Registration number: 04365045

HIGHCROSS LEICESTER HOLDINGS LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

For the year ended 31 December 2021

HIGHCROSS LEICESTER HOLDINGS LIMITED

DIRECTORS' REPORT
Year ended 31 December 2021

The Directors submit their report and the audited financial statements for Highcross Leicester Holdings Limited (the "Company") and the audited consolidated financial statements for the Company and its subsidiary undertakings (together the "Group"), for the year ended 31 December 2021.

1. PRINCIPAL ACTIVITIES AND FUTURE DEVELOPMENTS

The principal activity of the Company is to act as an investment holding company in the United Kingdom. Its principal investment is in Highcross Shopping Centre Limited, which owns and operates the Highcross Shopping Centre in Leicester. Subject to reaching an agreement with lenders to resolve the breach of covenant on the secured debt discussed in note 1(b) to the financial statements, 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 to 7 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 Group loss for the year after tax was £62,917,000 (2020: £145,633,000). Net assets of the Group and the Company as at 31 December 2021 were £34,675,000 (2020: £95,690,000) and £34,712,000 (2020: £95,719,000) respectively. The Directors do not recommend the payment of a dividend for the current year.

In 2019, the Company received a dividend of £9,250,000 from its subsidiary undertaking, Highcross Shopping Centre Limited ("HSCL"). In January 2020, the Company also received an additional dividend of £3,773,000 from HSCL. In December 2020, the Directors of HSCL subsequently concluded these dividends were unlawful as the share capital of HSCL exceeded its net assets at the dates of declaration. Consequently, having taken legal advice, on 18 December 2020, the Company repaid all unlawful dividends, totalling £13,023,000, in full and settled through the intercompany account with HSCL. The remedy enacted was in line with the legal advice received.

In 2019, the Company also paid a dividend of £9,250,000 to Highcross Leicester Limited Partnership ("HLLP"). Similarly, in January 2020 the Company paid additional dividends totalling £3,773,000 to HLLP. However, without including the aforementioned unlawful dividends received from HSCL, the share capital of the Company exceeded net assets at the dates of declaration and therefore in December 2020, the Directors concluded that the dividends paid to HLLP were also unlawful. Consequently, having taken legal advice, on 18 December 2020, HLLP repaid all unlawful dividends, totalling £13,023,000, in full and settled through the intercompany account with the Company. The remedy enacted was in line with the legal advice received.

3. DIRECTORS

(a) Mr. P. J. Denby and Mr. R.G. Shaw were Directors of the Company throughout the year and were in office at the date of approval of this report.

(b) Mr. W.S. Austin resigned as a Director of the Company on 11 November 2021.

(c) In accordance with the Articles of Association of the Company, the Directors are not required to retire by rotation.

(d) 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.

5. GOING CONCERN

The Directors have considered the use of the going concern basis in the preparation of the financial statements as at 31 December 2021, and having taken into account the existing and anticipated effects of Covid-19, and the Group's ongoing performance and cashflows, have concluded that it was appropriate. However, there is a material uncertainty which casts significant doubt about the Group's ability to continue as a going concern. More detail on the going concern review performed, conclusions reached and the mitigating action is provided in note 1(b) to the financial statements.

6. INDEMNITY

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 remain in place at the date of approval 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 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", 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 Group and the Company and of the profit or loss of the Group for that year. 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 102, 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 Group and Company will continue in business.

The Directors are responsible for safeguarding the assets of the Group and 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 Group's and the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and 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 Group's key stakeholders are its: members; occupiers; consumers; communities; and lenders. 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 Group's property interests. The focus in 2021 has been the continued impact of the pandemic on the business and the Directors have worked closely with the controlling parties to ensure alignment when supporting occupiers 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 considered the views of each member as part of the decision-making process about future strategy and direction.

Occupiers
The Group's relationships with its retailers, F&B and leisure occupiers are important to the Group's long-term success. Since the onset of the pandemic, the Directors have continued to support occupiers and the asset manager reports on the performance of occupiers which are discussed at the Directors' board meetings. There is a targeted programme of engagement for future occupiers, with a brand experience survey conducted of occupiers to gather feedback on their satisfaction, to help drive stronger, mutually beneficial relationships.

Consumers
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 curating a vibrant destination for shopping, leisure and socialising and to inform investment decisions and identify revenue drivers. Investment is directed to optimising space and occupier mix and improving customer facilities.

Communities
The Group's assets make important social and economic contributions to its community. 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. Community projects focus on four areas: employment and skills; local investment and enterprise; health and wellbeing; and young people.

Sustainability and climate change increasingly play an important role in investment decisions. The Directors have taken appropriate action to reduce landlord and occupier carbon emissions and water usage, and have adopted a waste management strategy.

Lenders
The primary trading entity within the Group is Highcross Shopping Centre Limited ("HSCL") which owns and operates the Highcross Shopping Centre (the "property") in Leicester. HSCL has a loan facility secured against the property and the Directors of the Company and the Director of HSCL remain in positive, constructive discussions with HSCL's lenders. A recently signed stand-still agreement in respect of HSCL's loan covenants has been agreed to facilitate a consensual sale of either HSCL's property or the shares in HSCL. Further details are provided in note 1(b).

HIGHCROSS LEICESTER HOLDINGS LIMITED

DIRECTORS' REPORT (CONTINUED)
Year ended 31 December 2021

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 Group's and the Company's auditors are unaware, and
- the Director has taken all the steps that ought to have been taken as a Director in order to be aware of any relevant audit information and to establish that the Group's and the Company's auditors are aware of that information.

On behalf of the Board

Richard Shaw

R.G. Shaw
Director
Registered number: 04365045

Date: 10 August 2022

HIGHCROSS LEICESTER HOLDINGS LIMITED

STRATEGIC REPORT
Year ended 31 December 2021

Review of business
Performance during the year
The principal business of the Group is property investment. The primary trading entity within the Group is Highcross Shopping Centre Limited ("HSCL") which owns and operates the Highcross Shopping Centre in Leicester, which was affected by the restrictions imposed to tackle the Covid-19 pandemic during a further period of national lockdown, with all non-essential retail closed until April 2021. As those restrictions began to be eased in Q2 2021, people were able to get out and footfall levels increased significantly compared with 2020, although they have yet to return to pre-pandemic levels.

The easing of restrictions has supported the conclusion of occupier negotiations, with flexible repayment terms or rent waivers being offered where appropriate. As at 31 December 2021, gross trade receivables and the related loss allowance provisions have reduced, compared with the prior year. The residual trade receivables are older and more challenging to recover with the passage of time and this has been taken into consideration by the Directors in assessing the level of loss allowance provision required. Although rent collections have improved in 2021, with occupiers benefitting from greater periods of trade without Covid-19 restrictions in place, they continue to remain below pre-pandemic levels. See notes 1(m) and 8 for further details.

Gross rental income decreased as a result of the Covid-19 concessions granted during 2021, however net rental income increased principally as a result of the release of the brought forward impairment provisions against trade receivables and unamortised tenant incentives. During the year, the provision against trade receivables decreased by £5,247,000 (2020: £8,068,000 increase) and the provision against unamortised lease incentives decreased by £116,000 (2020: £603,000: increase).

Turnover rents, car park income and other rental income all increased due to the re-opening of the stores during the year, following the lifting of the Covid-19 lockdown restrictions.

Net finance income for 2021 was £1,092,000 compared with net finance costs of £8,235,000 in 2020. The reduction in costs relates primarily to the change in fair value of financial derivatives as shown in note 5.

