

Registered Number: 02489293

GRANTCHESTER LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

Year ended 31 December 2020



GRANTCHESTER LIMITED

DIRECTORS' REPORT

Year ended 31 December 2020

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

1. PRINCIPAL ACTIVITIES AND FUTURE DEVELOPMENTS

The principal activity of the Company is to act as an investment holding company 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 loss for the year after tax was £15,562,000 (2019: profit £1,159,000). The Directors do not recommend the payment of a dividend for the year (2019: £nil).

As at 31 December 2020, the Company had net current assets of £35,090,000 (2019: £29,379,000) and net assets of £142,151,000 (2019: £157,713,000).

3. DIRECTORS

- (a) Mr. M.R. Bourgeois was a Director of the Company throughout the year and resigned as a Director of the Company on 11 November 2021.
- (b) Mr. A.J. Berger-North resigned as a Director of the Company on 7 August 2020.
- (c) Mr. M. Ashton was appointed as an Alternate Director of the Company on 3 February 2020 and resigned as an Alternate Director of the Company on 27 March 2020.
- (d) Mr. T. Beaney and Mr. S.C. Travis were appointed as Alternate Directors of the Company on 3 February 2020 and were in office at the date of approval of this report.
- (e) Mr. T. Cochrane was appointed as a Director of the Company on 7 August 2020 and resigned as a Director of the Company on 19 May 2021.
- (f) Mr. P.J. Denby was appointed as a Director of the Company on 4 November 2021 and was in office at the date of approval of this report.
- (g) Miss. A. Dunning was appointed as a Director of the Company on 11 November 2021 and was in office at the date of approval of this report.
- (h) In accordance with the Articles of Association of the Company, the Directors are not required to retire by rotation.
- (i) 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.

GRANTCHESTER 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 in light of 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 Hammerson plc's latest condensed consolidated interim financial report for the half-year reporting period ended 30 June 2021 was prepared on a going concern basis, the Directors note that it 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 this report.

7. INDEPENDENT AUDITORS

BDO 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.

BDO 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.

GRANTCHESTER 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 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.

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

9. 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.

On behalf of the Board



P.J. Denby

Director

Registered Number: 02489293

Date: 14 December 2021

GRANTCHESTER LIMITED

STRATEGIC REPORT

Year ended 31 December 2020

BUSINESS REVIEW AND FUTURE PROSPECTS

At 31 December 2020, the Company's fixed asset investments were carried at an impaired cost of £107,060,000 (2019: £128,334,000). During 2020, the Company increased a previous impairment provision by £21,274,000 (2019: £635,000 decrease).

It is expected that the Company will continue to hold investments for the foreseeable future.

The Company acts as an intermediate holding company, and therefore the Directors consider the financial strength of the Company's investments and continued funding from the Company's ultimate parent company to be the key risks for the Company.

A more comprehensive discussion of risks, risk management and key performance indicators are included in the Annual Report of the ultimate controlling party which does not form part of this report.

The Directors have considered the use of the going concern basis in the preparation of the financial statements as at 31 December 2020 and concluded that it was appropriate. More information is provided in note 1(b) to the financial statements.

During the year, the Company had an indirect interest in Central Retail Park in Falkirk and Cleveland Retail Park in Middlesbrough (the "Retail Parks"). The Retail Parks have been affected by the recent Covid-19 pandemic. This unprecedented situation has had a significant impact due to the closure of all non-essential retail during continued periods of national and local lockdown.

The asset management team have worked hard to reach fair and reasonable agreements with tenants, offering flexible repayment terms or rent waivers where appropriate. In spite of the proactive measures taken, rent collection was significantly below historic levels. After negotiations with tenants, at the balance sheet date approximately 82% and 92% of rent demanded in 2020 was collected in relation to the Falkirk and Middlesbrough retail parks respectively.

On 19 May 2021, the Company disposed of its main investments, Grantchester Developments (Falkirk) Limited and Grantchester Properties (Middlesbrough) Limited to an external third-party. See note 15 to the financial statements for further details. The Director's anticipate residual investment activity in the foreseeable future.



P.J. Denby

Director

Date: 14 December 2021

GRANTCHESTER LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF GRANTCHESTER LIMITED

Opinion

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2020 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Grantchester Limited ("the Company") for the year ended 31 December 2020 which comprise the statement of comprehensive income, the balance sheet and the statement of changes in equity, and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 *Reduced Disclosure Framework* (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's 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 are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Material uncertainty related to going concern

We draw attention to note 1(b) which indicates that the Company is reliant upon the financial support of its ultimate parent company and that the directors of the ultimate parent company have identified a material uncertainty over that entity's ability to continue as a going concern. This could impact on the ultimate parent company's ability to provide the necessary level of support to the Company. As stated in note 1(b), these events or conditions, along with other matters as set out in note 1(b), indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

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

Other information

The Directors are responsible for the other information. The other information comprises the information included in the Annual Report and Financial Statements other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. 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 course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. 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 in this regard.

