3	119.7	434.0	409.5	93.5	503.0
Fair value of currency swaps	(44.1)	–	(44.1)	(71.3)	–	(71.3)
Loans	(1,834.8)	(374.3)	(2,209.1)	(2,258.7)	(407.1)	(2,665.8)
Net debt	(1,564.6)	(254.6)	(1,819.2)	(1,920.5)	(313.6)	(2,234.1)

1. Included within net debt for the Reported Group at 31 December 2021 was £4.6 million (2020: £nil) of cash and deposits relating to assets held for sale (see note 10D).

Table 94

Movement in net debt

	Year ended 31 December 2021 £m	Year ended 31 December 2020 £m
Opening net debt	(2,234.1)	(2,842.5)
Operating profit before other net losses	137.9	113.5
Decrease/(Increase) in receivables and restricted monetary assets	37.9	(127.5)
Decrease in payables	(37.0)	(15.8)
Adjustment for non-cash items	(20.9)	82.1
Cash generated from operations	117.9	52.3
Interest received	19.0	18.2
Interest paid	(108.3)	(109.3)
Bond redemption premium	(19.8)	–
Bond issue costs	(5.2)	–
Purchase of interest rate swap	(20.8)	–
Tax paid	(2.2)	(1.0)
Operating distributions received from Value Retail	–	5.9
Cash flows from operating activities	(19.4)	(33.9)
Acquisitions and capital expenditure	(97.1)	(83.5)
Sale of properties	425.2	56.4
Sale of investment in VIA Outlets	–	272.0
Advances to VIA Outlets	–	(12.6)
Cash flows from investing activities	328.1	232.3
Net (costs of)/ proceeds from rights issue	(2.2)	531.7
Purchase of own shares	(3.8)	(0.2)
Proceeds from award of own shares	0.1	0.2
Equity dividends paid	(24.9)	(13.4)
Cash flows from financing activities	(30.8)	518.3
Exchange translation movement	137.0	(108.3)
Closing net debt	(1,819.2)	(2,234.1)

Table 95

Net debt: EBITDA

		2021 £m	2020 £m
Adjusted operating profit	Note 2	154.3	132.4
Amortisation of tenant incentives and other items within net rental income		(15.6)	19.0
Share-based remuneration	Note 5	3.3	2.2
Depreciation	Note 5	4.4	4.9
EBITDA		146.4	158.5
Net debt	Table 93	1,819.2	2,234.1
Net debt:EBITDA (times)		12.4	14.1

Table 96

Interest cover

		2021 £m	2020 £m
Net rental income	Note 2	197.9	157.6
Deduct:			
Net rental income in associates: Italie Deux and Nicetoile	Note 15A	(4.8)	(5.6)
(Deduct)/Add:			
Change in provision for amounts not yet recognised in the income statement	Note 2	(8.1)	12.0
Net rental income for VIA Outlets while classified as a joint venture	Table 89	–	12.9
Net rental income for VIA Outlets while classified as an asset held for sale	Table 89	–	13.2
Net rental income for interest cover		185.0	190.1
Adjusted net finance costs	Table 92	71.8	95.4
Deduct:			
Interest on lease obligations and pensions interest		(3.2)	(4.0)
Add:			
Capitalised interest	Table 92	5.3	5.0
Net finance cost for VIA Outlets while classified as a joint venture	Table 89	–	5.1
Net finance cost for VIA Outlets while classified as an asset held for sale	Table 89	–	3.7
Net finance cost for interest cover		73.9	105.2
Interest cover (%)		250	181

Table 97

Loan to value

		2021 £m	2020 £m
Net debt – 'Loan' (A)	Table 93	1,819.2	2,234.1
Managed portfolio (B)	Note 3B	3,478.7	4,413.8
Investment in Value Retail	Note 15C	1,140.8	1,154.1
'Value' (C)		4,619.5	5,567.9
Loan to value – headline (%) – (A/C)		39.4	40.1
Net debt – premium outlets (D)	Table 90	680.3	689.3
Property portfolio – premium outlets (E)	Table 90	1,893.5	1,924.2
Loan to value – fully proportionally consolidated (%) – ((A+D)/(B+E))		46.5	46.1

