

Registered Number: 00298351

**HAMMERSON UK PROPERTIES plc**

**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**Year ended 31 December 2020**



# **HAMMERSON UK PROPERTIES plc**

## **DIRECTORS' REPORT**

Year ended 31 December 2020

### **1. PRINCIPAL ACTIVITIES AND FUTURE DEVELOPMENTS**

The principal activity of Hammerson UK Properties plc (the "Company") is property investment in the United Kingdom, both directly and through its investment in property owning subsidiaries. The Directors do not anticipate any significant change in the principal activity in the foreseeable future.

Further information relating to the business, its key risks and future prospects is provided in the Strategic Report on pages 5 and 6, together with an assessment of the impact the Covid-19 pandemic has had on the business and how this may affect its activities in the future.

### **2. RESULTS AND DIVIDENDS**

The loss for the year after tax was £993,934,000 (2019: profit of £86,317,000). No dividends (2019: £511,417,000) were paid during the year to the immediate parent company.

As at 31 December 2020, the Company had net current liabilities of £1,125,181,000 (2019: £1,061,226,000) and net assets of £515,995,000 (2019: £1,499,794,000).

In May 2021, the Company disposed of its investments in five retail park owning entities which will result in a loss on disposal of circa £41 million being recognised in 2021. See note 18 for further details.

### **3. DIRECTORS**

- (a) Mr. M.R. Bourgeois was a Director of the Company throughout the year and was in office at the date of approval of this report.
- (b) Mrs. A.A. Darwall, Mr. G. Peureux and Mr. H.H. Raja were appointed as Directors of the Company on 2 March 2020, 9 April 2021 and 26 April 2021 respectively, and were in office at the date of approval of this report.
- (c) Ms. R.S. Booth, Mr. A.J. Berger-North, Mr. D.J. Atkins and Mr. J.A. Lenton resigned as Directors of the Company on 27 March 2020, 7 August 2020, 2 November 2020 and 26 April 2021 respectively.
- (d) Mr. S.C. Travis, Mr. M. Ashton and Mr. T. Beaney were appointed as alternate Directors of the Company on 3 February 2020. Mr. M. Ashton resigned as an alternate Director of the Company on 27 March 2020. Mr. S. C. Travis and Mr. T. Beaney were in office at the date of approval of this report.
- (e) Mr. T. Cochrane was appointed as a Director of the Company of 7 August 2020 and resigned as a Director of the Company on 19 May 2021.
- (f) In accordance with the Articles of Association of the Company, the Directors are not required to retire by rotation.
- (g) No Director has any interests in contracts entered into by the Company.

### **4. SECRETARY**

Hammerson Company Secretarial Limited was Secretary of the Company throughout the year.

## **HAMMERSON UK PROPERTIES plc**

### **DIRECTORS' REPORT (CONTINUED)**

Year ended 31 December 2020

#### **5. GOING CONCERN**

The Directors have considered the use of the going concern basis in the preparation of the financial statements in light of the net current liability position on the balance sheet as at 31 December 2020 and the current unprecedented levels of uncertainty on the Company's activities, principally caused by the Covid-19 pandemic. Having received a letter of support from Hammerson plc, its ultimate parent company, which states the intent to provide the necessary financial support to the Company for at least twelve months from the date of signing of these financial statements, they concluded that the going concern basis of preparation was appropriate.

However, whilst the latest unaudited consolidated financial statements of Hammerson plc for the six months ended 30 June 2021 were prepared on a going concern basis, the Directors note that they referred to a material uncertainty regarding the ability of Hammerson plc to continue as a going concern. Therefore, by extension, the Company's reliance on the letter of support from Hammerson plc has led the Directors to conclude that there is a material uncertainty which may cast significant doubt over the Company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the Company were unable to continue as a going concern. More information is provided in note 1(b) to the financial statements.

#### **6. INDEMNITY**

The Company's ultimate parent company, Hammerson plc, has put in place qualifying third party indemnity provisions for the benefit of the Company's Directors which were in place throughout the year and which remain in place at the date of this report.

#### **7. INDEPENDENT AUDITORS**

PricewaterhouseCoopers LLP shall be deemed to be re-appointed as auditors for a further term under the provisions of section 487(2) of the Companies Act 2006.

PricewaterhouseCoopers LLP have indicated their willingness to continue in office.

#### **8. STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS**

The Directors are responsible for preparing the Annual Report and the Financial Statements in accordance with applicable law and regulation.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law). Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing the financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 101, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

8. STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS (continued)

The Directors are responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are also responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006.

9. STATEMENT IN RESPECT OF STAKEHOLDER ENGAGEMENT

The Directors have determined that the Company and related undertakings' key stakeholders are its: members; brands; consumers; and communities. How the Directors engage with these stakeholders is summarised below:

*Members*

The key areas of interest for the members are the current and future financial performance of the Company's property interests. The particular focus in 2020 has been the impact of the pandemic on the business and the Directors have worked closely with the members to ensure alignment when supporting tenants through rent concessions and restructuring. The asset manager provides the Directors with a quarterly update with comparisons of actual results to budget and to highlight other areas including sales and footfall, sustainability, customer experience and innovation. The Directors consider the views of each member as part of the decision-making process about future strategy and direction.

*Brands*

The Company's and related undertakings' relationships with their retailers, F&B and leisure tenants are important to the Company's long-term success. Since the onset of the pandemic, the Directors have recognised the need to support brands, particularly while the Company's property was closed. The asset manager reports on the performance of brands, which are discussed at the Directors' board meetings. During 2020, the Directors continued to focus on the impact of the administrations and CVAs of certain retailers and brands, occupational plans and management of the Company's assets. The Directors worked hard to reach fair and reasonable agreements on rent during the lockdown periods and to reduce service charge budgets where practicable.

*Consumers*

Consumer confidence over the past year has been weak, which in turn has adversely affected spending. With the closure of non-essential retail, inevitably this has led to an increase in online shopping. Footfall has been significantly below 2019 levels, although there was an increase in Click & Collect facilities where permitted during the lockdowns. To make our customers' lives easier, a new feature was launched in the summer on the centres' websites, which provided customers with live updates on how popular our centres were in real time, so they knew when to visit and beat the crowds.

Offering an engaging experience is crucial for the future of physical retail. The Directors continue to receive both quantitative and qualitative insights from the asset manager to understand consumer needs which inform decisions on creating a desirable destination for shopping, leisure and socialising, and to inform investment decisions and identify revenue drivers.

**HAMMERSON UK PROPERTIES plc**

**DIRECTORS' REPORT (CONTINUED)**

Year ended 31 December 2020

**9. STATEMENT IN RESPECT OF STAKEHOLDER ENGAGEMENT (continued)**

*Communities*

The assets of the Company and its related undertakings make important social and economic contributions to their communities. The pandemic has challenged families, businesses and community groups to an extent no one could have foreseen. The Directors ensure that through the asset management team, strong links are developed with local stakeholders to identify local needs and community projects and maintain and boost the local economy, generate employment and business opportunities and encourage additional inward investment.

**10. DISCLOSURE OF INFORMATION TO AUDITORS**

Each of the persons who are Directors of the Company at the time when this report is approved has confirmed that:

- so far as the Director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

By order of the Board



**H. H. Raja**

Director

30 September 2021

## HAMMERSON UK PROPERTIES plc

### STRATEGIC REPORT

Year ended 31 December 2020

#### Review of the business

##### *Performance during the year*

The Company has interests in a significant number of property owning subsidiary undertakings and joint ventures, which were affected by the Covid-19 pandemic. This unprecedented situation has had a significant impact, with footfall levels at UK shopping centres significantly below 2019 levels due to the closure of all non-essential retail during continued periods of national and local lockdown. Net rental income in respect of these properties reduced principally as a result of increased provisioning due to the higher level of arrears and increased uncertainty as a consequence of the pandemic. This has had an impact on the valuation of the Company's investments as explained below.

