

HAMMERSTON plc – FULL YEAR 2022 RESULTS

Another year of good progress

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

"Today, Hammerston is a better, more agile, and resilient business. Our results are evidence of another year of significant strategic, operational and financial progress, against a volatile macroeconomic and market backdrop. We have focused on what we can control – sharper operations growing like-for-like gross rental income and reducing the cost base – delivering a significant increase in adjusted earnings. Notwithstanding downward revaluations at the end of the year, we have maintained a stable balance sheet.

In the last two years, we have simplified and focused the core portfolio on city centres, delivering £628m of gross proceeds, strengthened the balance sheet, recycled capital for investment in our core assets and developments, and have made rapid progress on the transformation of our operating model and platform, resulting in a significantly reduced and reducing cost structure.

We have enlivened and reinvigorated our assets by introducing new occupiers, uses and concepts. We are actively re-purposing our destinations, with an increased emphasis on commercialisation, marketing and placemaking, in turn creating exceptional spaces for our occupiers and customers. We have brought a sharper focus to our development pipeline to create value and optionality.

We have set ourselves more to do and continue to be focused on disciplined execution of our strategy. Looking forward, we have strong momentum and are well placed to deliver another year of robust adjusted earnings and cashflow in 2023 and anticipate a return to cash dividends."

Summary financial and operating performance

- Adjusted earnings up 60% to £105m (2021: £66m) benefiting from:
 - Like-for-like GRI up 8% as occupiers pivot to best-in-class destinations; Like-for-like NRI up 29% year-on-year
 - Gross administration costs down 17%, with more to come in 2023 and 2024
 - Lower finance costs following deleveraging
 - A continued recovery in adjusted earnings at Value Retail (+£12m)
- Adjusted earnings per share up 62% to 2.1p; basic loss per share of -3.3p (2021: -8.7p)
- Group portfolio value of £5.1bn (2021: £5.4bn), down 5% due to revaluation deficit and disposals
 - Capital return for the year of -5.8% (2021: -7.7%) and a total return of -0.7% (2021: -3.9%)
- IFRS loss of £164m (2021: £429m loss), largely due to a £282m revaluation deficit, of which 96% was in Q4
- EPRA NTA per share 53p (2021: 64p), 7.5p impact from enhanced scrip dividend

Stable balance sheet

- Net debt down 4% to £1,732m at 31 December 2022 (2021: £1,799m)
 - Headline LTV 39% (2021: 39%)
 - Fully proportionally consolidated (FPC) LTV 47% (2021: 46%)
 - Net debt to EBITDA of 10.4x (2021: 13.4x)
 - Ample liquidity of £1bn, including undrawn committed facilities and £0.3bn of cash
- Completed £195m disposals in the year and re-affirming guidance of a further £300m disposals by December 2023
- Value Retail successfully refinanced over £1bn of debt facilities in relation to La Vallée and Bicester

Strong operational trends

- Footfall improved 11% points from January to December 2022, ending the year at 90% of 2019 levels; sales remained ahead of 2019 levels
- Positive footfall and sales trends have continued into the first few months of the year
- 317 leasing deals concluded in 2022 (+2% excluding disposals), representing £45m of headline rent (£25m at our share) (+10% LFL)
 - Headline leasing 34% ahead of previous passing (2021: flat)
 - Net effective rent +2% vs ERV (2021: -11%)
 - Diverse mix: 43% best-in-class fashion; 21% to restaurant, food and social; balance to non-fashion and services
 - Average WAULT 9.5 years; 8.0 years WAULB
 - Strong leasing pipeline for 2023
- Flagship occupancy +1% to 96% from half year; stable year-on-year
- Rent collection normalising: 2022 now at 95%; Q1 2023 90%
- Strong recovery in footfall and sales continues in Value Retail

Dividend

The payments of cash and enhanced scrip dividends approved by shareholders and made in 2022 have satisfied our REIT and SIIC distribution requirements for 2022. The Board will therefore not be recommending a further payment in respect of 2022 but continues to anticipate re-instating a cash dividend for 2023, which will be at least the minimum required to continue to meet our REIT/SIIC distribution obligations.

Outlook

Near term

Whilst we remain very mindful of the uncertain macroeconomic outlook, we have a strong operational grip on the business and are targeting a further 20% reduction in gross administration costs by the end of 2024, and to complete the £500m disposal programme by the end of the year. We have strong momentum and are well placed to deliver another year of robust underlying earnings and cashflow and anticipate a return to cash dividends during the year.

Medium term

Best-in-class occupiers recognise the importance of city centre locations and the symbiotic nature of their physical and online channels, and we are working in partnership to deliver our proposition to this new reality. This integrated experience is the Hammerson offering and will continue to attract the very best occupiers during the ongoing flight to quality. We are well placed to benefit from these trends. Rents and rates have been largely re-based, vacancy is tight, and we have long term certainty in our lease expiry, and attractive yields in our managed portfolio, that offer the potential to deliver attractive total returns.

Our unique development opportunities provide a distinctive opportunity to create further value by bringing a broader mix of uses to the existing estate through integral and complementary repurposing and development which will enhance the proposition of the whole estate. Meanwhile, we will also create option value on stand-alone projects.

We have a strong platform and over the medium term we see multiple opportunities to continue to unlock deep value.

Results presentation today:

Hammerson will hold an online presentation for analysts and investors to present its financial results for the year ended 31 December 2022, followed by a Q&A session.

Date & time: Thursday 9 March at 09.00 am (GMT)

Webcast link: https://kvgo.com/IJLO/Hammerson_2022_Full_Year_Results

Conference call: Quote Hammerson when prompted by the operator

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

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The presentation and press release will be available on:

www.hammerson.com/investors/reports-results-presentations/2022-full-year-results on the morning of results.

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Index to key data

Unless otherwise stated, figures have been prepared on a proportionally consolidated basis, excluding premium outlets as outlined in the presentation of information section of the Financial Review.

		2022	2021	Note / Ref
Income				
Gross rental income	†	£215.2m	£250.4m	2
Adjusted earnings – Value Retail	a	£27.4m	£15.9m	2
Adjusted finance costs	a	£54.0m	£71.8m	7
Adjusted earnings	† a	£104.9m	£65.5m	2
Revaluation losses – managed portfolio	†	£(221.0)m	£(444.1)m	2
Revaluation losses – Group portfolio, including Value Retail		£(281.7)m	£(456.1)m	Table 9
Loss for the year (IFRS)		£(164.2)m	£(429.1)m	2
Adjusted earnings per share	† a, b	2.1p	1.3p	11B
Basic loss per share	b	(3.3)p	(8.3)p	11B
Final dividend per share (cash/enhanced scrip)		-	0.2p/2.0p	19
Dividends for the year (cash/enhanced scrip)		0.2p/2.0p	0.4p/4.0p	19
Operational				
Like-for-like net rental income	†	+29.2%	+10.4%	Table 6
Occupancy – flagships		96.3%	95.5%	Table 4
Leasing activity		£25.4m	£24.7m	n/a
Leasing v ERV (principal leases)		+2%	-11%	n/a
Leasing v Passing rent (principal leases)	†	+34%	-2%	n/a
Passing rent	†	£210.3m	£214.8m	Table 2
Like-for-like passing rent change		+1%	-4%	n/a
ERV		£209.2m	£219.4m	Table 2
Like-for-like ERV change		-2.2%	-6.7%	Financial Review
EPRA cost ratio (including vacancy costs)	†	38.0%	52.5%	Table 8
Capital and financing				
Managed portfolio value		£3,220m	£3,479m	3B
Group portfolio value (including Value Retail)		£5,107m	£5,372m	3B
Total property return (including premium outlets)	†	-0.7%	-3.9%	Table 9
Capital return (including premium outlets)	†	-5.8%	-7.7%	Table 9
Net debt	† c	£1,732m	£1,799m	Table 13
Gearing	†	67.8%	66.4%	Table 19
Loan to value – headline	†	39.3%	38.9%	Table 18
Loan to value – fully proportionally consolidated	†	47.1%	46.1%	Table 18
Liquidity	†	£996m	£1,478m	Financial Review
Interest cover	†	3.24x	2.30x	Table 17
Net debt: EBITDA	†	10.4x	13.4x	Table 16
Net assets		£2,586m	£2,746m	Table 12
EPRA net tangible assets (NTA) per share		53p	64p	11C

† 2021 income statement figures have been restated to reflect the IFRIC Decision on Concessions and balance sheet figures have been restated to reflect the IFRIC Decision on Deposits with further information on both IFRIC decisions set out in note 1B to the financial information.

a These results include discussion of alternative performance measures (APMs) which include those described as Adjusted, EPRA and Headline as well as constant currency (where current period exchange rates are applied to the prior period's results). Adjusted, EPRA and Headline measures are described in note 1B to the financial information and reconciliations for earnings and net assets measures to their IFRS equivalents are set out in note 10 to the financial information.

b Adjusted earnings per share and basic loss per share for 2021 have been restated to reflect the bonus element of scrip dividends as set out in note 11 to the financial information.

c Proportionally consolidated – basis as set out in notes 1C and 3 to the financial information.

CHIEF EXECUTIVE'S STATEMENT

We have delivered another strong year of strategic, operational and financial progress against a challenging economic backdrop. At the beginning of 2022, we could not have foreseen the extent of the volatility of the economic and political environment that unfolded driven by geopolitical events in Ukraine, China's zero covid policy, and political change in the UK.

We do not yet know the full impact of the cost of living crisis, a period of higher inflation and interest rates, and continued supply chain disruption. Moreover, this year highlighted the value of sustainable sources of energy. Our commitment to ESG and Net Zero remains absolute, and we finished the year with fully costed Net Zero Asset Plans for every flagship asset in the managed portfolio.

We set out a clear strategy in June 2021 and our performance in 2022 underscores our belief that we are strongly positioned to deliver attractive total returns over the medium term. Over the last two years, the new management team and I have focused on two key objectives:

- Simplifying the business to stabilise the core income stream and to return it to underlying growth, reflected in like-for-like GRI growing in 2022 by 8%
- Starting to rebuild value in our existing portfolio whilst at the same time creating optionality on how we unlock the deep development value in our portfolio

We will continue to be disciplined allocators of capital and select the best returns for shareholders, mindful of our own cost of capital and all options for capital deployment including debt retirement, and distributions for shareholders.

Despite this uncertain and volatile backdrop, we have been disciplined in the execution against these objectives focusing on what we can control. Our operational and financial performance is proof positive that our strategy is working:

- We are enlivening and reinvigorating our assets by introducing new occupiers, uses and concepts. In recognition of the importance of placemaking, we attracted a senior leader in a newly-created role who has already brought an increased emphasis on commercialisation, marketing, and advertising to create exceptional spaces for our customers and occupiers. We are actively repurposing our destinations and creating a sense of place that brings people and experiences together
- We signed 317 leases representing £45m of headline rent (£25m at our share) demonstrating the attractiveness of our destinations and the continued flight to quality by occupiers
- We have re-aligned the organisation to be asset-centric, more agile and focused on occupiers and customers. The rapid progress on the re-set of our operational model delivered a 17% reduction in gross administration costs. We have already taken steps that will deliver further efficiency gains in 2023 and 2024
- We have continued to strategically refocus the portfolio on city centre destinations and to simplify our portfolio, disposing of £628m of non-core assets since the start of 2021
- Our resulting financial position is stable, with net debt down 4% to £1,732m, headline LTV 39% and fully proportionally consolidated LTV 47%. Our net debt to EBITDA improved to 10.4x from 13.4x in 2021. We have ample liquidity in cash and undrawn committed facilities of c.£1bn
- Underpinning all this progress, we are evolving to a sustainable high-performance culture, with increased focus on training and talent development

FINANCIAL AND OPERATIONAL REVIEW

Adjusted earnings were up 60% to £105m reflecting a strong operating performance across the board.

Like-for-like GRI increased 8% following two strong years of leasing performance and reduced vacancy resulting, in some leasing tension returning in our destinations. Significant improvements in collections performance, and the growth in GRI resulted in like-for-like NRI improving 29% year-on-year.

In 2021 we committed to reduce our gross administration costs by 15-20% by 2023 which we have already delivered with a 17% reduction year-on-year. There are more efficiencies to come from the digitalisation of our business.

Deleveraging remains an important priority and in 2022, we generated gross proceeds of £195m from the disposal of non-core assets, resulting in reduced finance costs. There was, however, a lack of liquidity in investment markets in the second half of the year. We have refinanced RCFs and redeemed the remaining 2023 eurobonds.

Our financial position is stable. Net debt was £67m lower, reflecting disposals completed during the year. Headline LTV was unchanged at 39%, while fully proportionally consolidated LTV, including the Group's proportionate share of Value Retail debt was 47% (2021: 46%). Net debt to EBITDA was 10.4x down from 13.4x in 2021, reflecting both lower debt and the improved earnings performance.

EPRA NTA was £2,634m at 31 December 2022 (2021: £2,840m), a decline of 7% year-on-year, predominantly due to the impact of market-wide yield expansion and ERV decline on property valuations, reflecting higher base interest rates in the second half.

Overall, the Group recorded an IFRS loss of £164m (2021: £429m loss), largely due to a £282m revaluation deficit, of which 96% was in Q4.

Sales and footfall

The quality of our destinations and our stronger asset-centric focus means that the footfall and sales in our destinations continue to exceed national averages.

During 2022 we saw a sustained recovery in footfall and sales performance. Footfall for the whole of 2022 was 39% up year-on-year (UK+41%, France +36% and Ireland +35%), and finished the year at around 90% of 2019 levels. Footfall recovered steadily throughout the year with the Group seeing an 11% point improvement between January and December. On the ground activity remains robust with strong footfall, sales and leasing trends continuing into the first few months of 2023.

Sales recovered strongly as consumers are shopping less frequently but visiting our destinations with more purpose, also avoiding increasingly expensive delivery and return costs charged by online retailers. The improvement in store like-for-like performance also illustrates fewer better performing retailers reflective of our shift away from reliance on legacy fashion to a broader mix of best-in-class retail, food and social, services and leisure. Overall, like-for-like turnover rents for 2022 were up 111% year-on-year, total like-for-like sales were up double digit year-on-year, and +3% vs. 2019.

Occupancy

Our core portfolio is well positioned to benefit from the increasing polarisation in the market and the flight to quality. Vacancy levels remain low across our assets with the UK and France at 4% and Ireland at only 2%. We are beginning to see leasing tension return in the core portfolio. Having some vacant space allows us to trial new concepts as well as initiate our longer-term strategic plans to make our destinations more relevant to evolving customer behaviour and spend.

Collections

Rent collections, both in terms of overall proportion collected and pace after the due date have continued to improve as trading normalised post the pandemic. As at February 2023, 2022 Group collections were 95%, with the UK and Ireland largely back to pre-pandemic norms and France slightly behind. For Q1 2023, Group rent collections were 90%. This compares with 90% for 2021 and 83% for Q1 2022 at this time last year.

Value Retail

Value Retail saw the performance of the Villages recover close to pre-pandemic levels. Brand sales increased by 34% year-on-year and were only 5% lower than 2019 levels. Footfall across the Villages was resilient; down only 9% on 2019. Spend per visit increased by 5% on 2019 following improved digital marketing of domestic high net worth customers. Value Retail expects to benefit from the return of the international traveller in 2023. These trends continue into 2023.

Overall, Value Retail signed 332 leases during the year, showcasing the attractiveness of the premium outlet sector. Occupancy for the year was at 94%. There have been 96 new openings in 2022; Dolce & Gabbana opened their fifth Value Retail store in Las Rozas, Christian Louboutin opened a new store at La Vallée and Cecconi's opened at Bicester.

The Group's share of adjusted earnings were £27.4m, up 72% on 2021. GRI has increased due to the recovery of turnover rents from 12 months of full trading. At 31 December 2022, the Group's interest in Value Retail's property portfolio was c.£1.9bn and the net assets were £1.2bn; the difference is principally due to £0.7bn of net debt within the Villages which is non-recourse to the Group. Value Retail also successfully refinanced over £1bn of debt facilities principally in relation to La Vallée and Bicester. The average LTV across the Villages is 36%.

OUTLOOK

Near term

Whilst we remain very mindful of the uncertain macroeconomic outlook, we have a strong operational grip on the business and are targeting a further 20% reduction in gross administration costs by the end of 2024, and to complete the £500m disposal programme by the end of the year. We have strong momentum and are well placed to deliver another year of robust underlying earnings and cashflow and anticipate a return to cash dividends during the year.

Medium term

Best-in-class occupiers recognise the importance of city centre locations and the symbiotic nature of their physical and online channels, and we are working in partnership to deliver our proposition to this new reality. This integrated experience is the Hammerson offering and will continue to attract the very best occupiers during the ongoing flight to quality. We are well placed to benefit from these trends. Rents and rates have been largely re-based, vacancy is tight, and we have long term certainty in our lease expiry, and attractive yields in our managed portfolio, that offer the potential to deliver attractive total returns.

Our unique development opportunities provide a distinctive opportunity to create further value by bringing a broader mix of uses to the existing estate through integral and complementary repurposing and development which will enhance the proposition of the whole estate. Meanwhile, we will also create option value on stand-alone projects.

We have a strong platform and over the medium term we see multiple opportunities to continue to unlock deep value.

STRATEGIC AND BUSINESS REVIEW

We own city centre flagship destinations and adjacent land around which we can reshape entire neighbourhoods. Our strategy recognises the unique position that we have in our urban locations and the opportunities to leverage our experience and capabilities to create and manage exceptional city centre destinations that realise value for all our stakeholders, connects our communities and delivers a positive impact for generations to come.

Our aim is simple and clear – to chart a path to growth that delivers total returns for shareholders through consistent execution against our strategic goals:

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

Underpinning our strategy is our commitment to ESG. We refreshed our strategy in the first half of 2022 to demonstrate our commitment to Net Zero by 2030 to deliver benefits to our stakeholders, including comprehensive asset by asset plans to achieve our commitments.

We have made significant progress towards all our goals as follows:

Reinvigorate our assets

The quality and location of our assets is a key source of competitive advantage for Hammerson. We have some of the best assets in the very best prime city centre catchments and transportation hubs, and, due to the strong ties we have in the communities in which we operate, supportive local authorities.

There are both near and medium term opportunities to grow income through the repositioning of our assets. For example we see opportunities to repurpose department stores for both retail, experience and multi-use such as residential or office use which will in turn benefit the whole destination. Under-utilised space can also be repurposed for alternative uses with new income streams such as creating new and engaging spaces, with a greater focus on placemaking and a fresh approach to marketing and reach into social media channels, and attracting new occupiers and services. Our city centre locations are also attractive focal points for click and collect and last mile logistics.

In 2022, it was important to build on the momentum from the strong performance in 2021 and it was gratifying to see the strategy in action with 317 leases signed in 2022, 2% more than 2021 excluding disposals. In value terms, we secured £45m by value (£25m at our share) up 10% on a like-for-like basis and our strongest leasing performance since 2018.

For principal deals, headline rent was 34% above previous passing rent, equating to additional passing rent of £5.5m. Net effective rent deals were 2% above ERV.

We continue to pursue a leasing policy to diversify our mix, with non-fashion and services accounting for 32%, and restaurant, food and social 21%. Best-in-class and exciting new concepts in fashion remains core to our offer and demanded by customers, accounting for the balance, a high proportion of which were renewals including new concepts and experiences.

Short-term leasing of less than one year (2022: 74 deals) remains important to maintain vibrancy, trial new concepts, mitigate annual void costs of c.£2m, and allow time to secure longer term deals with the best occupier for a given unit.

Placemaking not only continues to enliven space and enhance the experience for customers and occupiers, but also contributes meaningfully in its own right. Our resulting commercialisation income is up 13% on a like-for-like basis. Indeed, as we look forward to an occupational market with a greater technological and social media integration in our spaces, we are moving from a stage of stabilisation and initial reinvigoration of the assets to one where the focus switches to a greater emphasis on experience, more focused and sophisticated marketing and advertising, and completing our planned repurposing.

We have continued to engage with major occupiers at a portfolio level, resetting and growing key relationships with those we see as key for the future of our destinations. For example:

- We have regearbed four Apple stores across the portfolio, bringing in new concepts, with a further two under discussion
- We have secured new deals, renewals and expansions with Inditex and H&M, and key upsizes with JD Sports
- We have signed two new Nike concepts into Bullring (Rise) and Dundrum (Live)
- We have secured renewals with key footfall and income drivers such as Indigo and Monoprix in Les Terrasses du Port
- We continue to bring other new occupiers and the newest concepts into the portfolio, such as Lane 7 bowling at Bullring, Reserved at Brent Cross, the first Watches of Switzerland in Ireland at Dundrum, and VR Sandbox on the Birmingham Estate, driving vibrancy, footfall and new revenue streams.

At the same time, we incubated digitally native brands into white-boxed and permanent units across the portfolio, including further openings for Gym & Coffee in Ireland, La Coque Française in our Colab project in France, and Kick Game taking permanent space at Bullring.

Commercialisation and placemaking often go hand in hand boosting footfall and revenues for occupiers, and enhancing the customer experience. It is worth highlighting in particular:

- Pop-ups across the portfolio with key brands from diverse sub-sectors including: Barclays, Costa, Polestar, Dyson and Armani
- The Commonwealth Games with events and pop-ups across the Birmingham Estate which attracted an estimated television audience in the hundreds of millions and footfall over the 11 weeks of the games of 1.8m
- Our supercar weekend in Dundrum attracting more than 30% additional footfall
- Les Cabanons des Terrasses during the summer in Marseille
- Our usual stellar roster of seasonal outdoor bars and restaurants

We shifted our approach to marketing, switching agencies and using our spend in a more focused and higher-returning manner, generating a significant improvement in impressions and engagement from our customers, specifically:

- A greater focus on digital marketing over traditional channels (75% of spend in Q4), including trials with TikTok and Snap Chat for the first time
- Shifting our marketing away from general brand awareness to leveraging our data to target more catchment specific marketing
- Bringing awareness of the local offer at our assets
- Working with local influencers and celebrities to build and enhance our brand equity

In terms of the repurposing of department stores, we successfully completed the repurposing of the former House of Fraser unit in Dundrum to Brown Thomas and Penneys, with the backfill of the latter affording the opportunity to bring Dunnes Stores into Dundrum for the first time. In the UK, we have completed the feasibility studies and submitted a planning application for a major repurposing of former retail space, predominantly department store, at New Street Station, Birmingham, to create an amenity rich workspace-led proposal, 'Drum', directly served by the UK's most connected rail station.

At Bullring, work continues on the repurposing of the former Debenhams unit and we are excited to hand over to our new occupiers – TOCA Social and Marks & Spencer – later this year. Moreover, this project kickstarted the regeneration of this end of the scheme and underpinned a flurry of leasing demand in 2022.

In Reading, we have worked with the local council to submit a planning application for the major regeneration of the eastern quarter of The Oracle; to demolish obsolete department store space and develop around 450 rental apartments alongside renewed landscaping and commercial uses. At the same time, this will densify the core retail, restaurant, food and social pitch along the riverside into our existing scheme.