Additional disclosures continued
Unaudited

Table 98

Gearing

		2021 £m	2020 £m
Net debt	Table 93	1,819.2	2,234.1
Deduct:			
Unamortised borrowing costs – Group		18.9	13.6
Cash held within investments in associates: Italie Deux and Nicetoile	Note 15C	6.0	5.7
Net debt for gearing		1,844.1	2,253.4
Consolidated net tangible worth - Equity shareholders' funds		2,746.0	3,208.8
Gearing (%)		67.2	70.2

Table 99

Unencumbered asset ratio

		2021 £m	2020 £m
Property portfolio – excluding Value Retail	Note 3B	3,478.7	4,413.8
Less: properties held in associates: Italie Deux and Nicetoile ¹	Note 15C	(101.7)	(138.2)
Less: encumbered assets ²		(651.9)	(759.9)
Total unencumbered assets		2,725.1	3,515.7
Net debt – proportionally consolidated	Table 93	1,819.2	2,234.1
Less: cash held in investments in associates: Italie Deux and Nicetoile ¹	Note 15C	6.0	5.7
Less: cash held in investments in encumbered joint ventures		26.6	17.8
Less: unamortised borrowing costs – Group		18.9	13.6
Less: encumbered debt ²		(375.7)	(408.9)
Total unsecured debt		1,495.0	1,862.3
Unencumbered asset ratio (times)		1.82	1.89

1. Nicetoile was sold in April 2021.

2. 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
Managed portfolio				
Flagship destinations				
Brent Cross, London	41%	86,600	111	13.5
Bullring, Birmingham	50%	102,100	157	20.1
Cabot Circus, Bristol	50%	113,000	117	12.1
Silverburn, Glasgow ¹	50%	100,300	102	7.7
The Oracle, Reading	50%	72,100	101	10.7
Union Square, Aberdeen	100%	51,800	74	14.4
Victoria, Leeds ^{1,2}	100%	56,300	83	12.6
Westquay, Southampton	50%	94,500	107	13.2
France				
Italie Deux, Paris ³	25%	68,100	119	6.8
Les 3 Fontaines, Cergy ⁴	100%	42,900	128	13.4
Les Terrasses du Port, Marseille	100%	62,800	169	26.5
O'Parinor, Aulnay-Sous-Bois ⁴	25%	69,100	158	5.6
Ireland				
Dundrum Town Centre, Dublin	50%	121,000	168	24.4
Ilac Centre, Dublin ⁵	50%	27,500	63	3.8
Pavilions, Swords ⁵	50%	44,200	94	7.4
Developments and other⁶				
Bristol Broadmead, Bristol	50%	34,600	64	3.2
Centrale, Croydon	50%	64,300	41	3.4
Dublin Central, Dublin ⁷	100%	n/a	n/a	n/a
Dundrum Phase II, Dublin ⁷	50%	n/a	n/a	n/a
Grand Central, Birmingham	50%	37,700	53	3.7
Highcross, Leicester	50%	100,000	120	9.4
Les 3 Fontaines extension, Cergy ⁷	100%	n/a	n/a	n/a
Martineau Galleries, Birmingham	100%	38,200	51	2.8
Pavilions land, Swords ⁷	100%	n/a	n/a	n/a
The Goodsyards, London ⁷	50%	n/a	n/a	n/a
Whitgift, Croydon ⁷	50%	n/a	n/a	n/a

1. Contracts exchanged for the sale of Silverburn, Glasgow in December 2021, with completion anticipated in March 2022. Victoria, Leeds sale completed in February 2022.

2. Comprises Victoria Quarter and Victoria Gate.

3. Classified as an associate.

4. Held under co-ownership. Figures reflect Hammerson's ownership interests.

5. Classified as a joint operation.

6. Key properties only.

7. Development property. Area, number of tenants and passing rent not applicable.

	Ownership	Area, m ²	No. of tenants	Income ¹ , £m
Premium outlets				
Value Retail				
Bicester Village, UK	50%	27,900	157	55.2
La Roca Village, Barcelona	41%	25,900	148	15.1
Las Rozas Village, Madrid	38%	16,500	100	11.1
La Vallée Village, Paris	26%	21,600	105	15.0
Maasmechelen Village, Brussels	27%	19,900	105	5.2
Fidenza Village, Milan	34%	20,900	117	5.2
Wertheim Village, Frankfurt	45%	20,900	116	6.6
Ingolstadt Village, Munich	15%	21,000	114	2.5
Kildare Village, Dublin	41%	21,300	95	6.9