GRANTCHESTER LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF GRANTCHESTER LIMITED (CONTINUED)

Other Companies Act 2006 reporting

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Directors' report and Strategic report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Directors' report and Strategic report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Directors' report or the Strategic report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

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

Responsibilities of Directors

As explained more fully in the Statement of directors' responsibilities, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors 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.

Auditor's 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 auditor's 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.

Extent to which the audit was capable of 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:

- We gained an understanding of the legal and regulatory framework applicable to the Company and the industry in which it operates, and considered the risk of acts by the Company that were contrary to applicable laws and regulations, including fraud.

GRANTCHESTER LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF GRANTCHESTER LIMITED (CONTINUED)

Auditor's responsibilities for the audit of the financial statements (continued)

- We considered the Company's compliance with laws and regulations that have a significant impact on the financial statements including, but not limited to, UK accounting standards, company law and tax legislation, and we considered the extent to which non-compliance might have a material effect on the Company's financial statements.
- We designed audit procedures to identify instances of non-compliance with such laws and regulations. Our procedures included reviewing the financial statement disclosures and agreeing to underlying supporting documentation where necessary. We made enquiries of management and the Directors as to the risks of non-compliance and any instances thereof.
- We addressed the risks of management override of internal controls, including testing a sample of journal entries based on risk criteria processed during the year and evaluating whether there was evidence of bias by management in accounting estimates or judgements that represented a risk of material misstatement due to fraud.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that 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, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

A further description of our responsibilities is available on the Financial Reporting Council's website at: <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Use of our report

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

DocuSigned by:

Christopher Wingrave

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Christopher Wingrave (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
Gatwick, United Kingdom
Date: 16 December 2021

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

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

	Note	2020 £'000	2019 £'000
(Increase)/Decrease in impairment provision on investments	3	(21,274)	635
Other gains	4	4,265	-
Investment income	5	1,000	9
Operating (loss)/profit		(16,009)	644
Net finance income	6	447	515
(Loss)/Profit before and after taxation and total comprehensive (expense)/income for the financial year		<u>(15,562)</u>	<u>1,159</u>

All amounts relate to continuing activities.

GRANTCHESTER LIMITED**BALANCE SHEET****As at 31 December 2020**

	Note	2020	2019
		£'000	£'000
Non-current assets			
Investments	8(a)	107,060	128,334
Current assets			
Receivables	9	35,481	29,806
Current liabilities			
Payables	10	(390)	(427)
Net current assets		35,090	29,379
Net assets		142,151	157,713
Capital and reserves			
Called up share capital	11	18,379	18,379
Share premium	12	71,593	71,593
Capital redemption reserve	12	3,190	3,190
Retained earnings	12	48,989	64,551
Total equity		142,151	157,713

The financial statements were authorised for issue by the Board of Directors on 14 December 2021 and were signed on its behalf.

**P.J. Denby**

Director

Registered Number: 02489293

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

	Called up share capital £'000	Share premium £'000	Capital redemption reserve £'000	Retained earnings £'000	Total equity £'000
At 1 January 2019	18,379	71,593	3,190	63,392	156,554
Profit and total comprehensive income for the year	-	-	-	1,159	1,159
At 31 December 2019	18,379	71,593	3,190	64,551	157,713
Loss and total comprehensive expense for the year	-	-	-	(15,562)	(15,562)
At 31 December 2020	18,379	71,593	3,190	48,989	142,151

GRANTCHESTER LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2020

1. ACCOUNTING POLICIES

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

(a) Basis of accounting

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

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

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

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

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

Basis of preparation

Grantchester 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 Company's accounting policies have been applied consistently in the current and prior year except that the current year's results include an additional source of impairment loss within note 9 as detailed below:

Impairment provisioning

The Company is operating in an environment of heightened uncertainty caused by Covid-19 and consequently additional scrutiny and judgement is required in assessing revenue recognition and the potential impairment of financial assets. For the year ended 31 December 2020, the Company has applied the simplified approach under IFRS 9 and adopted a loss allowance provisioning matrix to determine the Expected Credit Loss (ECL), incorporating historic default information, latest credit metrics and expectations for future losses. This approach has been applied to the financial assets held by the Company.

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(i).