In France, we completed the 34,000m² extension in Les 3 Fontaines, with new units for a selection of major international brands including Lego, Lacoste, Rituals, Inditex and H&M. As part of the broader repositioning of the asset, we brought in a florist, bakery and improved restaurant and food options to the adjacent Rue des Galeries, elevating the tone of this important thoroughfare into our asset. We continue to investigate the potential to complete a final phase of the redevelopment and bring in a major new retail offer.

Finally in Dundrum, we have brought in alternative uses with the construction of The Ironworks, a 122 unit residential development, the first of its kind on the Dundrum Estate and a major proof of concept for the future of the wider Dundrum Estate.

Environmental, Social and Governance

To acknowledge the breadth of the sustainability agenda, we have realigned our strategy to Environmental, Social and Governance. In terms of the Environmental, our commitment to Net Zero by 2030 is absolute, and we achieved an 12% reduction in like-for-like emissions in 2022. During the year we invested in an independent assessment of our assets to align to the Paris agreement. We developed detailed asset-level plans with a clearly defined pathway to Net Zero, with an interim stage at 2025, aligned with the targets for our sustainability-linked bond issued in 2021.

These plans are fully costed as part of the Group's annual business planning process, with total expenditure over the period to 2028 of under £40m on the current asset base. During 2022 we also delivered a range of projects from EV charging, upgraded lighting and property management systems to PV arrays on our assets.

To match our asset-centric operating model, we revised our approach to Social with a new Board-approved strategy that determined that all social value activities would deliver for our local communities, acknowledging that each community in which we operate and support has diverse and specific needs. During the year, the Group provided assistance to colleagues in response to the emerging cost of living crisis. A salary supplement was awarded to all colleagues on annual salaries of less than £/€60,000. The Group has also made differentiated pay awards in March 2023 benefitting those in lower salary bands. As well as realising savings, the move of the head office to Marble Arch House aligned with a refresh of the Group's values and approach to ways of working, which was well received by colleagues.

In terms of Governance, we revised our structures with the ambition to operate in a more diligent way, with all elements of ESG embedded across the business. A central part of this is recognition that Diversity, Equality and Inclusion is far more than a box ticking exercise, but rather encourages ways of working that foster better decision-making processes through inclusion and open dialogue. Valuing this, it is pleasing to report that our senior- management sponsored Affinity Groups continue to attract broad engagement across the Group. We recognise that evolving and improving our Governance structures will remain a focus for Hammerson.

Accelerate development

Our strategy is to accelerate the development of the land and opportunities we own in the centre of some of Europe's highest growth and most exciting cities, particularly in and around London, Birmingham, Bristol and Dublin.

Over the last 12 months, we have further segmented our development opportunities between those that are integral to our existing assets such as department store repurposing; those that are complementary to our existing destinations and the development of which will benefit the whole estate; and those that stand-alone.

Our immediate focus has been on progressing our integral opportunities such as The Ironworks in Dundrum and Grand Central repurposing in Birmingham. In addition, we have a broad pipeline of complementary opportunities, which are projects adjacent or in close proximity to our existing assets and which have potential to increase our scale and critical mass and unlock development returns, as well as further halo and diversification effect on the retained estate.

Finally, we own valuable development opportunities in key cities that are stand-alone from our current estates, but which have the strength of location and potential scale to create critical mass and returns of their own. In the near term we remain focused on capital light initiatives to unlock value and generate optionality to take developments forward, to potentially bring in relevant partners with sectoral expertise or aligned capital, or to seek liquidity and focus on those projects with the highest returns and impact on our retained estate.

At Dublin Central, we have received further planning consents, which endorse our proposals to regenerate this important site and have begun discussions with potential operators and occupiers as part of plans to commence the first phases of development. We have also continued to work with Transport for Ireland to integrate a new metro station within the site.

At Martineau Galleries, part of the wider Birmingham Estate, we have continued to work with Birmingham City Council and the West Midlands Combined Authority to finalise details for the scheme and prepare for the first phases of demolition and development adjacent to the new Curzon Street HS2 station and the new tram connections.

At Brent Cross, we are working with the London Borough of Barnet to develop a holistic brief for long term regeneration, which includes in the short term reactivating the surrounding land for complementary uses that support the asset and local customer and will integrate with local infrastructure and the development of Brent Cross Town.

In Dundrum Phase II, we have submitted a planning application for nearly 900 residential apartments alongside other new town centre uses and transport connections.

In Bristol, we have been engaged with the City Council as they develop their post-Covid city centre development strategy and we have started to explore the potential uses and phasing of development on our land holdings, potentially to include residential, student, office and life science uses alongside additional customer facing city centre uses.

Turning to our stand-alone projects, in the UK we signed the s106 agreement for Bishopsgate Goodsyards, which has allowed us to commence the next stages of design, enabling and marketing for this development working with our partner Ballymore to set up the project management and delivery. In Leeds we are progressing the master planning process for our remaining c.10 acres of land and considering our next steps.

Create an agile platform

Improving and right sizing our platform, and creating more agile, responsive and efficient ways of working remains a priority. We took early action in 2021 and in the first half of 2022, shifting from a top-heavy, geographically oriented and siloed organisation to a simplified, asset-centric operating model. As a result, we achieved a 17% year-on-year reduction in gross administration costs in 2022, achieving our initial target of a 15-20% reduction by 2023.

We have taken further steps including more efficient ways of working, increasing speed of leasing, collections and prompt payments to our suppliers, and the consolidation of our property management suppliers in the UK, which formally started in February 2023. At the same time, we continue to implement more integrated, connected, and automated systems to drive further efficiency.

Necessarily, the actions we have taken over the last two years have resulted in a reduction of headcount, down 42% since 2019, and 25% year-on-year. We have not been immune to the challenges of navigating hybrid working, the 'Great Resign' and pressures from an increase in cost of living, and indeed we saw higher voluntary colleague turnover during the year. We continue to invest in and promote key talent for the future, however, most notably this year in leasing, asset management, ESG and placemaking and marketing. Overall, we are targeting a further 20% reduction in gross administration costs by the end of 2024.

We have also made some progress in simplifying our asset structures. For example, we were delighted to expand our partnership in Birmingham with CPPIB, forming a new 50/50 joint venture at Bullring in the second half of the year, following their acquisition of Nuveen's one third stake. There is more to do.

Deliver a sustainable and resilient capital structure

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

Generating total gross proceeds of £195m, we completed the sale of Victoria for £120m and our 50% share of Silverburn for £70m, plus other non-core land. Net debt reduced by 4% to £1.7bn. The Group remains committed to total disposal proceeds of c.£500m over 2022 and 2023. Our track record of executing £628m of sales in the last two years in challenging conditions and the attractiveness of our assets gives us confidence we will deliver this target.

We refinanced £820m of expiring RCFs in late April into a new £463m facility on a 3+1+1 maturity with a smaller group of banks reducing cost. In December, we redeemed the remaining €236m of the 2023 eurobond at par.

In addition, we completed the triennial review of the defined benefit pension plan and moved to a full buy-in basis completed on 9 December 2022 with £nil contribution from the Company, a £2m surplus, and the reduction of the £120m Hammerson plc guarantee to £10m.

We remain committed to an IG credit rating. I am pleased to report that Fitch reaffirmed our rating and revised our outlook to stable in May, as did Moody's also with a stable outlook in December.

At 31 December 2022, the Group had liquidity of £1.0bn in the form of cash balances (£0.3bn) and undrawn committed RCFs of £0.7bn, and had no significant unsecured refinancing requirements until 2025 not covered by existing cash.

CONCLUSION

As evidenced above, a significant amount of change has taken place over the last two years, but there is more to do. Delivering that change whilst progressing our strategic, operational and financial KPIs against a challenging backdrop is a testament to the strength of the management team, the Board and the support of all our stakeholders. I am sincerely grateful.

In early January, we moved to a new head office in Marble Arch, marking a reset. It is a more efficient and collaborative space, and more reflective of who we are today. We are well positioned to continue to deliver another year of progress, and more agile to tackle challenges and capture opportunities that times like these offer.

FINANCIAL REVIEW

OVERVIEW

Over the last two years, the Group has made significant financial progress in re-basing its gross rental income, reducing costs and in strengthening the balance sheet.

IFRS reported losses decreased to £164m compared with a loss of £429m in 2021, predominantly due to the impact of market-wide yield and ERV expansion on property valuations, reflecting higher base interest rates in the second half.

Adjusted earnings for the year ended 31 December 2022 increased by 60% to £105m as a result of improved performance across the business. On a like-for-like basis, gross rental income increased by 8% and like-for-like net rental income improved by 29%. Our gross administration costs reduced 17% year-on-year with more efficiencies to come from continuing to refine our operating model and from automation and digitalisation. We also reduced finance costs as a result of the continued deleveraging of the balance sheet, and we saw an improved recovery from Value Retail.

EPRA NTA was £2,634m at 31 December 2022, a decline of 7% year-on-year (2021: £2,840m), and EPRA NTA per share was 53p (2021:64p).

Net debt reduced by 4% to £1,732m at 31 December 2022 (2021: £1,799m) benefitting from £166m of cash generated from operations and gross disposal proceeds of £195m bringing total disposals since the beginning of 2021 to £628m. These were partially offset by capital expenditure of £76m and adverse foreign exchange movements of £131m.

Headline LTV was 39% and LTV on a fully proportional consolidation basis was 47%. Our net debt: EBITDA improved to 10.4x from 13.4x in 2021. The Group has ample liquidity in cash and undrawn committed facilities of c. £1bn.

During the year, Moody's and Fitch's senior unsecured investment grade credit ratings were re-affirmed as Baa3 and BBB+, respectively and outlooks from both rating agencies were changed from negative to stable reflecting the significant improvements in the business, debt reduction and the recovery from the Covid-19 pandemic.

PRESENTATION OF FINANCIAL INFORMATION

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

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

Both the IFRS and Management reporting bases are presented in the financial statements.

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

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

Following the full impairment of our share in the Highcross joint venture as at 31 December 2021, the Group has ceased to recognise the results of this joint venture in the income statement, however, the Group's share of its assets and liabilities continue to be incorporated in note 13 to the financial information. Since the year end, it was agreed that it was in the best interests of the lenders in the longer term to appoint a receiver to administer the asset for the benefit of the creditors. Accordingly, owing to control being in the hands of the receiver, going forward, Highcross will cease to be incorporated into the Group's financial statements.

Management reporting and IFRS accounting treatment

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

* Only applicable for 2021, whereby proportionally consolidated figures include results up to the date of disposal.

New accounting pronouncements resulting in restatements of 2021

During the year, the following agenda decisions were issued which have been considered as follows:

- In April 2022, the IFRIC issued an agenda decision in respect of the presentation of 'Demand deposits with restrictions on use arising from a contract with a third party' ('the IFRIC Decision on Deposits') with further information provided in note 1B to the financial information. The impact is to change the classification of certain amounts held by third party managing agents in respect of tenant deposits and service charges such that they have been reclassified from restricted monetary assets to cash and cash equivalents. The effects of the restatement are set out in note 16 to the financial information.
- In October 2022, the IFRIC issued an agenda decision in respect of 'Lessor forgiveness of lease payments (IFRS 9 and IFRS 16)' (the 'IFRIC Decision on Concessions'). This concluded that the losses incurred on granting retrospective rent concessions should be charged to the income statement on the date that the legal rights to income are conceded (i.e. immediate recognition in full). Historically, the Group's treatment of such concessions, which arose as a result of the Covid-19 pandemic, was to recognise these as lease modifications such that the impact was initially held on the balance sheet and then spread forward into the income statement over the lease term or period to first break. The impact is that 2021 figures have been restated whereby Reported Group revenue, gross rental income, net rental income and revaluation losses are affected although operating profit and income statement figures below are unaffected. The equivalent Adjusted figures are also affected including those down to Adjusted earnings. A more detailed analysis of the effects is set out in note 6 to the financial information.

Where figures in this Financial Review have been restated, these are marked †.

Alternative Performance Measures (APMs)

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

We present the Group's results on an IFRS basis but also on an EPRA, Headline and Adjusted basis as explained in note 1B to the financial information. The Adjusted basis enables us to monitor the underlying operations of the business on a proportionally consolidated basis as described in the basis of preparation and excludes capital and non-recurring items such as revaluation movements, gains or losses on the disposal of properties or investments, as well as other items which the Directors and management do not consider to be part of the day-to-day operations of the business. Such excluded items are in the main reflective of those excluded for EPRA earnings, but additionally exclude certain cash and non-cash items which we believe are not reflective of the normal routine operating activities of the Group. We believe that disclosing such non-IFRS measures enables evaluation of the impact of such items on results to facilitate a fuller understanding of performance from period to period. These items, together with EPRA and Headline adjustments are set out in more detail in note 10A to the financial information.

For 2022, adjusting items additional to EPRA adjusting items comprised:

- Exclusion of a charge of £5.1m (2021: £8.6m) in respect of business transformation as the Group continues its implementation of strategic change and comprises mainly non-capitalisable costs associated with digital transformation as well as severance costs following the reorganisation which occurred mainly in the second half of 2021.
- A credit of £2.4m (2021: credit of £8.1m) for expected credit losses charged to the income statement but where the related income is deferred on the balance sheet such that the exclusion of this removes the distortive mismatch this causes.
- Income of £1.6m from assets held for sale which relates to the Group's 50% joint venture investment in Silverburn, sold in March 2022. The IFRS and EPRA accounting treatment is to offset the operating income until disposal against the loss on sale, therefore it is excluded from Adjusted earnings. As a result we have added the income back in order to reflect the fact that the property remained under the Group's joint ownership and management up until completion of the disposal and is considered to still be part of underlying earnings.

INCOME STATEMENT

Summary income statement

Reported Group

The Group's IFRS reported loss was £164.2m (2021: £429.1m loss). The most significant elements of the reduction were reduced valuation losses of £82.7m (2021: £169.6m), where the key factors influencing this were the market driven yield shift in the second half of the year of £68m, a reduction in the share of losses in joint ventures to £41.5m (2021: losses of £171.3m) where again a reduced valuation deficit of £138.3m (2021: £274.5m) was a key contributor and an adverse swing in the Group's share of Value Retail of £25.3m again driven by valuation losses.

Proportionally consolidated

The Group evaluates the performance of its portfolio for internal management reporting by aggregating its wholly owned businesses together with its share of joint ventures and associates which are under the Group's management ('Share of Property interests') on a proportionally consolidated basis, line by line, including, where applicable, discontinued operations. A detailed reconciliation from Reported Group to the proportionally consolidated basis is set out in note 2 to the financial information and a summary reconciling to Adjusted earnings is set out below:

		2022			2021		
Summary income statement	a	Proportionally consolidated			Proportionally consolidated		
		Before adjustments £m	Adjustments £m	Adjusted £m	Before adjustments £m	Adjustments £m	Adjusted £m
Net rental income	†	177.2	(2.4)	174.8	182.5	(8.1)	174.4
Net administration expenses		(47.9)	5.1	(42.8)	(60.0)	8.6	(51.4)
Profit from operating activities	†	129.3	2.7	132.0	122.5	0.5	123.0
Revaluation losses – Managed portfolio	†	(221.0)	221.0	–	(444.1)	444.1	–
Disposals and assets held for sale		(1.0)	1.0	–	(10.3)	10.3	–
Fair value changes and other impairments		(0.1)	0.1	–	(0.3)	0.3	–
Other net (losses)/gains		(1.1)	1.1	–	(10.6)	10.6	–
Join venture impairment		–	–	–	(11.5)	11.5	–
Share of results of associates (Value Retail)		(5.3)	32.7	27.4	20.0	(4.1)	15.9
Operating (loss)/profit	†	(98.1)	257.5	159.4	(323.7)	462.6	138.9
Net finance costs		(65.6)	11.6	(54.0)	(103.6)	31.8	(71.8)
Tax charge		(0.5)	–	(0.5)	(1.8)	0.2	(1.6)
(Loss)/profit for the period	†	(164.2)	269.1	104.9	(429.1)	494.6	65.5
(Loss)/earnings per share		Reported pence		Adjusted pence	Reported pence		Adjusted pence
Basic	b	(3.3)p			(8.7)p		
Adjusted	† b			2.1p			1.3p

† 2021 figures have been restated to reflect the IFRIC Decision on Concessions with further information provided in notes 1B and 6 to the financial information.

a Proportionally consolidated figures are set out in more detail in note 2 and adjustments are described in more detail in note 10A to the financial information.

b In addition to the IFRIC Decision on Concessions, comparative figures for 2021 have also been restated to take account of the bonus element of scrip dividends as explained further in note 11B to the financial information. Previously reported figures were: Reported Group: (9.8)p; Adjusted: 1.8p.

The table below bridges Adjusted earnings between the two periods.

Reconciliation of movements in Adjusted earnings*

	Adjusted earnings £m
31 December 2021	† 65.5
Increase in net rental income excluding disposals	20.7
Decrease in net finance costs	17.8
Decrease in gross administration costs	11.9
Decrease in tax charge	1.1
Increase in Value Retail earnings	11.5
Decrease in net rental income arising from disposals	(20.3)
Decrease in property fee income and management fees receivable	(3.3)
31 December 2022	104.9

† 2021 figures have been restated to reflect the IFRIC Decision on Concessions with further information provided in notes 1B and 6 to the financial information.

* Decreases and increases are all on an Adjusted basis and therefore exclude adjusting items as set out in note 10A to the financial information.

Rental income

Analysis of rental income

GRI and NRI for the Group are analysed below to break out Share of Property interests.

	2022					
	Reported Group £m	Share of Property interests			Discontinue d operations £m	Total £m
Proportionally consolidated		Joint ventures £m	Associates £m	Subtotal £m		
Gross rental income	90.2	119.4	5.6	125.0	–	215.2
Net service charge expenses and cost of sales	(12.9)	(23.9)	(1.2)	(25.1)		(38.0)
Net rental income	77.3	95.5	4.4	99.9	–	177.2
Change in provision for amounts not yet recognised in the income statement						(2.4)
Adjusted net rental income						174.8

	2021					
	Reported Group £m	Share of Property interests			Discontinue d operations £m	Total £m
Proportionally consolidated		Joint ventures £m	Associates £m	Subtotal £m		
Gross rental income	† 90.3	143.1	6.0	149.1	11.0	250.4
Net service charge expenses and cost of sales	(23.1)	(42.3)	(1.3)	(43.6)	(1.2)	(67.9)
Net rental income	† 67.2	100.8	4.7	105.5	9.8	182.5
Change in provision for amounts not yet recognised in the income statement						(8.1)
Adjusted net rental income	†					174.4

† 2021 figures have been restated to reflect the IFRIC Decision on Concessions with further information provided in notes 1B and 6 to the financial information.

Gross Rental Income (GRI)

GRI decreased to £215.2m from £250.4m, reflecting the impact of disposals and lower surrender premiums than in 2021. These were partly offset by increased turnover and car park income, lower concessions and income from completion of the extension at Les 3 Fontaines.

	2022 £m	2021 £m	Change in like-for-like
Proportionally consolidated			
Like-for-like managed portfolio:			*
- UK	† 86.8	78.4	10.8%
- France	† 41.2	38.8	6.1%
- Ireland	† 37.1	35.3	5.1%
	† 165.1	152.5	8.3%

† 2021 figures have been restated to reflect the IFRIC Decision on Concessions with further information provided in notes 1B and 6 to the financial information.

* Like-for-like GRI for the managed portfolio is calculated based on properties owned throughout both current and prior periods, calculated on a constant currency basis such that the comparatives have been restated accordingly.

Net Rental Income (NRI)

NRI decreased to £177.2m from £182.5m. Adjusted NRI was broadly unchanged at £174.8m (2021: £174.4m). In addition to the GRI movements highlighted above, NRI benefited from a significant improvement in collections enabling release of provisions for bad debts and tenant incentive impairments together with growth in variable income streams. This resulted in an improvement of the Adjusted NRI:GRI (after ground rents payable) ratio to 81.2% (2021: 69.6%).

Proportionally consolidated		2022 £m	2021 £m	Change in like-for-like
Like-for-like managed portfolio:	a			
- UK	†	70.8	54.0	31.3%
- France	†	36.3	26.8	35.4%
- Ireland	†	33.6	28.2	19.3%
		140.7	109.0	29.2%
Disposals		3.5	23.8	
Developments and other	†	30.6	41.8	
Foreign exchange		-	(0.2)	
Adjusted net rental income	†	174.8	174.4	
Change in provision for amounts not yet recognised in the income statement	b	2.4	8.1	
Net rental income	†	177.2	182.5	

† 2021 figures have been restated to reflect the IFRIC Decision on Concessions with further information provided in notes 1B and 6 to the financial information.

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

b Relates to the change in provision for amounts not yet recognised in the income statement for expected credit losses whereby the related income is deferred on the balance sheet. The amount has been excluded from Adjusted net rental income to eradicate the distortion of cost being recognised in one accounting period and the related revenue being recognised in a different accounting period as further described in note 10A to the financial information.

Like-for-like NRI increased by £31.7m (29%) against 2021 reflecting strong leasing performance, improved collections, increased variable turnover rent and net income from car parks and commercialisation.

The drivers of the like-for-like increase were consistent across all of the Group's geographies, offset by the loss of NRI from disposals in the UK in 2021 and 2022 being £20.3m of which £10.5m came from the sale of Victoria and Silverburn in the first half of 2022 and £8.4m from the 2021 sale of UK retail parks.

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

Administration expenses

Proportionally consolidated	2022 £m	2021 £m
Employee costs – excluding variable costs	29.2	37.5
Variable employee costs	9.6	9.6
Other corporate costs	21.0	24.6
Gross administration costs	59.8	71.7
Property fee income	(11.5)	(13.2)
Joint venture and associate management fee income	(5.5)	(7.1)
Other income	(17.0)	(20.3)
Adjusted net administration expenses	42.8	51.4
Business transformation costs	5.1	8.6
Net administration expenses	47.9	60.0

During 2022, Adjusted net administration expenses decreased by £8.6m against 2021 reflecting the Group's continuing focus on cost reduction and principally relates to:

- Employee costs following the reset of the organisation to an asset-centric structure which occurred in the second half of 2021. Average headcount during the year reduced from 494 to 370 with headcount at 31 December 2022 being 320.
- Other corporate costs (comprising mainly professional fees, office rent and software licenses), where the most significant element was a decrease of £2.7m in Directors and Officers insurance premiums reflecting the strengthening of the Group's financial position. The remainder of the decrease was predominantly in professional fees.

Business transformation costs comprised mainly fees for contractors and consultants from the Group's digitalisation programme, which were not eligible for capitalisation, and severance costs relating to the ongoing strategic re-organisation initiated in the second half of 2021 (2021: comprised mainly consultancy fees and severance costs).

Disposals and assets held for sale

During 2022, we raised gross proceeds of £195m, relating mainly to the disposals of Silverburn and Victoria. Taken together with other smaller disposals and adjustments to historical disposals, an overall profit from disposals of £0.7m was generated..

