

Registered number: 04125216

HAMMERSON OPERATIONS LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

Year ended 31 December 2020

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HAMMERSON OPERATIONS LIMITED

DIRECTORS' REPORT

Year ended 31 December 2020

The Directors submit their report and the audited financial statements for Hammerson Operations Limited (the "Company") for the year ended 31 December 2020.

1. PRINCIPAL ACTIVITIES AND FUTURE DEVELOPMENT

The principal activity of the Company is property management in the United Kingdom. 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 page 4, 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 profit for the year after tax was £3,925,000 (2019: £3,849,000). The Directors do not recommend the payment of a dividend for the year (2019: £13,000,000).

As at 31 December 2020, the Company had net current assets of £9,489,000 (2019: £5,530,000) and net assets of £9,489,000 (2019: £5,564,000).

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) Mr. A.J. Berger-North resigned as a Director of the Company on 7 August 2020.
- (c) Mr. T.J. Cochrane was appointed as a Director of the Company on 7 August 2020 and resigned as a Director of the Company on 17 February 2021.
- (d) Mr. P. J. Denby was appointed as a Director of the Company on 9 September 2020 and was in office at the date of approval of this report.
- (e) Mr. H. Ebison was appointed as a Director of the Company on 17 February 2021 and was in office at the date of approval of this report.
- (f) Mr. G. Peureux was appointed as a Director of the Company on 9 April 2021 and was in office at the date of approval of this report.
- (g) In accordance with the Articles of Association of the Company, the Directors are not required to retire by rotation.
- (h) 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 OPERATIONS LIMITED

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 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 made 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 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 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.

HAMMERSON OPERATIONS LIMITED

DIRECTORS' REPORT (CONTINUED)

Year ended 31 December 2020

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

For information on how the Company and the Hammerson Group engages with stakeholders, including suppliers, customers and others in a business relationship, please refer to the Annual Report and financial statements for the year ended 31 December 2020 of Hammerson plc, the ultimate parent company.

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
- 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 Company's auditors are aware of that information.

By order of the Board



M.R. Bourgeois

Director

Registered number 04125216

Date: 21 September 2021

HAMMERSON OPERATIONS LIMITED

STRATEGIC REPORT

Year ended 31 December 2020

Review of the business

Performance during the year

During the year, the Company was engaged to manage and administer property activities on behalf of Hammerson UK Properties plc ("HUK") and its subsidiaries in the United Kingdom. The Company made an operating profit of £3,754,000 (2019: £3,458,000).

HUK 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.

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 that for the properties the Company manages on behalf of HUK, the net rental income levels and property valuations will continue to remain challenged in 2021. However, it is not anticipated that the Covid-19 pandemic will have a significant impact on the Company.

Key Performance Indicators

The Directors consider the following measures to be the key performance indicators for the Company: Property fee income and profit on ordinary activities before taxation.

The Company generated profit on ordinary activities of £3,925,000 (2019: £3,849,000) and generated property fee income of £6,974,000 (2019: £6,862,000) from service charges and by providing services to properties owned by HUK subsidiaries and certain joint ventures.

Principal risks

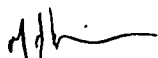
The key short-term risk facing HUK relates to the Covid-19 pandemic and its impact on the operations of the entities in which it invests. As the Company incurs costs on behalf of fellow group companies and recharges these companies at cost, it is not anticipated that the Covid-19 pandemic or external and economic conditions will have a significant impact on the Company.

A more comprehensive discussion of risks, risk management and key performance indicators is included in both the Annual Report of the ultimate parent company, Hammerson plc, and in the financial statements of HUK, neither of which form part of this report.

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 ended 31 December 2020.

Signed on behalf of the Board of Directors



M.R. Bourgeois

Director

Date: 21 September 2021

Independent auditors' report to the members of Hammerson Operations Limited

Report on the audit of the financial statements

Opinion

In our opinion, Hammerson Operations Limited'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 profit 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: the balance sheet as at 31 December 2020; 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 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.
- 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. 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.