Reduced income levels together with an outward yield movement have reduced the Group's property valuation. This reflects continued challenging occupational demand and an over-supply of retail space following CVAs and administrations, principally in 2020.

The Group made an operating profit before other net losses of £11,036,000 (2020: £7,005,000) and a total loss for the financial year of £62,917,000 (2020: £145,633,000).

Future prospects
All Covid-19 restrictions were lifted in Q2 2021, with occupiers now operating without constraints. Coupled with the successful roll-out of a vaccination programme, customer activity, trading conditions, rent collections and market sentiment have improved.

A slow but steady recovery of the Group's net rental income levels is anticipated over the course of 2022, with leasing volumes and collections returning to pre-pandemic levels from 2023. A sensitivity analysis of property valuation movements is included in note 1(m).

Highcross Shopping Centre Limited ("HSCL") is currently in breach of its loan to value debt covenant and its Director has agreed a stand-still period with the lenders to explore the consensual sale of either the Highcross Shopping Centre, or the shares in HSCL to a third party. Further details are provided within the Principal risks section of the Strategic Report on pages 6 and 7 and in note 1(b) to the financial statements.

Key Performance Indicators
The Directors consider the following measures to be key performance indicators for the Group: net rental income, property valuation and total return.

The Group's property produced net rental income of £11,755,000 in 2021 compared with £7,473,000 in 2020. As shown in note 7(a) to the financial statements, the total of capital expenditure incurred and amortisation of lease incentives was a cost of £2,995,000 (2020: £803,000), and there was a revaluation loss of £75,045,000 during the year (2020: £144,403,000), and the total property valuation at 31 December 2021 was £176,150,000 (2020: £248,200,000). The total return for the property for the year -24.4% (2020: -34.3%).

Principal risks
Overview
As the restrictions from the pandemic were lifted during Q2 2021, the Group's property opened with only minimal restrictions, and business optimism grew. The optimism was evident from the increase in footfall and sales and an improvement in cash collections. Property valuations started to stabilise in the latter part of 2021 as the demand for new leases and lease renewals started to grow.

Against this backdrop, effective risk management is critical to protect the Group's income, assets, creditors and reputation. The Directors reviews and monitors financial, operational and reputational risks and consider these as part of the forecasting and business planning process.

Short term
Highcross Shopping Centre Limited ("HSCL") is currently in breach of its loan to value debt covenant and the Director of HSCL has agreed a stand-still period with its lenders to explore a consensual sale process of either HSCL's property or the shares in HSCL. This stand-still agreement, which is subject to certain conditions concerning progressing a potential sale, is currently due to expire on 30 September 2022 unless extended at the discretion of the lenders. This risk is considered further within the Secured finance section of the Strategic Report below.

An additional short-term risk facing the Group relates to the collection of arrears arising from the Covid-19 pandemic and the ability of occupiers to recover their trade to pre-pandemic levels. Whilst the retail market has seen signs of recovery following the easing of restrictions, the rent moratorium in the UK has meant a significant number of occupiers withheld lease payments, however this expired in March 2022, which should now enable landlords to enforce rent collection.

Longer-term
The key ongoing and longer-term risks facing the Group relate to tenant exposure and the strength of the UK property market, the latter being impacted by increased online penetration and tenant failures, and the continued support of the banks providing the secured loan. 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 are compared against target returns. The Group maintains a close dialogue with its current loan provider to monitor financing risk, especially in relation to its ability to comply with its performance conditions. The Group has a risk forum for managing the key development risks. 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.

Principal risks (continued)

Secured finance

One of the Group's subsidiaries, Highcross Shopping Centre Limited ("HSCL") has a loan facility secured against the Highcross Shopping Centre with a number of attached performance conditions, including financial covenants in respect of its interest cover ratio ("ICR") and loan to value ("LTV"). At the most recent covenant test date in August 2022, HSCL was in compliance with the ICR covenant. However, based on the latest lender's valuation, as at March 2022, HSCL is in breach of the 60% LTV covenant test. HSCL is currently benefitting from a stand-still agreement with lenders which includes a waiver of this covenant test.

The stand-still agreement has been agreed to facilitate a consensual sale of either HSCL's property or the shares in HSCL, whilst giving HSCL certainty that it can continue to trade. This stand-still agreement is subject to certain conditions concerning progressing a potential sale and is currently due to expire on 30 September 2022 unless extended at the discretion of the lenders. Whilst over the past 12 months, HSCL and the lenders have been working constructively together to resolve the LTV loan breach, when the stand-still agreement expires, or in the event of not meeting the conditions concerning progress a potential sale, there is a risk that the lenders may accelerate the loan repayment or enforce their rights on the secured property assets held by HSCL for non-performance under the terms of the secured loan facility.

Further details of the loan covenants and the mitigating action the Directors have considered are provided in the going concern assessment in note 1(b).

Reporting on section 172 of the Companies Act 2006

The Directors continue to have regard to the interests of key stakeholders of the Group and those of its related undertakings, including the impact of its activities on the community, environment and the Group'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. The Directors receive a detailed quarterly update from the asset manager on matters affecting the Group's stakeholders which assists the Directors in their decision making process.

Approved by the Board and signed on its behalf

Richard Shaw

R.G. Shaw
Director

Date: 10 August 2022

pwc

Independent auditors' report to the Members of Highcross Leicester Holdings Limited

Report on the audit of the financial statements

Disclaimer of opinion

Because of the significance of the matter described in the Basis for disclaimer of opinion paragraph below, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly we do not express an opinion on Highcross Leicester Holdings Limited's Group and Company financial statements (the "financial statements").

We were engaged to audit the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: Consolidated and Company Balance Sheets as at 31 December 2021; Consolidated Statement of Comprehensive Income, Consolidated and Company Statements of Changes in Equity, and the Consolidated Cash Flow Statement for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies. The financial reporting framework that has been applied in their preparation is United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law).

Basis for disclaimer of opinion

As of the date of approval of these financial statements, the Group's subsidiary Highcross Shopping Centre Limited ("HSCL") is in breach of the loan to value ("LTV") covenant associated with its secured debt facility. HSCL has entered into a stand-still agreement with the lenders which waives the LTV covenant breach until 30 September 2022, however, HSCL is forecast to continue breaching its LTV covenant for at least 12 months from the date of approval of these financial statements under both the base case and severe but plausible scenarios. The key mitigating action to resolve this breach, namely agreeing a sale of the property or shares in HSCL, is not certain. Nor is it certain in the event a sale were to be completed that it would provide sufficient proceeds to enable HSCL to repay the outstanding loan in full or whether, based on the future events, conditions or plans for HSCL after a potential sale, the going concern basis of accounting will remain appropriate. Hence the future support of the lenders is required for HSCL to continue as a going concern and this is outside of the Group's and HSCL's control as at the date of approval of these financial statements. Therefore we have been unable to obtain sufficient audit evidence regarding the likelihood of this mitigating action being successful. As a result of these matters, we have been unable to form a conclusion on the appropriateness of the going concern basis of preparation for the consolidated financial statements. By virtue of the Company's investment in HSCL, and intercompany balances owed by other entities in the Highcross structure, the Directors' going concern assessment for the Company is inextricably linked to that of the Group's. Therefore, as a result of the above matters in respect of the Group's going concern assessment, we have also been unable to form a conclusion on the appropriateness of the going concern basis of preparation of the Company financial statements.

Independence

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

Reporting on the Strategic Report and Directors' Report

Notwithstanding our disclaimer of an opinion on the financial statements, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 December 2021 is consistent with the financial statements.