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

Reported Group

A full listing of our interests in joint ventures and associates is set out in Table 22 of the Additional information. Our Reported share of results under IFRS was a combined loss of £48.6m (2021: loss of £155.7m). This year-on-year change was due to lower revaluation losses in 2022 compared with 2021.

Proportionally consolidated

On an Adjusted basis, because the Group's managed portfolio of joint ventures and associates is proportionally consolidated, the Group's share of results of joint ventures and associates comprises solely the Group's investment in Value Retail which generated Adjusted earnings of £27.4m (2021: £15.9m). The year-on-year improvement principally reflects higher GRI from increased sales resulting from the easing of Covid-19 restrictions where lockdowns in 2021 meant that Villages were closed for part of the year.

Net finance costs

Reported Group

Reported Group net finance costs were £63.0m, a decrease of £34.9m compared with 2021 attributable to higher interest income and lower debt and loan facility cancellation costs.

Proportionally consolidated

	2022 £m	2021 £m
Adjusted finance income	26.1	15.1
Finance costs		
Gross interest costs	(81.3)	(92.2)
Interest capitalised	1.2	5.3
Adjusted finance costs	(80.1)	(86.9)
Adjusted net finance costs	(54.0)	(71.8)
Debt and loan facility cancellation costs	(1.3)	(22.0)
Change in fair value of derivatives	(10.3)	(9.8)
Net finance costs	(65.6)	(103.6)

Adjusted net finance costs were £54.0m, a decrease of £17.8m compared with 2021. The decrease was driven by the benefits of deleveraging since the start of 2021, early repayment of debt utilising proceeds from disposals, the related restructuring of hedging derivatives and higher interest income from cash deposits. Key components comprised:

- a £6.8m reduction in finance costs driven by a reduction in interest on cross currency swaps and a reduction as a result of repayment of private placement notes and euro bonds
- £11.0m higher interest income resulting from both increased cash balances in the year following disposals and a sharp rise in prevailing interest rates in the second half of the year

Proportionally consolidated net finance costs decreased by £38.0m to £65.6m compared to 2021, with £20.7m of the decrease relating to lower debt and loan facility cancellation costs partly offset by changes in the fair value of derivatives, both of which are treated as adjusting items and are described further in note 10A to the financial information. The debt and loan facility cancellations costs relate to unamortised facility fees in respect of revolving credit facilities which were extinguished and replaced with a new £463m facility as set out in the cash flow and net debt section below.

Tax

The Group's tax charge on a proportionally consolidated basis was £0.5m which compares to £1.8m for 2021 with the reduction being due to certain changes in the Irish capital structure.

The tax charge remains low as the Group benefits from being a UK REIT and French SIIC and its Irish assets are held in a QIAIF. The Group is committed to remaining in these tax exempt regimes and further details on these regimes are given in note 8 to the

financial information. In order to satisfy the REIT conditions, the Company is required, on an annual basis, to pass certain business tests. The Group has met all requirements for maintaining its REIT status for the year ended 31 December 2022.

Dividends

The payments of cash and enhanced scrip dividends approved by shareholders and made in 2022 have satisfied our REIT and SIIC distribution requirements. The Board is not recommending a further payment in respect of 2022 but continues to anticipate re-instating a cash dividend for 2023, expected to be at least the minimum required to continue to meet our REIT/SIIC distribution obligations.

The interim cash dividend and the enhanced scrip dividend alternative were paid as a non-Property Income Distribution ('Non-PID') and treated as an ordinary UK company dividend. As set out in note 19 to the financial information, the interim dividend of £77.1m was settled during the year, of which £1.4m was settled in cash.

NET ASSETS

A detailed analysis of the balance sheet on a proportionally consolidated basis is set out in Table 12 of the Additional information with a summary reconciling to EPRA NTA set out in the table below:

	2022				2021			
	Reported Group £m	Share of Property interests £m	EPRA adjustments £m	EPRA NTA £m	Reported Group £m	Share of Property interests £m	EPRA adjustments £m	EPRA NTA £m
Summary net assets								
Investment and trading properties	1,497	1,723	–	3,220	1,595	1,883	–	3,478
Investment in joint ventures	1,342	(1,342)	–	–	1,452	(1,452)	–	–
Investment in associates - Value Retail	1,189	–	52	1,241	1,141	–	95	1,236
- Italie Deux	108	(108)	–	–	106	(106)	–	–
Assets held for sale	–	–	–	–	71	(71)	–	–
Net trade receivables	24	20	–	44	28	18	–	46
Net debt	† a (1,458)	(274)	(1)	(1,733)	(1,559)	(240)	8	(1,791)
Other net liabilities	† (116)	(19)	(3)	(138)	(87)	(33)	(9)	(129)
Net assets	2,586	–	48	2,634	2,746	–	94	2,840

EPRA NTA per share	b	53p	64p
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† 2021 figures have been restated to reflect the IFRIC Decision on Demand deposits where further information is provided in note 16 to the financial information and Tables 13 and 14 of the Additional information.

a Comprises cash and cash equivalents, loans, fair value of currency swaps and cash and cash equivalent held within assets held for sale.

b EPRA adjustments in accordance with EPRA best practice, principally in relation to deferred tax, as shown in note 10B to the financial information.

During 2022, net assets decreased 6% to £2,586m (2021: £2,746m). Net assets, calculated on an EPRA Net Tangible Assets (NTA) basis, were £2,634m, or 53 pence per share, a reduction of 11 pence compared to 31 December 2021 principally due to revaluation losses of £282m, partly offset by Adjusted earnings of £105m, together with dilution from scrip dividends of 7.5p. This is equivalent to a total accounting return of –6.8%. The key components of the movement in Reported Group net assets and EPRA NTA are as follows:

Movement in net assets

	Reported Group £m	EPRA adjustments £m	EPRA NTA £m
Proportionally consolidated including Value Retail			
1 January 2022	2,746	94	2,840
Property revaluation – Managed portfolio	(221)	–	(221)
– Value Retail	(61)	–	(61)
Adjusted earnings	105	–	105
Change in deferred tax	(9)	5	(4)
Dividends	(13)	–	(13)
Foreign exchange and other movements	39	(51)	(12)
31 December 2022	2,586	48	2,634

PROPERTY PORTFOLIO ANALYSIS

Investment markets

The improvement in the investment market seen in the first half of 2022 stalled in the second half due to rising interest rates, continuing high inflation, soaring energy prices and the ongoing war in Ukraine.

In the UK, there were 58 shopping centre transactions totalling £1.9bn, the majority of which were agreed in the first half of the year including transactions involving non-managed stakes in prime shopping centres and larger lot sizes, for example, CPP Investments' acquisition of Nuveen's one third stake in Bullring. Investment volumes slowed in the second half of the year with a number of larger schemes failing to transact due to lack of debt finance. Second half investment activity was primarily at the discount/convenience end with lot sizes between £10-£30m (Source: JLL). Prime shopping centre yields moved out by 50 basis points in the last quarter of 2022.

In France, retail investment activity reached €4.5bn with over 207 transactions and strong volume growth in large transactions with 13 deals above €100m (Source: JLL). Prime shopping centre yields increased slightly towards the end of the year.

In Ireland, there was limited retail investment activity with retail representing just 8% (€0.4m) of total transactions and no transactions of significance (Source: C&W).

Portfolio valuation

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

At 31 December 2022, the Group's portfolio was valued at £5,107m, a decline of £265m (4.9%) since 31 December 2021. This movement was primarily due to revaluation losses of £282m and net disposals totalling £194m comprising mainly Silverburn and Victoria, being partly offset by capital expenditure of £79m and favourable foreign exchange gains of £157m. Movements in the portfolio valuation are shown in the table below.

Movements in property valuation

Proportionally consolidated – including Value Retail		Flagships £m	Developments and other £m	Managed portfolio £m	Value Retail £m	Group portfolio £m
At 1 January 2022		2,784	694	3,478	1,894	5,372
Revaluation losses	a	(168)	(53)	(221)	(61)	(282)
Revaluation losses of impaired joint venture	b	–	(26)	(26)	–	(26)
Capital expenditure		51	22	73	6	79
Reclassifications		206	(206)	–	–	–
Capitalised interest		–	1	1	–	1
Disposals		(187)	(7)	(194)	–	(194)
Foreign exchange		102	7	109	48	157
At 31 December 2022	a	2,788	432	3,220	1,887	5,107

a Valuations and revaluation losses are further analysed in Table 9 of the Additional information.

b The Highcross joint venture is excluded owing to the Group's share of net losses after revaluation being restricted to £nil as described in note 13 to the financial information.

During the year, capital expenditure on the managed portfolio was £73m and related mainly to the Les 3 Fontaines extension at Cergy, which opened in March 2022, cladding works at Bullring and works to repurpose the former House of Fraser anchor unit at Dundrum, in addition to £15m spent at Whitgift on acquiring long leasehold and freehold interests. Table 11 of the Additional information analyses the spend between the creation of additional area and that relating to the enhancement of existing space.

The Les 3 Fontaines extension expenditure was recorded in the Developments and other portfolio prior to the extension being reclassified to the Flagship portfolio upon opening.

Revaluation losses

Excluding Highcross, we recognised a total net revaluation loss of £282m across the Group portfolio, comprising £221m in respect of the managed portfolio and £61m in Value Retail. £271m of the revaluation loss occurred in the second half of the year, the majority of which came from a market driven yield shift of £154m in the second half of the year as a result of higher interest rates which mostly occurred in the last quarter of 2022. The balance was principally due to the valuers reducing selective ERVs across the portfolio.

UK flagship destinations reported a revaluation deficit of £90m where half was due to an outward yield shift of 50 basis points with the remainder due to selected ERV reductions. In France, yields were more stable with a 10 basis point outward movement, equivalent to a revaluation deficit of £12m with the balance of £45m mainly due to ERV reductions. Ireland saw a positive movement in ERV most notably at Dundrum, however this was more than offset by a 20 basis point outward yield shift which resulted in a net revaluation deficit of £20m.

A deficit of £53m was recognised on the Developments and other portfolio of which £11m related to Croydon associated with lower income and £13m related to the future development schemes in Dublin due to inflationary concerns over development costs.

Despite a continued strong post pandemic recovery in trading at Value Retail in the year, the portfolio recorded an overall revaluation loss of £61m, of which £53m related to Bicester Village, driven by outward yield shifts.

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

Like-for-like ERV*

Flagship destinations	2022 %	2021 %
UK	(3.8)	(10.6)
France	(1.6)	(1.5)
Ireland	0.3	(3.0)
	(2.2)	(6.7)

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

Like-for-like ERVs fell 2.2% during 2022 with most of the decrease occurring in the second half of the year following a broadly flat performance in H1 where the decrease was only 0.3%.

UK ERVs were 3.8% lower, reflecting the investment to attract 'best in class' occupiers in certain of our managed portfolio, while ERVs in France were marked down less at 1.6%.

In Ireland, ERVs were up 0.3%, with Dundrum Town Centre reporting a 0.4% increase driven by the opening of Brown Thomas in the former House of Fraser unit in February, with Penneys relocating into the remaining space in the first half of 2023, offset by small decreases at the other destinations.

Property returns analysis

The Group's managed property portfolio generated a total property return of -2.3%, comprising an income return of +5.4% offset by a capital return of -7.3%. Incorporating the income and capital returns from the Value Retail portfolio, this brought the Group's income return to +5.3% and the capital return to -5.8%, to generate a total return of -0.7% (2021: -3.9%).

								2022
Proportionally consolidated								Group portfolio
	UK %	France %	Ireland %	Flagship Destinations %	Developments and other %	Managed portfolio %	Value Retail %	%
Income return	7.9	4.8	5.2	6.0	2.3	5.4	5.3	5.3
Capital return	(9.4)	(4.6)	(3.0)	(5.9)	(14.8)	(7.3)	(3.1)	(5.8)
Total return	(2.1)	-	2.1	(0.2)	(12.8)	(2.3)	2.0	(0.7)

								2021
								Group portfolio
	UK %	France %	Ireland %	Flagship Destinations %	Developments and other %	Managed portfolio %	Value Retail %	%
Income return †	6.5	3.6	4.2	5.0	2.9	4.7	2.7	4.0
Capital return †	(16.3)	(6.4)	(7.8)	(11.2)	(9.1)	(10.9)	(0.6)	(7.7)
Total return †	(10.8)	(3.1)	(3.9)	(6.8)	(6.6)	(6.7)	2.1	(3.9)

† 2021 figures have been restated to reflect the IFRIC Decision on Deposits with further information provided in note 16 to the financial information and Tables 13 and 14 of the Additional information.

Shareholder returns analysis

Return per annum over	Total shareholder return Cash basis a	Total shareholder return Scrip basis a	Benchmark b
	%	%	%
One year	(26.2)	(15.1)	(34.3)
Three years	(44.0)	(37.7)	(12.4)
Five years	(35.2)	(30.8)	(6.7)

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

b Benchmark is the FTSE EPRA/NAREIT UK index.

Hammerson's total shareholder return over one year for 2022 was -15.1% on a scrip basis (-26.2% on a cash basis), outperforming the FTSE EPRA/NAREIT UK index of -34.3%. Over five years however the Group underperformed compared to the benchmark of -6.7% with shareholder returns of -35.2% and -30.8% on a cash and scrip basis, respectively.

INVESTMENT IN JOINT VENTURES AND ASSOCIATES

Details of the Group's joint ventures and associates are shown in notes 13 and 14, respectively, to the financial information.

Reported Group

Joint ventures

During the year, our investment in joint ventures decreased to £1,342m (2021: £1,452m) where the most significant movements were the Group's share of net rental income of £96m offset by revaluation losses of £132m and cash distributions to the Group of £63m.

Associates

Our investment in associates increased to £1,297m (2021: £1,247m) of which the Group's investment in Value Retail was £1,189m. Key movements were in Value Retail where the Group's share of earnings were offset by revaluation losses of £61m together with foreign exchange gains of £35m.

TRADE RECEIVABLES

During 2020 and 2021, the intermittent closures of the majority of non-essential retail across all regions as a result of the Covid-19 pandemic, coupled with the UK government's restrictions on landlords' ability to enforce collections, adversely impacted collection rates and consequently, the level of trade receivables was high. To address these challenges, the Group put in place more rigorous procedures and clearer tracking of our trade receivables combining involvement of our asset management, leasing and finance teams to maintain clear focus on collections.

Over the course of the year, the underlying environment improved. This included the lifting of UK government restrictions on collections (in two phases in March and September 2022) and although restrictions differed in France and Ireland, similar improvements were also seen. The combination of these changes together with management's focus has meant that we have been able to reduce the provisioning rates for some ageing categories of receivable. However, with the backdrop of macroeconomic uncertainties, we consider it premature to be extrapolating this as a trend across all categories and accordingly our approach to provisioning remains cautious and prudent.

Gross trade (tenant) receivables on a proportionally consolidated basis totalled £74.1m (2021: £99.5m) against which a provision of £32.3m (2021: £53.3m) has been applied. This provision represents 60% (2021: 76%) of trade receivables of £53.9m (2021: £70.5m) after excluding tenant deposits, guarantees and VAT, although this also includes a provision of £1.6m (2021: £4.0m) in respect of income not yet recognised in the income statement owing to a technical interpretation of IFRS 9 as explained in note 10A to the financial information. Further analysis is set out below and in note 15 to the financial information.

	2022					2021		
	Gross trade receivables £m	Trade receivables net of deposits, guarantees and VAT £m	Provision £m	Net trade receivables £m	Gross trade receivables £m	Trade receivables net of deposits, guarantees and VAT £m	Provision £m	Net trade receivables £m
UK	29.1	25.0	(12.5)	16.6	46.3	38.4	(27.2)	19.1
France	40.0	24.6	(17.2)	22.8	45.2	25.6	(21.7)	23.5
Ireland	5.0	4.3	(2.6)	2.4	8.0	6.5	(4.4)	3.6
Managed portfolio	74.1	53.9	(32.3)	41.8	99.5	70.5	(53.3)	46.2
Share of Property interests	(33.1)	(27.3)	14.7	(18.4)	(44.6)	(36.8)	25.9	(18.7)
Reported Group	41.0	26.6	(17.6)	23.4	54.9	33.7	(27.4)	27.5

PENSIONS

On 8 December 2022, the Company and the Trustees of the Group's principal defined benefit pension scheme ('the Scheme') entered into a bulk purchase annuity policy ('buy-in') contract with Just Retirement Limited for a premium of £87.3m in respect of insuring all future payments to existing pensioners of the Scheme at 9 December 2022. The pension buy-in transaction was funded through the existing investment assets held by the Trustees on behalf of the pension scheme and the impact of this transaction is reflected in the IAS 19 valuation.

This material balance sheet de-risking exercise is in line with the Group's long-term strategy to reduce future volatility of the Group's balance sheet.

FINANCING AND CASH FLOW

Financing strategy

Our financing strategy is to borrow predominantly on an unsecured basis to maintain flexibility. Secured borrowings are occasionally used, mainly in conjunction with joint venture partners. Value Retail also uses predominantly secured debt in its financing strategy. All secured debt is non-recourse to the rest of the Group.

The Group's borrowings are arranged to maintain access to short term liquidity and long term financing. Short term funding is principally through syndicated revolving credit facilities. Long term debt comprises the Group's fixed rate unsecured bonds and private placement notes. At 31 December 2022, the Group also had secured borrowings in Value Retail and three of the Group's joint ventures, although following the placing of Highcross into receivership in February 2023, this has since reduced to two. Acquisitions may initially be financed using short term funds before being refinanced with longer term funding depending on the Group's financing position in terms of maturities, future commitments or disposals, and market conditions.

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

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

Key financial metrics

Proportionally consolidated unless otherwise stated			Calculation (References to Additional information)	2022	2021
Net debt	†		Table 13	£1,732m	£1,799m
Liquidity	†			£996m	£1,478m
Weighted average interest rate				2.4%	3.0%
Weighted average maturity of debt				3.4 years	4.1 years
FX hedging				91%	89%
Net debt : EBITDA	†		Table 16	10.4x	13.4x
Loan to value – Headline		a	Table 18	39%	39%
Loan to value – Full proportional consolidation of Value Retail	†	b	Table 18	47%	46%
<i>Metrics with associated financial covenants</i>			Covenant		
Interest cover	†	≥ 1.25x	Table 17	3.24x	2.30x
Gearing – Selected bonds	†	c ≤ 175%	Table 19	68%	66%
– Other borrowings and facilities	†	≤ 150%	Table 19	68%	66%
Unencumbered asset ratio	†	≥ 1.5x	Table 20	1.74x	1.84x
Secured borrowings/equity shareholders' funds		≤ 50%		15%	14%
Fixed rate debt as a proportion of total debt		n/a		84%	85%

† 2021 figures have been restated to reflect the IFRIC Decision on Deposits with further information provided in notes 1B and 16 to the financial information and Tables 13 and 14 of the Additional information.

a Headline: Loan excludes Value Retail net debt and Value includes Value Retail net assets.

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

c Applicable to bonds maturing in 2023, 2025 and 2027 (as set out in note 17 to the financial information).

Credit ratings

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

Leverage

At 31 December 2022, the Group's gearing was 68% (2021: 66%) and Headline loan to value ratio was 39% (2021: 39%).

The Group's share of net debt in Value Retail totalled £675m (2021: £680m). Fully proportionally consolidating Value Retail's net debt, the Group's loan to value ratio was 47% (2021: 46%).

Calculations for loan to value and gearing are set out in Tables 18 and 19 of the Additional information, respectively.

Borrowings and covenants

The terms of the Group's unsecured borrowings contain a number of covenants which provide protection to the lenders and bondholders as set out in the Key financial metrics table above. At 31 December 2022, the Group had significant headroom against these metrics.

In addition, some joint ventures and associates have secured debt facilities which include covenants specific to those properties, including covenants for loan to value and interest cover, however, there is no recourse to the Group. At 31 December 2021, certain covenants on the secured loan at the Highcross joint venture were in breach and an impairment of the full equity value was recognised at that time with the position remaining at 31 December 2022, but as described in the overview above, going forward, Highcross will cease to be incorporated into the financial statements following the appointment of a receiver on 9 February 2023.

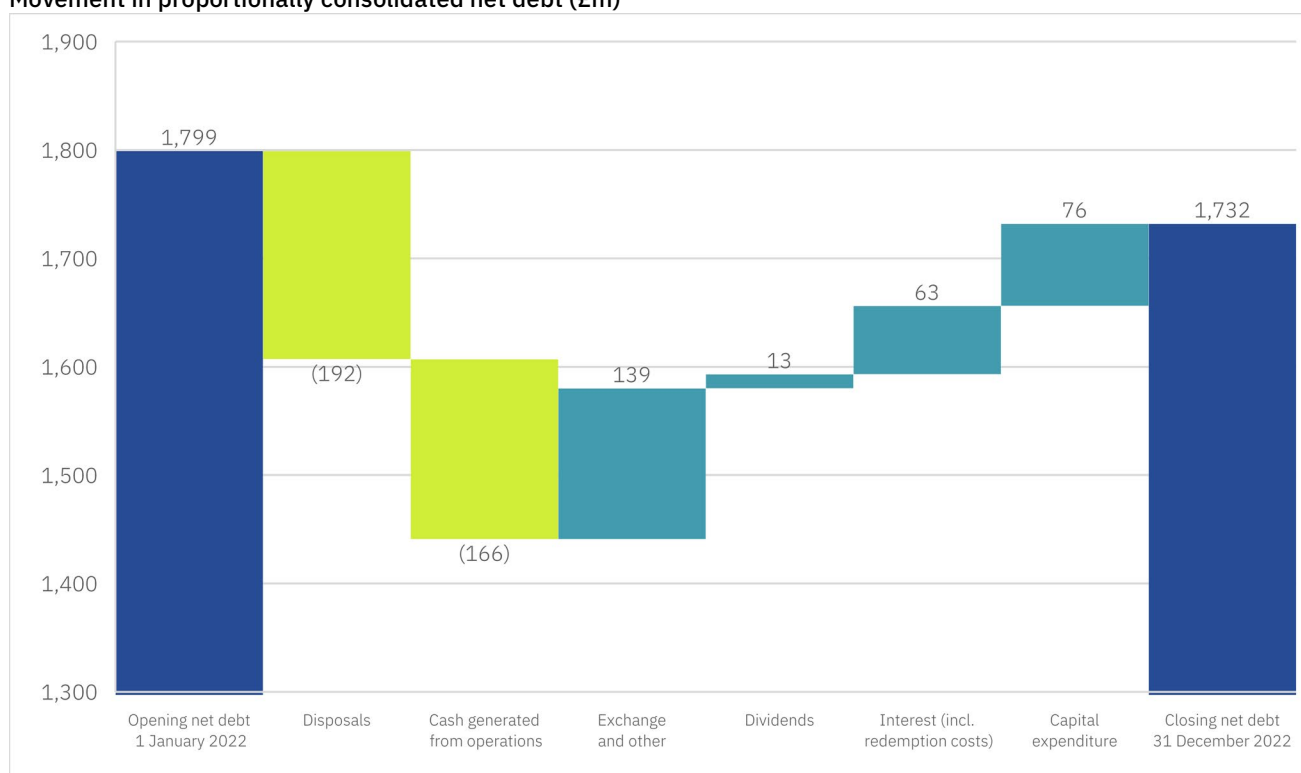
Managing foreign exchange exposure

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 2022, the value of euro-denominated liabilities as a proportion of the value of euro-denominated assets was 91% compared with 89% at the beginning of the year. Interest on euro-denominated debt also acts as a partial hedge against exchange differences arising on net income from our overseas operations. Sterling weakened against the euro during the year by 5%.