Robert Wilkinson (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
21 September 2021

HAMMERSON OPERATIONS LIMITED

STATEMENT OF COMPREHENSIVE INCOME **For the year ended 31 December 2020**

	Note	2020 £'000	2019 £'000
Revenue	2	13,271	14,791
Total administrative costs	3(a)	(10,139)	(11,333)
Government grant	3(a)	622	-
Net administrative expenses	3(a)	(9,517)	(11,333)
Operating profit		3,754	3,458
Net finance income	4	171	391
Profit on ordinary activities before and after taxation and total comprehensive income for the financial year		3,925	3,849

All amounts relate to continuing activities

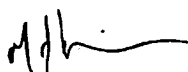
HAMMERSON OPERATIONS LIMITED

BALANCE SHEET

As at 31 December 2020

	Note	2020		2019	
		£'000	£'000	£'000	£'000
Non-current assets					
Plant and equipment	6		-		34
Current assets					
Receivables	7	17,997		16,972	
Current liabilities					
Payables	8	<u>(8,508)</u>		<u>(11,442)</u>	
Net current assets			<u>9,489</u>		<u>5,530</u>
Total asset less current liabilities			<u>9,489</u>		<u>5,564</u>
Net assets			<u>9,489</u>		<u>5,564</u>
Capital and reserves					
Called up share capital	9		-		-
Retained earnings	10		<u>9,489</u>		<u>5,564</u>
Total equity			<u>9,489</u>		<u>5,564</u>

These financial statements were approved by the Board of Directors on 21 September 2021 and were signed on its behalf.



M.R. Bourgeois

Director

Registered number 04125216

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

	Called up share capital £'000	Retained earnings £'000	Total equity £'000
At 1 January 2019	-	14,715	14,715
Profit and total comprehensive income for the financial year	-	3,849	3,849
Dividends		<u>(13,000)</u>	<u>(13,000)</u>
At 31 December 2019	-	5,564	5,564
Profit and total comprehensive income for the financial year	-	<u>3,925</u>	<u>3,925</u>
At 31 December 2020	<u>-</u>	<u>9,489</u>	<u>9,489</u>

HAMMERSON OPERATIONS LIMITED

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

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(m).

HAMMERSON OPERATIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Year ended 31 December 2020

1. ACCOUNTING POLICIES (CONTINUED)

(a) Basis of accounting (continued)

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. The financial statements of Hammerson plc are publicly available and can be obtained as described in note 12.

(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 net current assets, which relate primarily to amounts due from its ultimate parent company, Hammerson plc, with no external borrowings or debt covenants.

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.

HAMMERSON OPERATIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Year ended 31 December 2020

1. ACCOUNTING POLICIES (CONTINUED)

(b) Going concern (continued)

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 £1,099 million (Group's share £452 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 £361 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 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.

(c) Revenue

Revenue represents fee income charged, or chargeable to, group entities for the provision of management and other services and is recognised in the statement of comprehensive income on an accruals basis. The two revenue streams are recognised on a gross basis as the entity has retained the risk and rewards.

The Company raises invoices and collects arrears in respect of other rental income, on behalf of Hammerson UK Properties plc ("HUK")'s property-owning subsidiaries and joint venture interests (the "entities").

These entities bear the risks associated with the other rental income and its related costs and therefore the Company accounts for these transactions as an agent and does not recognise revenues and costs on a gross basis within its statement of comprehensive income.

All other rental income and costs, including loss allowance provisions, are recharged to fellow group companies through intercompany accounts on an accruals basis.

HAMMERSON OPERATIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Year ended 31 December 2020

1. ACCOUNTING POLICIES (CONTINUED)

(d) Government grants

Government assistance is recognised in the statement of comprehensive income on a systematic basis over the periods in which the Company recognises as expense the related costs for which the grants are intended to compensate. Where government assistance has been received in relation to specific costs the government assistance is recognised as other income.