Because of the significance of the matter described in the Basis for disclaimer of opinion paragraph above we have been unable to form an opinion whether, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year has been prepared in accordance with applicable legal requirements.

Notwithstanding our disclaimer of an opinion on the financial statements, in light of the knowledge and understanding of the *Group and Company and their environment obtained in the course of the audit and performed subject to the pervasive* limitation described above, 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 Group's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our responsibility is to conduct an audit of the financial statements in accordance with ISAs (UK) and to issue an auditors' report. However, because of the matters described in the Basis for disclaimer of opinion section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

Capability of the audit in detecting irregularities, including fraud

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

Based on our understanding of the Group and industry, we identified that the principal risks of non-compliance with laws and regulations related to tax legislation, 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 (subject to the pervasive limitation described in the Basis for disclaimer of opinion section above); and
- Reviewing financial statement disclosures and testing to supporting documentation to assess compliance with applicable laws and regulations.

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

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

Arising from the limitation of our work referred to in the Basis for disclaimer of opinion paragraph above:

- we have not obtained all the information and explanations that we considered necessary for the purpose of our audit; and
- we were unable to determine whether adequate accounting records have been kept by the Company.

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

- 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 Company 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
10 August 2022

HIGHCROSS LEICESTER HOLDINGS LIMITED

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2021

	Note	**2021 £'000**	2020 £'000
Revenue	2	**20,674**	27,058
Rents payable and other property outgoings	2	**(10,058)**	(17,733)
Change in the provision for amounts not yet recognised in the consolidated statement of comprehensive income	2	**1,139**	(1,852)
Net rental income	2	**11,755**	7,473
Administrative expenses	3	**(719)**	(468)
Operating profit before other net losses		**11,036**	7,005
Other net losses	4	**(74,501)**	(144,309)
Operating loss		**(63,465)**	(137,304)
Net finance income/(costs)	5	**1,092**	(8,235)
Loss before taxation		**(62,373)**	(145,539)
Tax charge	6(a)	**(544)**	(94)
Loss after taxation and total comprehensive expense for the financial year		**(62,917)**	(145,633)

HIGHCROSS LEICESTER HOLDINGS LIMITED

CONSOLIDATED BALANCE SHEET
As at 31 December 2021

	Note	2021 £'000	2021 £'000	2020 £'000	2020 £'000
Non-current assets					
Investment properties	7(a)		**176,150**		248,200
Current assets					
Receivables	8	**15,830**		18,877	
Restricted monetary assets	9	**3,476**		1,194	
Cash and deposits	10	**10,749**		6,582	
		30,055		26,653	
Current liabilities					
Payables	11	**(170,526)**		(19,891)	
Net current (liabilities)/assets			**(140,471)**		6,762
Total assets less current liabilities			**35,679**		254,962
Non-current liabilities					
Payables	12		**(1,004)**		(159,272)
Net assets			**34,675**		95,690
Capital and reserves					
Called up share capital	14		**232,637**		230,735
Accumulated losses	16		**(197,962)**		(135,045)
Total equity			**34,675**		95,690

The financial statements were authorised for issue by the Board of Directors on 10 August 2022 and were signed on its behalf.

Richard Shaw

R.G. Shaw
Director
Registration number: 04365045

HIGHCROSS LEICESTER HOLDINGS LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2021

	Called up share capital £'000	Retained earnings/ (Accumulated losses) £'000	Total equity £'000
Unaudited[1]			
At 1 January 2020[2]	230,735	1,338	232,073
Audited			
Loss and total comprehensive expense for the financial year	-	(145,633)	(145,633)
Dividend[1]	-	(3,773)	(3,773)
Repayment of dividend[2]	-	13,023	13,023
At 31 December 2020	230,735	(135,045)	95,690
Loss and total comprehensive expense for the financial year	-	(62,917)	(62,917)
Issue of shares (note 14)	1,902	-	1,902
At 31 December 2021	**232,637**	**(197,962)**	**34,675**

1 For the period from 29 November 2018 to 31 December 2019 ("2019"), the Company was the parent undertaking of a group that was small, and as such, by virtue of s399 of the Companies Act 2006, it was not required to prepare consolidated financial statements for 2019. For the year ended 31 December 2020 ("2020"), the small group exemption could not be taken therefore the financial statements 2020 were prepared on a consolidated basis and include the audited results for the Company and its subsidiary undertakings. The comparative results included in the 2020 financial statements for 2019 were also prepared on a consolidated basis and were unaudited.

2 In December 2020, the Directors concluded that the dividend paid during the preceding 13-month period ended 31 December 2019 of £9,250,000 and the dividend paid in January 2020 of £3,773,000, were unlawfully declared, as the share capital of the Company exceeded its net assets at the dates of declaration. Consequently, having taken legal advice, on 18 December 2020, the dividends were repaid in full and settled through intercompany account. The remedy enacted was in line with the legal advice received.

HIGHCROSS LEICESTER HOLDINGS LIMITED

CONSOLIDATED CASH FLOW STATEMENT
For the year ended 31 December 2021

	2021	2020
	£'000	£'000
Operating activities		
Operating profit before other net losses	**11,036**	7,005
Decrease/(Increase) in receivables[1]	**8,624**	(735)
(Increase)/Decrease in restricted monetary assets	**(2,282)**	3,121
Decrease in payables	**(2,256)**	(7,657)
Non-cash items[2,3]	**(3,449)**	7,376
Cash generated from operations	**11,673**	9,110
Interest paid	**(4,697)**	(4,701)
Tax paid	**-**	(2,090)
Cash flows generated from operating activities	**6,976**	2,319
Investing activities		
Capital expenditure	**(2,809)**	(1,405)
Cash flows used in investing activities	**(2,809)**	(1,405)
Financing activities		
Repayment of borrowings	**-**	(6,000)
Dividends paid[3]	**-**	(2,206)
Cash flows generated used in financing activities	**-**	(8,206)
Increase/(Decrease) in cash and deposits in the year	**4,167**	(7,292)
Opening cash and deposits	**6,582**	13,874
Closing cash and deposits	**10,749**	6,582

1 The decrease in receivables in 2021 reflects the reduction in gross trade receivables as shown in note 1(m). The increase in receivables in 2020 includes the repayment to the Group of £13,023,000 of dividends, which were settled through intercompany account, as explained in footnote 1 of the statement of changes in equity.

2 The adjustment for non-cash items includes the decrease in loss allowance provisioning against trade receivables and impairment provisions against lease incentives of £5,363,000 (2020: £8,671,000 increase) and the increase in share capital of £1,902,000 (£nil) which was settled through intercompany account.

3 Dividends paid in 2021 were £nil. Dividends paid in 2020 were £3,773,000 of which £2,206,000 was settled in cash and £1,567,000 settled through intercompany account and adjusted within non-cash items.

1. ACCOUNTING POLICIES

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

(a) Basis of accounting

Basis of preparation
Highcross Leicester Holdings Limited is a private company limited by shares and 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 page 1. The address of the registered office is Kings Place, 90 York Way, London N1 9GE.

These financial statements were prepared in accordance with Financial Reporting Standard 102 ("FRS 102") as issued by the Financial Reporting Council and the Companies Act 2006.

The Company and its subsidiary undertakings (together the "Group") has taken advantage of the following exemptions available to qualifying groups:

- the financial instrument disclosures, required under FRS 102 paragraphs, 11.42, 11.44, 11.45, 11.47, 11.48(a)(iii),11.48(a)(iv), 11.48(b), 11.48(c), 12.26, 12.27, 12.29(a), 12.29(b) and 12.29A, as the information is provided in the consolidated financial statements of Hammerson plc, one of the ultimate controlling parties.