CASH FLOW AND NET DEBT

Proportionally consolidated net debt

Movement in proportionally consolidated net debt (£m)



† Net debt at 1 January 2022 has been restated to reflect the IFRIC Decision on Deposits with further information provided in notes 1B and 16 to the financial information as well as Tables 13 and 14 of the Additional information.

On a proportionally consolidated basis, net debt decreased by 4% to £1,732m (2021: £1,799m). This comprised loans of £2,038m and the fair value of currency swaps of £31m, less cash and cash equivalents of £336m, of which £219m is held by the Reported Group. Disposals during the year generated net cash proceeds of £192m. Cash generated from operations of £166m comprised profit from operating activities of £129m and £37m of movements in working capital and other non-cash items.

Refinancing

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

- £820m of facilities, comprising a £420m RCF with commitments expiring in 2023 and a £400m RCF with commitments expiring between 2023 to 2024 were refinanced with a new £463m RCF expiring in April 2025, which may be extended to April 2027 at the latest, subject to both lender and borrower consent. A further £10m of commitments expired in April 2022
- £100m and JPY7.7bn (£49m) of RCF commitments expiring in June 2024 were extended to a new expiry in June 2025. The remaining £50m of commitments with an expiry of June 2024 remain unchanged
- €235.5m eurobonds due 2023 were repaid on 16 December 2022 using available cash

Following these changes, committed facilities were reduced by £370m from £1,030m at 31 December 2021 to £662m at 31 December 2022 with £2m utilised to support ancillary facilities. This will result in an interest cost saving of £0.8m per annum in undrawn commitment fees whilst maintaining a strong balance sheet and extending the maturities of remaining commitments.

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

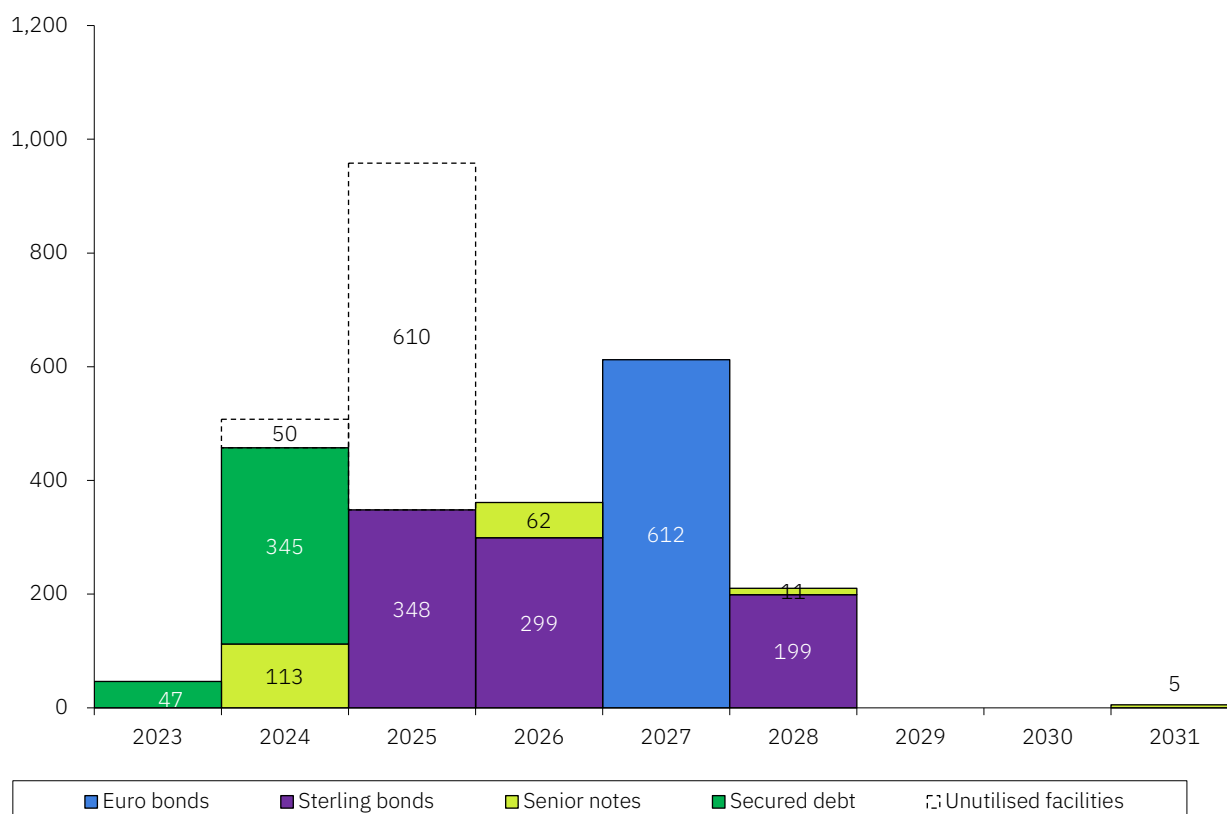
Liquidity

The Group's liquidity at 31 December 2022, calculated on a proportionally consolidated basis comprising cash of £336m and unutilised committed facilities of £660m, was £996m, £482m lower than at the beginning of the year. This was primarily due to the £368m reduction in RCF committed facilities, the €236m early repayment of the Group's 2023 euro bond being partially offset by the retention of cash proceeds from disposals.

Debt and facility profile

Maturity profile of loans and facilities

Proportionally consolidated (£m)



The Group's weighted average maturity is 3.4 years (2021: 4.1 years). The maturity of 2024 private placements are covered by existing cash with the Group having no further unsecured debt maturities until 2025.

Maturity analysis of loans

Loan	Maturity	2022 £m	2021 £m
Sterling bonds	2025 – 2028	846.4	845.4
Sustainability linked euro bond	2027	612.3	578.3
Euro bonds	2023	a	197.4
Bank loans and overdrafts	2023	b	(2.7)
Senior notes (US Private Placements)	2024 – 2031	190.8	216.4
Total loans – Reported Group		1,646.4	1,834.8
Share of Property interests	2023 – 2024	391.6	374.3
Total loans – proportionally consolidated		2,038.0	2,209.1
Cash and cash equivalents		(336.5)	(454.4)
Fair value of currency swaps		30.6	44.1
Net debt		1,732.1	1,798.8

a Redeemed in December 2022 using available cash resources, following the exercise of an early redemption option.

b Debit balance comprises unamortised fees for RCFs against which no funds had been drawn at the year ends.

RISKS AND UNCERTAINTIES

The Board continually reviews and monitors the principal risks and uncertainties which could have a material effect on the Group's results. During the year, a thorough review exercise was undertaken which resulted in the separation of three existing risks into six new risks as these were deemed to be significantly material to the Group on a stand alone basis. The updated principal risks and uncertainties for 2022 are listed below with details of our assessment of the residual risk. Full disclosure of the risks, including the factors which mitigate them, is set out within the Risk and uncertainties section of the Annual Report 2022.

A. Macroeconomic Residual risk: High	Adverse changes to the macroeconomic environment in which we operate have the potential to hinder our financial performance and our ability to deliver our strategy.
B. Retail market (new) Residual risk: Medium	In the context of the ever evolving retail market place, the Group fails to anticipate and address structural market changes. This will impair leasing performance, result in a sub-optimal occupier mix and thus impact our ability to attract visitors, maximise footfall/spend, and grow income at our properties.
C. Investment market and valuations (new) Residual risk: Medium	Investor appetite for retail assets is reduced due to macroeconomic or retail market factors including increased borrowing costs, economic downturn, consumer and occupier confidence. This will adversely impact property valuations and also risk hindering the Group's in-flight disposal plans. This in turn would reduce the availability of funds for re-investment in our core assets and/or refinancing debt.
D. Climate Residual risk: Medium	Climate risks, particularly the reduction in carbon emissions and compliance with ESG regulations, are not appropriately managed and communicated. This is likely to adversely impact valuations and investor sentiment and may result in an increased final year bond coupon if the Group's sustainability linked bond targets are not met. Also, extreme weather events may impact our properties.
E. Tax (new) Residual risk: Medium	The Group suffers financial loss and reputational damage from a new or increased tax levy or due to non-compliance with local tax legislation.
F. Legal and regulatory compliance (new) Residual risk: Medium	The failure to comply with existing laws and regulations relevant to the Group, or to adapt to changes in these requirements in a timely fashion, could result in Group suffering reputational damage and/or financial penalties. These laws and regulations cover the Group's role as a multi-jurisdiction listed company; an owner and operator of property; an employer; and as a developer.
G. Non-retail/multi-use markets Residual risk: Medium	The Group fails to target the optimal (non-retail) property sectors for future developments or repurposing, or has insufficient access to capital and the skills required to deliver its urban estates vision. Occupier or investor demand for non-retail sectors weakens or evolves such that the Group's development and repurposing plans are sub-optimal.
H. Cyber security (new) Residual risk: Medium	The Group's information technology systems fail or are subject to an attack which breaches their technological defences. A failure could lead to operational disruption, financial demands or reputational damage due to assets being brought down and/or loss of commercially sensitive data.
I. Health and safety (new) Residual risk: Medium	There is a serious work related injury, death and/or ill health to our colleagues, customers or contractors, and anyone else who visits our properties or premises. This may be due to the Group's actions or activities, or from external threats such as terrorism. In addition an incident or public health issue, such as a pandemic, is likely to have an adverse operational impact.
J. Capital structure Residual risk: Medium	Lack of access to capital on attractive terms could lead to the Group having insufficient liquidity to enable the delivery of the Group's strategic objectives.
K. Partnerships Residual risk: High	A significant proportion of the Group's properties are held in conjunction with third parties which has the potential to limit our ability to implement our strategy and reduces our control and therefore liquidity if partners are not strategically aligned.
L. Property development Residual risk: Medium	Property development is inherently risky due to its complexity, management intensity and uncertain outcomes, particularly for major schemes with multiple phases and long delivery timescales. Unsuccessful projects result in adverse financial and reputational outcomes.
M. Transformation Residual risk: Medium	The Group fails to deliver its strategic objective of creating an agile platform due to sub-optimal transformation projects. Other issues could arise due to transformation initiatives being delivered late, overbudget or causing significant disruption to business-as-usual activity.
N. People Residual risk: Medium	A failure to retain or recruit key management and other colleagues to build skilled and diverse teams could adversely impact operational and corporate performance, culture and ultimately the delivery of the Group's

strategy. As the Group evolves its strategy it must continue to motivate and retain people, ensure it offers the right colleague proposition and attract new skills in a changing market.

CONSOLIDATED INCOME STATEMENT

Year ended 31 December 2022

		Note	2022 £m	2021 (Restated) £m
Revenue	†	2,4	131.4	137.2
Profit from operating activities	† a	2	29.7	8.0
Revaluation loss on properties	†	2	(82.7)	(169.6)
Other net gains		2	0.6	18.7
Share of results of joint ventures		13B	(41.5)	(171.3)
Impairment of joint ventures		10A	–	(11.5)
Share of results of associates		14B	(7.1)	15.6
Operating loss			(101.0)	(310.1)
Finance income		7	26.1	15.1
Finance costs		7	(89.1)	(113.0)
Loss before tax			(164.0)	(408.0)
Tax charge		8	(0.2)	(1.3)
Loss from continuing operations			(164.2)	(409.3)
Loss from discontinued operations			–	(19.8)
Loss for the year attributable to equity shareholders			(164.2)	(429.1)
Basic and diluted loss per share		b		
Continuing operations		11B	(3.3)p	(8.3)p
Discontinued operations		11B	–	(0.4)p
Total			(3.3)p	(8.7)p

† 2021 figures have been restated to reflect the IFRIC Decision on Concessions with further information provided in notes 1B and 6.

a Includes a charge of £4.0m (2021: £13.5m) and an equivalent credit of £10.7m (2021: credit of £16.6m) relating to provisions for impairment of trade (tenant) receivables as set out in note 15B.

b 2021 loss per share figures have been restated to incorporate the bonus element of scrip dividends.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2022

	2022 £m	2021 £m
Loss for the year from continuing operations	(164.2)	(409.3)
Loss for the year from discontinued operations	–	(19.8)
Loss for the year	(164.2)	(429.1)
Recycled through the profit or loss on disposal of overseas property interests		
Exchange gain previously recognised in the translation reserve	–	(55.2)
Exchange loss previously recognised in the net investment hedge reserve	–	44.2
Net exchange loss relating to equity shareholders	a	(11.0)
Items that may subsequently be recycled through profit or loss		
Foreign exchange translation differences	130.6	(139.7)
(Loss)/gain on net investment hedge	(103.4)	112.2
Net loss on cash flow hedge	(1.9)	(1.7)
Share of other comprehensive gain of associates	23.8	1.3
	48.6	(27.9)
Items that will not subsequently be recycled through the profit or loss		
Net actuarial (losses)/gains on pension schemes	(26.7)	18.9
Total other comprehensive income/(loss)	b	(20.0)
Total comprehensive loss for the year	(142.3)	(449.1)

a 2021: Relates to the sale of the Group's 25% interest in Espace Saint-Quentin and 10% interest in Nicetoile.

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

CONSOLIDATED BALANCE SHEET

As at 31 December 2022

	Note	2022 £m	2021 (Restated and re-presented) £m
Non-current assets			
Investment properties	12	1,461.0	1,561.4
Interests in leasehold properties		34.0	32.9
Right-of-use assets		9.5	3.8
Plant and equipment		1.4	1.4
Investment in joint ventures	13C	1,342.4	1,451.8
Investment in associates	14C	1,297.1	1,247.0
Other investments		9.8	9.5
Trade and other receivables	15A	3.2	19.5
Derivative financial instruments		7.0	18.6
Restricted monetary assets	16A	21.4	21.4
		4,186.8	4,367.3
Current assets			
Trading properties	12	36.2	34.3
Trade and other receivables	15B	85.9	84.8
Derivative financial instruments		0.1	7.3
Restricted monetary assets	† 16A	8.6	33.7
Cash and cash equivalents	† 16B	218.8	315.1
		349.6	475.2
Assets held for sale	9	–	71.4
		349.6	546.6
Total assets		4,536.4	4,913.9
Current liabilities			
Trade and other payables		(168.3)	(179.4)
Obligations under head leases		(0.2)	–
Tax		(0.5)	(0.6)
Derivative financial instruments		(16.1)	–
		(185.1)	(180.0)
Non-current liabilities			
Trade and other payables		(56.3)	(56.6)
Obligations under head leases		(38.1)	(36.4)
Loans	17A	(1,646.4)	(1,834.8)
Deferred tax		(0.4)	(0.4)
Derivative financial instruments		(23.7)	(59.7)
		(1,764.9)	(1,987.9)
Total liabilities		(1,950.0)	(2,167.9)
Net assets		2,586.4	2,746.0
Equity			
Share capital		250.1	221.0
Share premium		1,563.7	1,593.2
Merger reserve		–	374.1
Capital redemption reserve	*	–	207.6
Other reserves	*	135.4	110.0
Retained earnings	*	646.0	243.5
Investment in own shares		(8.8)	(3.5)
Equity shareholders' funds		2,586.4	2,745.9
Non-controlling interests		–	0.1
Total equity		2,586.4	2,746.0
EPRA net tangible assets value per share	11C	53p	64p

† 2021 figures have been restated to reflect the IFRIC Decision on Deposits with further information provided in notes 1B and 16.

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2022

	Note	Share capital a £m	Share premium £m	Merger reserve e £m	Capital redemption reserve b £m	Other reserves c £m	Retained earnings £m	Investment in own shares a £m	Equity shareholders' funds £m	Non-controlling interests £m	Total equity £m
At 1 January 2022		221.0	1,593.2	374.1	207.6	110.0	243.5	(3.5)	2,745.9	0.1	2,746.0
Reclassification	d	–	–	–	(9.4)	–	9.4	–	–	–	–
At 1 January 2022 – re-presented		221.0	1,593.2	374.1	198.2	110.0	252.9	(3.5)	2,745.9	0.1	2,746.0
Foreign exchange translation differences		–	–	–	–	130.7	–	–	130.7	(0.1)	130.6
Loss on net investment hedge		–	–	–	–	(103.4)	–	–	(103.4)	–	(103.4)
Gain on cash flow hedge		–	–	–	–	6.3	–	–	6.3	–	6.3
Gain on cash flow hedge recycled to net finance costs		–	–	–	–	(8.2)	–	–	(8.2)	–	(8.2)
Share of other comprehensive gain of associates		–	–	–	–	–	23.3	–	23.3	–	23.3
Net actuarial losses on pension schemes		–	–	–	–	–	(26.7)	–	(26.7)	–	(26.7)
Loss for the year		–	–	–	–	–	(164.2)	–	(164.2)	–	(164.2)
Total comprehensive income/(loss)		–	–	–	–	25.4	(167.6)	–	(142.2)	(0.1)	(142.3)
Transfer	b, e	–	–	(374.1)	(198.2)	–	572.3	–	–	–	–
Share-based employee remuneration		–	–	–	–	–	3.0	–	3.0	–	3.0
Cost of shares awarded to employees		–	–	–	–	–	(1.4)	1.4	–	–	–
Purchase of own shares		–	–	–	–	–	–	(6.7)	(6.7)	–	(6.7)
Dividends	19	–	–	–	–	–	(140.3)	–	(140.3)	–	(140.3)
Scrip dividend related share issue		29.1	(29.1)	–	–	–	127.1	–	127.1	–	127.1
Scrip dividend related share issue costs		–	(0.4)	–	–	–	–	–	(0.4)	–	(0.4)
At 31 December 2022		250.1	1,563.7	–	–	135.4	646.0	(8.8)	2,586.4	–	2,586.4

- a Share capital includes shares held in treasury and shares held in an employee share trust, which are held at cost and excluded from equity shareholders' funds through 'Investment in own shares'.
- b The capital redemption reserve comprised £14.3m relating to share buybacks which arose over a number of years up to 2019 and £183.9m resulting from the cancellation of the Company's shares as part of the reorganisation of share capital in 2020. Following approval by the Court on 22 November 2022, this reserve has been reclassified as available for distribution to shareholders in accordance with ICAEW Technical Release 02/17BL section 2.8A and as a result has been transferred to retained earnings.
- c From 1 January 2022, 'Other reserves' now comprises Translation, Net investment hedge and Cash flow hedge reserves.
- d The share-based employee remuneration reserve was previously segregated separately within 'Other reserves' and for the purposes of presentation in this report, for the year ended 31 December 2021 has been renamed 'Capital and share-based reserves'. This share-based employee remuneration reserve has now been reclassified into retained earnings to reflect that it forms part of this reserve. The remaining component of the previously named 'Other reserves' was the capital redemption reserve and has accordingly been renamed as such.
- e The merger reserve arose in September 2014 from a placing of new shares using a structure which resulted in merger relief being taken under Section 612 of the Companies Act 2006. Following receipt of the proceeds in 2014 and the relevant criteria enabling use of the reserve having been satisfied, the amounts in the merger reserve are deemed distributable and accordingly the balance of this reserve has been transferred to retained earnings.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2021

	Note	Share capital	Share premium	Merger reserve	Capital and share-based reserves	Other reserves	Retained earnings	Investment in own shares	Equity share-holders' funds	Non-controlling interests	Total equity
		£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
At 1 January 2021		202.9	1,611.9	374.1	207.1	150.2	663.0	(0.4)	3,208.8	0.1	3,208.9
Recycled exchange gain on disposal of overseas property interests		–	–	–	–	(11.0)	–	–	(11.0)	–	(11.0)
Foreign exchange translation differences		–	–	–	–	(139.7)	–	–	(139.7)	–	(139.7)
Gain on net investment hedge		–	–	–	–	112.2	–	–	112.2	–	112.2
Loss on cash flow hedge		–	–	–	–	(1.9)	–	–	(1.9)	–	(1.9)
Loss on cash flow hedge recycled to net finance costs		–	–	–	–	0.2	–	–	0.2	–	0.2
Share of other comprehensive gain of associates		–	–	–	–	–	1.3	–	1.3	–	1.3
Net actuarial gains on pension schemes		–	–	–	–	–	18.9	–	18.9	–	18.9
Loss for the year		–	–	–	–	–	(429.1)	–	(429.1)	–	(429.1)
Total comprehensive loss		–	–	–	–	(40.2)	(408.9)	–	(449.1)	–	(449.1)
Share-based employee remuneration		–	–	–	3.3	–	–	–	3.3	–	3.3
Cost of shares awarded to employees		–	–	–	(0.4)	–	–	0.4	–	–	–
Transfer on award of own shares to employees		–	–	–	(2.4)	–	2.4	–	–	–	–
Purchase of own shares		–	–	–	–	–	–	(3.5)	(3.5)	–	(3.5)
Dividends	19	–	–	–	–	–	(135.7)	–	(135.7)	–	(135.7)
Scrip dividend related share issue		18.1	(18.1)	–	–	–	122.7	–	122.7	–	122.7
Scrip dividend related share issue costs		–	(0.6)	–	–	–	–	–	(0.6)	–	(0.6)
At 31 December 2021		221.0	1,593.2	374.1	207.6	110.0	243.5	(3.5)	2,745.9	0.1	2,746.0

CONSOLIDATED CASH FLOW STATEMENT

Year ended 31 December 2022

		2022 £m	2021 (Restated and re-presented) £m
	Note		
Profit from operating activities	†	29.7	8.0
Net movements in working capital and restricted monetary assets	† 20A	2.6	4.3
Non-cash items	† 20A	(0.8)	(9.3)
Cash generated from operations	†	31.5	3.0
Interest received		18.1	20.5
Interest paid		(69.1)	(101.4)
Redemption premiums and fees from early repayment of debt		–	(19.8)
Debt and loan facility issuance and extension fees		(2.8)	(5.2)
Premiums on hedging derivatives		(3.9)	(20.8)
Tax repaid/(paid)		0.3	(2.0)
Distributions and other receivables from joint ventures		89.5	45.7
Distributions from joint ventures reclassified as assets held for sale		6.0	–
Cash flows from operating activities	†	69.6	(80.0)
Investing activities			
Capital expenditure		(36.4)	(76.2)
Sale of properties		124.0	7.0
Sale of investments in joint ventures		67.9	48.5
Sale of investments in associates		–	21.2
Advances to joint ventures		(4.0)	(14.0)
Distributions and capital returns received from associates		2.6	2.1
Cash flows from investing activities		154.1	(11.4)
Financing activities			
Share issue expenses		(0.5)	(2.5)
Proceeds from award of own shares		0.1	0.1
Purchase of own shares		(6.7)	(3.5)
Proceeds from new Borrowings		–	596.5
Repayment of Borrowings		(302.4)	(929.4)
Equity dividends paid	19	(13.2)	(24.9)
Cash flows from financing activities		(322.7)	(363.7)
(Decrease)/increase in cash and cash equivalents			
– continuing operations	†	(99.0)	(455.1)
– discontinued operations	*	–	354.8
Opening cash and cash equivalents	†	315.1	417.5
Exchange translation movement		2.7	(2.1)
Closing cash and cash equivalents	†	218.8	315.1

† 2021 figures have been restated to reflect the IFRIC Decision on Concessions with further information provided in notes 1B and 6 and the IFRIC Decision on Deposits with further information provided in notes 1B and 16.