(e) Net finance income

Net finance income includes interest receivable from group undertakings net of interest payable on borrowings.

(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) Trade and other receivables and payables

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

Trade receivables represent other rental income billed to tenants and other third parties on behalf of Hammerson UK Properties plc's property-owning subsidiaries and joint venture interests. The related income is recharged to the relevant subsidiaries or joint ventures.

Trade receivables are shown net of any expected credit loss provision. The credit loss provision is recharged to fellow group companies.

(h) 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.

HAMMERSON OPERATIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Year ended 31 December 2020

1. ACCOUNTING POLICIES (CONTINUED)

(i) 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 the 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.

(j) Employee benefits - defined contribution pension plans

Obligations for contributions to defined contribution pension plans are charged to the statement of comprehensive income as incurred.

(k) Taxation

Current tax is the expected tax payable on the taxable income for the year, using tax rates applicable at the balance sheet date, together with any adjustment in respect of previous years.

(l) Plant and equipment

Plant and equipment is stated at cost less accumulated depreciation. Depreciation is charged to the statement of comprehensive income on a straight-line basis over the estimated useful life, which is generally between three and five years.

(m) 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 Company's critical judgement and area of estimation uncertainty is in respect of impairment provisions.

HAMMERSON OPERATIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Year ended 31 December 2020

1. ACCOUNTING POLICIES (CONTINUED)

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

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 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 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 trade receivables due at the balance sheet date are reflected in the balance sheet of the Company, with other rental income and its related costs being recharged to Hammerson UK Properties plc's property-owning subsidiaries and joint venture interests (the "entities"). These costs include the additional loss allowance provisions against trade receivables referred to below.

The table below presents the trade receivables due at the balance sheet date and the total loss allowance provision. The loss allowance provision is recharged to fellow group companies. In these entities' financial statements, the loss allowance provision is then analysed between those amounts recognised by these entities before 31 December 2020 and those for which the corresponding credits to these entities' statements of comprehensive income have yet to be recognised.

	2020 £'000	2019 £'000
Trade receivables	4,122	4,692
Loss allowance provision	<u>(1,716)</u>	<u>(76)</u>
Net receivable (see note 7)	<u>2,406</u>	<u>4,616</u>

2. REVENUE

The Company receives fees for providing management services to group entities. All fees are derived in the United Kingdom and can be analysed as follows:

	2020 £'000	2019 £'000
Property management fees	6,974	6,862
Management fee receivable from fellow group companies	<u>6,297</u>	<u>7,929</u>
	<u>13,271</u>	<u>14,791</u>

HAMMERSON OPERATIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Year ended 31 December 2020

3. ADMINISTRATIVE EXPENSES

	2020	2019
(a) Analysis:	£'000	£'000
Staff costs (note 3(b))	6,485	7,459
Management fee payable to fellow group company	2,082	2,165
Total staff costs	8,567	9,624
Other costs	1,572	1,709
Total costs	10,139	11,333
Government grant*	(622)	-
Net administrative costs	9,517	11,333

* The government grant includes the government support received of £622,000 (2019: £nil) relating to the Coronavirus Job Retention Scheme.

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 purpose of disclosure.

Of the total staff costs £6,297,000 (2019: £7,929,000) was recharged as management fee income to fellow group companies as shown in note 2.

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 £3,850 (2019: £3,690).

(b) Staff costs:	2020	2019
	£'000	£'000
Wages and salaries	5,430	5,670
Accrued performance-related cash bonuses	-	619
Over-accrual of prior year performance-related cash bonuses	(46)	-
	5,384	6,289
Social security costs	637	708
Other pension costs	464	462
	6,485	7,459

(c) The average number of persons employed by the Company during the year was 129 (2019: 142).