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 derivatives. Historical cost is generally based on the fair value of the consideration given in exchange for the goods and services.

For the years ended 31 December 2021 ("2021") and 31 December 2020 ("2020"), the financial statements have been prepared on a consolidated basis and include the audited results for the Company and its subsidiary undertakings (together the "Group"). Results for the Company for 2021 and 2020 have been audited and are presented on pages 34 to 39.

1. ACCOUNTING POLICIES (CONTINUED)

(b) Going concern

In considering going concern, the Directors initially note that the Group has a strong balance sheet with net assets of £35 million at 31 December 2021 and generated £4 million of cash during the year. However, the Group has net current liabilities of £140 million, at the same date, as a result of the secured debt within one of the Company's subsidiaries, Highcross Shopping Centre Limited ("HSCL"), due in 2024, being reclassified to current liabilities, as HSCL was in breach of one of its loan covenants at the balance sheet date. Details of these loan covenants and the current agreement in place with the lenders is set out below.

Secured finance
As set out in note 12, HSCL has a loan facility of £165.2 million which is secured against the Highcross Shopping Centre. At 31 December 2021, the amount outstanding was £159.2 million. This secured loan facility agreement attaches a number of performance conditions on HSCL, notably quarterly covenant testing metrics as detailed below, with thresholds for "cash trap" and "default".

	Cash trap implemented	Default on loan
Interest cover ratio (ICR)	<200%	<180%
Loan to value (LTV)	>55%	>60%

A breach of the covenants at the default thresholds may lead to a scenario whereby lenders accelerate the loan repayment, such that it falls due immediately in the absence of a "cure", whereby the loan is partially repaid in order to restore ratios to within the mandated thresholds.

Latest covenant position
At the most recent covenant test date in August 2022, HSCL was in compliance with the ICR covenant. However, based on the latest lender's valuation, as at March 2022, HSCL is in breach of the 60% LTV covenant test. HSCL is currently benefitting from a stand-still agreement with lenders which includes a waiver of this covenant test.

The stand-still agreement has been agreed to facilitate a consensual sale of either HSCL's property or the shares in HSCL, whilst giving HSCL certainty that it can continue to trade. This stand-still agreement is subject to certain conditions concerning progressing a potential sale and is currently due to expire on 30 September 2022 unless extended at the discretion of the lenders. Whilst over the past 12 months, HSCL and the lenders have been working constructively together to resolve the LTV loan breach, when the stand-still agreement expires, or in the event of not meeting the conditions concerning progressing a potential sale, there is a risk that the lenders may accelerate the loan repayment or enforce their rights on the secured property assets held by HSCL for non-performance under the terms of the secured loan facility. This is the key consideration in the going concern assessment.

Scenario assumptions
To ascertain whether it was appropriate to prepare the financial statements on a going concern basis, the Directors performed a detailed review of the current and projected financial position of the Group, making reasonable assumptions about the future trading performance. A Base scenario and a Severe but plausible scenario were prepared to assess projected liquidity assuming the lenders remain supportive for at least the next 12 months and do not enforce their security over HSCL's property.

1. ACCOUNTING POLICIES (CONTINUED)

(b) Going concern (continued)

Scenario assumptions (continued)
In the second half of 2021, the uncertainties and disruption caused by the pandemic eased and trading conditions improved following relaxation of Covid-19 restrictions. The Directors' scenario modelling has been undertaken against this backdrop and the key assumptions adopted for the scenarios are as follows:

Base scenario

- a slow, but steady, recovery from the Covid-19 pandemic over the course of 2022 with leasing volumes and collections returning to pre-pandemic levels from 2023.

Severe but plausible scenario
The Directors recognise however that uncertainty and downside risks remain, particularly from the emergence of new variants of the Covid-19 virus that may result in the UK government re-imposing containment measures, such as social distancing or trading restrictions on certain types of commercial activity. The Directors' Severe but plausible scenario has been prepared to incorporate the downside impact on occupational and investment markets that it would envisage in this type of challenging environment with adverse factors such as:

- lower collections;
- tenant restructuring;
- weaker leasing performance and higher vacancy levels; and
- reduced variable income from turnover rent, car parks and commercialisation.

Under this scenario, NRI in both 2022 and 2023 is forecast to be approximately 60% lower, when compared with 2019.

Scenario outcomes
Excluding the risks associated with the lenders enforcing their security on HSCL's loan, based on the above assessment, under both the Base and Severe but plausible scenarios, the Group has sufficient liquidity on a stand-alone basis for a period of at least 12 months from the date of signing these financial statements.

When factoring in the covenant compliance requirement of the secured loan, in both the Base and Severe but plausible scenarios HSCL remains in breach of the LTV covenant and is not forecast to have sufficient liquidity to cure the projected breach.

Mitigating action
Notwithstanding the above, the Directors have considered what further mitigating actions are available to them and to the Director of HSCL and have taken these into consideration when assessing whether the going concern basis of preparation remains appropriate.

The Directors of the Company and HSCL remain in positive, constructive discussions with the lenders. The recently signed stand-still agreement has been agreed to facilitate a consensual sale of either HSCL's property or the shares in HSCL and enable HSCL to remain a going concern. If a sale were to be agreed outside of the terms of the stand-still agreement, there is a risk that the proceeds would not be sufficient to allow HSCL to fully repay the outstanding loan balance. However, such a sale would require the consent of the lenders and the Directors of the Company and HSCL have a reasonable expectation that an agreement could be reached with the lenders to enable HSCL to continue as a going concern. This conclusion is consistent with the principles of the current stand-still agreement, however this is currently due to expire on 30 September 2022 although may be extended at the discretion of the lenders.

1. ACCOUNTING POLICIES (CONTINUED)

(b) Going concern (continued)

Mitigating action (continued)
A future sale is also not certain and the Directors of the Company and HSCL anticipate that, should a sale not be agreed either under the terms of the stand-still agreement, or consensually, there is a reasonable expectation that the lenders would continue to work with HSCL to find an agreeable resolution to the loan breach. Additionally, the future events, conditions or plans for HSCL after a potential future sale cannot be predicted and the Directors cannot fully assess whether the going concern basis of accounting will remain appropriate after a potential sale.

Conclusion
HSCL continues to be in breach of the LTV covenant, but currently benefits from a covenant waiver included within the stand-still agreement, which expires on 30 September 2022.

However, whilst the Directors of the Company and HSCL continue to have the support of the lenders and are progressing a potential sale of either HSCL's property or the shares in HSCL, a sale is not certain. Nor is it certain that a sale will provide sufficient proceeds to enable HSCL to repay the outstanding loan in full. Hence the future support of the lenders is required for HSCL to continue as a going concern.

This factor gives rise to the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the Group were unable to continue as a going concern.

Notwithstanding this material uncertainty, taking account of all the factors explained in this statement, including the potential mitigating actions, the Directors have concluded that it is appropriate to prepare the Group's financial statements for the year ended 31 December 2021 on the going concern basis.

(c) Net rental income

Rental income from investment property leased out under an operating lease is recognised in the consolidated statement of comprehensive income on a straight-line basis over the lease term. Non-rental income such as car park or commercialisation income or contingent rents, such as turnover rents, rent reviews and indexation, are recorded as income in the period in which they are earned. Rent reviews are recognised when such reviews have been agreed with tenants.

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.

Property operating expenses, including any operating expenditure not recovered from tenants through service charges, are charged to the consolidated statement of comprehensive income as incurred.