During the year the Company increased its investment in group entities by £33,790,000, mainly as a result of the recapitalisation of a number of its subsidiaries, including £27,400,000 relating to Hammerson (Didcot II) Limited, which was disposed of subsequent to the balance sheet date. In 2020, the Company also made disposals of £4,054,000, comprising the carrying value of its investment in Hammerson (Abbey) Limited, in addition to a handful of smaller dormant subsidiaries which were dissolved during the year. The Company's impairment provision increased by £954,240,000 during the year largely due to declining values of properties held by group entities owned by the Company.

##### *Future prospects*

The impact of Covid-19 has extended into 2021. The roll-out of a vaccination programme together with the lifting of Covid-19 restrictions should lead to a recovery as workers and shoppers return to the city centres. However, any significant re-emergence of Covid-19 or new variants thereof could also result in the imposition of further restrictions.

It is anticipated the net rental income levels and property valuations of the Company and its subsidiary undertakings and joint ventures will remain challenged in 2021.

The Directors do not anticipate any significant change in the Company's principal activity in the foreseeable future.

#### Key Performance Indicators

The Directors consider the following measures to be the key performance indicators for the Company: investment income and net asset value.

During 2020, the Company's investment income for the year was £3,435,000 (2019: £698,809,000). The decrease in 2020 is as a result of the Company's planned initiative in 2019 to pay up dividends from available distributable reserves in its subsidiaries and other related undertakings, which was not repeated in 2020. At 31 December 2020, the Company had net assets of £515,995,000 (2019: £1,499,794,000). The decrease of £983,799,000 in net assets in the year is summarised as follows:

(Decrease)/Increase in net assets	
Income statement items (see page 12):	£'000
Net rental loss <sup>1</sup>	(67)
Net administrative expenses <sup>2</sup>	(13,604)
Other net losses <sup>3</sup>	(963,274)
Investment income <sup>4</sup>	3,435
Net finance costs <sup>5</sup>	(20,424)
Equity items (see page 14):	
Revaluation gain on other investments <sup>6</sup>	10,135
<b>Net decrease in net assets</b>	<b>(983,799)</b>

## **HAMMERSON UK PROPERTIES plc**

### **STRATEGIC REPORT (CONTINUED)**

**Year ended 31 December 2020**

#### **Key Performance Indicators (continued)**

1. Comprises gross rental income of £254,000 (per note 2) less: rents payable and other property outgoings of £284,000 and the change in provision for amounts not recognised in the income statement of £37,000 (per page 12).
2. Comprises administrative expenses of £18,890,000 (per note 3) less management fees receivable from joint arrangements of £5,286,000 (per note 2).
3. Primarily impairment losses on investments as a result of declining property values. See note 4.
4. Comprises dividend income from subsidiaries and distribution income from joint arrangements. See note 5.
5. Primarily interest payable on amounts owed to the ultimate parent company. See note 6.
6. Comprises revaluation gains on the Company's sponsor interests in Value Retail plc and related companies, included in other fixed asset investments. See note 9.

#### **Principal risks**

##### *Overview*

2020 has been a year of unprecedented uncertainty and disruption, principally due to the Covid-19 pandemic. The restrictions introduced to fight the pandemic have severely affected the macro economy and wider society. The closure of non-essential retail has adversely impacted the vast majority of our brands. Footfall and sales were significantly lower than the prior year and this has led to valuation reductions, reduced rent collections and increased tenant failure. Against this backdrop, effective risk management is critical to protect the Company's income, assets and reputation. The Directors review and monitor financial, operational and reputational risks and consider these as part of the forecasting and business planning process.

##### *Short term*

The key short-term risk facing the Company relates to the Covid-19 pandemic and its impact on the operations of the entities in which it invests. Covid-19 restrictions, including the closure of non-essential retail, have caused severe financial stress for much of the retail market and caused record tenant failures in the UK. The Directors have agreed rental concessions to support tenants; however the moratorium on evictions has meant a significant number of tenants have withheld lease payments. The positive impact on infection and transmission levels of the current lockdowns and vaccination programmes has allowed Covid-19 restrictions to be lifted from Spring. This will support the recovery of the retail market. However, should the Government introduce further national lockdowns or there is an outbreak of Covid-19 cases in the vicinity of the entities' properties, there is a risk that the shopping centres could be required to close again for a period of time.

##### *Longer-term*

The key ongoing and longer-term risks facing the Company relates to the value of its investments in property owning group entities. The key performance indicators for these entities are net rental income and property values and the key risks they face relate to tenant exposure and the strength of the UK property market, the latter being impacted by increased online penetration and tenant failures. Tenants' covenants are monitored at the start of leasing agreements and on an on-going basis to minimise the risk of default. The Directors monitor the UK property market through the analysis of market forecasts and the performance of the property assets is compared against target returns. The current challenges on the business presented by the Covid-19 pandemic have accentuated the significance of monitoring changes in tenants' covenants and the UK property market. Further risks are discussed in the Annual Report of the ultimate controlling party, Hammerson plc, which does not form part of this report.

## **HAMMERSON UK PROPERTIES plc**


### **STRATEGIC REPORT (CONTINUED)**

Year ended 31 December 2020

#### **Reporting on section 172 of the Companies Act 2006**

The Directors continue to have regard to the interests of key stakeholders of the Company and those of its related undertakings, including the impact of its activities on the community, environment and the Company's reputation, when making decisions. The Directors, acting fairly between members, and acting in good faith, consider what is most likely to promote the success of the Company for its members in the long term. For more information on the Hammerson Group's engagement with stakeholders, please see the Hammerson plc annual report and financial statements for the year to 31 December 2020 which can be obtained as described in note 17.

Signed on behalf of the Board of Directors

A handwritten signature in black ink, appearing to be 'H. H. Raja', with a stylized flourish at the end.

**H. H. Raja**

Director

30 September 2021



# Independent auditors' report to the members of Hammerson UK Properties plc

## Report on the audit of the financial statements

### Opinion

In our opinion, Hammerson UK Properties plc's financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2020 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: balance sheet as at 31 December 2020; the income statement, the statement of comprehensive income and the statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Independence

We remained independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

### Material uncertainty related to going concern

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made in note 1 (b) to the financial statements concerning the Company's ability to continue as a going concern. The Company is reliant on a letter of support received from its ultimate parent company, Hammerson plc, which states its intent to provide the necessary financial support to ensure that the Company is a going concern for at least twelve months from the date of these financial statements. The Hammerson plc unaudited consolidated financial statements for the six months ended 30 June 2021 disclosed circumstances which may cast significant doubt about Hammerson plc's ability to continue as a going concern. Accordingly this could impact on Hammerson plc's ability to provide the necessary financial support to the Company for at least twelve months from the date of these financial statements. These conditions, along with the other matters explained in note 1 (b) to the financial statements, indicate the existence of a material uncertainty which may cast significant doubt about the Company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the Company were unable to continue as a going concern.

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

## **Reporting on other information**

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The Directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

## **Strategic Report and Directors' Report**

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 December 2020 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

## **Responsibilities for the financial statements and the audit**

### **Responsibilities of the Directors for the financial statements**

As explained more fully in the Statement of Directors' Responsibilities in respect of the Financial Statements, the Directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The Directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

### **Auditors' responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect

a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the Company and industry, we identified that the principal risks of non-compliance with laws and regulations related to the Companies Act 2006, and we considered the extent to which non-compliance might have a material effect on the financial statements. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries and management bias in accounting estimates. Audit procedures performed by the engagement team included:

- Discussions with management and those charged with governance, including consideration of any known or suspected instances of non-compliance with laws and regulations and fraud.
- Reviewing minutes of meetings of those charged with governance.
- Performing procedures over any unusual journal entries.
- Designing audit procedures to incorporate unpredictability into our testing.
- Challenging assumptions made by management in determining their judgements and accounting estimates.
- Reviewing financial statement disclosures and testing to supporting documentation to assess compliance with applicable laws and regulations.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditors' report.

### **Use of this report**

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

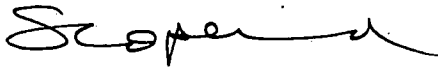
## Other required reporting

### Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not obtained all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the Company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.