HAMMERSON OPERATIONS LIMITED

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Year ended 31 December 2020

4. NET FINANCE INCOME

	2020 £'000	2019 £'000
Interest receivable from ultimate parent company	172	395
Other interest payable	(1)	(4)
	<u>171</u>	<u>391</u>

5. TAXATION

(a) Tax charge

	2020 £'000	2019 £'000
Tax charge on profit on ordinary activities	-	-

(b) Factors affecting total tax charge

The tax assessed on the profit for the year is different from the standard rate of corporation tax of 19% (2019: 19%). The differences are reconciled below:

	2020 £'000	2019 £'000
Profit on ordinary activities before tax	<u>3,925</u>	<u>3,849</u>
Profit at UK corporation tax rate of 19% (2019: 19%)	746	731
Effect of:		
Timing differences	6	5
Permanent differences	1	2
Group relief	<u>(753)</u>	<u>(738)</u>
Total tax charge	<u>-</u>	<u>-</u>

6. PLANT AND EQUIPMENT

The movements in the year were:

	Cost £'000	Accumulated depreciation £'000	Net book value £'000
At 1 January 2019	227	(148)	79
Depreciation for the year	-	(45)	(45)
At 1 January 2020	227	(193)	34
Depreciation for the year	-	(34)	(34)
At 31 December 2020	<u>227</u>	<u>(227)</u>	<u>-</u>

HAMMERSON OPERATIONS LIMITED**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**Year ended 31 December 2020**7. RECEIVABLES: CURRENT ASSETS**

	2020 £'000	2019 £'000
Trade receivables	2,406	4,616
Amounts owed by ultimate parent company	14,771	12,258
Amounts owed by fellow subsidiary undertakings	38	-
Amounts owed by The Bull Ring Limited Partnership	23	2
Amounts owed by Croydon Management Services Limited	26	-
Amounts owed by Croydon Limited Partnership	63	63
Amounts owed by Highcross Limited Partnership	4	-
Amounts owed by Highcross Shopping Centre Limited	135	-
Other receivables	531	33
	17,997	16,972

All amounts shown under receivables fall due for payment within one year and are repayable on demand. Amounts owed by the ultimate parent company bear interest at variable rates based on LIBOR. Amounts owed by fellow subsidiary undertakings and the related party undertakings listed above are non-interest bearing. All amounts owed are unsecured.

Trade receivables are shown after deducting a loss allowance provision of £1,716,000 (2019: £76,000).

8. PAYABLES: CURRENT LIABILITIES

	2020 £'000	2019 £'000
Trade payables	364	838
Amounts owed to fellow subsidiary undertakings	3,272	3,314
Amounts owed to Brent Cross Limited Partnership	2	1,977
Amounts owed to The Bristol Alliance Limited Partnership	163	432
Amounts owed to Croydon Limited Partnership	-	47
Amounts owed to Grand Central Limited Partnership	490	317
Amounts owed to Highcross Shopping Centre Limited	-	662
Amounts owed to The Oracle Limited Partnership	966	419
Amounts owed to Silverburn Unit Trust	979	341
Amounts owed to The West Quay Limited Partnership	778	295
Deferred income	795	1,954
Other payables and accruals	699	846
	8,508	11,442

Amounts owed to fellow subsidiary undertakings and the related party undertakings listed above are repayable on demand and are non-interest bearing. All amounts owed are unsecured.

HAMMERSON OPERATIONS LIMITED

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Year ended 31 December 2020

9. CALLED UP SHARE CAPITAL

	2020 £	2019 £
Authorised:		
100 ordinary shares of £1 each	<u>100</u>	<u>100</u>
Allotted, called up and fully paid:		
2 ordinary shares of £1 each	<u>2</u>	<u>2</u>

10. RESERVES

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

<u>Reserve</u>	<u>Description and purpose</u>
Retained earnings	Cumulative profits and losses less any dividends paid

11. 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 year.

12. 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 these financial statements. At 31 December 2020, the Company's immediate parent company was Hammerson UK Properties plc, 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.