Changes in rental income arising from rent concessions are recognised over the period that the change in lease payments is intended to compensate, unless there are other significant changes to the terms and conditions of the lease. Covid-19 related rent concessions which include a change to the lease term are capitalised within investment property additions and amortised over the lease term.

1. ACCOUNTING POLICIES (CONTINUED)

(c) Net rental income (continued)

Movements in the impairment provisions against trade receivables and unamortised lease incentives are included within net rental income, as shown in note 2, either within 'other property outgoings' or 'change in the provision for amounts not yet recognised in the consolidated statement of comprehensive income'. Further details of the criteria used to assess the level of impairment provisions required are set out in note 1(m).

Property operating expenses are expensed as incurred and any property operating expenditure not recovered from tenants through service charges is charged to the consolidated statement of comprehensive income as incurred.

Included in net rental income is £874,000 (2020: £190,000) of contingent rents calculated by reference to tenants' turnover.

(d) Net finance income/(costs)

Net finance income/(costs) includes interest payable on borrowings, amortisation of loan facility fees and changes in fair value of derivatives, net of interest receivable on funds invested and is included within the consolidated statement of comprehensive income.

(e) Investment properties

The Group 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 the statement of comprehensive income. All costs directly associated with the purchase and construction of a property are capitalised.

(f) Loans receivable

Loans receivable are financial assets which are initially measured at fair value, plus acquisition costs and are subsequently measured at amortised cost, using the effective interest method, less any impairment.

(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.

(h) Trade and other receivables and payables

Trade and other receivables and payables are initially measured at fair value, subsequently measured at amortised cost and, where the effect is material, discounted to reflect the time value of money. Trade and other receivables are shown net of any loss allowance provision.

1. ACCOUNTING POLICIES (CONTINUED)

(i) Impairment provisioning

The Group applies a simplified approach to determine the impairment provision on trade receivables and unamortised tenant incentives. In addition to the loss allowance provision which is based on income earned in the year but not collected as at the balance sheet date, there are two other sources of impairment loss:

- Provision for impairment of unamortised tenant incentives: The movement in the loss allowance provision in the period against unamortised tenant incentives held within investment properties, including cash incentives and rent free periods, included within other property outgoings.
- Provision for amounts not yet recognised in the consolidated statement of comprehensive income: The movement in the loss allowance in the period against trade receivables at the balance sheet date which relate to a future reporting period and where the corresponding liability is classified within payables, including rent and service charge arrears.

(j) Borrowings

Borrowings are recognised initially at fair value, after taking account of any discount on issue and attributable transaction costs. Subsequently, borrowings are held at amortised cost, such that discounts and costs are charged to the statement of comprehensive income over the term of the borrowing at a constant return on the carrying value of the liability.

(k) Financial instruments

Financial assets and financial liabilities are recognised when the Group 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 and 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 Group 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 Group transfers to another party substantially all of the risks and rewards of ownership of the financial asset, or c) the Group, 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.

1. ACCOUNTING POLICIES (CONTINUED)

(l) Cash and deposits and restricted monetary assets

Cash and deposits comprise cash and short-term bank deposits with an original maturity of three months or less which are readily accessible.

Restricted monetary assets relate to cash balances which legally belong to the Group but which the Group cannot readily access. These do not meet the definition of cash and cash equivalents and consequently are presented separately from cash and deposits in the balance sheet.

(m) Critical accounting policies and estimation uncertainties

In the application of the Group'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 Group's critical judgements and areas of estimation uncertainty are in respect of property valuations and impairment provisions.

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

Valuation backdrop
The valuation of the Group's properties, which are carried in the consolidated balance sheet at fair value, is the most material area of estimation due to its inherent subjectivity, reliance on assumptions and sensitivity to market fluctuations.

During the first half of 2021, the retail investment market continued to be adversely impacted by the closure of non-essential shops, compounding the recent structural changes and accelerating the shift online. The second half of 2021 saw a noticeable improvement in investment sentiment and transaction activity. Areas of estimate highlighted in the external valuer's valuation report included estimation of market rents based on an increased level of activity, the consideration of appropriate levels of void costs and rent-free periods, the impact of extension of the rent moratorium in the UK and the basis of yield assumptions recognising the selective return of investor appetite towards the retail sector. The key inputs into the valuation continue to be yields (nominal equivalent yield) and market rental income (ERV).

The external valuer's report also included an explanatory note, in accordance with RICS guidance, outlining the ongoing impact Covid-19 continues to have on global real estate markets. The guidance states that property markets are mostly functioning again, with transaction levels and sufficient other relevant evidence available on which to base opinions of value.

1. ACCOUNTING POLICIES (CONTINUED)

(m) Critical accounting policies and estimation uncertainties (continued)

Valuation methodology
Investment properties, excluding properties held for development, are valued by adopting the 'investment method' of valuation. This approach involves applying capitalisation yields to estimated future rental income streams reflecting contracted income reverting to ERV with appropriate adjustments for income voids arising from vacancies, lease expiries or rent-free periods. These capitalisation yields and future income streams are derived from comparable property and leasing transactions and are considered to be key inputs to the valuations. Where comparable evidence of yield movement is lacking, valuers are reliant on sentiment or the movement of less comparable assets.

At 31 December 2021, the valuers had removed most of the specific Covid-19 allowances included at the prior year end. Other factors that are taken into account include, but are not limited to, the location and physical attributes of the property, tenure, tenancy details, lease expiry profile, rent collection, local taxes, structural and environmental conditions. With regards to the latter factor, the valuers made no explicit adjustment to their valuation as at 31 December 2021 in respect of environmental, social and governance ('ESG') matters. However, both the Directors and the valuers anticipate that ESG will have a greater influence on valuations in the future as investment markets place a greater emphasis on this topic and valuers comply with the RICS Guidance Note Sustainability and ESG in Commercial Property Valuation, which took effect from 31 January 2022.

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

A sensitivity analysis showing the impact on valuations of changes in yields and market rental income is detailed in the table below.

Investment property valuation	Impact on valuation of 100bp change in nominal equivalent yield		Impact on valuation of 10% change in estimated rental value (ERV)	
2021	Decrease	Increase	Increase	Decrease
£'000	£'000	£'000	£'000	£'000
176,150	21,928	(17,557)	17,615	(17,615)

1. ACCOUNTING POLICIES (CONTINUED

(m) Critical accounting policies and estimation uncertainties (continued)

Impairment provisions
The estimation of impairment provisions requires a degree of estimation about future events and is therefore inherently subjective. In assessing the current year provision, consideration has been given to the outturn of the prior year provision.

Consistent with the approach adopted at 31 December 2020, the Directors adopted a provisioning matrix, grouping receivables dependent on the risk level, taking into account historical default rates, future expectations, credit ratings and ageing, and applying an appropriate provision percentage after taking into account VAT, rent deposits and personal or corporate guarantees held. Where information is available to suggest that a higher level of provisioning is required, provision is made against 100% of the trade receivable or tenant incentive.

The table below presents the trade receivables due at the balance sheet date, and the total loss allowance analysed between amounts recognised before 31 December 2021 and those for which the corresponding credit to the consolidated statement of comprehensive income has yet to be recognised.

	2021 £'000	2020 £'000
Gross trade receivables	**5,296**	13,647
Loss allowance provision for amounts:		
- recognised in the statement of comprehensive income	**(2,205)**	(6,313)
- not yet recognised in the statement of comprehensive income	**(713)**	(1,852)
	(2,918)	(8,165)
Trade receivables (see note 8)	**2,378**	5,482

The Directors have adopted a similar provisioning matrix to tenant incentives, by grouping unamortised incentives dependent on the risk level, taking into account historical 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.