Sonia Copeland (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
London  
30 September 2021

**HAMMERSON UK PROPERTIES plc****INCOME STATEMENT****For the year ended 31 December 2020**

	<b>Note</b>	<b>2020 £'000</b>	<b>2019 £'000</b>
Revenue	2	<b>5,540</b>	6,235
Rents payable and other property outgoings		<b>(284)</b>	(11)
Change in the provision for amounts not yet recognised in the income statement	1(a)	<b>(37)</b>	-
Administrative expenses	3	<u><b>(18,890)</b></u>	<u>(20,365)</u>
<b>Operating loss before other net losses</b>		<b>(13,671)</b>	(14,141)
Other net losses	4	<u><b>(963,274)</b></u>	<u>(563,332)</u>
<b>Operating loss</b>		<b>(976,945)</b>	(577,473)
Investment income	5	<u><b>3,435</b></u>	<u>698,809</u>
<b>(Loss)/Profit on ordinary activities before net finance costs</b>		<b>(973,510)</b>	121,336
Net finance costs	6	<u><b>(20,424)</b></u>	<u>(35,019)</u>
<b>(Loss)/Profit on ordinary activities before taxation</b>		<b>(993,934)</b>	86,317
Taxation	7	<u><b>-</b></u>	<u>-</u>
<b>(Loss)/Profit for the financial year</b>		<u><b>(993,934)</b></u>	<u>86,317</u>

All amounts relate to continuing activities.

# HAMMERSON UK PROPERTIES plc

## BALANCE SHEET As at 31 December 2020

	Note	£'000	2020 £'000	£'000	2019 £'000
<b>Non-current assets</b>					
Investment properties	8(a)		4,151		9,626
Investments	9		<u>1,637,025</u>		<u>2,551,394</u>
			1,641,176		2,561,020
<b>Current assets</b>					
Receivables	10	31,973		477,311	
<b>Current liabilities</b>					
Payables	11	<u>(1,157,154)</u>		<u>(1,538,537)</u>	
<b>Net current liabilities</b>			<u>(1,125,181)</u>		<u>(1,061,226)</u>
<b>Total assets less current liabilities</b>			<u>515,995</u>		<u>1,499,794</u>
<b>Net assets</b>			<u>515,995</u>		<u>1,499,794</u>
<b>Capital and reserves</b>					
Called up share capital	12		957,875		957,875
Share premium account	13		54,043		54,043
Revaluation reserve	13		114,816		104,681
(Accumulated losses)/Retained earnings	13		<u>(610,739)</u>		<u>383,195</u>
<b>Total equity</b>			<u>515,995</u>		<u>1,499,794</u>

The financial statements were authorised for issue by the Board of Directors on 30 September 2021 and were signed on its behalf.



**H.H. Raja**  
Director  
Registered number: 00298351

**HAMMERSON UK PROPERTIES plc****STATEMENT OF COMPREHENSIVE INCOME****For the year ended 31 December 2020**

	<b>2020 £'000</b>	<b>2019 £'000</b>
(Loss)/Profit for the financial year	<b>(993,934)</b>	86,317
<b>Items that may subsequently be recycled through the income statement</b>		
Unrealised revaluation gain on investments (note 9)	<u><b>10,135</b></u>	<u>13,991</u>
Total recognised (losses)/gains for the year	<u><b>(983,799)</b></u>	<u>100,308</u>

**STATEMENT OF CHANGES IN EQUITY****For the year ended 31 December 2020**

	<b>Called up share capital £'000</b>	<b>Share premium account £'000</b>	<b>Revaluation reserve £'000</b>	<b>Retained earnings/ (Accumulated losses) £'000</b>	<b>Total equity £'000</b>
At 1 January 2019	507,875	54,043	90,690	808,295	1,460,903
Issue of share capital	450,000	-	-	-	450,000
Dividends	-	-	-	(511,417)	(511,417)
Profit and other comprehensive income for the year	<u>-</u>	<u>-</u>	<u>13,991</u>	<u>86,317</u>	<u>100,308</u>
At 31 December 2019	957,875	54,043	104,681	383,195	1,499,794
(Loss) and other comprehensive income for the year	<u>-</u>	<u>-</u>	<u>10,135</u>	<u>(993,934)</u>	<u>(983,799)</u>
At 31 December 2020	<u><b>957,875</b></u>	<u><b>54,043</b></u>	<u><b>114,816</b></u>	<u><b>(610,739)</b></u>	<u><b>515,995</b></u>

## HAMMERSON UK PROPERTIES plc

### NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2020

#### 1. ACCOUNTING POLICIES

The following principal accounting policies have been applied consistently throughout the current and preceding year, unless otherwise stated.

##### (a) Basis of accounting

During 2020, the following relevant new and revised Standards and Interpretations have been adopted:

- Definition of Material – amendments to IAS 1 and IAS 8
- Definition of a Business – amendments to IFRS 3
- Revised Conceptual Framework for Financial Reporting.

None of the above standards have had a material impact on the Company's financial statements for the year ended 31 December 2020.

The Company also elected to adopt the following amendments early, although there is no material impact as this only applies to lessees:

- Covid-19-Related Rent Concessions – amendments to IFRS 16.

##### *Basis of preparation*

Hammerson UK Properties plc is a public company limited by shares incorporated in the United Kingdom under the Companies Act 2006. The nature of the Company's operations and its principal activities are set out on pages 1 and 5. The address of the registered office is Kings Place, 90 York Way, London N1 9GE.

These financial statements were prepared in accordance with the Companies Act 2006 and Financial Reporting Standard 101 *Reduced Disclosure Framework* ("FRS 101") as issued by the Financial Reporting Council.

The presentation currency used is sterling and amounts have been presented in round thousands ("£000s"). The financial statements have been prepared on a historical cost basis, except for the revaluation of investment properties and other fixed asset investments, which are held at fair value. Historical cost is generally based on the fair value of the consideration given in exchange for the goods and services.

The Company's accounting policies have been applied consistently in the current and prior year.

##### Impairment provisioning

The Company is operating in an environment of heightened uncertainty caused by Covid-19 and consequently additional scrutiny and judgement is required in assessing revenue recognition and the potential impairment of financial assets.

For the year ended 31 December 2020, the Company has applied the simplified approach under IFRS 9 and adopted a loss allowance provisioning matrix to trade receivables to determine the Expected Credit Loss (ECL), incorporating historic default information, latest credit metrics and expectations for future losses.



## **HAMMERSON UK PROPERTIES plc**

### **NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

Year ended 31 December 2020

#### **1. ACCOUNTING POLICIES (CONTINUED)**

##### **(a) Basis of accounting (continued)**

Up to and including 31 December 2019, the Company's collection rates were high, and therefore specific provision was made against trade receivables based on risk characteristics and ageing, with the effectiveness of this approach being measured retrospectively by comparing the actual loss experienced against provision estimates in prior periods. Historically, this approach provided an outcome which was consistent with the ECL model and was IFRS 9 compliant.

However, the current uncertain operating environment and increased risk profile has meant that this approach is no longer considered appropriate. This does not constitute a change in accounting policy nor a change in estimate, but is a revision to methodology to incorporate recent market developments.

As a result, an additional source of impairment loss of £37,000 has been recognised within the income statement for the year ended 31 December 2020:

- Provision for amounts not yet recognised: The movement of in the loss allowance provision in the period against trade receivables at the balance sheet date which relate to a future reporting period and where the corresponding liability is classified within payables, including rent and service charge arrears. This principally relates to quarterly demands in advance which were due on 25 December 2020. This cost is not deemed to be a direct property operating expense, as it is not attributable to income recognised in the financial period and has therefore been excluded from other property outgoings, but included as a separate line item within the income statement. Bad debt expense relating to amounts recognised in the income statement in the period will continue to be recorded within other property outgoings.

The preparation of financial statements in conformity with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 1(k).