* Cash flows for the year ended 31 December 2021 were previously presented to include discontinued operations allocated into each individual line item. The figures above have been re-presented to show only cash flows arising from continuing operations (consistent with the presentation used in the consolidated income statement).

NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION

1. BASIS OF PREPARATION, CONSOLIDATION AND PRINCIPAL ACCOUNTING POLICIES

A: Basis of preparation and consolidation

Basis of preparation

The financial information, which comprises the consolidated income statement, consolidated statement of comprehensive income, consolidated balance sheet, consolidated statement of changes in equity, consolidated cash flow statement and extracts from the notes to the consolidated financial statements for the years ended 31 December 2022 and 31 December 2021, has been prepared in accordance with the accounting policies set out in the full financial statements and on a going concern basis.

The Financial information set out in this announcement does not constitute statutory accounts within the meaning of Sections 434 to 436 of the Companies Act 2006 and is an abridged version of the Group's financial statements for the year ended 31 December 2022 which were approved by the Directors on 8 March 2023. Statutory accounts for the year ended 31 December 2021 have been delivered to the Registrar of Companies, the auditor has reported on those accounts, their report was unqualified and did not contain statements under Section 498(2) or (3) of the Companies Act 2006. Statutory accounts for the year ended 31 December 2022 will be delivered in due course, the auditor has reported on those accounts, their opinion was unqualified and did not contain statements under Section 498 of the Companies Act 2006. The consolidated financial statements have been prepared in accordance with both UK-adopted international accounting standards and International Financial Reporting Standards (IFRS) adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union), as well as SAICA Financial Reporting Guides as issued by the Accounting Practices committee.

The accounting policies have been applied consistently year on year. The financial information has been prepared using accounting policies and methods of computation consistent with those applied in the financial statements for the year ended 31 December 2021, with the exception of the changes arising from new accounting pronouncements set out in 1B below.

B: New accounting pronouncements

New accounting standards, amendments to standards and IFRIC interpretations which became applicable during the year or have been published but are not yet effective, were either not relevant or had no, or no material impact on the Group's results or net assets except for the following IFRIC agenda decisions that were issued during the year which have resulted in accounting policy changes as follows:

- In April 2022, the IFRIC issued an agenda decision in respect of the presentation of 'Demand deposits with restrictions on use arising from a contract with a third party' (the 'IFRIC Decision on Deposits'). The conclusions were that restrictions on use which arise from a contract with a third party do not alone change the nature of amounts being classified as cash and cash equivalents. In light of this, a review has been undertaken of amounts disclosed as 'restricted monetary assets'. It has been determined that the use of certain tenant deposit and service charge amounts are restricted only by a contract with a third party. As a result, in applying the agenda decision, such amounts for 2021 have been restated to reflect this change with analysis set out in note 16.
- In October 2022, the IFRIC finalised an agenda decision in respect of 'Lessor forgiveness of lease payments (IFRS 9 and IFRS 16)' (the 'IFRIC Decision on Concessions'). This concluded that where forgiven amounts are already past due and recognised as operating lease receivables, these should be accounted for by charging to the income statement on the date that the legal rights are conceded. Historically, the Group's treatment of such concessions, which arose as a result of the Covid-19 pandemic, has been to recognise these as lease modifications such that the impact was initially held on the balance sheet and then spread forward into the income statement over the lease term or period to first break. Incentives classified within investment properties resulted in movements in tenant incentives which were recognised with an equal and opposite offset in revaluation losses. As a result of implementing the change, 2021 figures have been restated whereby Reported Group revenue, gross rental income, net rental income and revaluation losses are affected although operating profit and income statement figures below are unaffected. The equivalent Adjusted figures are also affected including those down to Adjusted earnings. A more detailed analysis of the financial statement effects is set out in note 6.

Where figures have been restated, these are marked †.

1. BASIS OF PREPARATION, CONSOLIDATION AND PRINCIPAL ACCOUNTING POLICIES - continued

C: Alternative Performance Measures (APMs)

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

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

A reconciliation between reported and the above alternative earnings and net asset measures is set out in note 10.

D. Going concern

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 2024. This period has been selected as it coincides with 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 in Risks and uncertainties 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.

Having undertaken the assessment described above, over the going concern period, under both scenarios the Group is forecast to retain significant liquidity and is able to meet its obligations as they fall due. The Directors are therefore able to conclude that they 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 and have accordingly prepared the financial statements on the going concern basis.

E. Foreign currency

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

Consolidated income statement:

Average rate	Year ended 31 December 2022	Year ended 31 December 2021
Quarter 1	€1.195	€1.145
Quarter 2	€1.179	€1.160
Quarter 3	€1.168	€1.169
Quarter 4	€1.150	€1.179

Consolidated balance sheet:

	31 December 2022	31 December 2021
Year end rate	€1.128	€1.191

2. PROFIT/(LOSS) FOR THE YEAR

As described in note 3, the Group evaluates the performance of its portfolio by aggregating its share of joint ventures and associates which are under the Group's management ('Share of Property interests') on a proportionally consolidated basis and including, where applicable, discontinued operations. Discontinued operations for 2021 comprised UK retail parks.

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

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

2022

	Note	Reported Group £m	Share of Property interests £m	Proportionally consolidated		
				Sub-total before adjustments £m	Capital and other ^a £m	Adjusted £m
Revenue	4	131.4	143.6	275.0	–	275.0
Gross rental income	b 3A, 4	90.2	125.0	215.2	–	215.2
Service charge income	4	24.2	18.6	42.8	–	42.8
		114.4	143.6	258.0	–	258.0
Service charge expenses		(27.8)	(22.5)	(50.3)	–	(50.3)
Cost of sales	5A	(9.3)	(21.2)	(30.5)	(2.4)	(32.9)
Net rental income		77.3	99.9	177.2	(2.4)	174.8
Gross administration costs	5A	(64.6)	(0.3)	(64.9)	5.1	(59.8)
Other income	4	17.0	–	17.0	–	17.0
Net administration expenses		(47.6)	(0.3)	(47.9)	5.1	(42.8)
Profit from operating activities		29.7	99.6	129.3	2.7	132.0
Revaluation losses on properties	12	(82.7)	(138.3)	(221.0)	221.0	–
Disposals and assets held for sale						
– Profit/(loss) on sale of properties	9	0.7	(0.1)	0.6	(0.6)	–
– Recycled exchange gains on disposal of overseas interests		–	–	–	–	–
– Impairment on reclassification to assets held for sale		–	–	–	–	–
– Income from assets held for sale	9,10A	–	(1.6)	(1.6)	1.6	–
Joint venture related						
– Impairment of receivables due to the Group		–	–	–	–	–
Change in fair value of other investments		(0.1)	–	(0.1)	0.1	–
Loss on sale of joint ventures and associates		–	–	–	–	–
Other net gains/(losses)		0.6	(1.7)	(1.1)	1.1	–
Share of results of joint ventures	13B	(41.5)	41.5	–	–	–
Impairment of joint venture		–	–	–	–	–
Share of results of associates	14B	(7.1)	1.8	(5.3)	32.7	27.4
Operating (loss)/profit		(101.0)	2.9	(98.1)	257.5	159.4
Net finance costs	7	(63.0)	(2.6)	(65.6)	11.6	(54.0)
(Loss)/profit before tax		(164.0)	0.3	(163.7)	269.1	105.4
Tax charge	8	(0.2)	(0.3)	(0.5)	–	(0.5)
(Loss)/profit for the year attributable to equity shareholders		(164.2)	–	(164.2)	269.1	104.9

a Adjusting items, described above as 'Capital and other', are set out in note 10A.

b Proportionally consolidated figure includes £13.7m (2021: £8.2m) of contingent rents calculated by reference to tenants' turnover.

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

2021

	Note	Reported Group £m	Share of Property interests £m	Discontinued operations £m	Proportionally consolidated		
					Sub-total before adjustments £m	Capital and other adjustments £m	Adjusted £m
Revenue	† 4	137.2	172.8	12.3	322.3	–	322.3
Gross rental income	†, b 3A, 4	90.3	149.1	11.0	250.4	–	250.4
Service charge income	4	26.6	23.6	1.3	51.5	–	51.5
Service charge expenses	†	116.9	172.7	12.3	301.9	–	301.9
		(29.5)	(28.3)	(2.1)	(59.9)	–	(59.9)
Cost of sales	† 5A	(20.2)	(38.9)	(0.4)	(59.5)	(8.1)	(67.6)
Net rental income	†	67.2	105.5	9.8	182.5	(8.1)	174.4
Gross administration costs	5A	(79.5)	(0.7)	(0.1)	(80.3)	8.6	(71.7)
Other income	4	20.3	–	–	20.3	–	20.3
Net administration expenses		(59.2)	(0.7)	(0.1)	(60.0)	8.6	(51.4)
Profit from operating activities	†	8.0	104.8	9.7	122.5	0.5	123.0
Revaluation losses on properties	† 12	(169.6)	(274.5)	–	(444.1)	444.1	–
Disposals and assets held for sale							
– Profit/(loss) on sale of properties	† 9	9.8	(0.9)	(29.3)	(20.4)	20.4	–
– Recycled exchange gains on disposal of overseas interests	10A	11.0	–	–	11.0	(11.0)	–
– Impairment on reclassification to assets held for sale		(0.9)	–	–	(0.9)	0.9	–
– Income from assets held for sale		–	–	–	–	–	–
Joint venture related							
– Impairment of receivables due to the Group		(0.7)	–	–	(0.7)	0.7	–
Change in fair value of other investments		0.4	–	–	0.4	(0.4)	–
Loss on sale of joint ventures and associates		(0.9)	0.9	–	–	–	–
Other net gains/(losses)		18.7	–	(29.3)	(10.6)	10.6	–
Share of results of joint ventures	13B	(171.3)	171.3	–	–	–	–
Impairment of joint ventures		(11.5)	–	–	(11.5)	11.5	–
Share of results of associates	14B	15.6	4.4	–	20.0	(4.1)	15.9
Operating (loss)/profit	†	(310.1)	6.0	(19.6)	(323.7)	462.6	138.9
Net finance costs	7	(97.9)	(5.7)	–	(103.6)	31.8	(71.8)
(Loss)/profit before tax	†	(408.0)	0.3	(19.6)	(427.3)	494.4	67.1
Tax charge	8	(1.3)	(0.3)	(0.2)	(1.8)	0.2	(1.6)
(Loss)/profit after tax	†	(409.3)	–	(19.8)	(429.1)	494.6	65.5
Loss for the year from discontinued operations		(19.8)	–	19.8	–	–	–
(Loss)/profit for the year attributable to equity shareholders	†	(429.1)	–	–	(429.1)	494.6	65.5
Attributable to:							
Continuing operations	†	(409.3)	–	–	(409.3)	466.5	57.2
Discontinued operations	†	(19.8)	–	–	(19.8)	28.1	8.3
	†	(429.1)	–	–	(429.1)	494.6	65.5

† 2021 figures have been restated to reflect the IFRIC Decision on Concessions with further information provided in notes 1B and 6.

3. SEGMENTAL ANALYSIS

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

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

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

- Flagship destinations
- Developments and other
- UK retail parks (to date of disposal in 2021)

One of the Group's primary income measures was amended in the second half of 2021 from Net rental income to Adjusted net rental income which excludes the 'change in provision for amounts not yet recognised in the income statement' as explained in note 10A. Comparative data is for this new measure where the Group's primary income statement measures are therefore now:

- Gross rental income
- Adjusted net rental income

Total assets are not monitored by segment and resource allocation is based on the distribution of property assets between segments.

A. Income and profit by segment

		2022	Gross rental income 2021	2022	Adjusted net rental income 2021
		£m	£m	£m	£m
Flagship destinations					
UK	†	90.5	119.3	74.3	83.6
France	†	61.8	54.4	53.8	37.0
Ireland	†	37.3	35.6	33.6	28.2
	†	189.6	209.3	161.7	148.8
Developments and other	†	25.6	30.1	13.1	17.2
Discontinued operations (UK retail parks)	†	–	11.0	–	8.4
Managed portfolio – proportionally consolidated	†	215.2	250.4	174.8	174.4
Less Share of Property interests – continuing operations	†	(125.0)	(149.1)		
Less discontinued operations (UK retail parks)	†	–	(11.0)		
Reported Group	†	90.2	90.3		

† 2021 figures have been restated to reflect the IFRIC Decision on Concessions with further information provided in notes 1B and 6.

3. SEGMENTAL ANALYSIS - continued

B. Investment and development property assets by segment

		2022			2021		
	Note	Property valuation £m	Capital expenditure £m	Revaluation losses £m	Property valuation £m	Capital expenditure £m	Revaluation losses £m
Flagship destinations							
UK	†	871.0	12.8	(90.2)	1,135.3	8.5	(247.5)
France	†	1,241.0	33.3	(57.2)	989.7	22.7	(61.0)
Ireland	†	676.4	4.9	(20.1)	659.3	4.4	(56.9)
Developments and other	†	2,788.4	51.0	(167.5)	2,784.3	35.6	(365.4)
Discontinued operations (UK retail parks)	†	431.7	21.9	(53.5)	694.4	50.8	(78.7)
		–	–	–	–	0.3	–
Managed portfolio	†	3,220.1	72.9	(221.0)	3,478.7	86.7	(444.1)
Value Retail		1,887.0	6.6	(60.7)	1,893.5	41.2	(12.0)
Group portfolio	†	5,107.1	79.5	(281.7)	5,372.2	127.9	(456.1)
		(1,887.0)	(6.6)	60.7		(41.2)	12.0
Less Value Retail		)			(1,893.5)		
		(1,722.9)	(35.2)	138.3		(13.1)	274.5
Less Share of Property interests	† a	)			(1,813.9)		
Less discontinued operations (UK retail parks)		–	–	–	–	(0.3)	–
Less trading properties	† b	(36.2)	–	–	(34.3)	(6.2)	–
Less assets held for sale	9	–	–	–	(69.1)	–	–
Reported Group	†	1,461.0	37.7	(82.7)	1,561.4	67.1	(169.6)

† 2021 figures have been restated to reflect the IFRIC Decision on Concessions with further information provided in notes 1B and 6.

a Property valuation comprises UK: £1,011.6m (2021: £1,121.0m); France: £166.8m (2021: £165.9m) and Ireland: £544.5m (2021: £527.0m).

b In December 2019, the Group exchanged contracts for the forward sale of Italik, subject to completion of the development which was opened in 2021, resulting in the sale becoming unconditional although in accordance with a contractually allowed option and subsequent agreement, the purchaser has deferred completion to 2023. At 31 December 2022, the 75% of Italik contracted for sale was included within trading properties at the agreed sale price less forecast costs to complete.

4. REVENUE

	Note	2022 £m	2021 £m
Base rent		68.2	62.1
Turnover rent		5.5	2.7
Car park income	*	10.8	9.6
Lease incentive recognition	†	2.7	11.3
Other rental income		3.0	4.6
Gross rental income	† 2	90.2	90.3
Service charge income	*	24.2	26.6
Other income			
– Property fee income	*	11.5	13.2
– Joint venture and associate management fees	*	5.5	7.1
		17.0	20.3
Revenue – continuing operations	†	131.4	137.2
Revenue – discontinued operations	†	–	12.2
	†	131.4	149.4

† 2021 figures have been restated to reflect the IFRIC Decision on Concessions with further information provided in notes 1B and 6.

* Revenue for those categories marked * amounted to £52.0m (2021: £56.5m) and is recognised under IFRS 15 'Revenue from Contracts with Customers'. All other revenue is recognised in accordance with IFRS 16 'Leases'.

5. COSTS

A: Profit from operating activities is stated after charging:

		2022 £m	2021 £m
Cost of sales			
Ground and equity rents payable		0.7	1.1
Inclusive lease costs recovered through rent		3.1	2.7
Other property outgoings	† a	6.4	18.0
Change in provision for amounts not yet recognised in the income statement		(0.9)	(1.6)
	†	9.3	20.2
Gross administration costs			
	Note	2022 £m	2021 £m
Employee costs		42.0	51.4
Depreciation of plant and equipment		1.0	1.1
Depreciation of right-of-use assets		3.1	3.3
Business transformation costs	9A	5.1	8.6
Other corporate costs	b	13.4	15.1
		64.6	79.5

† 2021 figures have been restated to reflect the IFRIC Decision on Concessions with further information provided in notes 1B and 6.

a Includes charges and credits in respect of expected credit losses as set out in note 15.

b Comprises predominantly professional fees (mainly valuation, legal and audit), office rent and software licence fees.

6. RESTATEMENT OF 2021 IN RESPECT OF THE IFRIC DECISION ON CONCESSIONS

As described in note 1B, the IFRIC Decision on Concessions has resulted in a restatement of 2021 results. IAS 8 'Accounting policies, changes in accounting estimates and errors' requires that for current and prior periods, to the extent practicable, the amount of adjustment relating to a restatement should be disclosed for each financial line item affected. Whilst those financial line items which have been restated are marked †, owing to the very significant number of line items affected, it has not been considered practicable to disclose the effects for each one because such presentation would become misleading and thus conflict with the objective of financial statements as set out in IAS 1 'Presentation of financial statements'. Accordingly, only the adjustments which affect key financial line items are presented below:

A: Key income statement items

	Reported Group			Adjusted		
	As originally reported £m	Adjustment £m	As restated £m	As originally reported £m	Adjustment £m	As restated £m
Revenue	134.8	2.4	137.2	313.4	8.8	322.2
Gross rental income	87.9	2.4	90.3	241.6	8.8	250.4
Cost of sales	(13.7)	(6.5)	(20.2)	(43.4)	(24.2)	(67.6)
Net rental income	71.3	(4.1)	67.2	189.8	(15.4)	174.4
Profit from operating activities	12.1	(4.1)	8.0	138.4	(15.4)	123.0
Revaluation losses on properties	(173.7)	4.1	(169.6)	–	–	–
Operating (loss)/profit	(310.1)	–	(310.1)	154.3	(15.4)	138.9
(Loss)/profit for the year attributable to equity shareholders	* (429.1)	–	(429.1)	80.9	(15.4)	65.5

* EPRA earnings and Headline earnings have been restated by the same amount.

6. RESTATEMENT OF 2021 IN RESPECT OF IFRIC DECISION ON CONCESSIONS continued

B: Income analysis by segment

	Gross rental income			Adjusted net rental income		
	As originally reported £m	Adjustment £m	As restated £m	As originally reported £m	Adjustment £m	As restated £m
Flagship destinations						
UK	114.3	5.0	119.3	90.1	(6.5)	83.6
France	52.5	1.9	54.4	39.4	(2.4)	37.0
Ireland	34.5	1.1	35.6	32.4	(4.2)	28.2
	201.3	8.0	209.3	161.9	(13.1)	148.8
Developments and other	29.6	0.5	30.1	17.5	(0.3)	17.2
Discontinued operations (UK retail parks)	10.7	0.3	11.0	10.4	(2.0)	8.4
Managed portfolio	241.6	8.8	250.4	189.8	(15.4)	174.4
Less Share of Property interests – continuing operations	(143.0)	(6.1)	(149.1)	(109.7)	9.3	(100.4)
Less discontinued operations (UK retail parks)	(10.7)	(0.3)	(11.0)	(10.4)	2.0	(8.4)
Reported Group	87.9	2.4	90.3	69.7	(4.1)	65.6

C: Income analysis of joint ventures and associates

	Gross rental income			Net rental income		
	As originally reported £m	Adjustment £m	As restated £m	As originally reported £m	Adjustment £m	As restated £m
Joint ventures	137.2	5.9	143.1	110.0	(9.2)	100.8
Associates	102.5	0.1	102.6	71.5	(0.1)	71.4

D: Balance sheet disclosures

			Share of Property interests and discontinued operations			Reported Group		
			As originally reported £m	Adjustment £m	As restated £m	As originally reported £m	Adjustment £m	As restated £m
Investment properties	Note							
Revaluation losses	*	3/12	283.8	(9.3)	274.5	(173.7)	4.1	(169.6)
Capital expenditure	*	3/12	(24.7)	11.3	(13.4)	71.2	(4.1)	67.1
Disposals	*	3	2.3	(2.0)	0.3			

* Figures for Share of Property interests and discontinued operations are as set out in note 3 and Reported Group figures are set out in note 12 as stated above.

E: Impact on 2022

Had the restatement not been applied, the income measures for 2022 set out below would have differed by the following amounts.

	Reported Group £m	Adjusted £m
Amount by which income would have been (lower)/higher		
Revenue	(2.9)	(8.7)
Gross rental income	(2.9)	(8.7)
Net rental income	0.5	(1.9)
Profit for the year attributable to equity shareholders	–	(1.9)

7. NET FINANCE COSTS

	Note	2022 £m	2021 £m
Finance income			
Bank and other interest receivable		26.1	15.1
Finance costs			
Interest on bank loans and overdrafts		(4.6)	(5.8)
Interest on bonds and related charges		(61.4)	(62.0)
Interest on senior notes and related charges		(6.0)	(11.4)
Interest on obligations under head leases		(2.1)	(2.2)
Interest on other lease obligations		(0.1)	(0.1)
Other interest payable		(0.4)	(1.2)
Gross interest costs		(74.6)	(82.7)
Interest capitalised in respect of properties under development		1.2	5.3
		(73.4)	(77.4)
Debt and loan facility cancellation costs	* 10A	(1.3)	(21.6)
Fair value losses on derivatives	10A	(14.4)	(14.0)
		(89.1)	(113.0)
Net finance costs		(63.0)	(97.9)

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

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

	Note	Reported Group £m	Share of Property interests £m	2022 Proportionally consolidated		
				Sub-total before adjustments £m	Capital and other £m	Adjusted £m
Finance income		26.1	–	26.1	–	26.1
Gross interest costs		(74.6)	(6.7)	(81.3)	–	(81.3)
Interest capitalised in respect of properties under development		1.2	–	1.2	–	1.2
		(73.4)	(6.7)	(80.1)	–	(80.1)
Debt and loan facility cancellation costs	10A	(1.3)	–	(1.3)	1.3	–
Fair value (losses)/gains on derivatives	10A	(14.4)	4.1	(10.3)	10.3	–
Finance costs		(89.1)	(2.6)	(91.7)	11.6	(80.1)
Net finance costs		(63.0)	(2.6)	(65.6)	11.6	(54.0)

	Note	Reported Group £m	Share of Property interests £m	2021 Proportionally consolidated		
				Sub-total before adjustments £m	Capital and other £m	Adjusted £m
Finance income		15.1	–	15.1	–	15.1
Gross interest costs		(82.7)	(9.5)	(92.2)	–	(92.2)
Interest capitalised in respect of properties under development		5.3	–	5.3	–	5.3
		(77.4)	(9.5)	(86.9)	–	(86.9)
Debt and loan facility cancellation costs	10A	(21.6)	(0.4)	(22.0)	22.0	–
Fair value (losses)/gains on derivatives	10A	(14.0)	4.2	(9.8)	9.8	–
Finance costs		(113.0)	(5.7)	(118.7)	31.8	(86.9)
Net finance costs		(97.9)	(5.7)	(103.6)	31.8	(71.8)

8. TAX CHARGE

	2022 £m	2021 £m
Foreign current tax	0.2	1.3
Tax charge – continuing operations	0.2	1.3
Tax charge – discontinued operations	*	0.2
Tax charge – total	0.2	1.5

* Included within 'Capital and other' in note 2.