The table below presents the unamortised tenant incentives at the balance sheet date, together with the loss allowance provision.

	2021 £'000	2020 £'000
Unamortised tenant incentives	**1,925**	1,868
Loss allowance provision	**(487)**	(603)
	1,438	1,265

2. NET RENTAL INCOME

	2021 £'000	2020 £'000
Base rent	**9,769**	17,572
Turnover rent	**874**	190
Car park income	**3,394**	2,621
Lease incentive recognition	**119**	162
Other rental income	**1,512**	890
Gross rental income	**15,668**	21,435
Service charge income	**5,006**	5,623
Revenue	**20,674**	27,058
Service charge expenses	**(6,276)**	(6,499)
Inclusive lease costs recovered through rent	**(465)**	(422)
Other property outgoings*	**(3,317)**	(10,812)
Rents payable and other property outgoings	**(10,058)**	(17,733)
Change in the provision for amounts not yet recognised in the consolidated statement of comprehensive income	**1,139**	(1,852)
Net rental income	**11,755**	7,473

* Includes decrease in provision against trade receivables, for amounts recognised in the statement of comprehensive income, of £4,108,000 (2020: £6,216,000 increase), decrease in provision against other receivables of £91,000 (2020: £105,000 increase) and decrease in provision against unamortised tenant incentives of £116,000 (2020: £603,000 increase).

3. ADMINISTRATIVE EXPENSES

	2021 £'000	2020 £'000
Management fee payable to Hammerson UK Properties Limited (formerly Hammerson UK Properties plc)	**372**	340
Fees payable to the Group's auditors for the audit of the Company's annual financial statements	**11**	7
Fees payable to the auditors for the audit of the annual financial statements of:		
- Highcross Leicester (GP) Limited	**5**	3
- The Highcross Limited Partnership	**3**	3
- Highcross Leicester Limited Partnership	**4**	3
- Highcross Shopping Centre Limited*	**51**	20
Valuation fees	**102**	23
Insurance administration credit	**(67)**	(67)
Other administrative expenses	**238**	136
	719	468

* The audit fees for 2021 of £51,000 include £31,000 relating to the audit for the year ended 31 December 2021, and £20,000 in relation to additional audit work incurred in respect of the Covid-19 impacts and going concern matters relating to the audit for the year ended 31 December 2020.

The average number of employees during the year was nil (2020: nil).

The Directors did not receive any remuneration for their services from the Group in the year (2020: £nil), having been paid by other group undertakings. It is deemed impractical to allocate their remuneration between group undertakings for the purpose of disclosure. In addition there were no payments to key management personnel in either current or preceding year.

4. OTHER NET LOSSES

	2021 £'000	2020 £'000
Revaluation losses on properties - *note 7(a)*	**(75,045)**	(144,403)
Credit in respect of tax charge paid directly by The Norinchukin Bank*	**544**	94
	(74,501)	(144,309)

* As detailed in note 6, the Group incurred a net tax liability of £544,000 in 2021 (2020: £94,000). However, as Hammerson plc is tax-exempt, this charge relates solely to the interests of The Norinchukin Bank, one of the ultimate controlling parties. Consequently, a credit has been recognised within other net losses for the tax cost to be borne by The Norinchukin Bank.

5. NET FINANCE INCOME/(COSTS)

	2021 £'000	2020 £'000
Interest on other borrowings	**(4,695)**	(4,804)
Amortisation of loan facility fees	**(324)**	(324)
Change in fair value of derivatives	**6,113**	(3,114)
Other interest payable	**(3)**	(1)
Bank and other interest receivable	**1**	8
	1,092	(8,235)

6. TAXATION

(a) Tax charge

	2021 £'000	2020 £'000
UK corporation tax		
Current year tax charge	**544**	146
Prior period over-provision	**-**	(52)
Total tax charge for the year	**544**	94

(b) Factors affecting total tax charge

The total tax charge for the current and preceding year differs from the standard rate of corporation tax in the UK of 19% (2020: 19%). The differences are reconciled below:

	2021 £'000	2020 £'000
Loss before tax	**(62,373)**	(145,539)
Loss before tax at corporation tax rate of 19% (2020: 19%)	**(11,851)**	(27,652)
Effects of:		
Capital allowances	**(90)**	(105)
Disallowable expenditure	**34**	37
Change in fair value of derivatives	**(1,161)**	592
Tax-exempt partner income	**(544)**	(145)
Non-taxable income: reimbursement of tax payment by taxable partner	**(103)**	(18)
Revaluation losses	**14,259**	27,437
Prior period over-provision	**-**	(52)
Total tax charge	**544**	94

7. INVESTMENT PROPERTIES

(a) The movements in the year on properties were:

Freehold	**2021 £'000**	2020 £'000
At 1 January	**248,200**	391,800
Additions at cost	**2,892**	1,456
Amortisation of lease incentives*	**103**	(653)
Revaluation loss	**(75,045)**	(144,403)
At 31 December	**176,150**	248,200

* Includes decrease in provision against unamortised tenant incentives of £116,000 (2020: £603,000 increase). See note 1(m) for further details.

(b) The properties are stated at fair value at 31 December 2021, valued by professionally qualified external valuers, CBRE Limited, Chartered Surveyors. The valuations have been prepared in accordance with the RICS Valuation – Global Standards based on certain assumptions as set out in note 1(m).

(c) The historical cost of investment property at 31 December 2021 was £478,389,000 (2020: £475,394,000).

(d) As at 31 December 2021, the Group had capital commitments of £893,000 (2020: £1,111,000).

8. RECEIVABLES

	2021 £'000	2020 £'000
Trade receivables	**2,378**	5,482
Amounts owed by Highcross Leicester (GP) Limited	**10,363**	10,362
Amounts owed by Highcross Leicester Limited Partnership	**2,028**	1,243
Amounts owed by Hammerson Operations Limited	**173**	-
Amounts owed by Hammerson Group Management Limited	**8**	-
Amounts owed by Hammerson Highcross Investments Limited	**2**	2
Amounts owed by Hammerson (Leicester GP) Limited	**10**	10
Amounts owed by The Norinchukin Bank	**329**	-
Other receivables	**126**	1,163
Prepayments	**413**	420
Taxation	**-**	195
	15,830	18,877

All amounts shown under receivables fall due for payment within one year and are repayable on demand. The amounts are unsecured. Amounts owed by the entities listed above are non-interest bearing.

Trade and other receivables shown after deducting a loss allowance provision of £2,918,000 (2020: £8,165,000) and £14,000 (2020: £105,000) respectively. The movement in loss allowance provisions is included within net rental income (see note 2).

9. RESTRICTED MONETARY ASSETS

	2021 £'000	2020 £'000
Cash held on behalf of third parties	**3,476**	1,194

The Group and its managing agent hold cash on behalf of its tenants to meet future service charge costs and related expenditure. The cash has restricted use and as such, does not meet the definition of cash and cash equivalents.

10. CASH AND DEPOSITS

	2021 £'000	2020 £'000
Cash at bank	**10,749**	6,582

At 31 December 2021, the Group's managing agent held cash of £3,372,000 (2020: £975,000) on behalf of the Group which is not restricted and is available to the Group and as such has been included in cash and deposits.