## HAMMERSON UK PROPERTIES plc

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Year ended 31 December 2020

#### 1. ACCOUNTING POLICIES (CONTINUED)

##### (a) Basis of accounting (continued)

###### *Disclosure exemptions adopted*

The following exemptions from the requirements of IFRS have been applied in the preparation of these financial statements, in accordance with FRS 101:

- IFRS 7, 'Financial Instruments; Disclosures';
- Paragraphs 91 to 99 of IFRS 13 'Fair value measurement' disclosure of valuation techniques and inputs used for fair value measurement of assets and liabilities';
- Paragraph 38 of IAS1, 'Presentation of financial statements' – comparative information in respect of:
  - paragraph 79(a)(iv) of IAS 1;
  - paragraph 73(e) of IAS 16, 'Property, plant and equipment'; and
  - paragraph 118(e) of IAS 38, 'Intangible assets' (reconciliations between the carrying amount at the beginning and end of the period);
- The following paragraphs of IAS 1, 'Presentation of financial statements':
  - 10(d) (statement of cash flows);
  - 16 (statement of compliance with all IFRS);
  - 38A (requirements for minimum of two primary statements, including cash flow statements);
  - 38B-D (additional comparative information)
  - 111 (cash flow statement information); and
  - 134 – 136 (capital management disclosures);
- IAS 7, 'Statement of cash flows';
- Paragraphs 30 and 31 of IAS 8 'Accounting policies, changes in accounting estimates and errors' (requirement for the disclosure of information when an entity has not applied a new IFRS what has been issued but is not yet effective);
- Paragraph 17 of IAS 24, 'Related party disclosures' (key management compensation); and
- The requirements in IAS 24, 'Related party disclosures', to disclose related party transactions entered into between two or more members of a group.

The above disclosure exemptions have been adopted because equivalent disclosures are included in the consolidated financial statements of Hammerson plc into which the Company is consolidated. In addition, the Company is a wholly owned subsidiary of its ultimate parent, Hammerson plc, and is therefore exempt by virtue of section 400 of the Companies Act 2006 from the requirement to prepare consolidated financial statements. These are separate financial statements. The financial statements of Hammerson plc can be obtained as described in note 17.

## **HAMMERSON UK PROPERTIES plc**

### **NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

Year ended 31 December 2020

#### **1. ACCOUNTING POLICIES (CONTINUED)**

##### **(b) Going concern**

In considering going concern the Directors have initially assessed the current unprecedented levels of uncertainty, principally caused by the Covid-19 pandemic, on the Company's activities. In addition, the Directors note that the Company has no external borrowings or debt covenants, however as at 31 December 2020 it had net current liabilities and is reliant on the continued support of its ultimate parent company, Hammerson plc, to be able to meet its liabilities as they fall due.

The Directors consider that the Company is an integral part of Hammerson plc's structure and strategy and this is evidenced by a letter of support received from Hammerson plc, which states its intent to provide the necessary financial support to ensure that the Company is a going concern for the foreseeable future, being a period of at least twelve months from the date of signing of these financial statements.

In forming an assessment as to whether Hammerson plc has the ability to provide the necessary financial support to the Company, the Directors have had regard to the cash flow forecasts of the Hammerson plc Group which anticipate significant liquidity over the support period. Consequently, the Directors have a reasonable expectation that the Company will have access to adequate resources to continue in operational existence for a period of at least twelve months from the date of signing of these financial statements and they continue to adopt the going concern basis in preparing the financial statements.

However, in making this assessment the Directors are mindful of the disclosures made by Hammerson plc in their own latest unaudited consolidated financial statements for the six months ended 30 June 2021. The Directors of Hammerson plc highlighted that whilst the Group has significant liquidity projected over the going concern period to 31 December 2022, its associate investment, Value Retail, has three secured debt facilities maturing over the going concern period totalling £1,098 million (Group's share £467 million). The Group has the ability to manage its liquidity and gearing levels to remain in compliance with its unsecured borrowing covenants by either funding Value Retail to fully repay the two loans maturing in December 2021 and June 2022 or by allowing the lenders to enforce their security over the properties. However, if the loan maturing in December 2022 totalling £750 million (Group's share £376 million) were not refinanced ahead of maturity, the lenders could enforce their security over the property and the Group may lose the value of its net investment in the property. In these circumstances, the Group would breach its unsecured borrowing gearing covenant in the Severe but plausible adverse scenario at 31 December 2022. Hence this refinancing risk represents a material uncertainty that may cast significant doubt over the Group's ability to continue as a going concern.

By extension, the material uncertainty identified in the Group's latest unaudited financial statements, could impact on Hammerson plc's ability to provide the necessary level of support to the Company. Accordingly, the Directors of the Company have identified a material uncertainty which may cast significant doubt over the Company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the Company were unable to continue as a going concern.

## **HAMMERSON UK PROPERTIES plc**

### **NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

Year ended 31 December 2020

#### **1. ACCOUNTING POLICIES (CONTINUED)**

**(c) Revenue**

Revenue comprises gross rental income and management fees receivable from joint arrangements and group undertakings.

Lease incentives and costs associated with entering into tenant leases are amortised over the lease term or, if the probability that the break option will be exercised is considered high, over the period to the first break option. Rent waivers granted during the Covid-19 period have been recognised as lease modifications and amortised from the date of agreement to the end of the lease term. Rent reviews are recognised when such reviews have been agreed with tenants.

Movements in the impairment provisions against trade receivables are included within the income statement either within 'rents payables and other property outgoings' or 'change in the provision for amounts not yet recognised in the income statement'. Further details of the criteria used to assess the level of impairment provisions required are set out in note 1(k).

**(d) Profit/(Loss) on sale of investments and investment properties**

Profits/(losses) on sale of investments and investment properties are taken into account on completion of a contract for sale, and are calculated by reference to the carrying value at the end of the previous year and any costs related to the sale.

**(e) Investment income**

Investment income comprises dividends and profit distributions receivable from the Company's investments in group entities and other fixed asset investments.

**(f) Net finance costs**

Net finance costs include interest payable on borrowings and interest payable to related party undertakings net of interest receivable on funds invested.

**(g) Taxation**

Current tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Deferred tax is measured using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date that are expected to apply to the reversal of the timing difference.

## **HAMMERSON UK PROPERTIES plc**

### **NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

Year ended 31 December 2020

#### **1. ACCOUNTING POLICIES (CONTINUED)**

**(h) Investment properties**

The Company applies the fair value accounting model to investment properties, being market value determined by professionally qualified external valuers. Changes in fair value are recognised in profit or loss. All costs directly associated with the purchase and construction of a property are capitalised.

**(i) Investments**

Investments in the Company's subsidiaries are stated at cost less provision for impairment as permitted under IAS 27. Other fixed asset investments are carried at the balance sheet date at fair value, per IFRS 9. Gains and losses arising from changes in fair value are recognised in other comprehensive income and accumulated in the revaluation reserve.

**(j) Financial instruments**

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the instrument. All financial assets and liabilities are initially measured at transaction price (including transaction costs). Financial assets, including intercompany loans, are subsequently carried at amortised cost using the effective interest method, less loss allowance. Financial liabilities are subsequently carried at amortised cost using the effective interest method.

Financial assets and liabilities are only offset in the balance sheet when, and only when there exists a legally enforceable right to set off the recognised amounts and the Company intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Financial assets are derecognised when and only when a) the contractual rights to the cash flows from the financial asset expire or are settled, b) the Company transfers to another party substantially all of the risks and rewards of ownership of the financial asset, or c) the Company, despite having retained some, but not all, significant risks and rewards of ownership, has transferred control of the asset to another party. Financial liabilities are derecognised only when the obligation specified in the contract is discharged, cancelled or expires.

## HAMMERSON UK PROPERTIES plc

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Year ended 31 December 2020

#### 1. ACCOUNTING POLICIES (CONTINUED)

##### (k) Critical accounting policies and estimation uncertainties

In the application of the Company's accounting policies, the Directors are required to make judgements, estimates and assumptions about the carrying value of assets and liabilities. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from those estimates. Estimates and the underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both the current and future periods.

The Company's critical judgements and area of estimation uncertainty is in respect of the following:

##### i. Shares in group entities

The Company has interests in group entities which are carried in the balance sheet at historical cost less provision for impairment, valued by the Directors based upon the net assets of the entities. The principal assets of these entities are investment properties which are valued six-monthly by professionally qualified external valuers. The Directors must ensure that they are satisfied that the Company's investment in the group entities is supported by the net assets of the underlying entities. The basis of valuation of the group entities' investment properties is set out in the notes to the financial statements of those entities for the year ended 31 December 2020.