1. Income represents annualised base and turnover rent for 2021 at Hammerson's ownership share.

Ten-year financial summary

	2021 ¹ £m	2020 ¹ £m	2019 £m	2018 £m	2017 £m	2016 £m	2015 ¹ £m	2014 £m	2013 £m	2012 £m
Income statement										
Net rental income	197.9	157.6	308.5	347.5	370.4	346.5	318.6	305.6	290.2	282.9
Operating profit before other net (losses)/gains	137.9	113.5	260.2	302.8	321.5	300.4	276.3	259.1	247.9	239.6
Other net (losses)/gains	(470.1)	(1,503.8)	(1,197.9)	(517.9)	27.1	(36.1)	381.0	430.3	102.0	(7.3)
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	20.0	(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	(11.5)	(103.9)	-	-	-	-	-	-	-	-
Net cost of finance	(103.6)	(83.6)	(86.2)	(132.9)	(170.4)	(96.6)	(98.1)	(95.1)	(110.2)	(137.6)
(Loss)/Profit before tax	(427.3)	(1,734.3)	(779.0)	(266.6)	413.4	323.6	731.6	703.1	341.2	142.2
Current tax	(1.8)	(0.6)	(2.2)	(1.9)	(1.8)	(2.7)	(1.6)	(0.9)	(0.8)	(0.4)
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)
(Loss)/Profit for the year attributable to equity shareholders	(429.1)	(1,734.8)	(781.2)	(268.1)	388.4	317.3	726.8	699.1	337.4	138.4
Balance sheet										
Investment and development properties	3,375.3	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
Investment in joint ventures	-	-	379.0	326.3	361.3	222.0	110.8	104.2	-	-
Investment in associates	1,140.8	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	429.4	503.0	97.4	102.4	265.8	130.5	70.5	59.4	56.7	57.1
Borrowings ²	(2,253.2)	(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)
Other assets	424.9	338.7	275.8	280.4	264.2	339.9	1,025.0	268.6	271.2	462.3
Other liabilities	(370.7)	(457.1)	(457.6)	(458.2)	(481.9)	(532.7)	(425.5)	(392.6)	(358.5)	(441.9)
Deferred tax	(0.5)	(0.5)	(0.5)	(0.5)	(0.5)	(0.5)	(0.5)	(0.5)	(0.4)	(0.5)
Non-controlling interests	-	(0.1)	(0.2)	(0.3)	(14.0)	(81.4)	(69.0)	(71.4)	(76.7)	(74.5)
Equity shareholders' funds	2,746.0	3,208.9	4,377.0	5,432.6	6,023.5	5,775.6	5,517.3	4,973.7	4,059.9	3,851.2
Cash flow										
Operating cash flow after tax	(70.3)	(79.5)	167.1	114.5	139.3	179.9	171.2	128.1	129.4	139.9
Dividends	(24.9)	(13.4)	(198.9)	(204.1)	(191.7)	(135.7)	(163.8)	(139.1)	(129.4)	(118.4)
Property and corporate acquisitions	-	(0.2)	(0.7)	(12.0)	(122.5)	(499.7)	(43.7)	(302.7)	(191.1)	(397.3)
Capital expenditure additions	(76.9)	(68.1)	(79.9)	(149.6)	(113.4)	(182.4)	(182.3)	(203.8)	(201.9)	(170.9)
Disposals	425.1	325.5	536.1	553.2	490.8	639.0	185.2	155.4	256.3	585.0
Investments in joint ventures	(14.0)	(13.1)	(58.1)	114.2	53.2	(155.0)	(735.6)	(118.9)	-	-
Other cash flows	2.1	6.1	29.2	(71.0)	111.9	87.9	(14.0)	12.4	(30.8)	(72.4)
Net cash flow before financing	241.1	157.3	394.8	345.2	367.6	(66.0)	(783.0)	(468.6)	(167.5)	(34.1)
Per share data³										
Basic (loss)/earnings per share	(9.8)p	(62.4)p	(46.6)p	(15.6)p	22.4p	18.3p	42.4p	43.7p	21.6p	8.9p
Adjusted earnings per share	1.8p	1.3p	12.8p	14.0p	14.2p	13.3p	12.3p	10.9p	10.5p	9.5p
Dividend per share	0.4p	0.4p	5.1p	11.8p	11.6p	11.0p	10.2p	9.3p	8.7p	8.1p
Net tangible asset value per share (NTA) ⁴	£0.64	£0.82	£1.16	£1.48	£1.55	£1.48	£1.42	£1.28	£1.15	£1.08
Financial ratios										
Gearing	67%	70%	71%	63%	58%	59%	54%	46%	56%	53%
Interest cover	2.5x	1.8x	3.5x	3.4x	3.4x	3.5x	3.6x	2.8x	2.8x	2.8x
Dividend cover	0.5x	0.5x	1.1x	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 2021, £44.1 million (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. 2020 earnings per share metrics have been restated in respect of the bonus element of scrip dividends.