11. PAYABLES: CURRENT LIABILITIES

	2021 £'000	2020 £'000
Trade payables	**3,461**	2,615
Amounts owed to Hammerson UK Properties Limited (formerly Hammerson UK Properties Plc)	**715**	1,004
Amounts owed to Hammerson Operations Limited	**-**	139
Amounts owed to Hammerson plc	**196**	99
Amounts owed to Hammerson Group Management Limited	**-**	12
Amounts owed to The Norinchukin Bank	**-**	195
Taxation	**329**	-
Other payables	**1,859**	2,054
Accruals	**2,745**	10,628
Deferred income	**2,640**	3,145
	11,945	19,891
Secured debt due 2024*	**159,200**	-
Unamortised loan facility fees	**(619)**	-
	158,581	-
	170,526	19,891

* At 31 December 2021, Highcross Shopping Centre Limited ("HSCL"), one of the subsidiary undertakings within the Group, was in breach of one of its loan covenants and there is a risk that the lenders may accelerate the loan repayment or enforce their rights on the assets of HSCL for non-performance under the terms of the secured loan facility. Consequently, at the balance sheet date, the secured debt and unamortised loan facility fees were reclassified from non-current liabilities to current liabilities. Further details are provided in notes 1(d) and 12, which includes a description of the key terms and conditions of the secured debt.

All amounts owed, with the exception of the secured debt, are unsecured and due within one year. Amounts owed to the entities listed above are non-interest bearing.

HIGHCROSS LEICESTER HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 December 2021

12. PAYABLES: NON-CURRENT LIABILITIES

	2021	2020
	£'000	£'000
Secured debt due 2024*	-	159,200
Unamortised loan facility fees	-	(944)
	-	158,256
Other payables		
From two to five years	**907**	889
Over five years	**97**	127
	1,004	1,016
	1,004	159,272

* At 31 December 2021, Highcross Shopping Centre Limited ("HSCL"), one of the subsidiary undertakings within the Group, was in breach of one of its loan covenants and there is a risk that the lenders may accelerate the loan repayment or enforce their rights on the secured property assets of HSCL for non-performance under the terms of the secured loan facility. Consequently, at the balance sheet date, the secured debt of £159,200,000 and unamortised loan facility fees of £619,000 were reclassified from non-current liabilities to current liabilities. Further details are provided below and in note 1(d).

On 28 November 2018, HSCL entered into a £165.2 million loan arrangement with Landesbank Hessen-Thuringen Girozentrale. The facility is repayable in full at maturity in February 2024. The loan has been secured against the Highcross Shopping Centre, with interest fixed at less than 3% per annum. This secured loan facility agreement attaches a number of performance conditions on HSCL, notably quarterly covenant testing metrics as detailed below, with thresholds for 'cash trap' and 'default' as detailed in note 1(b).

On 21 December 2020, a partial loan repayment of £6,000,000 was made to satisfy an obligation to the bank as a result of the waiver granted.

Transaction costs incurred on the arrangement of the secured loan were initially capitalised and recognised as an asset. Costs of £1,309,000 and £313,000 incurred in the preceding periods ended 28 November 2018 and 31 December 2019 respectively, are being amortised quarterly on a straight line basis over the life of the loan, and included within net finance costs (see note 5).

13. THE GROUP AS LESSOR – OPERATING LEASE RECEIPTS

At the balance sheet date, the Group had contracted with tenants for the future minimum lease receipts as shown in the table below. The data is for the period to the first tenant break option.

	2021	2020
	£'000	£'000
Within one year	**12,379**	14,612
From one to two years	**9,468**	13,666
From two to five years	**12,821**	20,236
Over five years	**15,374**	16,102
	50,042	64,616

HIGHCROSS LEICESTER HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 December 2021

14. CALLED UP SHARE CAPITAL

	2021 £'000	2020 £'000
Allotted, called up and fully paid:		
232,636,735 (2020: 230,734,568) ordinary shares of £1 each	**232,637**	230,735

On 21 June 2021, the Company issued 1,902,167 additional ordinary shares of £1 each at par to Highcross Leicester (GP) Limited on behalf of Highcross Leicester Limited Partnership, which was settled through intercompany account.

15. FINANCIAL INSTRUMENTS

The carrying values of the Group's financial assets and liabilities are summarised by category below:

	2021 £'000	2020 £'000
Financial assets		
Measured at amortised cost:		
Trade receivables	**2,378**	5,482
Amounts owed by Highcross Leicester (GP) Limited	**10,363**	10,362
Amounts owed by Highcross Leicester Limited Partnership	**2,028**	1,243
Amounts owed by Hammerson Operations Limited	**173**	-
Amounts owed to Hammerson Group Management Limited	**8**	-
Amounts owed by Hammerson Highcross Investments Limited	**2**	2
Amounts owed by Hammerson (Leicester GP) Limited	**10**	10
Amounts owed by The Norinchukin Bank	**329**	-
Other receivables	**126**	1,163
Restricted monetary assets	**3,476**	1,194
Cash and deposits	**10,749**	6,582
	29,642	26,038
Financial liabilities		
Measured at amortised cost:		
Trade payables	**3,461**	2,615
Amounts owed to Hammerson UK Properties Limited (formerly Hammerson UK Properties Plc)	**715**	1,004
Amounts owed to Hammerson Operations Limited	**-**	139
Amounts owed to Hammerson plc	**196**	99
Amounts owed to Hammerson Group Management Limited	**-**	12
Amounts owed to The Norinchukin Bank	**-**	195
Other payables: current liabilities	**1,859**	2,054
Accruals	**2,745**	10,628
Secured debt, net of unamortised loan facility fees	**158,581**	158,256
Other payables: non-current liabilities	**1,004**	1,016
	168,561	176,018

15. FINANCIAL INSTRUMENTS (CONTINUED)

The Group's income, expense, gains and losses in respect of financial instruments are summarised below:

	2021 £'000	2020 £'000
Movement on impairment provision against trade receivables:		
- recognised in the consolidated statement of comprehensive income	**4,108**	(6,216)
- not yet recognised in the consolidated statement of comprehensive income	**1,139**	(1,852)
	5,247	(8,068)
Movement on impairment provision against other receivables	**91**	(105)
Net finance income/(costs) (see note 5)	**1,092**	(8,235)

16. RESERVES

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

Reserve	Description and purpose
(Accumulated losses)/ Retained earnings	Cumulative profits and losses less any dividends paid

17. ADVANCES, CREDIT AND GUARANTEES

The Group and the Company did not grant any credits, advances or guarantees of any kind to its Directors during the current or preceding year.

18. RELATED PARTY DISCLOSURE

Other than disclosed in notes 3, 4, 6, 8, 11 and 14 there were no material related party transactions during the current or preceding year.

The Group entered into related party transactions or had balances outstanding with the following related parties:

Related party	**Relationship**
Hammerson plc	Ultimate controlling party
The Norinchukin Bank	Ultimate controlling party
Highcross Leicester (GP) Limited	Fellow group undertaking
Highcross Leicester Limited Partnership	Immediate controlling party
Hammerson Operations Limited	Fellow group undertaking
Hammerson Highcross Investments Limited	Fellow group undertaking
Hammerson (Leicester GP) Limited	Fellow group undertaking
Hammerson UK Properties Limited (formerly Hammerson UK Properties plc)	Fellow group undertaking
Hammerson Group Management Limited	Fellow group undertaking

19. ULTIMATE PARENT COMPANY AND CONTROLLING PARTY

At 31 December 2021, the Company's immediate controlling party was Highcross Leicester Limited Partnership.

The ultimate controlling parties are Hammerson plc, M&G plc and The Norinchukin Bank registered in England and Wales and overseas respectively.