##### ii. Other fixed asset investments

The Company's other fixed asset investments comprise predominantly of investments in external entities (indirectly through a wholly-owned Hammerson subsidiary) which are carried in the balance sheet at fair value. The carrying values are based upon the net assets of the investee entities which consist mainly of investment properties valued by professionally qualified external valuers. The Directors must ensure that they are satisfied that the valuation of these investments is appropriate for the financial statements.

##### iii. Investment properties

The Company's investment properties, which are carried in the balance sheet at fair value, are valued six-monthly by professionally qualified external valuers and the Directors must ensure that they are satisfied that the valuation of the Company's properties is appropriate for the financial statements.

##### *Valuation backdrop*

The valuation of the Company's properties, which are carried in the balance sheet at fair value, and the valuation of the properties held by those entities in which the Company has an interest, referred to above, is the most material area of estimation due to its inherent subjectivity, reliance on assumptions and sensitivity to market fluctuations. The outbreak of Covid-19 has impacted many aspects of the global economy, with some real estate markets, particularly the retail sector, having experienced lower levels of transaction activity and liquidity. Travel restrictions have been implemented by most countries and "lockdowns" applied to varying degrees resulting in restrictions to trading hours or closures. Local and national lockdowns may continue to be deployed as necessary across the country and the emergence of significant further outbreaks is possible.

The pandemic and measures taken to tackle Covid-19 continue to affect economies and real estate markets globally, impacting both the investment and occupier markets. Furthermore, the longer-term impacts of Britain's exit from the EU on 31 January 2020 and the subsequent conclusion of the trade deal in December 2020 are as yet unknown.

## HAMMERSON UK PROPERTIES plc

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Year ended 31 December 2020

#### 1. ACCOUNTING POLICIES (CONTINUED)

##### (k) Critical accounting policies and estimation uncertainties (continued)

###### *Valuation backdrop (continued)*

Property valuations are further complicated by both a lack of transactional evidence to support yields, and a lack of rental evidence to support estimated rental values (ERVs), compared to prior years. Consequently, valuers are faced with an unprecedented set of circumstances on which to base their assumptions and significantly greater estimation uncertainty. Key areas of judgement highlighted in the valuation report included estimation of ERVs based on limited data points, the consideration of appropriate levels of void costs and rent-free periods, the impact of non-payment of rent as a consequence of Covid-19 and the basis of yield assumptions given the lack of relevant transactions of scale.

###### *Valuation methodology*

Investment properties, excluding properties held for development, are valued by adopting the 'investment method' of valuation. This approach involves applying capitalisation yields to estimated future rental income streams reflecting contracted income reverting to ERV with appropriate adjustments for income voids arising from vacancies, lease expiries or rent-free periods. These capitalisation yields and future income streams are derived from comparable property and leasing transactions and are considered to be key inputs to the valuations. Where comparable evidence of yield movement is lacking, valuers are reliant on sentiment or the movement of less comparable assets. At 31 December 2020, the valuers have also incorporated a number of changes to reflect the impact of Covid-19, including deductions to rent of up to six months for non-essential retailers, reduced income due to vacancy and a widening of yields to reflect the greater risk of tenant failure. Other factors that are taken into account include, but are not limited to, the location and physical attributes of the property, tenure, tenancy details, local taxes and environmental and structural conditions.

The Directors have satisfied themselves that the valuation process is sufficiently rigorous and supports the carrying value of the Company's properties in the financial statements.

##### iv. Impairment provisions

The Company is operating in an environment of heightened uncertainty caused by Covid-19 and consequently additional scrutiny and judgement is required in assessing revenue recognition and the potential impairment of financial assets.

Up to and including 31 December 2019, the Company's collection rates were high, and therefore specific provision was made against trade and other receivables based on risk characteristics and ageing. Given the current uncertain operating environment, in 2020, the Directors adopted a provisioning matrix, grouping receivables dependent on the risk level, taking into account historic default rates, future expectation, credit rating, ageing, and the anticipated impact of Covid-19, and applying an appropriate provision percentage after taking into account of VAT, rent deposits and personal or corporate guarantees held. Where information is available to suggest that a higher level of provisioning is required due to tenant failure or restructuring, a loss allowance provision is made against 100% of the tenant receivable.

The Directors have adopted a similar provisioning matrix to tenant incentives, by grouping unamortised incentives dependent on the risk level, taking into account historic default rates, future expectations, credit ratings and the anticipated impact of Covid-19, and applying an appropriate provision percentage. Provisioning rates against unamortised tenant incentives are lower than those against trade receivables as the credit risk of tenants not paying rent for future periods, and hence unamortised tenant incentives not being recovered, is lower than the credit risk on trade receivables. Trade and other receivables are shown in note 10, together with details of the impairment provisions as at the balance sheet date.

**HAMMERSON UK PROPERTIES plc****NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**Year ended 31 December 2020**1. ACCOUNTING POLICIES (CONTINUED)****(k) Critical accounting policies and estimation uncertainties (continued)****iv. Impairment provisions (continued)**

Additionally management has assessed the recoverability of amounts due to the Company from its subsidiaries and related undertakings. The principal assets of the subsidiaries and related undertakings are investment and development properties which are valued by professional external valuers. In assessing the Company's strategy for recoverability of the amounts due, management has considered the value of these underlying assets, considering any illiquidity impact in the event of an immediate recovery being required. During the year, the Company recognised a £7.8 million (2019: £6.9 million) impairment charge in this regard.

**2. REVENUE**

	<b>2020</b>	2019
	<b>£'000</b>	£'000
Gross rental income	<b>254</b>	151
Management fees receivable from joint arrangements (note 15)	<b>5,286</b>	6,084
	<b><u>5,540</u></b>	<u>6,235</u>

**3. ADMINISTRATIVE EXPENSES**

	<b>2020</b>	2019
	<b>£'000</b>	£'000
Management fee payable to fellow group undertaking	<b>18,890</b>	20,359
Other administrative expenses	<b>-</b>	6
	<b><u>18,890</u></b>	<u>20,365</u>

The average number of employees during the year was nil (2019: nil).

The Directors did not receive any remuneration for their services from the Company in the year (2019: £nil), having been paid by other group undertakings. It is deemed impractical to allocate their remuneration between group undertakings for the purposes of disclosure.

Another group company has paid the auditors' fees for the audit of the Company's annual financial statements in both the current and preceding financial year. Fees for the audit of the Company were £12,290 (2019: £11,740).

**4. OTHER NET LOSSES**

	<b>2020</b>	2019
	<b>£'000</b>	£'000
Consideration received/(Costs incurred) for prior year property disposals in companies that have been sold	<b>395</b>	(211)
Profit/(loss) on sale of shares in group entities	<b>3,830</b>	(7,178)
Revaluation losses on properties (note 8)	<b>(5,475)</b>	-
Increase in impairment provision on investments (note 9)	<b>(954,240)</b>	(549,011)
Impairment provision on intercompany receivables (note 10)	<b>(7,784)</b>	(6,932)
	<b><u>(963,274)</u></b>	<u>(563,332)</u>



# HAMMERSON UK PROPERTIES plc

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Year ended 31 December 2020

### 5. INVESTMENT INCOME

	2020 £'000	2019 £'000
Dividends received from subsidiary undertakings	582	610,538
Distributions receivable from Limited Partnership and unit trust investments	2,853	88,271
	<u>3,435</u>	<u>698,809</u>

### 6. NET FINANCE COSTS

	2020 £'000	2019 £'000
Interest payable to ultimate parent company	(20,434)	(35,028)
Other net interest receivable	10	9
	<u>(20,424)</u>	<u>(35,019)</u>

### 7. TAXATION

#### (a) Tax charge

	2020 £'000	2019 £'000
UK corporation tax	-	-

#### (b) Factors affecting total tax charge

The tax assessed on the (loss)/profit before tax for the current and preceding year is different from the standard rate of corporation tax of 19.00% (2019: 19.00%). The differences are reconciled below:

	2020 £'000	2019 £'000
(Loss)/Profit on ordinary activities before taxation	<u>(993,934)</u>	<u>86,317</u>
(Loss)/Profit at UK corporation tax rate of 19.00% (2019: 19.00%)	<u>(188,847)</u>	<u>16,400</u>
Effects of:		
Tax-exempt losses	815	454
(Profit)/loss on sale of fixed asset investments	(728)	1,364
Revaluation losses on properties	1,040	-
Increase in impairment provision on investments	181,306	104,312
Impairment provision on intercompany receivables	1,479	(1,317)
Other (gains)/losses	(75)	40
Investment income not taxable	(653)	(132,774)
Tax losses surrendered as group relief	5,663	11,521
Total tax charge for the year	<u>-</u>	<u>-</u>

## HAMMERSON UK PROPERTIES plc

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Year ended 31 December 2020

#### 7. TAXATION (CONTINUED)

##### (c) Unrecognised deferred tax

A deferred tax asset is not recognised for UK revenue tax losses and UK capital losses where their future utilisation is uncertain. At 31 December 2020, the total of such losses was £158 million (2019: £158 million) and £430 million (2019: £398 million) respectively, and the potential tax effect of these was £30 million (2019: £27 million) and £81 million (2019: £68 million) respectively.