The Group's tax charge remains low because it has tax exempt status in its principal operating countries.

In the UK, the Group has been a REIT since 2007 and a SIIC in France since 2004. These tax regimes exempt the Group's property income and gains from corporate taxes, provided a number of conditions in relation to the Group's activities are met. These conditions include, but are not limited to, distributing at least 90% of the Group's UK tax exempt profits as property income distributions (PID) with equivalent tests of 95% on French tax exempt property profits and 70% of tax exempt property gains. Based on preliminary calculations, the Group has met the REIT and SIIC conditions for 2022. The residual businesses in both the UK and France are subject to corporation tax as normal. The Irish assets are held in a QIAIF which provides similar tax benefits to those of a UK REIT but which subjects dividends and certain excessive interest payments to a 20% withholding tax.

The 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. Tax impacts can be uncertain until a conclusion is reached with the relevant tax authority or through a legal process. The Group uses in-house expertise when assessing uncertain tax positions and seeks the advice of external professional advisors where appropriate. The Group believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors, including tax laws and prior experience.

9. DISPOSALS AND ASSETS HELD FOR SALE

2022

The profit on sale of properties of £0.7m includes several post completion adjustments arising mainly from historical disposals in prior periods and the disposal of Victoria, which was sold on 25 February 2022, when the Group exchanged and completed the sale for gross proceeds of £120m.

In addition, on 15 March 2022, the Group completed the sale of its joint venture investment in Silverburn for gross proceeds of £140m (the Group's share being £70m). The Group had exchanged contracts for this sale on 14 December 2021 such that this investment was classified as assets held for sale at 31 December 2021 at £71.4m, which included investment properties of £69.1m. A £nil gain/loss on disposal was recognised, however, income generated during the year of £1.6m has been included in Adjusted earnings as explained further in note 10A.

2021

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

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

As described above, the Group exchanged contracts for the sale of its joint venture investment in Silverburn on 14 December 2021 and as a result was classified as an asset held for sale.

10. KEY ALTERNATIVE PERFORMANCE MEASURES

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

A. Alternative earnings measures

			2022 £m	2021 £m
Reported Group				
Loss after tax – continuing operations			(164.2)	(409.3)
Loss after tax – discontinued operations			–	(19.8)
Loss after tax for the year			(164.2)	(429.1)
Adjustments:				
Revaluation losses on managed portfolio	†		221.0	444.1
Disposals and assets held for sale				
- (Profit)/loss on sale of properties	†	a	(0.6)	20.4
- Recycled exchange gains on disposal of overseas property interests		b	–	(11.0)
- Impairment recognised on reclassification to assets held for sale		c	–	0.9
Joint venture related				
- Impairment of investment		d	–	11.5
- Impairment of receivables due to the Group		d	–	0.7
Associates (Value Retail):				
- Revaluation losses		k	60.7	12.0
- Deferred tax		e, k	0.1	(1.2)
- Change in fair value of financial assets		k	(0.2)	(0.1)
Sub-total: Adjustments for Headline earnings	†		281.0	477.3
Associates (Value Retail):				
- Change in fair value of derivatives		f, k	(18.1)	(9.3)
- Change in fair value of participative loans		f, k	(9.8)	(5.5)
Included in Financing:				
- Debt and loan facility cancellation costs		g	1.3	22.0
- Change in fair value of derivatives		g	10.3	9.8
Change in fair value of other investments		h	0.1	(0.4)
Tax charge on discontinued operations		e	–	0.2
Sub-total: Adjustments for EPRA earnings	†		264.8	494.1
Included in profit from operating activities:				
- Business transformation costs		i	5.1	8.6
- Change in provision for amounts not yet recognised in the income statement		j	(2.4)	(8.1)
- Income from assets held for sale		l	1.6	–
Total: Adjustments for Adjusted earnings	†		269.1	494.6
Headline earnings	†		116.8	48.2
EPRA earnings	†		100.6	65.0
Adjusted earnings	†		104.9	65.5

† 2021 figures have been restated to reflect the IFRIC Decision on Concessions with further information provided in notes 1B and 6.

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

b Exchange gains previously recognised in equity until disposal.

c Relates to the sale of Silverburn which completed on 15 March 2022.

10. KEY ALTERNATIVE PERFORMANCE MEASURES - continued

- d Impairment of Highcross joint venture: at 31 December 2021, the secured loan within the Highcross joint venture was in breach of its covenants whereby the Directors of the joint venture have been 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. Taking this into account, an impairment review concluded that both the value in use and the fair value less cost of disposal were £nil. Consequently, both the Group's investment in the joint venture as well as the Group's receivable were fully impaired. As set out in note 22, in February 2023, a receiver was appointed by the lenders to administer the asset.

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

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

- g Financing items comprise:

			2022			2021
	Reporte d Group £m	Share of Property interests £m	Total £m	Reported Group £m	Share of Property interests £m	Total £m
Fees on cancellation of facilities / redemption premiums and fees from early repayment of debt	1.3	–	1.3	21.6	0.4	22.0
Change in fair value of derivatives	f 14.4	(4.1)	10.3	14.0	(4.2)	9.8
	15.7	(4.1)	11.6	35.6	(3.8)	31.8

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

- h Relates to the fair value movement in a small residual investment.

- i Business transformation costs comprise:

	2022 £m	2021 £m
Employee severance	3.4	4.2
System based costs	1.7	–
Consultancy costs	–	4.4
	5.1	8.6

Such costs relate to the strategic and operational review undertaken by the new management team and which is an integral part of the Group's new strategy announced during 2021. The related costs are incremental and do not form part of underlying trading and comprise mainly employee severance and system based costs associated with digital transformation which do not qualify for capitalisation. Whilst a significant proportion of the expected costs were incurred in 2021 and 2022, further transformation activities will take place in 2023 and beyond.

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

- k Adjustments in respect of associates.

	2022 £m	2021 £m
Total in respect of associates (Value Retail)	32.7	(4.1)

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

10. KEY ALTERNATIVE PERFORMANCE MEASURES - continued

B. Alternative Net Asset measures

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

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

Reconciliation between IFRS net assets and the three EPRA net asset valuation methods is set out below:					2022
		Reported Group £m	Share of Property interests £m	Value Retail £m	Total £m
Reported balance sheet net assets (equity shareholders' funds)		2,586.4	–	–	2,586.4
Change in fair value of borrowings	a	216.2	(0.7)	–	215.5
EPRA NDV					2,801.9
Deduct change in fair value of borrowings	a	(216.2)	0.7	–	(215.5)
Deferred tax – 50% share	b	0.2	0.1	99.4	99.7
Fair value of currency swaps as a result of interest rates	c	(0.9)	–	–	(0.9)
Fair value of interest rate swaps		2.1	(6.3)	(47.3)	(51.5)
EPRA NTA					2,633.7
Deferred tax – remaining 50% share	b	0.2	–	99.4	99.6
Purchasers' costs	d	330.0	–	–	330.0
EPRA NRV					3,063.3
					2021
		Reported Group £m	Share of Property interests £m	Value Retail £m	Total £m
Reported balance sheet net assets (equity shareholders' funds)		2,745.9	–	–	2,745.9
Change in fair value of borrowings	a	(94.0)	(1.4)	–	(95.4)
EPRA NDV					2,650.5
Deduct change in fair value of borrowings	a	94.0	1.4	–	95.4
Deferred tax – 50% share	b	0.2	–	94.0	94.2
Fair value of currency swaps as a result of interest rates	c	7.5	–	–	7.5
Fair value of interest rate swaps		(10.3)	1.6	1.2	(7.5)
EPRA NTA					2,840.1
Deferred tax – remaining 50% share	b	0.2	0.1	93.9	94.2
Purchasers' costs	d	346.4	–	–	346.4
EPRA NRV					3,280.7

a Applicable for EPRA NDV calculation only and hence the adjustment is reversed for EPRA NTA and EPRA NRV.

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

c Excludes impact of foreign exchange.

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

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

The calculations of the (loss)/earnings per share (EPS) measures set out below are based on profit after tax, Headline profit after tax, EPRA profit after tax and Adjusted profit after tax attributable to owners of the parent and the weighted average number of shares in issue during the year.

Headline earnings per share has been calculated in accordance with the requirements of the Johannesburg Stock Exchange listing requirements. EPRA has issued recommended bases for the calculation of certain per share information which includes net asset value per share as well as earnings per share. The calculation of Headline, EPRA and Adjusted earnings which includes a reconciliation to Reported IFRS earnings is set out in note 10A.

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

Net assets per share comprise net assets calculated in accordance with EPRA guidelines, as set out in note 10B, divided by the number of shares in issue.

A. Number of ordinary shares for per share calculations

		2022 million	2021 million
Shares in issue (for purposes of net asset per share calculations)		5,002.3	4,419.5
Weighted average number of shares for purposes of basic EPS		4,938.9	4,392.9
Adjustment	a	–	524.6
Weighted average number of shares for purposes of basic and diluted EPS – Reported Group	a, b	4,938.9	4,917.5
Effect of potentially dilutive shares (share options) - Headline, EPRA and Adjusted		10.3	7.6
Weighted average number of shares for purposes of diluted EPS - Headline, EPRA and Adjusted	a	4,949.2	4,925.1

a 2021 weighted average number of shares have been restated to reflect the adjustment required to incorporate the bonus element of scrip dividends following confirmation of the level of take up.

b There were no potentially dilutive ordinary shares for the purposes of calculating EPS for the Reported Group (2021: none)

B. (Loss)/earnings per share

Note	(Loss)/earnings		(Loss)/earnings per share			
	2022 £m	2021 £m	2022 pence	Basic 2021 pence	2022 pence	Diluted 2021 pence
Continuing operations	(164.2)	(409.3)	(3.3)p	(8.3)p	(3.3)p	(8.3)p
Discontinued operations	–	(19.8)	–	(0.4)p	–	(0.4)p
Reported Group	(164.2)	(429.1)	(3.3)p	(8.7)p	(3.3)p	(8.7)p
Headline † 10A	116.8	48.2	2.4p	1.0p	2.4p	1.0p
EPRA † 10A	100.6	65.0	2.0p	1.3p	2.0p	1.3p
Adjusted † 10A	104.9	65.5	2.1p	1.3p	2.1p	1.3p

† 2021 (loss)/earnings per share figures have been restated to reflect the adjustment described above to the weighted average number of shares. In addition, 2021 figures have been restated to reflect the IFRIC Decision on Concessions with further information provided in notes 1B and 6. Previously reported basic and diluted figures were: Reported Group: (9.8)p, Headline: 1.4p, EPRA: 1.8p and Adjusted: 1.8p.

C. Net Asset Value per share

Note	Net asset value		Net asset value per share	
	2022 £m	2021 £m	2022 pence	2021 pence
EPRA NDV	10B	2,801.9	56p	60p
EPRA NTA	10B	2,633.7	53p	64p
EPRA NRV	10B	3,063.3	61p	74p

12. PROPERTIES

		2022			2021	
		Investment properties £m	Trading properties £m	Total £m	Investment properties £m	Trading properties £m
At 1 January		1,561.4	34.3	1,595.7	2,152.8	—
Revaluation losses	†	(82.7)	—	(82.7)	(169.6)	—
Capital expenditure	†	37.7	—	37.7	67.1	6.2
Capitalised interest		1.2	—	1.2	5.3	—
Disposals		(125.3)	—	(125.3)	(382.2)	—
Transfer to trading properties	*	—	—	—	(28.7)	28.7
Exchange adjustment		68.7	1.9	70.6	(83.3)	(0.6)
At 31 December		1,461.0	36.2	1,497.2	1,561.4	34.3

† 2021 investment property figures have been restated to reflect the IFRIC Decision on Concessions with further information provided in notes 1B and 6.

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

Properties are stated at fair value, valued by professionally qualified external valuers in accordance with RICS Valuation – Global Standards as follows:

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

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

Joint operations

Investment properties included a 50% interest in the Ilac Centre and a 50% interest in Pavilions, totalling £151.4m (2021: £149.8m). These properties are jointly controlled in co-ownership with Irish Life Assurance plc.

13. INVESTMENT IN JOINT VENTURES

The Group's investments in joint ventures form part of the Share of Property interests to arrive at management's analysis of the Group on a proportionally consolidated basis as explained in note 3 and set out in note 2.

A. Percentage share

Joint venture	Partner	Principal property	Share
United Kingdom			
Bishopsgate Goodsynd Regeneration Limited	Ballymore Properties	Bishopsgate Goodsynd	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	CPP Investments	Grand Central	50%
Highcross Leicester Limited Partnership	Asian investor introduced by M&G Real	Highcross	50%
The Bull Ring Limited Partnership	CPP Investments	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%

The results of disposals of interests in joint ventures are included up to the point of disposal except for where such disposals form part of assets held for sale or discontinued operations whereby they are excluded for the whole year. Disposals in the year are set out in note 9.

Figures in the following tables include, where applicable, adjustments to align to the Group's accounting policies and exclude balances which are eliminated on consolidation. Bishopsgate Goodsynd, Espace Saint-Quentin (up to date of disposal in 2021) and O'Parinor are included in 'Other'.

13. INVESTMENT IN JOINT VENTURES - continued

B. Results

		2022 £m	2021 £m
Group share			
Gross rental income	†	119.4	143.1
Net rental income	†	95.5	100.8
Administration expenses		(0.3)	(0.7)
Profit from operating activities	†	95.2	100.1
Revaluation losses on properties	†	(132.1)	(265.4)
Adjustment for income from assets held for sale	a	(1.6)	–
Operating loss		(38.5)	(165.3)
Finance income		0.3	4.2
Finance costs		(3.0)	(9.9)
Loss before tax		(41.2)	(171.0)
Tax charge		(0.3)	(0.3)
Loss for the year – continuing operations		(41.5)	(171.3)
Profit for the year – discontinued operations		–	0.9
Loss for the year	c	(41.5)	(170.4)
Share of distributions received by the Group		63.4	37.6

C. Assets and liabilities

		2022 £m	2021 £m
Group share			
Non-current assets			
Investment properties		1,620.0	1,712.2
Other non-current assets		26.7	18.3
		1,646.7	1,730.5
Current assets			
Cash and cash equivalents	†	110.9	128.7
Other current assets	† b	61.3	60.0
		172.2	188.7
Current liabilities			
Loans - secured		(126.1)	(79.3)
Other payables		(80.7)	(72.2)
		(206.8)	(151.5)
Non-current liabilities			
Loans – secured		(265.5)	(295.0)
Derivative financial instruments		–	(1.6)
Obligations under head leases		(15.8)	(15.8)
Other payables		(6.3)	(3.5)
		(287.6)	(315.9)
Cumulative losses restricted	c	17.9	–
Net assets		1,342.4	1,451.8

† 2021 income statement figures have been restated to reflect the IFRIC Decision on Concessions and balance sheet figures have been restated to reflect the IFRIC Decision on Deposits where £15.0m has been reclassified from restricted monetary assets (which formed part of Other current assets) to cash and cash equivalents. Further information on both IFRIC decisions is set out in note 1B.

a Comprises income in respect of Silverburn, as described in note 10A.

b Includes restricted monetary assets held in escrow for specified development costs.

c Following the impairment of Highcross to £nil in 2021, the Group ceased to equity account for its investment in this joint venture such that although gross balance sheet items on a proportionally consolidated basis remain included in the Group's figures, it is excluded from all income statement metrics including revaluation losses. This amount therefore represents the Group's share of losses which exceed the Group's investment of £nil.

13. INVESTMENT IN JOINT VENTURES - continued

D. Reconciliation of movements in investment in joint ventures

		2022 £m	2021 £m
At 1 January		1,451.8	1,813.6
Share of results of joint ventures		(41.5)	(170.4)
Impairment of investment in joint ventures	a	–	(11.5)
Advances		4.0	14.0
Cash distributions (including interest)	b	(84.0)	(38.9)
Other receivables		(5.3)	(4.9)
Transfer to assets held for sale		–	(72.3)
Disposal		–	(53.9)
Exchange and other movements		17.4	(23.9)
At 31 December		1,342.4	1,451.8

a Comprised the full impairment of the Group's investment in Highcross as described in note 10A.

b Comprises distributions of £63.4m (2021: £37.6m) and interest previously accrued of £20.6m (2021: £1.3m).

14. INVESTMENT IN ASSOCIATES

A. Percentage share

	Principal property		2022 Share	2021 Share
Value Retail	Various Villages across Europe	a	40%	40%
Italie Deux	Italie Deux, France		25%	25%
Nicetoile	Nicetoile, France	b	–	10%

a Interest is calculated based on the share of profits to which the Group is entitled and excludes individual interests which are loss making.

b The Group disposed of its 10% interest in Nicetoile on 1 April 2021 for €25m (£21m).

Associates comprise prime urban real estate consisting of flagship destinations and premium outlets across Europe. Analysis of the results and assets and liabilities of the Group's investment in associates is set out below and with the exception of Value Retail, these results form part of the Share of Property interests to arrive at management's analysis of the Group on a proportionally consolidated basis as explained in note 3 and set out in note 2.

B. Results

		2022 £m	2021 £m
Group share			
Gross rental income	†	153.6	102.6
Net rental income	†	105.7	71.4
Administration expenses		(48.0)	(33.8)
Profit from operating activities	†	57.7	37.6
Revaluation losses on properties		(66.9)	(21.1)
Operating (loss)/profit	†	(9.2)	16.5
Interest costs		(27.7)	(18.7)
Fair value gains on derivatives		18.1	9.3
Fair value gains on participative loans		15.0	9.1
Net finance income/(costs)		5.4	(0.3)
(Loss)/profit before tax		(3.8)	16.2
Current tax charge		(3.2)	(1.8)
Deferred tax (charge)/credit		(0.1)	1.2
(Loss)/profit for the year		(7.1)	15.6

† 2021 figures have been restated to reflect the IFRIC Decision on Concessions with further information provided in note 1B.

14. INVESTMENT IN ASSOCIATES continued

C. Assets and liabilities

	2022 £m	2021 £m
Group share		
Non-current assets		
Investment properties	1,989.9	1,995.2
Other non-current assets	114.2	63.3
	2,104.1	2,058.5
Current assets		
Cash and cash equivalents	93.6	83.0
Other current assets	40.7	32.8
	134.3	115.8
Total assets	2,238.4	2,174.3
Current liabilities		
Loans	(108.1)	(465.1)
Other payables	(104.6)	(92.8)
	(212.7)	(557.9)
Non-current liabilities		
Loans	(653.6)	(292.2)
Participative loan	(95.7)	(86.0)
Other payables, including deferred tax	(185.2)	(176.0)
	(934.5)	(554.2)
Total liabilities	(1,147.2)	(1,112.1)
Net assets	1,091.2	1,062.2
Reverse participative loans	205.9	184.8
	1,297.1	1,247.0

D. Reconciliation of movements in investment in associates

	2022 £m	2021 £m
At 1 January	1,247.0	1,298.4
Share of results of associates	(7.1)	15.6
Capital return	(2.0)	(2.0)
Distributions	(5.0)	(2.5)
Share of other comprehensive gain of associate	a 23.3	1.3
Disposals	—	(23.2)
Exchange and other movements	40.9	(40.6)
At 31 December	b 1,297.1	1,247.0

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

b Includes accumulated impairment to the investment in Value Retail of £94.3m (2021: £94.3m) which was recognised in the year ended 31 December 2020 and is equivalent to the notional goodwill on this investment.

15. TRADE RECEIVABLES

Included in the current trade and other receivables balance of £85.9m (2021: £84.8m) are the following amounts in respect of trade (tenant) receivables, together with the respective provisions which have been calculated in accordance with the expected credit loss methodology set out in IFRS 9:

A: Trade (tenant) receivables - Ageing analysis

	Gross trade receivables £m	Provision £m	2022 Net trade receivables £m	Gross receivables £m	Provision £m	2021 Net receivables £m
Not yet due	3.2	(0.6)	2.6	5.6	(1.9)	3.7
0 – 3 months overdue	4.0	(0.8)	3.2	8.2	(3.6)	4.6
3 – 12 months overdue	8.1	(2.3)	5.8	13.9	(6.3)	7.6
More than 12 months overdue	25.7	(13.9)	11.8	27.2	(15.6)	11.6
	41.0	(17.6)	23.4	54.9	(27.4)	27.5

B: Analysis of movements in provisions

	2022 £m	2021 £m
Loss allowance at 1 January	27.4	35.8
Additions to provisions charged to the income statement	4.0	13.5
Disposals	* (1.3)	(2.1)
Release of provisions	(10.7)	(16.6)
Utilisation	(2.8)	(2.1)
Exchange	1.0	(1.1)
Loss allowance at 31 December	17.6	27.4

* 2021: Related to UK retail parks

16. RESTRICTED MONETARY ASSETS AND CASH AND CASH EQUIVALENTS

A. Restricted monetary assets

			2022 Current £m	2022 Non-current £m	2021 Current £m	2021 Non-current £m
Cash held in respect of tenants and co-owners	†	a	8.6	–	13.7	–
Cash held in escrow		b	–	21.4	20.0	21.4
			8.6	21.4	33.7	21.4

† 2021 current figures have been restated to reflect the IFRIC Decision on Deposits where further information is provided in note 1B. The effect is that £5.4m held by third party managing agents in respect of tenant deposits and service charges have been reclassified to cash and cash equivalents as these amounts are not restricted by law or regulation. The previously reported figure for 2021 was £19.1m.

- a Comprises amounts held to meet future services charge costs and related expenditure such as marketing expenditure, where local laws or regulations restrict the use of such cash.
- b Comprises funds held to satisfy potential obligations under indemnities granted in favour of Directors and officers to the extent that such obligations are not already satisfied by the Company or covered by Directors' and Officers' liability insurance. 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 (2021: the current portion related to a deposit received in respect of the sale of Silverburn prior to completion on 15 March 2022, upon which the amounts were released from escrow).

B. Cash and cash equivalents

Cash and cash equivalents includes £4.4m (2021: £5.4m) in respect of cash held by third party managing agents which was previously disclosed as restricted monetary assets as described in notes 16A and 1B and where the previously reported 2021 cash and cash equivalents figure of £309.7m has been restated.