The consolidated financial statements of the ultimate controlling parties are available from:

Hammerson plc	M&G plc	The Norinchukin Bank
The Company Secretarial Department	10 Fenchurch Avenue	1-2-1
Kings Place	London EC3M 5AG	Otemachi
90 York Way		Chiyoda-Ku
London N1 9GE		Tokyo
		100-8155
		Japan

HIGHCROSS LEICESTER HOLDINGS LIMITED

COMPANY BALANCE SHEET
As at 31 December 2021

	Note	2021		2020	
		£'000	**£'000**	£'000	£'000
Non-current assets					
Investments	C		**35,686**		96,693
Current assets					
Receivables	D	**2,269**		1,483	
Current liabilities					
Payables	E	**(3,243)**		(2,457)	
Net current liabilities			**(974)**		(974)
Net assets			**34,712**		95,719
Capital and reserves					
Called up share capital	14		**232,637**		230,735
Accumulated losses	16		**(197,925)**		(135,016)
Total equity			**34,712**		95,719

The financial statements were authorised for issue by the Board of Directors on 10 August 2022 and were signed on its behalf.

Richard Shaw

R.G. Shaw
Director
Registration number: 04365045

HIGHCROSS LEICESTER HOLDINGS LIMITED

COMPANY STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2021

	Called up share capital £'000	Retained earnings/ (Accumulated losses) £'000	Total equity £'000
At 1 January 2020[1]	230,735	2,245	232,980
Loss and total comprehensive expense for the financial year	-	(146,511)	(146,511)
Dividend[1]	-	(3,773)	(3,773)
Repayment of dividend[1]	-	13,023	13,023
At 31 December 2020	230,735	(135,016)	95,719
Loss and total comprehensive expense for the financial year	-	(62,909)	(62,909)
Issue of shares	1,902	-	1,902
At 31 December 2021	**232,637**	**(197,925)**	**34,712**

1 In December 2020, the Directors concluded that the dividend paid during the preceding 13-month period ended 31 December 2019 of £9,250,000 and the dividend paid in January 2020 of £3,773,000, were unlawfully declared, as the share capital of the Company exceeded its net assets at the dates of declaration. Consequently, having taken legal advice, on 18 December 2020, the dividends were repaid in full and settled through intercompany account. The remedy enacted was in line with the legal advice received.

A. ACCOUNTING POLICIES

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

i. Basis of accounting

Basis of preparation
Highcross Leicester Holdings Limited is a private company limited by shares and 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 page 1. 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 102 ("FRS 102") as issued by the Financial Reporting Council, and in accordance with certain provisions applicable to companies subject to the small companies' regime.

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. Historical cost is generally based on the fair value of the consideration given in exchange for the goods and services.

The significant accounting policies relevant to the Company are the same as those for the Group as set out in note 1, except for significant judgements and key estimates related to investments as detailed in note A(iii).

ii. Going concern

The Company has net current liabilities as at 31 December 2021, due primarily to amounts payable to one of its subsidiaries. The Company from a going concern perspective is inextricably linked to the Group. As explained in note 1(b) to the Group financial statements, the Directors have concluded that it is appropriate to prepare the Group financial statements on a going concern basis. This conclusion also applies to the preparation of the Company's financial statements for the reasons set out in that note.

However, consistent with the rationale and conclusion set out in note 1(b) for the Group financial statements, the Directors have concluded by extension that there is a material uncertainty which may cast doubt on the Company's ability to continue as a going concern. No adjustments have been made to the financial statements that would result if the Company were unable to continue as a going concern. For further details refer to note 1(b) of the Group financial statements.

A. ACCOUNTING POLICIES (CONTINUED)

iii. 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 judgement and area of estimation uncertainty is in respect of the valuation of investments. The Company's investments includes its investment in Highcross Shopping Centre Limited ("HSCL"), which is carried in the balance sheet at historical cost less provision for impairment, which is valued by the Directors based upon the net assets of the company in which it invests. The principal asset of HSCL is its investment properties which are valued six monthly by professionally qualified external valuers. The Directors must ensure they are satisfied that the Company's investment in HSCL is appropriate for the financial statements. The basis of valuation of the HSCL's investment properties is set out in the notes to the financial statements of that company for the year ended 31 December 2021.

B. RESULTS AND DIVIDENDS

As permitted by s408 of the Companies Act 2006, the income statement of the Company is not presented as part of these financial statements. The loss for the year attributable to equity shareholders within the financial statements of the Company was £62,909,000 (2020: £146,511,000).

Dividend information is provided in paragraph 3 'Results and Dividends' of the Director's Report on page 1.

HIGHCROSS LEICESTER HOLDINGS LIMITED

NOTES TO THE COMPANY FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 December 2021

C. INVESTMENTS

i. Investment in Group undertakings

	Cost £'000	Impairment provision £'000	Carrying value £'000
At 1 January 2020	428,672	(194,718)	233,954
Movement in impairment provision	-	(137,261)	(137,261)
At 31 December 2020	428,672	(331,979)	96,693
Additions*	1,902	-	1,902
Movement in impairment provision	-	(62,909)	(62,909)
At 31 December 2021	**430,574**	**(394,888)**	**35,686**

* On 21 June 2021, the Company acquired 1,902,167 additional ordinary shares of £1 each, which were issued at par by Highcross Shopping Centre Limited.

ii. The Company owns 100% of the capital of the companies and limited partnership listed below, either directly or indirectly.

Name	Class of share capital held	Nature of business
Highcross Shopping Centre Limited[1]	Ordinary	Property investment
Highcross (GP) Limited[1]	Ordinary	Holding company
The Highcross Limited Partnership[1,3]	Partner capital	Limited partnership
Highcross Leicester Limited[2]	Ordinary	Holding company
Highcross (No. 1) Limited[2,4]	Ordinary	Dormant
Highcross (No. 2) Limited[2,4]	Ordinary	Dormant
Highcross Residential Properties Limited[1,4]	Ordinary	Dormant
Highcross Residential (Nominees 1) Limited[1,5]	Ordinary	Dormant
Highcross Residential (Nominees 2) Limited[1,5]	Ordinary	Dormant

1 Registered office: Kings Place, 90 York Way, London N1 9GE.
2 Registered office: 47 Esplanade, St Helier, Jersey, JE1 OBD, Channel Islands.
3 The Company has a direct interest of 49.99725% in The Highcross Limited Partnership (the "Partnership"), and an indirect interest of 50.00275% through its 100% interest in Highcross (GP) Limited and Highcross Leicester Limited, which have direct interests of 0.0055% and 44.99725% respectively, in the Partnership.
4 Highcross (No. 1) Limited, Highcross (No. 2) Limited and Highcross Residential Properties Limited are wholly-owned by Highcross (GP) Limited.
5 Highcross Residential (Nominees 1) Limited and Highcross Residential (Nominees 2) Limited are wholly-owned by Highcross Shopping Centre Limited.

D. RECEIVABLES

	2021 £'000	2020 £'000
Amounts owed by Highcross Leicester Limited Partnership	**2,269**	1,483

All amounts shown under receivables fall due for payment within one year and are repayable on demand. The amounts are unsecured. Amounts owed by the entity listed above are non-interest bearing.

E. PAYABLES

	2021 £'000	2020 £'000
Amounts owed to Highcross Shopping Centre Limited	**2,250**	1,464
Amounts owed to The Highcross Limited Partnership	**993**	993
	3,243	2,457

All amounts are unsecured and due within one year. Amounts owed to the entities listed above are non-interest bearing.