In the Spring Budget 2020, the UK Government announced that from 1 April 2020 the corporation tax rate would remain at 19% (rather than reducing to 17%, as previously enacted). This new law was substantively enacted on 17 March 2020. Deferred taxes at the balance sheet date have been measured using these enacted tax rates and reflected in these financial statements.

#### 8. INVESTMENT PROPERTIES

##### (a) The movements on properties were:

	2020 £'000	2019 £'000
At 1 January	9,626	9,626
Revaluation loss (note 4)	<u>(5,475)</u>	<u>-</u>
At 31 December	<u>4,151</u>	<u>9,626</u>

##### (b) Of the above properties held at valuation, £4,151,000 (2019: £9,246,000) is freehold and £700,000 (2019: £380,000) is held under long leasehold.

##### (c) Properties are stated at market value at 31 December 2020, valued by professionally qualified external valuers, CBRE Limited, Chartered Surveyors. The valuations have been prepared in accordance with the RICS Valuation – Professional Standards 2017 based on certain assumptions as set out in notes 1(h) and 1(k).

##### (d) The historical cost of investment properties at 31 December 2020 was £16,387,000 (2019: £16,387,000).

**HAMMERSON UK PROPERTIES plc****NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**Year ended 31 December 2020**9. INVESTMENTS**

	<b>Shares in group entities at cost less provision for impairment £'000</b>	<b>Other fixed asset investments at fair value £'000</b>	<b>Total £'000</b>
At 1 January 2019	2,905,185	122,330	3,027,515
Additions at cost	66,974	-	66,974
Disposals	(7,610)	(465)	(8,075)
Movement in impairment provision (note 4)	(549,011)	-	(549,011)
Revaluation gain	-	13,991	13,991
At 31 December 2019/1 January 2020	2,415,538	135,856	2,551,394
Additions at cost	33,790	-	33,790
Disposals	(4,054)	-	(4,054)
Movement in impairment provision (note 4)	(954,240)	-	(954,240)
Revaluation gain	-	10,135	10,135
At 31 December 2020	<b>1,491,034</b>	<b>145,991</b>	<b>1,637,025</b>

During 2020 the Company had additions at cost of £33,790,000, made up mainly of additional share investments in recapitalised subsidiaries, including £27,400,000 relating to Hammerson (Didcot II) Limited, and disposals of £4,054,000 primarily from the sale of shares in Hammerson (Abbey) Limited, a wholly-owned subsidiary. In addition, during the year, the Company's fixed asset investments impairment provision increased by £954,240,000. This reflects decreases in the underlying valuation of these investments primarily due to the decrease in value of the properties held within a number of subsidiaries. In 2019, the impairment provision was increased by £549,011,000, for the same reason. The Company does not revalue its investments in subsidiaries above original cost. At 31 December 2020, the net unrecognised underlying valuation surplus of the Company's investments in subsidiaries was £125,465,000 (2019: £485,032,000).

In the opinion of the Directors, the aggregate value of investments in subsidiary undertakings at 31 December 2020 is not less than their carrying value in the balance sheet. Further details of investments in subsidiaries are shown in note 14.

Other fixed asset investments as at 31 December 2020 relate primarily to investments in Value Retail plc and related companies held by one of the Company's wholly-owned subsidiaries, Hammerson (Value Retail Investments) Limited. The revaluation gain arising has been transferred to the revaluation reserve.

# HAMMERSON UK PROPERTIES plc

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Year ended 31 December 2020

### 10. RECEIVABLES: CURRENT ASSETS

	2020 £'000	2019 £'000
Trade receivables	176	90
Amounts owed by subsidiary undertakings	16,957	467,827
Amounts owed by fellow group undertakings	6,064	2,776
Other receivables	8,776	6,618
	<b>31,973</b>	<b>477,311</b>

All amounts shown under receivables fall due for payment within one year and are repayable on demand. Amounts owed by subsidiary undertakings and fellow group undertakings are non-interest bearing and unsecured. At 31 December 2020 the loss allowance provision for amounts owed by subsidiary undertakings was £14,716,000 (2019: £6,932,000), representing a movement of £7,784,000 (2019: £6,932,000) during the year.

Trade receivables and other receivables are shown after deducting a loss allowance provision of £70,000 (2019: £nil) and £202,000 (2019: £342,000) respectively.

The decrease in amounts owed by subsidiary undertakings in 2020 is primarily due to the increased level of dividends receivable from subsidiaries in 2019 having been transferred to the ultimate parent company, Hammerson plc, during the year.

### 11. PAYABLES: CURRENT LIABILITIES

	2020 £'000	2019 £'000
Amounts owed to ultimate parent company	1,093,462	1,382,502
Amounts owed to subsidiary undertakings	50,087	73,907
Amounts owed to fellow group undertakings	10,854	77,543
Other payables	615	968
Accruals	2,136	3,617
	<b>1,157,154</b>	<b>1,538,537</b>

Amounts owed to the ultimate parent company are repayable on demand and bear interest at variable rates based on LIBOR. Amounts owed to subsidiary undertakings and fellow group undertakings are repayable on demand and are non-interest bearing.

Amounts owed to the ultimate parent company decreased in 2020 as a result of the transfer of balances owed by subsidiary and fellow group undertakings from receivables to payables. Refer to the third paragraph in note 10 for further details. The decrease in amounts owed to subsidiary and fellow group undertakings in 2020 is primarily due to the transfer of 2019 balances to the ultimate parent company.

### 12. CALLED UP SHARE CAPITAL

	2020 £'000	2019 £'000
<b>Authorised:</b>		
3,842,000,000 ordinary shares of 25p each	<b>960,500</b>	<b>960,500</b>
<b>Allotted, called up and fully paid:</b>		
3,831,500,000 ordinary shares of 25p each	<b>957,875</b>	<b>957,875</b>

## HAMMERSON UK PROPERTIES plc

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Year ended 31 December 2020

#### 13. RESERVES

The following describes the nature and purpose of each reserve within equity:

<u>Reserve</u>	<u>Description and purpose</u>
Share premium	Premium and costs on issue of shares
Revaluation reserve	Revaluation movements on other fixed asset investments
Retained earnings/(deficit)	Cumulative profits and losses less any dividends paid

#### 14. SUBSIDIARIES AND OTHER RELATED UNDERTAKINGS

The Company's subsidiaries and other related undertakings at 31 December 2020 are listed below.