17. LOANS

A. Loan profile

		2022 £m	2021 £m
Unsecured			
£200.0m 7.25% sterling bonds due 2028		199.0	198.8
€700.0m 1.75% euro bonds due 2027	a	612.3	578.3
£300.0m 6% sterling bonds due 2026		299.1	298.8
£350.0m 3.5% sterling bonds due 2025		348.3	347.8
€235.5m 1.75% euro bonds due 2023	b	–	197.4
Bank loans and overdrafts	c	(3.1)	(2.7)
Senior notes due 2031		5.1	4.9
Senior notes due 2028		11.3	13.3
Senior notes due 2026		62.0	58.8
Senior notes due 2024		112.4	139.4
		1,646.4	1,834.8

- a Coupon is linked to 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 coupon. The Group has made certain assumptions which support not increasing the effective interest rate, 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 on or offsite energy and driving compliance with relevant energy performance legislation. The Group continues to make steady progress against both targets.
- b On 16 December 2022, following the exercise of an early redemption option, the Group redeemed all of the €235.5m 1.75% euro bonds due 2023 using available cash resources.
- c Debit balance comprises unamortised fees for revolving credit facilities against which no funds had been drawn at the year ends.

B. Undrawn committed facilities

The Group has the following revolving credit facilities (RCF), which are all in sterling unless otherwise indicated, expiring as follows:

		2022 £m	2021 £m
2017 RCF expiring 2022		–	10.0
2017 RCF expiring 2023	a	–	30.0
2016 RCF expiring 2023	a	–	420.0
2017 RCF expiring 2024	a	–	370.0
2021 RCF expiring 2024	b	150.0	150.0
2021 JPY7.7bn RCF expiring 2025	c	48.9	49.8
2022 RCF expiring 2025	a	463.0	–
	d	661.9	1,029.8

- a On 29 April 2022, the 2016 RCF expiring 2023 and the unexpired elements of the 2017 RCF expiring in 2023 and 2024 were extinguished and replaced with a new three year £463m RCF expiring April 2025, but containing two one-year extension options. The existing two facilities were cancelled on 9 May 2022.
- b Contained two one year extension options whereby during the year, the first of these extension options was exercised such that £100m was extended to June 2025 with the remaining £50m left to expire at its existing term in June 2024.
- c Contained two one year extension options whereby during the year, the first of these extension options was exercised such that the full facility was extended to June 2025.
- d £2.1m (2021: £2.1m) of RCFs have been utilised (although not drawn) to support ancillary facilities leaving £659.8m (2021: £1,027.7m) available to the Group.

C. Maturity analysis of undrawn committed facilities

	2022 £m	2021 £m
Expiry		
Within one year	–	10.0
Within one to two years	50.0	450.0
Within two to five years	611.9	569.8
	661.9	1,029.8

18. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

A: Financial risk management and strategy

The Group's financial risk management strategy seeks to set financial limits for treasury activity to ensure they are in line with the risk appetite of the Group. The Group's activities expose it to certain financial risks comprising liquidity risk, marker risk (comprising interest rate and foreign currency risk), credit risk and capital risk.

The Group's treasury function, which operates under treasury policies approved by the Board, maintains internal guidelines for interest cover, gearing, unencumbered assets and other credit ratios and both the current and projected financial position against these guidelines is monitored regularly. To manage the risks set out above, the Group uses certain derivative financial instruments to mitigate potentially adverse effects on the Group's financial performance. 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.

B. Financial instruments held at fair value

Definitions

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

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

Fair value valuation technique

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

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

Fair value hierarchy analysis

		2022		2021	
	Hierarchy	Carrying amount £m	Fair value £m	Carrying amount £m	Fair value £m
Unsecured bonds	Level 1	1,458.7	1,249.5	1,621.1	1,707.0
Senior notes	Level 2	190.8	180.7	216.4	221.8
Unsecured bank loans and overdrafts	Level 2	(3.1)	–	(2.7)	–
Fair value of currency swaps	Level 2	30.6	30.6	44.1	44.1
Borrowings		1,677.0	1,460.8	1,878.9	1,972.9
Fair value of interest rate swaps	Level 2	2.1	2.1	(10.3)	(10.3)
Participative loans to associates	Level 3	205.9	205.9	184.8	184.8
Fair value of other investments	Level 3	9.8	9.8	9.5	9.5

19. DIVIDENDS

			Cash dividend per share	Enhanced scrip alternative per share	2022 £m	2021 £m
Prior periods						
2020 final dividend	- Cash	a	0.2p		–	11.7
	- Enhanced scrip alternative	b		2.0p	–	51.0
2021 interim dividend	- Cash		0.2p		–	1.3
	- Enhanced scrip alternative	b		2.0p	–	71.7
2021 final dividend	- Cash	a	0.2p		11.8	–
	- Enhanced scrip alternative	b		2.0p	51.4	–
2022 interim dividend	- Cash		0.2p		1.4	–
	- Enhanced scrip alternative	b		2.0p	75.7	–
					140.3	135.7
Cash flow analysis:						
Cash dividend		c			2.6	2.6
Withholding tax:		a				
– 2020 interim dividend					–	11.9
– 2020 final dividend					–	10.4
– 2021 final dividend					10.6	–
					13.2	24.9
					2022	2021
Total cash dividends per share in respect of the year					0.2p	0.4p

a Dividends paid as a PID are subject to withholding tax which is paid approximately two months after dividend itself is paid.

b Calculated as the market value of shares issued to satisfy the enhanced scrip dividend alternative.

c Comprises cash payments after deduction of withholding tax, where applicable.

20. NOTES TO THE CASH FLOW STATEMENT

A. Analysis of items included in operating cash flows

		2022 £m	2021 £m
Net movements in working capital and restricted monetary assets			
Movements in working capital:			
- (Increase)/decrease in receivables		(6.0)	27.3
- Decrease in payables		(17.4)	(6.9)
		(23.4)	20.4
Decrease/(increase) in restricted monetary assets	†	26.0	(16.1)
	†	2.6	4.3

† 2021 figures have been restated to reflect the IFRIC Decision on Deposits with further information provided in notes 1B and 16.

		2022 £m	2021 £m
Non-cash items			
Increase in accrued rents receivable	†	(3.5)	(11.6)
Decrease in loss allowance provisions	*	(2.6)	(6.2)
Amortisation of lease incentives and other costs		1.2	5.9
Depreciation		4.1	4.4
Other non-cash items including share-based payment charge		–	(1.8)
	†	(0.8)	(9.3)

† 2021 figures have been restated to reflect the IFRIC Decision on Concessions with further information provided in notes 1B and 6.

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

B. Analysis of movements in net debt

		2022			2021		
		Cash and cash equivalents £m	Borrowings £m	Net debt £m	Cash and cash equivalents £m	Borrowings £m	Net debt £m
At 1 January	†	315.1	(1,878.9)	(1,563.8)	417.5	(2,330.0)	(1,912.5)
Cash flow	†	(99.0)	302.4	203.4	(100.3)	332.9	232.6
Change in fair value of currency swaps		–	8.4	8.4	–	(14.2)	(14.2)
Exchange		2.7	(108.9)	(106.2)	(2.1)	132.4	130.3
At 31 December	†	218.8	(1,677.0)	(1,458.2)	315.1	(1,878.9)	(1,563.8)
Amounts in respect of assets held for sale		–	–	–	4.6	–	4.6
	†	218.8	(1,677.0)	(1,458.2)	319.7	(1,878.9)	(1,559.2)

21. CONTINGENT LIABILITIES AND COMMITMENTS

A. Contingent liabilities

	2022 £m	2021 £m
The Group excluding joint ventures:		
– guarantees given	45	52
– claims arising in the normal course of business	34	27
Group's share arising in joint ventures	7	14
	86	93

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 £145m (2021: minimum £nil and maximum £143m). The Directors have not provided for this amount because they do not believe an outflow is probable.

B. Capital commitments on investment properties

	2022 £m	2021 £m
The Group excluding joint ventures	–	19
Group's share arising in joint ventures	52	40
	52	59

22. POST BALANCE SHEET EVENTS

In respect of the Highcross joint venture, on 9 February 2023, it was agreed that it was in the best interests of the lenders in the longer term to appoint a receiver to administer the asset for the benefit of the creditors.

ADDITIONAL INFORMATION - UNAUDITED

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

As with other real estate companies, we have adopted the EPRA Best Practice Recommendations (BPR) and were again awarded a Gold Award for compliance with the EPRA BPR for our 2021 Annual Report. Further information on EPRA and the EPRA BPR can be found on their website www.epra.com. Details of our key EPRA metrics are shown in Table 1.

SUMMARY EPRA PERFORMANCE MEASURES

Table 1

Performance measure		2022	2021	Note / Table
Earnings	†	£100.6m	£65.0m	10A
Earnings per share (EPS)	† *	2.0p	1.3p	11B
Cost ratio (including vacancy costs)	†	38.0%	52.5%	Table 8
Cost ratio (excluding vacancy costs)	†	32.0%	47.2%	Table 8
		2022	2021	
Net Disposal Value (NDV) per share		56p	60p	11C
Net Tangible Assets value (NTA) per share		53p	64p	11C
Net Reinstatement Value (NRV) per share		61p	74p	11C
Net Initial Yield (NIY)		5.8%	5.6%	Table 10
Topped-up Net Initial Yield		6.0%	5.8%	Table 10
Vacancy rate		4.8%	5.7%	Table 4
Loan to value	†	50.5%	50.1%	Table 18

† 2021 figures have been restated to reflect the IFRIC Decision on Concessions with further information provided in notes 1B and 6 to the financial information.

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

PORTFOLIO ANALYSIS

As a result of its full impairment at 31 December 2021, the Group's investment in Highcross is included in 'Developments and other' and for 2022 is included in all metrics except for those included in the consolidated income statement (gross rental income, net rental income and the revaluation losses in the year). These reclassifications are reflected in the tables within this Additional information.

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

Rental data

Table 2

							2022	
Proportionally consolidated		Gross rental income £m	Adjusted net rental income £m	Average rents passing £/m ²	Rents passing £m	Estimated rental value of vacant space £m	Estimated rental value £m	Reversion/(over-rented) %
				a	b	c	c	d
UK		90.5	74.3	420	84.0	2.3	77.6	(11.3)
France		61.8	53.8	430	65.9	3.2	71.3	3.1
Ireland		37.3	33.6	500	38.8	0.8	39.5	(0.3)
Flagship destinations		189.6	161.7	440	188.7	6.3	188.4	(3.6)
Developments and other		25.6	13.1	170	21.6	2.9	20.8	(17.7)
Managed portfolio		215.2	174.8	380	210.3	9.2	209.2	(5.0)

							2021	
UK	†	119.3	83.6	400	104.5	5.1	102.0	(7.3)
France	†	54.4	37.0	415	52.3	2.3	57.5	5.3
Ireland	†	35.6	28.2	460	35.6	0.6	36.5	0.9
Flagship destinations	†	209.3	148.8	415	192.4	8.0	196.0	(2.1)
Developments and other	†	30.1	17.2	195	22.4	3.2	23.4	(9.5)
UK retail parks	†	11.0	8.4	n/a	n/a	n/a	n/a	n/a
Managed portfolio	†	250.4	174.4	370	214.8	11.2	219.4	(2.9)

† 2021 figures have been restated to reflect the IFRIC Decision on Concessions with further information provided in notes 1B and 6 to the financial information.

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

(b) Rents passing are the annual rental income receivable at the year end from an investment property, after any rent-free periods and after deducting head rents and car parking and commercialisation running costs totalling £14.2m.

(c) The estimated rental value (ERV) 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.

(d) The total of rents passing and ERV of vacant space compared to ERV.

Gross rental income

Table 3

Proportionally consolidated	2022 £m	2021 £m
Base rent	159.2	158.6
Turnover rent	13.7	8.2
Car park income	27.9	22.3
Commercialisation income	9.5	10.3
Surrender premiums	0.8	20.1
Lease incentive recognition	† 0.9	28.3
Other rental income	3.2	2.6
Gross rental income	† 215.2	250.4

† 2021 figures have been restated to reflect the IFRIC Decision on Concessions with further information provided in notes 1B and 6 to the financial information.

Vacancy

Table 4

Proportionally consolidated		ERV of vacant space £m	Total ERV for vacancy £m	2022	ERV of vacant space £m	Total ERV for vacancy £m	2021
				Vacancy rate %			Vacancy rate %
			a			a	
UK		2.3	64.2	3.6	5.1	86.0	5.9
France	b	3.2	72.5	4.4	2.3	59.1	4.0
Ireland		0.8	35.7	2.3	0.6	33.0	1.7
Flagship destinations	b	6.3	172.4	3.7	8.0	178.1	4.5
Developments and other		2.9	17.9	16.0	3.2	20.4	15.7
Managed portfolio	b	9.2	190.3	4.8	11.2	198.5	5.7

a Total ERV differs from Table 2 due to the exclusion of car park ERV and head rents payable which distort the vacancy metric.

b Figures include Les 3 Fontaines, Cergy extension which opened in March 2022. Vacancy rates at 31 December 2022 excluding the extension were France: 2.8%; Flagship destinations: 3.0%; Managed portfolio: 4.3%.

Lease expiries and breaks

Table 5

Proportionally consolidated	Rental income based on passing rents that expire/break in					ERV of leases that expire/break in*					Weighted average unexpired lease term	
	Outstanding £m	2023 £m	2024 £m	2025 £m	Total £m	Outstanding £m	2023 £m	2024 £m	2025 £m	Total £m	to break years	to expiry years
UK	3.8	12.8	13.7	8.2	38.5	3.6	11.6	10.8	6.7	32.7	5.9	7.7
France	3.5	5.9	10.1	2.6	22.1	3.1	5.9	9.5	3.0	21.5	1.9	4.8
Ireland	1.3	3.3	4.1	1.4	10.1	2.1	4.3	3.1	1.3	10.8	5.9	7.4
Flagship destinations	8.6	22.0	27.9	12.2	70.7	8.8	21.8	23.4	11.0	65.0	4.3	6.5
Developments and other	2.5	4.1	2.7	3.5	12.8	2.6	3.1	2.2	2.2	10.1	4.2	8.7
Managed portfolio	11.1	26.1	30.6	15.7	83.5	11.4	24.9	25.6	13.2	75.1	4.3	6.8

* Ignores the impact of rental growth and any rent-free periods.

Net rental income

Table 6

Like-for-like net rental income (NRI) is calculated as the percentage change in NRI for investment properties owned throughout both the current and prior 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.

2022

	Properties owned throughout 2021/22 £m	Change in like-for-like NRI %	Disposals £m	Developments and other £m	Total Adjusted NRI £m	Change in provision £m	Total NRI £m
Proportionally consolidated							
UK	70.8	31.3	3.5	–	74.3	1.7	76.0
France	36.3	35.4	–	17.5	53.8	–	53.8
Ireland	33.6	19.3	–	–	33.6	0.2	33.8
Flagship destinations	140.7	29.2	3.5	17.5	161.7	1.9	163.6
Developments and other	–	n/a	–	13.1	13.1	0.5	13.6
Managed portfolio	* 140.7	29.2	3.5	30.6	174.8	2.4	177.2

2021

		Properties owned throughout 2021/22 £m	Exchange £m	Disposals £m	Developments and other £m	Total Adjusted NRI £m	Change in provision £m	Total NRI £m
Proportionally consolidated								
UK	†	54.0	–	14.0	15.6	83.6	6.4	90.0
France	†	26.8	(0.2)	0.8	9.6	37.0	–	37.0
Ireland	†	28.2	–	–	–	28.2	–	28.2
Flagship destinations	†	109.0	(0.2)	14.8	25.2	148.8	6.4	155.2
Developments and other	†	–	–	0.6	16.6	17.2	0.3	17.5
UK retail parks	†	–	–	8.4	–	8.4	1.4	9.8
Managed portfolio	† *	109.0	(0.2)	23.8	41.8	174.4	8.1	182.5

† 2021 figures have been restated to reflect the IFRIC Decision on Concessions with further information provided in notes 1B and 6 to the financial information.

* Managed portfolio value on which like-for-like growth is based was £2,244m (2021: £2,605m).

Top ten tenants

Table 7

Ranked by passing rent

	Passing rent £m	% of total passing rent
Proportionally consolidated		
Inditex	7.6	3.6
H&M	6.5	3.1
JD Sports	3.3	1.6
Next	3.1	1.5
River Island	2.8	1.4
Marks & Spencer	2.7	1.3
Boots	2.7	1.3
Watches of Switzerland Company	2.4	1.1
CK Hutchison Holdings	2.3	1.1
John Lewis Partnership	2.3	1.1
	35.7	17.1

Cost ratio

Table 8

Proportionally consolidated			2022 £m	2021 £m
Gross administration costs	†	*	64.9	80.3
Property fee income			(11.5)	(13.2)
Management fee receivable			(5.5)	(7.1)
Property outgoings	†		39.1	74.2
Less inclusive lease costs recovered through rent			(9.1)	(8.0)
Total operating costs		A	77.9	126.2
Less vacancy costs			(12.3)	(12.6)
Total operating costs excluding vacancy costs		B	65.6	113.6
Gross rental income	†		215.2	250.4
Ground rents payable			(1.3)	(1.8)
Less inclusive lease costs recovered through rent			(9.1)	(8.0)
Gross rental income	†	C	204.8	240.6
Cost ratio including vacancy costs	†	A/C	38.0%	52.5%
Cost ratio excluding vacancy costs	†	B/C	32.0%	47.2%

† 2021 figures have been restated to reflect the IFRIC Decision on Concessions with further information provided in notes 1B and 6 to the financial information.

* Includes £5.1m (2021: £8.6m) of business transformation costs which are excluded from Adjusted earnings as set out in note 10A to the financial information. Excluding these costs, the 2022 EPRA cost ratio including vacancy costs would reduce from 38.0% to 35.5%.

The Group's business model for developments is to use a combination of in-house resource and external advisors. The cost of external advisors is capitalised to the cost of developments. The cost of employees working on developments is generally expensed, but capitalised subject to meeting certain criteria related to the degree of time spent on and the stage of progress of specific projects. Employee costs of £0.8m (2021: £1.5m) were capitalised as development costs and are not included within 'Gross administration costs'.

Valuation analysis

Table 9

									2022
		Properties at valuation	Revaluation losses in the year	Income return	Capital return	Total return	Initial yield	True equivalent yield	Nominal equivalent yield ^a
Proportionally consolidated - including Value Retail		£m	£m	%	%	%	%	%	%
UK		871.0	(90.2)	7.9	(9.4)	(2.1)	7.7	8.4	8.0
France	c	1,241.0	(57.2)	4.8	(4.6)	–	4.4	5.2	5.0
Ireland		676.4	(20.1)	5.2	(3.0)	2.1	5.3	5.7	5.5
Flagship destinations		2,788.4	(167.5)	6.0	(5.9)	(0.2)	5.7	6.3	6.1
Developments and other		431.7	(53.5)	2.3	(14.8)	(12.8)	7.0	10.3	9.7
Managed portfolio		3,220.1	(221.0)	5.4	(7.3)	(2.3)	5.8	6.6	6.3
Value Retail		1,887.0	(60.7)	5.3	(3.1)	2.0			
Group portfolio	e	5,107.1	(281.7)	5.3	(5.8)	(0.7)			

									2021
		Properties at valuation	Revaluation (losses)/gains in the period	Income return	Capital return	Total return	Initial yield	True equivalent yield	Nominal equivalent yield
		£m	£m	%	%	%	%	%	%
UK	† b	1,135.3	(247.5)	6.5	(16.3)	(10.8)	7.0	8.1	7.7
France	† c	989.7	(61.0)	3.6	(6.4)	(3.1)	4.4	5.2	5.0
Ireland	†	659.3	(56.9)	4.2	(7.8)	(3.9)	4.9	5.4	5.3
Flagship destinations	†	2,784.3	(365.4)	5.0	(11.2)	(6.8)	5.6	6.4	6.2
Developments and other	†	694.4	(78.7)	2.9	(9.1)	(6.6)	6.2	9.6	9.0
Managed portfolio	†	3,478.7	(444.1)	4.7	(10.9)	(6.7)	5.6	6.6	6.4
Value Retail		1,893.5	(12.0)	2.7	(0.6)	2.1			
Group portfolio	† e	5,372.2	(456.1)	4.0	(7.7)	(3.9)			

† 2021 figures have been restated to reflect the IFRIC Decision on Concessions with further information provided in notes 1B and 6 to the financial information.

a Nominal equivalent yields are included within the unobservable inputs to the portfolio valuations as defined by IFRS 13. The nominal equivalent yield for the Reported Group was 5.7% (2021: 6.2%).

b Includes Silverburn which was classified as held for sale as at 31 December 2021.

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

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

e Analysis of capital expenditure is included in Table 11.

Net Initial Yield

Table 10

Investment portfolio

		Note	2022 £m	2021 £m
Proportionally consolidated				
Wholly owned	a	3B	1,461.0	1,561.4
Share of Property interests		3B	1,722.9	1,813.9
Trading properties		3B	36.2	34.3
Assets held for sale		3B	-	69.1
Net investment portfolio valuation on a proportionally consolidated basis		3B	3,220.1	3,478.7
Less: Developments			(249.0)	(469.4)
Completed investment portfolio			2,971.1	3,009.3
Purchasers' costs	b		197.2	209.8
Grossed up completed investment portfolio	A		3,168.3	3,219.1
Annualised cash passing rental income			207.1	214.7
Non recoverable costs			(21.1)	(29.3)
Rents payable			(3.8)	(3.6)
Annualised net rent	B		182.2	181.8
Add:				
Notional rent expiration of rent-free periods and other lease incentives	c		3.2	3.0
Future rent on signed leases			3.8	0.7
Topped-up annualised net rent	C		189.2	185.5
Add back: Non recoverable costs			21.1	29.3
Passing rents			210.3	214.8
Net initial yield	B/A		5.8%	5.6%
'Topped-up' net initial yield	C/A		6.0%	5.8%

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

b Purchasers' costs equate to 6.7% (2021: 7.0%) of the value of the completed investment portfolio.

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

Capital expenditure

Table 11

			2022			2021	
	Note	Reported Group £m	Share of Property interests £m	Proportionally consolidated £m	Reported Group £m	Share of Property interests £m	Proportionally consolidated £m
Proportionally consolidated							
Developments		5	10	15	49	2	51
Capital expenditure – creating area		14	–	14	11	–	11
Capital expenditure – no additional area		3	24	27	5	14	19
Tenant incentives	†	16	1	17	2	4	6
Total	† 3B	38	35	73	67	20	87
Conversion from accruals to cash basis		(2)	5	3	–	10	10
Total on cash basis	†	36	40	76	67	30	97

† 2021 figures have been restated to reflect the IFRIC Decision on Concessions with further information provided in notes 1B and 6 to the financial information.

BALANCE SHEET INFORMATION

Note 2 to the financial statements shows the Group's proportionally consolidated income statement. The Group's proportionally consolidated balance sheet and net debt are shown in Tables 12 and 13 respectively. As explained in note 3 to the financial information, the Group's interest in Value Retail is not proportionally consolidated as it is not under the Group's management.