4. NTA has replaced EPRA net asset value per share (NAV), from 1 January 2020. For the purposes of the summary above, years 2012 to 2018 are shown on a NAV basis and years 2019 to 2021 are shown on an NTA basis, consistent with the disclosures in note 12D.

The Income statement, Balance sheet and Financial ratios for 2014 to 2021 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.

Greenhouse gas emissions 2021

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 2021 to 31 December 2021. 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. This guidance codifies using both market and location-based methods for scope 2 accounting, the methodology applied is explained further in our appendix document, Sustainability Basis of Reporting 2021.

Streamlined Energy and Carbon Reporting

The carbon emissions and energy consumption is reported in accordance with the requirements of the Streamlined Energy and Carbon Reporting (SECR). We have included the previous year's data to provide a year-on-year comparison.

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 in the Sustainability Report 2021.

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 Value Retail portfolio 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 our website www.hammerson.com.

Table 100

Basis of reporting

Baseline year	2015
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 2021 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 common parts area for the year ended 31 December 2021 of 455,097 sqm. In previous years, the denominator used was adjusted profit before tax, however, following the disposal of substantially all of the remaining UK retail parks, common parts area has been determined as a more relevant metric.
Target	15% reduction in carbon emissions intensity by 2021 against 2019 baseline using the location-based approach.

Table 101

Emissions disaggregated by country (tCO₂e)

Source	2020				2021				Global intensity (kgCO ₂ e/sqm)
	Global	UK	France	Ireland	Global	UK	France	Ireland	
Total GHG emissions metric tonnes (mt)¹	7,465	3,782	3,015	668	8,835	5,029	3,458	348	19
Total GHG emissions metric tonnes (mt)	17,845	10,628	3,296	3,921	18,195	11,862	3,367	2,966	40
Scope 1: Direct emissions from owned/controlled operations									
a. Stationary operations	3,295	1,786	1,026	483	3,436	2,317	872	247	8
b. Mobile combustion	14	3	11	0	3	0	3	0	0
c. Fugitive sources	0	0	0	0	854	854	0	0	2
Totals	3,309	1,789	1,037	483	4,293	3,171	875	247	10
Scope 2: Indirect emissions from the use of purchased electricity, steam, heating and cooling									
a. Electricity ¹	2,400	1,358	1,019	23	2,221	1,076	1,132	13	5
a. Electricity	12,780	8,204	1,300	3,276	11,581	7,908	1,041	2,631	26
b. Steam	0	0	0	0	0	0	0	0	0
c. Heating	916	165	751	0	1,531	257	1,274	0	3
d. Cooling	15	15	0	0	98	49	49	0	0
Totals¹	3,331	1,538	1,770	23	3,850	1,382	2,455	13	8
Totals	13,711	8,384	2,051	3,276	13,210	8,215	2,364	2,631	29
Scope 3: Other indirect emissions									
Business travel	200	92	50	58	66	43	21	2	0
Waste	381	240	85	56	511	369	78	64	1
Water	244	123	73	48	115	64	29	22	0
Totals	825	455	208	162	692	476	128	88	1
SECR Energy Consumption (MWh)	94,067	46,708	34,852	12,507	95,364	52,406	32,701	10,257	