##### Direct subsidiaries

Unless otherwise shown, the Company has a 100% interest in the ordinary share capital of the following entities, which are registered/operate in the countries as shown:

##### **England & Wales**

Registered office: Kings Place, 90 York Way, London N1 9GE

For notes see page 29

280 Bishopsgate Investments Limited	Hammerson (Milton Keynes) Limited
Abbey Retail Park Limited (Northern Ireland) <sup>1</sup>	Hammerson (Moor House) Properties Limited
Christchurch UK Limited	Hammerson (Newcastle) Limited
Hammerson (60 Threadneedle Street) Limited	Hammerson (Newtownabbey) Limited
Hammerson (9-13 Grosvenor Street) Limited	Hammerson (Oldbury) Limited
Hammerson (Bicester No. 2) Limited	Hammerson (Renfrew) Limited
Hammerson (Brent Cross) Limited	Hammerson (Rugby) Limited <sup>5</sup>
Hammerson (Brent South) Limited	Hammerson (Silverburn) Limited (Isle of Man) <sup>2</sup>
Hammerson (Bristol Investments) Limited	Hammerson (Staines) Limited
Hammerson (Bristol) Limited	Hammerson (Telford) Limited
Hammerson (Cardiff) Limited	Hammerson (Value Retail Investments) Limited
Hammerson (Centurion) Limited	Hammerson (VIA GP) Limited
Hammerson (Coventry) Limited	Hammerson (Victoria Gate) Limited
Hammerson (Cramlington I) Limited	Hammerson (Victoria Investments) Limited
Hammerson (Cricklewood) Limited	Hammerson (Victoria Quarter) Limited
Hammerson (Croydon) Limited	Hammerson (Watermark) Limited
Hammerson (Didcot) Limited <sup>5</sup>	Hammerson (Whitgift) Limited
Hammerson (Didcot II) Limited <sup>5</sup>	Hammerson Birmingham Properties Limited
Hammerson (Euston Square) Limited (25% direct, 75% indirect)	Hammerson Bull Ring Limited
Hammerson (Exeter II) Limited	Hammerson Croydon (GP1) Limited
Hammerson (Folkestone) Limited	Hammerson Croydon (GP2) Limited
Hammerson (Grosvenor Street) Limited	Hammerson Investments (No 12) Limited
Hammerson (Kingston) Limited	Hammerson Investments (No.13) Limited
Hammerson (Leeds Developments) Limited	Hammerson Investments (No.16) Limited
Hammerson (Leeds GP) Limited	Hammerson Investments (No.23) Limited
Hammerson (Leeds Investments) Limited	Hammerson Investments (No.26) Limited
Hammerson (Leeds) Limited	Hammerson Investments (No.35) Limited
Hammerson (Leicester GP) Limited	Hammerson Investments (No.36) Limited
Hammerson (Lichfield) Limited	Hammerson Investments (No.37) Limited
Hammerson (Merthyr) Limited <sup>5</sup>	Hammerson Investments Limited

## HAMMERSON UK PROPERTIES plc

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Year ended 31 December 2020

#### 14. SUBSIDIARIES AND OTHER RELATED UNDERTAKINGS (CONTINUED)

##### **England & Wales**

Registered office: Kings Place, 90 York Way, London N1 9GE

Hammerson Junction (No 3) Limited	Hammerson Retail Parks Holdings Limited
Hammerson Junction (No 4) Limited	Hammerson Sheffield (NRQ) Limited
Hammerson Martineau Galleries Limited	Hammerson Shelf Co 10 Limited
Hammerson MGLP Limited	Hammerson Shelf Co 11 Limited
Hammerson MGLP 2 Limited	Hammerson Shelf Co 12 Limited
Hammerson MLP Limited	Hammerson Shelf Co 13 Limited
Hammerson Moor House (LP) Limited	Hammerson Shelf Co 14 Limited
Hammerson Operations Limited	LWP Limited Partnership <sup>4</sup>
Hammerson Oracle Investments Limited	Monesan Limited (Northern Ireland) <sup>1</sup>
Hammerson Oracle Properties Limited	New Southgate Limited
Hammerson Peterborough (GP) Limited	RT Group Developments Limited
Hammerson Peterborough (No 1) Limited	RT Group Property Investments Limited
Hammerson Peterborough (No 2) Limited	Union Square Developments Limited (Scotland) <sup>3</sup>
Hammerson Project Management Limited	West Quay (No.1) Limited
Hammerson Ravenhead Limited <sup>5</sup>	West Quay (No.2) Limited
Hammerson Renewable Energy Limited	West Quay Shopping Centre Limited

Registered offices: (1) 50 Bedford Street, Belfast, BT2 7FW; (2) First Names House, Victoria Road, Douglas, IM2 4DF; (3) 1 George Square, Glasgow, G2 1AL. (4) No shares in issue for Limited Partnerships. (5) Entity sold in May 2021 (see note 18).

##### **Jersey**

Registered office: 47 Esplanade, St. Helier, Jersey, JE1 0BD

Hammerson Birmingham Investments Limited <sup>1</sup>	Hammerson Junction (No 2) Limited
Hammerson Bull Ring (Jersey) Limited <sup>1</sup>	Hammerson VIA (Jersey) Limited
Hammerson Croydon Investments Limited	Hammerson VRC (Jersey) Limited
Hammerson Highcross Investments Limited	Hammerson Whitgift Investments Limited
Hammerson Junction (No 1) Limited	

(1) Registered office: 44 Esplanade, St Helier, Jersey, JE4 9WG.

##### **Indirect subsidiaries and other wholly-owned entities**

Unless otherwise shown the Company has an indirect 100% interest in the ordinary share capital of the following entities, which are registered/operate in the countries as shown:

##### **England & Wales**

Registered office: Kings Place, 90 York Way, London N1 9GE

Governeffect Limited	SEVCO 5025 Limited <sup>2</sup>
Hammerson Wrekin LLP <sup>1</sup>	Spitalfields Developments Limited
Junction Nominee 1 Limited	Spitalfields Holdings Limited (Ordinary & Preference)
Junction Nominee 2 Limited	The Junction (General Partner) Limited
Leeds (GP1) Limited	The Junction (Thurrock Shareholder GP) Limited
Leeds (GP2) Limited	The Junction Limited Partnership <sup>1</sup>
Martineau Galleries (GP) Limited	The Junction Thurrock (General Partner) Limited
Martineau Galleries No. 1 Limited	The Junction Thurrock Limited Partnership <sup>1</sup>
Martineau Galleries No. 2 Limited	The Martineau Galleries Limited Partnership <sup>1</sup>
Mentboost Limited	Thurrock Shares 1 Limited
Precis (1474) Limited (Ordinary & Deferred)	Thurrock Shares 2 Limited

(1) No shares in issue for Limited Partnerships; (2) SG House, 6 St. Cross Road, Winchester, Hampshire, SO23 9HX.

# HAMMERSON UK PROPERTIES plc

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Year ended 31 December 2020

### 14. SUBSIDIARIES AND OTHER RELATED UNDERTAKINGS (CONTINUED)

#### Indirect subsidiaries and other wholly-owned entities (continued)

##### Jersey

Registered office: 47 Esplanade, St. Helier, Jersey, JE1 0BD

Hammerson Victoria Quarter Unit Trust <sup>1</sup>	The Junction Unit Trust <sup>1</sup>
The Junction Thurrock Unit Trust <sup>1</sup>	The Telford Forge Retail Park Unit Trust <sup>1</sup>

(1) No shares in issue for Unit Trusts.