Balance sheet

Table 12

Note	2022			2021		
	Reported Group £m	Share of Property interests £m	Proportionally consolidated £m	Reported Group £m	Share of Property interests £m	Proportionally consolidated £m
Non-current assets						
Investment properties	1,461.0	1,722.9	3,183.9	1,561.4	1,813.9	3,375.3
Interests in leasehold properties	34.0	15.4	49.4	32.9	15.4	48.3
Right-of-use assets	9.5	–	9.5	3.8	–	3.8
Plant and equipment	1.4	–	1.4	1.4	–	1.4
Investment in joint ventures	1,342.4	(1,342.4)	–	1,451.8	(1,451.8)	–
Investment in associates	1,297.1	(107.7)	1,189.4	1,247.0	(106.2)	1,140.8
Other investments	9.8	–	9.8	9.5	–	9.5
Trade and other receivables	3.2	5.0	8.2	19.5	2.9	22.4
Derivative financial instruments	7.0	6.3	13.3	18.6	–	18.6
Restricted monetary assets	21.4	–	21.4	21.4	–	21.4
	4,186.8	299.5	4,486.3	4,367.3	274.2	4,641.5
Current assets						
Trading properties	36.2	–	36.2	34.3	–	34.3
Trade and other receivables	85.9	43.4	129.3	84.8	32.3	117.1
Derivative financial instruments	0.1	–	0.1	7.3	–	7.3
Restricted monetary assets	† 8.6	21.0	29.6	33.7	30.9	64.6
Cash and cash equivalents	† 218.8	117.7	336.5	315.1	134.7	449.8
	349.6	182.1	531.7	475.2	197.9	673.1
Assets held for sale	–	–	–	71.4	–	71.4
	349.6	182.1	531.7	546.6	197.9	744.5
Total assets	4,536.4	481.6	5,018.0	4,913.9	472.1	5,386.0
Current liabilities						
Trade and other payables	(168.5)	(66.8)	(235.3)	(179.4)	(75.9)	(255.3)
Loans	–	(126.1)	(126.1)	–	(79.3)	(79.3)
Tax	(0.5)	(0.3)	(0.8)	(0.6)	(0.2)	(0.8)
Derivative financial instruments	(16.1)	–	(16.1)	–	–	–
	(185.1)	(193.2)	(378.3)	(180.0)	(155.4)	(335.4)
Non-current liabilities						
Trade and other payables	(56.3)	(7.0)	(63.3)	(56.6)	(4.2)	(60.8)
Obligations under head leases	(38.1)	(15.8)	(53.9)	(36.4)	(15.8)	(52.2)
Loans	(1,646.4)	(265.5)	(1,911.9)	(1,834.8)	(295.0)	(2,129.8)
Deferred tax	(0.4)	(0.1)	(0.5)	(0.4)	(0.1)	(0.5)
Derivative financial instruments	(23.7)	–	(23.7)	(59.7)	(1.6)	(61.3)
	(1,764.9)	(288.4)	(2,053.3)	(1,987.9)	(316.7)	(2,304.6)
Total liabilities	(1,950.0)	(481.6)	(2,431.6)	(2,167.9)	(472.1)	(2,640.0)
Net assets	2,586.4	–	2,586.4	2,746.0	–	2,746.0
EPRA adjustments –excluding Value Retail	10B		(4.8)			(1.0)
–Value Retail	10B		52.1			95.2
			47.3			94.2
Non-controlling interests			–			(0.1)
EPRA NTA			2,633.7			2,840.1

† 2021 figures have been restated to reflect the IFRIC Decision on Deposits where further information is provided in note 1B to the financial statements and for the Reported Group in note 16 to the financial statements. For Share of Property interests, £15.0m was reclassified from restricted monetary assets to cash and cash equivalents.

Net debt

Table 13

Proportionally consolidated	Note	2022			2021		
		Reported Group £m	Share of Property interests £m	Total £m	Reported Group £m	Share of Property interests £m	Total £m
Cash and cash equivalents	† a, b	218.8	117.7	336.5	319.7	134.7	454.4
Loans	c	(1,646.4)	(391.6)	(2,038.0)	(1,834.8)	(374.3)	(2,209.1)
Fair value of currency swaps		(30.6)	–	(30.6)	(44.1)	–	(44.1)
Net debt	†	(1,458.2)	(273.9)	(1,732.1)	(1,559.2)	(239.6)	(1,798.8)

† 2021 figures have been restated to reflect the issuance during the year of the IFRIC Decision on Deposits with further information provided in note 1B to the financial information and for the Reported Group in note 16 to the financial information. Share of Property interests is as described in Table 12.

a Cash and cash equivalents in 2021 included £4.6m relating to assets held for sale.

b Cash and cash equivalents for Share of Property interests includes £10.0m (2021: £15.0m) in respect of cash held by managing agents and cash held in a float account for secured lenders, which was previously disclosed as restricted monetary assets as described in 1B and where the previously reported 2021 cash and cash equivalents figure of £119.7m has been restated.

c Loans for Share of Property interests comprises £126.1m of current and £265.5m of non-current secured loans, respectively (2021: £79.3m and £295.0m, respectively).

Movement in net debt

Table 14

Proportionally consolidated		2022 £m	2021 £m
Opening net debt	†	(1,798.8)	(2,215.4)
Profit from operating activities	†	129.3	122.5
Decrease in receivables and restricted monetary assets	†	27.5	39.6
Increase/(decrease) in payables		8.2	(37.0)
Adjustment for non-cash items	†	0.7	(5.5)
Cash generated from operations	†	165.7	119.6
Interest received		16.8	19.0
Interest paid		(73.5)	(108.3)
Redemption premiums and fees from early repayment of debt		–	(19.8)
Debt and loan facility issuance and extension fees		(2.8)	–
Bond issue costs		–	(5.2)
Premiums on hedging activities		(3.9)	(20.8)
Tax repaid/(paid)		0.1	(2.2)
Cash flows from operating activities	†	102.4	(17.7)
Capital expenditure		(76.3)	(97.1)
Sale of properties		191.9	425.2
Cash flows from investing activities		115.6	328.1
Share issue expenses		(0.5)	(2.2)
Purchase of own shares		(6.7)	(3.8)
Proceeds from awards of own shares		0.1	0.1
Equity dividends paid		(13.2)	(24.9)
Cash flows from financing activities		(20.3)	(30.8)
Exchange translation movement		(131.0)	137.0
Closing net debt	†	(1,732.1)	(1,798.8)

† 2021 figures have been restated to reflect the IFRIC Decision on Deposits with further information provided in note 1B to the financial information.

Total accounting return

Table 15

		2022		2021	
		NTA £m	NTA per share pence	NTA £m	NTA per share pence
EPRA NTA at 1 January		2,840.1	64.3	3,316.9	81.8
Scrip dividend dilution in NTA per share in the year		–	(7.5)	–	(6.7)
EPRA NTA at 1 January rebased to reflect scrip dividends in the year	A	2,840.1	56.8	3,316.9	75.1
EPRA NTA at 31 December		2,633.7	52.7	2,840.1	64.3
Movement in NTA		(206.4)	(4.1)	(476.8)	(10.8)
Cash dividends in the year		13.2	0.3	13.0	0.3
	B	(193.2)	(3.8)	(463.8)	(10.5)
Total accounting return	B/A		(6.8)%		(14.0)%

FINANCING METRICS

Net debt : EBITDA

Table 16

Proportionally consolidated		Note	2022 £m	2021 £m
Adjusted operating profit	†	2	159.4	138.9
Amortisation of tenant incentives and other items within net rental income	†		(0.1)	(12.1)
Share-based remuneration			3.0	3.3
Depreciation		5A	4.1	4.4
EBITDA – rolling 12 month basis	A	†	166.4	134.5
Net debt	B	† Table 13	1,732.1	1,798.8
Net debt : EBITDA	B/A	†	10.4x	13.4x

† 2021 figures have been restated to reflect the IFRIC Decision on Concessions where further information is provided in notes 1B and 6 to the financial information and the IFRIC Decision on Deposits with further information provided in note 1B to the financial information.

Interest cover

Table 17

Proportionally consolidated		Note	2022 £m	2021 £m
Adjusted net rental income	†	2	174.8	174.4
Less net rental income in associates: Nicetoile (2021 only) and Italie Deux	†	14D	(4.4)	(4.7)
	A	†	170.4	169.7
Adjusted net finance costs		2	54.0	71.8
Less interest on lease obligations and pensions			(2.6)	(3.2)
Add capitalised interest		7	1.2	5.3
	B		52.6	73.9
Interest cover	A/B	†	3.24x	2.30x

† 2021 figures have been restated to reflect the IFRIC Decision on Concessions with further information provided in notes 1B and 6 and the IFRIC Decision on Deposits where further information is provided in note 1B.

Loan to value

Table 18

Proportionally consolidated			Note	2022 £m	2021 £m
Net debt – ‘Loan’	A	†	Table 13	1,732.1	1,798.8
Managed property portfolio	B		3B	3,220.1	3,478.7
Investment in Value Retail				1,189.4	1,140.8
‘Value’	C			4,409.5	4,619.5
Loan to value – Headline	A/C	†		39.3%	38.9%
Net debt – Value Retail	D		Table 21	674.9	680.3
Property portfolio – Value Retail	E		Table 21	1,887.0	1,893.5
Loan to value – Full proportional consolidation of Value Retail	(A+D)/(B+E)	†		47.1%	46.1%
Net payables – Managed Portfolio				160.3	176.6
Net payables – Value Retail				14.2	13.0
Net payables - Group	F			174.5	189.6
Loan to value – EPRA	(A+D+F)/(B+E)	†		50.5%	50.1%

† 2021 figures have been restated to reflect the IFRIC Decision on Deposits with further information provided in note 1B to the financial information.

Gearing

Table 19

Proportionally consolidated			Note	2022 £m	2021 £m
Net debt		†	Table 13	1,732.1	1,798.8
Add:					
– Unamortised borrowing costs				15.9	18.9
– Cash held within investments in associates: Italie Deux				6.8	6.0
Net debt for gearing	A	†		1,754.8	1,823.7
Equity shareholders’ funds - Consolidated net tangible worth	B			2,586.4	2,745.9
Gearing	A/B	†		67.8%	66.4%

† 2021 figures have been restated to reflect the IFRIC Decision on Deposits with further information provided in note 1B to the financial information.

Unencumbered asset ratio

Table 20

Proportionally consolidated	Note	2022 £m	2021 £m
Managed property portfolio	3B	3,220.1	3,478.7
Adjustments:			
– Properties held in associates: Italie Deux		(102.9)	(101.7)
– Encumbered assets	*	(651.0)	(651.9)
Total unencumbered assets	A	2,466.2	2,725.1
Net debt – proportionally consolidated	† Table 13	1,732.1	1,798.8
Adjustments:			
– Cash held within investments in associates: Italie Deux		6.8	6.0
– Cash held within investments in encumbered joint ventures	†	50.8	34.0
– Unamortised borrowing costs – Group		15.9	18.9
– Encumbered debt	*	(392.3)	(375.7)
Total unsecured debt	B †	1,413.3	1,482.0
Unencumbered asset ratio	A/B †	1.74x	1.84x

† 2021 figures have been restated to reflect the IFRIC Decision on Deposits with further information provided in note 1B to the financial information.

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

GROUP SHARE IN VALUE RETAIL

Table 21

Income statement	2022 £m	2021 £m
Gross rental income	148.0	96.6
Net rental income	101.3	66.7
Revaluation losses on properties	(60.7)	(12.0)
Operating (loss)/profit	(7.4)	20.9
(Loss)/profit for the year	(5.3)	20.0
Adjusted earnings	27.4	15.9
Balance sheet		
Investment properties	1,887.0	1,893.5
Total assets	2,125.7	2,063.4
Net debt	(674.9)	(680.3)
EPRA NTA	1,241.4	1,236.0
Group share		
Investment in associates: Value Retail	1,189.4	1,140.8

KEY PROPERTIES

Table 22

Managed portfolio	Location	Accounting classification where not wholly-owned	Ownership	Area, m ²	No. of tenants	Passing rent £m
Flagship destinations						
UK						
Brent Cross	London	Joint venture	41%	87,000	113	12.5
Bullring	Birmingham	Joint venture e	50%	98,220	151	21.0
Cabot Circus	Bristol	Joint venture f	50%	109,590	113	11.6
The Oracle	Reading	Joint venture	50%	72,100	100	10.1
Union Square	Aberdeen		100%	51,800	73	15.1
Westquay	Southampton	Joint venture	50%	94,700	111	13.7
France						
Italie Deux	Paris	Associate	25%	68,100	121	6.6
Les 3 Fontaines	Cergy	a, b	100%	85,100	206	23.5
Les Terrasses du Port	Marseille		100%	62,800	155	29.8
O'Parinor	Aulnay-sous-Bois	Joint venture b, c	25%	68,200	161	6.0
Ireland						
Dundrum Town Centre	Dublin	Joint venture	50%	128,700	152	27.2
Ilac Centre	Dublin	Joint operation	50%	27,900	66	4.0
Pavilions	Swords	Joint operation	50%	44,100	94	7.6
Developments and other (key properties)						
Bristol Broadmead	Bristol	Joint venture f	50%	34,600	60	3.0
Centrale	Croydon	Joint venture	50%	64,300	42	2.2
Dublin Central	Dublin		100%	n/a	n/a	n/a
Dundrum Phase II	Dublin	Joint venture	50%	n/a	n/a	n/a
Grand Central	Birmingham	Joint venture e	50%	37,600	54	4.7
Highcross	Leicester	Joint venture	50%	100,100	122	9.3
Eastgate	Leeds		100%	n/a	n/a	n/a
Martineau Galleries	Birmingham	e	100%	36,000	49	2.4
Pavilions land	Swords		100%	n/a	n/a	n/a
Bishopsgate Goodsynd	London	Joint venture	50%	n/a	n/a	n/a
Whitgift	Croydon	Joint venture	50%	96,900	82	n/a
			Ownership	Area, m ²	No. of tenants	Income £m
Value Retail		Associate d				
Bicester Village	Bicester		50%	28,000	160	69.8
La Roca Village	Barcelona		41%	25,900	146	21.7
Las Rozas Village	Madrid		38%	16,500	99	13.4
La Vallée Village	Paris		26%	21,600	111	23.9
Maasmechelen Village	Brussels		27%	20,200	105	5.9
Fidenza Village	Milan		34%	21,100	117	6.6
Wertheim Village	Frankfurt		45%	20,900	115	10.3
Ingolstadt Village	Munich		15%	21,000	112	3.7
Kildare Village	Dublin		41%	21,600	113	10.9

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

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

c In addition, a small proportion is wholly owned.

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

e Collectively known as the Birmingham Estate.

f Collectively known as the Bristol Estate.

RESPONSIBILITY STATEMENT

The Annual Report 2022 which will be issued in March 2023, contains a responsibility statement in compliance with DTR 4.1.12 of the Listing Rules which sets out that as at the date of approval on 8 March 2023, the Directors confirm 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 (IFRS) 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 UK 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

The financial statements were approved by the Directors and signed on their behalf by:

Rita-Rose Gagné
Director

Himanshu Raja
Director

8 March 2023

GLOSSARY

Adjusted earnings	Reported amounts excluding certain items in accordance with EPRA guidelines and also certain cash and non-cash items which the Directors believe are not reflective of the normal day-to-day operating activities of the Group.
Average cost of debt or weighted average interest rate (WAIR)	The cost of finance expressed as a percentage of the weighted average debt during the period.
Borrowings	The aggregate of loans and currency swaps but excluding the fair value of the interest rate swaps, as the fair value crystallises over the life of the instruments rather than at maturity.
Capital return	The change in property value during the period after taking account of capital expenditure, calculated on a monthly time-weighted and constant currency basis.
Cost ratio (or EPRA cost ratio)	Total operating costs (being property outgoings, gross administration costs less property fee income and management fees receivable) as a percentage of gross rental income, after rents payable. Both property outgoings and gross rental income are adjusted for costs associated with inclusive leases.
Compulsory Voluntary Arrangement (CVA)	A legally binding agreement with creditors to restructure liabilities, including future lease liabilities.
Dividend cover	Adjusted earnings per share divided by dividend per share.
EBITDA	Earnings before interest, tax, depreciation and amortisation.
EPRA	The European Public Real Estate Association, a real estate industry body, of which the Company is a member. This organisation has issued Best Practice Recommendations with the intention of improving the transparency, comparability and relevance of the published results of listed real estate companies in Europe.
Equivalent yield (true and nominal)	The capitalisation rate applied to future cash flows to calculate the gross property value. The cash flows reflect future rents resulting from lettings, lease renewals and rent reviews based on current ERVs. The true equivalent yield (TEY) assumes rents are received quarterly in advance, while the nominal equivalent yield (NEY) assumes rents are received annually in arrears. These yields are determined by the Group's external valuers.
ERV	The estimated market rental value of the total lettable space in a property (after deducting head rents, and car parking and commercialisation running costs) calculated by the Group's external valuers.
ESG	Using environmental, social and governance factors to evaluate companies and countries on how far advanced they are with sustainability.
F&B	Food and beverage.
Gearing	Net debt expressed as a percentage of equity shareholders' funds calculated as per the covenant definition in the Group's unsecured bank loans and facilities and private placements.
Gross property value or Gross asset value (GAV)	Property value before deduction of purchasers' costs, as provided by the Group's external valuers.
Gross rental income (GRI)	Income from leases, car parks and commercialisation, after amortising lease incentives.
Headline rent	The annual rental income derived from a lease, including base and turnover rent but after rent-free periods.
Inclusive lease	A lease, often for a short period, under which the rent includes costs such as service charge, rates and utilities. Instead, the landlord incurs these costs as part of the overall commercial arrangement.
Income return	Income derived from property taken as a percentage of the property value on a time-weighted and constant currency basis after taking account of capital expenditure.
Initial yield (or Net initial yield (NIY))	Annual cash rents receivable (net of head rents and the cost of vacancy, and, in the case of France, net of an allowance for costs of approximately 5%, primarily for management fees), as a percentage of gross property value, as provided by the Group's external valuers. Rents receivable following the expiry of rent-free periods are not included. Rent reviews are assumed to have been settled at the contractual review date at ERV.
Interest cover	Adjusted net rental income excluding associates, divided by Adjusted net finance costs before capitalised interest and interest charges on lease obligations and pensions.
Interest rate or currency swap (or derivatives)	An agreement with another party to exchange an interest or currency rate obligation for a pre-determined period.
Joint venture and associate management fees	Fees charged to joint ventures and associates for accounting, secretarial, asset and development management services.
Leasing	Comprises new lettings and renewals.
Leasing vs Passing rent	A comparison of Headline rent from new leases and renewals to the Passing rent at the most recent balance sheet date.
Like-for-like (LFL) NRI	The percentage change in net rental income for flagship properties owned throughout both current and prior periods, calculated on a constant currency basis. Properties undergoing a significant extension project are excluded from this calculation during the period of the works. For interim reporting periods properties sold between the balance sheet date and the date of the announcement are also excluded from this metric.

Loan to value (LTV)	Net debt expressed as a percentage of property portfolio value. The Group has three measures of LTV: Headline, which includes the Group's investment in Value Retail; Full proportional consolidation of Value Retail (FPC), which incorporates the Group's share of Value Retail's net debt and property values; and EPRA, which includes an adjustment for net payables.
MSCI	Property market benchmark indices produced by Morgan Stanley Capital International.
Net effective rent (NER)	Annual rent from a unit calculated by taking the total rent payable over the term of the lease to the earliest termination date and deducting all tenant incentives.
Net rental income (NRI)	GRI less net service charge expenses and cost of sales. Additionally, the change in provision for amounts not yet recognised in the income statement is also excluded to calculate Adjusted NRI.
EPRA NTA	EPRA Net tangible assets: An EPRA net asset per share measure calculated as equity shareholders' funds with adjustments made for the fair values of certain financial derivatives, deferred tax and any goodwill balances.
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 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 including, but not limited to service charge management and rent collection fees.
Property Income Distribution (PID)	A dividend, generally subject to withholding tax, that a UK REIT is required to pay from its tax-exempt property rental business and which is taxable for UK-resident shareholders at their marginal tax rate.
Property interests (Share of)	The Group's non-wholly owned properties which management proportionally consolidate when reviewing the performance of the business. These exclude Value Retail which is not proportionally consolidated.
Property outgoings	The direct operational costs and expenses incurred by the landlord relating to property ownership and management. This typically comprises void costs, net service charge expenses, letting related costs, marketing expenditure, repairs and maintenance, tenant incentive impairment, bad debt expense relating to items recognised in the income statement and other direct irrecoverable property expenses. These costs are included within the Group's calculation of like-for-like NRI and the cost ratio.
Proportional consolidation	The aggregation of the financial results of the Reported Group and the Group's Share of Property interests under management (i.e. excluding Value Retail) as set out in note 2.
QIAIF	Qualifying Investor Alternative Investment Fund. A regulated tax regime in the Republic of Ireland which exempts participants from Irish tax on property income and chargeable gains subject to certain requirements.
Rent collection	Rent collected as a percentage of rent due for a particular period after taking account of any rent concessions granted for the relevant period.
REIT	Real Estate Investment Trust. A tax regime which in the UK exempts participants from corporation tax both on UK rental income and gains arising on UK investment property sales, subject to certain requirements.
Reported Group	The financial results as presented under IFRS.
Reversionary or under-rented	The amount, or percentage, by which the ERV exceeds the rents passing, together with the estimated rental value of vacant space.
Scope 1 emissions	Direct emissions from owned or controlled sources.
Scope 2 emissions	Indirect emissions from the generation of purchased energy.
Scope 3 emissions	All indirect emissions (not included in Scope 2) that occur in the value chain of the reporting company, including both upstream and downstream emissions.
SAICA	South African Institute of Chartered Accountants.
SIIC	Sociétés d'Investissements Immobiliers Côtées. A tax regime in France which exempts participants from the French tax on property income and gains subject to certain requirements.
SONIA	Sterling Overnight Index Average.
Temporary lease	A lease with a period of one year or less, measured to the earlier of lease expiry or tenant break.
Tenant restructuring	CVAs and administrations.
Total development cost	All capital expenditure on a development or other major project, including capitalised interest.
Total accounting return (TAR)	The growth in EPRA NTA per share plus dividends paid, expressed as a percentage of EPRA NTA per share at the beginning of the period. The return excludes the dilution impact from scrip dividends.
Total property return (TPR) (or total return)	NRI, excluding the change in provision for amounts not yet recognised in the income statement, and capital growth expressed as a percentage of the opening book value of property adjusted for capital expenditure, calculated on a monthly time-weighted and constant currency basis.

Total shareholder return (TSR)	Dividends and capital growth in a Company's share price, expressed as a percentage of the share price at the beginning of the period.
Turnover rent	Rental income which is linked to an occupier's revenues.
Vacancy rate	The ERV of the area in a property, or portfolio, excluding developments, which is currently available for letting, expressed as a percentage of the ERV of that property or portfolio.
WAULB/WAULT	Weighted Average Unexpired Lease to Break/Term.