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 Limited, Building 10, Pembroke
District, Dundrum Town Centre, Dundrum, Dublin D16 A6P2

Advisers

Valuers: CRRF Limited, Cushman and Wakefield LLP and Jones Lang
LaSalle Limited
Auditor: PricewaterhouseCoopers LLP
Solicitor: Herbert Smith Freehills LLP
Joint Brokers and Financial Advisers: Barclays Bank plc and Morgan
Stanley & Co. International plc
Financial Adviser: Lazard Ltd
Johannesburg Stock Exchange 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 11.00 am (UK time) on
28 April 2022. 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 the Link Group international payments service.
Details and terms and conditions may be viewed at
ww2.linkgroup.eu/ips.

Distributable reserves

As at 31 December 2021, the Company had distributable reserves of
£360 million (2020: £523 million).

In 2021, dividends amounting to £13.0 million (2020: £24.4 million)
were recognised through distributable reserves.

Dividend Reinvestment Plan (DRIP)

Shareholders may from time to time be able to elect to reinvest
dividend payments in additional shares in the Company under the
DRIP operated by the Registrar.

As the Company is offering an enhanced scrip dividend alternative for
the final dividend for the year ended 31 December 2021, the DRIP is
currently suspended.

Participation in the DRIP does not confer automatic participation in
the enhanced scrip dividend alternative. Participants in the DRIP who
wish to receive the enhanced scrip dividend alternative will need to
elect to participate using the appropriate election process set out in
the circular relating to the enhanced scrip dividend alternative
published by the Company on or around the date of this Report.

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, by calling on +44
(0)207 930 3737 or by writing to ShareGift, PO Box 72253, London,
SW1P 9LQ. To donate shares, please contact ShareGift.

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.

Recommended final dividend timetable

Table 102

Enhanced Scrip Dividend Alternative (Scrip) reference price calculation dates	14 March-18 March 2022
Currency conversion and Scrip reference price announcement released	22 March 2022
Publication and posting of the Scrip Circular	23 March 2022
Last day to trade on the Johannesburg Stock Exchange (JSE) to qualify for the dividend	29 March 2022
Last day to effect transfer of shares between the United Kingdom (UK) principal register and the South African (SA) branch register	29 March 2022
Ex-dividend on the JSE from commencement of trading on	30 March 2022
Last day to trade on the London Stock Exchange (LSE) and on Euronext Dublin to qualify for the dividend	30 March 2022
Ex-dividend on the LSE and on Euronext Dublin from the commencement of trading on	31 March 2022
Announcement of fraction reference price to JSE, LSE and Euronext Dublin	31 March 2022
Dividend Record date (applicable to both the UK principal register and the SA branch register)	1 April 2022
Transfer of shares between the UK and SA registers permissible from	4 April 2022
Last day for receipt of dividend mandates by Central Securities Depository Participants (CSDPs) and Scrip elections by SA Transfer Secretaries	19 April 2022
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	19 April 2022
Last date for shareholders on the UK principal register holding uncertificated shares on CREST to elect to receive the Scrip	19 April 2022
Voting Record Date for Annual General Meeting (UK, Ireland and SA)	26 April 2022
Latest time and date for receipt of Forms of Proxy (UK, Ireland and SA)	26 April 2022
Annual General Meeting	28 April 2022
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	10 May 2022
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	10 May 2022

Analysis of shares held as at 31 December 2021

Table 103

Number of shares held	Number of shareholders	% of total shareholders	Holding	% of total capital
0-500	896	43.16	115,542	0.003
501-1,000	157	7.56	112,283	0.003
1,001-2,000	112	5.39	161,845	0.004
2,001-5,000	174	8.38	567,933	0.013
5,001-10,000	115	5.54	826,792	0.019
10,001-50,000	188	9.06	4,455,257	0.101
50,001-100,000	58	2.79	4,254,049	0.096
100,001-500,000	136	6.55	32,556,728	0.738
500,001-1,000,000	54	2.60	37,522,212	0.851
1,000,001 +	186	8.96	4,331,193,273	98.174
Total	2,076	100	4,411,765,914	100