#### Indirectly held joint venture entities

For notes see page 31

	Country of registration or operation	Class of share held	Ownership %
Bishopsgate Goodsyard Regeneration Limited	England & Wales <sup>1</sup>	Ordinary	50
Brent Cross Partnership <sup>6</sup>	England & Wales <sup>1</sup>	N/A	41
Bristol Alliance (GP) Limited	England & Wales <sup>1</sup>	Ordinary	50
Bristol Alliance Limited Partnership <sup>6</sup>	England & Wales <sup>1</sup>	N/A	50
Bristol Alliance Nominee No.1 Limited	England & Wales <sup>1</sup>	Ordinary	50
Bristol Alliance Nominee No.2 Limited	England & Wales <sup>1</sup>	Ordinary	50
BRLP Rotunda Limited	England & Wales <sup>1</sup>	Ordinary	50
Bull Ring (GP) Limited	England & Wales <sup>1</sup>	Ordinary	50
Bull Ring (GP2) Limited	England & Wales <sup>1</sup>	Ordinary	50
Bull Ring No.1 Limited	England & Wales <sup>1</sup>	Ordinary	50
Bull Ring No.2 Limited	England & Wales <sup>1</sup>	Ordinary	50
Croydon (GP1) Limited	England & Wales <sup>1</sup>	Ordinary	50
Croydon (GP2) Limited	England & Wales <sup>1</sup>	Ordinary	50
Croydon Car Park Limited	England & Wales <sup>1</sup>	Ordinary	50
Croydon Limited Partnership <sup>6</sup>	England & Wales <sup>1</sup>	N/A	50
Croydon Management Services Limited	England & Wales <sup>1</sup>	Ordinary	50
Croydon Property Investments Limited	England & Wales <sup>1</sup>	Ordinary	50
Grand Central (GP) Limited	England & Wales <sup>1</sup>	Ordinary	50
Grand Central Limited Partnership <sup>6</sup>	England & Wales <sup>1</sup>	N/A	50
Grand Central No 1 Limited	England & Wales <sup>1</sup>	Ordinary	50
Grand Central No 2 Limited	England & Wales <sup>1</sup>	Ordinary	50
Highcross Leicester Holdings Limited	England & Wales <sup>1</sup>	Ordinary	50
Highcross (GP) Limited	England & Wales <sup>1</sup>	Ordinary	50
Highcross Leicester Limited Partnership <sup>6</sup>	England & Wales <sup>1</sup>	N/A	50
Highcross Leicester (GP) Limited	England & Wales <sup>1</sup>	Ordinary	50
Highcross Residential (Nominees 1) Limited	England & Wales <sup>1</sup>	Ordinary	50
Highcross Residential (Nominees 2) Limited	England & Wales <sup>1</sup>	Ordinary	50
Highcross Residential Properties Limited	England & Wales <sup>1</sup>	Ordinary	50
Highcross Shopping Centre Limited	England & Wales <sup>1</sup>	Ordinary	50
Moor House General Partner Limited	England & Wales <sup>1</sup>	Ordinary	67
Oracle Nominees (No. 1) Limited	England & Wales <sup>1</sup>	Ordinary	50
Oracle Nominees (No. 2) Limited	England & Wales <sup>1</sup>	Ordinary	50
Oracle Nominees Limited	England & Wales <sup>1</sup>	Ordinary	50
Oracle Shopping Centre Limited	England & Wales <sup>1</sup>	Ordinary	50
Reading Residential Properties Limited	England & Wales <sup>1</sup>	Ordinary	50
Silverburn Investment Advisor Limited	England & Wales <sup>1</sup>	Ordinary	50
The Bull Ring Limited Partnership <sup>6</sup>	England & Wales <sup>1</sup>	N/A	50
The Highcross Limited Partnership <sup>6</sup>	England & Wales <sup>1</sup>	N/A	50

# HAMMERSON UK PROPERTIES plc

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Year ended 31 December 2020

### 14. SUBSIDIARIES AND OTHER RELATED UNDERTAKINGS (CONTINUED)

#### Indirectly held joint ventures (continued)

	<i>Country of registration or operation</i>	<i>Class of share held</i>	<i>Ownership %</i>
The Oracle Limited Partnership <sup>6</sup>	England & Wales <sup>1</sup>	N/A	50
The West Quay Limited Partnership <sup>6</sup>	England & Wales <sup>1</sup>	N/A	50
Whitgift Limited Partnership <sup>6</sup>	England & Wales <sup>1</sup>	N/A	50
Retail Property Holdings (SE) Limited	Guernsey <sup>2</sup>	Ordinary	50
Retail Property Holdings Limited	Isle of Man <sup>3</sup>	Ordinary	50
Bull Ring Joint Venture Unit Trust <sup>6</sup>	Jersey <sup>4</sup>	N/A	50
Croydon Jersey Unit Trust <sup>6</sup>	Jersey <sup>5</sup>	N/A	50
Grand Central Unit Trust <sup>6</sup>	Jersey <sup>4</sup>	N/A	50
Highcross (No.1) Limited	Jersey <sup>5</sup>	Ordinary	50
Highcross (No.2) Limited	Jersey <sup>5</sup>	Ordinary	50
Highcross Leicester Limited	Jersey <sup>5</sup>	Ordinary	50
Silverburn Unit Trust <sup>6</sup>	Jersey <sup>5</sup>	N/A	50

Registered offices: (1) Kings Place, 90 York Way, London, N1 9GE; (2) Fiman House, St. George's Place, St. Peter Port, Guernsey, GY1 2BH; (3) First Names House, Victoria Road, Douglas, Isle of Man, IM2 4DF (4) 44 Esplanade, St. Helier, Jersey, JE4 9WG; (5) 47 Esplanade, St Helier, Jersey JE1 0BD; (6) No shares in issue for Limited Partnerships or Unit Trusts.

#### Indirectly held other fixed asset investments

	<i>Country of registration or operation</i>	<i>Class of share held</i>	<i>Ownership %</i>
VR Maasmechelen Tourist Outlets Comm. VA	Belgium <sup>1</sup>	B-shares	29
Bicester Investors Limited Partnership	Bermuda <sup>2</sup>	N/A	25
Bicester Investors II Limited Partnership	Bermuda <sup>2</sup>	N/A	25
Value Retail Investors Limited Partnership	Bermuda <sup>2</sup>	N/A	79
Value Retail Investors II Limited Partnership	Bermuda <sup>2</sup>	N/A	89
Value Retail Investors III Limited Partnership	Bermuda <sup>2</sup>	N/A	50
VR Franconia GmbH	Germany <sup>3</sup>	Ordinary	66
VR Bavaria GmbH	Germany <sup>3</sup>	Ordinary	5
Master Holding BV	Netherlands <sup>4</sup>	Ordinary	44
VR European Holdings BV	Netherlands <sup>4</sup>	Ordinary	25
VR Ireland BV	Netherlands <sup>4</sup>	Ordinary	57
VR La Vallee BV	Netherlands <sup>4</sup>	Ordinary	28
Value Retail PLC	UK <sup>5</sup>	Ordinary	24

Registered offices: (1) Zetellan 100, 3630 Maasmechelen, Belgium; (2) Victoria Place, 31 Victoria Street, Hamilton, HM10, Bermuda; (3) Almosenberg, 97877, Wertheim, Germany; (4) TMF, Luna Arena, Herikerbergweg 238, 1101 CM Amsterdam, Netherlands; (5) 19 Berkley Street, London, W1J 8ED.

### 15. RELATED PARTY TRANSACTIONS

During the year, the Company received £5,286,000 (2019: £6,084,000) in project and asset management fees relating to joint arrangements.

At 31 December 2020, amounts due from these joint arrangements to the Company was £3,665,000 (2019: £434,000), net of an impairment provision of £1,619,000 (2019: £nil), and amounts due to these joint arrangements was £1,865,000 (2019: £nil). In the opinion of the Directors there are no other related party transactions to be disclosed in the current or preceding financial year.



## **HAMMERSON UK PROPERTIES plc**

### **NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

Year ended 31 December 2020

#### **16. ADVANCES, CREDIT AND GUARANTEES**

The Company did not grant any credits, advances or guarantees of any kind to its Directors during the current or preceding financial year. The Company has provided guarantees in respect of certain subsidiaries which arise in the normal course of business.

In addition, up until January 2021, the Company continued to provide a guarantee on behalf of one of its subsidiary undertakings, Hammerson Group Management Limited, in respect of its obligations in respect of the Hammerson Group Management Limited Pension & Life Assurance Scheme (the "Scheme"). In January 2021, this guarantee was transferred to the ultimate parent company, Hammerson plc. Further details of the Scheme are set out in the Annual Report of Hammerson plc.

#### **17. ULTIMATE PARENT COMPANY AND CONTROLLING PARTY**

At 31 December 2020, the Company's ultimate parent company was Hammerson plc, which is registered in England and Wales and is the largest and smallest group to consolidate the financial statements. At 31 December 2020, the Company's immediate parent company was Hammerson International Holdings Limited, which is registered in England and Wales.

The consolidated financial statements of the ultimate parent company, Hammerson plc, are available from that company's registered office, Kings Place, 90 York Way, London N1 9GE.

#### **18. POST BALANCE SHEET EVENTS**

In May 2021, the Company disposed of its investments in the following entities:

- Hammerson (Didcot) Limited
- Hammerson (Didcot II) Limited
- Hammerson (Merthyr) Limited
- Hammerson (Rugby) Limited
- Hammerson Ravenhead Limited

The net proceeds on the sale of the above entities was circa £77,000,000, representing a loss of circa £41,000,000 on the carrying value of these entities at 31 December 2020. This loss will be recognised in the Company's financial statements for 2021.