GRANTCHESTER LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Year ended 31 December 2020

1. ACCOUNTING POLICIES (CONTINUED)

(a) Basis of accounting (continued)

Disclosure exemptions adopted

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

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

The above disclosure exemptions have been adopted because equivalent disclosures are included in the consolidated financial statements of Hammerson plc into which the Company is consolidated. In addition, the Company is a wholly owned subsidiary of its ultimate parent, Hammerson plc, and is therefore exempt by virtue of section 400 of the Companies Act 2006 from the requirement to prepare consolidated financial statements. These are separate financial statements. The financial statements of Hammerson plc are publicly available and can be obtained as described in note 14.

GRANTCHESTER LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Year ended 31 December 2020

1. ACCOUNTING POLICIES (CONTINUED)

(b) Going concern

In considering going concern the Directors have initially assessed the current unprecedented levels of uncertainty, principally caused by the Covid-19 pandemic, on the Company's activities. In addition, the Directors note that the Company has net current assets which relate to amounts due from the ultimate parent company, 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.

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

By extension, the material uncertainty identified in the Group's latest financial report, 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) Fixed asset investments

Fixed asset investments, including investments in subsidiaries and associates, are shown at cost less provision for impairment.

GRANTCHESTER LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Year ended 31 December 2020

1. ACCOUNTING POLICIES (CONTINUED)

(d) Net finance income

Net finance income includes interest payable on borrowings, net of interest receivable from related party undertakings.

(e) 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.

(f) Other receivables

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. Other receivables are shown net of any expected credit loss provision.

(g) 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.

(h) Financial instruments

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

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

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

GRANTCHESTER LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Year ended 31 December 2020

1. ACCOUNTING POLICIES (CONTINUED)

(i) Critical accounting policies and estimation uncertainties

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

The Company's critical judgements and areas of estimation uncertainty is in respect of the valuation of investments and impairment provisions.

Valuation of investments

The Company's investments include subsidiaries, as per note 8(b), which are carried in the balance sheet at historical cost less provision for impairment, which is assessed by the Directors based upon the net assets of the subsidiaries in which the Company invests. The principal asset of each subsidiary is its investment property which is valued six monthly by professionally qualified external valuers. The Directors must ensure they are satisfied that the Company's investment in the subsidiaries is appropriate for the financial statements. The basis of the valuation of the subsidiaries investment properties is set out in the notes to the financial statements of these subsidiaries for the year ended 31 December 2020.

Impairment provisions

The Company is operating in an environment of heightened uncertainty caused by Covid-19 and consequently additional scrutiny and judgement is required in assessing revenue recognition and the potential impairment of financial assets. The Directors have assessed the recoverability of amounts due from related undertakings, taking into account the value of their underlying net assets. A loss allowance provision against amounts due from fellow subsidiary undertakings was made as at 31 December 2020 of £1,150,000 (2019: £nil).

An additional significant judgement necessary in the preparation of these financial statements was in relation to the appropriateness of the going concern basis of preparation, further information on which is provided in note 1(b).

2. ADMINISTRATIVE EXPENSES

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

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

Another group company has paid the auditors' fees for the audit of the Company's annual financial statements in both the current and preceding financial year. Fees for the audit of the Company were £900 (2019: £875).

GRANTCHESTER LIMITED**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**Year ended 31 December 2020**3. (INCREASE)/DECREASE IN IMPAIRMENT PROVISION ON INVESTMENTS**

	2020 £'000	2019 £'000
(Increase)/Decrease in impairment provision on investments - note 8 (b)	<u>(21,274)</u>	<u>635</u>

4. OTHER GAINS

	2020 £'000	2019 £'000
Forfeited deposit on aborted sale	5,415	-
Impairment of amounts due from fellow subsidiary undertaking - note 9	<u>(1,150)</u>	<u>-</u>
Total other gains	<u>4,265</u>	<u>-</u>

In February 2020, the Company exchanged contracts for the disposal of its investments in Grantchester Developments (Falkirk) Limited and Grantchester Properties (Middlesbrough) Limited to Orion European Real Estate Fund V ("Orion"). In April 2020, Orion notified the Company that it no longer intended to complete on the sale, despite unconditional contracts having been exchanged. In May 2020, the sale agreement was terminated and the Company retained the deposit.