Glossary

Adjusted figures (per share)	Reported amounts adjusted in accordance with EPRA guidelines to exclude certain items as set out in note 12 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 83 on page 162.
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 95 on page 169
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 governance 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
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 98 on page 170
Gross property value or Gross asset value (GAV)	Property value before deduction of purchasers' costs, as provided by the Group's external valuers
Gross rental income (GRI)	Income from leases, car parks and commercialisation income, after accounting for the effect of the amortisation of lease incentives and concessions
Headline rent	The annual rental income derived from a lease, including base and turnover rent but after rent-free periods
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, calculated on a time-weighted and constant currency 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
Leasing activity	The total headline rent secured from new leases and renewals during the period
Leasing vs ERV	A comparison of net effective rent from new leases and renewals to the ERV at the most recent balance sheet date
Leasing vs passing rent	A comparison of headline rent from new leases and renewals to the passing rent at the most recent balance sheet date
Like-for-like (LFL) NRI	The percentage change in net rental income for flagship properties owned throughout both current and prior periods, calculated on a constant currency basis. Properties undergoing a significant extension project are excluded from this calculation during the period of the works. For interim reporting periods properties sold between the balance sheet date and the date of the announcement are also excluded from this metric
Loan to value (LTV)	Net debt expressed as a percentage of property portfolio value. The Group has two measures of LTV: 'Headline' and 'Fully proportionally consolidated' (FPC). The former compares the Group's net debt to the Group's managed portfolio value plus net investment in Value Retail, while the latter incorporates the Group's share of Value Retail's net debt and property values. See Table 97 on page 169 for details of the calculation
MSCI	Property market benchmark indices produced by MSCI, rebranded from IPD in 2018
Net effective rent (NER)	The annual rent from a unit calculated as the total rent payable, net of inclusive costs, over the lease term to the earliest occupier termination date after deducting all tenant incentives
Net rental income (NRI)	Gross rental income less head and equity rents payable, property outgoings, and changes in amounts not yet recognised in the income statement. The latter balance is excluded when calculating "adjusted" NRI
Net tangible assets (NTA) per share	An EPRA net asset per share measure calculated as equity shareholders' funds with adjustments made for the fair values of certain financial derivatives, deferred tax and goodwill balances, divided by the diluted number of shares in issue at the balance sheet date as set out in note 12D to the financial statements on page 125
Occupancy rate	The ERV of the area in a property or portfolio, excluding developments, which is let, expressed as a percentage of the total ERV, excluding the ERV for car parks, of that property or portfolio
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 one year
Property fee income	Amounts recharged to tenants or co-owners for property management services
Property Income Distribution (PID)	A dividend, generally subject to withholding tax, that a UK REIT is required to pay from its tax-exempt property rental business and which is taxable for UK-resident shareholders at their marginal tax rate
Property interests (Share of)	The Group's non-wholly owned properties which management proportionally consolidate when reviewing the performance of the business. These exclude 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 and the Group's share of Property interests being the Group's share of Property joint ventures as shown in note 14, and Italie Deux as shown in note 15
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
Rent collection	Rent collected as a percentage of rent due for a particular period after taking account of any rent concessions granted for the relevant period
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
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
RIDDOR	A health and safety reporting obligation to report deaths, injuries, diseases and 'dangerous occurrences' at work, including near misses, under the Reporting of Injuries, Diseases and Dangerous Occurrences Regulations 2013
Scope 1 emissions	Direct emissions from owned or controlled sources
Scope 2 emissions	Indirect emissions from the generation of purchased energy
Scope 3 emissions	All indirect emissions (not included in scope 2) that occur in the value chain of the reporting company, including both upstream and downstream emissions
SIIC	Sociétés d'Investissements Immobiliers Côtées. A tax regime in France which exempts participants from the French tax on property income and gains subject to certain requirements
Task Force for Climate-related Financial Disclosures (TCFD)	An organisation established with the goal of developing a set of voluntary climate-related financial risk disclosures to be adopted by companies to inform investors and the public about the risks they face relating to climate change
Tenant restructuring	CVAs and administrations
Temporary lease	A lease with a period of one year or less measured to the earlier of lease expiry or tenant break
Total accounting return (TAR)	The growth in EPRA NTA per share plus dividends paid, expressed as a percentage of EPRA NTA per share at the beginning of the period. For 2021 the return excludes the dilution impact from scrip dividends
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
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, excluding the ERV of car parks, 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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