5. INVESTMENT INCOME

	2020 £'000	2019 £'000
Investment income receivable	<u>1,000</u>	<u>9</u>

6. NET FINANCE INCOME

	2020 £'000	2019 £'000
Interest receivable from ultimate parent company	<u>447</u>	<u>515</u>

7. TAXATION**(a) Tax charge**

	2020 £'000	2019 £'000
Total UK tax charge	<u>-</u>	<u>-</u>

GRANTCHESTER LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Year ended 31 December 2020

7. TAXATION (CONTINUED)

(b) Factors affecting total tax charge

The tax assessed on the (loss)/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
(Loss)/Profit on ordinary activities before tax	<u>(15,562)</u>	<u>1,159</u>
(Loss)/Profit at UK corporation tax rate of 19% (2019: 19%)	(2,957)	220
Effects of:		
Impairment of investments and loans	4,260	(121)
Income from investments	(190)	(2)
Gain relating to forfeited deposit, covered by group losses	(1,028)	-
Group relief	<u>(85)</u>	<u>(97)</u>
Total tax charge for the year	<u>-</u>	<u>-</u>

8. INVESTMENTS

(a) Summary

	2020 £'000	2019 £'000
Investment in group companies - note 8 (b)	<u>107,060</u>	<u>128,334</u>

(b) Investment in group companies

	Cost £'000	Impairment provision £'000	Carrying value £'000
At 1 January 2019	150,850	(23,151)	127,699
Decrease in impairment provision - note 3	<u>-</u>	<u>635</u>	<u>635</u>
At 31 December 2019	150,850	(22,516)	128,334
Increase in impairment provision - note 3	<u>-</u>	<u>(21,274)</u>	<u>(21,274)</u>
At 31 December 2020	<u>150,850</u>	<u>(43,790)</u>	<u>107,060</u>

GRANTCHESTER LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Year ended 31 December 2020

8. INVESTMENTS (CONTINUED)

At 31 December 2020, the Company had a 100% interest in the ordinary share capital of the following companies, which are all registered in England and Wales with the same registered office as the Company:

Name	Class of share capital held	Nature of business
Crocusford Limited	Ordinary	Dormant
Grantchester Developments (Birmingham) Limited	Ordinary	Property investment
Grantchester Developments (Falkirk) Limited*	Ordinary	Property investment
Grantchester Group Limited	Ordinary	Management services
Grantchester Properties (Gloucester) Limited	Ordinary	Property investment
Grantchester Properties (Luton) Limited	Ordinary	Property investment
Grantchester Properties (Middlesbrough) Limited*	Ordinary	Property investment
Grantchester Properties (Nottingham) Limited	Ordinary	Dormant
Grantchester Properties (Port Talbot) Limited	Ordinary	Property investment
Grantchester Properties (Sunderland) Limited	Ordinary	Dormant
London & Metropolitan Northern	Ordinary	Dormant

* On 19 May 2021, Grantchester Developments (Falkirk) Limited and Grantchester Properties (Middlesbrough) were sold to an external third-party and the company names changed to Corona Vulcan Falkirk Limited and Corona Vulcan Middlesbrough Limited respectively. See note 15 for further details.

9. RECEIVABLES: CURRENT ASSETS

	2020 £'000	2019 £'000
Amounts owed by the ultimate parent company	35,481	28,647
Amounts owed by fellow subsidiary undertakings	-	1,159
	35,481	29,806

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

Amounts owed by fellow subsidiary undertakings are shown after a loss allowance provision of £1,150,000 (2019: £nil).

10. PAYABLES: CURRENT LIABILITIES

	2020 £'000	2019 £'000
Amounts owed to fellow subsidiary undertakings	390	427

Amounts owed to fellow subsidiary undertakings are repayable on demand and are non-interest bearing. All amounts owed are unsecured.

GRANTCHESTER LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Year ended 31 December 2020

11. CALLED UP SHARE CAPITAL

	2020 £'000	2019 £'000
Authorised:		
240,000,000 ordinary shares of £0.10 each	<u>24,000</u>	<u>24,000</u>
Allotted, called up and fully paid:		
183,793,589 ordinary shares of £0.10 each	<u>18,379</u>	<u>18,379</u>

12. RESERVES

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

<u>Reserve</u>	<u>Description and purpose</u>
Share premium	Amount subscribed for share capital in excess of nominal value.
Capital redemption reserve	Nominal value of share capital redeemed.
Retained earnings	Cumulative profits and losses less any dividends paid.

13. 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.

14. 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 Grantchester Holdings Limited, which is registered in England and Wales.

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

15. POST BALANCE SHEET EVENTS

On 19 May 2021, the Company disposed of its 100% interest in Grantchester Developments (Falkirk) Limited and Grantchester Properties (Middlesbrough) Limited to an external third party for proceeds of £42.3 million and £37.3 million, respectively. On the same day, the company names were changed to Corona Vulcan Falkirk Limited and Corona Vulcan Middlesbrough Limited.